



**The Internet Society of New Zealand Inc**

**Papers for Council Meeting  
Vol 1**

**16 June 2007**

# Agenda for a meeting of the InternetNZ Council

Saturday 16 June 2007

Level 10 Exchange Place, 5-7 Willeston St, Wellington

Start	Item	Person
9.00am	<b>Council Alone Time (no staff)</b>	President
9.15am	<b>Apologies:</b> Jonny Martin	President
9.18am	<b>Declaration of Councillor Interests</b>	President
9.20am	<b>Agenda Consideration - In Committee Items</b>	President
9.22am	<b>Consent Agenda Item</b> <i>President/</i> <i>THAT the minutes of the meeting held on 16 March 2007 be received and adopted as a true and correct record, AND THAT the following reports be received:</i>	President
	a. President's Report	
	b. Vice President's Report	
	c. Treasurer's Reports (Dec 06 – Mar 07 and Annual Accounts)	
	d. Executive Committee Minutes	
9.25am	<b>Matters Arising from the Minutes</b> Outstanding Action Points from Previous Meeting	President
9.30am	<b>NZRS Report</b> - Quarterly Result to 31 March 07 - Company Plan 2007 – 2008	Anne Urlwin Nick Griffin
9.45am	<b>NZOC Report</b> - Monthly reports, February 07 – April 07	Frank March
10.00am	<b>Morning Tea</b>	
10.15am	<b>Correspondence</b> - Email Members List Dominic Baron – Attack on Estonia	President
10.20am	<b>Structural Review</b> - Report from Structural Review Task Force, including the report from Westlake Consulting Ltd, and a report from the auditor	President
12.20pm	<b>Appointments Panel</b> - Recommendations for appointments to NZRS and NZOC	President
12.35pm	<b>Remuneration Panel</b> - Recommendations for 2007/08 honoraria / directors fees	Executive Director
12.50pm	<b>Lunch</b>	
1.25pm	<b>Executive Directors Report</b> - Redeemable Shares / History Book / .nz Honeypot / CA Scoping / KAREN connection / KAREN Advisory Board / Liz D-T Foundation	Executive Director
1.55pm	<b>NZ Fibre Fund</b>	Pete Macaulay
2.10pm	<b>Strategic Priorities</b>	President
2.40pm	<b>Outgoing Council</b>	President
2.45pm	<b>General Business</b> - Next Meetings: AGM – Friday 27 July 2007 - Council – Friday 31 August 2007	
3.00pm	<b>Council Meeting ends</b>	

# Annotated Agenda for a meeting of the InternetNZ Council

Saturday 16 June 2007

Level 10 Exchange Place, 5-7 Willeston St, Wellington

Start	Item	Person
9.00am	<b>Council Alone Time (no staff)</b>	President
9.15am	<b>Apologies:</b> Jonny Martin <i>President/</i> <i>THAT the apologies be received.</i>	President
9.18am	<b>Declaration of Councillor Interests</b>	President
9.20am	<b>Agenda Consideration - In Committee Items</b>	President
9.22am	<b>Consent Agenda Item</b> <i>President/</i> <i>THAT the minutes of the meeting held on 16 March 2007 be received and adopted as a true and correct record, AND THAT the following reports be received:</i> <ol style="list-style-type: none"> <li>a. President's Report</li> <li>b. Vice President's Report</li> <li>c. Treasurer's Reports (Dec 06 – Mar 07 and Annual Accounts)</li> <li>d. Executive Committee Minutes</li> </ol>	President
9.25am	<b>Matters Arising from the Minutes</b> Outstanding Action Points from Previous Meeting	President
9.30am	<b>NZRS Report</b> - Quarterly Result to 31 March 07 - Company Plan 2007 – 2008 <i>President/</i> <i>THAT the Quarterly Report to 31 March 2007 and the Company Plan 2007-2008 from NZRS be received.</i>	Anne Urlwin Nick Griffin
9.45am	<b>NZOC Report</b> - Monthly reports, February 07 – April 07 <i>March/</i> <i>THAT the NZOC Reports for February, March and April 2007 be received.</i>	Frank March
10.00am	<b>Morning Tea</b>	
10.15am	<b>Correspondence</b> - Email Members List Dominic Baron – Attack on Estonia	President
10.20am	<b>Structural Review</b> - Report from Structural Review Task Force, including the report from Westlake Consulting Ltd, and a report from the Auditors.  The following are moved pro forma by the President: <i>THAT Council receive with thanks the report of the Structural Review Task Force, including the "Structural Review – Final Report" from Westlake Consulting Ltd.</i>  <i>THAT Council publish the Task Force's report and the Structural Review – Final Report to members for their consideration, endorsing the concept of a four unit organisational model as proposed by the Review.</i>	President

THAT Recommendation 3.4 – the incorporation of NZOC as a limited liability company – be **considered further through formal consultation with the DNC and NZOC**, and a decision made at the Council meeting following consultation with the members at the 2007 AGM.

THAT Recommendation 3.8, shrinking the Council to 12 with four elected each year, and no term limits, be **endorsed** and this endorsement be advised to the members at the 2007 AGM.

THAT Recommendation 3.9, allowing the cooption of up to two people to the Council, be **endorsed** and this endorsement be advised to the members at the 2007 AGM.

THAT Recommendation 3.10, requiring the election of President and Vice President by Council instead of by the Members, be **endorsed** and this endorsement be advised to the members at the 2007 AGM.

THAT Recommendation 3.11, regarding the limited Council participation on governing bodies, be **endorsed** and this endorsement be advised to the members at the 2007 AGM.

THAT Council **include in the 2007 Annual General Meeting agenda** consideration of the Structural Review.

THAT Council **move the following constitutional amendments** for consideration by members in the run up to the 2007 Annual General Meeting:

**a) New Council size**

THAT Clause 6.2 of the Constitution be deleted and replaced with the following Clauses 6.2 and 6.2.1:

6.2 The Council of the Society shall consist of Officers and Elected Council Members. The total number Council members shall be 12, with the number of Elected Council members varying as necessary to maintain this number.

6.2.1 The application of Clause 6.2 is subject to the transitional clauses set out in Schedule 2 of the Constitution, which applies until no longer relevant.

Note: the only change in this clause is changing the number of Councillors from 14 to 12.

**b) New Council election rules**

THAT Clause 6.5 of the Constitution be deleted and replace with the following Clauses 6.5 and 6.5.1

6.5 Council Members shall be elected for a three-year term, until the conclusion of the AGM held in the year their term expires. Council Members may hold office for consecutive terms. Four members of Council are elected at each Annual General Meeting.

6.5.1 The application of Clause 6.5 is subject to the transitional clauses set out in Schedule 2 of the Constitution, which applies

until no longer relevant.

**c) New election of Officers**

THAT Clauses 7.3 and 7.4 of the Constitution be deleted (these clauses establish the roles of Secretary and Treasurer) and that the remaining clauses in section 7 be consequentially renumbered.

AND THAT current Clauses 7.6-7.8 of the Constitution be deleted (these clauses specify the current election process for Officers).

AND THAT new Clauses be added as follows:

7.4 At the first meeting of Council after each AGM, the Council will elect from their number a person to be President, and a person to be Vice President (collectively called the Officers).

7.5 The term of office for an Officer shall end at the AGM following the AGM at which they were elected.

7.6 No person is eligible to be elected as President or as Vice President for more than three terms, whether such terms are consecutive or not, and this term limit applies for life.

AND THAT the phrase "or Officer(s)" be deleted from Clauses 6.5, 6.6 and 6.7.

AND THAT the phrase "Officers and" be deleted in Clauses 10.2.3 (c) and 10.2.3 (d).

AND THAT Clause 10.2.3 (f) be deleted.

**d) Abolition of the Executive Committee, and provision for cooption to Council**

THAT Clause 6.9 of the Constitution (which establishes the Executive Committee) be deleted, and replaced with the following Clause 6.9:

6.9 From the AGM 2010 Council shall have the authority to co-opt up to 2 additional persons to sit on Council subject to a super majority of two thirds of Council co-opting the person. The term of office of a co-opted Council member shall be for a single term of up to three years, subject to ratification by Council following each Annual General Meeting by the same super-majority. This is lifetime limit for co-option. Any co-opted person must be a Member of the Society prior to and during the period of their co-option.

**e) The Common Seal**

THAT the last word of the first sentence of Clause 13, "President", be deleted and replaced with the word "Secretary".

**f) New Schedule 2 – Transitional Provisions**

THAT the following Schedule be added to the Constitution as Schedule 2, providing for the transitional arrangements required by the implementation of the Structural Review's recommendations:

**Schedule 2**

1. This Schedule governs the transition from the Constitution in force in June 2006 to the current text as adopted by the Members at the 2007 Annual General Meeting.

2. At the 2007 Annual General Meeting the following provisions apply:

2.1 The retiring Councillors and Officers at this Annual General Meeting are the President and Vice President, and the five Councillors elected at the 2005 Annual General Meeting (or their replacements, if the Councillors originally elected in 2005 have left the Council and been replaced by other Councillors in by-elections).

2.2 Members will elect a President and a Vice President, and four Councillors rather than the five which would otherwise have been elected under the previous Constitution.

2.3 The President and Vice President will be elected for a one year term, until the 2008 Annual General Meeting, at which point they will become ordinary Councillors whose term continues for a further two years, until the 2010 Annual General Meeting. This term for these Officers is not included in the term limits provided for in the Constitution.

2.4 The two top-polling Councillors will be elected for a three year term (until the 2010 AGM).

2.5 The subsequent two Councillors will be elected for a two year term (until the 2009 AGM).

2.6 The size of the Council therefore will be thirteen Councillors from this AGM until the 2008 Annual General Meeting.

3. At the 2008 Annual General Meeting the following provisions apply:

3.1 The retiring Councillors and Officers at this Annual General Meeting are the Secretary and Treasurer, and the five Councillors elected at the 2006 Annual General Meeting (or their replacements, if the Councillors originally elected in 2006 have left the Council and been replaced by other Councillors in by-elections).

3.2 Members will elect six Councillors at this meeting.

3.3 The four top-polling Councillors will be elected for a three year term (until the 2011 AGM).

3.4 The subsequent two Councillors will be elected for a one year term (until the 2009 AGM).

3.5 The size of the Council therefore will be twelve Councillors, which is the new permanent number of Councillors.

3.6 The Council will elect a President and a Vice President from among its number at the first meeting after the AGM, with their terms being included in the term limits as set out in Clauses 7.4 – 7.6 of the Constitution.

4. At the 2009 Annual General Meeting the following provisions apply:

4.1 The retiring Councillors at this Annual General Meeting are the two lowest-polling Councillors elected at the 2007 Annual General Meeting (as provided for in 2.5 of this Schedule), and the two lowest-polling Councillors elected at the 2008 Annual General meeting (as provided for in 3.4 of this Schedule).

4.2 Members will elect four Councillors at this meeting, who will serve a three year term (until the 2012 AGM).

5. By this stage the transition from the June 2006 Constitution is complete.

**THAT an Implementation Manager be commissioned** by the Executive Director (with the consent of Council), reporting to Council and tasked with working through the other recommendations in the Structural Review to develop an implementation plan, for consideration by Council after the AGM.

12.20pm

### Appointments Panel

President

- Recommendations for appointments to NZRS and NZOC

*President/*

*That the report of the Appointments Panel be **received**.*

*That Anne Urlwin and David Farrar be **re-appointed** to the NZRS Board.*

*That the size of NZOC be **increased** by one to eight for one year only.*

*That the following be **appointed** to NZOC on the following terms:*

*David Russell (3 Years)*

*Andy Linton (2 Years)*

*Roger Hicks (1 Year)*

*Helen Algar (1 Year)*

*Joy Liddicoat (3 Years)*

*That the Appointments Panel be **wound up**.*

12.35pm **Remuneration Panel** Executive Director

- Recommendations for 2007/08 honoraria / directors fees

President/

That this report be **received**.

That honoraria and directors fees **remain at the 2005 / 2006 levels**.

That a new Remuneration Review Panel be **established** as part of the structural review implementation process, with a mandate to more fully review applicable rates in line with the new structures and new DPMC guidelines.

12.50pm **Lunch**

1.25pm **Executive Directors Report** Executive Director

- Redeemable Shares / History Book / .nz Honeypot / CA Scoping / KAREN connection / KAREN Advisory Board / Liz D-T Foundation

President/

That the Executive Director's report be **received**

That the Day 3 Tiger Team and Terms of Reference be **approved**.

That Roger Hicks apologies for not being able to present the final Structural Review report to Council be **received**.

That the Victoria University "honeypot" project be given **approval in principle**, and referred to the Technical Policy Committee for ratification and budget approval.

That the report of the Deputy Executive Director from the Australia-Netherlands Broadband Mission be **received**.

That Council **acknowledge** that:

- A rapid rollout of fibre optic infrastructure to the home is key to New Zealand's economic future.
- Market dynamics are not likely to lead to investment in such infrastructure in acceptable timeframes.
- Non-market solutions, including local and central government investment, are likely to be required.

That Council **agree** that:

- InternetNZ continue to focus on securing an equitable separation plan for Telecom as an interim measure to allow the rollout of better services before fibre to the home infrastructure becomes broadly available.
- InternetNZ focus on developing industry and political support for rollout of fibre optic infrastructure in the short term, to all households and business premises in New Zealand.
- InternetNZ support a role for public investment in securing this rollout, either at central or local government level, or both.
- InternetNZ take every opportunity to promote this position to key decision makers and the public at large.
- Workstreams be developed to explore further the options New Zealand faces



*in making this vision a reality, under the oversight of the Public Policy Committee.*

1.55pm	<b>NZ Fibre Fund</b> Macaulay/ <i>That InternetNZ <b>support</b> the establishment of The NZ Fibre Fund, and promote the concept to Government and industry.</i>  <i>That InternetNZ <b>provide administrative support</b> to assist the launch of The NZ Fibre Fund.</i>	Pete Macaulay
2.10pm	<b>Strategic Priorities</b>	President
2.40pm	<b>Outgoing Council</b>	President
2.45pm	<b>General Business</b> - Next Meetings: AGM – Friday 27 July 2007 - Council – Friday 31 August 2007	
3.00pm	<b>Council Meeting ends</b>	

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# **Declaration of Councillor Interests**

# Register of Interests

Register of interests for the 2006/2007 Council.

Officers and Councillors are required to register any interests, commercial, political or organisational, which they believe may be relevant to the perception of their conduct as a Councillor or Officer. Officers and Councillors are, however, still required to declare a Conflict of Interest, or an Interest, and have that recorded in the Minutes.

## OFFICERS

Name: **Colin Jackson**

Position: President, InternetNZ

Term: 30 July 2005 - AGM 2007

Declaration Date: 11 August 2005, last update 13 December 2005

Date:

Interests:

- Holder of 2 .nz domain names
- IT consultant in private practice with a number of government department clients
- Remuneration - President's honoraria from InternetNZ, plus reimbursement of expenses, and NZOC honoraria as applicable
- Has a contract with the State Services Commission in an area unrelated to any area of InternetNZ group activity
- In March 2007 provided advice about the process to apply for a moderated 2ld in the .nz domain name space. The advice was drawn from publicly available information. If a 2ld application eventuates as a result of this advice will declare a conflict and resile from any decision making.

Name: **David Farrar**

Position: Vice President, InternetNZ

Term: 6 July 2001 - AGM 2007

Declaration Date: Last update 31 July 2006

Date:

Interests

- Director, NZ Domain Name Registry Ltd.
- Shareholder & Director, DPF Group Ltd.
- Shareholder & Director, Curia Market Research Ltd
- Registrant of .nz and gTLD domain names
- Remuneration - Vice President's honoraria from InternetNZ
- Member and former office-holder of the New Zealand National Party

- Member of the Institute of Directors
- Receive free blog hosting and bandwidth from Inspire.Net
- Receives free products or services from Intel, Inspire Net, Woosh, Symantec and Trend Micro
- Minor provision of consulting services on online marketing to Wigley & Co lawyers, who sometimes act for InternetNZ
- Minor consulting to TUANZ
- Paid commentator for NewstalkZB and National Radio

Name: **Chris Streatfield**

Position: Secretary

Term: AGM 2006 - AGM 2008

Declaration Date: Last updated 31 July 2006

Date:

- Interests:
- Remuneration - Officers Honorarium
  - Member of NZOC
  - 1 gTLD domain name and 1 .nz domain name
  - Member of the Institute of Directors

Name: **Michael Wallmannsberger**

Position: Treasurer, InternetNZ

Term: AGM 2006 - AGM 2008

Declaration Date: Last updated 31 July 2006

Date:

- Interests:
- Employee of ASB Bank Limited
  - Officer's Honorarium for InternetNZ
  - Member of the New Zealand Labour Party and hold/have held various offices within the party
  - .nz domain name registrant
  - Member of the Standards Council
  - Member of the Institute of Directors
  - Shareholder/Director, Wallmannsberger Ltd
  - Shareholder/Director, Yellow Brick Investments Ltd

## COUNCILLORS

Name: **Jamie Baddeley**

Position: Councillor, InternetNZ

Term: AGM 2006 - AGM 2008

Declaration Last updated December 2006

Date:

- Interests:
- Employee, FX Networks Ltd
  - FX Networks are the ISP for both InternetNZ and NZRS
  - Owner and Director of Viewpoint Consulting Ltd
  - Viewpoint Consulting Ltd is a shareholder of FX Networks Ltd
  - Registrant of vpc.co.nz, is.org.nz, internetstandards.org.nz

Name: **Sam Sargeant**

Position: Councillor, InternetNZ

Term: Dec 2006 - AGM 2007

Declaration Last updated 12 December 2006

Date:

- Interests:
- Technical Director of .nz authorised registrar, OneSquared
  - Shareholder and Director of OneSquared
  - Shareholder of Red Spider Ltd.
  - Involved in the contract to operate the .govt.nz registrar for the State Services Commission
  - Nameholder of four .nz domains.

Name: **Mark Harris**

Position: Councillor, InternetNZ

Term: AGM 2005 - AGM 2007

Declaration 28 August 2005

Date:

- Interests:
- Director, Technology Researchers & Consultancy Services
  - Registrant of two .nz domain names
  - Member of Web Standards Group
  - Involved in the assessment of a Creative Commons license for New Zealand

Mark is an IT consultant in private practice with a number of government department clients.

Name: **Peter Macaulay**

Position: Councillor, InternetNZ

Term: AGM 2005 - AGM 2007

Declaration 11 August 2005, updated 28 August 2005

Date:

- Interests:
- Programme manager of the NZ Digital Strategy Secretariat.
  - Managing Director of the No1 IT Group.
  - Advisor on software valuation.

- Independent IT consultant.
- Registrant of several .nz domain names
- Member of NZCS
- Receives support for travel funding from two organisations

None of my other involvements have any potential to create a conflict of interest with my role as InternetNZ councillor

Name: **Frank March**  
 Position: Councillor, InternetNZ  
 Term: AGM 2006 - AGM 2008  
 Declaration Date: Last updated 21 March 2007  
 Interests: Employed by the NZ Government (Ministry of Economic Development), consequently:

- A member of Government Shared Services Network Steering Committee
- A member of Government Internet Security Review Group
- Consulting with range of interested parties over Broadband Challenge issues
- NZ representative on the Governmental Advisory Committee of ICANN
- Convener of Digital Strategy ICT Summit Steering Group

Holds two .nz domain name registrations

Remuneration - Honorarium as Chair of NZOC

Member of NZ Association of Scientists

Name: **Jonny Martin**  
 Position: Councillor, InternetNZ  
 Term: AGM 2006 - AGM 2008  
 Declaration Date: Last updated 2 August 2006  
 Interests:

- Contractor to FX Networks Ltd.
- Shareholder of FX Networks Ltd.
- Engineering Consultant in private practice to the public and private sector.
- Small voice service provider.
- Member of NZNOG organising, and APRICOT program committees.

- Hold a number of .nz and .net domain names

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Name: **Jennifer Northover**  
 Position: Councillor, InternetNZ & Deputy Chair International Affairs Committee  
 Term: AGM 2001 - AGM 2007  
 Declaration Date: August 22 2002, updated 28 August 2005  
 Interests:
 

- No political affiliations
- Member of the NZ Institute of Management
- Associate of the Chartered Institute of Secretaries
- Member of the Institute of Directors
- .nz domain name registrant

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Name: **Simon Riley**  
 Position: Councillor, InternetNZ  
 Term: AGM 2001 - AGM 2007  
 Declaration Date: 27 August 2002, updated 28 August 2005  
 Interests:
 

- Director, Net Impact
- CEO, Secretary, NGI - NZ Society
- Secretary, Trustee 2020 National Communications Trust
- Registrant of .nz domain name
- Honoraria as elected Council member of Executive Committee

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Name: **Michael Sutton**  
 Position: Councillor, InternetNZ  
 Term: AGM 2001 - AGM 2006  
 Declaration Date: 31 August 2004; last updated 13 December 2005  
 Interests:
 

- Holds .nz domain name and trademark interests
- Is currently writing a paper for Synapse Group
- Assisted in responding to media-streaming related areas in several recent Requests for Proposals.
- Assisted a Company file an "expression of interest" application with the Department Internal Affairs "Community Partnership Fund" for "Multicast Booking and Tunnelling services" and "Universal Communications Identifier" systems.

- Registered inventor and beneficial owner of United States Patent 5,771,238 issued June 1998. The patent is for a software system relevant to the transmission of data through radio messaging network systems.
- Has held discussions with a number of organisations relating to the implementation of ENUM



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**Consent Agenda  
Items**

**(including Minutes of  
Last Meeting)**

**Minutes for a meeting of the InternetNZ Council  
Friday 16 March 2006  
Level 10 Exchange Place, 5-7 Willeston St, Wellington**

**ATTENDANCE:**

- a. Present:** Colin Jackson (President)  
David Farrar (Vice President)  
Chris Streatfield (Secretary)  
Michael Wallmannsberger (Treasurer)  
Simon Riley  
Peter Macaulay  
Frank March  
Jennifer Northover  
Michael Sutton  
Jonny Martin  
Sam Sargeant  
Jamie Baddeley  
Judith Speight
- b. In attendance:** Keith Davidson (Executive Director)  
Susi Fookes (Project Administrator)  
Debbie Monahan (Domain Name Commissioner)  
Nick Griffin (General Manager NZRS)  
Anne Urlwin (NZRS Chair)  
Philip Green (CyberLaw Fellow)  
John Truesdale (The National Library)

*9.30 – 9.45am Council alone time*

The President formally opened the meeting at 10.00am.

**1. Apologies**

Mark Harris  
Michael Sutton

**2. Declaration of interests**

Councillors with changes to their declaration of interests were asked to email them to Nick Wallingford to be posted online.

**3. Consideration of Agenda - In Committee Items**

Fee setting paper  
Part of the Executive Director's report

**4. Consent Agenda Item**

**RN 01/07** (President/Treasurer) "THAT the minutes of the meeting held on 16 December 2006 be received and adopted as a true and correct record, AND THAT the following reports be received:

- a. President's Report
- b. Vice President's Report
- c. Executive Committee Minutes
- d. E-votes as previously decided"

CARRIED U

### **Treasurer's Report**

The Treasurer spoke to the report and noted issues with the variance report and it was agreed that it should not be accepted at this meeting. The Secretary asked why APTLD has been listed as a liability; the Executive Director will look into it and get back to Council. The report was tabled. The Executive Director noted that reporting will be better after the introduction of the new general ledger on 1 April.

**Action point:** Executive Director to circulate amended Treasurer's report for Council acceptance.

### **General Business**

Cr March, Auckland Broadband (item may need to go in committee).  
Cr Riley, High Definition Video Conferencing

### **5. Matters Arising from the Minutes**

Resolved Action Points from last Council meeting.

There has been no report back from Cr Sutton on his action point, Executive Director to remind him to do so.

Swipe cards will be issued to Councillors after this meeting.

All other action points are complete.

*10.15am Anne Urlwin, Nick Griffin and Debbie Monahan joined the meeting*

### **6. NZRS Report**

Anne spoke to the Quarterly Result to 31/12/06 noting that they are above budget as a result of domain name growth being better than expected.. They are in the process of strategic planning, and held a strategic planning session yesterday, Budget and business plan will be brought to Council for consideration at the next meeting.

The Secretary noted that page 2 of the report, second paragraph of item D should read 2006/2007. Anne and Nick agreed and noted that the report will be accepted with this amendment.

**RN 02/07** (Secretary/Cr Macaulay) "THAT the Report from NZOC for the Third Quarter, 2006/07 Financial year as amended, be received."

CARRIED U

Council thanked NZRS for their input into the InternetNZ Strategic Plan.

### **7. NZOC Report**

Cr March spoke to the December 06 and January 07 reports. He noted that the February report will be circulated later. He noted that the first eight months of the DRS has seen 71 complaints, this is a high level and justifies the service. The floor was opened to questions.

The .bank application will be reported on in the February report. There have been a number of submissions both for and against, all submissions are available the DNC website. Anyone is welcome to make a submission; the closing date is 29 March.

The DNC had a budget under spend due to less cases going to mediation than predicted. It was noted that it is minor in context of the whole budget. A small deficit will be run to balance this.

**RN 03/07** (Treasurer/Cr Macaulay) "THAT the NZOC Reports for December 2006 and January 2007 be received."

CARRIED U

*10.29am Sam Sargeant left the meeting*

*10.31 – 10.42am Council went in committee*

## **8. NZRS / NZOC Fee Setting**

**RN 04/07** (Treasurer/Secretary) "THAT the recommendations as put in the fee setting paper be adopted."

CARRIED U

**RN 05/07** (President/Cr Macaulay) "THAT Council records a vote of thanks to NZRS and NZOC for the considerable work put into these reports."

CARRIED U

*10.44am Sam Sargeant rejoined the meeting*

*10.45 – 11.05am Council took a break*

## **9. Review Members Consultation Inputs**

The Executive Director spoke to the item. The Members found the business plan and budget acceptable. Members at the Auckland and Wellington meetings requested an addition of \$25,000 to the budget, for progress on peering in NZ.

There was a high level of acceptance to the Strategic Plan as it stood. NZRS and Ministry of Economic Development later offered feedback which is worth consideration.

Reg Hammond (MED) suggested that the Strategic Plan needs to indicate that InternetNZ is apolitical. There was significant discussion around this and it was agreed to include a 'neutrality' section 'InternetNZ is not aligned to any political party, and seeks cooperation with all political parties to achieve a greater good for the Internet'.

Reg also suggest a definition was needed for the term 'Internet community'. It was agreed to change Internet community to 'provision of, consumption of and governance of the internet as it affects NZ'.

The Executive Director said that Reg saw the risk section to need work and this has been addressed already.

**Action point:** Executive Director to thank Reg Hammond for his input into the Strategic Plan and advise him that some amendments have been made due to his input.

On the whole NZRS liked the Strategic Plan, they suggested that under item 4 there should be a commitment that the domain name fee be stable to the .nz domain name wholesale fees. It was agreed to add a new point under Strategy 4 (4.4).

**Action point:** Executive Director to wordsmith new point in Strategy 4 regarding the reduction of the fee.

NZRS offered to help at the next InternetNZ Strategic Planning day.

**Action point:** Executive Director to thank NZRS for their input into the Strategic Plan and advise them that some amendments have been made due to their input.

Cr Northover asked that an amendment be made to page eight of the Draft Business Plan – delete the words as an honorarium. This was accepted.

### 10. Appointments Panel

The President spoke to the item, Cr March is available for the appointments panel. Anne nominated Donna Hiser for the NZRS representative.

It was noted that the ToR should read 4 NZOC positions. The motions were moved as amended.

**RN 06/07** (President/Cr Northover) “THAT an Appointments Panel be convened, with the purpose of appointing members of NZOC and the NZRS Board, chaired by the President.”

**RN 07/07** (President/Cr Northover) “THAT the Executive Director provide administrative support to the Appointments Panel.”

**RN 08/07** (President/Cr Northover) “THAT the other members of the Appointments Panel be

- Frank March
- Donna Hiser
- Simon Riley
- Jamie Baddeley”

**RN 09/07** (President/Cr Northover) “THAT the terms of reference be approved as follows:

- To consider the best means of advertising the vacancies for 4 NZOC positions and 2 directors positions for NZRS
- To advertise the vacancies
- To consider whether to advise those on NZOC and NZRS who's terms are expiring if it is necessary for re-application if seeking re-appointment
- To review the applications for the vacancies and interview where appropriate
- To recommend appointments for Council approval at the 16 June 2007 Council Meeting
- To expend budget up to \$5,000.”

CARRIED U

### 11. Remuneration Panel

The President spoke to the item and suggested that the Executive Director is in best position convene this role as he is not conflicted.

Two changes were agreed to the ToR: replace ‘with’ to ‘to incorporating’; and remove ‘for changes’.

**RN 10/07** (President/Secretary) “THAT a Remuneration Panel be convened, to review the current honoraria and directors fees for InternetNZ Council, NZOC and NZRS.”

**RN 11/07** (President/Secretary) “THAT the Executive Director convenes the Panel.”

**RN 12/07** (President/Secretary) “THAT the other members of the Panel are:

- Peter Macaulay
- Jonny Martin
- Jennifer Northover”

**RN 13/07** (President/Secretary) "THAT the terms of reference be approved as follows:

- To review currently paid honoraria and directors fees, incorporating the DPMC guidelines
- To make recommendations to the 16 June 2007 Council Meeting."

CARRIED U

*11.42 – 11.47am Council took a brief break*

*11.47am John Truesdale and Philip Greene joined the meeting*

## **12. Presentation**

John Truesdale from the National Library gave an informational presentation on the People's Network.

*12.35 – 1.15pm Council broke for lunch*

*1.15pm John Truesdale and Philip Greene left the meeting*

## **13. Structural Review**

The Secretary spoke to the item as the Vice Chair of the Structural Review Task Force (SRTF). He noted that this project is running behind time. Westlake Consulting Limited (WCL) will not be presenting the report they were contracted to do at this meeting; there have been no delays from InternetNZ.

**Action Point:** Executive Director to write to Westlake Consulting to remind them of the importance of the timeframe, and that it is part of the contract.

The President noted that InternetNZ can not be rushed because of their lateness. This was agreed by all. WCL must provide a final draft by 26 March. The SRTF will meet either 28 or 29 March, if possible Cr March and the Executive Director will join via teleconference from ICANN – Lisbon.

The table moved onto feedback from Don Hollander who had concerns around how the structure will affect staff's relationship with Council and the members. There was much discussion and consideration of Don's comments.

The SRTF have been very clear to WCL that the report needs to be very clear about who will be responsible for members and around operational support for Council.

The Treasurer noted that he had to leave the meeting to take an urgent phone call and is in full support of the proposed recommendation.

*1.41pm the Treasurer left the meeting*

It was noted what comes from the report will have no impact on becoming a charitable status.

**RN 14/07** (Cr Baddeley/Vice President) "THAT structural review activities related to charitable status be moved to the responsibility of the Treasurer reporting to the Executive Committee."

CARRIED U

**Action point:** The Executive Director to write to Don Hollander and thank him for his input noting that it has been discussed by Council and the letter has been passed onto the consultants.

#### **14. Copyright Bill Update**

The Vice President spoke to the item. The workshops were very successful. InternetNZ has made its submission; he expects to get notice as to the date of the oral submissions in the next week or two. He talked about further plans if the Select Committee does not agree with the notion of notice and notice.

It has also been a good profile raiser for InternetNZ and there has been a good membership increase.

Council thanked the Vice President, Jordan Carter and Rick Shera for all their work on this.

#### **15. Strategic Priorities**

The President introduced the item. The Vice President asked Council to steer the Public Policy Committee by indicating important issues.

It was agreed that we need to be proactive in the following issues:

- Fibre
- IPv6
- Peering/Data Exchanging
- ICT summit
- Rural broadband

It was asked that there be a standard agenda item "Strategic Priorities".

The Executive Director noted that staff are going on a retreat to start putting together operational plans, from the business plan. This will result in a more developed plan brought to the next Council meeting.

#### **16. Executive Director's Report**

The Executive Director spoke to his report. The Liz Dengate Thrush Foundation is progressing well and is now in Peter's hands. The trust is on track to become operational by 31 March.

2020 Communications Trust has moved into the smaller room on the 10<sup>th</sup> floor. An arrangement has been established with InternetNZ providing the space gratis with recognition from 2020 that InternetNZ is a partner.

The Executive Director is negotiating with 2020 Trust for them to be the administrators of the process for evaluating PIP funding applications, and subsequent reporting back from recipients.

The cost to InternetNZ will be \$4,000 per annum and will remove the current uncertainty of administrative responsibilities previously experienced.

The joint InternetNZ/NZCS technical scholarship process accepted by Council last year has come to fruition. There have been some excellent applications and as a result the Executive Director increased InternetNZ's commitment from \$10,000 to \$12,500. To ensure all worthwhile applications are funded.

The Communication plan has been amended since the last Council meeting and is now

awaiting Council approval. It was noted that the plan will be accepted however it needs to take into account the final Strategic plan.

IGTF will be seeking to establish the process for discussions with NZ Government in the forthcoming months, and with ICANN at the Lisbon meeting.

InternetNZ sponsored Nathan Ward to attend APRICOT; his report is an appendix to the Executive Director's report. During APRICOT both Cr Martin and the Executive Director were lobbied hard to see if InternetNZ would host an APRICOT meeting, they declined however Staff will examine their new meeting RFP to see if it could be affordable to InternetNZ.

During APTLD, the Executive Director declared his interest as both a board member and as the secretariat, they do not run a register of interests however are now considering it.

The Executive Director will be attending the ICANN Lisbon meeting. He will be attending primarily in the ccNSO/GAC co-chair role. There will be presentations by ccNSO to the GAC on .IDN for ccTLD's and discussion on the ICANN regions.

**Action point:** Executive Director to produce a brief paper for Council outlining issues arising at ICANN as a forerunner to each ICANN meeting.

*2.40pm The Treasurer rejoined the meeting*

Council congratulated the Executive Director for his appointment to the APTLD Board and congratulated Jordan Carter for his new role as Deputy ED.

*2.43 – 3.18pm Council went in committee*

The level 10 access cards are now available. Councillors choosing to take a card need to sign an agreement form.

**RN 15/07** (President/Cr Macaulay) "THAT this Executive Directors report, along with staff travel reports, communications plan and monthly project reports for January and February 2007 be received."

**RN 16/07** (President/Cr Macaulay) "THAT Council note the special Council Meeting on the structural review – Thursday 12 April from 12.00pm to 3.00pm"

**RN 17/07** (President/Cr Macaulay) "THAT the President be appointed as a trustee to the Liz Dengate Thrush Foundation."

**RN 18/07** (President/Cr Macaulay) "THAT the Communications Plan be adopted."

**RN 19/07** (President/Cr Macaulay) "THAT the travel subsidies for Nathan Wards attendance at APRICOT and Ian Thompson's Canadian travel be noted."

**RN 20/07** (President/Cr Macaulay) "THAT Council approve expenditure of \$12,500 from the Technical Capability for the joint NZCS/InternetNZ technical scholarships."

**RN 21/07** (President/Cr Macaulay) "THAT the Business Plan and Budget for 2007/08 as amended be adopted and referred to the members for approval at the 2007 AGM."

CARRIED U

*3.21 – 3.26pm Council took a break*



### 17. InternetNZ Prize Program

Cr Baddeley spoke to the item. This is an opportunity to have a documented collective position as to 'this is how the Internet works'. InternetNZ would remain reasonably hands off apart from providing funds to spur the right kind of outcomes.

Cr Riley suggested it should be called InternetNZ Industry best practice program, this was agreed.

It was agreed that the Executive Director will put together a proposed process and send it to the Technical Policy list for discussion, and then it will return to the Executive Director for sign off.

**Action point:** Executive Director to put together a proposed process for the InternetNZ best practice program and send it to the Technical Policy list for discussion.

### 18. General Business

*3.42 – 3.44pm Council went in committee*

The Secretary gave a formal note to Council that he was the Chair of a working group set up around 18 months ago as he was Treasurer at the time. The purpose of the group was to look at the requirements for the InternetNZ group to move to International account reporting standards. InternetNZ is now ready to move to this as of 31 March. The accounts will be a very extensive block of notes in the accounts this year. The President thanked the Secretary for this work.

Cr Riley spoke on the High Definition Video Conferencing. There is a similar set up in Auckland and will be a presentation at 4pm today, all Councillors are welcome to join.

**Next meeting:** Saturday 16 June 2007

**Meeting closed:** 3.50pm

**Signed as a true and correct record:**

.....  
**Colin Jackson, President, CHAIR**

## Register of Action Points arising from the meeting

Status at 8 June 2007

Action	Who	Status
Circulate amended Treasurer's report for Council acceptance.	Staff	Complete.
Thank Reg Hammond for his input into the Strategic Plan and advise him that some amendments have been made due to his input.	Staff	Complete.
Wordsmith new point in Strategy 4 regarding the reduction of the fee.	Staff	Complete.
Thank NZRS for their input into the Strategic Plan and advise them that some amendments have been made due to their input.	Staff	Complete.
Write to Westlake Consulting to remind them of the importance of the timeframe, and that it is part of the contract.	Staff	Complete.
Write to Don Hollander and thank him for his input noting that it has been discussed by Council and the letter has been passed onto the consultants.	Staff	Complete.
Produce a brief paper for Council outlining issues arising at ICANN as a forerunner to each ICANN meeting.	Staff	To do.
Put together a proposed process for the InternetNZ best practice program and send it to the Technical Policy list for discussion.	Staff	

**a.**

## **President's Report**

## President's report – June 2007

The biggest single item since my last report has been the development of the structural review model into something that is almost ready to go to members at the AGM. The review team has worked with Westlake Consulting and the staff to produce a high-quality report setting out the benefits of and motivations for the proposed changes. There are still details to be worked out, and I expect Council to debate particularly the areas in which the review team has only partly endorsed Westlake recommendations. If Council agrees, the report will be sent to members for their consideration at the AGM. We are finishing one phase of what will be the biggest change in the Society since our current structure was introduced in 2003. Major thanks are due to the team, especially to chair Roger Hicks and report writer Jordan Carter.

The Society continues to press its policy agenda. We are engaging with Government on the separation of Telecom, and we have held the line that nothing should be allowed to introduce further delay into what is already a proving to be a tortuous programme. It is gratifying to see that unanimous agreement has been reached on LLU and UBS – that brings 3<sup>rd</sup> party access to copper and the benefits real competition will bring a little closer. We are also keeping up the work on copyright and on peering.

I used my councillor training budget to attend GOVIS this year. GOVIS is a conference for government information and IT staff. They are a key audience for InternetNZ. These are some of the people who influence government policy – some of them make policy. But also, they are struggling with the rapidly changing Internet and what it means for them as they try to serve New Zealanders. The theme of the conference was Web 2.0 and the challenges it poses for government. There was an array of speakers including several internationals. Next year we should consider a stand and perhaps a speaking opportunity.

In a similar vein, Richard Wood and I spoke at a participation workshop run by the State Services Commission. We described the roots of InternetNZ and its role, and Richard gave a good idea of life inside the Society office. Our key message was that we do policy just like government folk do, and they should join forces with us.

I also went with Michael Wallmannsberger (Technical Policy chair) to the AusCERT conference in Australia. AusCERT is an organisation we would be emulating, at least in part, if we manage to get our own CERT off the ground. There is a lot of push for CERT now and I hope that we can get something moving this year. I made useful contacts in Australia for the office to follow up, and renewed contacts in the New Zealand government agencies we will have to deal with to set it up.

Finally, this is the last meeting of this Council and the last report of this presidency. I would like to take this opportunity to say how much I have enjoyed working with you, and to stress how much of a difference we have made working together. One small example: since we started the broadband campaign, small business DSL rates have fallen by 90%. That's got to be good for New Zealand and you can feel justifiably proud to have been part of making that happen.

Colin Jackson  
President, InternetNZ

**b.**

## **Vice President's Report**

## REPORT OF THE VICE-PRESIDENT

*Version 1.0 – 08 June 2007*

*For: Council on 16 June 2007*

*Status: Public*

This is my final report as Vice-President of InternetNZ, having served the maximum term of four years. Rather than just report on my activities over the last three months, I thought I would take the opportunity to stroll down memory lane, and review the overall tenure. These are in no particular order, but off memory.

- Major input into NZ's anti-spam legislation and education, in partnership with David Harris
- Helped in creation of the Asia-Pacific Regional At Large Organisation for ICANN, and having InternetNZ accredited as an at large structure
- Primary author of InternetNZ's first full strategic plan and business plan
- Represented Asia-Pacific ccTLDs on ICANN's IANA Working Group
- Managed production of the first "new style" annual report for InternetNZ
- Lead Submitter to Parliament on the Films, Videos and Publications Classification Amendment Bill, Unsolicited E-mail Bill, Digital Copyright Bill and Telecommunications Act
- Chaired appointment panels for the last two Executive Directors
- A lead role in the sale of Domainz, and subsequent issues over the sale deed
- Wrote the operational procedures for the ccNSO of ICANN
- Helped with creation of communication plan and membership plan for InternetNZ
- Got the .nz details in the IANA root zone changed (it took eight years!)
- Initiated project for commissioning a history of the Internet in NZ
- Chaired Public Policy Committee
- Initiated proposal for a NZ Parliamentary Internet Caucus
- Member of the .nz Dispute Resolution Working Group
- Represented InternetNZ at Commerce Commission determination on UBS
- Significant work in advancing InternetNZ's involvement with telecommunications issues, including the first review of the Act, the Commerce Commission proceedings, the Govt stocktake, the Select Committee submission and work on operational and structural separation
- Member of the ccNSO Working Group on Fees and Secretariat
- Member of the bid taskforces for ICANN 06 (successful) and Apricot 07 (not)
- Chaired the Organising Committee for ICANNZ 06
- Attended TCF Board meetings to convince them of working with us on issues of mutual interest
- Chair of TCF Working Group on spam, and member of TCF Working Group on Enum
- Arranged for InternetNZ to support APCAUCE as Secretariat

- A brief spell as Acting President, and chaired an AGM and a couple of Council meetings
- Served as a Director on NZRS
- Scores of media interviews on a staggering variety of issues
- Hopefully useful input into advancing the ISP Code of Practice
- Worked with Netsafe and DIA on doing an evaluation of Cleanfeed
- Currently on the DIA Management Committee establishing their Anti-Spam Unit.
- On the management committee of the Cyberlaw Fellow
- Established the Patent Advisory Group to co-ordinate industry action against abusive patent claims affecting the Internet industry, leading to the IP Watch service
- Proposed and initiated the structural review of InternetNZ
- Contributed to the excellent work done by the Governance & Constitutional Committee under Chris Streatfield's leadership
- Supported our relationship with and work done by Netsafe and ISPANZ
- Represent InternetNZ on TUANZ's Public Policy Committee

I have greatly enjoyed being able to serve as Vice-President and work in so many fascinating and challenging areas. Most of all I have enjoyed working as part of a team with staff, councilors and members on all of the above activities, and helping advance the vision and mission of InternetNZ. Thank you all for the opportunity to do so.

**David Farrar**  
**Vice-President 2003 - 2007**

**C.**

## **Treasurer's Reports**



**December 2006**

**Financial Report. Expenditure by Budget Line  
Status as at 31 December 2006**

Account	Actual		Budget		NOTES
	This Month	Year to Date	YtD *	2006/2007	
<b>Income</b>					
<b>Total DNC Income</b>	<b>\$79,750</b>	<b>\$739,217</b>	<b>\$717,750</b>	<b>\$957,000</b>	<b>1</b>
<b>Soc Income</b>					
Dividend	0	466,667	1,400,000	1,400,000	2
Interest	1,986	79,510	135,000	180,000	
Ind Membership	237	4,472	4,500	6,000	
Corp Membership	200	4,875	10,500	14,000	
APTLD Secretariat Fee	0	23,243	16,875	22,500	
Sundry Income	833	26,167	750	1,000	
<b>Total Soc Income</b>	<b>3,256</b>	<b>604,935</b>	<b>1,567,625</b>	<b>1,623,500</b>	
<b>Total Income</b>	<b>83,006</b>	<b>1,344,151</b>	<b>2,285,375</b>	<b>2,580,500</b>	
<b>Expenditure</b>					
<b>Total DNC Expenditure</b>	<b>76,455</b>	<b>613,877</b>	<b>717,750</b>	<b>957,000</b>	<b>1</b>
<b>Advocacy and Rep</b>					
Cyberlaw Fellowship	14,740	81,098	85,000	85,000	2
Public Policy Cmte	49	18,221	7,500	10,000	
Parliamentary Caucus	0	104	3,750	5,000	
Research for Parl Submissions	0	35,071	22,500	30,000	
<b>Total</b>	<b>14,789</b>	<b>134,495</b>	<b>118,750</b>	<b>130,000</b>	
<b>Industry Self-Regulation</b>					
Internet Code of Practice	0	1,725	15,000	20,000	
Copyright Amendment Bills	4,188	4,188	0	0	
<b>Total</b>	<b>4,188</b>	<b>5,913</b>	<b>15,000</b>	<b>20,000</b>	
<b>Protect the Internet</b>					
Antispam	(\$546)	8,409	15,000	20,000	
APCauce Secretariat	0	0	6,000	8,000	
Broadband Campaign	559	119,198	67,500	90,000	
ENUM Meeting	0	680	3,750	5,000	
ENUM	0	0	30,000	40,000	
Internet Regulatory Issues	7	12,662	37,500	50,000	
Internet Safety Group	0	21,173	20,000	20,000	2
Internet Safety Group Conference	0	20,000	20,000	20,000	
PAG (patents)	315	2,520	3,750	5,000	
Peering Task Force	0	0	3,750	5,000	
Peering Activities	0	0	5,625	7,500	
<b>Total</b>	<b>335</b>	<b>184,642</b>	<b>203,500</b>	<b>270,500</b>	
<b>Promote the Internet</b>					
Advertising	0	0	7,500	10,000	
AGM	0	7,911	7,500	7,500	2
Annual Report	0	13,351	10,000	10,000	2
Communications	0	136	35,000	35,000	
History Project	0	12,082	18,750	25,000	
Next Generation Internet	0	0	5,000	5,000	2
Member Meetings/Consultations	464	21,933	15,000	20,000	
Technical Services	2,925	25,530	30,000	40,000	
Website Revamp	7	6,114	22,500	30,000	
<b>Total</b>	<b>3,396</b>	<b>87,056</b>	<b>143,750</b>	<b>182,500</b>	

**International (non-DNC)**

APTLD Secretariat	0	12,039	22,500	30,000	
APNIC Fees	0	3,913	6,000	6,000	2
ISOC Fees	0	0	8,000	8,000	2
International Travel (non NZ)	(\$1,145)	18,581	11,250	15,000	
International Cmte	0	489	3,750	5,000	
Pacific Spport	0	31,233	18,750	25,000	
WSIS Consultation	8,274	8,274	11,250	15,000	
<b>Total</b>	<b>7,129</b>	<b>74,529</b>	<b>70,250</b>	<b>104,000</b>	

**The Society**

Accountancy Fees	750	8,714	10,500	14,000	
Audit Cmte	0	748	2,250	3,000	
Audit Fees	0	736	7,500	10,000	
Bank Charges	78	1,913	1,125	1,500	
Cleaning	153	911	750	1,000	
Comp Consumables	8	2,535	3,750	5,000	
Conferences/Events	0	80	2,813	3,750	
Council Meeting	10,462	34,281	26,250	35,000	
Depreciation	0	0	37,500	50,000	
Domain Names	33	857	1,875	2,500	
Executive Cmte	119	13,557	11,250	15,000	
General Expenses	4,602	20,022	15,000	20,000	
Gov & Const Cmte (+Rem Panel)	0	5,089	3,750	5,000	
Honoraia	13,800	53,961	50,400	67,200	
Insurance	(\$91)	3,787	13,500	18,000	
Governance Training	0	1,527	5,625	7,500	
Office Power/Rates/Insurance	402	3,678	2,250	3,000	
Planning	0	0	3,750	5,000	
Postage/Couriers	620	1,700	1,500	2,000	
Printing/Stationery	185	5,723	6,000	8,000	
Professional Services	0	4,750	3,750	5,000	
Recruitment	1,733	5,233	11,250	15,000	
Rent	2,323	20,908	30,000	40,000	
Staff Costs	37,091	312,830	360,000	480,000	
Staff Training	0	1,045	5,250	7,000	
Telecommunications	3,583	31,356	18,750	25,000	
Travel - Officers	250	5,593	3,750	5,000	
Travel - Staff	462	13,057	7,500	10,000	
Subscriptions	48	5,642			
<b>Total</b>	<b>76,611</b>	<b>560,233</b>	<b>647,588</b>	<b>863,450</b>	

**Technical Leadership**

Technical Capability Fund	0	0	37,500	50,000	
IP v6	0	6,871	22,500	30,000	
NZNOG Conference Sponsorship	10,000	10,000	10,000	10,000	2
TUANZ	209	249	0	0	
Tech Cmte	22	2,886	3,750	5,000	
CA Scoping	0	74	18,750	25,000	
CERT Scoping	0	0	3,750	5,000	
<b>Total</b>	<b>10,231</b>	<b>20,080</b>	<b>73,750</b>	<b>125,000</b>	

**Additional Lines**

Special Project Fund	15,000	15,000	100,000	100,000	2
Structural Review	15,095	97,669	75,000	100,000	
Structural Review TaskForce	5,552	19,701	5,552	5,000	
Internet Foundation	1,320	1,320	7,500	10,000	
World Internet Project	0	3,496	18,750	25,000	
Membership	(\$267)	0	22,500	30,000	
<b>Total</b>	<b>36,700</b>	<b>137,186</b>	<b>229,302</b>	<b>270,000</b>	

**Extraordinary Items**

Reimbursable Expenses	(\$2,300)	4,312	0	0	
ICANN meeting costs	0	(\$40,849)	0	0	

<b>Total INZ Expense</b>	<b>151,079</b>	<b>1,167,597</b>	<b>1,501,890</b>	<b>1,965,450</b>	
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<b>TOTAL INZ &amp; DNC Expenses</b>	<b>227,534</b>	<b>1,781,474</b>	<b>2,219,640</b>	<b>2,922,450</b>	
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<b>Net Surplus / (Deficit)</b>	<b>(\$144,528)</b>	<b>(\$437,323)</b>	<b>65,736</b>	<b>(\$341,950)</b>	
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**Capital Expenditures**

10th Floor fitout	13,059	16,559	30,000	40,000	
Special Projects	0	15,000	0	15,000	
Access Grid	0	0	37,500	50,000	
Misc capital Expendis	9,270	9,270	18,750	25,000	
<b>Total Capex</b>	<b>22,329</b>	<b>40,829</b>	<b>86,250</b>	<b>115,000</b>	

<b>Total All Expenditures</b>	<b>\$ 249,863</b>	<b>\$ 1,822,323</b>	<b>2,305,890</b>	<b>3,037,450</b>	
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**NOTES:**

\* YtD budget is annual budget div 12 x number of months to date

1. Breakdowns supplied by the Office of the DNC to NZOC
2. Monthly Budget breakdown does not apply
3. This expenditure was mainly covered by accruals which have been journalised out.  
Income received late and now leaves a credit balance for ICANN.

**InternetNZ Statement of Financial Performance to 31 December 2006**

<b>Income</b>		<b>Notes</b>	
Office of DNC	<b>Total DNC Income</b>	<b>739,217</b>	
Soc Income	Membership	9,347	
	Sundry Income	128,921	1
	Dividend	466,667	
	<b>Total Soc Income</b>	<b>604,935</b>	
	<b>Total Income to 31 December 2006</b>	<b>1,344,151</b>	
<b>Expenditures</b>			
Office of DNC	<b>DNC Expenditure</b>	<b>613,877</b>	
Society Expenses	Adv & Represent	134,495	
	Ind Self-Regulation	5,913	
	Protect Internet	184,642	
	Promote Internet	87,056	
	International (non DNC)	74,529	
	Society	560,233	
	Tech Leadership	20,080	
	Additional Lines	137,186	
	ICANN Meeting Profit	(\$40,849)	
	Reimbursables	4,312	2
	<b>Total Expenditures to 31 December 2006</b>	<b>1,781,474</b>	
<b>Net Surplus / (Deficit) as at 31 December 2006</b>		<b>(\$437,323)</b>	

Notes

1. Includes calculated Interest
2. Includes reimbursable expenses

**InternetNZ Balance Sheet as at 31 December 2006**

<b>Current Assets</b>	Current Account	151,576
	On Call deposit acc	10,503
	Deposit Acc ANZ	852,025
	Deposit Acc BNZ	346,032
	Deposit Acc ASB	7,581
	Term Investment ASB	25,690
	DNC Account	2,250
	Escrow acc Jlaw	175,207
	Petty Cash	<u>0</u>
	Cash Accounts	1,570,864
	Accounts Receivable	10,710
	Sundry Debtors	<u>27,147</u>
	<b>Total Current Assets 31 December</b>	<b><u><u>1,608,722</u></u></b>
<b>Fixed Assets</b>		
	Accumulated Costs + purch	202,078
	Accumulated Depreciation	<u>(\$138,522)</u>
	<b>Total Fixed Assets 31 December</b>	<b><u><u>63,555</u></u></b>
<b>Other Assets</b>		
	NZDNR Ord shares	30,000
	NZDNR Redeem Shares	<u>400,000</u>
	<b>Total Other Assets 31 December</b>	<b><u><u>430,000</u></u></b>
	<b>Total Assets 31 December 2006</b>	<b><u><u>2,102,277</u></u></b>
<b>Liabilities</b>		
<b>Current</b>	Accs Payable	82,149
	Liz Dengate Thrush Foundation	17,769
	Income in advance	7,071
	GST	(\$28,011)
	Accruals	<u>25,892</u>
	<b>Total Liabilities 31 December</b>	<b><u><u>104,870</u></u></b>
<b>Equity</b>	Accumulated Funds	404,784
	Retained Earnings	497,045
	Capital Gain	1,553,747
	Opening Bal Equity	844
	Net Income	(\$459,013)
	<b>Total Equity 31 December</b>	<b><u><u>1,997,407</u></u></b>
	<b>Total Liabilities plus Equity 31 December 2006</b>	<b><u><u>2,102,277</u></u></b>

## InternetNZ Variance Report December 2006

	This Month			Year to Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Projected	Budget	Variance
<b>Income</b>									
DNC	\$79,750	\$79,750	\$0	\$739,217	\$717,750	\$21,467	\$985,622	\$957,000	\$28,622
Membership	\$437	\$1,667	(\$1,230)	\$9,347	\$15,000	(\$5,653)	\$12,462	\$20,000	(\$7,538)
Other	\$2,819	\$16,958	(\$14,139)	\$128,921	\$152,625	(\$23,704)	\$171,895	\$203,500	(\$31,605)
Dividend	\$0	\$116,667	(\$116,667)	\$466,667	\$1,400,000	(\$933,333)	\$1,400,000	\$1,400,000	\$0
<b>Total Income</b>	<b>\$83,006</b>	<b>\$215,042</b>	<b>(\$132,036)</b>	<b>\$1,344,151</b>	<b>\$2,285,375</b>	<b>(\$941,224)</b>	<b>\$2,569,979</b>	<b>\$2,580,500</b>	<b>(\$10,521)</b>
<b>Expenditure</b>									
DNC	\$76,455	\$79,750	\$3,295	\$613,877	\$717,750	\$103,873	\$818,503	\$957,000	\$138,497
Adv & Represent	\$14,789	\$10,833	(\$3,956)	\$134,495	\$118,750	(\$15,745)	\$179,327	\$130,000	(\$49,327)
Ind Self-Regulation	\$4,188	\$1,667	(\$2,521)	\$5,913	\$15,000	\$9,087	\$7,884	\$20,000	\$12,116
Protect Internet	\$335	\$22,542	\$22,207	\$184,642	\$203,500	\$18,858	\$246,189	\$270,500	\$24,311
Promote Internet	\$3,396	\$15,208	\$11,813	\$87,056	\$143,750	\$56,694	\$116,074	\$182,500	\$66,426
International (non DNC)	\$7,129	\$8,667	\$1,538	\$74,529	\$70,250	(\$4,279)	\$99,372	\$104,000	\$4,628
Society	\$76,611	\$71,954	(\$4,657)	\$560,233	\$647,588	\$87,354	\$746,978	\$863,450	\$116,472
Tech Leadership	\$10,231	\$10,417	\$185	\$20,080	\$73,750	\$53,670	\$26,773	\$125,000	\$98,227
Additional Lines	\$36,700	\$22,500	(\$14,200)	\$137,186	\$229,302	\$92,116	\$182,914	\$270,000	\$87,086
ICANN Profit	\$0	\$0	\$0	(\$40,849)	\$0	\$40,849	(\$40,849)	\$0	(\$40,849)
Reimbursables	(\$2,300)	\$0	\$2,300	\$4,312	\$0	(\$4,312)	\$4,312	\$0	(\$4,312)
<b>Total Expenditure</b>	<b>\$227,534</b>	<b>\$243,538</b>	<b>\$16,004</b>	<b>\$1,781,474</b>	<b>\$2,219,640</b>	<b>\$438,166</b>	<b>\$2,387,477</b>	<b>\$2,922,450</b>	<b>\$534,973</b>
<b>Surplus / (Deficit)</b>	<b>(\$144,528)</b>	<b>(\$28,496)</b>		<b>(\$437,323)</b>	<b>\$65,736</b>		<b>\$182,502</b>	<b>(\$341,950)</b>	
<b>Net Variance</b>			<b>(\$116,032)</b>			<b>(\$503,058)</b>			<b>\$524,452</b>
CAPEX	\$22,329	\$9,583	(\$12,746)	\$40,829	\$86,250	\$45,421	\$54,439	\$115,000	\$60,561

**Notes:**

Year to Date Budget = Annual budget div 12 x num months to date

This Month Budget = Annual budget div 12

Projected Year = Year to Date Actual div no. months to date X 12

**January**



**Financial Report. Expenditure by Budget Line  
Status as at 31 January 2007**

Account	Actual		Budget		NOTES
	This Month	Year to Date	YtD *	2006/2007	
<b>Income</b>					
<b>Total DNC Income</b>	<b>\$79,750</b>	<b>\$818,967</b>	<b>\$797,500</b>	<b>\$957,000</b>	<b>1</b>
<b>Soc Income</b>					
Dividend		466,667	1,400,000	1,400,000	2
Interest	2,198	81,709	150,000	180,000	
Ind Membership	393	4,865	5,000	6,000	
Corp Membership	450	5,325	11,667	14,000	
APTLD Secretariat Fee		23,243	18,750	22,500	
Sundry Income	833	27,001	833	1,000	
<b>Total Soc Income</b>	<b>3,875</b>	<b>608,809</b>	<b>1,586,250</b>	<b>1,623,500</b>	
<b>Total Income</b>	<b>83,625</b>	<b>1,427,776</b>	<b>2,383,750</b>	<b>2,580,500</b>	
<b>Expenditure</b>					
<b>Total DNC Expenditure</b>	<b>60,460</b>	<b>674,337</b>	<b>797,500</b>	<b>957,000</b>	<b>1</b>
<b>Advocacy and Rep</b>					
Cyberlaw Fellowship		81,098	70,833	85,000	2
Public Policy Cmte		18,221	8,333	10,000	
Parliamentary Caucus		104	4,167	5,000	
Research for Parl Submissions		35,071	25,000	30,000	
<b>Total</b>		<b>134,495</b>	<b>108,333</b>	<b>130,000</b>	
<b>Industry Self-Regulation</b>					
Internet Code of Practice		1,725	16,667	20,000	
Copyright Amendment Bills	12,131	16,319			
<b>Total</b>	<b>12,131</b>	<b>18,044</b>	<b>16,667</b>	<b>20,000</b>	
<b>Protect the Internet</b>					
Antispam		8,409	16,667	20,000	
APCauce Secretariat			6,667	8,000	
Broadband Campaign	164	119,362	75,000	90,000	
ENUM Meeting		680	4,167	5,000	
ENUM			33,333	40,000	
Internet Regulatory Issues	1,476	14,138	41,667	50,000	
Internet Safety Group		21,173	16,667	20,000	2
Internet Safety Group Conference		20,000	16,667	20,000	
PAG (patents)	315	2,835	4,167	5,000	
Peering Task Force			4,167	5,000	
Peering Activities			6,250	7,500	
<b>Total</b>	<b>1,955</b>	<b>186,597</b>	<b>225,417</b>	<b>270,500</b>	
<b>Promote the Internet</b>					
Advertising			8,333	10,000	
AGM		7,911	6,250	7,500	2
Annual Report		13,351	8,333	10,000	2
Communications		136	29,167	35,000	
History Project		12,082	20,833	25,000	
Next Generation Internet			4,167	5,000	2
Member Meetings/Consultations	1,905	23,838	16,667	20,000	
Technical Services	3,281	28,810	33,333	40,000	
Website Revamp		6,114	25,000	30,000	
<b>Total</b>	<b>5,687</b>	<b>92,743</b>	<b>152,083</b>	<b>182,500</b>	

**International (non-DNC)**

APTLD Secretariat	1,750	13,789	25,000	30,000	
APNIC Fees		3,913	5,000	6,000	2
ISOC Fees			6,667	8,000	2
International Travel (non NZ)	9,571	28,152	12,500	15,000	
International Cmte	215	704	4,167	5,000	
Pacific Sport	388	31,622	20,833	25,000	
WSIS Consultation		8,274	12,500	15,000	
<b>Total</b>	<b>11,925</b>	<b>86,454</b>	<b>86,667</b>	<b>104,000</b>	

**The Society**

Accountancy Fees	1,274	9,988	11,667	14,000	
Audit Cmte		748	2,500	3,000	
Audit Fees		736	8,333	10,000	
Bank Charges	106	2,020	1,250	1,500	
Cleaning	119	1,030	833	1,000	
Comp Consumables	40	2,574	4,167	5,000	
Conferences/Events		80	3,125	3,750	
Council Meeting	664	34,945	29,167	35,000	
Depreciation			41,667	50,000	
Domain Names	395	1,252	2,083	2,500	
Executive Cmte	908	14,465	12,500	15,000	
General Expenses	1,077	21,099	16,667	20,000	
Gov & Const Cmte (+Rem Panel)		5,089	4,167	5,000	
Honoraia		53,961	56,000	67,200	
Insurance	2,350	6,137	15,000	18,000	
Governance Training		1,527	6,250	7,500	
Office Power/Rates/Insurance	355	4,033	2,500	3,000	
Planning			4,167	5,000	
Postage/Couriers	149	1,849	1,667	2,000	
Printing/Stationery	598	6,321	6,667	8,000	
Professional Services		4,750	4,167	5,000	
Recruitment		5,233	12,500	15,000	
Rent	2,323	23,231	33,333	40,000	
Staff Costs	28,697	341,528	400,000	480,000	
Staff Training	1,819	2,864	5,833	7,000	
Telecommunications	3,066	34,422	20,833	25,000	
Travel - Officers	573	6,165	4,167	5,000	
Travel - Staff	757	13,814	8,333	10,000	
Subscriptions	39	5,681			
<b>Total</b>	<b>45,308</b>	<b>605,542</b>	<b>719,542</b>	<b>863,450</b>	

**Technical Leadership**

Technical Capability Fund			41,667	50,000	
IP v6		6,871	25,000	30,000	
NZNOG Conference Sponsorship	4,185	14,185	8,333	10,000	2
TUANZ		249			
Tech Cmte	10	2,896	4,167	5,000	
CA Scoping		74	20,833	25,000	
CERT Scoping			4,167	5,000	
<b>Total</b>	<b>4,195</b>	<b>24,275</b>	<b>104,167</b>	<b>125,000</b>	

<b>Additional Lines</b>					
Special Project Fund		15,000	83,333	100,000	2
Structural Review		97,669	83,333	100,000	
Structural Review TaskForce	52	19,753	4,167	5,000	
Internet Foundation		1,320	8,333	10,000	
World Internet Project		3,496	20,833	25,000	
Membership			25,000	30,000	
<b>Total</b>	<b>52</b>	<b>137,238</b>	<b>225,000</b>	<b>270,000</b>	
<b>Extraordinary Items</b>					
Reimbursable Expenses	(\$1,520)	2,793			
ICANN meeting costs		(\$40,849)			3
<b>Total INZ Expenses</b>	<b>79,734</b>	<b>1,247,330</b>	<b>1,637,875</b>	<b>1,965,450</b>	
<b>TOTAL INZ &amp; DNC Expenses</b>	<b>140,194</b>	<b>1,921,667</b>	<b>2,435,375</b>	<b>2,922,450</b>	
<b>Net Surplus / (Deficit)</b>	<b>(\$56,569)</b>	<b>(\$493,892)</b>	<b>(\$51,625)</b>	<b>(\$341,950)</b>	
<b>Capital Expenditure</b>					
10th Floor fitout		16,559	33,333	40,000	
Special Projects		15,000	12,500	15,000	
Access Grid			41,667	50,000	
Misc capital Expendis	2,377	11,647	20,833	25,000	
<b>Total Capex</b>	<b>2,377</b>	<b>43,206</b>	<b>95,833</b>	<b>115,000</b>	
<b>Total all Expenditure</b>	<b>142,571</b>	<b>1,964,873</b>	<b>2,531,208</b>	<b>3,037,450</b>	

**NOTES:**

\* YtD budget is annual budget div 12 x number of months to date

1. Breakdowns supplied by the Office of the DNC to NZOC
2. Monthly Budget breakdown does not apply
3. Is income received after balance date reimbursing ICANN meeting expenses

**InternetNZ Statement of Financial Performance to 31 January 2007**

<b>Income</b>			<b>Notes</b>
Office of DNC	<b>Total DNC Income</b>	<b>818,967</b>	
Soc Income	Membership	10,190	
	Sundry Income	131,953	1
	Dividend	466,667	
	<b>Total Soc Income</b>	<b>608,809</b>	
	<b>Total Income to 31 January 2007</b>	<b><u>1,427,776</u></b>	
<b>Expenditures</b>			
Office of DNC	<b>DNC Expenditure</b>	<b>674,337</b>	
Society Expenses	Adv & Represent	134,495	
	Ind Self-Regulation	18,044	
	Protect Internet	186,597	
	Promote Internet	92,743	
	International (non DNC)	86,454	
	Society	605,542	
	Tech Leadership	24,275	
	Additional Lines	137,238	
	ICANN Meeting Profit	(\$40,849)	
	Reimbursables	2,793	2
	<b>Total Expenditures to 31 January 2007</b>	<b><u>1,921,667</u></b>	
	<b>Net Surplus / (Deficit) as at 31 January 2007</b>	<b><u>(\$493,892)</u></b>	

Notes

1. Includes calculated Interest
2. Includes reimbursable expenses

**InternetNZ Balance Sheet as at 31 January 2007**

<b>Current Assets</b>	Current Account	\$95,284	
	On Call deposit acc	10,517	
	Deposit Acc ANZ	852,025	
	Deposit Acc BNZ	348,017	
	Deposit Acc ASB	7,626	
	Term Investment ASB	25,845	
	DNC Account	2,250	
	Escrow acc Jlaw	175,207	
	Petty Cash	0	
	Cash Accounts	1,516,770	
	Accounts Receivable	9,773	
	Sundry Debtors	27,014	
	<b>Total Current Assets 31 January</b>	<b>1,553,557</b>	
<b>Fixed Assets</b>	Fixed Assets and Cost	204,455	
	Accumulated Depreciation	(\$140,872)	
	<b>Total Fixed Assets 31 January</b>	<b>63,583</b>	
<b>Other Assets</b>	NZDNR Ord shares	30,000	
	NZDNR Redeem Shares	400,000	
	<b>Total Other Assets 31 January</b>	<b>430,000</b>	
	<b>Total Assets 31 January 2007</b>	<b>2,047,140</b>	
<b>Liabilities</b>			
<b>Current</b>	Accs Payable	56,092	
	Liz Dengate Thrush Foundation	17,769	
	APTLD	270	
	Income in advance	7,071	
	GST	(\$7,169)	
	Accruals	25,892	
	<b>Total Liabilities 31 January</b>	<b>99,924</b>	
<b>Equity</b>	Accumulated Funds	404,784	
	Retained Earnings	497,045	
	Capital Gain	1,553,747	
	Opening Bal Equity	844	
	Net Income	(\$509,204)	
	<b>Total Equity 31 January</b>	<b>1,947,216</b>	
	<b>Total Liabilities plus Equity 31 January 2007</b>	<b>2,047,140</b>	

**Notes:** As APTLD has no means of receiving creditcard payments the society has been receiving these (membership payments) on their behalf and then proceed to pay to APTLD

## InternetNZ Variance Report January 2007

Income	This Month			Year to Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Projected	Budget	Variance
DNC	\$79,750	\$79,750	\$0	\$818,967	\$797,500	\$21,467	\$982,760	\$957,000	\$25,760
Membership	\$843	\$1,667	(\$824)	\$10,190	\$16,667	(\$6,477)	\$12,227	\$20,000	(\$7,773)
Other	\$3,032	\$16,958	(\$13,927)	\$131,953	\$169,583	(\$37,631)	\$158,343	\$203,500	(\$45,157)
Dividend	\$0	\$116,667	(\$116,667)	\$466,667	\$1,400,000	(\$933,333)	\$1,400,000	\$1,400,000	\$0
<b>Total Income</b>	<b>\$83,625</b>	<b>\$215,042</b>	<b>(\$131,417)</b>	<b>\$1,427,776</b>	<b>\$2,383,750</b>	<b>(\$955,974)</b>	<b>\$2,553,331</b>	<b>\$2,580,500</b>	<b>(\$27,169)</b>
<b>Expenditure</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Projected</b>	<b>Budget</b>	<b>Variance</b>
DNC	\$60,460	\$79,750	\$19,290	\$674,337	\$797,500	\$123,163	\$818,503	\$957,000	\$138,497
Adv & Represent	\$0	\$10,833	\$10,833	\$134,495	\$108,333	(\$26,161)	\$179,327	\$130,000	(\$49,327)
Ind Self-Regulation	\$12,131	\$1,667	(\$10,464)	\$18,044	\$16,667	(\$1,377)	\$21,653	\$20,000	(\$1,653)
Protect Internet	\$1,955	\$22,542	\$20,586	\$186,597	\$225,417	\$38,820	\$223,916	\$270,500	\$46,584
Promote Internet	\$5,687	\$15,208	\$9,521	\$92,743	\$152,083	\$59,341	\$111,291	\$182,500	\$71,209
International (non DNC)	\$11,925	\$8,667	(\$3,258)	\$86,454	\$86,667	\$213	\$103,745	\$104,000	\$255
Society	\$45,308	\$71,954	\$26,646	\$605,542	\$719,542	\$114,000	\$726,650	\$863,450	\$136,800
Tech Leadership	\$4,195	\$10,417	\$6,222	\$24,275	\$104,167	\$79,892	\$29,130	\$125,000	\$95,870
Additional Lines	\$52	\$22,500	\$22,448	\$137,238	\$225,000	\$87,762	\$164,685	\$270,000	\$105,315
ICANN Profit	\$0	\$0	\$0	(\$40,849)	\$0	\$40,849	(\$40,849)	\$0	\$40,849
Reimbursables	(\$1,520)	\$0	\$1,520	\$2,793	\$0	(\$2,793)	\$2,793	\$0	(\$2,793)
<b>Total Expenditure</b>	<b>\$140,194</b>	<b>\$243,538</b>	<b>\$103,344</b>	<b>\$1,921,667</b>	<b>\$2,435,375</b>	<b>\$513,708</b>	<b>\$2,340,843</b>	<b>\$2,922,450</b>	<b>\$581,607</b>
<b>Surplus / (Deficit)</b>	<b>(\$56,569)</b>	<b>(\$28,496)</b>		<b>(\$493,892)</b>	<b>(\$51,625)</b>		<b>\$212,487</b>	<b>(\$341,950)</b>	
<b>Net Variance</b>			<b>(\$28,073)</b>			<b>(\$442,267)</b>			<b>\$554,437</b>
CAPEX	\$2,377	\$9,583	\$7,206	\$43,206	\$95,833	\$52,627	\$51,847	\$115,000	\$63,153

**Notes:**

Year to Date Budget = Annual budget div 12 x num months to date

This Month Budget = Annual budget div 12

Projected Year = Year to Date Actual div no. months to date X 12

**February**

**Financial Report. Expenditure by Budget Line  
Status as at 28 February 2007**

Account	Actual		Budget		NOTES
	This Month	Year to Date	YtD *	2006/2007	
<b>Income</b>					
<b>Total DNC Income</b>	<b>\$88,487</b>	<b>\$907,454</b>	<b>\$797,500</b>	<b>\$957,000</b>	<b>1</b>
<b>Soc Income</b>					
Dividend		466,667	1,400,000	1,400,000	2
Interest	27,964	109,673	150,000	180,000	
Ind Membership	905	5,769	5,000	6,000	
Corp Membership	1,154	6,479	11,667	14,000	
APTLD Secretariat Fee		23,243	18,750	22,500	
Sundry Income	18,561	45,562	833	1,000	
<b>Total Soc Income</b>	<b>48,583</b>	<b>657,393</b>	<b>1,586,250</b>	<b>1,623,500</b>	
<b>Total Income</b>	<b>137,071</b>	<b>1,564,847</b>	<b>2,383,750</b>	<b>2,580,500</b>	
<b>Expenditure</b>					
<b>Total DNC Expenditure</b>	<b>61,469</b>	<b>735,806</b>	<b>797,500</b>	<b>957,000</b>	<b>1</b>
<b>Advocacy and Rep</b>					
Cyberlaw Fellowship		81,098	70,833	85,000	2
Public Policy Cmte	592	18,813	8,333	10,000	
Parliamentary Caucus		104	4,167	5,000	
Research for Parl Submissions		35,071	25,000	30,000	
<b>Total</b>	<b>592</b>	<b>135,087</b>	<b>108,333</b>	<b>130,000</b>	
<b>Industry Self-Regulation</b>					
Internet Code of Practice		1,725	16,667	20,000	
Copyright Amendment Bills	35,124	51,443			
<b>Total</b>	<b>35,124</b>	<b>53,168</b>	<b>16,667</b>	<b>20,000</b>	
<b>Protect the Internet</b>					
Antispam		8,409	16,667	20,000	
APCauce Secretariat			6,667	8,000	
Broadband Campaign	535	119,897	75,000	90,000	
ENUM Meeting		680	4,167	5,000	
ENUM			33,333	40,000	
Internet Regulatory Issues	90	14,228	41,667	50,000	
Internet Safety Group		21,173	16,667	20,000	2
Internet Safety Group Conference		20,000	16,667	20,000	
PAG (patents)	315	3,150	4,167	5,000	
Peering Task Force			4,167	5,000	
Peering Activities			6,250	7,500	
<b>Total</b>	<b>941</b>	<b>187,538</b>	<b>225,417</b>	<b>270,500</b>	
<b>Promote the Internet</b>					
Advertising			8,333	10,000	
AGM		7,911	6,250	7,500	2
Annual Report		13,351	8,333	10,000	2
Communications		136	29,167	35,000	
History Project		12,082	20,833	25,000	
Next Generation Internet			4,167	5,000	2
Member Meetings/Consultations	8,700	32,538	16,667	20,000	
Technical Services	3,706	32,516	33,333	40,000	
Website Revamp		6,114	25,000	30,000	
<b>Total</b>	<b>12,566</b>	<b>105,308</b>	<b>152,083</b>	<b>182,500</b>	



<b>International (non-DNC)</b>					
APTLD Secretariat	1,165	14,954	25,000	30,000	
APNIC Fees		3,913	5,000	6,000	2
ISOC Fees			6,667	8,000	2
International Travel (non NZ)	666	28,818	12,500	15,000	
International Cmte		704	4,167	5,000	
Pacific Sport	1,896	33,518	20,833	25,000	
WSIS Consultation		8,274	12,500	15,000	
<b>Total</b>	<b>3,727</b>	<b>90,181</b>	<b>86,667</b>	<b>104,000</b>	
<b>The Society</b>					
Accountancy Fees	674	10,662	11,667	14,000	
Audit Cmte		748	2,500	3,000	
Audit Fees		736	8,333	10,000	
Bank Charges	232	2,252	1,250	1,500	
Cleaning	119	1,150	833	1,000	
Comp Consumables		2,574	4,167	5,000	
Conferences/Events		80	3,125	3,750	
Council Meeting	1,201	36,146	29,167	35,000	
Depreciation			41,667	50,000	
Domain Names	1,582	2,834	2,083	2,500	
Executive Cmte	1,016	15,481	12,500	15,000	
General Expenses	406	21,505	16,667	20,000	
Gov & Const Cmte (+Rem Panel)		5,089	4,167	5,000	
Honoraia	3,375	57,336	56,000	67,200	
Insurance		6,137	15,000	18,000	
Governance Training		1,527	6,250	7,500	
Office Power/Rates/Insurance	381	4,414	2,500	3,000	
Planning			4,167	5,000	
Postage/Couriers	119	1,967	1,667	2,000	
Printing/Stationery	1,382	7,703	6,667	8,000	
Professional Services		4,750	4,167	5,000	
Recruitment		5,233	12,500	15,000	
Rent	2,323	25,554	33,333	40,000	
Staff Costs	28,430	369,957	400,000	480,000	
Staff Training		2,864	5,833	7,000	
Telecommunications	3,319	37,741	20,833	25,000	
Travel - Officers	1,138	7,304	4,167	5,000	
Travel - Staff	875	14,689	8,333	10,000	
Subscriptions	781	6,463			
<b>Total</b>	<b>47,354</b>	<b>652,895</b>	<b>719,542</b>	<b>863,450</b>	
<b>Technical Leadership</b>					
Technical Capability Fund			41,667	50,000	
IP v6		6,871	25,000	30,000	
NZNOG Conference Sponsorship	738	14,923	8,333	10,000	2
TUANZ	90	339			
Tech Cmte		2,896	4,167	5,000	
CA Scoping		74	20,833	25,000	
CERT Scoping			4,167	5,000	
<b>Total</b>	<b>827</b>	<b>25,102</b>	<b>104,167</b>	<b>125,000</b>	

<b>Additional Lines</b>					
Special Project Fund		15,000	83,333	100,000	2
Structural Review	2,148	99,818	83,333	100,000	
Structural Review TaskForce	3,467	23,220	4,167	5,000	
Internet Foundation		1,320	8,333	10,000	
World Internet Project		3,496	20,833	25,000	
Membership			25,000	30,000	
<b>Total</b>	<b>5,615</b>	<b>142,853</b>	<b>225,000</b>	<b>270,000</b>	
<b>Extraordinary Items</b>					
Reimbursable Expenses		2,793			
ICANN meeting costs		(\$40,849)			3
<b>Total INZ Expenses</b>	<b>106,746</b>	<b>1,354,076</b>	<b>1,637,875</b>	<b>1,965,450</b>	
<b>TOTAL INZ &amp; DNC Expenses</b>	<b>168,215</b>	<b>2,089,883</b>	<b>2,435,375</b>	<b>2,922,450</b>	
<b>Net Surplus / (Deficit)</b>	<b>(\$31,145)</b>	<b>(\$525,036)</b>	<b>(\$51,625)</b>	<b>(\$341,950)</b>	

<b>Capital Expenditure</b>				
10th Floor fitout		13,059	33,333	40,000
Special Projects		15,000	12,500	15,000
Access Grid			41,667	50,000
Misc capital Expends	513	12,160	20,833	25,000
<b>Total Capex</b>	<b>513</b>	<b>40,219</b>	<b>95,833</b>	<b>115,000</b>
<b>Total all Expenditure</b>	<b>168,729</b>	<b>2,130,102</b>	<b>2,531,208</b>	<b>3,037,450</b>

**NOTES:**

\* YtD budget is annual budget div 12 x number of months to date

1. Breakdowns supplied by the Office of the DNC to NZOC
2. Monthly Budget breakdown does not apply
3. Is income received after balance date reimbursing ICANN meeting expenses

### InternetNZ Balance Sheet as at 28 February 2007

<b>Current Assets</b>	Current Account	\$99,645	
	On Call deposit acc	10,530	
	Deposit Acc ANZ	877,562	
	Deposit Acc BNZ	350,028	
	Deposit Acc ASB	6,156	
	Term Investment ASB	7,718	
	DNC Account	2,250	
	Escrow acc Jlaw	175,207	
	Petty Cash	0	
	Cash Accounts	1,529,095	
	Accounts Receivable	18,543	
	Sundry Debtors	28,965	
	<b>Total Current Assets 28 February</b>	<b>1,576,604</b>	
<b>Fixed Assets</b>	Fixed Assets and Cost	204,968	
	Accumulated Depreciation	(\$140,872)	
	<b>Total Fixed Assets 28 February</b>	<b>64,096</b>	
<b>Other Assets</b>	NZDNR Ord shares	30,000	
	NZDNR Redeem Shares	400,000	
	<b>Total Other Assets 28 February</b>	<b>430,000</b>	
	<b>Total Assets 28 February 2007</b>	<b>2,070,700</b>	
<b>Liabilities</b>			
<b>Current</b>	Accs Payable	106,539	
	Liz Dengate Thrush Foundation	17,769	
	APTLD	2,804	1
	Income in advance	7,071	
	GST	(\$7,392)	
	Accruals	25,892	
	<b>Total Liabilities 28 February</b>	<b>152,682</b>	
<b>Equity</b>	Accumulated Funds	404,784	
	Retained Earnings	497,045	
	Capital Gain	1,553,747	
	Opening Bal Equity	844	
	Net Income	(\$538,402)	
	<b>Total Equity 28 February</b>	<b>1,918,018</b>	
	<b>Total Liabilities plus Equity 28 February 2007</b>	<b>2,070,700</b>	

**Notes:** As APTLD has no means of receiving creditcard payments the society has been receiving these (membership payments) on their behalf and then proceed to pay to APTLD

**InternetNZ Statement of Financial Performance to 28 February 2007**

<b>Income</b>			<b>Notes</b>
Office of DNC	<b>Total DNC Income</b>	<b>907,454</b>	
Soc Income	Membership	12,248	
	Sundry Income	178,478	1
	Dividend	466,667	
	<b>Total Soc Income</b>	<u><b>657,393</b></u>	
	<b>Total Income to 28 February 2007</b>	<u><u><b>1,564,847</b></u></u>	
<b>Expenditures</b>			
Office of DNC	<b>DNC Expenditure</b>	<b>735,806</b>	
Society Expenses	Adv & Represent	135,087	
	Ind Self-Regulation	53,168	
	Protect Internet	187,538	
	Promote Internet	105,308	
	International (non DNC)	90,181	
	Society	652,895	
	Tech Leadership	25,102	
	Additional Lines	142,853	
	ICANN Meeting Profit	(\$40,849)	
	Reimbursables	2,793	2
	<b>Total Expenditures to 28 February 2007</b>	<u><u><b>2,089,883</b></u></u>	
	<b>Net Surplus / (Deficit) as at 28 February 2007</b>	<u><u><b>(\$525,036)</b></u></u>	

Notes

1. Includes calculated Interest
2. Includes reimbursable expenses

### InternetNZ Variance Report February 2007

Income	This Month			Year to Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Projected	Budget	Variance
DNC	\$88,487	\$79,750	\$8,737	\$907,454	\$797,500	\$109,954	\$1,088,945	\$957,000	\$131,945
Membership	\$2,058	\$1,667	\$392	\$12,248	\$16,667	(\$4,419)	\$14,698	\$20,000	(\$5,302)
Other	\$46,525	\$16,958	\$29,567	\$178,478	\$169,583	\$8,894	\$214,173	\$203,500	\$10,673
Dividend	\$0	\$116,667	(\$116,667)	\$466,667	\$1,400,000	(\$933,333)	\$1,400,000	\$1,400,000	\$0
<b>Total Income</b>	<b>\$137,071</b>	<b>\$215,042</b>	<b>(\$77,971)</b>	<b>\$1,564,847</b>	<b>\$2,383,750</b>	<b>(\$818,903)</b>	<b>\$2,717,816</b>	<b>\$2,580,500</b>	<b>\$137,316</b>
<b>Expenditure</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Projected</b>	<b>Budget</b>	<b>Variance</b>
DNC	\$61,469	\$79,750	\$18,281	\$735,806	\$797,500	\$61,694	\$818,503	\$957,000	\$138,497
Adv & Represent	\$592	\$10,833	\$10,241	\$135,087	\$108,333	(\$26,754)	\$179,327	\$130,000	(\$49,327)
Ind Self-Regulation	\$35,124	\$1,667	(\$33,457)	\$53,168	\$16,667	(\$36,501)	\$63,802	\$20,000	(\$43,802)
Protect Internet	\$941	\$22,542	\$21,601	\$187,538	\$225,417	\$37,879	\$225,045	\$270,500	\$45,455
Promote Internet	\$12,566	\$15,208	\$2,643	\$105,308	\$152,083	\$46,775	\$126,370	\$182,500	\$56,130
International (non DNC)	\$3,727	\$8,667	\$4,940	\$90,181	\$86,667	(\$3,514)	\$108,217	\$104,000	(\$4,217)
Society	\$47,354	\$71,954	\$24,600	\$652,895	\$719,542	\$66,646	\$783,475	\$863,450	\$79,975
Tech Leadership	\$827	\$10,417	\$9,589	\$25,102	\$104,167	\$79,065	\$30,122	\$125,000	\$94,878
Additional Lines	\$5,615	\$22,500	\$16,885	\$142,853	\$225,000	\$82,147	\$171,424	\$270,000	\$98,576
ICANN Profit	\$0	\$0	\$0	(\$40,849)	\$0	\$40,849	(\$40,849)	\$0	\$40,849
Reimbursables	\$0	\$0	\$0	\$2,793	\$0	(\$2,793)	\$2,793	\$0	(\$2,793)
<b>Total Expenditure</b>	<b>\$168,215</b>	<b>\$243,538</b>	<b>\$75,322</b>	<b>\$2,089,883</b>	<b>\$2,435,375</b>	<b>\$345,492</b>	<b>\$2,468,228</b>	<b>\$2,922,450</b>	<b>\$454,222</b>
<b>Surplus / (Deficit)</b>	<b>(\$31,145)</b>	<b>(\$28,496)</b>	<b>(\$525,036)</b>	<b>(\$525,036)</b>	<b>(\$51,625)</b>	<b>(\$249,588)</b>	<b>(\$341,950)</b>		
<b>Net Variance</b>			<b>(\$2,649)</b>			<b>(\$473,411)</b>			<b>\$591,538</b>
CAPEX	\$513	\$9,583	\$9,070	\$40,219	\$95,833	\$55,614	\$48,263	\$115,000	\$66,737

**Notes:**

Year to Date Budget = Annual budget div 12 x num months to date

This Month Budget = Annual budget div 12

Projected Year = Year to Date Actual div no. months to date X 12

**March**

**Financial Report. Expenditure by Budget Line  
Status as at 31 March 2007**

Account	Actual		Budget		NOTES
	This Month	Year to Date	YtD *	2006/2007	
<b>Income</b>					
<b>Total DNC Income</b>	<b>\$85,150</b>	<b>\$992,604</b>	<b>\$957,000</b>	<b>\$957,000</b>	<b>1</b>
<b>Soc Income</b>					
Dividend	933,333	1,400,000	1,400,000	1,400,000	2
Interest	-1,015	108,658	180,000	180,000	
Ind Membership	-1,795	3,974	6,000	6,000	
Corp Membership	1,645	8,124	14,000	14,000	
APTLD Secretariat Fee		23,243	22,500	22,500	
Sundry Income	-17,233	28,329	1,000	1,000	
<b>Total Soc Income</b>	<b>914,935</b>	<b>1,572,328</b>	<b>1,623,500</b>	<b>1,623,500</b>	
<b>Total Income</b>	<b>1,000,085</b>	<b>2,564,932</b>	<b>2,580,500</b>	<b>2,580,500</b>	
<b>Expenditure</b>					
<b>Total DNC Expenditure</b>	<b>202,953</b>	<b>938,760</b>	<b>957,000</b>	<b>957,000</b>	<b>1</b>
<b>Advocacy and Rep</b>					
Cyberlaw Fellowship	7,129	88,228	85,000	85,000	2
Public Policy Cmte	1,628	20,441	10,000	10,000	
Parliamentary Caucus		104	5,000	5,000	
Research for Parl Submissions		35,071	30,000	30,000	
<b>Total</b>	<b>8,757</b>	<b>143,844</b>	<b>130,000</b>	<b>130,000</b>	
<b>Industry Self-Regulation</b>					
Internet Code of Practice	21	1,746	20,000	20,000	
Copyright Amendment Bills	6,954	58,397			
<b>Total</b>	<b>6,975</b>	<b>60,143</b>	<b>20,000</b>	<b>20,000</b>	
<b>Protect the Internet</b>					
Antispam	4,221	12,630	20,000	20,000	
APCauce Secretariat			8,000	8,000	
Broadband Campaign	-19,440	100,457	90,000	90,000	
ENUM Meeting		680	5,000	5,000	
ENUM			40,000	40,000	
Internet Regulatory Issues	35,525	49,753	50,000	50,000	
Internet Safety Group		21,173	20,000	20,000	2
Internet Safety Group Conference		20,000	20,000	20,000	
PAG (patents)	630	3,780	5,000	5,000	
Peering Task Force	11	11	5,000	5,000	
Peering Activities			7,500	7,500	
<b>Total</b>	<b>20,946</b>	<b>208,484</b>	<b>270,500</b>	<b>270,500</b>	
<b>Promote the Internet</b>					
Advertising			10,000	10,000	
AGM		7,911	7,500	7,500	2
Annual Report		13,351	10,000	10,000	2
Communications	1,832	1,968	35,000	35,000	
History Project	5,501	17,584	25,000	25,000	
Next Generation Internet			5,000	5,000	2
Member Meetings/Consultations	-7,690	24,847	20,000	20,000	
Technical Services	6,611	39,127	40,000	40,000	
Website Revamp		6,114	30,000	30,000	
<b>Total</b>	<b>7,218</b>	<b>112,526</b>	<b>182,500</b>	<b>182,500</b>	

<b>International (non-DNC)</b>					
APTLD Secretariat	1,261	16,215	30,000	30,000	
APNIC Fees		3,913	6,000	6,000	2
ISOC Fees			8,000	8,000	2
International Travel (non NZ)	-24,361	4,457	15,000	15,000	
International Cmte	66	770	5,000	5,000	
Special Travel (Apricot)		3,395	15,000	15,000	
Pacific Sport	-3,645	29,873	25,000	25,000	
WSIS Consultation	9,290	17,563	15,000	15,000	
<b>Total</b>	<b>-13,995</b>	<b>76,186</b>	<b>119,000</b>	<b>119,000</b>	
<b>The Society</b>					
Accountancy Fees	3,949	14,611	14,000	14,000	
Audit Cmte		748	3,000	3,000	
Audit Fees	8,000	8,736	10,000	10,000	
Bank Charges	-864	1,387	1,500	1,500	
Cleaning	273	1,422	1,000	1,000	
Comp Consumables	157	2,731	5,000	5,000	
Conferences/Events		80	3,750	3,750	
Council Meeting	5,041	41,187	35,000	35,000	
Depreciation	27,084	27,084	50,000	50,000	
Domain Names	132	2,966	2,500	2,500	
Executive Cmte	7,741	23,222	15,000	15,000	
General Expenses	12,519	34,024	20,000	20,000	
Gov & Const Cmte (+Rem Panel)		5,089	5,000	5,000	
Honoraia	16,800	74,136	67,200	67,200	
Insurance		6,137	18,000	18,000	
Governance Training		1,527	7,500	7,500	
Office Power/Rates/Insurance	528	4,942	3,000	3,000	
Planning	3,992	3,992	5,000	5,000	
Postage/Couriers	49	2,016	2,000	2,000	
Printing/Stationery	145	7,848	8,000	8,000	
Professional Services	1,930	6,680	5,000	5,000	
Recruitment		5,233	15,000	15,000	
Rent	2,605	28,159	40,000	40,000	
Staff Costs	64,365	434,323	480,000	480,000	
Staff Training	5,300	8,164	7,000	7,000	
Telecommunications	4,707	42,449	25,000	25,000	
Travel - Officers	1,924	9,228	5,000	5,000	
Travel - Staff	-2,243	12,446	10,000	10,000	
Subscriptions	462	6,924			
<b>Total</b>	<b>164,595</b>	<b>817,491</b>	<b>863,450</b>	<b>863,450</b>	
<b>Technical Leadership</b>					
Technical Capability Fund			50,000	50,000	
IP v6	4,844	11,715	30,000	30,000	
NZNOG Conference Sponsorship	776	15,699	10,000	10,000	2
TUANZ	19	358			
Tech Cmte	10	2,905	5,000	5,000	
CA Scoping		74	25,000	25,000	
CERT Scoping			5,000	5,000	
<b>Total</b>	<b>5,649</b>	<b>30,751</b>	<b>125,000</b>	<b>125,000</b>	



<b>Additional Lines</b>					
Special Project Fund	9,537	24,537	100,000	100,000	2
Structural Review	10,000	109,818	100,000	100,000	
Structural Review TaskForce	3,033	26,253	5,000	5,000	
Internet Foundation		1,320	10,000	10,000	
World Internet Project		3,496	25,000	25,000	
Membership	8,426	8,426	30,000	30,000	
<b>Total</b>	<b>30,996</b>	<b>173,849</b>	<b>270,000</b>	<b>270,000</b>	
<b>Extraordinary Items</b>					
Reimbursable Expenses	\$236	3,029			
ICANN meeting costs		(\$40,849)			3
<b>Total INZ Expenses</b>	<b>231,377</b>	<b>1,585,453</b>	<b>1,980,450</b>	<b>1,980,450</b>	
<b>TOTAL INZ &amp; DNC Expenses</b>	<b>434,330</b>	<b>2,524,213</b>	<b>2,937,450</b>	<b>2,937,450</b>	
<b>Net Surplus / (Deficit)</b>	<b>\$565,755</b>	<b>\$40,719</b>	<b>(\$356,950)</b>	<b>(\$356,950)</b>	
<b>Capital Expenditure</b>					
10th Floor fitout		13,059	40,000	40,000	
Special Projects	9,537	24,537	15,000	15,000	
Access Grid			50,000	50,000	
Misc capital Expendis	3,662	15,823	25,000	25,000	
<b>Total Capex</b>	<b>13,199</b>	<b>53,419</b>	<b>115,000</b>	<b>115,000</b>	
<b>Total all Expenditure</b>	<b>447,529</b>	<b>2,577,631</b>	<b>3,052,450</b>	<b>3,052,450</b>	

**NOTES:**

\* YtD budget is annual budget div 12 x number of months to date

1. Breakdowns supplied by the Office of the DNC to NZOC
2. Monthly Budget breakdown does not apply
3. Is income received after balance date reimbursing ICANN meeting expenses

**InternetNZ Balance Sheet as at 31 March 2007**

<b>Current Assets</b>	Current Account	\$1,021,009	
	On Call deposit acc	10,542	
	Deposit Acc ANZ	877,562	
	Deposit Acc BNZ	203,177	
	Deposit Acc ASB	6,193	
	Term Investment ASB	7,765	
	DNC Account	2,250	
	Escrow acc Jlaw	186,305	
	BNZ Account	994	
	Petty Cash	<u>0</u>	
	Cash Accounts	2,315,796	
	Accounts Receivable	18,100	
	Sundry Debtors	<u>11,367</u>	
	<b>Total Current Assets 31 March</b>	<b><u>2,345,263</u></b>	
<b>Fixed Assets</b>	Fixed Assets and Cost	208,630	
	Accumulated Depreciation	<u>(\$147,077)</u>	
	<b>Total Fixed Assets 31 March</b>	<b><u>61,553</u></b>	
<b>Other Assets</b>	NZDNR Ord shares	30,000	
	NZDNR Redeem Shares	<u>400,000</u>	
	<b>Total Other Assets 31 March</b>	<b><u>430,000</u></b>	
	<b>Total Assets 31 March 2007</b>	<b><u>2,836,816</u></b>	
<b>Liabilities</b>			
<b>Current</b>	Accs Payable	109,540	
	Liz Dengate Thrush Foundation	32,013	
	APTLD	243	
	Income in advance	8,264	
	GST	(\$6,726)	
	Accruals	<u>209,874</u>	
	<b>Total Liabilities 31 March</b>	<b><u>353,209</u></b>	
<b>Equity</b>	Accumulated Funds	404,784	
	Retained Earnings	497,045	
	Capital Gain	1,553,747	
	Opening Bal Equity	0	
	Net Income	<u>\$28,031</u>	
	<b>Total Equity 31 March</b>	<b><u>2,483,607</u></b>	
	<b>Total Liabilities plus Equity 31 March 2007</b>	<b><u>2,836,816</u></b>	

**Notes:** As APTLD has no means of receiving creditcard payments the society has been receiving these (membership payments) on their behalf and then proceed to pay to APTLD

**InternetNZ Statement of Financial Performance to 31 March 2007**

<b>Income</b>			<b>Notes</b>
Office of DNC	<b>Total DNC Income</b>	<b>992,604</b>	
Soc Income	Membership	12,098	
	Sundry Income	160,230	1
	Dividend	1,400,000	
	<b>Total Soc Income</b>	<u><b>1,572,328</b></u>	
	<b>Total Income to 31 March 2007</b>	<u><u><b>2,564,932</b></u></u>	
<b>Expenditures</b>			
Office of DNC	<b>DNC Expenditure</b>	<b>938,760</b>	
Society Expenses	Adv & Represent	143,844	
	Ind Self-Regulation	60,143	
	Protect Internet	208,484	
	Promote Internet	112,526	
	International (non DNC)	76,186	
	Society	817,491	
	Tech Leadership	30,751	
	Additional Lines	173,849	
	ICANN Meeting Profit	(\$40,849)	
	Reimbursables	3,029	2
	<b>Total Expenditures to 31 March 2007</b>	<u><u><b>2,524,213</b></u></u>	
	<b>Net Surplus / (Deficit) as at 31 March 2007</b>	<u><u><b>\$40,719</b></u></u>	

Notes

1. Includes calculated Interest
2. Includes reimbursable expenses

## InternetNZ Variance Report March 2007

Income	This Month			Year to Date			Full Year		
	Actual	Budget	Variance	Actual	Budget	Variance	Projected	Budget	Variance
DNC	\$85,150	\$79,750	\$5,400	\$992,604	\$957,000	\$35,604	\$992,604	\$957,000	\$35,604
Membership	(\$150)	\$1,667	(\$1,817)	\$12,098	\$20,000	(\$7,902)	\$12,098	\$20,000	(\$7,902)
Other	(\$18,248)	\$16,958	(\$35,206)	\$160,230	\$203,500	(\$43,270)	\$160,230	\$203,500	(\$43,270)
Dividend	\$933,333	\$116,667	\$816,666	\$1,400,000	\$1,400,000	\$0	\$1,400,000	\$1,400,000	\$0
<b>Total Income</b>	<b>\$1,000,085</b>	<b>\$215,042</b>	<b>\$785,043</b>	<b>\$2,564,932</b>	<b>\$2,580,500</b>	<b>(\$15,568)</b>	<b>\$2,564,932</b>	<b>\$2,580,500</b>	<b>(\$15,568)</b>
<b>Expenditure</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Projected</b>	<b>Budget</b>	<b>Variance</b>
DNC	\$202,953	\$79,750	(\$123,203)	\$938,760	\$957,000	\$18,241	\$818,503	\$957,000	\$138,497
Adv & Represent	\$8,757	\$10,833	\$2,076	\$143,844	\$130,000	(\$13,844)	\$179,327	\$130,000	(\$49,327)
Ind Self-Regulation	\$6,975	\$1,667	(\$5,308)	\$60,143	\$20,000	(\$40,143)	\$60,143	\$20,000	(\$40,143)
Protect Internet	\$20,946	\$22,542	\$1,595	\$208,484	\$270,500	\$62,016	\$208,484	\$270,500	\$62,016
Promote Internet	\$7,218	\$15,208	\$7,991	\$112,526	\$182,500	\$69,974	\$112,526	\$182,500	\$69,974
International (non DNC)	(\$13,995)	\$9,917	\$23,911	\$76,186	\$119,000	\$42,814	\$76,186	\$119,000	\$42,814
Society	\$164,595	\$71,954	(\$92,641)	\$817,491	\$863,450	\$45,959	\$817,491	\$863,450	\$45,959
Tech Leadership	\$5,649	\$10,417	\$4,768	\$30,751	\$125,000	\$94,249	\$30,751	\$125,000	\$94,249
Additional Lines	\$30,996	\$22,500	(\$8,496)	\$173,849	\$270,000	\$96,151	\$173,849	\$270,000	\$96,151
ICANN Profit	\$0	\$0	\$0	(\$40,849)	\$0	\$40,849	(\$40,849)	\$0	\$40,849
Reimbursables	\$236	\$0	(\$236)	\$3,029	\$0	(\$3,029)	\$2,793	\$0	(\$2,793)
<b>Total Expenditure</b>	<b>\$434,330</b>	<b>\$244,788</b>	<b>(\$189,542)</b>	<b>\$2,524,213</b>	<b>\$2,937,450</b>	<b>\$413,237</b>	<b>\$2,439,203</b>	<b>\$2,937,450</b>	<b>\$498,247</b>
<b>Surplus / (Deficit)</b>	<b>\$565,755</b>	<b>(\$29,746)</b>		<b>\$40,719</b>	<b>(\$356,950)</b>		<b>\$125,729</b>	<b>(\$356,950)</b>	
<b>Net Variance</b>			<b>\$595,501</b>			<b>\$397,669</b>			<b>\$482,679</b>
<b>CAPEX</b>	<b>\$13,199</b>	<b>\$9,583</b>	<b>(\$3,616)</b>	<b>\$53,419</b>	<b>\$115,000</b>	<b>\$61,581</b>	<b>\$53,419</b>	<b>\$115,000</b>	<b>\$61,581</b>
<b>Notes:</b>									
Year to Date Budget = Annual budget div 12 x num months to date									
This Month Budget = Annual budget div 12									
Projected Year = Year to Date Actual div no. months to date X 12									

**d.**

**Executive Committee  
Minutes**

**Executive Committee**  
**MINUTES OF MEETING Saturday 19 May 2007**

**Present:** David Farrar (Acting Chair), Michael Wallmannsberger, Chris Streatfield, Simon Riley

**In Attendance:** Keith Davidson, Susi Fookes

**Apologies:** Colin Jackson

The Acting Chair opened the meeting at 11.10am and passed on Colin's apologies due to illness.

**Minutes**

The minutes of the 17/02 Executive Committee meeting were accepted.

**Matters arising and Action Point update**

Invitation for John Truesdale of the National Library to be formally sent to Graham Coe. To fit on the Council agenda in March – Complete.

Executive Director to prepare papers on Remunerations Review and Appointments Panel for Council consideration at March meeting – Complete.

President approaching a range of parties regarding participation in appointments and remuneration panel – Complete.

Executive Director to ask Consumers Institute and ISPANZ what they think on the question of the draft. Feedback to be circulated to the Executive Committee – Keep as action point.

Simon noted that the website roadmap from the minutes of the last meeting should be an action point.

**Action Point:** Staff to provide an InternetNZ website roadmap before the July Executive Committee meeting.

**Naming rights for Building**

It was agreed that it is good advertising for the cost of holding naming rights of the building and that the name should include the InternetNZ brand (e.g. InternetNZ House)

There was some discussion as to whether a rebranding or refreshing of the brand is needed before continuing with the naming rights for the building.

**Action Point:** Staff to do a paper reexamining the InternetNZ brand, before the next Executive Committee meeting.

**December 2006, January, February and interim March 2007 monthly accounts**

Keith spoke to the item and noted that the March accounts include some of the year end adjustments and are still being finalised. Final year end accounts will be available to the 16 June Council meeting.

There was discussion on the detail. The group congratulated Keith for spending the budget, as planned this has drained down reserves to the desired level.

Keith noted that there is still a lot of work to do on the new chart of accounts. It was agreed to show the format of the new reporting to Council.

**Action point:** Staff to show Council the format for the new financial reporting.

The Treasurer noted his concerns that there are still problems with the financial report summaries. It was noted that with the new reporting there will be steps to fix this.

**Action Point:** ED and Treasurer to investigate balance sheet items as noted

### **INZ Charitable Status**

Michael advised the lawyers are preparing the INZ Charitable Status application for the Charities Commission; and if successful will then seek an IRD determination for INZ. It was noted that minor constitution amendments required will be considered at the June Council meeting.

**Action point:** Simon to send the Executive Committee a copy of the Gavin Adlam “Internet Foundation” document. This is to be a permanent item on the Executive Committee agenda

The committee will have an online discussion once document is posted.

It was suggested that the Digital Summit (early October) would be an ideal time to announce the charitable status.

### **NZRS Items:**

David handed the chair to Chris due to possible conflict of interest. Keith spoke to the concept of redeeming the \$400,000 redeemable shares in NZRS, It was agreed that the President will email the NZRS chair saying that we seek to redeem the shares on 31 March 08. Then Council is to make a formal resolution at the 16 June meeting.

### **Action points:**

- ED to draft email for President to send to Chair of NZRS seeking to redeem shares
- Executive Director to provide Council with a paper advising Council on the best way to administer the funds.

David noted that there is a rent review in progress and it has gone to arbitration. It will benefit us as tenants until mediated.

David also noted that NZRS are advertising for a business manager to evaluate business opportunities. This is a six month contract position extendable to nine months.

### **External Relationships:**

Keith reported on the outcomes from 11 May ICT-NZ AGM and Board meeting.

He advised TUANZ continues to be a rollercoaster relationship.

12.45pm – 1.15pm Lunch

Keith then spoke on the TCF. It has been agreed that both parties will continue to downplay ENUM until any significant pressure to resurrect the working group applies, as all agree that other regulatory issues remain a higher priority and major resource use. It is prudent to include a line item in the next budget for ENUM. We are still engaged with TCF on spam and on LLU working groups. Also we will take outputs from the peering group to the TCF.

Include a discussion item on the next Executive Committee agenda on possible enhancement to our relationship with TCF.

Keith then updated the group on the Digital Strategy Summit. Janet Mazerier has replaced Pete Macaulay as the Digital Strategy person at MED. He noted that at this stage the conference programme is very fluid but likely to firm up after next weeks organizers meeting.

Keith briefly updated the group on connecting to KAREN.

**Action Point:** Exec Ctte recommendation to June Council meeting nominating ED for KAREN Advisory Council.

Victoria University “.nz honeypot” proposal was discussed. It was agreed it was a very worthwhile project.

**Action point:** Staff to prepare a summary paper on the “.nz honeypot” proposal to go to Tech Ctte and then to Council if agreed by Tech – funded from the TCD fund.

**Action point:** Staff to find out who owns the ‘.nz honeypot’ output data and can we use it to help protect the Internet.

**Action point:** Staff to investigate privacy issues around publishing name names etc from the results from the ‘.nz honeypot proposal’.

### **Consumers Institute – Broadband Measurement Project**

Keith spoke to the item. InternetNZ has been asked for technical assistance by Consumers. He noted that Medialab and WAND are keen to engage in this project.

### **Peering TF update**

Simon updated the committee on the Peering Task Force outcomes. Richard Wood is pulling together a first draft report that will go back to everyone that we interviewed. He noted that Telecom reentering peering looks to be very useful, however TelstraClear have indicated they will not change its position at the moment.

### **Council Communications**

Simon spoke to the item. He feels that there is a disconnect with the non active Councilors and suggested ideas to improve:

1. Official meetings with government – a short notice to Council prior, followed with a file note including who was at the meeting, any issues etc.

Keith agreed that this would be appropriate and Staff will do this from now on.

2. At the beginning of a week post a list of all the meetings for the next week.

Keith and other members of the Executive Committee disagreed as some meetings are organic and not scheduled, and the importance is often not known until the meeting.

3. Planning cycle chart.

There is one currently.

### **Council Honoraria**

Keith asked if the new honoraria apply from 1 April or from AGM. It was agreed it applies from 1 April.

### **Council Meeting Agenda**

The Committee discussed the Council draft agenda (16 June). It is to be noted to Council (that due to the SR) that it is likely to run over time and may run after 5pm.

It was noted that the meeting will be the last for the INZ year and a dinner to farewell outgoing Councillors and Officers (President and Vice President) should be held on Friday 15 June.

**Action point:** Staff to organise an early dinner and drinks on Friday 15<sup>th</sup>.

**Action point:** Staff to remind outgoing Councilors that Susi will recover 3G and access cards at the 16 June meeting.

### **General Business**

Jordan will be speaking at the TUANZ 's Tel.con8, there is nothing else on the agenda that would require other INZ representation, though there may be value for the public policy chair or a representative to attend.

Michael will be attending AusCERT – he is leaving tomorrow.

Keith noted that he has got some information from Communications Partners on Access Grid layout, but has not had a chance to read it.

Keith spoke briefly on NZCERT; Brendon Murray wants to progress it. Keith is also talking to a possible contractor about producing CA and NZCERT scoping papers. We will need to get a lawyer to look at the contract regarding intellectual property.

We have received an assistance request from the New Zealand Maori Internet Society. Keith will forward it to the Executive Committee, and will follow up with MIS in July.



The SR will not affect the elections timetable. Nominations will open early June. Keith (as returning officer) and Maureen Milburn (if available) will be the scrutineers. The outgoing Councilors are Mark Harris, Simon Riley, Judy Speights, Jennifer Northover and Pete Macaulay.

**Action point:** Executive Director to notify Council of key dates in election process.

Next Exec Committee meeting: Saturday 7 July – tidy up for AGM. Aim for teleconference.

The chair closed the meeting at 2.56pm

Action	Who	Status
Staff to provide an InternetNZ website roadmap before the July Executive Committee meeting.	Staff	
Staff to do a paper reexamining the InternetNZ brand, before the next Executive Committee meeting.	Staff	
Staff to show Council the format for the new financial reporting.	Staff	
ED and Treasurer to investigate balance sheet items as noted.	ED, Treasurer	
Simon to send the Executive Committee a copy of the Gavin Adlam "Internet Foundation" document. This is to be a permanent item on the Executive Committee agenda	Simon	
ED to draft email for President to send to Chair of NZRS seeking to redeem shares.	ED	
Executive Director to provide Council with a paper advising Council on the best way to administer the funds.	ED	
Exec Ctte recommendation to June Council meeting nominating ED for KAREN Advisory Council.	President	
Staff to prepare a summary paper on the ".nz honeypot" proposal to go to Tech Ctte and then to Council if agreed by Tech – funded from the TCD fund.	Staff	
Staff to find out who owns the '.nz honeypot' output data and can we use it to help protect the Internet.	Staff	
Staff to investigate privacy issues around publishing name names etc from the results from the '.nz honeypot proposal'.	Staff	

**3**

# **NZRS Report**

30 April 2007

Colin Jackson  
President  
InternetNZ  
PO Box 11 881  
Wellington

Dear Colin

**4th Quarter 2006-2007 Report from New Zealand Domain Name Registry Ltd**

We enclose our report for the company for the fourth quarter of the 2006 - 2007 year, the quarter ended 31<sup>st</sup> March 2007. The report, which I submit on behalf of the Board, consists of the summarised management accounts and a commentary on financial, operational, and strategic issues in relation to the company's performance. There is nothing in the report that we regard as confidential.

This report meets the requirement of the agreed Reporting Protocol we have with you.

**1. Financial**

**1.1 Results**

Enclosed are Statements of:

- Financial performance
- Financial position.

These statements are based on our management accounts for the quarter. The annual financial statements are not yet available, so the final audited year-end result may differ from that recorded in the enclosed management accounts.

The net profit after tax of \$573,951 for the quarter was \$194,535 above budget, with the favourable variance in expenditure resulting principally from timing variances related to the SRS-DNS Review and overhead expenses being below budget.

Interest earned for the period was \$113,636 from invested cash balances consisting predominantly of pre-paid domain name fees (deferred income totalled \$3,888,997 as at 31<sup>st</sup> March 2007 against budgeted \$2,922,640).

The company ended the quarter with funds in bank and on deposit of \$6,371,050. This was higher than budgeted (\$4,565,921), and was primarily the result of deferred income continuing to run ahead of budget (due to growth) combined with below budget capital expenditure (due to delays in planned capital expenditure).

An interim dividend of \$933,333 was paid in March to InternetNZ on the 2006 - 2007 result, bringing the total dividends paid during the financial year to \$1.4 million.

## 2. Operational

### 2.1 SRS

At the end of the quarter there were 62 Authorised registrars in production.

#### System Availability

There was a system outage during March that has meant that the Service Level Agreement for March was not met. The outage was caused when a technician attempted to resolve a hardware issue, which resulted in the lack of access to the SRS for 62 minutes. The figures for January and February were both above those specified in the SLA.

	SLA %	Jan 2007	Feb 2007	Mar 2007
SRS	99.90%	99.98	99.96	99.84
DNS	100%	100	100	100
Whois	99.90%	99.98	99.96	99.85

### 2.2 Domain Name 2ld Summary

Net domain name growth for the quarter was 11,469 as follows:

	31 Dec 2006	31 Jan 2007	28 Feb 2007	31 Mar 2007
.ac	1,268	1,278	1,286	1,291
.co	223,345	226,309	229,688	233,233
.cri	18	18	18	18
.geek	832	835	848	754
.gen	1,065	1,066	1,080	1,088
.govt	878	884	889	887
.iwi	56	57	58	59
.maori	458	458	459	468
.mil	21	21	21	18
.net	15,524	15,747	16,070	16,370

.org	15,220	15,441	15,716	15,952
.parliament	2	2	2	2
.school	2,596	2,595	2,609	2,612
Total	261,283	264,711	268,744	272,752
Growth over previous month		3,428	4,033	4,008

### 3 Other Key Activities

#### (a) TBSR Project

The TBSR project has moved into the next phase with several key projects underway. The DNS Technical Architecture Panel met in February and the Panel's recommendations are currently being documented prior to being peer reviewed by Joe Abley.

The IPv6 Whois and DNS service implementation is in progress with the infrastructure for this having been put in place. The service is planned to be made live in May.

#### (b) International Financial Reporting Standards

As previously advised, NZRS will be preparing its 2006-2007 Annual Accounts utilising the NZ IFRS reporting framework.

#### (c) Annual Domain Name Fee Setting programme

The joint NZRS and NZOC Domain Name Fee Setting recommendation for a reduction in the Domain Name fee from \$1.75 to \$1.50 per month (with effect from 1<sup>st</sup> July) was approved by the InternetNZ Council. The agreed announcement to registrars and the media was made and while it was picked up by the media, we have been disappointed in the lack of any response from registrars.

#### (d) Benchmarking

The Benchmarking Pilot is progressing with the survey questionnaire being sent out to the participants.

#### (e) Strategy Session

We held the annual NZRS strategy session in March and appreciated the attendance of Colin Jackson and Keith Davidson from InternetNZ. The session was also attended by Frank March and Debbie Monahan on behalf of NZOC/DNC.

As a result of discussions at the Strategy session, the TBSR Committee is considering some additional technical and business opportunities. We will of course consult with InternetNZ if any of these progress to a formal business planning stage.

(f) Rent Review

The Rent review for the 9<sup>th</sup> and 10<sup>th</sup> floors process was started in February with the Landlord proposing \$330 per sqm (an increase of 53% for the 9<sup>th</sup> floor and 20% for the 10<sup>th</sup> floor). NZRS commissioned a valuation and used that as the basis of a counter offer, resulting in a lack of agreement on a second round of negotiations. The review has progressed to the next stage, whereby under the terms of the Lease, both parties have appointed registered valuers to act as experts to assist in determining an appropriate rental.

(g) Generator

We have been planning to locate a generator on the roof of Exchange Place. In finalising the planning we have sought to formalise an arrangement with the Landlord. He has advised that we are not going to be able to locate a generator on the roof space as he is planning to undertake a development of 2 floors on the roof. We are currently considering other options for standby power for the 9<sup>th</sup> floor computer room.

#### 4. Outlook: Strategic Issues and Key Operational Activities

Key activities for the first quarter of the 2007- 2008 financial year include -

- (a) The recommendations from the Technical and Business Systems Review Technical Panel Workshop will be peer reviewed and an implementation roadmap developed.
- (b) The Annual Accounts and reporting process will be undertaken.
- (c) The implementation of IPv6 in the NZRS network will be undertaken.
- (d) Contract resources will assist in the assessment of the viability and the possible development of recommendations from the NZRS Strategy session. It is expected that there will be discussions with InternetNZ on several of the items identified as part of the definition and viability stage.
- (e) The initial Benchmarking Pilot survey will be completed, with a report being prepared for presentation to participants in June.
- (f) Alternative options for the installation of a generator on the roof of Exchange Place to power the Computer Room on the 9<sup>th</sup> floor will be explored.
- (g) The reduction in the Domain Name fee to \$1.50 per month will be implemented from 1 July 2007.

## 5. Other

The NZRS Company Plan for 2007 - 2010 is currently being finalised, and Nick Griffin and I will present it to the InternetNZ Council meeting on June 16.

## 6. Board Recommendation

The Board of NZRS recommends that the Council of InternetNZ receive this report.

Please do not hesitate to contact me if you have any queries.

Yours sincerely

A handwritten signature in black ink, appearing to be 'AU', followed by a long horizontal flourish.

Anne Urlwin  
Chairman



**New Zealand Domain Name Registry Limited**  
**Financial Statements**  
**For the Quarter Ended 31st March 2007**

**Prepared By**

**Curtis McLean Limited**  
**Chartered Accountants**  
**Wellington      NZ**







**New Zealand Domain Name Registry Limited**  
**Exclusion of Liability Statement**  
**For the Quarter Ended 31st March 2007**

**We have compiled the Financial Statements comprising Statement of Financial Performance, Statement of Movements in Equity and Statement of Financial Position of New Zealand Domain Name Registry Limited for the period ended 31st March 2007.**

**A compilation is limited primarily to the collection, classification and summarisation of financial information supplied by the client. A compilation does not involve the verification of that information.**

**We have not carried out an audit or review engagement of the Financial Statements and therefore neither we nor any of our employees accept any responsibility for the accuracy of the material from which the Financial Statements have been prepared. Further, the Financial Statements have been prepared at the request of and for the purpose of the client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person.**

**Curtis McLean Limited**  
**Chartered Accountants**  
**Wellington NZ**

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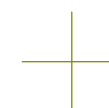


**New Zealand Domain Name Registry Limited**  
**Statement of Financial Performance**  
**For the Quarter Ended 31st March 2007**

	This Quarter			Year to Date			Full Year	
	Actual	Budget	Variance	Actual	Budget	Variance	Budget	Last Year
<b>Registry Fees</b>	1,421,839	1,375,733	46,106	5,300,694	5,270,559	30,135	5,270,559	4,314,039
<b>Less Direct Expenses</b>								
DNC Management Fee	239,250	239,250	-	957,000	957,000	-	957,000	906,000
DNS Expenses	58,976	99,879	(40,903)	258,112	374,315	(116,203)	374,315	247,801
SRS Expenses	97,549	92,737	4,812	393,436	382,934	10,502	382,934	429,087
Other IT	23,184	103,695	(80,511)	173,960	361,946	(187,986)	361,946	313,640
ENUM	-	15,000	(15,000)	-	45,000	(45,000)	45,000	-
DNSSEC	-	10,003	(10,003)	-	40,000	(40,000)	40,000	-
Review DNS/SRS	9,480	45,000	(35,520)	42,697	300,000	(257,303)	300,000	14,640
TBSR	24,841	-	24,841	29,626	-	29,626	-	-
<b>Total Direct Expenses</b>	<b>453,280</b>	<b>605,564</b>	<b>(152,284)</b>	<b>1,854,831</b>	<b>2,461,195</b>	<b>(606,364)</b>	<b>2,461,195</b>	<b>1,911,168</b>
<b>Gross Profit</b>	<b>968,559</b>	<b>770,169</b>	<b>198,390</b>	<b>3,445,863</b>	<b>2,809,364</b>	<b>636,499</b>	<b>2,809,364</b>	<b>2,402,871</b>
<b>Less Other Expenses</b>								
Depreciation & Amortisation	40,590	62,053	(21,463)	139,506	187,217	(47,711)	187,217	116,143
Overhead Expenses	223,978	264,133	(40,154)	866,597	1,066,666	(200,069)	1,066,666	673,760
ICANN Sponsorship	-	-	-	-	-	-	-	300,000
<b>Total Other Expenses</b>	<b>264,568</b>	<b>326,186</b>	<b>(61,617)</b>	<b>1,006,103</b>	<b>1,253,883</b>	<b>(247,780)</b>	<b>1,253,883</b>	<b>1,089,903</b>
	<b>703,991</b>	<b>443,983</b>	<b>260,007</b>	<b>2,439,760</b>	<b>1,555,481</b>	<b>884,279</b>	<b>1,555,481</b>	<b>1,312,968</b>
<b>Plus: Other Income</b>								
Interest	113,636	78,975	34,661	405,672	300,296	105,376	300,296	288,839
Rent Received	35,320	33,587	1,733	138,812	131,930	6,882	131,930	79,182
Tenants Share of Expenses	6,700	10,128	(3,428)	34,029	40,512	(6,483)	40,512	13,309
<b>Earnings Before Interest and Tax</b>	<b>859,647</b>	<b>566,673</b>	<b>292,973</b>	<b>3,018,273</b>	<b>2,028,219</b>	<b>990,054</b>	<b>2,028,219</b>	<b>1,694,298</b>

**New Zealand Domain Name Registry Limited**  
**Statement of Financial Performance**  
**For the Quarter Ended 31st March 2007**

	<b>This Quarter</b>			<b>Year to Date</b>			<b>Full Year</b>	
	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Budget</b>	<b>Last Year</b>
<b>Earnings Before Interest and Tax</b>	859,648	566,417	293,230	3,018,273	2,028,219	990,054	2,028,219	1,694,299
<b>Provision For Tax</b>	285,697	187,002	98,695	998,044	669,312	328,732	669,312	559,630
<b>Net Profit (Loss)</b>	<u>573,951</u>	<u>379,415</u>	<u>194,535</u>	<u>2,020,229</u>	<u>1,358,907</u>	<u>661,322</u>	<u>1,358,907</u>	<u>1,134,669</u>



**New Zealand Domain Name Registry Limited**  
**Statement of Movements in Equity**  
**For the Quarter Ended 31st March 2007**

	<b>This Year</b>	<b>Last Year</b>
<b>Share Capital</b>		
<b>Opening Share Capital</b>	430,000	430,000
<b>Share Capital as at 31st March 2007</b>	430,000	430,000
<b>Retained Earnings</b>		
<b>Opening Retained Earnings</b>	2,198,068	1,563,399
<b>Plus:</b>		
Net Tax Paid Profit (Loss) for Year	2,020,228	1,134,669
<b>Less:</b>		
Dividend Declared	1,400,000	500,000
<b>Retained Earnings as at 31st March 2007</b>	2,818,296	2,198,068
<b>Equity as at 31st March 2007</b>	\$3,248,296	\$2,628,068



**New Zealand Domain Name Registry Limited**  
**Statement of Financial Position**  
**As At 31st March 2007**

	Actual	End of Quarter		LY Actual	End of Year	
		Budget	Variance		Budget	LY Actual
<b>Equity</b>						
Share Capital	430,000	430,000	-	430,000	430,000	430,000
Retained Earnings	2,818,296	2,063,137	755,159	2,198,068	2,063,137	2,198,068
<b>Total Equity</b>	<b>3,248,296</b>	<b>2,493,137</b>	<b>755,159</b>	<b>2,628,068</b>	<b>2,493,137</b>	<b>2,628,068</b>
<b>Liabilities:</b>						
Creditors & Accruals	447,173	326,673	120,500	171,302	326,673	171,302
Deferred Income	3,888,997	2,922,640	966,357	3,031,366	2,922,640	3,031,366
<b>Total Liabilities</b>	<b>4,336,170</b>	<b>3,249,313</b>	<b>1,086,857</b>	<b>3,202,668</b>	<b>3,249,313</b>	<b>3,202,668</b>
<b>Funds Employed</b>	<b>7,584,466</b>	<b>5,742,450</b>	<b>1,842,016</b>	<b>5,830,736</b>	<b>5,742,450</b>	<b>5,830,736</b>
<b>Represented By:</b>						
<b>Current Assets</b>						
Funds Held	6,371,050	4,565,921	1,805,129	4,852,017	4,565,921	4,852,017
Debtors & Prepayments	902,751	635,732	267,019	699,309	635,732	699,309
	7,273,801	5,201,653	2,072,148	5,551,326	5,201,653	5,551,326
<b>Non Current Assets</b>						
Fixed Assets	307,823	537,943	(230,120)	275,330	537,943	275,330
Intangible Assets	2,842	2,854	(12)	4,080	2,854	4,080
<b>Total Non Current Assets</b>	<b>310,665</b>	<b>540,797</b>	<b>(230,132)</b>	<b>279,410</b>	<b>540,797</b>	<b>279,410</b>
<b>Total Assets</b>	<b>7,584,466</b>	<b>5,742,450</b>	<b>1,842,016</b>	<b>5,830,736</b>	<b>5,742,450</b>	<b>5,830,736</b>



27 April 2007

Colin Jackson  
President  
InternetNZ  
PO Box 11 881  
Wellington

Dear Colin

**Re: New Zealand Domain Name Registry Ltd Company Plan**

Please find enclosed NZRS's Company Plan for the 3-year period 2007-2008 through 2009-2010. Please note that the Plan contains commercially sensitive information and is confidential to NZRS and InternetNZ Council and staff.

**A. Plan Process and Key Business Assumptions**

The Company Plan follows a similar format to that of previous years and incorporates budgets for each of the three years.

This year we returned to our normal planning process where we undertook an in-depth strategy review and planning session in the 4<sup>th</sup> quarter of the financial year with the objective of the outcomes of that session informing the Plan and budgets. The resultant Plan and budgets are then completed by the end of the financial year, with this timetable then enabling the Board and management to commence the new financial year with a finalised and adopted Plan and budget.

This year the Board and management considered that the most appropriate approach to this year's Plan and budget is the continuation of a "business as usual approach". This assumption incorporates the implementation of the Technical and Business Systems Review (TBSR) recommendations to be undertaken across the next six quarters. The budgeted Statement of Financial Performance for 2007-2008 incorporates \$295,000 of operating expenditure and \$260,000 capital expenditure associated with implementing these recommendations.

The NZRS Board and management appreciate InternetNZ's input to our planning process and we appreciated you, the Executive Director, the DNC and the NZOC Chair joining us for part of our Strategic Planning session.

The company is now well placed to utilise its core competencies to identify and analyse suitable technical and business opportunities that will enhance the company's financial performance and shareholder value. Any such opportunities pursued would naturally be complementary to NZRS's core activities and capabilities, as well as being aligned to the objectives of both NZRS and InternetNZ.

We will of course keep InternetNZ informed of any technical and business opportunities that proceed to full business case stage, and we will also advise if any opportunity investigations are likely to result in a material variance to the budgeted 2007-2008 financial performance or cash flows.

#### **B. Contributing to InternetNZ's Strategic Objectives**

We appreciated the opportunity to provide input to InternetNZ's Strategic Plan, and would welcome the opportunity to provide such other assistance and input as InternetNZ considers appropriate to the achievement of the Plan's strategic objectives.

#### **C. Dividends**

Dividends have been provided for in the budget on the basis of InternetNZ's advice of its requirement for a total dividend for 2007-2008 of \$1.70 million. NZRS is budgeting to pay this as two interim dividends (the same payment pattern as applied across 2006-2007); an interim dividend of one-third of the total to be paid in September 2007 and the remaining two-thirds in March 2008.

Dividends for the 2008-2009 and 2009-2010 years are budgeted at \$2.067 million and \$2.355 million respectively, with the basis of calculation being an increase on the previous year's dividend equivalent based on the increase in the number of domain names over the previous year.

#### **D. Attendance at 16 June Meeting**

I will attend the InternetNZ Council meeting on 16 June with the General Manager Nick Griffin and will be available to respond to any comments or answer any questions that Council may have on the Company Plan.

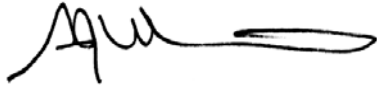
#### **E. Confidentiality of the Company Plan**

Previous years' Company Plans have been considered commercially sensitive and therefore confidential to NZRS and InternetNZ Council and Staff. We consider that this Company Plan should also be treated as commercially sensitive and we therefore request that it be treated as confidential to InternetNZ.

F. NZRS Board Recommendation

The Board of NZRS recommends that the Council of InternetNZ receive this Company Plan.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Au', followed by a long horizontal flourish.

Anne Urlwin  
Chairman





COMPANY PLAN

2007-2008 to 2009-2010

27 April 2007

NEW ZEALAND DOMAIN NAME REGISTRY LIMITED  
(trading as .nz Registry Services)

Confidential to .nz Registry Services and the Shareholder





## NZRS COMPANY PLAN: 2007-2010

### Introduction

This paper sets out the business strategies the Board of NZRS has adopted for the short to medium term based on a vision for the company of *“Excellence in registry management through superior service and the innovative application of technology”*.

This paper establishes NZRS’s strategy for the next three years. This timeframe was chosen to reflect the fast changing environment within which the company operates. NZRS’s approach to growth and business development will be targeted in three phases:

- i. 2007-2008 the Revitalisation Year
- ii. 2008-2009 being the Next Generation Year
- iii. 2009-2010 being the Next Decade Year.

The Company Plan that follows is made up of:

Background	p 2	Market overview	p 3
Achievements to 31 March 2007	p 3	Vision and Mission	p 6
Values	p 6	Strategic focus	p 7
Short term opportunities	p 7	Short term challenges	p 8
The medium to longer term	p 9	Key business drivers	p 10
Core capabilities	p 10	Assumptions underlying the Planning	p 12
Medium Term Objectives 2007-2008 to 2009-2010	p 16	Appendix One: Showing long version of the Company’s Vision	P 18
Appendix Two: Showing multi-year Budgets for 2007-2008 to 2009-2010 with Budget Assumptions	p 19		



## Background

New Zealand Domain Name Registry Ltd (NZDNRL) was incorporated on 15 March 2002. The Board was appointed in May 2002, and the Registry Manager (now General Manager) in July 2002. The company trades as .nz Registry Services (NZRS).

NZRS manages the Domain Name Registry for the .nz domain name space. It operates a Shared Registry System (SRS) and the Domain Name System (DNS). The SRS is designed to promote a competitive registrar market for domain name registrations by allowing the registration of domain names and modification of information associated with that name on the register to be affected by authorised registrars.

Registrars manage their own commercial relationships with registrants (the person or organisation with the right to use the domain name while it is registered on the register).

NZRS deals solely with and is focused on supporting the interests of registrars in terms of access and service. It has no direct relationship or communication with registrants. At a broader strategic level, NZRS has a significant stake in the protection of the interests of registrants and all internet users in terms of providing ongoing, continuous availability of domain name services.

The relationship with InternetNZ is dual: the Society is both the owner/sole shareholder of the company and the entity holding the rights to manage the .nz Top Level Domain (nzT LD). In the latter capacity; it has set up through the .nz Oversight Committee (NZOC) the Office of the Domain Name Commissioner (DNC).

NZRS operates an appropriate separation of the two relationships. The Board has agreed with InternetNZ as shareholder, a formal Reporting Protocol of quarterly and annual reports, and under a Service Level Agreement with the DNC, NZRS is obliged to provide agreed levels of performance in relation to its management of the register (undertaken at management level) with reports on a monthly basis.



## Market Overview

The New Zealand registry market forms a natural monopoly in relation to .nz names but the company itself competes in the wider market with other top-level domains such as .com. This sits somewhat at odds with the prevailing New Zealand economic philosophy of a competitive marketplace and places an expectation on NZRS to operate in a transparent and fair manner.

The market for domain name registrations in New Zealand continues to mature with growing data on trends and developments. In terms of uptake, the New Zealand Domain Name market is growing at a similar rate to that of comparable economies.

The wholesale rate for a .nz domain name is in the middle range of international pricing. The growth rate for the .nz ccTLD is in the middle of the range of growth rates of other ccTLDs.

There is a relatively low level of regulation (and associated barriers) and New Zealanders have a propensity for adopting new technology. New Zealand's small economy and population place a limit on growth within New Zealand. There are natural limits on the growth potential from offshore.

NZRS has a growing requirement for more information about registries both in the ccTLD industry and also within New Zealand, to enable the company to both benchmark its registry performance and to identify any potential technical and business opportunities. NZRS is addressing this requirement through its leadership of a ccTLD pilot Benchmarking Project and it is also intending to undertake a stock take of New Zealand registries.

The wider technology sector is one of innovation and rapid development for example advances in Web2.0. The company maintains a watching brief and continuously assesses the impacts and opportunities these changes represent. The two main impacts are likely to be, first, the need for ongoing capital reinvestment and, second, the importance of keeping abreast of developments that may either be leveraged to our advantage or may represent a degree of threat through providing alternatives to domain name registration.

## NZRS Achievements to 31 March 2007

NZRS has continued to operate effectively and efficiently.

The contract with Catalyst for the operational outsourcing of the SRS and DNS support was renegotiated and renewed.



The Technical and Business Systems Review (TBSR) was undertaken in the 2006-2007 year and included a consultation phase with Registrars and stakeholders. The findings of the review found that the systems (SRS and DNS) are in strong shape and meet the requirements through to 2011. The review made a series of recommendations which are the basis for the system improvements that will be implemented during 2007-2008 and 2008-2009.

The company maintained effective working relationships with InternetNZ in its capacities both as shareholder and .nz governance entity, and with the DNC. Strong relationships have also been maintained with professional advisors and suppliers.

The Business Operations Support Service (BOSS) has become part of the business as usual operation.

There has been a continuing requirement to strengthen the Whois monitoring increasing requests on the Whois, service from both legitimate and dubious users.

The market for the resale of released Domain names continued to increase during 2006-2007; this has had an impact on response times for Domain Create. Work undertaken in this area has cumulated in a new release of the SRS in February 2007 which limits the number of transactions a registrar can process, this improvement is expected to better manage the release of domain names and protect the integrity of the system.

The number of registrars with access to the SRS has stabilised at 62, of which approximately 1/4 are foreign registrars. There has been some consolidation of registrars in the market place. Domain name registrations have remained strong, with 272,752 as at 31 March 2007 (compared to 221,443 at the same time the year before).

Following on from the presentation at the ICANN Wellington conference the benchmarking pilot project on DNS was started. 12 ccTLDs were invited to participate in the pilot. The benchmarking project is currently underway and will run through 2007-08, it forms part of NZRS's strategic role of being an industry leader and also operating to Industry best practice.

Developments in DNSSEC have meant that NSEC3 is getting closer to completion. NSEC3 will allow for DNSSEC to meet the .nz policy regarding Zone walking. NZRS has followed the developments and had both its staff and key supplier attend DNSSEC training.



There has been increased debate on IPv4 numbers running out, and the implementation of IPV6 during the 4<sup>th</sup> quarter of the year. This discussion in the industry coincides with the planning and development of IPv6 in the NZRS network and systems. A project to implement an IPv6 DNS and Whois service was started in the 4<sup>th</sup> quarter of 2006-2007.

NZRS prepared a proposal to the State Services Commission (SSC) for the development and implementation of an Object Registry and Repository System. Unfortunately the original project did not proceed but a modified project with an alternative supplier did go ahead.

#### Key Domain Name Indicators

	<i>31 March 2006</i>	<i>31 March 2007</i>
<i>Registrars *1</i>	<i>56</i>	<i>62</i>
<i>Domain names</i>	<i>221,433</i>	<i>272,752</i>
<i>Zone pushes per day</i>	<i>24</i>	<i>24</i>
<i>Number of Domain Name transfers *2</i>	<i>21,352</i>	<i>14,902</i>
<i>Number of Domain Names registered for One Month</i>	<i>49,092</i>	<i>32,564</i>
<i>Number of Domain Names registered for greater than One Month</i>	<i>172,351</i>	<i>240,188</i>
<i>Number of Domain Names registered greater than 12 months</i>	<i>34,319</i>	<i>73,634</i>
<i>Create Average term</i>	<i>10.27</i>	<i>11.03</i>
<i>Renew average term</i>	<i>3.79</i>	<i>4.02</i>

*Notes - 1 Includes Domain Name Commissioner*

*2 Includes Transfers from Domainz as approved by the DNC and inter Registrar transfers*



## Our Vision and Mission

The company has re affirmed its vision:

*Excellence in registry management through superior service and the innovative application of technology.*

The company's mission is:

*To provide a robust, reliable registry enabling people, entities and communities to access the internet.*

The themes behind this choice of vision and mission are:

- NZRS enables the use of the Internet and the domain name system for .nz users through the operation of the registry.
- As a company, we are the guardians and managers of the Shared Registry System (SRS) and the .nz Domain Name System (DNS).
- We provide registrars access to the .nz register and maintain an accurate reliable register of the .nz zone files.
- We are part of New Zealand's core infrastructure and enable people, entities, and communities to access the internet reliably, continuously and cost effectively.
- Reliability, accuracy and a strong technical platform, supported by professional business processes that ensure the stability and continuity of the DNS.
- We add value through our business management processes, technical skills, and our professional service focused relationships.
- We provide superior registry systems and management capability.

A fuller version of the vision is set out in Appendix One.

## Our Values

The Board, management, and staff are committed to the following set of values in the way we operate NZRS:

- ethical behaviour shown by professional practice with integrity
- excellence in service and systems through continuous improvement, technological innovation and understanding our customers
- independence of contribution, diversity of views





- commitment to leadership, innovation and an outward focus
- respect for fair competition in the market place through efficiency and transparency.

These values shape the culture of how the company operates.

### Strategic Focus

Two strategic goals underpin NZRS's strategy over the short to medium term to 2010. These are to:

- deliver continuous domain name availability to registrars, their customers and all internet users
- continuously improve and deliver a world class registry service.

1. *To deliver continuous domain name availability to registrars, their customers and all internet users.*

We will achieve this through the strategies of:

- continuous improvement
- reviewing SRS after four years of operation
- reinvesting in technology
- valuing stakeholder input, leveraging networks and relationships to identify opportunities
- identifying and evaluating alternative service offerings
- maintaining security of the system
- maintaining accuracy of the system
- staying abreast of alternatives to the use of Domain Names and DNS.

2. *To continuously improve and deliver a world-class registry service.*

We will achieve this through the strategies of:

- continuous improvement of operations
- developing and applying our core capabilities



- investing in and leveraging technology for business improvement
- monitoring, interpreting and utilising .nz and international market information and benchmarking NZRS services
- contributing to forums on .nz and other relevant space
- building relationships to contribute to and influence .nz 'policy' and the future market direction.

Strategy implementation will be executed in three phases, Revitalisation (2007-2008) the Next Generation (2008-2009) and the Next Decade Year (2009-2010).

NZRS's strategies are underpinned by a number of assumptions that have been developed by the company. These are set out later in this document.

### Short Term Opportunities

Short term, the opportunities are seen as follows:

1. To sustain the NZRS business and continue to maintain the reliability and flexibility of the SRS.
2. To use customer and industry relationships that support a positive industry environment and developments.
3. To explore new initiatives, for example ENUM and other emerging web based opportunities.
4. To continue to identify solutions that will improve the quality and security of the .nz environment.
5. To implement the recommendations of the Technical and Business Systems Review (TBSR) of the SRS/DNS systems to ensure the validity, capability and status of the .nz registry system as world leading.
6. To identify and develop additional revenue streams by leveraging off NZRS's core business skills and converting NZRS business opportunities into profitable revenue streams.



## Short Term Challenges

Short term, the challenges are seen as follows:

1. The development of international benchmarks for ccTLDs to allow NZRS to measure itself against.
2. For the shareholder, the availability of reliable robust services at the lowest cost is a priority as is its need for income (in the form of a dividend). We will need to manage containing the cost of our services while ensuring sufficient profit to generate funding for both ongoing development/improvement of services and the payment of a dividend.
3. Customers will seek to influence the policies and operation of the Registry so as to minimise their own costs and obtain the best SRS and DNS system possible. We will need to engage actively and productively with registrars.
4. We need to continue to develop further our operational procedures, develop risk and compliance policies and programmes, and work closely with suppliers to ensure maximum quality availability across all aspects of our service delivery.
5. NZRS will need to work with stakeholders and Government agencies and key stakeholders as the awareness about Infrastructure threats increases.

## The Medium to Longer Term

The NZRS Board has set a three year timeframe for the company's Strategic Plan, essentially short to medium term. This is considered appropriate given the fast changing environment within which we operate.

A feature of this timeframe is the innovation and rapid development that is part of the wider technology sector. The impact of this for NZRS is twofold:

1. The requirement to keep abreast of developments that could either be leveraged to an advantage or undermine the .nz market and the company's operations within it.
2. The need for ongoing capital reinvestment.

NZRS undertook a Technical and Business Systems Review during 2006–2007, with the key outcome from this review a Technical Roadmap for NZRS to meet



the business requirements through to 2011. It is planned that the major capital expenditure components associated with this review will be undertaken over a two year period commencing in the final quarter of 2006-2007.

In this context, new opportunities may emerge that could sustain the ongoing viability and cost effectiveness of the company using our core competencies. These are based on the management and operation of registry services, technology, contract, and relationship management, and the use of market information.

A final feature of the medium to longer term is the ongoing scrutiny NZRS will be under from its customers and stakeholders to ensure that it is not gaining undue advantage from the natural monopoly status of the New Zealand register. The continuing decline in the wholesale domain name fee must provide reassurance to stakeholders and the wider community on this front.

On the basis of this assessment the Board has established a set of assumptions underlying medium term planning.

### Key Business Drivers

NZRS manages the domain name registry for the .nz domain name space. The key business drivers are:

- professional service-focused relationships
- providing value for customers through a fast, robust, reliable, value for money service
- utilising technology innovatively to provide a more cost effective, superior service
- creating partnerships with key stakeholders to influence the market and industry environment
- keeping abreast of the market and industry developments in the technology sector to identify trends and growth opportunities
- respecting and protecting the rights and interests of the registrants
- generating income (in the form of Dividends) to support the goals of the shareholder.

### Core Capabilities

Registry management is the core business and core competency of NZRS.



Bundled within this competency are the capabilities of:

- leveraging of technology for service provision and cost effectiveness
- contract management (supplier and customer)
- relationship management
- leveraging market information.

NZRS's strategy incorporates the development and maintenance of these capabilities.



### Assumptions Underlying Planning 2007-2008 to 2009-2010

The company has developed a set of assumptions for the period to 2009-2010 and has used these to build strategic, budgeting and other operational plans.

		Revitalisation (2007-2008)	Next Generation (2008-2009)	Next Decade Year (2009/2010)
1	The Vision, Mission and Values	Will remain stable	Will remain stable	Will remain stable
2	Dividend requirement	The shareholder will require a dividend to be paid in the 2007-2008 year, and will not redeem any redeemable shares, or inject further equity into the company	The shareholder will require a dividend to be paid in the 2008-2009 year, and will not redeem any redeemable shares, or inject further equity into the company	The shareholder will require a dividend to be paid in the 2009-2010 year, and will not redeem any redeemable shares, or inject further equity into the company
3	Dividend advice from Shareholder	Dividend for 2007-2008 has been notified at \$1.70m.	Dividend for 2008-2009 will be notified and any change will correlate to the increase in the number of domain names over the previous year (this correlates to \$6 net)	Dividend for 2009-2010 will be notified and any change will correlate to the increase in the number of domain names over the previous year (this correlates to \$6 net)
4	DNC fee	The DNC fee will be advised by end of third quarter	The DNC fee will be advised by end of third quarter	The DNC fee will be advised by end of third quarter
5	Domain name fee	Domain Name fee becomes \$1.50 from 1 July 2007	Stable at \$1.50 per name per month	Stable at \$1.50 per name per month
6	Key Business advisors	Review	Remain stable	Remain stable



7	.nz delegation	InternetNZ will retain	InternetNZ will retain	InternetNZ will retain
8	Technological and market developments	Ongoing monitoring with the aim of converting suitable developments into business opportunities	Ongoing monitoring with the aim of converting suitable developments into business opportunities	Ongoing monitoring with the aim of converting suitable developments into business opportunities
9	Oversight of .nz	NZOC will continue to oversee the .nz market	NZOC will continue to oversee the .nz market	NZOC will continue to oversee the .nz market
10	Registry Advisory Group	Will continue	Will continue	Will continue
11	Registrars	Growth will continue to be organic	Growth will continue to be organic	Growth will continue to be organic
12	Personnel	Some changes in key personnel. The skill sets of the organisation will be enlarged to provide for greater capability	Some changes in key personnel, Maintain skills capability	Some changes in key personnel, Maintain skills capability
13	Market growth	Growth rate in domain names will continue to be stable	Growth rate in domain names will continue to be stable	Growth rate in domain names will continue to be stable
14	SLA	SLA will be reviewed in light of Technical and Business Systems Review	SLA will remain stable	SLA will remain stable
15	Domain name fee	Fee setting process undertaken	Fee setting process undertaken	Fee setting process undertaken
16	Technical and	Continue with the	Complete the implementation	Prepare for Review of Systems



	Business Systems review	implementation of the recommendations from the review	of the recommendations from the review	to be undertaken in 2011
17	Outsourcing Suppliers	Key outsourcing contracts will remain stable	Key outsourcing contracts will remain stable	Review outsourcing contracts.
18	New initiatives	Implement agreed new initiatives e.g. ENUM, Security Authority, IPv6	Implement agreed new initiatives e.g. ENUM, Security Authority, IPv6	Implement agreed new initiatives e.g. ENUM, Security Authority, IPv6
19	DNSSEC	Monitor DNSSEC for readiness to implement in .nz	Implement DNSSEC in .nz	DNSSEC operational
20	Accommodation	NZRS requirements remain stable	NZRS requirements remain stable	Lease expires - Renew Lease; - NZRS requirements remain stable
21	Domain name term	Will remain stable	Will remain stable	Will remain stable
22	BAU Model	No NZRS financial contribution to non NZRS projects	No NZRS financial contribution to non NZRS projects	No NZRS financial contribution to non NZRS projects
23	NZIFRS	Operational	Operational	Operational
24	ICANN, Apricot and APTLD conferences	Attendance and participation at ICANN, Apricot and APTLD conferences	Attendance and participation at ICANN, Apricot and APTLD conferences	Attendance and participation at ICANN, Apricot and APTLD conferences
25	International Technical groups	Sustain NZRS involvement in international technical forum	Sustain NZRS involvement in international technical forum	Sustain NZRS involvement in international technical forum
26	Growth	Explore new growth	Explore new growth	Explore new growth





	opportunities	opportunities in relation to the company's core competencies	opportunities in relation to the company's core competencies	opportunities in relation to the company's core competencies
27	Capital Expenditure	In addition to BAU Capital Expenditure there is a provision for expenditure arising from the TBSR Review	BAU Capital expenditure to re-invest in equipment	BAU Capital expenditure to re-invest in equipment
28	Tax	NZRS will continue to pay tax	NZRS will continue to pay tax	NZRS will continue to pay tax
29	Risk Management	Implement a Risk Monitoring and Management Programme	Maintain a Risk Monitoring and Management Programme	Maintain a Risk Monitoring and Management Programme



### Medium Term Objectives

To help achieve the two strategic goals, the company has adopted the following objectives for particular attention in the 2007 - 2010 years. The Budget will support the achievement of the objectives.

#### 2007-2008 the Revitalisation Year

1. Continue to build profile as world class registry service
2. Investigate alternative business opportunities using core competencies
3. Implement Technical and Business Systems Review (TBSR) recommendations of SRS and DNS
4. Develop capability to capitalise on other innovative and emerging web based opportunities
5. Establish NZRS as the Benchmarking leader in the ccTLD community
6. Implement Risk Monitoring and Management Programme
7. Contribute to InternetNZ achieving its Strategic Plan

#### 2008-2009 the Next Generation Year

1. Complete the implementation of recommendations from the Technical and Business Systems review
2. Implement any agreed new business opportunities
3. Promote the uptake of DNSSEC
4. Promote the use of IPv6
5. Continue the Benchmarking project
6. Capture further business opportunities
7. Build on the innovation model

#### 2009-2010 the Next Decade Year

1. Implement any agreed new business opportunities
2. Promote the uptake of DNSSEC
3. Promote the use and uptake of IPv6
4. Continue the Benchmarking project
5. Capture further business opportunities



## 6. Develop innovation into business opportunities

As with the budgets for the out years, the objectives for years two and three will be examined and revised on a rolling basis but serve at this point to provide focus and give an indicative pathway ahead for the company's operations.

Financial assumptions are given for each of the three years.

These budgets will be examined and revised on a rolling basis but serve to provide focus and give an indicative pathway ahead for the company's operations.

The Budgeted Statement of Financial Performance and Budgeted Statement of Financial Position, with Budget Assumptions are set out in **Appendix Two**.



## APPENDIX ONE

### Vision - Long version

*Excellence in registry management through superior service and the innovative application of technology.*

By 2010, with the support and involvement of the shareholder, the company will:

1. be maintaining an efficient cost structure and an appropriate rate of return
2. be maintaining a robust and reliable SRS and DNS
3. be an intelligent innovator, identifying trends and capitalising on the opportunities these offer in the application of technology - both in core business and to extend core business
4. be sustaining an excellent reputation and strong relationships with stakeholders
5. be maintaining a domain name registry that is recognised and valued as a core utility and a key part of New Zealand's infrastructure
6. be recognising, contributing to and working with social change, responding to societal changes related to the use of the internet
7. be maintaining a positive relationship with registrars built on our record of being excellent to do business with
8. have developed additional income streams through new services related to our core competency
9. be recognised internationally as a model for registry service management
10. be contributing to, and have the respect of, the international domain name registry community.



## APPENDIX TWO

### Multi-Year Budgets for 2007-2008 to 2009-2010, with Budget Assumptions

#### Introduction

Summarised budget assumptions are set out below for each of the three years. Some of these repeat, but go into further detail on, the general planning assumptions given in the main body of this Company Plan.

Budget figures then follow. All budget amounts in the Statement of Financial Performance are exclusive of GST.

#### 2007-2008 the Revitalisation Year Budget: Key Assumptions

##### Business Growth and Opportunities

- (a) Net monthly growth in domain names is budgeted at 4,000 a month.
- (b) The budget is based on a continuation of NZRS's current business model and excludes the impact of any business opportunities that may arise, e.g. through ENUM. While such opportunities will be investigated, the budget is premised on the company's current .nz domain name business. No specific provision has been made in the budget for potential business growth and opportunities arising from:
  - i) The operation of other tld's
  - ii) The operation of ENUM
  - iii) Any significant events/developments affecting the internet community.

##### Income

The domain name registration fee will remain at \$1.75 per name per month until 1 July 2007 when it drops to \$1.50 per name per month.

NZRS will invoice InternetNZ for the accommodation utilised by InternetNZ and the Office of the DNC.

##### Expenses

The changes from 2006-2007 are as a result of:

- (a) Increased rental at Exchange Place
- (b) Increase in DNC fee
- (c) The implementation of the Technical and Business Systems Review recommendations



- (d) Moving from Grace and Favour arrangements for the DNS to commercial arrangements.
- (e) The new contract with Catalyst operating for a full financial year.

The following non-recurring expenses have been budgeted:

- (a) TBSR Implementation will occur during 2007-2008 and 2008-2009.

All ongoing costs and expenses are based on a review of the actual costs for 2006-2007 with adjustments for inflation and known or expected changes.

### Tax

NZRS is subject to income tax.

### Dividends

Based on the shareholder's advised requirements, the following dividends have been budgeted :

		Dividend Amount	September Dividend	March Dividend
Y/e 31-Mar-08	As advised by Shareholder	\$1,700,000, with 1/3 paid on 30-Sep-07 and 2/3 on 30-Mar-08	Dividend declared, dividend liability recorded, and dividend paid 30-Sep-07 1/3 \$567,000	Dividend declared, dividend liability recorded and dividend paid 31-Mar-08 2/3 \$1,133,000

### Capital Expenditure

Provision has been made for capital expenditure as follows:

	1 <sup>st</sup> qtr	2 <sup>nd</sup> qtr	3 <sup>rd</sup> qtr	4 <sup>th</sup> qtr	Total
Other Capital expenditure	48,000	58,000	58,000	73,000	237,000
TBSR Recommendations - SRS	20,000	70,000	120,000	50,000	260,000
Total	\$68,000	\$128,000	\$178,000	\$123,000	\$497,000



## 2008-2009 Next Generation Year Budget: Key Assumptions

### Business Growth and Opportunities

Net monthly growth in domain names is budgeted at 4,000 a month.

The budget is based on a continuation of NZRS's current business model and excludes the impact of any business opportunities that may arise, e.g. through ENUM. While such opportunities will be investigated, the budget is premised on the company's .nz domain name business.

### Income

While the domain name fee level will be subject to review during the year, the domain name registration fee remains at \$1.50 per name per month.

### Expenses

The ongoing expenses budgeted for 2007-2008 are used as the baseline for expenses in the 2008-2009 year, with a 5% inflation adjustment to relevant cost categories.

### Tax

NZRS is subject to income tax.

### Dividends

InternetNZ has advised its dividend requirements as follows -

- For the 2007 - 2008 year - total dividend of \$1,700,000
- For the out years - total dividend amount to increase by the budgeted increase in total domain names over the previous year

Based on these requirements, the following dividends have been budgeted:

Domain names	2007 - 2008	2008 - 2009	2009 - 2010
Estimated Total domain names at year-end	320,500	368,500	416,500
Increase in domain names over the previous year	48,000	48,000	48,000
Dividend			
% Increase in dividend over previous year		21.59%	13.93%
Budgeted Dividend (rounded up to next 000).	\$1,700,000	\$2,067,000	\$2,355,000

### Capital Expenditure

Provision has been made for ongoing capital expenditure in 2008-2009 as follows:

	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr	Total
Total	\$30,000	\$30,000	\$30,000	\$55,000	\$145,000



## 2009-2010 The Next Decade Year Budget: Key Assumptions

### Business Growth and Opportunities

Net monthly growth in domain names is budgeted at 4,000 a month.

The budget is based on a continuation of NZRS's current business model and excludes the impact of any business opportunities that may arise, e.g. through ENUM. While such opportunities will be investigated, the budget is premised on the company's .nz domain name business.

### Income

While the domain name fee level will be subject to review during the year, the domain name registration fee remains at \$1.50 per name per month for 2009-2010.

### Expenses

The ongoing expenses budgeted for 2008-2009 are used as the baseline for expenses in the 2009-2010 year, with a 5% inflation adjustment to relevant cost categories.

### Tax

NZRS is subject to income tax.

### Dividends

Based on the shareholder's advised requirements, the following dividends have been budgeted:

Domain names	2007 - 2008	2008 - 2009	2009 - 2010
Estimated Total domain names at year-end	320,500	368,500	416,500
Increase in domain names over the previous year	48,000	48,000	48,000
Dividend			
% Increase in dividend over previous year		21.59%	13.93%
Budgeted Dividend (rounded up to next 000).	\$1,700,000	\$2,067,000	\$2,355,000

### Capital Expenditure

Provision has been made for ongoing capital expenditure in 2008-2009 as follows:

	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr	Total
Total	\$65,000	\$65,000	\$45,000	\$85,000	\$260,000





## MULTI-YEAR BUDGETED STATEMENT OF FINANCIAL PERFORMANCE

	Reforecast 2006/07 \$	07-08 \$	08-09 \$	09-10 \$	Total \$
Registry Fees	5,261,066	5,870,415	6,251,663	7,101,000	24,484,144
DIRECT COSTS					
DNSSEC	13,336	-	-	-	13,336
Review SRS/DNS	85,500	-	-	-	85,500
DNC Fee	957,000	1,004,856	1,055,088	1,107,840	4,124,784
ENUM	5,000	30,000	-	-	35,000
DNS Expenses	277,817	336,659	380,920	405,900	1,401,296
SRS Expenses	385,805	442,656	463,409	492,598	1,784,468
TBSR Implementation	110,000	295,000	80,000	-	485,000
Other IT	293,414	170,805	179,344	188,296	831,859
<b>Total Direct Expenses</b>	<b>2,127,872</b>	<b>2,279,976</b>	<b>2,158,761</b>	<b>2,194,634</b>	<b>8,761,243</b>
<b>Gross Profit</b>	<b>3,133,194</b>	<b>3,590,439</b>	<b>4,092,902</b>	<b>4,906,366</b>	<b>15,722,901</b>
Less Other Expenses					
Overheads	957,494	1,336,694	1,240,356	1,241,327	4,775,871
Depreciation	137,942	225,777	217,851	194,940	776,510
<b>Total Other Expenses</b>	<b>1,095,436</b>	<b>1,562,471</b>	<b>1,458,207</b>	<b>1,436,267</b>	<b>5,552,381</b>
Plus:					
Interest Received	384,661	430,843	483,007	574,389	1,488,239
Other Income	170,263	197,724	197,724	197,724	763,435
<b>Earnings Before Interest &amp; Tax</b>	<b>2,592,682</b>	<b>2,656,535</b>	<b>3,315,426</b>	<b>4,242,212</b>	<b>12,422,194</b>
<b>Less: Provision for Tax</b>	<b>559,630</b>	<b>876,657</b>	<b>1,094,090</b>	<b>1,399,930</b>	<b>3,930,307</b>
<b>Net Profit After Tax</b>	<b>2,033,052</b>	<b>1,779,878</b>	<b>2,221,336</b>	<b>2,842,282</b>	<b>8,491,887</b>
<b>Less: Dividend Accrual</b>	<b>1,400,000</b>	<b>1,700,000</b>	<b>2,067,000</b>	<b>2,355,000</b>	<b>7,522,000</b>
<b>Retained Earnings</b>	<b>633,052</b>	<b>79,878</b>	<b>154,336</b>	<b>487,282</b>	<b>969,887</b>



## MULTI-YEAR BUDGETED STATEMENT OF FINANCIAL POSITION

	Reforecast 2006-2007	07-08	08-09	09-10
	\$	\$	\$	\$
<b>Equity</b>				
Share Capital	430,000	430,000	430,000	430,000
Reserves	2,535,164	2,702,893	2,857,229	3,344,511
<b>Total Equity</b>	<b>2,965,164</b>	<b>3,132,893</b>	<b>3,287,229</b>	<b>3,774,511</b>
<b>Liabilities</b>				
Creditors & Accruals	463,799	319,760	320,150	351,892
Deferred Income	4,119,050	4,632,255	5,689,990	6,917,188
<b>Total Liabilities</b>	<b>4,582,849</b>	<b>4,952,015</b>	<b>6,010,140</b>	<b>7,269,080</b>
<b>Funds Employed</b>	<b>7,548,013</b>	<b>8,084,908</b>	<b>9,297,369</b>	<b>11,043,591</b>
<b>Represented By:</b>				
<b>Current Assets</b>				
Bank	6,407,833	6,870,887	8,060,686	9,646,336
Debtors & Prepayments	748,277	740,339	835,852	931,364
	7,156,110	7,611,226	8,896,538	10,577,700
<b>Non-Current Assets</b>				
Fixed Assets	389,057	472,069	400,449	465,891
Intangible Assets	2,846	1,613	382	-
	391,903	473,682	400,831	465,891
<b>Total Assets</b>	<b>7,548,013</b>	<b>8,084,908</b>	<b>9,297,369</b>	<b>11,043,591</b>



**4**

# **NZOC Reports**

# February



Council  
InternetNZ

## NZOC Monthly Report for FEBRUARY 2007

### 1. NZRS Report

NZRS have produced their monthly report for February 2007. Main points NZOC would like to highlight with Council are:

- System availability for February was 99.96% against the SLA standard of 99.9%

Total unscheduled outage time of 16 mins 5 secs was due to micro outages.

- The scheduled maintenance window was utilised on 25 February 2007.
- Performance times for key transactions for February are in the following table:

Transaction	Average Response Times (in seconds)	
	<i>As per SLA</i>	<i>February 2007</i>
Domain Details Query	1.5	0.03
Domain Update	0.8	0.45
Domain Create	0.8	0.49
Get Message	0.8	0.02
WHOIS	0.8	0.10
UDAI Valid Query	0.8	0.14

- DNS SLA standards met

Server	% Availability									
	May 06	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07
<b>NS1</b>	100	100	100	100	100	100	100	100	100	100
<b>NS2</b>	100	100	100	100	100	100	100	100	100	100
<b>NS3</b>	100	100	100	100	100	100	100	100	100	100
<b>NS4</b>	100	100	100	99.99	100	99.97	100	100	100	100
<b>NS5</b>	100	100	100	100	100	100	100	100	100	100
<b>NS6</b>	100	100	100	100	100	100	100	100	100	100
<b>NS7</b>	100	100	100	100	100	100	100	100	100	100

## Performance Stress Testing

The figures are derived from the 'stress testing' of the name servers. 1201 UDP and 121 TCP transactions are used. Measurements are in milli-seconds.

DNS	Target	UDP transactions						TCP transactions					
		Sept	Oct	Nov	Dec	Jan	Feb	Sep	Oct	Nov	Dec	Jan	Feb
NS1	<5 / <50	0.12	0.09	0.09	0.09	0.09	0.09	0.36	0.38	0.38	0.38	0.38	0.38
NS2	<5 / <50	0.11	0.12	0.07	0.07	0.07	0.07	0.33	0.33	0.27	0.27	0.26	0.26
NS3	<5 / <50	0.24	0.09	0.09	0.09	0.09	0.09	1.16	0.38	0.38	0.38	0.38	0.38

The measurements for the Primary name servers and NS1, NS2 and NS3 are taken by running the programme on the individual servers.

### SRS Zone Pushes

These figures show the average time taken from the point that the first Primary begins the zone push to the time that the last of the secondary's acknowledges that it is up to date.

Measurement	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07
Average Time (sec)	793	751	723	1001	1181	1186	929	657	757

- The total number of WHOIS queries decreased from 1,934,000 to 1,872,000.
- The level of active .nz domain names increased from 264,711 to 268,744. An increase of 4,033.

## 2. .nz Policies and Procedures

### 2.1 Registrar Compliance

- No new compliance issues arose this month

### 2.2 Policy Reviews

- A second consultation period on a paper regarding the review of the Registering, Managing and Cancelling Domain Names Policy finished on 14 February 2007. Nine submissions were received by the closing date. These can be seen at <http://dnc.org.nz/rmc-2ndconsult>.

### 2.3 Applications

- An application was received for a new second level domain – bank.nz. The application, together with the proposed moderation policy, has been published for comment. In addition, letters have been sent to various organisations that might be interested in the application.
- An application for access to the zone file was received. This application is still being evaluated.

### 3. Registrar authorisation and connection

One new registrar was authorised in February, Red Spider Limited. No more registrars connected to the production environment over the month.

### 4. Other .nz matters

- Elections for the Registrar Advisory Group (RAG) were completed early February with the successful candidates being Lucretia Gilkison (2day.com), Brett Wright (Freeparking), Glen Eustace (GodZone Internet Services), Tim John (Domainz), Steven Gore (Orcon) and Lee Miller (RegisterDirect / 1st Domains). There was a RAG meeting held on 15 February with the main topic of discussion the RMC review and the submissions received. Notes from the RAG meeting are at [http://dnc.org.nz/content/rag\\_minutes\\_150207.pdf](http://dnc.org.nz/content/rag_minutes_150207.pdf).
- NZOC is due to meet on 1 March with one of the main items on the agenda being discussion on the submissions received for the Registering, Managing and Cancelling Domain Names Policy review.

### 5. Dispute Resolution Service (DRS)

For the month of February 2007, there were 7 new electronic complaints submitted. Of these, 2 were deemed invalid leaving 5 new complaints to progress through the system. This number of electronic complaints for February is marginally larger than for January when we received 5 electronic complaints of which 4 (80%) were deemed invalid.

15 valid complaints are currently progressing through the system.

The first 9 months of the DRS to 28 February 2007 has seen 78 complaints lodged with 28 (36%) ruled invalid.

Of the 50 valid complaints:

8 (16%) settled on initial notification, prior to mediation

19 disputes went to mediation, with 11 of those successfully settling.

9 went through to Expert decision with 5 ordered transferred, 2 being dismissed and 2 awaiting Expert decision.

### 6. DNC Office

- The DNC gave a presentation to a Fraud and Security Network in Wellington. In order to cater for a wide range of audience, the presentation covered the basics such as the structure of a domain name and how to determine what the domain name is in cases of phishing with long URL addresses. The .nz policies and procedures were covered in relative detail with a number of questions from law enforcement about their options in various situations.
- APTLD held a non-technical training programme in conjunction with their latest meeting in Bali late February. The DNC attended as one of the .nz representatives and a travel report can be read in Appendix 1.

## Financial

Financial report as at the end of February 2007

<b>Feb-07</b>						
	<b>Month</b>			<b>YTD</b>		
<b>INCOME</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
Management Fee	\$79,750	\$79,750	\$0	\$877,250	\$877,250	\$0
Authorisation Fees	\$500	\$667	-\$167	\$8,500	\$7,333	\$1,167
DRS Complaint Fees	\$5,571	\$2,250	\$3,321	\$16,371	\$24,750	-\$8,379
2LD Application	\$2,667	\$0	\$2,667	\$5,333	\$0	\$5,333
<b>TOTAL INCOME</b>	<b>\$88,488</b>	<b>\$82,667</b>	<b>5821.33</b>	<b>907,454</b>	<b>\$909,333</b>	<b>-\$1,879</b>
<b>EXPENDITURES</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
Personnel and Staff costs	\$24,827	\$29,683	\$4,856	\$289,211	\$326,517	\$37,306
Office and administration expenses	\$8,530	\$8,208	-\$322	\$99,010	\$90,292	-\$8,718
Professional Services	\$4,224	\$11,167	\$6,943	\$103,795	\$122,833	\$19,038
Dispute Resolution Service	\$17,400	\$11,750	-\$5,650	\$64,283	\$129,250	\$64,967
Communications	\$38	\$2,000	\$1,962	\$19,656	\$22,000	\$2,344
.nz Oversight and project expenses	\$1,269	\$6,000	\$4,731	\$55,348	\$66,000	\$10,652
DNC Registrar Activities	\$2,875	\$900	-\$1,975	\$7,786	\$9,900	\$2,114
International	\$1,403	\$12,708	\$11,305	\$95,814	\$139,792	\$43,978
<b>TOTALS</b>	<b>\$60,566</b>	<b>\$82,417</b>	<b>\$21,851</b>	<b>\$734,903</b>	<b>\$906,583</b>	<b>\$171,680</b>

Frank March  
Chair, NZOC



## APTLD Meeting – Bali, February 2007

This was the AGM meeting of the APTLD and, as per previous years, the meeting was held in conjunction with the APRICOT (Asia Pacific Regional Internet Conference on Operational Technologies - <http://www.apricot.net/> )

Prior to the actual meeting, a two day non-technical training workshop was held. This was the first such workshop undertaken using the content developed by the APTLD Training Group of which .nz was a contributor.

Content for two training courses was developed. One course is focused on the technical operation of a ccTLD and incorporates such things as technical registry options and DNS. It is planned for this course to be delivered by, and at, the Asian Institute of Technology (AIT) in Bangkok.

The second course is titled the ‘Non-technical’ training and its content was planned to address all the ‘administrative’ functions concerning a ccTLD such as governance, policy principles (e.g. registration policies) structural models and registrar accreditation.

Originally the programme for the training was as per that published at [http://aptld.org/meeting/2007/02\\_Bali/training.html](http://aptld.org/meeting/2007/02_Bali/training.html). However, there were issues regarding the arrival and availability of presenters and so the timetable was rearranged.

The revised schedule followed the following order:

- Registration Policies and Case Studies
- Marketing and Promotion
- Registry / Registrar Model
- Institutional Frameworks for ccTLD Administration
- Best Practices of a ccTLD Registry
- Registrar Accreditation Policies
- Global and Regional Organisations Related to ccTLD
- Second Level Domains and Sub-domains
- Internet Governance
- IDN and Deployment Experiences
- Domain Name Registration Systems
- Scaling up Registry Operations

This revised schedule meant that the presentations didn’t necessarily follow a logical order. However, the training was well received and the content wide ranging and applicable to the ccTLD managers. A range of different ccTLD with different structures and policy frameworks were present but the format of the training didn’t always make it possible for the alternative approaches to be clearly expressed / articulated. Some presenters covered off options within their session but there were situations where only one approached was outlined.

One session (the one on Institutional Frameworks for ccTLD Administration – Policy Framework and Local Governance Issues) involved three different ccTLD managers (including .nz) setting out their local governance and policy framework. This clearly identified three different approaches, enabling comparison and discussion.

Within the APTLD region, there is a wide range of different structures and policies for governing a ccTLD. Feedback has been provided on the training with a recommendation that

we should seek to provide brief information on different options for operation and then enable debate and discussion to ensure that people attending the training can get sufficient information to enable them to make an informed decision about what might best suit their local Internet community and their ccTLD.

At this stage it is envisaged that the non-technical training will be offered as part of the next APTLD meeting to be held in Dubai in June. Changes will be made to the format of the training, reflecting the feedback received from the Bali meeting.

Following the two day training, the APTLD meeting was held over one day. The agenda for the day can be seen at [http://aptld.org/meeting/2007/02\\_Bali/agenda.html](http://aptld.org/meeting/2007/02_Bali/agenda.html).

As has been the trend for the last few APTLD meetings, the day started with an overview from the local host as to how their ccTLD operates and ICT generally in the country. The presentation for Indonesia ([http://aptld.org/meeting/2007/02\\_Bali/APTLD\\_DOT\\_ID.pdf](http://aptld.org/meeting/2007/02_Bali/APTLD_DOT_ID.pdf)) outlined the efforts being taken to make .id names more appealing. Currently the process takes a day to register a new .id domain name, assuming the application is complete. It can take up to five days if there are issues with the application. All registrations and renewals have been free to date but they are working now on reviewing the policies, looking at implementing multiple registrars and promoting .id. This will require significant changes to how the organisation currently operates.

After hearing from the local hosts, the topics moved to a security focus with Danny McPherson talking about DDOS attacks and how to mitigate against them, followed by Bill Manning covering the pros and cons of DNSSEC and DLV and Adrian Kinderis speaking about the number and diversity of name servers. ([http://aptld.org/meeting/2007/02\\_Bali/dlv-at-ten.pdf](http://aptld.org/meeting/2007/02_Bali/dlv-at-ten.pdf); [http://aptld.org/meeting/2007/02\\_Bali/ARI\\_How\\_Much\\_Is\\_Enough.pdf](http://aptld.org/meeting/2007/02_Bali/ARI_How_Much_Is_Enough.pdf)).

There were brief presentations given by Siavash Shahshahani (.ir) about the [APRALO \(Asia Pacific Regional At-Large Organisation\)](#) and from Sharil Tarmizi, the GAC chair titled "ccTLDs and the GAC - Areas for Interaction between ccTLD's and their Governments".

Keith Davidson outlined the issues facing a region such as the Asia Pacific when he delivered a presentation covering the decisions by ICANN regarding what ccTLD should be placed where ([http://aptld.org/meeting/2007/02\\_Bali/Review\\_of\\_ICANN\\_Regions.pdf](http://aptld.org/meeting/2007/02_Bali/Review_of_ICANN_Regions.pdf)) in relation to the ICANN regions. There are a number of ccTLD managers physically located in one region, for example Asia Pacific, but who are designated into another region, for example Europe, by virtue of being an overseas territory of another country. Keith's presentation raised some interesting issues that will be discussed further by APTLD.

The afternoon session saw a few different panel discussions with various APTLD members outlining their approach to:

- Relationships between the ccTLD and their government
- Dealing with spam and phishing
- Enforcement of registration policies

With four or five ccTLD representatives on each panel, a variety of viewpoints and approaches were expressed and there was good discussion on each. A .nz representative was on each of the three panels and were able to contribute to the discussions.

Internationalised Domain Names (IDN) are an ongoing issue being discussed in both the ccTLD and gTLD environments. Tina Dam, the Director of IDN Programs for ICANN, gave an overview and update of the area.

Following the conclusion of the members meeting the AGM was held. Peter Dengate Thrush was attending his last meeting as Chair and APTLD Board Member and his efforts were suitably acknowledged and he departed the role with the thanks and appreciation of all.

Keith was elected as Peter's replacement to the Board and will serve as the .nz representative. Shariya Haniz Zulkifli from .my was appointed the new Chair, with Jonathan Shea (.hk) the Vice Chair.

Other outcomes from the meeting will be available in the minutes when they are released.

More information on the meeting can be seen at:

[http://aptld.org/meeting/2007/02\\_Bali/index.htm](http://aptld.org/meeting/2007/02_Bali/index.htm)

[http://aptld.org/meeting/2007/02\\_Bali/communique.htm](http://aptld.org/meeting/2007/02_Bali/communique.htm)

**March**



Council  
InternetNZ

## NZOC Monthly Report for MARCH 2007

### 1. NZRS Report

NZRS have produced their monthly report for March 2007. Main points NZOC would like to highlight with Council are:

- System availability for March was 99.84% against the SLA standard of 99.9%

Total unscheduled outage time was 72 minutes. Of this total time, 62 minutes was a single outage due to a failure of the border router at Albany on 25 March 2007. The rest was due to micro outages.

- The scheduled maintenance window was utilised on 25 March 2007.
- Performance times for key transactions for March are in the following table:

Transaction	Average Response Times (in seconds)	
	<i>As per SLA</i>	<i>March 2007</i>
Domain Details Query	1.5	0.03
Domain Update	0.8	0.45
Domain Create	0.8	0.47
Get Message	0.8	0.03
WHOIS	0.8	0.09
UDAI Valid Query	0.8	0.13

- DNS SLA standards met

#### Server % Availability

	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07
<b>NS1</b>	100	100	100	100	100	100	100	100	100	100
<b>NS2</b>	100	100	100	100	100	100	100	100	100	100
<b>NS3</b>	100	100	100	100	100	100	100	100	100	100
<b>NS4</b>	100	100	99.99	100	99.97	100	100	100	100	100
<b>NS5</b>	100	100	100	100	100	100	100	100	100	100
<b>NS6</b>	100	100	100	100	100	100	100	100	100	100
<b>NS7</b>	100	100	100	100	100	100	100	100	100	100

## Performance Stress Testing

The figures are derived from the 'stress testing' of the name servers. 1201 UDP and 121 TCP transactions are used. Measurements are in milli-seconds.

DNS	Target	UDP transactions						TCP transactions					
		Oct	Nov	Dec	Jan	Feb	Mar	Oct	Nov	Dec	Jan	Feb	Mar
NS1	<5 /	0.09	0.09	0.09	0.09	0.09	0.09	0.38	0.38	0.38	0.38	0.38	0.38
NS2	<5 /	0.12	0.07	0.07	0.07	0.07	0.07	0.33	0.27	0.27	0.26	0.26	0.27
NS3	<5 /	0.09	0.09	0.09	0.09	0.09	0.09	0.38	0.38	0.38	0.38	0.38	0.38

The measurements for the Primary name servers and NS1, NS2 and NS3 are taken by running the programme on the individual servers.

### *SRS Zone Pushes*

These figures show the average time taken from the point that the first Primary begins the zone push to the time that the last of the secondary's acknowledges that it is up to date.

Measurement	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07
Average Time (sec)	751	723	1001	1181	1186	929	657	757	761

- The total number of WHOIS queries increased from 1,872,000 to 1,895,000
- The level of active .nz domain names increased from 268,744 to 272,752. An increase of 4008.

## 2. .nz Policies and Procedures

### 2.1 Registrar Compliance

- No major compliance issues arose in March

### 2.2 Policy Reviews

- Submissions from the Registering, Managing and Cancelling Domain Names Policy Review were discussed at the NZOC meeting on 1 March. It was agreed that the operational changes identified would be processed and a further paper written on the proposed registration policy changes.

### 2.3 Applications

- An application for .bank.nz was notified and public comment sought. At the end of the submission period 20 submissions had been received. These will be considered by NZOC as part of their decision making process. It is expected this will be by way of a teleconference call during April.
- An application for access to the zone file previously received was declined but is being reconsidered following a further submission by the applicant.

### 3. Registrar authorisation and connection

One new registrar was authorised over the month. Discount Domains Limited is related to Digiweb New Zealand Limited which has been trading using the name DiscountDomains.co.nz. No new registrars connected to the production environment over the month.

### 4. Other .nz matters

- NZOC held a meeting on 1 March. A copy of the minutes is available at [http://www.dnc.org.nz/content/Minutes\\_1\\_March\\_07.pdf](http://www.dnc.org.nz/content/Minutes_1_March_07.pdf)

### 5. Dispute Resolution Service (DRS)

For the month of March 2007, there were 7 new electronic complaints submitted. Of these, none were deemed invalid and therefore all complaints were able to progress through the system.

The first 10 months of the DRS to 31 March 2007 has seen 85 complaints lodged with 26 (30%) ruled invalid.

Of the 54 valid complaints:

- 10 proceeded to an Expert determination
  - 7 ordered transferred
  - 1 ordered cancelled
  - 2 dismissed
- 21 were resolved between the parties either at, or prior to, mediation
- 12 were withdrawn

Remainder continuing through the process

### 6. DNC Office

- The DNC attended the ICANN meeting held in Lisbon, Portugal. A copy of the travel report is enclosed as Appendix 1

### 7. Financial

The financial report as at the end of March 2007 will be provided when the end of year accounts are finalised.

Debbie Monahan  
Domain Name Commissioner

## Appendix 1

**ICANN Meeting – Lisbon, March 2007**

Links to the agenda, and access to a number of the transcripts and presentations, are at <http://icann.org/meetings/lisbon/archives.htm>.

*Sunday 25 March*

There were a couple of tutorials relating to expiring domain names and the secondary market. The presentations focused mainly on the .com space and outlined the process around names not renewed and what registrars are legitimately able to do under the current rules.

One presentation outlined how a particular registrar doesn't delete names if they can see value in them. When the domain name hits pending release the registrar changes the registrant name to their own company, or an associated entity. If at this stage the registrant is seeking the name back, they can theoretically still renew the name but essentially the registrar has control. There is no obligation on the registrar to hand control back to the registrant but it was noted that the industry hasn't yet seen a situation where a registrant has asked for it to happen and the registrar has refused.

Another impact of this sort of approach is that domain names are essentially controlled by the registrar and not released back to the general pool for re-registration. Thus registrars are effectively 'silos' for particular names.

While listening to these presentations, I thought about the policies in place for .nz and how these prevent registrars from effectively trapping domain names. Though the speakers acknowledged that the registrars retaining domain names were acting within the rules, I consider that the policies in place for .nz are far more registrant-friendly, fairer to all and more reflective of a fair and level playing field for .nz domain name registrations.

*Monday 26 March*

Following the Welcome Ceremony, the morning session of the Public Forum included the President's report, an outline of the ICANN Operating Plan and issues arising from the RegisterFly experience.

As part of his President's Report, Paul Twomey noted that nearly 900 had registered for the Lisbon conference. He then outlined the current policy development activities, the Operating Plan, agreements with ccTLD managers and the new website changes. Paul also referred to a planned visit by the ITU Secretary General to the meeting, the first time the ITU General Secretary has attended an ICANN meeting.

Following the President's Report, there was an overview of the Operating Plan. Kurt Pritz outlined the process and current version of the operating plan which then feeds into the budget. Refer <http://icann.org/announcements/announcement-22mar07.htm>

There was then a presentation regarding ICANN and RegisterFly which gave an overview of events to date and the issues arising from that. This presentation can be seen at <http://icann.org/meetings/lisbon/presentation-public1-accreditation-26mar07.pdf>



As part of the presentation, a fact sheet was provided which sets out a bit more detail about the situation and how RegisterFly became an accredited registrar. This is at:  
<http://www.icann.org/announcements/factsheet-registerfly-registrars-26mar07.pdf>

I had been following this issue prior to the meeting and found some of the additional information I learned in Lisbon rather interesting as the same situation would not arise with .nz registrars. We expressly prohibit organisations from becoming authorised registrars merely by buying a company that is already authorised. We also are more proactive in checking compliance and following up on possible policy breaches.

Though ICANN are now fully managing the situation, in my view the timeframes indicate that not a lot was done in the initial stages of complaints being made. A general timeframe is provided in a letter sent 21 February 2007 which is online at

<http://icann.org/correspondence/registerfly-notice-of-breach-21feb07.pdf>

There is quite a bit of information about the RegisterFly situation available on the ICANN website, many of which link from <http://www.icann.org/announcements/>.

There was comment on the panel discussion supporting steps to make registrar agreements more registrant friendly.

- Joint ccNSO / GAC meeting on IDN

A well attended session on IDN was held in the afternoon. The meeting discussed the issues paper produced by the Joint ccNSO / GAC working group (copy available on request). This paper sets out some general issues such as whether an IDN ccTLD string be meaningful and are there 'rights' attached to any given character set? It also includes issues around the introduction of IDN ccTLDs and around the delegation and operation of IDN ccTLDs. A number of questions are posed for consideration.

It was agreed that further discussion on the issues, and possible options for solutions, would take place. This item is going to be discussed at the next APTLD meeting, which is an excellent place to have such a discussion given the amount of IDN expertise in the Asia-Pacific region with the likes of Japan, Taiwan, China and Korea.

### *Tuesday 27 March*

A joint session with the ccNSO and the GAC was held. One of the items on the agenda was the discussion paper around the ICANN regions (paper available through <http://icann.org/announcements/announcement-rev-28nov06.htm>). Introduced by Keith Davidson, Dave Archibald gave a presentation on the issues around the regions proposed that he identified. Dave highlighted the potential problems when a ccTLD is located geographically in one region but is a representative of a totally different region with different cultures, languages etc. The ccNSO is to discuss this topic, and the APTLD have also indicated an interest in seeking the views of members.

There was an interesting presentation regarding developing ICT in Tanzania. The Government has taken an active role in its development as they consider it important for the economic development of the country. This has been key to kick start development of the Internet but it is also considered important that private industry also contribute.

Following the joint meeting with the GAC, the ccNSO meeting resumed with Paul Twomey and Vint Cerf present. A range of subjects was raised including the eIANA project, which is well on its way with the major stage of software development to be completed by the end of May. No definite date for operational release yet.

The transcript of the ccNSO meeting for Tuesday 27 March is online at <http://www.icann.org/meetings/lisbon/transcript-ccnso-members-27mar07.htm>

Patrick Jones spoke about Registry Failover and the initial report published on 5 March regarding gTLD registry data escrow. They are looking for comments (by end of April) on potential changes to the data escrow requirements. A copy of the paper can be seen at <http://icann.org/announcements/announcement-05mar07.htm>

Though the project was really set up for gTLD they believe they can learn from the ccTLD community regarding guidelines for registries to follow to ensure contingency plans in place to ensure operations continue. Questions were asked about the role and responsibilities of ICANN in the event of a registry failure. There was a comment that ICANN would not step in if a ccTLD registry got into trouble. Want to learn from the ccTLD community, not apply any of this to them

The meeting then heard from Kieren McCarthy regarding his new role as ICANN General Manager, Public Participation. He spoke about wanting more input, better input and making that input count. As an example of information out, he went through the new 'public information' site at <http://public.icann.org/>.

This was followed by an update on IANA and then the first session on IDNs with a very interesting presentation given by Vaggelis Segredakis from Greece (.gr). Vaggelis outlined how they implemented IDNs in the .gr space covering the various scripts in the Greek language. Like the implementation in other ccTLDs, some of the bigger issues are in the policy aspects, for example what variants is a registrant provided with automatically when registering an ASCII or IDN name. The vagaries of the Greek language and how it handles capitals etc also caused for additional policy and technical decisions to be made.

Updates from ccTLD Regional Organisations and ICANN's Regional Liaisons closed the day. The meeting heard from Michuki Mwangi, AfTLD, Don Hollander, APTLD, Peter van Roste, CENTR, Margarita Valdes Cortes, LACTLD, and the ICANN Regional Liaisons.

### *Wednesday 27 March*

The ccNSO Meeting continued with a range of presentations including one on Accountability and Transparency by Paul Levins, Executive Officer and Vice President Corporate Affairs, ICANN and a number of ccTLD updates. Copies of the presentations should be published online shortly.

A continuation of the IDN subject in the form of a workshop was held on the Wednesday afternoon. A transcript of this part of the meeting is available online at <http://www.icann.org/meetings/lisbon/transcript-idn-wg-28mar07.htm>

There are a number of issues identified as part of the IDN.IDN project and there is a joint gNSO/ccNSO working group looking at these. The IDN area is one where Asia/Pacific representatives are making a significant input. Operationally, a number of Asian ccTLD managers have successfully implemented IDNs at a local level and are making them more operational.

Workshops and presentations like the ones held at the Lisbon ICANN meeting, demonstrate that the most difficult matters impacting on the IDN implementation are the policy related issues.

After the ccNSO meetings, there was a DNSSEC session with the focus being on Sweden and Bulgaria who have both signed their zone.

Sweden is the first ccTLD to fully implement DNSSEC and they provided a valuable insight into the approach they used, the issues they encountered and what they are planning to do next. Transcript at <http://www.icann.org/meetings/lisbon/transcript-dnssec-28mar07.htm>.

Presentations were given by Jörgen Samuelsson, Head of Section Ministry of Enterprise, Energy and Communications, by Staffan Hagnell, Head of R&D .SE, by Mats Dufberg, Senior Engineer TeliaSonera, by Kjell Rydjer, Senior Security Architect Swedbank/CIO Strategy and Architecture Strategic responsible for the IT Security and Communication in Swedbank Group, and by Anders Rafting, the Swedish National Post and Telecom Agency. The speakers represented a wide range of organisations including the .se registry, the banking industry and the government.

Dave Baker and I had met with the .se representatives prior to this session to discuss their DNSSEC implementation and how they managed issues around policy, registrar uptake and what was compulsory or voluntary, and the costs associated from their perspective and from that of the registrars. Dave was going on to visit the .se registry at the conclusion of the ICANN meeting so a lot of the focus of our informal meeting was on policy and how the registry dealt with registrars over the decision to implement, and the implementation.

An interesting observation made by the Swedish was that they implemented the initial version of DNSSEC (the one with the zone walking issue that .nz decided not to look at implementing for that reason, the .se does not display full WHOIS information though so it wasn't an issue for them) and it is not that simple to now convert to the latest version that is hopefully soon to be signed off.

We discussed the possibility of implementing DNSSEC for one or two of the moderated .nz second level domains and the Swedish thought that this was a good thing to consider as the scale of any issues would not be as great as trying to implement in the .co.nz space, or the whole .nz at the same time. It would also mean that it would be easier to convert to the newer version of DNSSEC if we decided to commence with the initial version.

Relevant links:

<http://icann.org/meetings/lisbon/agenda-dnssec-28mar07.htm>

<http://www.dnssec-deployment.org/>

*Thursday 29 March*

A range of presentations with a technical focus were held on the Thursday. Chaired by Eberhard Lisse, the day included a range of DNS related topics including DDOS attacks, DNS Setup and Anycast experiences. Copies of the presentations are meant to be put up online at some stage. <http://icann.org/meetings/lisbon/agenda-cctld-29mar07.htm>

I took the opportunity throughout the day to talk to various ccTLD people who had expressed an interest in a DNS benchmarking survey that is being planned by Nick Griffin and NZRS. Nick had prepared preliminary documents and had emailed specific questions out to those ccTLD managers who had expressed an interest in the work. In conjunction with Dave, the managers that Nick had been in contact with were spoken to regarding their thoughts about the proposed survey. The information obtained will be passed back to Nick.

It is anticipated that DNS monitoring will be included on the agenda for the next Technical Meeting day in Puerto Rico.

*Friday 30 March*

The Board Meeting was the agenda item for the day with the key item on the Board agenda being the decision on the proposed .xxx Registry Agreement (which was declined). The transcript of the day is at <http://icann.org/meetings/lisbon/transcript-board-30mar07.htm> and it is interesting to read the comments by the various board members regarding the .xxx vote. With the 'new 2LD' creation process in the .nz policy, I can't imagine the .xxx experience being replicated in the .nz domain name space.

One interesting issue raised during the board meeting was also something that had come up previously during the ICANN meeting – how far does ICANN go and what are their responsibilities to registrants? ICANN has some work to do in this area to develop guidelines as to how many protections they should introduce for registrants.

A planned meeting with the Secretary General of the ITU, Dr Hamadoun Toure, was cancelled after issues with his flight. Paul Twomey had invited some ccTLD representatives to meet with Dr Toure, .nz included, and it was unfortunate that this meeting did not eventuate.

**April**



Council  
InternetNZ

## NZOC Monthly Report for APRIL 2007

### 1. NZRS Report

NZRS have produced their monthly report for April 2007. Main points NZOC would like to highlight with Council are:

- System availability for April was 99.94% against the SLA standard of 99.9%

Total unscheduled outage time of 26 minutes 3 seconds was due to an issue which occurred four times and required the process to be restarted. Maximum outage time was around 300 seconds

- The scheduled maintenance window was utilised on 15 April 2007
- A BCP Test was performed on 29 April 2007. This tested the backup personnel and processes and went well with no major issues identified.
- Performance times for key transactions for April are in the following table:

Transaction	Average Response Times (in seconds)	
	<i>As per SLA</i>	<i>April 2007</i>
Domain Details Query	1.5	0.03
Domain Update	0.8	0.45
Domain Create	0.8	0.59
Get Message	0.8	0.03
WHOIS	0.8	0.09
UDAI Valid Query	0.8	0.14

- DNS SLA standards met

#### Server % Availability

	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07
<b>NS1</b>	100	100	100	100	100	100	100	100	100	100
<b>NS2</b>	100	100	100	100	100	100	100	100	100	100
<b>NS3</b>	100	100	100	100	100	100	100	100	100	100
<b>NS4</b>	100	99.99	100	99.97	100	100	100	100	100	100
<b>NS5</b>	100	100	100	100	100	100	100	100	100	100
<b>NS6</b>	100	100	100	100	100	100	100	100	100	100
<b>NS7</b>	100	100	100	100	100	100	100	100	100	100

## Performance Stress Testing

The figures are derived from the 'stress testing' of the name servers. 1201 UDP and 121 TCP transactions are used. Measurements are in milli-seconds.

DNS	Target	UDP transactions						TCP transactions					
		Nov	Dec	Jan	Feb	Mar	Apr	Nov	Dec	Jan	Feb	Mar	Apr
NS1	<5 / <50	0.09	0.09	0.09	0.09	0.09	0.09	0.38	0.38	0.38	0.38	0.38	0.38
NS2	<5 / <50	0.07	0.07	0.07	0.07	0.07	0.07	0.27	0.27	0.26	0.26	0.27	0.27
NS3	<5 / <50	0.09	0.09	0.09	0.09	0.09	0.09	0.38	0.38	0.38	0.38	0.38	0.38

The measurements for the Primary name servers and NS1, NS2 and NS3 are taken by running the programme on the individual servers.

### SRS Zone Pushes

These figures show the average time taken from the point that the first Primary begins the zone push to the time that the last of the secondary's acknowledges that it is up to date.

Measurement	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07
Average Time (sec)	723	1001	1181	1186	929	657	757	761	794

- The total number of WHOIS queries decreased 1,895,000 to 1,848,000
- The level of active .nz domain names increased from 272,752 to 276,273. An increase of 3521.

## 2. .nz Policies and Procedures

### 2.1 Registrar Compliance

- No major compliance issues arose in April

### 2.2 Policy Reviews

- Work is progressing on the third consultation paper in respect of the Registering, Managing and Cancelling Domain Names Policy review. A draft of this paper will be presented to the next NZOC meeting in May.

### 2.3 Applications

- NZOC held a teleconference to discuss the submissions received for the .bank.nz application. It was agreed that the moderation policy in the proposal needed to be reworded to clarify what names would, or wouldn't, be able to be registered in .bank.nz. A letter was sent to the NZ Bankers' Association setting out NZOC's concerns and asking them to reword the moderation policy.
- An application for access to the zone file has been declined as it was determined that the applicant had not demonstrated that the release of the information had a 'public good' benefit.

### 3. Registrar authorisation and connection

- No new registrars were authorised in April. One registrar, SimpleName, connected to the production system over the month.

### 4. Other .nz matters

- Four members of NZOC have their terms expiring in July this year. A panel has been set up by InternetNZ and they will be responsible for appointing one person for a one year term, one person for a two year term and two people for three year terms. Following this appointment round, two members of NZOC will be up for selection each year.

### 5. Dispute Resolution Service (DRS)

For the month of April 2007, there were 4 new electronic complaints submitted. The first 11 months of the DRS to 30 April 2007 has seen 89 complaints lodged with 32 (36%) ruled invalid.

Of the 57 valid complaints:

- 9 (15.8%) settled on initial notification, prior to mediation
- 21 disputes went to mediation, with 15 of those successfully settling.
- 13 went through to Expert decision with 9 ordered transferred, 1 ordered cancelled and 3 dismissed.

### 6. DNC Office

- A report from Dr Frank March relating to his attendance at the ICANN meeting in Lisbon at the end of March 2007 is attached as Appendix 1.

### 7. Financial

Financial information for April 2007

<b>Apr-07</b>						
	<b>Month</b>			<b>YTD</b>		
<b>INCOME</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
Management Fee	\$83,000	\$83,000	\$0	\$83,000	\$83,000	\$0
Authorisation Fees	\$0	\$500	-\$500	\$0	\$500	-\$500
DRS Complaint Fees	\$1,800	\$2,250	-\$450	\$1,800	\$2,250	-\$450
2LD Application	\$0	\$0	\$0	\$0	\$0	\$0
<b>TOTAL INCOME</b>	<b>\$84,800</b>	<b>\$85,750</b>	<b>-\$950</b>	<b>\$84,800</b>	<b>\$85,750</b>	<b>-\$950</b>
<b>EXPENDITURES</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
Personnel and Staff costs	\$21,084	\$29,517	\$8,432	\$21,084	\$29,517	\$8,433
Office and administration expenses	\$7,613	\$10,458	\$2,845	\$7,613	\$10,458	\$2,845
Professional Services	\$300	\$11,917	\$11,617	\$300	\$11,917	\$11,617
Dispute Resolution Service	\$8,200	\$11,583	\$3,383	\$8,200	\$11,583	\$3,383
Communications	\$38	\$2,083	\$2,045	\$38	\$2,083	\$2,045
.nz Oversight and project expenses	\$49	\$6,917	\$6,868	\$49	\$6,917	\$6,868
DNC Registrar Activities	\$14	\$850	\$836	\$14	\$850	\$836
International	\$10,137	\$14,917	\$4,779	\$10,137	\$14,917	\$4,780
<b>TOTALS</b>	<b>\$47,435</b>	<b>\$82,417</b>	<b>\$34,982</b>	<b>\$47,435</b>	<b>\$82,417</b>	<b>\$34,982</b>

Frank March  
Chair, NZOC



## **Report from ICANN/GAC Meeting**

Lisbon, Portugal, 24-28 March 2007

Frank March

The 27<sup>th</sup> ICANN meeting was held from 24 to 30 March in Lisbon, Portugal. I attended as a member of the InternetNZ delegation with full financial support from InternetNZ, and leave to attend from the Ministry of Economic Development.

I attended the meeting of the Governmental Advisory Committee (GAC) on the Saturday to Wednesday, 24-28 March, as well as part of the ICANN Open Forum on Thursday 29 March and the Council meeting on Friday 30 March. The GAC Communiqué is attached.

### **I Governmental Advisory Group (GAC)**

#### **GAC Principles on new gTLDs and WHOIS**

The previous GAC meeting in Sao Paulo had spent many frustrating hours working through alternate texts on principles for WHOIS and new gTLDs, as details in my report from the 26<sup>th</sup> GAC meeting. Although there were continued detailed discussions over the two scheduled days, both documents were finalised at this meeting and adopted in the formal plenary sessions.

Discussion will continue between the GAC and the gNSO over implementation issues with both WHOIS and new gTLDs.

*Issues for New Zealand:* New Zealand has no particular concern over allocation of new gTLDs. Reservation of geographic names is a matter of concern for many countries is but the New Zealand Government has consistently avoided involving itself in such issues. Cultural values on the other hand could be an issue for New Zealand so that allocation of new gTLDs will need to be monitored on a case by case basis.

As far as WHOIS is concerned, the GAC principles applicable to the gTLDs provide useful guidance about the appropriate balance to be achieved between the needs of law enforcement agencies, intellectual property concerns and privacy for .nz. Current New Zealand policy for .nz is consistent with the GAC principles.

### **GAC Working Methods**

The Wellington GAC meeting established a joint GAC - ICANN Board working group. This has held intersessional meetings by teleconference and face to face meetings at both the Sao Paulo and Lisbon meetings. Key outcomes have been moves towards early development of issues papers by the ICANN staff and the establishment of a

long term 'master calendar' to assist in planning and to give early warning of upcoming issues.

One concern has been the stated need for ICANN to work in 'Internet time' which has been seen as clashing with the needs of governments for time to appropriately consult in capitals. The reality is that it is not just the GAC that has problems over consultation; this is shared with a number of other constituencies as evidenced in Lisbon by a major internal differences within the gNSO over WHOIS.

Another issue which was discussed extensively in Wellington was secretariat support for the GAC. One suggestion, effectively vetoed, was for ICANN to pick up the task. In the event, an offer from India to replace the EU as secretariat was accepted. This has had a mixed success and ICANN has now taken over a number of functions, including arrangements for intersessional teleconferences, the website and provision of transcripts of plenary sessions. It is clear that in the longer term the GAC will be, as a matter of course, fully supported by ICANN staff.

*Issues for New Zealand:* Continued support for Frank March as co-Vice Chair.

## **II Other GAC issues**

There were a number of issues explored in semi-formal and informal meetings with other delegates. For the most part these were in connection with one or other of the GAC agenda items.

Taiwan has agreed to adopt the nomenclature used in other international fora such as APEC, and will in future be known in the GAC as 'Chinese Taipei'.

## **III Niue TLD Registry (.nu)**

I met with William (Bill) Semich, owner of the .nu Registry, Per Darnell manager of the .nu Nordic operations and Joseph Samuelson, Swedish GAC representative on Monday 25 March. The meeting was to discuss the allegations being made about .nu status and management in the world-wide press and to explore options for the NZ government to assist in any mediation attempt.

A number of allegations have been in circulation for several years about the ways .nu has been managed. The following points have been established:

1. .nu is well managed. In 2006, the Swedish regulator investigated .nu in parallel with .se and other TLDs of significance in Sweden including .com etc. There were no concerns about .nu policies or management expressed as a result.
2. .nu does not have unusual levels of pornography, nor does Bill Semich act as holder of pornographic websites. This allegation was based on a misunderstanding of how registrations were managed in 2000, which has since been changed. Present policy is to take down offensive sites if complaints are

made and there is an active programme to find and take down illegal sites (eg child pornography).

3. .nu does earn vast wealth. Audited accounts show an income totaling some US\$18M over eight years and expenditure on Niue projects of nearly US\$3M over that period, US\$350K to US\$600K per year.
4. The unpublished report of the Niue Commission of Inquiry into .nu (conducted by Mr Justice David Ongley) made no findings against .nu and generally refuted all of the more extreme allegations made from time to time over .nu management, the Internet Users Society of Niue and its personnel.

Suggested way forward:

5. In discussion Semich has indicated willingness to enter negotiations. He will not do so directly with the government of Niue because of his experience with individuals in the past who he alleges have negotiated in bad faith. He is not prepared to give up .nu but is prepared to look at a new contractual relationship (note that there is an existing contractual relationship).
6. It would be possible for a New Zealand official (possibly the .nz GAC representative) to assist in any negotiations. Semich has indicated that he would welcome this.

#### **IV Next ICANN/GAC meeting**

7. The next GAC meeting will be held in Puerto Rico, in July in conjunction with the 28<sup>th</sup> ICANN Meeting. There will be at least one intersessional teleconference before then.

# 5

## Correspondence

----- Original Message -----

Subject: [members-discuss] Attack on Estonia.

Date: Tue, 22 May 2007 06:53:20 +1200

From: Domingo <[dominic.baron@telematix.co.nz](mailto:dominic.baron@telematix.co.nz)>

Reply-To: InternetNZ Members Discussion List <[members-discuss@internetcz.net.nz](mailto:members-discuss@internetcz.net.nz)>

To: InternetNZ Members Discussion List <[members-discuss@internetcz.net.nz](mailto:members-discuss@internetcz.net.nz)>

References: <[46440ED1.8000905@curmudgeon.net.nz](mailto:46440ED1.8000905@curmudgeon.net.nz)>

<005701c795dd\$7462c6d0\$282d4979@PC036>

I am concerned that no statement has yet been made publicly, either by ourselves or by ICANN, about the recent massive attacks on Estonian systems originating from addresses within Russian state organs.

I urge our councillors to give some consideration to this matter.

Dominic Baron.

# 7

## Appointments Panel

## Appointments Committee

### Report and Recommendation to Council meeting 16 June 2007

The Appointments Panel was convened by the March 2007 Council and comprises Colin Jackson (Chair), Frank March (NZOC), Donna Hiser (NZRS), Simon Riley and Jamie Baddeley.

The positions were advertised in Computerworld and Infotech, and on the InternetNZ website. Postings to NZNOG and the INZ members mailing list drawing attention to the advertisements were made.

The Panel reviewed all applications and short-listed 13 candidates for interview, 8 for NZOC and five for NZRS. Interviews were conducted on 25 and 26 May, and the normal complexities of ensuring the requirements of the position descriptions and the skills and attributes of the candidates were matched to the dynamics of the existing governance groups.

The panel was impressed with the quality of the applicants which reflects highly on the reputation of InternetNZ and its work over recent years. In particular, applications for NZOC positions reflected a growing and welcome interest in how .nz is managed and its now critical support role in the NZ economic and social infrastructure. This interest, coupled with the number of positions on NZOC vacant, provides a unique opportunity to increase the external credibility of both NZOC and InternetNZ. At the same time, appointing two highly capable and qualified, newcomers to NZOC exposes a risk of losing key knowledge and experience. The panel therefore proposes that the numbers on NZOC be expanded for one year only to eight, inclusive of the president ex-officio.

The Panel has now concluded its business and puts forward the following recommendations for Council's consideration:

1. *That this report be received.*
2. *That Anne Urlwin and David Farrar be re-appointed to the NZRS Board.*
3. *That the size of NZOC be increased by one to eight for one year only.*
4. *That the following be appointed to NZOC on the following terms:*
  - *David Russell (3 Years)*
  - *Andy Linton (2 Years)*
  - *Roger Hicks (1 Year)*
  - *Helen Algar (1 Year)*
  - *Joy Liddicoat (3 Years)*
5. *That the Appointments Panel be wound up.*

Colin Jackson  
President, InternetNZ  
31 May 2007

# 8

## Remuneration Panel



## **REMUNERATION PANEL REPORT TO COUNCIL MEETING OF 16 JUNE 2007**

The Remuneration Panel was appointed at the Council meeting of 16 March 2007, and comprised of Keith Davidson (Convenor), Peter Macaulay, Jonny Martin and Jennifer Northover.

The Panel acknowledges that changes have occurred in the DPMC guidelines, but also acknowledge that the InternetNZ structural review includes reference to possible changes to directors fees and honoraria. As it seems likely that the structural review changes will apply within a matter of months, the Remuneration Panel were unanimous that a more complete review should occur as part of the implementation from the review. We therefore recommend that no immediate change should be applied to honoraria or directors fees for InternetNZ Council, the .nz Oversight Committee or the NZRS Board.

### **Recommendations:**

- 1. That this report be received.*
- 2. That honoraria and directors fees remain at the 2005 / 2006 levels.*
- 3. That a new Remuneration Review Panel be established as part of the structural review implementation process, with a mandate to more fully review applicable rates in line with the new structures and new DPMC guidelines.*

**Keith Davidson**  
**Convenor – Remuneration Panel**  
**8 June 2007**

# 9

## **Executive Director's Report**

## **Executive Director's Report to Council, 16 June 2007**

My apologies to Council for the delay in production of this Executive Director's report, and also for the delays in monthly project reporting. We have had some issues with the website which have impacted adversely on our project reporting and we have been extraordinarily busy since returning from the New Year.

### **a) Administrative and General Matters**

#### **Outstanding Action Points from last Council Meeting**

I think only one action point remains outstanding from the last Council meeting, which states "Put together a proposed process for the InternetNZ best practice program and send it to the Technical Policy list for discussion", and this will be attended to during July.

#### **Website**

The updating of Zope and Plone to the latest versions, along with some technical issues with the Proxy web server have caused some outages of the INZ website and some difficulties in being able to update standing pages such as the project reports. These issues are now mostly resolved and the site is more stable as a result.

We will be producing a roadmap for further development of the website in the next 2 months.

#### **General Ledger**

The new General Ledger account structure was agreed in March, but unfortunately our contractor for this task was overseas for 2 weeks, immediately prior to my departure to APTLD, which has meant that for a period of 6 weeks our only contact has been through email. Progress continues very positively however, and I am confident the new financial reports will provide more accurate and timely information to Council, despite the small delays at the start up phase.

#### **Annual Accounts / March Accounts**

The financial results for the year ended 31 March 2007 are in the final stages of audit as this report is distributed. Attached to this report are the revised monthly accounts for December 2006 through to March 2007 for Council's approval. The final annual accounts may include some further minor year end adjustments resulting from the audit, so please consider the March accounts as a close representation, rather than an absolute year end position.

It is probable we will finish at balance date with a small surplus for the year, compared to an anticipated deficit of \$341,950 in our budget. Revenue for the year was in line with budget, and the difference is therefore related primarily to under-expenditure for the year.

As can be seen, we have tended to expend to the budget limits on public policy issues, but have not been so active in the pursuit of technical policy issues. This has in part been as a result of our environment, with the ongoing commitment to the telecommunications

reforms, where our impact has been significant and useful to the market. Later in the year the Copyright Act revisions also became a major focus and that had been unexpected at the time of budgeting last year. It is critical that we remain flexible in order to make the greatest gains wherever we can, rather than miss opportunities through slave-like adherence to our budget and business plans. Our emphasis in the New Year will be to ensure a more balanced approach, and to a process of continuing progress on all projects.

### **Staffing**

The INZ staff went on a weekend “retreat” in early April, and the useful outcomes include a more useful operational plan, which should see less projects falling through the gaps during the year. The clear view from the team is that we remain under-resourced in human resources and that resolution of this is the top priority.

Campbell Gardiner has been recruited to InternetNZ and joins us on 9 July, and will add further strength to our research and communications areas, and should go a long way towards bridging the gap.

### **History of the Internet**

Keith Newman is making steady progress with the creation of content for the history book, and a review of the early chapters indicates it will be an enjoyable read. We have recently initiated discussions with some book publishers and have selected a company who we are negotiating a publishing agreement with. Keith will complete the manuscript towards the end of July, which should allow for publication of the book before the end of this financial year.

### **KAREN Connection**

Council will recall last year that approval was given for InternetNZ costs to connect to KAREN, if concerns over the capital costs for new equipment for the connection were not excessive. We have been in discussions with REANNZ and our ISP FX, and FX has agreement with REANNZ to be an aggregator for supply of KAREN. Ourselves and some other FX customers will therefore be able to connect to KAREN through FX, with no capital cost requirements for us. By re-working our current connectivity agreement with Citylink and FX, it appears we will have a deal that will cost us no more for general Internet connectivity than our current costs.

I have signed the agreement for connection to KAREN and it is likely that we will be connected within the next month or two. The annual additional costs to REANNZ for us will be a little over \$18,000.

### **KAREN Advisory Council**

I have been appointed to the KAREN Advisory Council, which meets quarterly to discuss operational issues for the advanced network.

## **Liz Dengate Thrush Foundation**

The Liz Dengate Thrush Foundation was signed by the trustees in late May and has now been incorporated under the new Charitable Trusts Act. The President of InternetNZ is the “Settlor” for the Foundation. InternetNZ will provide some administrative support to the trustees to start the process through opening bank accounts, facilitating meetings of the trustees etc.

## **Structural Review**

Roger Hicks will be overseas on vacation on June 16, and wished to record his apologies for being absent at the finalization stage of this project, as he would have liked to present the final report to the meeting. Roger also thanks InternetNZ for the confidence in him to chair the group and participate in this significant project.

## **ICT-NZ**

I was re-appointed to the ICT-NZ Board at the AGM in May. I am continuing to discuss options on how InternetNZ might be able to interact with ICT-NZ and will advise if progress is made.

ICT-NZ is close to being formally launched, with a new website, membership plans etc, but is awaiting confirmation of some funding to at least ensure its financial viability, at least in the short term.

## **Other Sibling Relationships**

We continue to engage solidly with our sibling organisations and ongoing operational meetings continue with TUANZ, Netsafe, ISPANZ, the Computer Society and others. Our relationship with NZNOG continues to strengthen and some news on further co-operation might be available by the time of the Council meeting.

## **Membership Report**

InternetNZ Membership details as at the end of May 07

Fellows: 14  
 Individual: 72  
 Professional Individual: 56  
 Small Organisation: 35  
 Large Organisation: 6

Total membership: 183

## b) International

### APTLD

The APTLD Dubai meeting concluded yesterday. Saturday 2 June was set aside for the APTLD Board strategic planning session. Sunday and Monday covered the members meeting, with all of Sunday focused on the IDN for ccTLD issues, and most pleasingly, the APTLD has come to the following agreed position on .IDNs:

*“APTLD would like to urge ICANN to implement a limited introduction of top level IDNs so all ccTLDs in the region can better serve their indigenous peoples by taking the following two, simple steps:*

- a. Allow each existing ccTLD to manage one additional ccTLD in an official non-Latin script of their country or territory. The name will be chosen through consultation with the ccTLD’s local Internet community. APTLD recognises that this may not meet the demand for a few countries with multiple non-Latin scripts, but we see this as an interim position only while technical and administrative issues are resolved.*
- b. Manage a six-month comment period for the international community to lodge substantive objections to the names chosen as not being relevant for the ccTLD. This will ensure that spurious names are not chosen.”*

The ICANN GAC Chair, Janis Karklins presented a useful session on the GAC’s role and especially its development of a position on IDNs. Kim Davies from IANA and Theresa Swinehart from ICANN also made useful presentations on ICANN / IANA / Internet Governance issues. Non-technical training continued through Tuesday and Wednesday, and unfortunately I missed the Wednesday sessions in order to make the start of the CENTR General Assembly meeting in Helsinki.

The presentations from the APTLD meeting are on-line at [www.aptlld.org/dubaijune2007.htm](http://www.aptlld.org/dubaijune2007.htm). The final communiqué will be listed there within the next day or two.

It was most pleasing to see over 70 participants at the APTLD meeting, a most encouraging trend in attendance, aligning with an increasingly useful agenda. There was useful engagement into the Arabic speaking section of our region, with several middle eastern ccTLDs represented.

The next APTLD meeting will be in Honiara, Solomon Islands in early August, coinciding with the PICISOC annual conference. The intention for this meeting is primarily for outreach to the Pacific Island ccTLD managers, and therefore no significant attendance is anticipated from the normal attendees. The next normal APTLD meeting is likely to be aligned to the Technical Training in Bangkok, which will be timed to coincide with the ICANN Los Angeles meeting in October.

In summary, APTLD Dubai was a most productive and useful meeting for the region.

### CENTR

I am currently attending the CENTR General Assembly meeting in Helsinki. More than 50 attendees are present. The agenda and presentations are online at [www.centri.org/meetings/ga-33](http://www.centri.org/meetings/ga-33). This is the first CENTR meeting I have attended, and is proving quite an interesting experience, with many of the same issues as faced by APTLD but

also some slightly divergent viewpoints. The .be and .se presentations on marketing their ccTLDs are most interesting.

## **ICANN Puerto Rico**

The major issues confronting the ccNSO coming up for the ICANN Puerto Rico meeting at the end of June are likely to be:

### **1. IDNs for ccTLDs**

This remains a top priority for many ccTLDs, and most especially those who rely on non-ASCII character sets for their native language. As stated above, APTLD have developed an agreed position, and it will be interesting to see the progress of the other regional organisations in the lead up to Puerto Rico.

### **2. ICANN Regions**

The ccNSO is seeking to recommend it should define a procedure for self-selection to enable ccTLD managers who consider themselves inappropriately assigned to an ICANN Geographical Region on the basis of the so-called "citizenship" criterion, to self-select an appropriate Region. Also the ccNSO seeks to facilitate the creation of sub-regional or interregional groups as required based on issues e.g. IDNs aligned to languages and character sets

### **3. Wildcard ccTLDs**

An operator has commenced wildcarding domain names from .cm to the .com registry, allowing mistypes of .cm to resolve to his own pay per click advertising pages. He is continuing to negotiate with other ccTLDs that are mis-types of gTLD names e.g. .et for .net, .co for .com. See [http://www.money.cnn.com/magazines/business2/business2\\_archive/2007/06/01/100050989/](http://www.money.cnn.com/magazines/business2/business2_archive/2007/06/01/100050989/) for further details

The ccNSO now has its own sub-website at <http://ccnso.icann.org>

## **c) Technical Policy**

### **Broadband Measurement**

We have been co-operating with Consumers Institute who have recently advertised for expressions of interest in the development of a useful broadband measurement tool for New Zealand. The advertising has resulted in 4 responses, including from two parties we have formerly discussed this topic with. In my absence this month, Michael Wallmannsberger has agreed to assist in the evaluation of the expressions of interest and in the technical specifications. Consumers are keen to share with us this entire project. I have suggested that InternetNZ might be able to assist with funding the actual tool development and that we have a budget line provided for in this year's business plan.

### **.nz Honeypot Project**

Victoria University are seeking assistance in a project to undertake an environmental scan of the .nz domain name space to detect malicious web content using client honeypot

technology created at Victoria University, and already provided to the wider community through several open source options.

The total project cost is approximately \$42,000 and we have been asked if we could provide \$20,000 towards this cost.

InternetNZ would receive reporting from the project, including:

- Comparisons of various other country codes specific domains.
- Lists of malicious URLs with additional information about the nature of the URLs and the malware downloaded (e.g. report on whether antivirus technology catches the malware).
- Additional analysis which determines where exploits originate from (often they are from other sites such as adverts running on a news site). Is it a select few servers that feed exploits to malicious URLs ( e.g. through iframe directives). It could also perform an analysis on the malicious -URLs identified. e.g. is it specific type of content (adult, gambling); is it hosted by a specific ISP, etc.
- Report on trends on the NZ domain. are we seeing an increase of malicious URLs

InternetNZ could use the above reports for its own and for public purposes. We would also receive the following reports which would be confidential and provided only for information to InternetNZ Council, NZOC and NZRS.

- Weekly report on zero day exploits; this includes the URLs.
- Report on Snort IDS signatures for the URLs that contain exploits.

The DNC has advised that this project would probably qualify as a public good, and may therefore qualify for access to the .nz zone file, which while not essential, would give a more complete sample for the scan. If we are to proceed, it would be my intention to assist Victoria University in their application for access to the .nz zone.

I therefore recommend that Council approves this project in principle, and refer it to the Technical Policy Committee for a full review and budget allocation, from the Technical Capability Development Fund. For further information please refer to the original project outline from Victoria University which is appended to this report.

## **Peering**

The Peering TT has concluded its round of consultation with the industry, after meeting with service providers, content providers, business users, Government users, Telecom, TelstraClear and others. This has been quite an intensive process, as we were up against time constraints prior to the Chair, Murray Milner's departure overseas.

It is my view that we should be able to achieve industry agreement on a definition of peering. It seems that the real issue in NZ is more relating to the relatively high cost of transit, as opposed to peering. Telecom have re-engaged in the peering arena, and have conducted their own consultation on a plan to offer peering to other service providers. As a result of their negotiations, some further modification of their proposed model is likely, and it does appear to be shaping as a useful reengagement in the peering process by Telecom. If this does proceed, it will place pressure on TelstraClear who would be left as the only significant ISP not peering in NZ.



## **Certification Authority for NZ and NZCERT**

I have been discussing these 2 issues with some prospective contractors who could undertake scoping for these 2 projects. Progress is more solid on the Certification Authority, and I will soon have documentation for review by the Technical Committee. It is likely that the cost for scoping the CA will exceed the budgeted \$5,000, possibly being a \$10,000 project.

Colin Jackson and Michael Wallmannsberger attended the AusCERT annual conference in May, and Colin's trip report is attached for your information.

## **d) Public Policy**

### **Digital Strategy Summit**

MED are organizing a Digital Strategy v2.0 Summit to be held in Auckland in early October. TUANZ are facilitating the venue, accommodation etc, and MED have also appointed a programme steering group, with myself as the INZ representative. InternetNZ has also been appointed to organise the programme for Day 3 of this Summit. I propose the establishment of a small Tiger Team to assist in this project, as follows:

Members: Simon Riley (Convenor), David Farrar, Keith Davidson, Jordan Carter, Richard Wood, with Frank March and Janet Mazerier as observers.

Purpose: Create day 3 programme for Digital Strategy Summit

We will incur some costs, probably mostly in relation to getting overseas speakers to this day, but we do have budget lines for "overseas speakers" and "IPv6 Hui" in the new budget which could be tapped into for this purpose, and obviously we would seek further use of international speakers where we can get some additional value. It is likely that we will have an IPv6 awareness session as part of the day 3 programme.

I think the opportunity to help, and to have impact on the revision of the Digital Strategy are too important to ignore, and therefore our engagement for this is essential.

### **Copyright**

Lobbying in favour of InternetNZ's position on the *Copyright (New Technologies and Performers' Rights) Amendment Bill* continues apace, with staff and Council members engaged in a programme of meetings with MPs across parliament. It is unclear at this point when the Bill will be reported back, or in what form.

### **Parliamentary Internet Caucus**

This held a second successful meeting on 9 May, hearing presentations from Russell Brown and Jason Paris (TVNZ) on the future of digital broadcasting. The discussion among MPs was lively and a lot of information was conveyed in a very short period of time. The forum attracted over fifteen MPs and continues to generate good feedback.

## **Telecommunications Reform**

There has been considerable progress since the last meeting. Government released operational separation plans in April for public comment, and InternetNZ lodged two submissions, at the end of April and mid-May, arguing in favour of the government's model (which is very similar to what has happened in the UK) and against wholesale last-minute changes to the regulatory framework being argued for by Telecom.

Operational separation needs to proceed. The investment issues highlighted by Telecom to meet the government's Digital Strategy objectives should be our next area of focus. Worldwide discussion on how to achieve investment in next generation access networks is well under way.

### ***Industry Working Groups***

The Industry working groups kicked off by Telecom and facilitated by the TCF have been making sound progress towards developing technical and operational standards for LLU and other regulated services. The TCF Board signed off the LLU matters in late May, for Telecom's inclusion in standard terms proposals. The groups are now working on UBA and other services which are the next steps in the regulatory process.

### ***Standard Terms Determinations***

The Commerce Commission is proceeding with the development of the regulated services mandated by last year's Telecommunications Amendment Act. Hearings were held in April and May to scope the STD process and agree timelines. The priorities for the industry and the Commission have been LLU and UBA, followed by associated support services. Telecom is required to submit Standard Terms Proposals to the commission covering the non-price terms of the services, which the Commission assesses, adds prices to, and then seeks public input on. Much of the material in the Proposals is developed in the Industry Working Groups mentioned above, and Telecom and the industry deserve great credit for the way they have completed a lot of work very quickly in developing sound industry positions on many of the issues in play.

### ***TUANZ Telecommunications Day 2007***

This was held in Wellington on 31 May with Jordan Carter and Simon Riley in attendance. The programme was similar to usual with speakers from the industry and government in the morning, followed by presentations in the afternoon from (among others) Rod Drury and Richard Prebble. The government announced the new Telecommunications Commissioner on the day, and made its position in favour of continuation of operational separation clear. Telecom CE Theresa Gattung highlighted her view that there would need to be public funding involved in rolling out very high speed broadband networks in the absence of incentives to drive Telecom's investment in these.

### **Jordan Carter travel report – Australia-Netherlands Broadband Mission**

Jordan's report from attending the above Mission in the Netherlands in March 2007 is attached. It includes recommendations that largely replicate and reiterate existing InternetNZ policy, but which can usefully be reinforced by Council at this meeting. The report details several interesting services that are beginning to be seen over very high bandwidth networks, and is worth reading in full.

**Recommendations:**

- 1. That the Executive Director's report be received**
- 2. That the Day 3 Tiger Team and Terms of Reference be approved.**
- 3. That Roger Hicks apologies for not being able to present the final Structural Review report to Council be received.**
- 4. That the Victoria University "honeypot" project be given approval in principle, and referred to the Technical Policy Committee for ratification and budget approval.**
- 5. That the report of the Deputy Executive Director from the Australia-Netherlands Broadband Mission be received.**
- 6. That Council acknowledge that:**
  - A rapid rollout of fibre optic infrastructure to the home is key to New Zealand's economic future.**
  - Market dynamics are not likely to lead to investment in such infrastructure in acceptable timeframes.**
  - Non-market solutions, including local and central government investment, are likely to be required.**
- 7. That Council agree that:**
  - InternetNZ continue to focus on securing an equitable separation plan for Telecom as an interim measure to allow the rollout of better services before fibre to the home infrastructure becomes broadly available.**
  - InternetNZ focus on developing industry and political support for rollout of fibre optic infrastructure in the short term, to all households and business premises in New Zealand.**
  - InternetNZ support a role for public investment in securing this rollout, either at central or local government level, or both.**
  - InternetNZ take every opportunity to promote this position to key decision makers and the public at large.**
  - Workstreams be developed to explore further the options New Zealand faces in making this vision a reality, under the oversight of the Public Policy Committee.**

**Keith Davidson  
7 June 2007**

## Developing a Malicious Web Content Early Warning Centre for New Zealand

### **Overview:**

This research proposal provides New Zealand with a study of the Internet based content within the .nz domain. Our primary focus is to detect malicious web content using client honeypot technology created at Victoria University and provided to the wider community through several open source projects. Our secondary focus is to further examine the nature of the .nz domain web content and how it changes over a 12 month period. In the process of scanning the .nz content we aim to develop signatures for virus detection engines, map malicious servers and present these results to our sponsors.

This proposal aims to set up a scanning cluster to provide an environment scan of the .nz domain, initially over a 12 month period. The cluster requires a number of machines to be bought and installed and then administered. A research assistant will analyse the data and the client honeypot results, periodically presenting results to our sponsors. This research project requires funding of approximately \$20,000 in hardware costs and research assistant support.

### **Background:**

Being connected to the Internet exposes users to security threats. Security researchers have been successful in implementing strategies to defend against the majority of these threats via antivirus software and firewalls. Unfortunately, these defences are unable to defend against zero day attacks that have not been seen previously detected and for which signatures have been developed. Additionally, they may not be able to intercept attacks delivered in new ways.

Historically, many attacks were delivered to the client through channels such as email or open ports. A new attack delivery method which is increasing is the client-side attack where a web server delivers the attack to the client as part of the server's response to a client request. The most common form of this attack is a client downloading a web page that contains malicious active content. This active content may exploit vulnerabilities in the web browser itself or helper applications such as Flash or Word. This type of attack is often the first step in a hacker taking remote control of a system by installing arbitrary programs that run with full user privileges.

Ironically, hackers do not need to setup their own web server to launch these client-side attacks. Usually they attack an existing legitimate web server and place their malicious content there or they exploit web forums or similar facilities to post malicious content. Recent news reports about the prevalence of malicious content on web servers registered on some domains have highlighted the problems if a country does not have a means of assessing the extent of the problem. Besides the impact upon users visiting sites hosting malicious content there would be an economic impact on the New Zealand Internet Service Provider industry if New Zealand domains were perceived as being associated with the presence of malicious content.

Early warning of the presence of malicious content hosted by New Zealand web servers would allow the development of signatures for virus detection engines to prevent users

becoming victims of security breaches. Furthermore it allows this content to be removed by Internet Service Providers or content providers and avoid the economic impact of New Zealand domains becoming associated with the presence of malicious content.

Victoria University proposes using its honeyclient technology to sample New Zealand websites to determine the extent of the current problem and to institute monthly scans of the index pages of all New Zealand registered web sites to provide early warning of the presence of malicious content. Victoria University has undertaken the development of the honeyclient technology over the last 18 months, incorporating several man years of effort and providing access to the resulting technology through open source. The honeyclient technology is part of an initiative to measure aspects of the Internet, such as Internet Background Radiation, web quality, such as the number of malicious server, and analyse the captured data to determine trends, attacks etc. using Grid technology.

Victoria University of Wellington has developed a technology for efficiently locating malicious content hosted upon web servers. This technology can detect zero-day attacks because it doesn't search for known attacks but infers them from suspicious changes to a PC's operating system after a web browser has downloaded a web page. Suspicious changes include unexpected creation of new processes on the PC or the creation of files in unexpected places. False positives where a change is misclassified as suspicious because of other activity on a PC are avoided because the client honeypots are dedicated machines that do nothing except visit web servers so any changes must be the result of downloading a web page containing malicious active content.

This technology enables us to survey the New Zealand Internet for malicious content. This will allow us to estimate the prevalence of malicious content on New Zealand web servers, determine whether the threat of client-side attacks are on the rise in the .nz domain and identify zero day exploits. Besides allowing policy makers to make informed decisions about the means to improve New Zealand's Internet security, our proposed work on identifying zero-day attacks allows us to create intrusion detection signatures and involve vendors to create patches early, which will assist in protecting end users at home, government and the corporate world on an ongoing basis.

### ***Proposal:***

We propose to carry out this research in four stages over a 12 month period, once the client honeypots are deployed. .

First, we plan to inspect web pages hosted by a random sample of servers for various domains including the New Zealand Internet domain using our client honeypot. This will allow us to determine whether New Zealand Internet does host malicious content and provides us with an initial assessment of the extent of the problem.

Second, we propose to look at a more comprehensive set of servers in the NZ domain. We are planning to inspect the entry pages of all New Zealand web servers (approx. 200,000). If a malicious page is identified, each page of the server will be inspected by our client honeypot.

Third, we propose to repeat this comprehensive inspection of servers every three months to determine trends.

## Trip Report - AusCERT2007

AusCERT is the name of the Australian national CERT and of its annual conference. This is a report of my attendance at the 2007 conference, which was held on Queensland's Gold Coast. Michael Wallmannsberger of InternetNZ was also there.

If we are create a New Zealand CERT we will need to cooperate with AusCERT and hopefully learn from them. Part of the objective for my attendance was to renew acquaintance with senior AusCERT staff and prepare the way for a visit by staff.

I spoke informally to both Graham Ingram (General Manager) and Nick Tait (Director, also on the senior staff of the university which hosts AusCERT) and advised of InternetNZ interest, and foreshadowed staff contact. They told me that New Zealand universities are joining a federation of Australian universities which will give them all AusCERT membership status.

A further benefit for us was in providing a visible token of our interest in starting a CERT. I was able to meet US, Australian and New Zealand government officials who are very involved in CERTs. I will be continuing these contacts in New Zealand and involving InternetNZ staff.

There were about 1000 attendees in total, with a good turnout from New Zealand, including people from banks, central government and Transpower. Attendees were from the whole Asia Pacific region and there were guest speakers from Europe and North and South America.

Presentations were in 4 or 5 streams. I attended mainly technical ones, and coordinated with Michael to swap notes where possible. I have copies of most presentations and can supply them on request.

I have provided notes from the most striking presentations below.

### ***Ivan Krstic – One Laptop per Child (OLPC)***

OLPC is a project to put laptops in the hands of children, especially in the developing world. The goal of the project is to change how kids learn – to let them play, discover and use their curiosity. These laptops have 802.11s mesh networking, daylight visible displays and no hard drive. Current price US\$175 – target \$100

Ivan designed the security model for the laptop. This has to be robust in an environment where people are encouraged to play with the system. The laptop has a “reveal source code” button on it so users can see how it works.

Security is about user behaviour. Futility of asking user questions about certs etc. User will learn to use the most permissive behaviour. Desktop security relies on asking the user to make technical decisions about things they don't understand.

Ivan said that the assumption that programs should execute with the permission of the user is wrong. This assumption precedes networks. Back then, there was no way for a program to appear on someone's computer.

He challenged the term "computer science" saying what was out there was more like "computer pop culture".

Blacklists are a bad approach to security (AV etc use blacklists) because attackers always know the state of the art of the defenders. Our existing security model dates to 1971 and it just won't work any more. It's much better to prevent programs doing anything bad, then run anything without question.

OLPC security approach:

- prevent hardware damage by software
- provide recoverability and openness (there is a "view source" button on the keyboard)
- prevent permanent data loss
- protect user privacy
- discourage laptops being a platform for attacks
- keep laptop under control of owner.

Also:

- no passwords
- out of box secure (can't rely on connectivity for updates)
- open design (no secrets in hardware, TPMs etc)
- no requirement for user to read messages
- no lockdown.

The security model chosen is to run everything in its own virtual machine. (Strictly – containerisation rather than virtualisation.)

OLPC breaks backward compatibility to provide strong security.

<http://wiki.laptop.org/go/Bitfrost>

This was a riveting presentation by a very passionate individual.

**Scott McIntyre of XS4ALL** (a Netherlands ISP) is a botnet hunter. He gave a presentation about the discovery and takedown of a botnet affecting some of his ISP's machines. Lawful intercept laws – said to be very strong in the Netherlands – were used to discover and prove the bots.

He noted that you can't get rid of remote bots, think of the legal issues, the technical issues, and the PR issues. You have to work through the ISPs and system owners.

He displayed numbers of bots on the net that he took down his piece of. There were 3814 in NZ. Globally there are 28M unique IPs although there may be some double counting.

Also there are many attempts to compromise web servers for use as bots or for bot control. He searches logs, and has discovered 4881 different attacks in the year to date.

### ***Joanna Rutkowska***

A very technical presentation from a famous hacker. She was trying to show how memory forensics could be ie dumping the contents of a server's memory while its running without changing anything, looking for malware. The end result of her talk was that malware can protect itself from this and, as CPUs and support chips are currently constructed, there is no guaranteed effective way to do this without risking crashing the server. As Joanna put it: the design of the computer systems we use isn't verifiable.

### ***Marcus Sachs***

Presentation about SCADA systems vulnerabilities. SCADAs are process control systems running eg power installations, sewage pumping etc. They are designed for a different trust model than Internet devices – ie private communications circuits, controlled physical access. Increasingly they are being connected to the Internet. A few examples – Maroochydoore sewage spill caused by a hacker, Russian oil pipeline explosion deliberately caused by US (of which he seemed proud!). The role of organised crime. Nothing new in this presentation and I think the audience were hoping for more.

### ***Paul Ducklin*** of Sophos

Amusing and clever demo of how to subvert windows with a drive-by download. Real demonstrations using debugger. Use QEMU virtualisation to provide Windows image and a couple of Linux servers on one laptop. Showed how easy it is, also how some types of malware works. A glimpse into the life of a virus researcher. Take home message: try this on a virtual machine, but still have it on a physical machine which is air gapped from anything else. It's just too risky otherwise.

### ***Cyber risk and Untrustworthy Software in the Globalisation of IT Andy Purdy, formerly Department of Homeland Security.***

He gave a survey of threats. His presentation read as though it was aimed at other USG agencies, "we are in charge of this"

Concerned about ability of foreign software to damage US national security.

*"Software is an efficient and effective means for intelligence collection by technically sophisticated adversaries"*

The aim is to replace common criteria etc with a certification program.



There was no thought as to how other governments might see USG, no thought about Open Source, and definitely no trace of irony.

### ***Graham Ingram introduced AusCERT***

AusCERT has 16 people. It provides education, and has an investigation function. The conference is secondary. AusCERT wants to be a root CA for Australia.

Graham believes registrars should take down web sites on his say so, is head to head with Auda over this.

### ***US Secret Service presentation***

Financial crime is their jurisdiction, they want it reported to them. (Graham of AusCERT later made an announcement that, no, it should be reported to Australian law enforcement through AusCERT.) This was a long update on online crime, much of it organised, some with deniable government links, operating out of Eastern Europe and Russia, countries where there are corrupt judicial systems.

### ***Advances in Data Recovery and Carving Brian Carrier***

Every filesystem is different as to how it stores file contents, file metadata and pointer structures. There is no general to handle deletions. In most FSs files can be at least partly undeleted although there is often human input required.

Carving is the process of ignoring the FS structure and trying to reconstruct files by examining the datablocks in a disk image. This is an emerging art. The main problem is file fragmentation. There is an annual carving challenge. Some tools use a GUI so the user can help stitch together parts of files. All try to recognise filetype headers, footers, internal structure etc, using knowledge about filetypes. Some contain "viewer" functionality. Some use metrics derived from a corpus of files of different types to identify filetypes. Can do combinatorics although this is computationally expensive. Also can use linguistics.

Fascinating. Don't trust delete of even format.

### ***Securely deploying IEEE 802.11 WLANS – David Ross, QUT***

There is a twisty little maze of standards all different.

WEP is not just insecure, it is staggeringly insecure. Nothing with WEP in can ever be secure regardless of key length. You can use Aircrack, Aircrack-ng to break WEP keys in seconds. WEP is based on the RC4 cipher which is known to be weak.

WPA is an improvement, but only WPA2 meets the full standard for a robustly secured network because it does the 4 way handshake properly (the vulnerable

time is when associating). The cipher used by WPA/2 is AES, which is the federal US standard and thought to be unbreakable.

The main risk in a WPA2 only system is a weak passphrase. For proper security the passphrase should be 64 hex digits generated by a program such as ssh\_keygen.

### ***Nature, Behaviour and Impact of Recreational Traffic – Ron McLeod***

Ron found that a server had been compromised and used for HalfLife. Most interesting part was his approach and tools, using “blind flow analysis”, only just looking at port numbers.

### ***Advanced Botnets – Aaron Hackworth, CERT/CC***

Most bad things on the Internet now are not kids trying to prove how clever they are. They are bad guys trying to steal assets.

Online people are offering time on botnets, cashout facilities to drain stolen accounts etc.

Botnets are seeded by attack vectors spread by social engineering, across IM, Email, IRC. Exploits they use are often very old.

Aaron demonstrated controlling bots via IRC. He was using a hacked IRC server, as botherders often do, to obscure the commands and to defeat IDS signatures.

### ***Web 2.0 –Securing the Brave New World Mary Ann Davidson Oracle***

Mary Ann described the “Brave New World” of Web 2.0 and pointed out its security problems. She advocated the greater use of DRM to lock down material. She also said that it was important to control employees’ access to information. She ended the with golden rule – do as you would have other do unto you, entitled “a Modest Proposal”.

### ***Know thy Spammer Patrick Petersen, VP Technology Ironport***

Deconstructing a 20billion message spam attack

100k zombies – mostly new zombies.  
100 compromised web servers for proxy  
1 criminal

Investigated the spam. 20billion in two weeks May 06.

Each message contains an advertisement, (a list of drugs with odd characters to evade filters), a call to action (an URL) and a hashbuster – actually a chunk of text from The Hobbit.

Messages are mostly different – different variation in advert, different URL, different text from Hobbit. URLs change every 15 mins. They have pre-registered 1500 domain names

All domain names point to the same sites. They use compromised server machines as proxies to obscure their true host which is in a “bullet proof hosting” facility in China.

Sites can look quite convincing, different branding. My Canadian Pharmacy is one. Fraudulent when you look closely, refer to non-existent qualifications, institutions, addresses. Fraudulent Verisign, Visa, other logos.

Sophisticated back end order system – common across sites. Orders fulfilled, sometimes drugs were real sometimes not. Attempt to investigate CC transaction caused it to be reversed with no information.

Very profitable. Thought to be \$100m business.

Very sophisticated. Shutting down the easy ones has led to development of “super-criminals”.

Incident under investigation by law enforcement.

***Lessons in Open Source Security: The tale of a 0-day incident***  
***Andrea Barisani, Gentoo Linux***

Gentoo uses rsync mirrors for propagating code repository

One of the boxes suddenly froze Dec 2003 – it was a fully patched box with no known vulnerabilities.

When rebooted integrity checkers revealed a new file, also sys log shows eth1 switched to promiscuous mode. Therefore suspect that the system has been compromised.

Steps followed:

- Containment, preliminary live analysis
- Evaluate other systems for compromise
- Forensic analysis on disk image
- Revoke any private keys on the compromised server

Big question: how was it compromised?

IDS entries didn't show entry so use strings and grep to get deleted log entries

Shows deleted log entries with unusual activity with bad fragmentation bits

Can see that attacker executed at least one command on system

Find the payload and look at it with *strings*

Find backdoor added to get root privileges on setting an environment variable – attacker setting up access for future

But never got to this because kernel froze during compromise

How did the compromise work? They knew that a bug had been silently fixed in kernel that night. There was no known bug in rsync.

There was immediate collaboration, that day, among rsync guys to investigate.

Immediate announcement of problem so other rsyncs could consider going offline.

There was a heap overflow in rsync thought to be local security issue only, but had been exploited in combination with the kernel bug just fixed which caused arbitrary command execution

Handling the press is harder than handling the incident

This attack was part of a pattern of attempts to compromise open source repositories

Major concerns here are not script kiddies – patching keeps them out – but determined attackers

OSS projects require different view to corporate systems - you give people CVS access, they can commit code, there is not much granularity of security.

Advice: Read logs, do integrity checking

## ***Travel Report and Policy Recommendations arising from the Australia-Netherlands Broadband Mission, March 2007***

Jordan Carter – June 2007

### **Introduction**

I attended the above Mission with three key objectives in mind:

- To learn about business plans for fibre rollout in the Netherlands, of both municipal and commercial entities.
- To learn about the national and municipal regulatory frameworks affecting private and municipal rollout plans.
- To build relationships with local government attendees from New Zealand, including local authority staff from Wellington City Council and other TLAs.

This report is addressed to Council and the Public Policy committee and covers the following matters:

- Programme of the Mission
- Summary of Dutch situation
- Essential Lessons for New Zealand
- Where to next
- Recommendations to Council

An appendix then provides detailed summaries of what was discussed over the course of the mission. For a range of reasons the Appendix is not for publication.

As ever if there are questions arising from this report please feel welcome to ask me. Overall I found the event very useful. The programme was well managed and interesting, a lot of useful interaction with other Mission participants was possible, and the whole area complements well the upcoming work InternetNZ faces in trying to persuade the New Zealand Government to a more active policy in securing fibre rollout.

Finally, apologies for the slow production of this report.

### **Programme of the Mission**

The mission covered four days: Sunday 11 March to Wednesday 14 March. These consisted of a welcome day, a study day visting within Amsterdam, a Broadband Seminar, and another study day this time in Almere. Thursday 15 March saw further informal visits, and work with Wellington City Council's staff member, Bryan Patchett, considering Wellington's position. A detailed day by day breakdown is in the appendix.

### **Summary of Dutch Situation**

In essence, the Netherlands is a wealthy, highly developed country with a large population in a small land area. This leads to highly intense urban development, and in turn to relatively simple infrastructure rollout potential for the whole population.

Secondly, the Netherlands has inter-modal infrastructure competition in place, with widespread cable rollout to 95%+ of households, as well as a national telecommunications network to all households. The incumbent operator is planning a fibre-to-the-node rollout at least partly to respond to competitive offerings by cable companies.

Thirdly, European Union rules regarding state-aid shape Dutch responses to rolling out fibre

infrastructure. The EU generally prohibits governments from directly subsidizing infrastructure development in a manner that harms existing private investments. Therefore the municipal rollouts detailed later in this report do not rely on such subsidies – they involve local authorities coordinating and facilitating investment in the passive infrastructure of such networks, to ensure they happen.

Fourth, the rollout of such networks is being promoted through development of services that can be delivered over them. Services do not precede the networks: they are developed with or after rollout. In the discussion about demand (or lack of it) for high speed broadband infrastructure, this helps answer the question of which is the chicken, and which is the egg.

Fifth and finally, the Netherlands remains a leader in rollout of this infrastructure by means of municipal coordination and participation. There are useful lessons for New Zealand local authorities, unconstrained as they are by EU rules regarding state aid and possessed as they are with powers of general competence.

## Essential Lessons for New Zealand

There are three main lessons:

- Business models *can* be developed for fiber rollout largely independent of public or municipal funds
- The New Zealand context and the Dutch context are very different and there are not necessarily many lessons to be drawn in a direct sense due to different economic conditions and telecommunications market characteristics in the two countries
- Fibre rollout is vital to our country's economic future.

A few words about each of these in turn.

### Business Models

The Dutch restrictions on state aid provide a powerful constraint on local government involvement in fibre rollouts. Councils cannot directly build infrastructure competing with private infrastructure. All they can do is coordinate and spur investment by private parties. They can do so by bringing together infrastructure developers and sources of long term, low-return finance; by aggregating demand through encouraging local housing authorities (largely private) and public services to demand very high capacity broadband (and develop the services that require such capacity); and by providing assurances through regulatory or fully commercial ownership interests in infrastructure that new infrastructure deployed is and will remain open access.

The lessons here is that New Zealand councils, facing no constraints on their investment activities other than the willingness of local ratepayers (current or future) to finance the development of such infrastructure, should be able to match or better the performance of Dutch local authorities. However, this prospect of success is constrained, as described in the next section.

### Different contexts

The Netherlands has inter-modal infrastructure competition. New Zealand mostly does not. The Netherlands has a large population at high density in a small area; New Zealand has an urban population that is similar to this, but a large rural hinterland which is sparsely populated and which loses the economies of scale that apply to Dutch rollout plans.

Dutch municipal government has a long history of activist involvement in providing essential infrastructure to their communities, beginning with the enclosure of the land and building of the dykes hundreds of years ago. New Zealand local government has no similar history: most of our essential infrastructure has been build by the central state.

The Dutch political economy is Continental and as part of that, the banking system in particular is

geared towards long run investments in infrastructure or companies focused on long run returns. The time horizons allow for commercial investment in assets like passive fiber optic networks. New Zealand's political economy is far more classically liberal, and our banking system seeks short run returns at high rates in preference to long run commitments. As such, local authorities in New Zealand would presumably find it far more difficult to locate and obtain commitment for long run low return investments in such infrastructure than their Dutch siblings.

The purpose of mentioning these is to highlight to Council that there can be no simple transfer of the Dutch approaches to New Zealand. The advantages many of the above statements imply for the Dutch are to an extent countered by the unconstrained nature of New Zealand's local government investment policies, but it does not seem likely that on their own New Zealand local government would be able to finance the scale of rollout required.

### **Fibre rollout vital**

What is clear from the examples detailed in the following Appendix is that fibre infrastructure is becoming ever more important for economic development in the Netherlands. By removing bandwidth and speed as a constraint to the use of the Internet, a whole array of services in the public, private and community sectors are able to be developed that simply cannot exist on ADSL or dial up infrastructure. These services allow people to lead more comfortable, secure and prosperous lives, and allow communities to develop ways of living together that promise a better standard of living for all.

This can readily be transferred to New Zealand. Added urgency arises from New Zealand's location. The Netherlands is at the heart of Europe and has easy access to half a billion wealthy people. New Zealand is not and does not. If connectivity is important to the Dutch it is arguably more important to Kiwis, as others (for example, Rod Drury; the NZ Institute) have recently argued.

There is an added urgency with the developing political and public focus on environmental sustainability and dealing with global climate issues, and the New Zealand public focus on higher incomes and more satisfying employment opportunities. It is possible to envision New Zealand over time moving towards an economy based on ideas, design and creation of high media and cultural content. This will remain an imaginary vision without the basic infrastructure that would allow it to develop, which is fibre optic network to the home.

This audience is largely convinced of this argument already, but others are not. Therefore the final section of this report considers how to proceed.

### **Where to next?**

InternetNZ has been focused on securing a viable and effective separation of Telecom's network, to reduce that company's ability and incentive to discriminate against third party service providers. That work will require considerable time and care over the remaining part of 2007, as Telecom has not been convinced of the merits of the approach based on their behaviour to date.

However it is clear that whatever eventuates from the separation, investment (which will increase in response to competitive pressures and third party investments to deliver services over the copper access network) will not be focused on rolling out fibre infrastructure to the home. At best a limited FTTN investment might be foreseen to allow the copper network to begin providing DSL2+ services in a one- to three-year time period.

That is not enough. Based on the experience of this trip and of background reading and research throughout the separation discussion, I posit the following:

- That a rapid rollout of fibre optic infrastructure to the home is key to New Zealand's economic future.
- That market dynamics are not likely to lead to investment in such infrastructure in

acceptable timeframes.

- That non-market solutions, including local and central government investment, are likely to be required.

If these propositions are accepted then the following proposals stem from them:

- InternetNZ should focus on developing industry and political support for rollout of fibre optic infrastructure in the short term, to all households and business premises in New Zealand.
- InternetNZ should support a role for public investment in securing this rollout, either at central or local government level, or both.
- InternetNZ should continue to focus on securing an equitable separation plan for Telecom as an interim measure to allow the rollout of better services before fibre to the home infrastructure becomes broadly available.
- InternetNZ should take every opportunity to promote this position to key decision makers.
- Workstreams should be developed to explore further the options New Zealand faces in making this vision a reality.

## Recommendations to Council

I recommend:

- 1) THAT the report of the Deputy Executive Director from the Australia-Netherlands Broadband Mission be received.
- 2) THAT Council acknowledge that:
  - A rapid rollout of fibre optic infrastructure to the home is key to New Zealand's economic future.
  - Market dynamics are not likely to lead to investment in such infrastructure in acceptable timeframes.
  - Non-market solutions, including local and central government investment, are likely to be required.
- 3) THAT Council agree that:
  - InternetNZ continue to focus on securing an equitable separation plan for Telecom as an interim measure to allow the rollout of better services before fibre to the home infrastructure becomes broadly available.
  - InternetNZ focus on developing industry and political support for rollout of fibre optic infrastructure in the short term, to all households and business premises in New Zealand.
  - InternetNZ support a role for public investment in securing this rollout, either at central or local government level, or both.
  - InternetNZ take every opportunity to promote this position to key decision makers and the public at large.
  - Workstreams be developed to explore further the options New Zealand faces in making this vision a reality, under the oversight of the Public Policy Committee.

Jordan Carter  
**Deputy Executive Director**

7 June 2007

Attach: **Appendix – Detailed Mission Report** (not for publication)



**10**

**NZ Fibre Fund**

## **The NZ Fibre Fund (draft)**

pjm May 07

### **Overview**

One of the main issues facing Urban Fibre Networks is the cost of capital to install ducting for fibre optic cable. In almost all cases the installation of ducting is the most expensive component of the network.

Until recently, funding of networks has been based on the conventional thinking that it is a technology investment with short life and high risk.

While this is true of the above ground active components, the underground passive services have a long life and are unlikely to need to be changed inside a twenty-five year span.

The aim of the NZ fibre fund is to deliver underground fibre installation loans to organizations installing optic fibre as part of a nation wide program to make FTTH the primary technology for connections.

### **The Model**

The NZ Fibre Fund will provide the loans needed to fund Councils, telcos, lines companies, and Urban Fibre Network partnerships to install underground ducting in which they can install optic fibre, either for their own network or for any other organisation who wishes to install optic fibre, and is willing to pay for access to the ducting/fibre. The loan will be for a twenty-year term based on rates which are close to the current rates for home mortgages. The lender will have security over the asset, and may also choose to take an equity position in the organisation running the network. The total initial fund has been set at \$NZ250,000,000. This will provide up to 12,500 kilometers of underground fibre in addition to the existing networks. The total required to ensure NZ has fibre to the node throughout the country, is \$NZ1,750,000,000. This excludes curb to premises funding, which we expect to be a separate exercise focused on the consumer, and based on Fibre to the Home initiatives about to be piloted.

### **Target Funders**

The target organizations to provide the NZ Fibre Fund are banks with a strong presence in New Zealand, which are already delivering low interest housing loans, but that also have expertise and an interest in NZ infrastructure. If this relationship fails to be concluded, then a consortium of funders will be established with a board of appropriate business leaders.

The advantages to the funder are:

- A low risk medium/long life loan
- A visible high technology investment
- Contribution to community benefit
- Ease of management with significant funding provided to a

- limited list of clients each with a small portfolio of Fibre Fund loans.
- Provides diversity in the overall investment portfolio

## Action

Several potential funders have been approached in and we are working closely with one. An outcome is expected by mid September.

## Alternatives

There are several viable alternatives which have been suggested to fund the passive infrastructure need to ensure that NZ has the network needed to compete in the connected world.

- 1) **Telco investment.** This is happening and will continue to happen. Sadly it is not a fraction of what is required to maintain our current poor global ranking, let alone accelerate up the list.
- 2) **Full government funding.** There is an alternative proposal on the board for this. Historically this has led to expensive infrastructure that is hard to get to a break even state and tends to be poorly managed and lacks a creative edge.
- 3) **Extending the Broadband Challenge Fund.** This creates more public private partnerships.

In the real world these and any other alternatives will need access to money. The NZ Fibre fund will work with any of the alternatives.

## Rollout

Once agreement has been reached with the funder(s), we will deliver a Fibre Fund pack to each of the applicants to the Broadband Challenge, we will also provide the pack to any organisation that is likely to be involved in creating network infrastructure. The funder and the network organisation will then work together to develop their cases for loans.

## Conclusion

The NZ Fibre Fund will increase the rate of rollout of optic fibre networks and will enhance the ability of the NZ Digital Strategy to deliver real broadband for more New Zealanders. It will increase the leverage of the Broadband Challenge fund by supplementing the matching contribution of applicants. For example, the total BBC Fund is \$24,000,000. This will be matched by at least the same amount from the applicants, and as much again from other contributors. We estimate this will lead to about \$90,000,00 being invested, but not just in passive infrastructure. With the addition of the initial tranche of the NZ Fibre Fund the total investment in NZ Fibre Networks will reach \$340,000,000.

We believe that this level of investment is sufficient to accelerate NZ rapidly up the OECD broadband table