

APNIC EC Meeting Minutes

Meeting held at the APNIC Office, Milton
Thursday, 16th December 2010

Meeting Start: 9:15 am (UTC +1000)

Present

Akinori Maemura
Ma Yan
James Spenceley
Che-Hoo Cheng
Jian Zhang
Paul Wilson

Geoff Huston
Richard Brown
Irene Chan

Apologies

Hyun-Joon Kwon

Agenda

1. 2011 APNIC Budget
2. AOB

Minutes

The Chair of the Executive Council called the meeting to order at 9:10 am UTC+1000.

1. 2011 APNIC Budget

The EC considered the proposed 2011 budget (attached) .

The EC unanimously voted to approved a budget for 2011 with provision for operational expenditure of AUD \$14,235,123 and capital expenditure of AUD \$1,432,400.

The projected revenue is \$14,439,105, with a projected operational surplus of AUD 203,982.

The EC requested that budget papers be presented for consideration by the EC in June 2011, allowing for reconsideration of purchase of a Enterprise Resource Management system and engagement of an in-house legal staff member.

2. AOB

The EC considered the recommendations of the APNIC EC Election Review Panel (attached).

The EC adopted these recommendations and requested the Secretariat to implement these recommendations for the forthcoming EC Elections.

Next Scheduled Meeting

27 January 2011 (teleconference)

Meeting closed: 10:20 am (UTC+1000)

APNIC Budget Submission – Financial Year 2011

1. Executive Summary

This document contains the submission for the APNIC budget for the financial year from January to December 2011. It includes revenue, expense, capital expenditure and cash flow projections based on the planned activities for 2011, projected membership growth, and other external variables including inflation and interest rate forecasts.

The purpose of this paper is to allow the Executive Council of APNIC to approve an expenditure level for 2011, in the manner as described in the APNIC By-Laws:

“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 budget for 2011 includes proposed expenditure of AUD \$14,235,123 and projected revenue of AUD \$14,439,105, providing an operating profit for 2011 of AUD \$203,982. This includes a provision of \$418,923 for expenses related to the existing lease commitments.

2. Environmental Assumptions for 2011

It is well known that APNIC is entering into a time of dynamic change, involving a number of major influences which will affect our future operational activities and financial status, and which are both complex and unpredictable. These include:

- the exhaustion of IPv4 within the APNIC and other RIR address pools, whose precise timing is unpredictable;
- the possibility of ongoing availability of IPv4 address space through various return and redistribution mechanisms, which themselves depend upon the outcome of regional and global policy discussions;
- the possible advent of an IPv4 transfer market at regional or global levels, which could substantially extend the “lifetime” of IPv4, but also place higher operational demands on APNIC;
- the rate of uptake of IPv6 which is highly dependent upon the practical availability of IPv4, and also on the actions of related industries such as equipment vendors;
- the external perceptions of the future value of IPv4 addresses, which depend upon actual and expected rates of IPv6 deployment.

While these factors will clearly influence APNIC activities and budget in the short, medium and longer term, their unpredictable and complex nature makes it difficult their extent or timing. However for the purpose of this budget submission it has been necessary to make a number of assumptions about these factors and their impacts in the short (1-year) term.

These basic assumptions are summarised as follows:

- APNIC Membership growth will continue in 2011 in line with recent trends, according to the same method that has proven successful in past years. This projection suggests ongoing membership growth, which is consistent with ongoing demand for IPv6 and for IPv4 under the current and future allocation policies. That said, the revenue expectation for 2011 includes a discount of the projected membership growth figures as a conservative and prudent measure.

- The pool of IPv4 addresses held by APNIC for allocation under current policies (that is, before the “last /8” policy comes into effect) will last until sometime in the 3rd Quarter of 2011, and its allocation will result in ongoing growth in APNIC membership tiers for at least the first half of the year. That said, the revenue that is recognised in 2011 will reflect growth in membership tiers that occurred in 2010, and so will be minimally affected by a reduction in membership tier growth in the second half of 2011.
- There will be no change during 2011 to APNIC membership fees, including “initial allocation” fee and the annual membership fees;
- A provision is made for loss of members due to the establishment of an Indian NIR, however no other current NIR initiatives are known and therefore no additional provisions are made;
- Although formal ATO advice is yet to be received on this matter, APNIC’s taxation status as a “mutual organisation” remains unchanged.

3. Financial Outlook 2011

3.1 Revenue Outlook

The introduction of the new fee schedule in 2010 continues to positively affect the membership fee revenue, during 2010 approx 50% of the new fee schedule was recognised, with the remainder coming through in 2011. This is caused by the way in which the annual membership fee is recorded in the balance sheet as a prepayment and is only recognised as revenue on a monthly basis over the 12 months for which the fees were paid.

The new fee schedule included the removal of the NIR Per Allocation Fee during 2010, and all NIRs have now renewed their membership. Therefore there will be no revenue for Per Allocation Fees in 2011, however the loss of this revenue is offset by increases in annual fee revenue under the new fee structure.

The new Non-Member fee schedule will be implemented from 1 January 2011, and will have a positive effect on revenue. This revised fee schedule was approved by the EC at the March meeting in 2010.

Interest Income will be lower than 2011 as APNIC transferred capital from cash investments to property with the purchase of the new office. This purchase will significantly reduce APNIC’s future operating expenses and provides the opportunity to diversify available reserves.

The interest rate climate in Australia remains very positive and rates for cash deposits are exceeding 6.0%.

3.2 Expense Outlook

The expenses for the 2011 budget have been determined based on a zero based budgeting approach, a detailed bottom up process has been used to determine the expenses that APNIC will incur as result of undertaking its core activities. The budget has been developed to show clearly the expenses involved in providing the existing level of services, further to this there is an overlay to account for new initiatives planned in 2011, plus additional provisions for events that are likely to effect APNIC’s accounts during the year.

As predicted, the move to the new premises will reduce operational expenditure significantly; however, conservative provisions have been made to cover potential costs relating to pre-existing lease commitments in the current building. Negotiations are currently underway to surrender over half of the current floor area from 1 March 2011.

3.3 Capital Expenditure Outlook

The Capital Expenditure submission for 2011 is significantly higher than that actual expenditure during 2010 (excluding property related expenditure), however it should be noted that a large proportion of the 2010 budget was not spent. Therefore much of the 2011 budget comprises spending that was approved in 2010, but deferred

due to the use of interim or cost effective solutions, the ability of APNIC to “make do” with existing equipment, and also the lack of resource to implement all upgrade plans. For instance a new collocation facility was established as part of the “High Availability” project, late 2010 but not yet fully equipped; instead it has been used as a “staging post” to allow uninterrupted service provision during the office relocation.

Office Improvements and Furniture have been budgeted at \$75,000, a sum that corresponds to a conservative estimate of the remaining funds approved by the EC for the building acquisition. This amount will be applied as necessary to any remaining refurbishment works, furniture acquisitions or other capital outlays.

The Capital expenditure requirements for 2011 are \$1,432,400.

4. Financial Statements – Budget 2011

4.1 Ordinary Operations

2011 Budget Submission

Account Group	Code	Budget	Forecast	Budget	Change
Revenue	Reporting Account	2010	2010	2011	%
	IP Resource Application Fees	1,442,149	1,342,183	1,128,316	-15.9%
	Interest Income	460,555	388,236	330,000	-15.0%
	Membership Fee Income	9,944,932	10,113,878	12,511,220	23.7%
	Non-Member Fees	137,357	145,825	158,506	8.7%
	Per Allocation Fees	688,926	994,277	-	-100.0%
	Reactivation Fees	13,101	23,040	16,063	-30.3%
	Start-up Fees	-	-	-	0.0%
	Realise Foreign Ex Rate Gain	-	-	-	0.0%
	Realise Foreign Ex Rate Loss	-	-	-	0.0%
	Realised Foreign Exc Rate Gain/Loss	-	9,354	-	-100.0%
	Sundry Income	191,320	199,669	295,000	47.7%
	Total Revenue	12,878,340	13,197,754	14,439,105	9.4%
Account Group	Code	Budget	Forecast	Budget	Change
Costs and Expenses	Reporting Account	2010	2010	2011	%
	Bank Charges	79,202	80,968	88,000	8.7%
	Communication Expenses	327,376	335,000	427,368	27.6%
	Computer Expenses	511,120	331,411	593,415	79.1%
	Depreciation Expense	783,975	768,884	1,015,613	32.1%
	Donation/Sponsorship	183,787	220,657	306,500	38.9%
	Doubtful Debts Expenses	4,791	5,175	5,677	9.7%
	ICANN Contract Fee	306,000	321,172	322,000	0.3%
	Insurance Expense	135,900	116,097	130,700	12.6%
	Meeting and Training Expenses	287,400	266,215	381,100	43.2%
	Membership Fees	55,660	53,537	68,300	27.6%
	Miscellaneous Expenses	6,850	1,019	1,050	3.0%
	Office Operating Expenses	140,160	149,448	217,195	45.3%
	Postage & Delivery	34,550	24,915	34,000	36.5%
	Printing & Photocopy	26,260	22,130	43,100	94.8%
	Professional Fees	933,300	795,851	885,350	11.2%
	Recruitment Expense	80,000	136,263	101,000	-25.9%
	Office Relocation Expenses	-	397,488	-	-100.0%
	Rent & Outgoings	608,753	632,743	-	-100.0%
	Salaries, Wages & Oncosts	6,725,352	6,587,852	7,406,255	12.4%
	Staff Training/Conference	150,155	144,502	151,727	5.0%
	Tax Expense	103,464	117,692	120,000	2.0%
	Translation Expenses	25,000	14,498	15,000	3.5%
	Travel Expenses	1,518,750	1,431,286	1,502,850	5.0%
	Grand Total	13,027,805	12,954,803	13,816,200	6.6%
	Profit/(Loss)	(149,465)	242,951	622,905	

Account Group	Code	Budget	Forecast	Budget	Change
Capital Expenditure	Reporting Account	2010	2010	2011	%
	Equipment&Software	1,265,300	484,895	1,357,400	179.9%
	Office Improvements	75,000	1,433	15,000	946.8%
	Office Furniture	10,000	-	60,000	0.0%
	Property	-	7,414,509	-	-100.0%
		1,350,300	7,900,837	1,432,400	-81.9%

4.1 Provisions

2011 Budget Submission

Account Group	Code	Budget	Forecast	Budget	Change	Provision	Total Budget	Change
Revenue	Reporting Account	2010	2010	2011	%	Existing Lease	2011	%
	IP Resource Application Fees	1,442,149	1,342,183	1,128,316	-15.9%	-	1,128,316	-15.9%
	Interest Income	460,555	388,236	330,000	-15.0%	-	330,000	-15.0%
	Membership Fee Income	9,944,932	10,113,878	12,511,220	23.7%	-	12,511,220	23.7%
	Non-Member Fees	137,357	145,825	158,506	8.7%	-	158,506	8.7%
	Per Allocation Fees	688,926	994,277	-	-100.0%	-	-	-100.0%
	Reactivation Fees	13,101	23,040	16,063	-30.3%	-	16,063	-30.3%
	Start-up Fees	-	-	-	0.0%	-	-	0.0%
	Realise Foreign Ex Rate Gain	-	-	-	0.0%	-	-	0.0%
	Realise Foreign Ex Rate Loss	-	-	-	0.0%	-	-	0.0%
	Realised Foreign Exc Rate Gain/Loss	-	9,354	-	-100.0%	-	-	-100.0%
	Sundry Income	191,320	199,669	295,000	47.7%	-	295,000	47.7%
	Total Revenue	12,878,340	13,197,754	14,439,105	9.4%	-	14,439,105	9.4%
Account Group	Code	Budget	Forecast	Budget	Change	Provision	Total Budget	Change
Costs and Expenses	Reporting Account	2010	2010	2011	%	Existing Lease	2011	%
	Bank Charges	79,202	80,968	88,000	8.7%	-	88,000	8.7%
	Communication Expenses	327,376	335,000	427,368	27.6%	-	427,368	27.6%
	Computer Expenses	511,120	331,411	593,415	79.1%	-	593,415	79.1%
	Depreciation Expense	783,975	768,884	1,015,613	32.1%	-	1,015,613	32.1%
	Donation/Sponsorship	183,787	220,657	306,500	38.9%	-	306,500	38.9%
	Doubtful Debts Expenses	4,791	5,175	5,677	9.7%	-	5,677	9.7%
	ICANN Contract Fee	306,000	321,172	322,000	0.3%	-	322,000	0.3%
	Insurance Expense	135,900	116,097	130,700	12.6%	-	130,700	12.6%
	Meeting and Training Expenses	287,400	266,215	381,100	43.2%	-	381,100	43.2%
	Membership Fees	55,660	53,537	68,300	27.6%	-	68,300	27.6%
	Miscellaneous Expenses	6,850	1,019	1,050	3.0%	-	1,050	3.0%
	Office Operating Expenses	140,160	149,448	217,195	45.3%	-	217,195	45.3%
	Postage & Delivery	34,550	24,915	34,000	36.5%	-	34,000	36.5%
	Printing & Photocopy	26,260	22,130	43,100	94.8%	-	43,100	94.8%
	Professional Fees	933,300	795,851	885,350	11.2%	-	885,350	11.2%
	Recruitment Expense	80,000	136,263	101,000	-25.9%	-	101,000	-25.9%
	Office Relocation Expenses	-	397,488	-	-100.0%	-	-	-100.0%
	Rent & Outgoings	608,753	632,743	-	-100.0%	418,923	418,923	-33.8%
	Salaries, Wages & Oncosts	6,725,352	6,587,852	7,406,255	12.4%	-	7,406,255	12.4%
	Staff Training/Conference	150,155	144,502	151,727	5.0%	-	151,727	5.0%
	Tax Expense	103,464	117,692	120,000	2.0%	-	120,000	2.0%
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	Grand Total	13,027,805	12,954,803	13,816,200	6.6%	418,923	14,235,123	9.9%
	Profit/(Loss)	(149,465)	242,951	622,905		(418,923)	203,982	
Account Group	Code	Budget	Forecast	Budget	Change	Activity	Total Budget	Change
Capital Expenditure	Reporting Account	2010	2010	2011	%	Existing Lease	2011	%
	Equipment&Software	1,265,300	484,895	1,357,400	179.9%	-	1,357,400	179.9%
	Office Improvements	75,000	1,433	15,000	946.8%	-	15,000	946.8%
	Office Furniture	10,000	-	60,000	0.0%	-	60,000	100.0%
	Property	-	7,414,509	-	-100.0%	-	-	-100.0%
		1,350,300	7,900,837	1,432,400	-81.9%	-	1,432,400	-81.9%

4.2 After Provisions

2011 Budget Submission

Account Group	Code	Budget	Forecast	Total Budget	Change
Revenue	Reporting Account	2010	2010	2011	%
	IP Resource Application Fees	1,442,149	1,342,183	1,128,316	-15.9%
	Interest Income	460,555	388,236	330,000	-15.0%
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	Translation Expenses	25,000	14,498	15,000	3.5%
	Travel Expenses	1,518,750	1,431,286	1,502,850	5.0%
	Grand Total	13,027,805	12,954,803	14,235,123	9.9%
	Profit/(Loss)	(149,465)	242,951	203,982	

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	Office Furniture	10,000	-	60,000	100.0%
	Property	-	7,414,509	-	-100.0%
		1,350,300	7,900,837	1,432,400	-81.9%

4.3 Cash Flows

Cash Position		2011
Expenses (AUD)		14,235,123
Capital Purchases		
Equipment & Software		1,357,400
Improvements		75,000
Total Capital Purchases		1,432,400
Non-Cash Expenses		
Bad & Doubtful Debts		5,677
Depreciation Expenses		1,015,613
Loss on Disposal of Assets		-
Total Non-Cash Expenses		1,021,290
Total Cash Outflow		14,646,233
Total Expenditure - Capital and Operational		15,667,523
Cash Reserve Forecast		2011
Cash Position Jan 2011		6,500,000
Projected Cash Receipts		14,439,105
Projected Cash Disbursements		14,646,233
Net Change in Cash Position		(207,128)
Cash Position 31 Dec 2011		6,292,872
Term Deposit Investments		-
Cash and Deposits 31 Dec 2010		6,292,872
2011 Budget Variance		9.9%
2011 Expenditure Forecast		15,641,977
2011 Projected relative cash holdings		40%

5. Budget Preparation Notes

5.1 Data Sources

The APNIC 2011 budget has been prepared on the basis of expenditure forecast to support APNIC in undertaking membership services and support functions for 2011. The primary data sources used to develop this budget submission are:

- The APNIC member survey has been used to develop the Activity Plan for 2011
- 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 and the Quantity Survey reports have been used to estimate depreciation and capital allowance expenditure in 2011
- 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 continued impact of the fee schedule implemented 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 2011
- Other revenue is calculated based on an using trend and variability analysis

5.2 Projection techniques

The budget submission for 2011 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 2011 budget submission as they have an accurate view of their current expenditure and can easily identify what commitments they have for 2011.

The Consumer Price Index survey shows that the inflation rate in Australia is running at 2.8%, as at the end of September 2011.

(<http://www.rba.gov.au/inflation/measures-cpi.html>)

6. APNIC Provisions 2011

6.1 Existing Lease

APNIC currently has ongoing lease commitments until March 2013 for the office in Park Road. It has been critical to maintain these premises until the relocation was finalised, but the Secretariat is currently negotiating the surrender of the lease from as early as March 2011.

APNIC expects to reach agreement with 2 parties to take 433M² and 185M² of the space effective 1 March, which gives time to meet our “make-good” obligations under the lease. The larger of these is likely to incur very minimal make good costs. Both of these leases will be direct with the building owner, and APNIC will have no ongoing commitment. This area under negotiation equates to approximately 55% of the total area, and importantly the remaining space represents an attractive tenancy that the agents are confident that they will lease.

APNIC already holds a balance sheet provision of \$110k to cover the cost of the make good commitments in the lease (which can be spent without impact on expenses), and it is possible that we will actually recover some of this provision as revenue, providing make-good costs can be minimised.

The budget provision included here is intended to cover transactional costs related to the surrender of these leases, as well as an estimate for ongoing commitments for the remaining office space.

7. Revenue 2011

The table below illustrates the revenue trend from 2005 through to 2010 and shows that the predicted increase for 2011 above 2010 is 9.4%.

The main factor in determining revenue growth is the growth of membership fee income, which is explained in detail below.

Revenue Projection							
Revenue (AUD)	2005	2006	2007	2008	2009	2010 F'Cast	2011
Interest	427,682	565,375	601,512	771,585	594,628	388,236	330,000
IP Resource Application Fees	695,239	770,603	764,637	1,043,373	1,263,282	1,342,183	1,128,316
non-members Fees	96,283	120,110	142,764	125,268	126,215	145,825	158,506
Per-Allocation Fees	830,685	1,049,811	1,251,102	1,622,966	1,483,709	994,277	0
Reactivation Fees	1,249	11,394	11,854	13,314	11,835	23,040	16,063
Sundry	176,869	242,458	212,215	230,455	154,708	190,315	295,000
Startup Fees							
Membership Fees	4,871,202	5,491,250	6,102,907	6,701,840	7,843,441	10,113,878	12,511,220
Total	7,099,208	8,251,002	9,086,991	10,508,801	11,477,818	13,197,754	14,439,105
Increase	7.2%	16.2%	10.1%	15.6%	9.2%	15.0%	9.4%

7.1 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 continue to improve with retail rates exceeding 6%. Overall interest income compared to previous years is of course reduced, reflecting the conversion of cash reserves into property.

7.2 IP Application Fees

The revenue forecast for IP application fees is based on projection for new members in 2011, and the assumption that all new members will pay this fee.

An earlier proposal from the Secretariat to reduce this fee has been withdrawn due to the lack of any reciprocal adjustment to membership fees, but we suggest that this matter be revisited later in 2011 in consideration of IPv4 consumption and the corresponding transition into the "last /8" allocation system.

7.3 Non Member Fees

Non-Member fee revenue is based on an analysis of the non-member holdings and has been adjusted to reflect the new fee schedule. Under the new schedule it is possible that some non-members will either return unused resources to APNIC, or will become members in order to reduce fee commitments, however such effects cannot be easily predicted and have not been considered in this submission.

7.4 Per Allocation Fees

Per Allocation fees are no longer applied, as all NIR and Confederation members are now billed under the new Member Fee Schedule.

7.5 Reactivation Fees

Reactivation fees are very difficult to predict, for this submission they are based on the average revenue over the last three years.

7.6 Sundry Income

Sundry fee revenue is derived from the following sources and is based on forecast estimates from the following:

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

There is a significant increase in Sponsorship, due to the expected KISA contribution to APNIC32 in Korea, which sponsorship is worth \$110,000 under the meeting agreement.

7.7 Membership Fees

7.7.1 Membership Growth

Membership numbers have continued to grow with a forecast of close to 14% growth being achieved for 2010. The forecast membership growth used for this budget submission was calculated based on a weighted average growth for the years 2007 through to 2010. The growth was weighted; 2007(10%), 2008(10%), 2009(30%), 2010(50%), so that the most recent results carry more weight. In overall growth numbers, this represents a conservative estimate, which is prudent considering the unknown impacts of the nearing IPv4 depletion.

Membership Projection

Membership	2004	2005	2006	2007	2008	2009	2010 (est)	2011
X-Large	8	8	9	9	12	13	15	17
V-Large	14	20	21	27	30	31	34	37
Large	60	56	70	75	92	106	135	163
Medium	164	196	210	233	251	276	324	371
Small	534	568	658	760	813	823	860	896
V-Small	123	174	261	298	346	472	628	779
Assoc	75	135	133	169	313	449	480	510
Total	978	1157	1362	1571	1857	2170	2476	2773
Growth		18.3%	17.7%	15.3%	18.2%	16.9%	14.1%	12.0%

Membership Growth Projection

Membership	2005	2006	2007	2008	2009	2010 (est)	2011
X-Large	0	1	0	3	1	2	2
V-Large	6	1	6	3	1	3	3
Large	-4	14	5	17	14	29	28
Medium	32	14	23	18	25	48	47
Small	34	90	102	53	10	37	36
V-Small	51	87	37	48	126	156	151
Assoc	60	-2	36	144	136	31	30
Total	179	205	209	286	313	306	297
Growth		14.5%	2.0%	36.8%	9.4%	-2.2%	-2.9%

7.7.2 Membership Revenue Calculation

Membership revenue is calculated by modelling the current resource holdings and membership anniversary dates for the entire membership. NIR and Confederations membership fees are based on the normal membership fees, to which a multiplier of 2.9 is applied. As the new membership schedule was not implemented until January 2010, and therefore did not apply to certain members until the end of 2010, the full impact of the fee schedule

will not be achieved until the end of 2011. Incremental membership growth represents a very small component of the overall membership fee (and will be negligible after the exhaustion of IPv4) and is not included in the calculation.

Base Case Forecast 2011

Year	Start Year Member	Growth	End Year Member	Growth	Forecast Weighting
1997:	114	86	200		
1998:	200	49	249	43%	-
1999:	249	147	396	74%	-
2000:	396	206	602	83%	-
2001:	602	97	699	24%	-
2002:	699	68	767	11%	-
2003:	767	112	879	16%	-
2004:	879	99	978	13%	-
2005:	978	179	1,157	20%	-
2006:	1,157	205	1,362	21%	-
2007:	1,362	222	1,584	19%	10.00
2008:	1,584	271	1,855	20%	10.00
2009:	1,855	315	2,170	20%	30.00
2010:	2,170	306	2,476	16%	50.00
2011:	2,476	297	2,773	18%	
<i>New 2011</i>					
LDC		17		6%	
LDC V6 Only		0		0%	
LDC Assoc Only		0		0%	
Non LDC		256		86%	
Non LDC V6 Only		3		1%	
Non LDC Assoc Only		21		7%	
Total New 2011		297		100%	

Estimated Fees	2011	2010 Forecast	Change
From Members database	\$ 12,064,578		
From Associates new in 2010	\$ 349,273		
From New Associates in 2011	\$ 97,301		
2011 Membership Revenue	\$ 12,511,152	\$ 10,114,782	24%
Initial Application Fees			
LDC	\$ 29,750		
Non LDC	\$ 896,000		
Estimated 2011 Initial application fees from new members	\$ 925,750		
Estimated 2011 Initial application fees from other members	\$ 202,566		
Initial Application Fees - Total	\$ 1,128,316	\$ 1,295,315	-29%

8. Expenses 2011

Operational Expenses included in the 2010 budget submission are based on a detailed bottom up review of the costs of operating the Secretariat. Where possible actual contracted commitments are used as the basis of determining the 2011 costs.

8.1 Expenses over time

Base Case Expense Forecast

Expenses (AUD)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010(est)	2011
Bank Charges	20,077	24,917	25,951	28,454	41,665	56,336	67,504	62,945	65,148	80,968	88,000
Communication Expenses	86,811	162,819	213,848	143,539	164,567	125,248	208,217	171,713	156,901	335,000	427,368
Computer Expenses	51,095	48,209	54,547	74,713	88,819	151,993	145,026	164,196	381,519	331,411	593,415
Depreciation Expense	128,082	209,368	319,153	407,115	467,607	521,466	565,075	638,668	718,927	768,884	1,015,613
Donation/Sponsorship	82,182	94,907	55,726	106,037	54,341	110,707	140,575	180,186	177,469	220,657	306,500
Doubtful Debts Expenses	-	21,346	-	11,887	-	3,884	4,727	1,540	4,928	5,175	5,677
ICANN Contract Fee	179,473	225,376	176,835	233,082	298,515	245,405	243,468	236,503	358,696	321,172	322,000
Insurance Expense	18,263	13,364	65,652	77,119	84,970	86,383	115,894	122,462	133,822	116,097	130,700
Meeting and Training Expenses	139,669	121,184	107,080	92,920	113,202	119,676	143,318	169,293	138,458	266,215	381,100
Membership Fees	122,147	116,846	48,501	126,786	144,592	77,423	52,706	58,282	69,496	53,537	68,300
Miscellaneous Expenses	45,708	172,662	-	178,296	-	128,606	20,470	7,623	3,901	336,163	5,234
Office Operating Expenses	67,494	75,337	201,503	140,459	78,944	90,257	105,406	122,512	132,009	149,448	217,195
Postage & Delivery	27,118	35,174	64,321	55,063	58,902	44,829	35,714	30,270	27,170	24,915	34,000
Printing & Photocopy	21,678	44,048	37,525	47,581	38,337	38,696	36,249	41,863	24,309	22,130	43,100
Professional Fees	269,667	349,197	419,223	559,641	506,585	422,464	391,459	552,659	591,140	795,851	885,350
Recruitment Expense	47,462	40,308	68,897	61,922	66,240	87,699	91,504	152,845	73,836	136,263	101,000
Relocation Expenses											
Rent & Outgoings	215,158	249,299	320,219	331,540	370,321	397,254	446,076	614,054	611,805	632,743	-
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	6,033,254	6,587,852	7,406,255
Staff Training/Conference	49,224	87,910	77,412	65,915	47,655	61,014	83,355	122,058	107,973	144,502	151,727
Tax Expense	165,513	-	175,649	55,668	114,783	64,430	108,078	100,818	124,469	105,443	117,692
Translation Expenses	1,580	3,205	12,057	18,835	13,982	35,281	20,313	16,832	15,637	14,498	15,000
Travel Expenses	365,512	623,811	789,560	708,882	788,129	952,703	1,186,740	1,359,756	1,404,359	1,431,286	1,502,850
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	11,337,533	12,954,803	13,816,200
Increase		19.0%	14.8%	13.9%	7.2%	10.5%	13.1%	19.5%	5.5%	14.3%	6.6%

Expense Forecast Including Provisions

Expenses (AUD)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010(est)	2011
Bank Charges	20,077	24,917	25,951	28,454	41,665	56,336	67,504	62,945	65,148	80,968	88,000
Communication Expenses	86,811	162,819	213,848	143,539	164,567	125,248	208,217	171,713	156,901	335,000	427,368
Computer Expenses	51,095	48,209	54,547	74,713	88,819	151,993	145,026	164,196	381,519	331,411	593,415
Depreciation Expense	128,082	209,368	319,153	407,115	467,607	521,466	565,075	638,668	718,927	768,884	1,015,613
Donation/Sponsorship	82,182	94,907	55,726	106,037	54,341	110,707	140,575	180,186	177,469	220,657	306,500
Doubtful Debts Expenses	-	21,346	-	11,887	-	3,884	4,727	1,540	4,928	5,175	5,677
ICANN Contract Fee	179,473	225,376	176,835	233,082	298,515	245,405	243,468	236,503	358,696	321,172	322,000
Insurance Expense	18,263	13,364	65,652	77,119	84,970	86,383	115,894	122,462	133,822	116,097	130,700
Meeting and Training Expenses	139,669	121,184	107,080	92,920	113,202	119,676	143,318	169,293	138,458	266,215	381,100
Membership Fees	122,147	116,846	48,501	126,786	144,592	77,423	52,706	58,282	69,496	53,537	68,300
Miscellaneous Expenses	45,708	172,662	-	178,296	-	128,606	20,470	7,623	3,901	336,163	5,234
Office Operating Expenses	67,494	75,337	201,503	140,459	78,944	90,257	105,406	122,512	132,009	149,448	217,195
Postage & Delivery	27,118	35,174	64,321	55,063	58,902	44,829	35,714	30,270	27,170	24,915	34,000
Printing & Photocopy	21,678	44,048	37,525	47,581	38,337	38,696	36,249	41,863	24,309	22,130	43,100
Professional Fees	269,667	349,197	419,223	559,641	506,585	422,464	391,459	552,659	591,140	795,851	885,350
Recruitment Expense	47,462	40,308	68,897	61,922	66,240	87,699	91,504	152,845	73,836	136,263	101,000
Relocation Expenses											
Rent & Outgoings	215,158	249,299	320,219	331,540	370,321	397,254	446,076	614,054	611,805	632,743	418,923
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	6,033,254	6,587,852	7,406,255
Staff Training/Conference	49,224	87,910	77,412	65,915	47,655	61,014	83,355	122,058	107,973	144,502	151,727
Tax Expense	165,513	-	175,649	55,668	114,783	64,430	108,078	100,818	124,469	105,443	117,692
Translation Expenses	1,580	3,205	12,057	18,835	13,982	35,281	20,313	16,832	15,637	14,498	15,000
Travel Expenses	365,512	623,811	789,560	708,882	788,129	952,703	1,186,740	1,359,756	1,404,359	1,431,286	1,502,850
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	11,337,533	12,954,803	14,235,123
Increase		19.0%	14.8%	13.9%	7.2%	10.5%	13.1%	19.5%	5.5%	14.3%	9.9%

8.2 Expenses ranked by % variation to 2010

Expense Forecast - Analysis of change from 2010

Expenses (AUD)	2010(est)	2011	Change
Printing & Photocopy	22,130	43,100	94.8%
Computer Expenses	331,411	608,415	83.6%
Office Operating Expenses	149,448	217,195	45.3%
Meeting and Training Expenses	266,215	381,100	43.2%
Donation/Sponsorship	220,657	306,500	38.9%
Postage & Delivery	24,915	34,000	36.5%
Depreciation Expense	768,884	1,040,613	35.3%
Membership Fees	53,537	68,300	27.6%
Communication Expenses	335,000	427,368	27.6%
Professional Fees	795,851	910,350	14.4%
Salaries, Wages & Oncosts	6,587,852	7,506,255	13.9%
Insurance Expense	116,097	130,700	12.6%
Doubtful Debts Expenses	5,175	5,677	9.7%
Bank Charges	80,968	88,000	8.7%
Travel Expenses	1,431,286	1,527,850	6.7%
Staff Training/Conference	144,502	151,727	5.0%
Translation Expenses	14,498	15,000	3.5%
Miscellaneous Expenses	1,019	1,050	3.0%
Tax Expense	117,692	120,000	2.0%
ICANN Contract Fee	321,172	322,000	0.3%
Recruitment Expense	136,263	101,000	-25.9%
Rent & Outgoings	632,743	418,923	-33.8%
Office Relocation Expenses	397,488	-	-100.0%
Total	12,954,803	14,425,123	11.3%

8.2.1 Printing and Photocopy

Printing and Photocopy costs will increase in 2011 as a result of a number of new activities:

- The relocation will require changes in Stationery to reflect the new physical address
- The proposed APNIC rebranding will incur costs around reprinting stationery and meeting collateral

8.2.2 Computer Expenses

Computer expenses increase significantly over 2010 levels; the major increases are:

1. The current Radware load balancers are being replaced with F5 load balancers to provide full IPv6 support as well as site redundancy and failover. (Also see CAPEX below) The maintenance on these will cost \$45k in 2011.
2. Ongoing backup processes, critical to the DRP, will be improved through the purchase of a back-up manager; this will cost \$22.5k in 2011.
3. The CMS SLA has increase from \$21k in 2010 to \$45k in 2011, this is critical to the support and redundancy of the APNIC website.
4. The commercial support license for APNIC's system monitoring (upgraded from community version) will cost \$19k in 2011.
5. DNSSEC annual licensing fees will incur \$16k in 2011.
6. The budget includes and allowance for \$15k for license cost relating to the proposed new ERM initiative

7. The proposed calendaring and mail solution will cost an additional \$12k in 2011.

Major expenses in 2011 include:

• Cisco Smartnet Maintenance	\$50,000
• F5/Radware Maintenance	\$45,000
• CMS SLA	\$45,000
• NetAPP maintenance	\$42,100
• RedHat licenses x90	\$40,500
• Microsoft Office upgrades (70 upgrade - 10 new)	\$34,500
• Anycast service fees (New)	\$30,000
• LUNA PED-AUTH Maintenance	\$25,000
• (NEW) Backup manager Zmenda	\$22,500
• Zenoss Commercial support license	\$18,750
• RedHat - !JBoss x6	\$18,000
• ANS Annual Support NOMINUM DNS (USD)	\$18,000
• DNSSEC licensing costs	\$16,000
• SugarCRM license	\$15,200
• Elearning s/w licences (DimDim or WebEx)	\$15,000
• Barracuda	\$14,000
• (NEW) Calendaring service	\$12,375
• Software maintenance and Support	\$11,500
• VOIP licensing costs	\$10,000
• Elearning - upgrades and maintenance	\$10,000

8.2.3 Donation/Sponsorship

Donation/Sponsorship is budgeted to increase in 2011. APNIC's portion of the NRO expenses will increase from \$67k in 2010 to \$125k in 2011, APNIC will also contribute \$15k to the RIPE Atlas program.

8.2.4 Meeting and Training Expenses

Meeting and training expenses increase significantly in 2010, driving this increase are the following:

- Costs to run meetings in Hong Kong and Korea are significantly higher than KL and Gold Coast
- The meeting in Korea is schedule for 5 days compared to 4 for the Gold Coast
- Increases in direct meeting costs will be offset by sponsorship for the Meeting in Korea, included in Revenue under Sundry Income (Sponsorship)
- Member participation rates are expected to be higher in the 2011 meetings, due to the late change of venue to the gold coast in 2010.

8.2.5 Office Operating Expenses

Costs related to running APNIC facilities will increase in 2011, reflecting the move to the new location in December, these costs include rates and taxes and other facility management costs involved in owning and inhabiting the new building. These costs will be offset by the significant savings in costs paid to the Landlord as part of the lease arrangements in the Park Road Offices.

8.2.6 Postage and Delivery

Delivery costs will increase to account for the costs of shipping equipment to Korea, during 2010 there was only minimal cost as the APNIC stand-alone meeting was held locally and staff delivered all equipment.

8.2.7 Depreciation Expenses

Depreciation expenses will increase to account for the depreciation and Capital allowances that relate to the refurbishment and relocation to the new premises. Depreciation of the capital costs involved in the refurbishment will be brought to account from the certification date (planned for 17/12/2010).

8.2.8 Communication Expenses

Communication expenses increase in 2011 as a result of the new commitments undertaken during 2010 as part of the High Availability initiative, which significantly improves APNIC's site and network redundancy.

The new "dark fibre" between Co-locations and the new office that was budgeted in 2010 only incurred expenses of around \$80k in 2010, while the full annual cost will be \$120,000, representing an increase of \$40k on last year.

The Interactive rack space was budgeted in 2010 at \$30k, but only 16k was expensed in 2010, this will cost \$45k in 2011.

Reach have re-engineered their network and are unable to continue offering free transit in Honk Kong, the cost for the HKIX uplink to be provided through an alternate supplier will cost of \$24k.

The proposed Secondary Any-cast project is anticipated to begin in the second half of 2011 is intended to provide better in-region service and will cost another \$36k in 2011, and \$72k in 2012.

Major Expenses on 2011:

• PIPE fibre - Office - Soul – Interactive (New)	\$120,000
• Interactive - Soul (or Vocus) Up-link	\$51,408
• Office - Telstra Dual Uplink	\$50,400
• Interactive - 2x Rack Space	\$44,760
• Soul - 2x Rack space	\$33,600
• WebCentral - Dark fibre to EQUINIX	\$25,800
• (NEW) HKIX Up-Link	\$24,000
• (NEW) 2xSecondary anycast (Up-link)	\$24,000
• Mobile phone for international access	\$12,000
• WebCentral - Peering to PIPE-IX	\$12,000
• (NEW) 2xSecondary anycast (Rack/Power)	\$12,000

8.2.9 Salary & Wages

Salary and wages expense before including new Initiatives will increase by 13.9% in 2011. The budget contains allowances for 2 new positions in 2011, these positions are:

- Community Relations Manager
- Front Office receptionist/assistant

The salary budget includes an allowance of 5% to cover performance improvement, promotions, position changes and movement in the employment market; as well as the full annual salary cost for 3 positions that were approved during 2010.

There are 2 positions that will be starting on January 2011 that were approved as part of the 2010 budget, but not appointed until recently:

- Senior Systems Architect
- Events Manager

All new positions are negotiated as fixed term 2-year contracts.

8.2.10 Insurance Expenses

Insurance expenses will be higher in 2011 to account for the overlap between the 2 premises and the increased costs related to insuring the building and contents of the new premises. APNIC will need to retain a level of insurance in the old premises until they are entirely leased.

8.2.11 Professional Fees

Professional Fees will increase for 2011; the major increases are caused by increase in legal fees relating to the likely requirement for legal counsel at all future APNIC meetings and ongoing increases in legal consulting. Included in the 2011 budget is an allowance for the audit of APNIC’s Business continuity Plan, allowances for EC Strategy workshop facilitation, and for consulting work relating to the Rebranding exercise. The major expenses include:

• Provision for legal fees 2010(Including HR)	\$125,000
• F-root annual fee	\$110,000
• APNIC contribution to ISIF - Supplement	\$100,000
• Accounting and Audit Fees	\$85,000
• PR Agency	\$60,000
• Swinburne University Research	\$50,000
• Other Consulting - Business Contingency	\$45,000
• F-root new site establishment fee	\$33,000
• Global Strategy Group	\$32,500
• Rebranding Consulting	\$25,000
• Training consultants	\$25,000
• Executive Coaching	\$24,600
• Document scanning project	\$20,000
• Primekey development for RPKI signer	\$15,000

8.2.12 Travel Expenses

Travel expenses continue to increase; during 2010 there was some savings as a result of holding the APNIC meeting at the Gold Coast. Although there were significant increases in the travel proposals in the budget preparation process, the budget will cap increases to a flat 5%, through careful management of travel and travel policies.

9. Capital Expenditure 2011

9.1 CAPEX 2010

CAPEX spending on Equipment & Software was significantly below budget in 2010, in some circumstances more cost effective solutions are to be implemented in 2011, in other cases, more cost effective solutions were deployed. Lack of resources interfered with plans for CAPEX during the year. The Systems architect role will not be filled until January 2011, this role was critical to the role out of a number of hardware initiatives.

- Root Server equipment was not purchased in 2010 \$150k
- Third COLO equipment was budgeted at \$135k, actual spend was around \$80k
- \$45 was budgeted for firewall services, a more cost effective solution will be implemented in 2011
- \$40k was budgeted for CMS system components but was not spend due to the SLA
- The intrusion prevention system will be implemented in 2011, budget for 2010 was \$36k
- The \$20k budgeted for a new RadWare load balancer was not spent
- Sinkhole and looking glass routers worth \$27k were not purchased
- Physical security for 2010 was budgeted at \$20k but was not spent.

9.2 CAPEX 2011

CAPEX for 2011 increases significantly on that incurred during 2010, with many of the projected costs for 2011, being those previously approved in the 2010 budget submission. The major increases relate to the following:

1. New Capital expenditure of \$116k is required to replace ageing Radware equipment and replacing with F5 Load Balancers, this equipment is critical to all services and a critical part of our network redundancy.
2. Prior to APNIC31, the meeting network and video equipment will be upgraded to improve efficiency, quality, ease of use; this is projected to cost \$95k.
3. The cost to setup the new Secondary Anycast services will be \$82k in 2010
4. Equipment refresh for switches in Brisbane Colo, 2 in the new office and 1 in the Ashburn Colo in the US will cost \$70k.
5. Replacement of staff laptops and equipment will cost \$133k in 2011.
6. Costs to set up equipment for long-term storage and analysis of network traffic data 60TB, \$53k.
7. Planned for Q2 is the implementation of SPAM filtering as a front line measure using additional Barracuda units, this will cost \$42k.
8. There is allowance totalling \$75k that represents the balance of the CAPEX approval for the building acquisition and refurbishment, this amount will be used for any expenditure required in the new premises.

Details of the major Capital expenditure for 2011 are set out below:

Equipment & Software -

• Root Server/TTM deployment and replacements	\$150,000
• Staff laptops and equipment	\$133,000
• Load Balancer maintenance - 4x F5	\$116,000
• APNIC meeting network & video support	\$95,000
• 2xSecondary anycast	\$82,000
• Switches - 2xSoul - 2xOffice - 1xUS	\$70,000
• R&D Storage space - 60Tb	\$53000
• EMail service - SPAM firewall	\$42000
• 6xBlade servers to expand virtual server capacity	\$36000

- Intrusion Prevention System \$36000
- VOIP Replacement - new phones \$35000
- Training Lab \$30000
- Certification services - cold spare HSM for RPKI \$28000
- Statistics collection nodes (2x) \$25000

Other Capital Expenditure

- Allowance for new office furniture \$60,000
- Allowance for office improvements \$15,000

16 December 2010

APNIC EC Briefing Note

The EC Election Review Panel has made the following specific recommendations relating to the conduct of the EC Elections:

1. Chair of the EC Election

The EC is to appoint a Chair of the EC Election. This individual is to be responsible for the conduct of all aspects of the election procedure and shall have the delegated authority from the EC to discharge this responsibility, including the adjudication of disputes.

This position is responsible for the conduct of the all processes associated with the EC Election.

2. Scrutineers

The Chair of the Election shall select independent scrutineers to observe the EC election process, including the counting of votes. Scrutineers are to be drawn from ICANN staff, staff members of other RIRs, and staff members from ISOC who are present at the APNIC Member Meeting.

3. Counting the Vote

The vote is to be counted by staff members from the APNIC Secretariat. The scrutineers are able to observe the operation of the counting of votes.

4. Ballots

Ballot papers with 1, 2, 4, 8 and 16 votes are to be used in the election. The 64 and 32 vote ballot papers are to be discontinued.

5. Published Documentation

The election procedure, including the procedure that is to be used to count ballots in EC Elections and the manner of dispute resolution, are to be comprehensively documented and published as a public document.

These recommendations are contained in section 3 of the APNIC Executive Council Election Review Panel Report.