

APNIC EC Meeting Minutes

Teleconference

Wednesday, 18th November 2009

Meeting Start: 15:10 pm (UTC +1000) 18 November 2009

Present

Akinori Maemura (Chair)
Che-Hoo Cheng
Kuo-Wei Wu
Ma Yan
James Spenceley
Jian Zhang
Hyun-Joon Kwon
Paul Wilson

Geoff Huston (minutes)
Irene Chan
Connie Chan

Agenda

1. Agenda Bashing
2. Review of Minutes and Action List Review
3. Financial Report
4. Director-General's Report
5. Policies for Endorsement
6. 2010 Budget
7. AOB

Minutes

1. Agenda Bashing

No further items were added to the agenda.

2. Minutes of Last Meeting and Matters Arising

The minutes from the meeting of 15 October 2009, as amended with a note relating to a subsequent EC decision, were approved.

Action ec-09-027: Secretariat to publish minutes of the October 15 meeting

Action list review:

Action ec-09-026: Secretariat to publish minutes of the September 17 meeting
Completed

3. Financial Report

Irene Chan reported to the EC on the October 2009 APNIC Financial Statement (attached). Total current assets are reported to be \$AUD 11.4M, representing a rise of 2.5% over year end 2008. Income for the year to date is 5.1% below pro-rata budget projections, and expenses are 5.3% lower than pro-rata projections. At this stage the projections for the end of year outcome is an operating surplus of \$AUD 8,566.

It was again noted that a response by the Australian Taxation Office to APNIC's notice of objection remains forthcoming. Further action will be determined once the response is received. Any taxation liability resulting from the ATO's determination in this matter is not included in the APNIC financial reports as yet.

APNIC had 2,132 members by the end of October.

The October 2009 Financial Statement was accepted by the EC.

4. Director-General's Report

The D-G reported on the Internet Governance Forum (IGF) meeting taking place at Sharm el-Sheik in Egypt. The NRO has been involved in a number of sessions at the IGF, encompassing topics related to the governance of critical internet resources, IPv6 deployment, and post-free pool depletion address management of IPv4. It is possible a regional AsiaPacific IGF will be held prior to the final IGF meeting in this initial post-WSIS phase later in 2010. There is a general expectation that the IGF will continue past 2010, with some changes to the format and role of the forum currently being considered.

The D-G reported that the ITU-T's Working Group in the recent CIR proposal was open to sector members, and Afrinic and APNIC are planning to attend the sessions of this group, which are anticipated to be scheduled in the first half of 2010.

The D-G foreshadowed a change of auditors for APNIC, and will send the material to the EC for a decision in the near future, in preparation for the audit of the 2009 financial records.

Action ec-09-028: Secretariat to circulate Auditor Selection material to the EC for a decision on appointment of an Auditor.

The D-G briefed the EC on progress in the matter of surveying properties for APNIC office accommodation.

5. Policies for Endorsement

The EC noted a report concerning proposed policies for EC endorsement as part of the APNIC policy development process (attached). The EC unanimously endorsed the following policy proposals:

- **prop-050:** IPv4 address transfers
- **prop-073:** Simplifying allocation/assignment of IPv6 to APNIC members with existing IPv4 addresses
- **prop-074:** Internet Assigned Numbers Authority (IANA) Policy for Allocation of ASN Blocks (ASNs) to Regional Internet Registries
- **prop-075:** Ensuring efficient use of historical AS numbers

6. 2010 Budget

The EC considered an initial draft of the proposed 2010 budget (attached). The EC determined to hold an interim meeting to discuss the proposed budget prior to the next regularly scheduled EC meeting.

7. AOB

There were no items of AOB

Next Scheduled Meeting

17 December 2009 (Teleconference)

Meeting closed: 16:40 pm (UTC+1000)

FILE NOTE: EC Motion regarding the appointment of Auditors

The EC considered the procedures for conducting the APNIC annual financial audit (attached). Via an vote conducted electronically on the 24th November 2009, the EC unanimously resolved the following:

The EC resolved to engage Ernst & Young to perform the 2009 APNIC financial audit.

Summary of Action Items

Action ec-09-027: Secretariat to publish minutes of the October 15 meeting

Action ec-09-028: Secretariat to circulate Auditor Selection material to the EC for a decision on appointment of an Auditor.



APNIC

Monthly financial report (in AUD)

For the month ending October 2009

Asia Pacific Network Information Centre

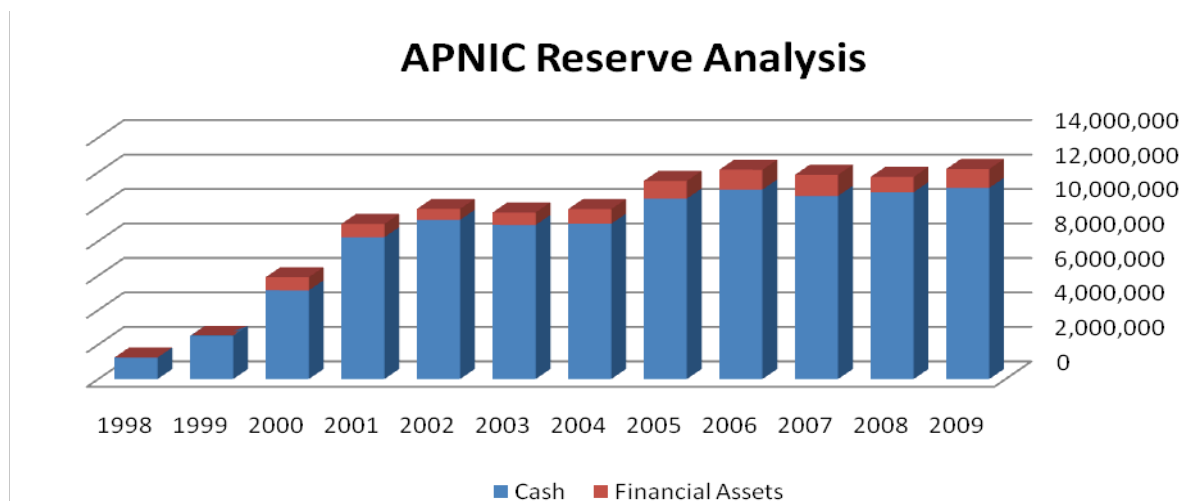
1. Balance Sheet

Statement of Financial Position (AU\$)					
	31/10/2009	% of Total Asset or Liab+Equity	% change from 12/31/08	Year-End 2008	Year-End 2007
CURRENT ASSETS					
Cash	7,094,343	45%	3.7%	6,844,414	6,626,341
Term deposit investment	2,300,000	15%	0.0%	2,300,000	2,300,000
Receivables	1,035,103	7%	-31.8%	1,518,540	737,859
Others	1,052,534	7%	94.7%	540,688	325,739
TOTAL CURRENT ASSETS	11,481,981	72%	2.5%	11,203,642	9,989,939
NON-CURRENT ASSETS					
Other financial assets	1,091,355	7%	23.6%	883,201	1,222,666
Property, plant and equipment	1,586,916	10%	-7.1%	1,708,216	1,667,091
Long term deposit investment	1,700,000	11%	0.0%	1,700,000	1,700,000
TOTAL NON-CURRENT ASSETS	4,378,271	28%	2.0%	4,291,417	4,589,758
TOTAL ASSETS	15,860,252	100%	2.4%	15,495,060	14,579,696
CURRENT LIABILITIES					
Payables	556,785	4%	-11.6%	629,650	1,139,160
Provisions	1,036,541	7%	4.7%	989,847	888,178
Unearned revenue	5,361,025	34%	-0.4%	5,383,679	3,817,898
TOTAL LIABILITIES	6,954,350	44%	-0.7%	7,003,177	5,845,236
EQUITY					
Share capital	1.00	0%	0.0%	1.00	1.00
Reserves other financial assets investment	131,997	1%	0.0%	0	90,827
Retained earnings	8,773,903	55%	3.3%	8,491,882	8,643,633
TOTAL EQUITY	8,905,902	56%	4.9%	8,491,883	8,734,461
TOTAL LIABILITIES & EQUITY	15,860,252	100%	2.4%	15,495,060	14,579,696

Note:

* The value in "Reserves on other financial assets investment" was due to the revaluation of our investment in unit trusts and was based on the market valuation as at the end of September.

Below chart is APNIC reserve analysis.



2. Income Statement

2.1 Expenses

All expenses include the actual and accrued costs as at the end of October. The projected figures for 2009 are compared to the approved 2009 budget figures.

EXPENSES (AUD)	YTD Oct-09	YTD Oct-08	Variance %	Projected Actual	Budget 2009	Budget Variation %
Bank charges	59,670	55,292	7.9%	71,604	73,816	-3.0%
Communication expenses	128,816	141,596	-9.0%	154,580	158,549	-2.5%
Computer expenses *	322,504	128,045	151.9%	387,005	339,423	14.0%
Depreciation expense	597,690	527,779	13.2%	717,228	679,860	5.5%
Sponsorship and Publicity expenses	128,604	159,832	-19.5%	165,826	176,981	-6.3%
Doubtful debt expenses	1,804	57	3048.4%	3,804	27,175	-86.0%
ICANN contract fee *	298,913	197,086	51.7%	358,696	329,200	9.0%
Insurance expense	110,434	102,034	8.2%	132,521	130,310	1.7%
Meeting and training expense	126,159	153,748	-17.9%	146,159	213,500	-31.5%
Membership fees	57,358	48,496	18.3%	68,829	68,700	0.2%
Miscellaneous expenses	4,954	1,332	271.9%	5,945	2,000	197.2%
Office operating expenses	103,646	98,116	5.6%	124,376	126,731	-1.9%
Postage & delivery	28,442	31,098	-8.5%	33,442	35,000	-4.5%
Printing & photocopy	20,431	36,036	-43.3%	24,517	45,000	-45.5%
Professional fees	505,109	375,141	34.6%	716,131	854,832	-16.2%
Recruitment expense	70,753	124,928	-43.4%	84,903	118,826	-28.5%
Rent and outgoings	490,729	505,797	-3.0%	588,874	646,179	-8.9%
Salaries and personnel expenses*	4,904,752	4,506,121	8.8%	6,046,063	6,103,160	-0.9%
Staff training/conference expenses	73,503	116,774	-37.1%	121,204	132,000	-8.2%
Tax expense *	0	0	0.0%	100,933	135,000	-25.2%
Translation expenses	15,637	16,458	-5.0%	20,637	35,000	-41.0%
Travel expenses *	1,186,278	1,160,879	2.2%	1,366,278	1,627,237	-16.0%
TOTAL EXPENSES	9,236,187	8,486,646	8.8%	11,439,555	12,058,479	-5.1%

2.2 Revenue

Revenue (AUD)	YTD Oct-09	YTD Oct-08	Variance %	Projected Actual	Budget 2009	Budget Variation %
Interest income	485,408	650,767	-25.4%	587,683	617,000	-4.8%
IP Resource application fees	1,039,432	926,919	12.1%	1,247,318	1,263,282	-1.3%
Membership fees *	6,495,293	5,468,598	18.8%	7,857,379	7,943,814	-1.1%
Non-members fees	104,968	104,908	0.1%	125,962	131,984	-4.6%
Per Allocation fees *	1,277,205	1,266,478	0.8%	1,507,102	1,876,701	-19.7%
Reactivation fees	8,876	8,876	0.0%	10,651	15,601	-31.7%
Sundry income *	150,105	254,756	-41.1%	155,105	237,744	-34.8%
Foreign exchange gain/(loss)	(43,079)	73,774	-158.4%	(43,079)	0	0.0%
TOTAL REVENUE	9,518,208	8,755,075	8.7%	11,448,121	12,086,125	-5.3%

2.3 Operating Profit/ Loss

REVENUE and EXPENSES (AUD)	YTD Oct-09	YTD Oct-08	Variance %	Projected Actual	Budget 2009	Budget Variation %
Total Revenue	9,518,208	8,755,075	8.7%	11,448,121	12,086,125	-5.3%
Total Expenses	9,236,187	8,486,646	8.8%	11,439,555	12,058,479	-5.1%
OPERATING PROFIT/(LOSS)	282,021	268,429	5.1%	8,566	27,647	

Notes on significant variances:

- 1) Computer expenses:
 - Increases in support and maintenance costs
- 2) ICANN contract fee
 - Increase in the APNIC proportion for NRO contribution
- 3) Salaries and personnel:
 - Continued focus on reduction in leave balances
 - Expenses reduced as a result of the time taken to find replacement staff
- 4) Travel expenses:
 - Executive team focus on staff travel activity and competitive fare environment
- 5) Tax Expense:
 - KPMG have lodged objections with the ATO responding to the revised tax assessments for the period 2005 to 2007, based on their advice, no allowance for any payments relating to this tax liability has been incorporated into these accounts.
- 6) Membership fees:
 - Slower membership growth than budgeted with the majority of new members joining in the Associate membership tier
- 7) Per Allocation fees:
 - Lower volume of NIR requests than budgeted
- 8) Sundry Income:
 - Arrangement to contribute all meeting income to the local host

Note: Accounts are projected base on the following:-

- *pro-rata from the actual figures and projected until end of year*
- *year to date figures will be used if further expenses are not expected*
- *budget figures, or*
- *other updated information on hand.*

3. Membership

3.1 Membership statistics

At the end of October 2009, APNIC had a total of 2,132 members serving 51 economies. There was net growth of 25 members, with 40 new members, and 15 member accounts were closed during October.

3.1.1 Membership by Category

The following table shows the monthly changes in membership and provides an analysis of APNIC's membership tiers; this table shows that 38% of APNIC members are included in the Small membership tier.

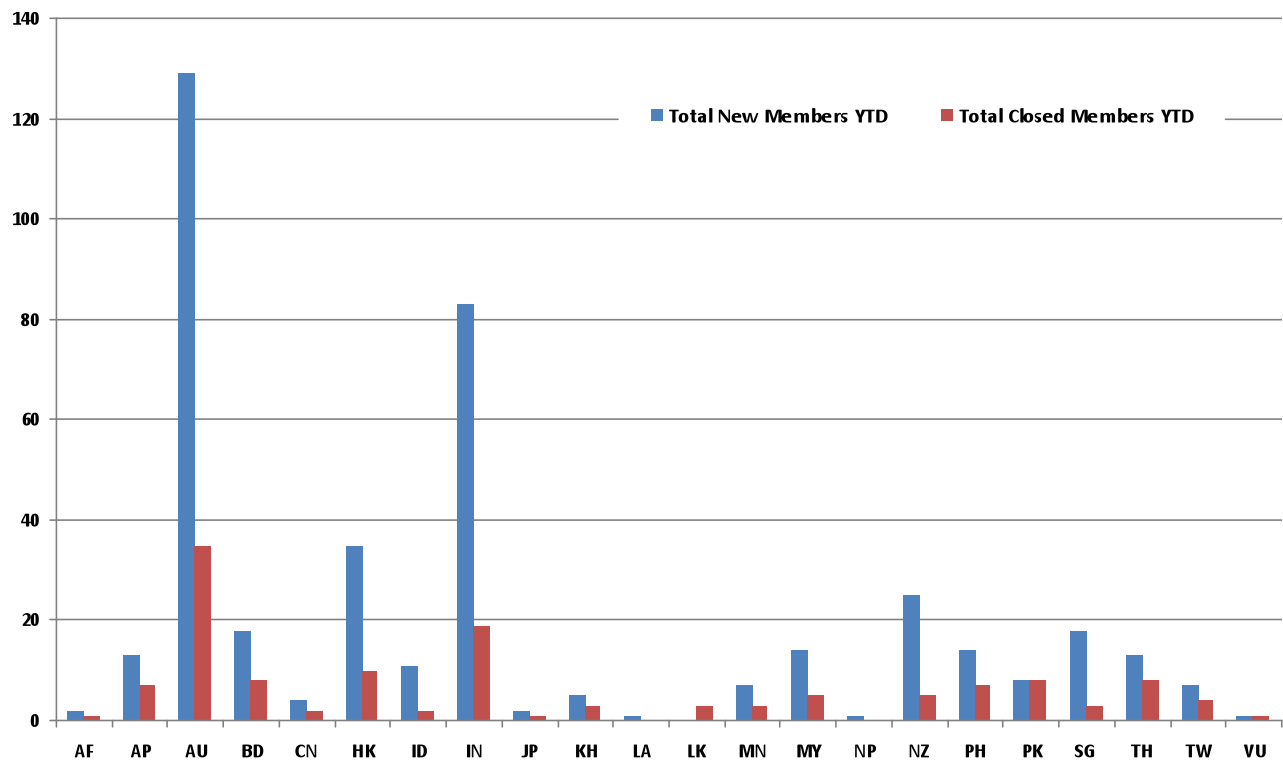
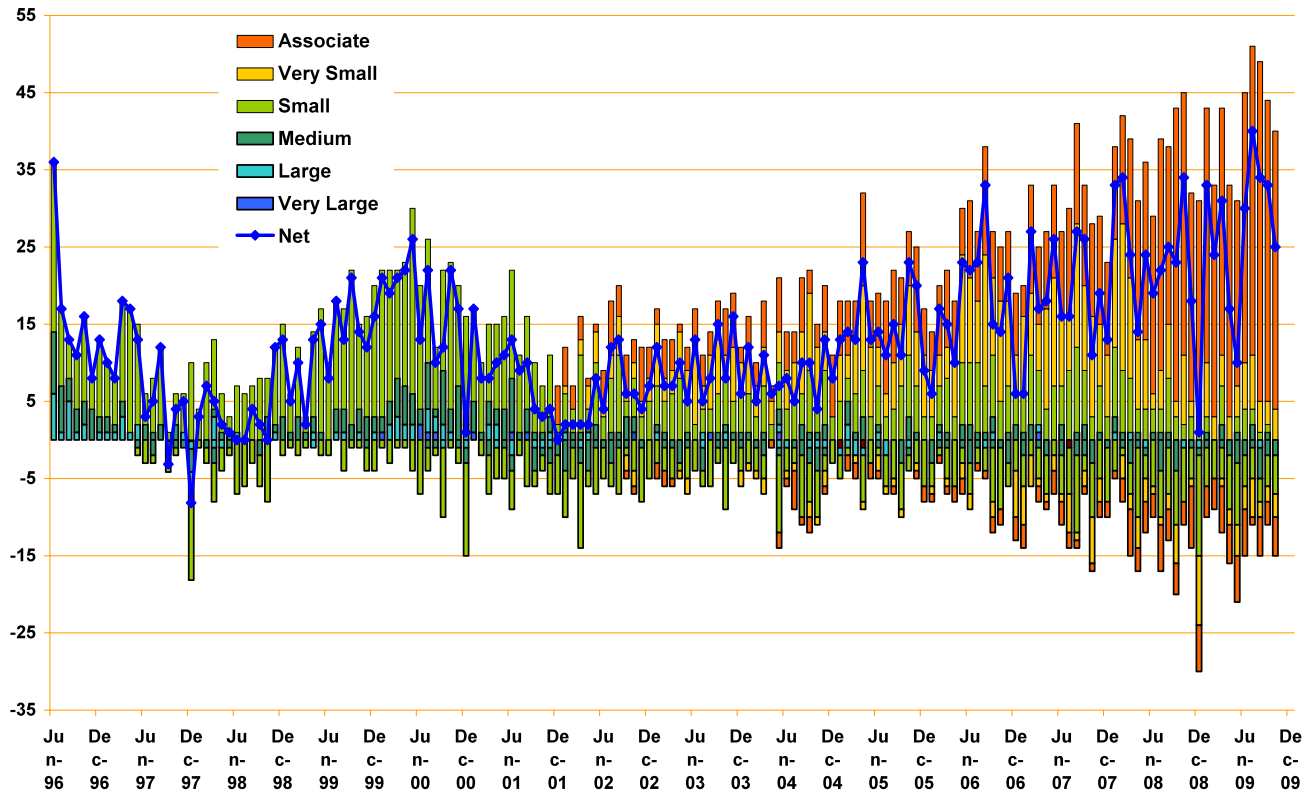
Membership	Total Sep-09	New Oct-09	(Closed) Oct-09	Size Change Oct-09	Total YTD Oct-09	Total YTD (%) Oct-09
Extra Large	13	0	0	0	13	1%
Very Large	30	0	0	1	31	1%
Large	104	0	0	2	106	5%
Medium	266	0	(2)	6	270	13%
Small	824	0	(5)	1	820	38%
Very Small	421	4	(3)	18	440	21%
Associate	449	36	(5)	(28)	452	21%
TOTAL	2107	40	(15)	0	2132	100%

The table below compares the actual growth in each tier of membership at the end of October 2009 to the budgeted annual growth on a monthly pro-rata basis. Overall growth at the end of October is above budget, with Associate membership growing at a faster rate than anticipated. Growth in the Small tier ended significantly lower than expected at the end of 2008, this resulted in the overestimation of membership in this tier for 2009.

Membership	Actual Total EOY 2008	Budgeted Total EOY 2009	Budgeted Growth EOY 2009	Actual Total YTD Oct-09	Actual Growth YTD 2009	Budgeted Growth YTD (*)	Variation Actual vs Budget (*)
Extra Large	12	13	1	13	1	1	0
Very Large	30	33	3	31	1	3	(2)
Large	92	101	9	106	14	8	6
Medium	251	271	20	270	19	17	2
Small	813	903	90	820	7	75	(68)
Very Small	345	420	75	440	95	63	32
Associate	312	408	96	452	140	80	60
TOTAL	1855	2149	294	2132	277	247	30

3.1.2 Membership Movement

The following graphs illustrate the monthly movements of APNIC membership, followed by the 2009 year to date new and closed members by economy.



APNIC 28 policy proposals that have reached consensus

Version: 1
Prepared by: Sam Dickinson
Date: 15 November 2009

Introduction and background

The intention of this document is to assist the APNIC EC in the process of endorsing the consensus policy decisions before implementation by the Secretariat.

The Policy SIG Chairs have deemed that four policy proposals reached consensus at APNIC 28 in Beijing, China and during the final eight-week comment period:

- prop-050: IPv4 address transfers
- prop-073: Simplifying allocation/assignment of IPv6 to APNIC members with existing IPv4 addresses
- prop-074: Internet Assigned Numbers Authority (IANA) Policy for Allocation of ASN Blocks (ASNs) to Regional Internet Registries
- prop-075: Ensuring efficient use of historical AS numbers

Explicit support is not required during the final call for comments period; consensus is assumed to prevail unless objections are posted to the appropriate SIG mailing list.

For a full description of the APNIC policy development process, please see:

<http://www.apnic.net/services/services-apnic-provides/policy/policy-development-process>

The following pages summarise the history of the four policy proposals listed above.

prop-050: IPv4 address transfers

Proposal details	This policy proposes removing APNIC policy restrictions on the transfer of registration of IPv4 address allocations and IPv4 portable address assignments between current APNIC account holders.	
Current status	Consensus announced following end of final comment period. Pending endorsement at APNIC EC teleconference.	
Author	Geoff Huston	
Relevant forum	Policy SIG	
Most recent version	prop-050-v005	
Previous versions	prop-050-v004 prop-050-v003	prop-050-v002 prop-050-v001
Status at other RIRs	ARIN: The ARIN Board of Directors have adopted 2008-6: Emergency Transfer Policy for IPv4 Addresses. LACNIC: LAC-2009-04 Transfer of IPv4 Blocks within the LACNIC Region is currently under discussion. RIPE: RIPE has implemented a transfer policy in its region. See section 5.5, Transfers of Allocations, in IPv4 Address Allocation and Assignment Policies for the RIPE NCC Service Region. AfriNIC: There is no similar proposal.	

Proposal history

Timeline	Activity
26 July 2007	Version 1 posted to the Policy SIG mailing list for discussion
6 September 2007	Version 1 presented at APNIC 24 Policy SIG. Proposal author did not seek consensus at APNIC 24 but planned to submit a second version of the proposal to the Policy SIG for further discussion at APNIC 25.
28 September 2007	Version 1 returned to mailing list for further development.
22 January 2008	Version 2 submitted to Policy SIG mailing list.
28 February 2008	Presented at the APNIC 25 Policy SIG. Author to revise proposal following discussion at the Policy SIG.
22 July 2008	Version 3 submitted to Policy SIG mailing list.
28 August 2008	Version 3 received majority support in the APNIC 26 Policy SIG but did not reach consensus.
29 August 2008	Version 3 returned to the author and the Policy SIG mailing list for further discussion.
26 February 2009	The proposal was modified and reached consensus on the following five points at APNIC 27. APNIC will process IPv4 address transfer requests involving current account holders following the adoption of this proposed policy, subject to the following conditions: <ul style="list-style-type: none">4.1 The minimum transfer size accepted will be a /24.4.4 APNIC is to maintain a public log of all transfers.

Timeline	Activity
	<p>4.5 Address transfers should be permitted between APNIC account holders and NIR members, if and when individual NIRs implement the transfer policy.</p> <p>4.6 Address transfers are permitted between APNIC account holders and other RIR account holders, following the policies of all the respective RIRs.</p> <p>4.7 This proposal to take effect as soon as the APNIC Secretariat can implement the mechanisms of the policy.</p>
6 March 2009	Version 4, which includes the elements of the transfer proposal that reached consensus in the APNIC 27 Policy SIG, submitted to Policy SIG mailing list.
6 Mar - 1 May 2009	Version 4 in eight-week final call for comment period.
20 May 2009	Consensus decision announced to SIG mailing list.
21 May 2008	Returned by APNIC EC to the Policy SIG mailing list for further discussion.
24 July 2009	Version 5 submitted to the Policy SIG mailing list for discussion.
27 August 2009	Reached consensus at the APNIC 28 Policy SIG.
28 August 2009	Reached consensus at the APNIC 28 AMM.
31 Aug - 26 Oct 2009	Version 5 in eight-week final call for comment period.
27 October 2009	Consensus decision announced to SIG mailing list.
18 November 2009	Pending endorsement at APNIC EC teleconference.
10 February 2010	Planned implementation of policy proposal.

Discussion statistics*

Total number of posts on mailing list in final comment period	0
Total number of people participating on mailing list discussion in final comment period	0

* Excluding administrative process comments related to the proposal from the SIG Chair or Co-chairs.

prop-073: Simplifying allocation/assignment of IPv6 to APNIC members with existing IPv4 addresses

Proposal details	This proposal directs the APNIC Secretariat to automatically assess and provide IPv6 resources to APNIC members that currently hold IPv4 resources in the APNIC registry but who do not hold IPv6 resources in the APNIC registry.	
Current status	Consensus announced following end of final comment period. Pending endorsement at APNIC EC teleconference.	
Authors	Terry Manderson Andy Linton	
Relevant forum	Policy SIG	
Most recent version	prop-073-v004	
Previous versions	prop-073-v003 prop-073-v002	prop-073-v001
Status at other RIRs	NA	

Proposal history

Timeline	Activity
6 July 2009	Version 1 posted to the Policy SIG mailing list for discussion
14 August 2009	Version 2 submitted to the Policy SIG mailing list for discussion.
19 August 2009	Version 3 submitted to the Policy SIG mailing list for discussion.
27 August 2009	The proposal was modified and reached consensus at the APNIC 28 Policy SIG with the following change to section 4.2 of the proposal: <ul style="list-style-type: none">• 4.2 The size of the IPv6 delegation for members that meet the alternative criteria described in section 4.1 above will be based on the following:<ul style="list-style-type: none">○ A member that has an IPv4 allocation would be eligible for an IPv6 /32○ A member that has an IPv4 assignment would be eligible for an IPv6 /48
27 August 2009	Version 4 sent to the mailing list.
28 August 2009	Reached consensus at the APNIC 28 AMM
31 Aug - 26 Oct 2009	Version 4 in eight-week final call for comment period.
27 October 2009	Consensus decision announced to SIG mailing list.
18 November 2009	Pending endorsement at APNIC EC teleconference.
10 February 2010	Planned implementation of policy proposal.

Discussion statistics*

Total number of posts on mailing list in final comment period	0
Total number of people participating on mailing list discussion in final comment period	0

* Excluding administrative process comments related to the proposal from the SIG Chair or Co-chairs.

prop-074: Internet Assigned Numbers Authority (IANA) Policy for Allocation of ASN Blocks (ASNs) to Regional Internet Registries¹

Proposal details	According to the current Global Policy for Allocation of ASN Blocks to Regional Internet Registries, IANA will cease to make any distinction between 16-bit and 32-bit only ASN blocks by 31 December 2009, when making allocations to RIRs. This proposal is to extend this date by one year, to 31 December 2010. Note: This is a global policy proposal. It cannot be adopted by the ICANN Board until it is adopted by all RIRs and ratified by the ASO AC.
Current status	Consensus announced following end of final comment period. Pending endorsement at APNIC EC teleconference.
Authors	Andrew de la Haye Stacy Hughes
Relevant forum	Policy SIG
Most recent version	prop-074-v001
Previous versions	NA
Status at other RIRs	AfriNIC: Under discussion on the mailing list. To be presented at AfriNIC-11. ARIN: Pending ARIN AC last call review. LACNIC: Ratified by the LACNIC Board. RIPE: Accepted in September 2009.

Proposal history

Timeline	Activity
13 July 2009	Submitted to the Policy SIG mailing list for discussion.
27 August 2009	Reached consensus at the APNIC 28 Policy SIG.
28 August 2009	Reached consensus at the APNIC 28 AMM.
31 Aug - 26 Oct 2009	Eight-week final call for comment period.
27 October 2009	Consensus decision announced to SIG mailing list.
18 November 2009	Pending endorsement at APNIC EC teleconference.
10 February 2010	Planned implementation of policy proposal.

Discussion statistics*

Total number of posts on mailing list in final comment period	0
Total number of people participating on mailing list discussion in final comment period	0

¹ Please note that the Global Policy Development Process (see Attachment A of the ICANN Address Supporting Organization (ASO) MoU at <http://www.aso.icann.org/docs/aso-mou2004.html>) allows there to be some variation in versions of a global policy proposal from region to region. In particular, point 3 of the process description states:

It is recognized that the outcomes of consideration of a proposed global policy may differ in terms of specific language and detail from region to region. The staff of the RIRs will work with each other, and with the policy proposer to document the common elements of such outcomes.

* Excluding administrative process comments related to the proposal from the SIG Chair or Co-chairs.

APNIC Secretariat action related to local implications of this global policy proposal

At the EC/Policy SIG Chair joint meeting at APNIC 28, the Policy SIG Chair, Randy Bush, raised a question about how APNIC's local policy for the transition from 16-bit to 32-bit AS numbers would be affected by this global policy proposal.

APNIC's local policy defines 1 January 2010 as the date APNIC ceases to recognize a distinction between 16-bit (2-byte) only and 32-bit (4-byte) only AS numbers and instead, views all AS numbers to be 32-bit AS numbers.

Before this global policy proposal, prop-074, had been proposed, RIR resource services managers had discussed that, after the 1 January 2010 date in the RIR transition to 32-bit AS numbers, resource services would:

- Assign what had previously been called 16-bit only AS numbers in preference to 32-bit only AS numbers until 16-bit AS numbers in each RIR's pool ran out; then,
- Assign the larger 32-bit AS numbers.

There is no need to amend local APNIC policy, as 16-bit only AS numbers are a legitimate part of the larger 32-bit AS number pool. There is no policy conflict, therefore, for resource services to assign numbers previously known as 16-bit only AS numbers after 1 January 2010.

prop-075 Ensuring efficient use of historical AS numbers

Proposal details	This is a policy proposal to recover unused historical AS numbers for eventual reassignment to other APNIC account holders.
Current status	Consensus announced following end of final comment period. Pending endorsement at APNIC EC teleconference.
Authors	Guangliang Pan
Relevant forum	Policy SIG
Most recent version	prop-075-v001
Previous versions	NA
Status at other RIRs	There is no similar policy or proposal in other regions.

Proposal history

Timeline	Activity
24 July 2009	Submitted to the Policy SIG mailing list for discussion.
27 August 2009	Reached consensus at the APNIC 28 Policy SIG.
28 August 2009	Reached consensus at the APNIC 28 AMM.
31 Aug - 26 Oct 2009	Eight-week final call for comment period.
27 October 2009	Consensus decision announced to SIG mailing list.
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Discussion statistics^{*}

Total number of posts on mailing list in final comment period	0
Total number of people participating on mailing list discussion in final comment period	0

^{*} Excluding administrative process comments related to the proposal from the SIG Chair or Co-chairs.

APNIC budget submission – Financial Year 2010

1. Executive Summary

This document contains the submission for the APNIC budget for the financial year from January to December 2010. It includes revenue, expense, capital expenditure and cash flow projections based on the planned activity profile for 2010, the projected revenue growth and other variables including economic forecasts, consumer price index predictions and interest rate forecasts.

The purpose of this paper is to allow the Executive Council of APNIC to approve an expenditure level for 2010, in the manner as described in the APNIC ByLaws:

“to establish the basis for the budget of APNIC and determine, in the light of the decisions taken by the Members on the reports referred to in by-law 5(b) above, a ceiling for the expenditure of APNIC until the next AGM after considering all relevant aspects of the work of APNIC in that period”[APNIC ByLaws30(g)]

The operational expenditure for APNIC for 2010 is proposed to be AUD \$13,125,697 the projected revenue for 2010 is AUD \$12,746,783 and the anticipated operating loss for the year is AUD \$378,914.

2. Financial Outlook 2010

2.1 Revenue Outlook

There are a number of important factors that will affect APNIC revenue for the 2010 year. The interest rate environment continues to improve as the Australian economy recovers from the effects of the Global Financial Crisis, the Reserve Bank of Australia has ended the rate cutting cycle and retail rates available for cash deposit are beginning to increase. Longer term rates are looking more favourable and this budget uses a conservative rate of 4.5% to forecast interest income for 2010. Income from member related activities including membership fees, application and allocation fees were not significantly affected in 2009 by decreases in activity as a result of changes in global economic conditions, but this budget remains conservative in relation to growth forecasts.

Due to the introduction of the new membership fee schedule in 2010, it will take 12 months to get to a point where APNIC will be recognising the new fees for all members, so in effect the 2010 accounts will only reflect 50% of the change from the existing fee schedule. NIR per allocation fees reflects the fact that these fees will be gradually phased out as the NIR members are transitioned to the new fee schedule on their anniversary date.

A major constraint on the revenue forecast for 2010 is the effect that the formation of an NIR in India would have on APNIC's membership revenue. Based on our analysis, the Indian membership would contribute around \$1.240M to the APNIC revenue in 2010 compared to just \$238K in NIR membership if all Indian members became constituents of the NIR. Given that it is likely that this will not happen in January, we could assume that at least 50% of this difference would be likely to affect APNIC's revenue resulting in potentially \$500k in lost revenue. As the registry functions would continue to be provided by APNIC, and a service fee model has yet to be developed, this budget assumes that this \$500k would be recovered.

2.2 Expense Outlook

The expenses in this budget have, where practical, been determined based on a zero based budgeting approach, a detailed bottom up process has been used to accurately determine the expenses that APNIC will incur as result of undertaking its planned activities in 2010. The budget has been developed to show clearly the expenses involved in providing existing services and then an overlay of incremental costs has been provided to highlight the cost of a number of new initiatives that will be undertaken in 2010.

The secretariat has undertaken a comprehensive review of all expenses and has identified a number of areas where action can be taken to reduce costs; these have been incorporated into the budget submission.

2.3 Capital Expenditure Outlook

The Capital Expenditure submission for 2010 includes a \$310,000 allocation for hardware for the “HiAvail” initiative and these costs are associated with the introduction of a third co-location facility.

Office Improvements and Equipment have been budgeted at \$85,000, this is based on the assumption that no major work is undertaken as we let the current lease run down before relocating. The 2009 budget had a provision for \$500k to undertake a fit-out of the current premises, this work was not completed, and we continue to investigate alternative office facilities. We are currently developing a business case to support relocation to a building to be purchased by APNIC, this analysis will be completed separately and is not included in this budget submission.

The Capital expenditure requirements for 2009 is \$1,350,300

2.4 High Level Financials

2.4.1 Profit & Loss Statement – Budget 2010

2010 Budget Submission

Account Group	Code	Forecast	Total Budget	Change
Revenue	Reporting Account	2009	2010	%
	IP Resource Application Fees Total	1,263,375	1,442,149	14.2%
	Interest Income Total	594,628	401,725	-32.4%
	Membership Fee Income Total	7,843,441	9,944,932	26.8%
	Non-Member Fees Total	126,215	137,357	8.8%
	Per Allocation Fees Total	1,483,709	688,926	-53.6%
	Reactivation Fees Total	11,835	13,101	10.7%
	Realised Foreign Exc Rate Gain/Loss Total	34,940	-	-100.0%
	Sundry Income Total	154,708	118,593	-23.3%
	Total Revenue	11,442,971	12,746,783	11.4%
Account Group	Code	Forecast	Total Budget	Change
Costs and Expenses	Reporting Account	2009	2010	%
	Bank Charges Total	72,664	79,202	9.0%
	Communication Expenses Total	156,703	467,376	198.3%
	Computer Expenses Total	384,752	511,120	32.8%
	Depreciation Expense Total	715,950	783,975	9.5%
	Donation/Sponsorship Total	164,071	183,787	12.0%
	Doubtful Debts Expenses Total	3,804	4,791	25.9%
	ICANN Contract Fee Total	358,696	306,000	-14.7%
	Insurance Expense Total	133,605	135,900	1.7%
	Meeting and Training Expenses Total	148,672	287,400	93.3%
	Membership Fees Total	64,934	55,660	-14.3%
	Miscellaneous Expenses Total	6,535	6,850	4.8%
	Office Operating Expenses Total	126,062	140,160	11.2%
	Postage & Delivery Total	32,416	34,550	6.6%
	Printing & Photocopy Total	25,022	26,260	4.9%
	Professional Fees Total	729,979	1,083,300	48.4%
	Recruitment Expense Total	80,884	80,000	-1.1%
	Rent & Outgoings Total	589,025	608,753	3.3%
	Salaries, Wages & Oncosts Total	6,013,902	6,533,244	8.6%
	Staff Training/Conference Total	117,988	150,155	27.3%
	Tax Expense Total	106,642	103,464	-3.0%
	Translation Expenses Total	25,000	25,000	0.0%
	Travel Expenses Total	1,375,878	1,518,750	10.4%
	Grand Total	11,433,184	13,125,697	14.8%
	Profit/(Loss)	9,787	(378,914)	

2010 Budget Submission

Account Group	Code	Forecast	Budget	Change
Revenue	Reporting Account	2009	2010	%
	IP Resource Application Fees Total	1,263,375	1,442,149	14.2%
	Interest Income Total	594,628	401,725	-32.4%
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	Office Operating Expenses Total	126,062	140,160	11.2%
	Postage & Delivery Total	32,416	34,550	6.6%
	Printing & Photocopy Total	25,022	26,260	4.9%
	Professional Fees Total	729,979	733,300	0.5%
	Recruitment Expense Total	80,884	80,000	-1.1%
	Rent & Outgoings Total	589,025	608,753	3.3%
	Salaries, Wages & Oncosts Total	6,013,902	6,380,000	6.1%
	Staff Training/Conference Total	117,988	150,155	27.3%
	Tax Expense Total	106,642	103,464	-3.0%
	Translation Expenses Total	25,000	25,000	0.0%
	Travel Expenses Total	1,375,878	1,443,750	4.9%
	Grand Total	11,433,184	12,207,453	6.8%
	Profit/(Loss)	9,787	539,330	

2010 Incremental Activity

Initiative	Initiative	Initiative	New Resources	Total Budget	Change
Hi Availability	Public Affairs	Research	2010	2010	%
-	-	-	-	1,442,149	14.2%
-	-	-	-	401,725	-32.4%
-	-	-	-	9,944,932	26.8%
-	-	-	-	137,357	8.8%
-	-	-	-	688,926	-53.6%
-	-	-	-	13,101	10.7%
-	-	-	-	-	-100.0%
-	-	-	-	118,593	-23.3%
-	-	-	-	12,746,783	11.4%
Activity	Activity	Activity	New Resources	Total Budget	Change
Hi Availability	Public Affairs	Research	2010	2010	%
-	-	-	-	79,202	9.0%
290,000	-	-	-	467,376	198.3%
50,000	-	-	-	511,120	32.8%
-	-	-	-	783,975	9.5%
-	-	-	-	183,787	12.0%
-	-	-	-	4,791	25.9%
-	-	-	-	306,000	-14.7%
-	-	-	-	135,900	1.7%
-	-	-	-	287,400	93.3%
-	-	-	-	55,660	-14.3%
-	-	-	-	6,850	4.8%
-	-	-	-	140,160	11.2%
-	-	-	-	34,550	6.6%
-	-	-	-	26,260	4.9%
-	-	350,000	-	1,083,300	48.4%
-	-	-	-	80,000	-1.1%
-	-	-	-	608,753	3.3%
-	153,244	-	441,756	6,533,244	8.6%
-	-	-	-	150,155	27.3%
-	-	-	-	103,464	-3.0%
-	-	-	-	25,000	0.0%
-	75,000	-	-	1,518,750	10.4%
340,000	228,244	350,000	441,756	13,125,697	14.8%
(340,000)	(228,244)	(350,000)	(441,756)	(378,914)	

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2.4.2 Statement of Cash Flows

Cash Position 2010

Expenses (AUD)	13,125,697
Capital Purchases	
Equipment & Software	1,265,300
Improvements	85,000
Total Capital Purchases	1,350,300
Non-Cash Expenses	
Bad & Doubtful Debts	4,791
Depreciation Expenses	783,975
Loss on Disposal of Assets	-
Total Non-Cash Expenses	788,766
Total Cash Outflow	13,687,231
Total Expenditure - Capital and Operational	14,475,997

Cash Reserve Forecast 2010

Cash Position Jan 2010	7,094,343
Projected Cash Receipts	12,746,783
Projected Cash Disbursements	13,687,231
Net Change in Cash Position	- 940,448
Cash Position 31 Dec 2010	6,153,895
Term Deposit Investments	4,000,000
Cash and Deposits 31 Dec 2010	10,153,895
2011 Budget Variance	14.8%
2011 Expenditure Forecast	15,068,761
2011 Projected relative cash holdings	67%

3. Budget Preparation Notes

3.1 Data Sources

The APNIC 2009 budget has been prepared on the basis of expenditure forecast to support APNIC in undertaking membership services and support functions for 2010. The primary data sources used to develop this budget submission are:

- The APNIC member survey has been used to develop the Activity Plan for 2010
- The APNIC organisation structure and HR system provides expenditure breakdown for staff establishment level
- The forecasts for expenses use known committed expenditure where these are known
- The Asset Register has been used to estimate depreciation expenditure in 2010
- Financial advice in relation to taxation liabilities has been provided by APNIC's taxation consultants
- Membership Revenue includes an analysis of the existing membership base, forecast growth and the impact of the new fee schedule from Jan1, 2010.
- Interest Income is calculated based on estimated cash holdings and forecast interest rates contained in the National Australia Bank's financial outlook report for 2010
- Other revenue is calculated based on an using trend and variability analysis

3.2 Projection techniques

The budget submission for 2010 was developed using a comprehensive bottom –up zero based approach. The 03 reporting tool was developed and implemented in early 2008, it gives management and the finance team access to expenditure and budget data through a simple user interface, this has proved very useful in aiding managers develop the 2010 budget submission as they have an accurate view of their current expenditure and can easily identify what commitments they have for 2009.

The Consumer Price Index surveys shows that the inflation rate in Australia is running at 1.5%, as at the end of September 2009.

(<http://www.abs.gov.au/Ausstats/abs@.nsf/mf/6401.0>)

4. APNIC Activities

4.1 APNIC Activities Plan 2010

Core Activities

Activity Code	Activity Title
ResDistReg	IP & ASN distribution and registration
RegDataQuality	Registration data quality control
ResCert	Resource certification service
RegStatRep	Registration statistics and reporting, including those produced by Chief Scientist and R&D
MemSupport	Membership support
MyAPNIC	MyAPNIC and web services development
PublicDB	Whois/CRISP/Jwhois query database
TrainCollab	Training collaboration and development of new activities
TrainDeliver	Training delivery (onsite/online)
TrainDev	Training course development
BusProcEng	Business process improvements
BusCont	Business continuity plan
EcoApnic	Eco APNIC activities
SystIntImp	Systems integration and implementation
PolEvents	APNIC OPM and regional meetings
PolDev	Policy development support
PolLiaison	Liaison activities
MarPR	Marketing and Public Relations Activities
PubEx	External publications
PubInt	In-house publications & procedures
WebDev	Web development and maintenance
MediaSource	Repository of electronic media resources
FeedBack	Stakeholder survey and feedback
NroCoord	NRO coordination
TechNetOps	Systems operation and management
TechHelpdesk	IT helpdesk operations
TechResearch	Research, measurements and statistics
NetServices	Root server, NTP, TTM and other public network services deployment
InfoSec	Information security
GlobalCoord	International coordination and representation activities
IpV6	IPv6 support and promotion
DnsSec	DNSSEC promotion and deployment in APNIC
HiAvail	High availability of core APNIC online services

Support Activities

Activity Code	Activity Title
FinMgmt	Financial management
HrMgmt	Human Resource management
OfficeMgmt	Office management
BusinessOther	Business Area other activities
CommsOther	Comms Area other activities
ServicesOther	Services Area other activities
DgOther	DG Area other activities
ISIFAdmin	Administration ISIF Grant (IDRC)

4.2 APNIC Initiatives 2010

4.1.1 HiAvail

- As part of the HiAvail activity, the third co-lo facilities were requested as part of the BCP/DRP requirement for site redundancy. The current co-lo (Fort. Valley) is serving APNIC's critical services, but there the risk of losing services if there is any disruption at this site. The third co-lo site completes the triangle of redundancy identified in the BCP project.

4.1.2 Consulting

- Collaborative activity with the Swinburne University of Technology, a three year program budgeted at \$50,000 per annum matching funding from the Australian Research Council and additional funding from industry collaborators, as arranged by Swinburne University. To investigate the interactions between address use and routing, looking at the implications of the use of existing edge NAT technologies, the potential impacts of the use of carrier NATs and IPv6 on address use practices and routing scalability.
- Economic and business analysis of the impact of IPv4 address exhaustion on the industry. The range of questions that will benefit from such a study include a study of the range of possible roles that APNIC could undertake in facilitating the operation of address trading, and the benefits and risks of undertaking such roles. It is also proposed to undertake a short study on market pricing pressures, and provide forecasts of potential price levels for IPv4 addresses in a market environment. This is budgeted at \$100,000.
- The final item is \$200,000 for ICANN related work. This is focussed specifically on the projected requirements to engage with the ITU-T during the plenipotentiary year to counter the ITU-T moves to assert interest in the creation of an ITU-T-sponsored address registry.

4.1.3 Public Affairs

The operational planning exercise has clearly identified that APNIC lacks sufficient resources to effectively manage its strategic relationships with a key stakeholders including organisations in our community/industry and government bodies. This provision is for an executive level staff member or consultant to undertake this very important role.

4.1.4 New Resources proposed for 2010

Internet Resource Officer – Focus initially on Historical resource reclamation and to support increased activity in Resource allocation

Internet Resource Analyst - Helpdesk operations are to be extended to 12 hour (9:00am to 9:00pm) to better serve South Asian members

Senior Training Manager – To develop and implement Train-the-Trainer program for APNIC

Software Engineer – To undertake work in MyAPNIC, ARMS and the Events systems.

Senior Systems Architect -

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5. Revenue 2010

The table below illustrates the revenue trend from 2004 through to 2009 and shows that the predicted increase for 2010 above 2009 is 11.1%.

Revenue Projection

Revenue (AUD)	2004	2005	2006	2007	2008	2009(est)	2010
Interest	383,371	427,682	565,375	601,512	780,921	594,628	401,725
IP Resource Application Fees	475,864	695,239	770,603	764,637	1,112,303	1,263,282	1,442,149
non-members Fees	37,515	96,283	120,110	142,764	125,889	126,215	137,357
Per-Allocation Fees	860,678	830,685	1,049,811	1,251,102	1,534,774	1,483,709	688,926
Reactivation Fees	3,897	1,249	11,394	11,854	10,651	11,835	13,101
Sundry	105,701	176,869	242,458	212,215	324,820	154,708	118,593
Membership Fees	4,756,629	4,871,202	5,491,250	6,102,907	6,705,907	7,843,441	9,944,932
Total	6,623,654	7,099,208	8,251,002	9,086,991	10,595,265	11,477,818	12,746,783
Increase		7.2%	16.2%	10.1%	16.6%	8.3%	11.1%

5.1 Interest Income

Interest income has been calculated by analysing the anniversary dates and interest rates for existing investments and then forecasting based on predicted rates for 2010. Interest rates whilst low, continue to improve and are expected to increase over 2010.

5.2 IP Application Fees

The revenue forecast for IP application fees is based on a weighted average growth of the years 2005 through to 2009.

5.3 Non Member Fees

Non-Member fee revenue is based on a weighted average growth of the years 2005 through to 2009.

5.4 Per Allocation Fees

Per Allocation fees revenue is based on the average allocations to the NIR's and Confederation members and has been adjusted to reflect anniversary dates for the NIR's when these fees will no longer be applicable.

5.5 Reactivation Fees

Reactivation fee revenue is based on a weighted average growth of the years 2005 through to 2009.

5.6 Sundry

Sundry fee revenue is derived from the following sources and is based on a weighted average growth for the years 2005 through to 2009:

- Investment distributions
- External training receipts
- Meeting & Sponsorship receipts

5.7 Membership Fees

5.7.1 Predicted membership growth through modelling

Membership numbers have continued to grow strongly with a forecast of close to 19% growth being achieved for 2008. The forecast membership growth used for this budget submission was calculated by using an exponential decay weighted mean ratio of the 2006 - 2009 variance (15,5,2,1) see below with sensitivity included(1 stddev):

Membership	2009 (est)	2010 Projection		
		2010 (Low)	2010 (Med)	2010 (High)
X-Large	13	15	15	15
V-Large	30	31	32	32
Large	108	126	127	128
Medium	264	280	281	282
Small	819	843	852	861
V-Small	412	486	492	497
Assoc	480	731	747	763
Total	2126	2512	2546	2578
Variation	14.5%	18.2%	19.8%	21.3%

5.7.2 Discounted membership growth

For the 2009 budget submission, the membership growth estimates were discounted by 30% to account for potential impacts on growth caused by the Global Financial Crisis. It is prudent to discount growth estimates again in 2010 to account for the lingering effects of the GFC on membership growth.

Membership	2009 (est)	2010 (Med)	Calc Growth	Disc 30%	2010(Fcast)
X-Large	13	15	2	1	14
V-Large	30	32	2	1	31
Large	108	127	19	6	121
Medium	264	281	17	5	276
Small	819	852	33	10	842
V-Small	412	492	80	24	468
Assoc	480	747	267	80	667
Total	2126	2546	420	127	2419

5.7.3 Membership Projection for 20010 budget

Membership Projection

Membership	2004	2005	2006	2007	2008	2009 (est)	2010 (est)
X-Large	8	8	9	9	12	13	14
V-Large	14	20	21	27	30	30	31
Large	60	56	70	75	92	108	121
Medium	164	196	210	233	251	264	276
Small	534	568	658	760	813	819	842
V-Small	123	174	261	298	346	412	468
Assoc	75	135	133	169	313	480	667
Total	978	1157	1362	1571	1857	2126	2419
Growth	11.3%	18.3%	17.7%	15.3%	18%	14%	14%

5.7.4 Membership Revenue Calculation

Membership revenue is calculated by modelling the current resource holdings and membership anniversary dates for the entire membership. The model recognised revenue for 2010 in 2 parts, up to the anniversary date at the old fee schedule and under the new fee schedule for the remainder of the year. Membership growth is assumed to occur throughout the year, so only 50% of total membership fees for new members will be recognised in 2010.

Membership(2009)	Dec-09	Average Fee 2010	Revenue 2010	Growth 2010	Avge Fee 2010	Growth Revenue	Total Revenue
X-Large	13	129,430	1,682,589	1	111,547	55,774	1,738,362
V-Large	30	28,664	859,911	1	30,662	15,331	875,242
Large	108	12,642	1,365,354	13	13,270	86,253	1,451,607
Medium	264	6,567	1,733,783	12	6,390	38,340	1,772,123
Small	819	3,195	2,616,890	23	3,058	35,169	2,652,060
V-Small	412	1,598	658,359	56	1,527	42,768	701,126
Assoc	480	1,443	692,732	187	660	61,680	754,412
Total	2126		9,609,617	293	167,114	335,315	9,944,932

5.7.5 NIR for India

Based on our workings, the Indian membership would contribute around \$1.240M to the APNIC revenue in 2010 compared to just \$238K in NIR membership if all Indian members became constituents of the NIR. Given that it is likely that this will not happen in January, we could assume that at least 50% of this difference is likely to affect APNIC's revenue resulting in approximately \$500k in lost revenue. These estimates have not been included in the budget submission for 2010 as the service model has yet to be developed to support this activity.

Membership Tier	Annual Growth	2010 Growth	2010 Base	2010 Forecast
associate	\$ 28,350	\$ 14,175	\$ 178,542	\$ 192,717
extra large	\$ 17,480	\$ 8,740	\$ 51,030	\$ 59,770
large	\$ 20,887	\$ 10,443	\$ 167,334	\$ 177,777
medium	\$ 6,968	\$ 3,484	\$ 224,319	\$ 227,803
small	\$ -	\$ -	\$ 283,554	\$ 283,554
very large	\$ -	\$ -	\$ 162,936	\$ 162,936
very small	\$ -	\$ -	\$ 135,245	\$ 135,245
Grand Total	\$ -	\$ -	\$ -	\$ -
	\$ 73,685	\$ 36,842	\$ 1,202,960	\$ 1,239,802

Based on Indian NIR	\$ 237,549
Loss of Revenue APNIC	\$ 1,002,253

6. Expenses 2010

Operational expenditure for the 2010 budget submission was developed based on the resources required to deliver the 2010 activity plan. The budget process involved all managers at APNIC and was developed where practical using a zero based approach. Where available, actual contractual commitments were included, otherwise estimates were based on trends in previous years. The submission involved developing the budget based on continuing existing activity levels and then defining incremental costs relating to new initiatives that will be required for 2010.

Area Managers working with their unit managers identified the resources required to meet the activity schedule and provided detailed estimates of current and planned expenditures involved in meeting this schedule. A major review of these submissions was undertaken by the Executive team before final estimates were agreed for this submission.

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Base Case Expense Forecast

Expenses (AUD)	2001	2002	2003	2004	2005	2006	2007	2008	2009(est)	2010
Bank Charges	20,077	24,917	25,951	28,454	41,665	56,336	67,504	62,945	72,664	79,202
Communication Expenses	86,811	162,819	213,848	143,539	164,567	125,248	208,217	171,713	156,703	177,376
Computer Expenses	51,095	48,209	54,547	74,713	88,819	151,993	145,026	164,196	384,752	461,120
Depreciation Expense	128,082	209,368	319,153	407,115	467,607	521,466	565,075	638,668	715,950	783,975
Donation/Sponsorship	82,182	94,907	55,726	106,037	54,341	110,707	140,575	180,186	164,071	183,787
Doubtful Debts Expenses	-	21,346	11,887	13,778	3,884	4,727	4,237	1,540	3,804	4,791
ICANN Contract Fee	179,473	225,376	176,835	233,082	298,515	245,405	243,468	236,503	358,696	306,000
Insurance Expense	18,263	13,364	65,652	77,119	84,970	86,383	115,894	122,462	133,605	135,900
Meeting and Training Expenses	139,669	121,184	107,080	92,920	113,202	119,676	143,318	169,293	148,672	287,400
Membership Fees	122,147	116,846	48,501	126,786	144,592	77,423	52,706	58,282	64,934	55,660
Miscellaneous Expenses	45,708	172,662	178,296	128,606	20,470	7,623	3,901	336,163	6,535	6,850
Office Operating Expenses	67,494	75,337	201,503	140,459	78,944	90,257	105,406	122,512	126,062	140,160
Postage & Delivery	27,118	35,174	64,321	55,063	58,902	44,829	35,714	30,270	32,416	34,550
Printing & Photocopy	21,678	44,048	37,525	47,581	38,337	38,696	36,249	41,863	25,022	26,260
Professional Fees	269,667	349,197	419,223	559,641	506,585	422,464	391,459	552,659	729,979	733,300
Recruitment Expense	47,462	40,308	68,897	61,922	66,240	87,699	91,504	152,845	80,884	80,000
Rent & Outgoings	215,158	249,299	320,219	331,540	370,321	397,254	446,076	614,054	589,025	608,753
Salaries, Wages & Oncosts	2,206,913	2,587,182	2,967,655	3,430,020	3,684,859	4,203,946	4,799,161	5,463,903	6,013,902	6,380,000
Staff Training/Conference	49,224	87,910	77,412	65,915	47,655	61,014	83,355	122,058	117,988	150,155
Tax Expense	165,513	175,649	55,668	114,783	64,430	108,078	100,818	124,469	106,642	103,464
Translation Expenses	1,580	3,205	12,057	18,835	13,982	35,281	20,313	16,832	25,000	25,000
Travel Expenses	365,512	623,811	789,560	708,882	788,129	952,703	1,186,740	1,359,756	1,375,878	1,443,750
Total	4,310,826	5,130,820	5,891,150	6,709,578	7,193,248	7,949,208	8,986,716	10,743,172	11,433,184	12,207,453
Increase		19.0%	14.8%	13.9%	7.2%	10.5%	13.1%	19.5%	6.4%	6.8%

Expense Forecast Including New Initiatives

Expenses (AUD)	2001	2002	2003	2004	2005	2006	2007	2008	2009(est)	2010
Bank Charges	20,077	24,917	25,951	28,454	41,665	56,336	67,504	62,945	72,664	79,202
Communication Expenses	86,811	162,819	213,848	143,539	164,567	125,248	208,217	171,713	156,703	467,376
Computer Expenses	51,095	48,209	54,547	74,713	88,819	151,993	145,026	164,196	384,752	511,120
Depreciation Expense	128,082	209,368	319,153	407,115	467,607	521,466	565,075	638,668	715,950	783,975
Donation/Sponsorship	82,182	94,907	55,726	106,037	54,341	110,707	140,575	180,186	164,071	183,787
Doubtful Debts Expenses	-	21,346	11,887	13,778	3,884	4,727	4,237	1,540	3,804	4,791
ICANN Contract Fee	179,473	225,376	176,835	233,082	298,515	245,405	243,468	236,503	358,696	306,000
Insurance Expense	18,263	13,364	65,652	77,119	84,970	86,383	115,894	122,462	133,605	135,900
Meeting and Training Expenses	139,669	121,184	107,080	92,920	113,202	119,676	143,318	169,293	148,672	287,400
Membership Fees	122,147	116,846	48,501	126,786	144,592	77,423	52,706	58,282	64,934	55,660
Miscellaneous Expenses	45,708	172,662	178,296	128,606	20,470	7,623	3,901	336,163	6,535	6,850
Office Operating Expenses	67,494	75,337	201,503	140,459	78,944	90,257	105,406	122,512	126,062	140,160
Postage & Delivery	27,118	35,174	64,321	55,063	58,902	44,829	35,714	30,270	32,416	34,550
Printing & Photocopy	21,678	44,048	37,525	47,581	38,337	38,696	36,249	41,863	25,022	26,260
Professional Fees	269,667	349,197	419,223	559,641	506,585	422,464	391,459	552,659	729,979	1,083,300
Recruitment Expense	47,462	40,308	68,897	61,922	66,240	87,699	91,504	152,845	80,884	80,000
Rent & Outgoings	215,158	249,299	320,219	331,540	370,321	397,254	446,076	614,054	589,025	608,753
Salaries, Wages & Oncosts	2,206,913	2,587,182	2,967,655	3,430,020	3,684,859	4,203,946	4,799,161	5,463,903	6,013,902	6,533,244
Staff Training/Conference	49,224	87,910	77,412	65,915	47,655	61,014	83,355	122,058	117,988	150,155
Tax Expense	165,513	175,649	55,668	114,783	64,430	108,078	100,818	124,469	106,642	103,464
Translation Expenses	1,580	3,205	12,057	18,835	13,982	35,281	20,313	16,832	25,000	25,000
Travel Expenses	365,512	623,811	789,560	708,882	788,129	952,703	1,186,740	1,359,756	1,375,878	1,518,750
Total	4,310,826	5,130,820	5,891,150	6,709,578	7,193,248	7,949,208	8,986,716	10,743,172	11,433,184	13,125,697
Increase		19.0%	14.8%	13.9%	7.2%	10.5%	13.1%	19.5%	6.4%	14.8%

6.1 Expense variations ranked by % variation

Expenses (AUD)	2009(est)	2010 Budget	Change
Communication Expenses	156,703	467,376	198.3%
Meeting and Training Expenses	148,672	287,400	93.3%
Professional Fees	729,979	1,083,300	48.4%
Computer Expenses	384,752	511,120	32.8%
Staff Training/Conference	117,988	150,155	27.3%
Doubtful Debts Expenses	3,804	4,791	25.9%
Donation/Sponsorship	164,071	183,787	12.0%
Office Operating Expenses	126,062	140,160	11.2%
Travel Expenses	1,375,878	1,518,750	10.4%
Depreciation Expense	715,950	783,975	9.5%
Bank Charges	72,664	79,202	9.0%
Salaries, Wages & Oncosts	6,013,902	6,533,244	8.6%
Postage & Delivery	32,416	34,550	6.6%
Printing & Photocopy	25,022	26,260	4.9%
Miscellaneous Expenses	6,535	6,850	4.8%
Rent & Outgoings	589,025	608,753	3.3%
Insurance Expense	133,605	135,900	1.7%
Translation Expenses	25,000	25,000	0.0%
Recruitment Expense	80,884	80,000	-1.1%
Tax Expense	106,642	103,464	-3.0%
Membership Fees	64,934	55,660	-14.3%
ICANN Contract Fee	358,696	306,000	-14.7%
Total	11,433,184	13,125,697	14.8%

6.1.1 Communication Expenses:

Major increases in Communication Expenses relate to the following:

- \$290k in incremental costs related to the addition of a third collocation site

6.1.2 Meeting and Training Expenses:

The major incremental costs for Meeting and training expenses in 2010 are:

- Events in KL & BK \$81,000 venue hire
- Meeting socials and dinners \$74,000
- Staff functions \$25,000

- Equipment rental \$15,000
- Banners for meetings \$15,000
- Training venues and catering \$15,000

*Meetings in Manila and Beijing cost significantly less than the commitment for KL & Bangkok

6.1.3 Professional Fees

The major incremental increases from 2010 are:

- See 4.1.2 above for details on Consulting initiatives

6.1.4 Computer Expenses

The major incremental costs for computing expenses related to services for the third collocation site

6.1.5 Meeting & Training Expenses

With the implementation of a new performance appraisal system, we have been able to more effectively align training requirements with gaps in skills. Technical training is a key requirement to support APNIC services.

6.1.7 Salary & Wages Expenses

Salary & Wages expenses represent over 50% of the total expenses at APNIC were developed from a detailed model analysing all individual staff and the costs associated.

Salary & Wages expenses are based on the calculation of forecast headcount at the end of December 2009.

The base model includes no incremental headcount over 2009 levels.

The following variables have been included in the calculation of these expenses in 2009:

- All staff to take minimum of 4 weeks annual leave
- Default incremental increase of 5%



APNIC Annual Financial Accounts 2009 Audit Proposal Analysis

1. APNIC Annual Accounts Audit Background

1997 – Audited by Arthur Anderson Tokyo, Japan (cover accounts from April 1996 – March 1997, and December 2007)

1998 until 2004– Audited by PricewaterhouseCoopers Brisbane, Australia (Audit Partner: M D Bruton)

2005 until 2008– Audited by PricewaterhouseCoopers Brisbane, Australia (Audit Partner: P J Clarke)

2. Proposals

We received three proposals for APNIC Annual Accounts Audit 2009, i.e. PricewaterhouseCoopers, Ernst & Young, Bentleys. Deloitte decided not to submit their tender claiming that they would not be competitive.

2.1.1 Tier 1 Firms:

PricewaterhouseCoopers – Fees quoted \$26,455(incumbent)

Ernst & Young – Fees quoted \$29,000

2.1.2 Tier 2 Firm:

Bentleys – Fees quoted \$19,500

3. Other RIRs and ICANN Audit Practices

AFRINIC – Ernst & Young

LACNIC – Praxity (Board requires 2 year rotation for best practice)

ARIN - Goodmand & Co (SOX extra audit twice – 5 years auditor rotation)

RIPE NCC - KPMG (5 year auditor rotation)

ICANN - Regional firm, considering rotation

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4. Legislative requirements

Listed companies are required by the *Corporations Act* to rotate auditors every 5 years.

In response to the wave of corporate crises, the US Sarbanes-Oxley Act includes a provision regarding mandatory audit partner rotation for firms auditing public listed companies. The Act requires the lead audit partner and audit review partner (or concurring reviewer) to be rotated every five years on all public company audits.

However, for private or not-for-profit organization:-

- No requirement for audit firm rotation
- No requirement for audit partner rotation
- Audit firm rotation is a useful good governance practice for nonprofit organizations.

5. Common Practices for Audit rotation

There are various reasons for audit firm rotation to occur:

- to reduce fees in short term via competitive bidding
- when scope or size of company changes
- management changes

6. Constraints

There are existing independent studies that conclude that audit firm rotation reduces audit quality and that the costs far outweigh the benefits. There is a substantial body of academic literature that indicates the direct relationship between the length of auditor tenure and the increased discovery of material financial statement errors. Knowledge of the client, its business and the environment it operates in is essential to audit quality.



7. Recommendations

7.1 It is recommend that the EC engages Ernst & Young for the 2009 audit. The basis for this recommendation is that this is a tier 1 firm and APNIC has been working with PWC in an auditing role since 1998. It is considered appropriate at this juncture to perform a fresh review of our accounts by an internationally recognized accounting firm.

7.2 It is recommend that the Executive Committee provides advice to clarify APNIC operational procedures in relation to the appointment of Auditors for the APNIC financial accounts. It is proposed to establish a rule where APNIC's financial auditors must be rotated every 5 years. Furthermore, the EC may wish to consider whether the auditor may be selected from 2nd tier firms to minimize costs to APNIC, or whether the audit firm must be a Tier 1 firm.

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