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December 16, 2004

## Re: Transfer of .net Registration Fees

Dear Paul,

in reviewing the revised .net Request for Proposal, we've noticed a statement that ICANN has added regarding the transfer of registration fees (or lack thereof) from VeriSign to the successor registry operator. As it is currently worded, it is quite concerning – for end-customers, registrars and registries alike – and we'd ask for clarification.

On Page 12 of the RFP, under 'Part 2, Section 4: Revenue and Pricing Model', it is stated:

*"All applicants should note that registration fees paid to VeriSign prior to the actual transfer of operational responsibility will not be transferred to a subsequent registry operator."*

As it is worded, this will surely be of great concern to registrars and registrants, who have paid money to VeriSign with the understanding that those fees would go towards the improvement of the .net infrastructure and for the delivery of related domain registration services. The above statement seems to contradict this notion, instead implying that those fees will now go directly, and only, to the bottom line of VeriSign's financial statement. This "lost money" will subsequently not help to improve the performance, reliability and security of .net – which was the understanding and hope of the registrars and registrants – but rather, with no investment in the infrastructure, the continued development and improvement of .net is actually impeded.

If this is, in fact, the case, then we'd strongly argue that a letter be sent immediately by ICANN to all accredited .net registrars and known .net registrants informing them of this decision. It is important that they know and understand that the fees they paid to VeriSign will not be going towards .net infrastructure and related domain registration services. They should also be advised to *not* pay for any .net services beyond June 30, 2005 until a decision has been reached by ICANN at the end of March regarding the appointment of the successor registry.

Further, from our perspective as a registry, we believe this decision significantly impacts the upcoming evaluation of .net proposals. If VeriSign is allowed to retain fees for services it will not be providing, this gives them an unfair and unearned advantage regarding its 'Revenue and Pricing Model, Financial Strength and Stability' (RFP Part 2, Section 4). This financial advantage could be huge, as many registrars pay for services in multi-year increments (in some cases up to ten years in advance). Conservatively, if you consider there are about 5 million .net domains at about \$6 per name, and you expect that most registrars have paid *at least* one year in advance, then we're talking about \$30 million or more. This provides VeriSign with a significant and unfair competitive advantage, and we'd kindly ask that ICANN not consider these unearned VeriSign revenues when comparing the pricing models and financial stability of the bidding registries.

If the registration fees paid to VeriSign prior to June 30, 2005 are indeed not transferred to the subsequent registry operations, then it is our sincere hope that those fees are refunded to the registrars. In this case, with the fees rightly back in the hands of the registrars, those monies could then be re-paid to the new registry – to be used for the intended purpose of strengthening the .net infrastructure and for the delivery of domain registration services - though it should be pointed out that the new operator's fees may actually be less than what is currently being charged by VeriSign.

Paul, we'd kindly ask for clarification as to what is meant by the above statement regarding the transfer of registration fees found on Page 12 of the RFP. Thank you for your swift attention to this matter. Please contact me directly if any of the above is unclear, or if you have any questions for me.

Best regards,

A handwritten signature in black ink, appearing to be 'SD', written over a circular stamp or seal.

Sabine Dolderer  
Director, DENIC