

# APNIC EC Meeting Minutes

## Teleconference

Wednesday, 2nd December 2009

*Meeting Start: 11:10 pm (UTC +1000) 2 December 2009*

## Present

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

Geoff Huston (minutes)  
Richard Brown  
Irene Chan  
Connie Chan

## Apologies

James Spenceley  
Jian Zhang

## Agenda

1. Agenda Bashing
2. 2010 Budget

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## Minutes

### 1. Agenda Bashing

No further items were added to the agenda.

### 2. 2010 Budget

The EC considered a draft of the proposed 2010 budget (attached).

The D-G noted that the discussion earlier in 2009 on the topic of the fee schedule proposed a general principle of a 5% increase in base expenditure in APNIC budgets. The D-G noted that a relatively conservative projection of revenue for 2010 projected a 12% increase in revenue and an increase in base expenditure of 6.7%.

There are four additional activities that have been proposed to the EC. These are:

1. The construction and operation of a third collocation facility for APNIC services. This is budgeted to cost \$310,000 in capex and \$340,000 in recurrent opex.
2. The engagement of a public affairs position. APNIC currently lacks sufficient resources to effectively manage its strategic relationships with 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 role.

3. Consulting activity in areas of research collaboration, economic and business analysis and public engagement.
4. Six further staff positions, including 2 resource analyst positions, 1 training position, 2 software and operations and 1 community relations position.

These four initiatives add a further \$1.3M in expenses and \$330,000 in capital expenditure for 2010.

It was noted that there is no provision in this draft budget for the costs associated with the purchase of office accommodation, provision for an adverse ruling from the Australian Taxation Office on the interim ruling concerning the treatment of member fees by APNIC and no provision relating to the financial impacts of an NIR for India is recognised and established in 2010.

It was also noted that the financial treatment of the APNIC 29 member meeting in 2009 was that a number of expenses and revenue items were accounted in the local host's financial reports rather than in the APNIC accounts. It is anticipated that for the 2010 meeting the full set of expenses and revenues will be recorded in APNIC's financial reports, generating an anomalous rise in meeting expenses for 2010, as compared to 2009.

It was noted that the 2010 fee schedule would be applied to each member as their membership fell due in 2010, and that the 2009 per-allocation fees would apply to NIR and Confederations members until that date.

The EC requested that the secretariat provide a revenue projection for 2010 based on the hypothetical scenario that all revenue would be based on the 2010 fee schedule.

**Action ec-09-029:** Secretariat to prepare a revenue schedule for 2010 based on the hypothetical scenario that all revenue would be based on the 2010 fee schedule.

A separate business plan, which will map out the impacts on the 2010 budget will be provided to the EC for making the decision on a property purchase.

It was clarified that the overall 6% increase in salary in the base expenditure schedule does not include the projected staff costs associated with the additional initiatives. If all the initiatives were funded as proposed the total salary costs would increase by 16.2% over 2009 levels.

The EC is concerned about the high budget deficit if all proposed initiatives were fully funded and requested that the draft budget be revised to include initiatives to the extent that the overall operating deficit for 2010 be kept below \$500,000 revised. The EC also requested that the revised budget reflect lower levels of expenditure on meetings and training, and on the co-location costs for the high availability project. The EC also noted that financial micro-management is not necessary and expressed confidence in the Secretariat to exercise control over expenses in the operation of the budget.

The EC decided to schedule a discussion on the scenarios for APNIC following Ipv4 address depletion at the next face-to-face meeting

**Action ec-09-030:** Secretariat to revise proposed budget in accordance with EC review comments.

**Action ec-09-031:** EC to consider post-IPv4 depletion scenarios at its next face-to-face meeting.

## Next Scheduled Meeting

17 December 2009 (Teleconference)

**Meeting closed:** 12:25 pm (UTC+1000)

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## Summary of Action Items

- Action ec-09-029:** Secretariat to prepare a revenue schedule for 2010 based on the hypothetical scenario that all revenue would be based on the 2010 fee schedule.
- Action ec-09-030:** Secretariat to revise proposed budget in accordance with EC review comments.
- Action ec-09-031:** EC to consider post-IPv4 depletion scenarios at its next face-to-face meeting.

# 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%
	<b>Total Revenue</b>	<b>11,442,971</b>	<b>12,746,783</b>	<b>11.4%</b>
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%
	<b>Grand Total</b>	<b>11,433,184</b>	<b>13,125,697</b>	<b>14.8%</b>
	<b>Profit/(Loss)</b>	<b>9,787</b>	<b>(378,914)</b>	

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	<b>Grand Total</b>	<b>11,433,184</b>	<b>12,207,453</b>	<b>6.8%</b>
	<b>Profit/(Loss)</b>	<b>9,787</b>	<b>539,330</b>	

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
<b>Total</b>	<b>6,623,654</b>	<b>7,099,208</b>	<b>8,251,002</b>	<b>9,086,991</b>	<b>10,595,265</b>	<b>11,477,818</b>	<b>12,746,783</b>
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
<b>Total</b>	<b>2126</b>	<b>2512</b>	<b>2546</b>	<b>2578</b>
<b>Variation</b>	<b>14.5%</b>	<b>18.2%</b>	<b>19.8%</b>	<b>21.3%</b>

### 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
<b>Total</b>	<b>2126</b>	<b>2546</b>	<b>420</b>	<b>127</b>	<b>2419</b>

### 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
<b>Total</b>	<b>978</b>	<b>1157</b>	<b>1362</b>	<b>1571</b>	<b>1857</b>	<b>2126</b>	<b>2419</b>
<b>Growth</b>	<b>11.3%</b>	<b>18.3%</b>	<b>17.7%</b>	<b>15.3%</b>	<b>18%</b>	<b>14%</b>	<b>14%</b>

## 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
<b>Total</b>	<b>2126</b>		<b>9,609,617</b>	<b>293</b>	<b>167,114</b>	<b>335,315</b>	<b>9,944,932</b>

## 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
<b>Grand Total</b>	\$ -	\$ -	\$ -	\$ -
	\$ 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
<b>Total</b>	<b>4,310,826</b>	<b>5,130,820</b>	<b>5,891,150</b>	<b>6,709,578</b>	<b>7,193,248</b>	<b>7,949,208</b>	<b>8,986,716</b>	<b>10,743,172</b>	<b>11,433,184</b>	<b>12,207,453</b>
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
<b>Total</b>	<b>4,310,826</b>	<b>5,130,820</b>	<b>5,891,150</b>	<b>6,709,578</b>	<b>7,193,248</b>	<b>7,949,208</b>	<b>8,986,716</b>	<b>10,743,172</b>	<b>11,433,184</b>	<b>13,125,697</b>
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%
<b>Total</b>	<b>11,433,184</b>	<b>13,125,697</b>	<b>14.8%</b>

### 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%