

APNIC EC Meeting Minutes

Face-to-Face Meeting

Sunday, 29 August 2011

Meeting Start: 09:15 (UTC +0900)

Present

Akinori Maemura
Ma Yan
James Spenceley
Che-Hoo Cheng
Kenny Huang
Gaurab Raj Upadhaya
Wendy Zhao
Paul Wilson

Geoff Huston
Connie Chan
Irene Chan
Richard Brown
Craig Ng

Agenda

1. Agenda Bashing
2. Review of Minutes
3. Financial Reports
4. D-G Report
5. NC Election Procedure
6. APNIC 33 and APNIC 34
7. Insurance Report Review
8. Member Decision Processes
9. Strategic Planning Review
10. Joint meeting with APNIC NRO NC members
11. AOB

Minutes

The Chair of the Executive Council called the meeting to order at 09:15 (UTC+0900).

1. Agenda Bashing

There were no changes to the agenda.

2. Review of Minutes and Actions

The minutes of the meeting held on 21 July 2011 were approved.

Action ec-11-014: Secretariat to publish minutes of the 21 July 2011 meeting.

3. Financial Report

The Financial Report for July 2011 was reviewed (attached).

At the end of July, APNIC maintained \$7.6m in cash reserves, \$1.1m in managed fund investments. The APNIC Office Building is valued at \$7.4m.

Expenses are 1% lower than the pro-rata budget projection, due mainly to the Auditor's request to write down of the residual lease liability for the Park Road Office in the 2010 accounts. Revenue is up by 4.5% from the pro-rata budget projection, as resource allocations made to new members has been greater than anticipated in the budget projections. The projected operating surplus for 2011 is currently projected to be some \$911K.

At the end of July 2011, APNIC had a total of 2,792 members serving 52 economies.

The EC requested further consideration be given to an alteration of the relative balance between the resource application fee and the associate membership fee for the 2012 APNIC budget.

The EC requested that future financial reports include a cash flow statement to measure actual cash flow against the budgeted cash flow.

Action ec-11-015: Secretariat to include consideration of potential changes in the relative balance between the resource application fee and the associate membership fee for the 2012 budget.

Action ec-11-016: Secretariat to include a cash flow statement in the regular financial reports.

The EC requested the preparation of a profile of the applicants for allocations made under the Last /8 policies by country and by industry sector, if known.

Action ec-11-017: Secretariat to prepare a profile of the applicants for allocation made under the Last /8 Policy.

4. Director General's Report

APNIC received a visit on 25-26 July from officials of NIXI, DIT India, DOT India, and CERT-IN, for discussions about the formation of the India NIR. Agreement was reached for APNIC to provide hosted NIR services for NIXI until such time as they are able to deploy in-house services. Services to be provided will be developed over time, with service fees to be determined (in addition to normal NIR fees). Remaining training and development will be focussed on development of NIXI readiness to operate the NIR via this platform. These developments require a significant investment, but will be offered to existing NIRs and to new NIRs in future.

An NRO EC retreat meeting was held in Uruguay during August, and included discussions on the following topics:

- Restarting an NRO coordination group on Public Affairs matter
- The question of implementing an RPKI Global Trust Anchor within ICANN
- Current review of the ASO
- Status of regional and global policy discussions on IPv4 transfers and returns/reallocation

- Development of REST/XML standards for whois objects

The D-G noted that the current timing of the biennial APNIC Member and Stakeholder survey was such that it was taking some time for the results of the survey to be integrated into the annual APNIC activity planning and budget process. It was proposed to conduct the next APNIC Member and Stakeholder survey in the period from March 2012 through to July 2012, thereby allowing the results of this survey to be incorporated into the APNIC 2013 activity planning process. Prof Ang and Dr Earls have agreed to conduct this survey for the APNIC EC, and it is envisaged that the survey will be conducted along similar lines to the 2011 survey.

The D-G noted some forthcoming changes to the organization of the APNIC meeting concerning the open session and the APNIC Member Meeting for APNIC 32.

The EC will meet with Dr. Eun-Ju Kim, the head of the regional ITU office in Bangkok, during APNIC 32 to discuss topics of mutual interest.

5. NC Election Procedure

The D-G reported that Professor Kilnam Chon has agreed to undertake the role of Election Chair for the Number Council election to be held at APNIC 32.

6. APNIC 33 and APNIC 34 Meetings

The EC reviewed the status of preparations relating to APNIC 33.

The EC decided to accept a proposal from Mekongnet to host APNIC 34 in Phnom Penh.

7. Insurance Review Report

It was reported that the Secretariat has received a draft report on a review on APNIC insurance cover, undertaken by Aon Global Risk Consulting. This review process has included an assessment of the risk profile for APNIC, and consideration of the options of levels of insurance and costs. The consultants have provided APNIC with an initial draft of a report that compares risk with the level of insurance. The report is close to completion, but is subject to further revision to complete the review. The final insurance review report will be circulated to the EC when received by the Secretariat.

The APNIC Secretariat will maintain a risk register to form the basis for future risk studies and insurance reviews by APNIC.

8. Member Decision Processes and Working Groups

The EC reviewed the status of the Working Groups on Voting and engagement with Governments. The EC noted an expectation was that these Working Groups were to report on their activity at APNIC 32. The EC noted a requirement to review any requests for an extension of the charter of these Working Groups past APNIC32.

The EC reviewed a draft of a process for the support of member petitions. The draft was passed to APNIC General Counsel for further review.

Action ec-11-018: APNIC General Counsel to review the draft member petition process

9. Strategic Planning Review

The EC considered a number of topics related to the ongoing strategic planning program. The topics considered in this session covered

- Options for a future NIR structure for APNIC
- Medium term financial outlook for APNIC
- IPv4 Exhaustion and IPv6 Transition

10. Joint meeting with APNIC NRO NC members

The APNIC EC met with APNIC members of the NRO Number Council.

11. AOB

There were no items of other business.

Next Scheduled Meeting

Thursday, 15 September 2011 (teleconference)

Meeting closed: 5:55 pm (UTC+0900)

Summary of Action Items

- Action ec-11-005:** EC to review insurance coverage and membership agreement on an annual basis
- Action ec-11-014:** Secretariat to publish minutes of the 21 July 2011 meeting.
- Action ec-11-015:** Secretariat to include consideration of potential changes in the relative balance between the resource application fee and the associate membership fee for the 2012 budget.
- Action ec-11-016:** Secretariat to include a cash flow statement in the regular financial reports.
- Action ec-11-017:** Secretariat to prepare a profile of the applicants for allocation made under the Last /8 Policy.
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Monthly financial report

(in AUD)

For the month ending July 2011

1. Balance Sheet

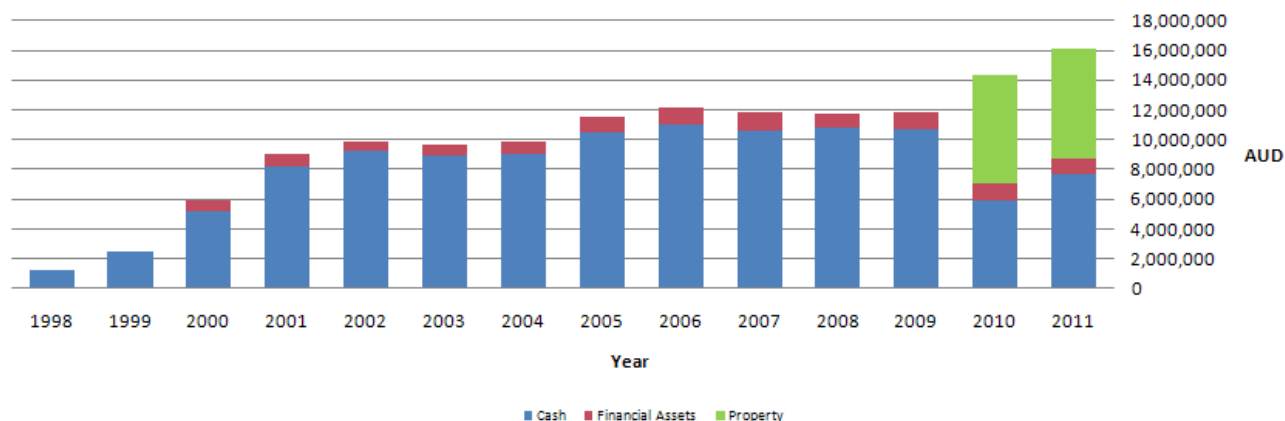
Statement of Financial Position (AU\$)					
	31/07/2011	% of Total Asset or Liab+Equity	% change 31/12/2010	Year-End 2010	Year-End 2009
CURRENT ASSETS					
Cash/ Short term deposits (less than 12 Months)	6,647,896	35%	11.7%	5,953,850	6,686,084
Term deposit investment (12 months)	1,000,000	5%	0.0%	0	2,300,000
Receivables	1,267,699	7%	44.3%	878,766	496,734
Others	500,467	3%	-40.9%	847,108	869,780
TOTAL CURRENT ASSETS	9,416,062	49%	22.6%	7,679,724	10,352,598
NON-CURRENT ASSETS					
Other financial assets	1,100,412	6%	-3.3%	1,137,515	1,127,796
Property, plant and equipment	8,724,418	45%	4.0%	8,390,655	1,607,819
Long term deposit investment (more than 12 months)	0	0%	0.0%	0	1,700,000
TOTAL NON-CURRENT ASSETS	9,824,830	51%	3.1%	9,528,170	4,435,615
TOTAL ASSETS	19,240,892	100%	11.8%	17,207,895	14,788,213
CURRENT LIABILITIES					
Payables	238,553	1%	-42.7%	416,262	797,989
Provisions	1,290,951	7%	-24.1%	1,701,920	1,055,625
Unearned revenue	6,807,269	35%	12.1%	6,074,215	4,130,987
TOTAL LIABILITIES	8,336,773	43%	1.8%	8,192,397	5,984,601
EQUITY					
Share capital	1.00	0%	0.0%	1.00	1.00
Reserves other financial assets investment *	73,848	0%	0.0%	128,004	166,675
Retained earnings	10,830,270	56%	21.9%	8,887,492	8,636,936
TOTAL EQUITY	10,904,119	57%	20.9%	9,015,497	8,803,612
TOTAL LIABILITIES & EQUITY	19,240,892	100%	11.8%	17,207,895	14,788,213

Note:

* Reserves on other financial assets investment – This balance is due to the revaluation of our investment in unit trusts and was based on the market valuation as at the end of June 2011. These investments are revalued on a quarterly basis.

1.1 APNIC Reserve

The APNIC Reserve is diversified between Cash Investments, Managed Funds, and Property (APNIC Office). At the end of July, APNIC maintained \$7.6m in cash reserves, \$1.1m in managed fund investments and \$7.4m was invested in the APNIC Property. The following chart tracks the value and the allocation of these reserves over time:



2. Income Statement

2.1 Expenses

This report incorporates the year to date, budget and projected estimates. The Year to Date (YTD) actual figures are compared to the figures for the same period last year. The Forecast figures are based on forecast estimates of expenditure.

EXPENSES (AUD)	YTD Jul-11	YTD Jul-10	Variance %	**Forecast	Forecast Variation %	Budget 2011
Bank charges *	56,819	43,499	30.6%	99,720	13.3%	88,000
Communication expenses *	271,578	136,461	99.0%	479,279	12.1%	427,368
Computer expenses	226,422	204,923	10.5%	640,000	7.9%	593,415
Depreciation expense	488,540	413,120	18.3%	931,235	-8.3%	1,015,613
Sponsorship and Publicity expenses	108,035	96,137	12.4%	306,500	0.0%	306,500
Doubtful debt expenses *	137	0	152577.8%	21,855	285.0%	5,677
ICANN contract fee *	166,185	187,350	-11.3%	284,889	-11.5%	322,000
Insurance expense	69,899	69,341	0.8%	120,061	-8.1%	130,700
Meeting and training expenses	149,197	57,437	159.8%	407,667	7.0%	381,100
Membership fees	31,781	31,041	2.4%	68,300	0.0%	68,300
Miscellaneous expenses	645	517	24.8%	1,050	0.0%	1,050
Office operating expenses *	177,411	105,666	67.9%	276,861	27.5%	217,195
Postage & delivery	16,778	17,077	-1.8%	34,000	0.0%	34,000
Printing & photocopy	16,963	14,805	14.6%	43,100	0.0%	43,100
Professional fees *	306,270	339,490	-9.8%	883,344	-0.2%	885,350
Recruitment expense	58,072	79,315	-26.8%	101,000	0.0%	101,000
Rent and outgoings *	0	371,776	-100.0%	0	-100.0%	418,923
Salaries and personnel expenses *	3,814,760	3,458,021	10.3%	7,350,000	-0.8%	7,406,255
Staff training/conference expenses	75,109	84,230	-10.8%	151,727	0.0%	151,727
Tax expense	0	0	0.0%	150,000	25.0%	120,000
Translation expenses	0	0	0.0%	15,000	0.0%	15,000
Travel expenses *	849,998	810,180	4.9%	1,732,484	15.3%	1,502,850
	0	0	0.0%			
TOTAL EXPENSES	6,884,600	6,520,385	5.6%	14,098,072	-1.0%	14,235,123

2.2 Revenue

Revenue (AUD)	YTD Jul-11	YTD Jul-10	Variance %	**Forecast	Forecast Variation %	Budget 2011
Interest income	190,754	225,010	-15.2%	319,484	-3.2%	330,000
IP Resource application fees *	933,250	715,986	30.3%	1,363,934	20.9%	1,128,316
Membership fees *	7,344,377	5,394,044	36.2%	12,954,746	3.5%	12,511,220
Non-members fees *	110,398	82,024	34.6%	209,000	31.9%	158,506
Per Allocation fees	0	945,125	-100.0%	0	0.0%	0
Reactivation fees	16,500	16,500	0.0%	21,000	30.7%	16,063
Sundry income *	217,324	134,402	61.7%	230,391	-21.9%	295,000
Foreign exchange gain/(loss)	(9,226)	7,103	-229.9%	(9,302)	0.0%	0
TOTAL REVENUE	8,803,378	7,520,193	17.1%	15,089,254	4.5%	14,439,105

2.3 Operating Profit/ Loss

REVENUE and EXPENSES (AUD)	YTD Jul-11	YTD Jul-10	Variance %	**Forecast	Forecast Variation %	Budget 2011
Total Revenue	8,803,378	7,520,193	17.1%	15,089,254	4.5%	14,439,105
Total Expenses	6,884,600	6,520,385	5.6%	14,098,072	-1.0%	14,235,123
OPERATING PROFIT/(LOSS)	1,918,778	999,808	91.9%	991,181		203,982

Notes:

2011 **Forecast

Similar to the June monthly financial report, the forecast values in the Income statement are the projected estimates based on a review of actual expenditure as at the end of June combined with estimated future projections and known commitments.

The major factors causing the variance between the forecast and budget were similar to last as followed:

1. Revenue

- **IP Resource application fees** – The increase in allocations made to new members has been much greater than anticipated, contradicting our conservative approach in the budget submission.
- **Membership fees** – Membership fees continues to increase to reflect the full integration of the 2010 fee schedule, increase in allocations to new and existing members has also been higher than anticipated in the budget development.
- **Non-members fees** – Non-member fees increase to reflect the integration of the 2011 fee schedule from the beginning of the year.
- **Sundry income** – The majority of the budget is income here comes from the APNIC standalone meeting and from income on investments. The KISA contribution for APNIC32 of \$111k is included in the forecast.

2. Expenses

The timing of expenses is not evenly distributed over the calendar year, but our expectations of the full year expenses remain in line with the current forecast.

Notes for some significant variance are as followed:-

- **Bank charges** – There is a continuing general trend towards payment of APNIC fees via credit card facilities, resulting in increasing Merchant fee charges. Transactions costs continue to increase in line with membership growth.
- **Communication expenses** – There were a number of one-off costs in relation to the new facilities that were underestimated in the budget. Future expenditure is much more predictable.
- **Depreciation Expenses** – Final Capital Allowance and Depreciation figures for the new building provided by the Quantity surveyor or less than our budget estimates.
- **Doubtful debt expenses** – Audit advice has required a different treatment of these expenses.
- **ICANN contract fee** – APNIC's proportion of NRO expenses is lower than budgeted due to favourable exchange rates.
- **Office operating expenses** – Changes to land tax rates have had a significant effect here, electricity costs have been higher than anticipated, but have been addressed under a new agreement that is effective from the end of July
- **Professional fees** – A majority of expenses budgeted for consulting projects and the contribution for ISIF have not been incurred to date. Controlling of these costs remains a priority for the management team.
- **Rent and outgoings** – The lease commitment for the Milton office rent was fully expensed in 2010, no expenses will be incurred in 2011. There are currently negotiations underway to surrender a further 183M2 (40%) of the existing leased space, aiming for agreement by the end of this month.
- **Salaries and personnel expenses** – Forecast estimates for Salary and Wages are lower than budgeted. There are a number of budgeted roles that remain vacant.
- **Travel expenses** – Travel for the first half the year is well above anticipated levels, this trend will continue into the second half of the year as demand for travel continues to increase.

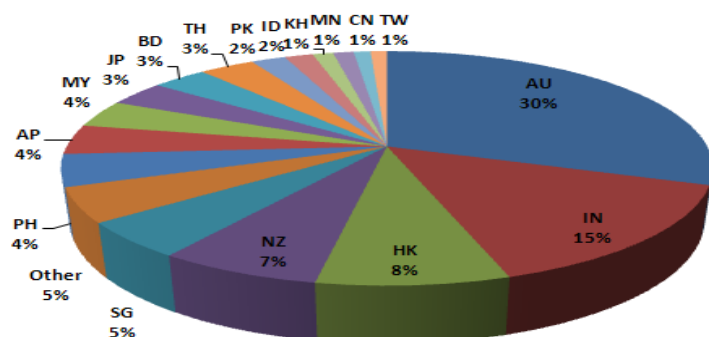
3. Membership

3.1 Membership Statistics

At the end of July 2011, APNIC had a total of 2,792 members serving 52 economies. In July, membership growth has slow down a bit, with net growth of 29 members. The original budget submission had forecast 2773 members by the end of 2011, which has already been exceeded.

3.1.1 Membership by Economy

The following chart illustrates the APNIC membership distribution by economy.



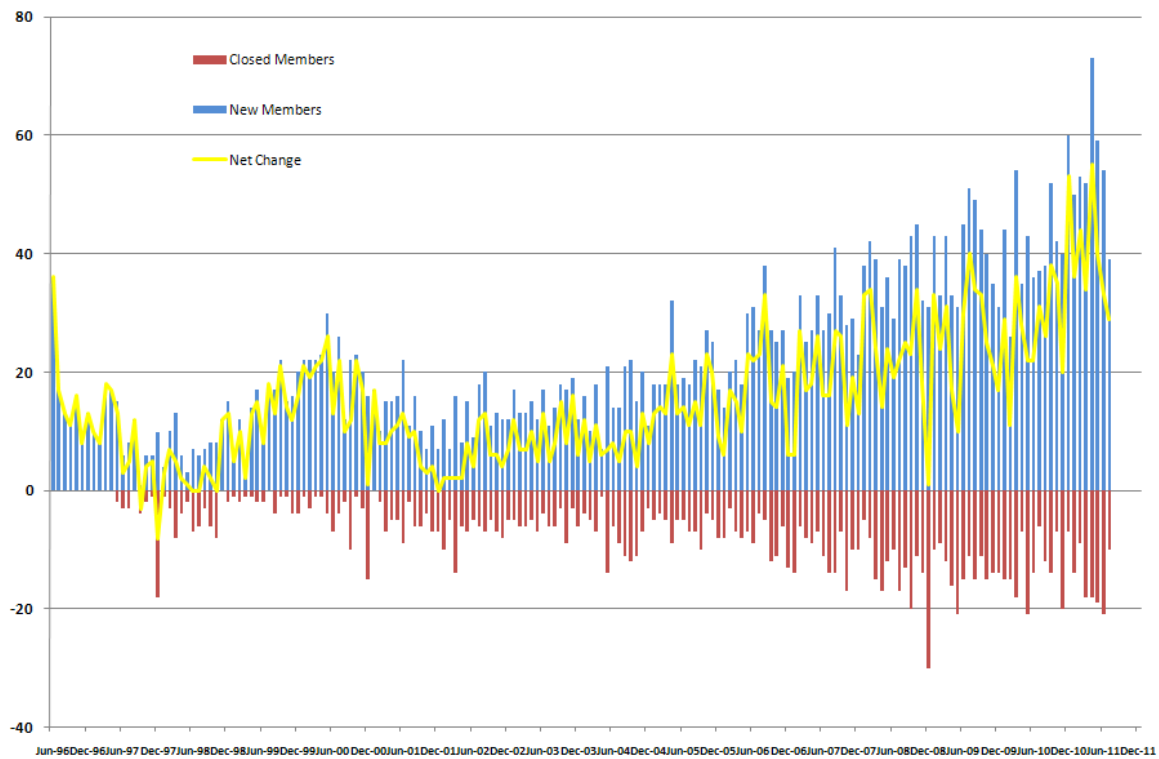
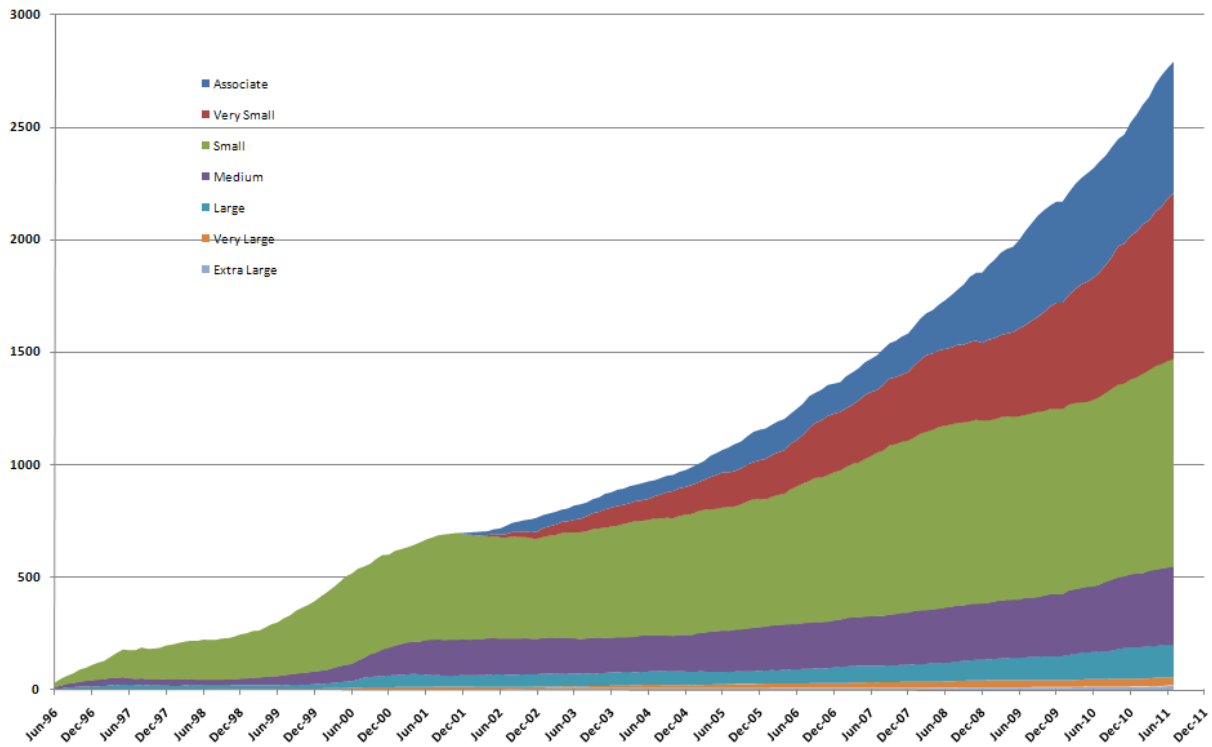
3.1.2 Membership by Category

The following table shows the monthly changes in membership and provides an analysis of APNIC's membership tiers. The majority of APNIC members remain in the Small membership tier.

Membership	Total Jun-11	New Jul-11	Reactivated Jul-11	(Closed) Jul-11	Size Change Jul-11	Total YTD Jul-11	Total YTD (%) Jul-11
Extra Large	20	0	0	0	0	20	1%
Very Large	36	0	0	0	1	37	1%
Large	143	0	0	0	(1)	142	5%
Medium	345	0	0	(1)	6	350	13%
Small	918	2	0	(5)	8	923	33%
Very Small	721	1	1	(3)	16	736	26%
Associate	580	35	0	(1)	(30)	584	21%
TOTAL	2763	38	1	(10)	0	2792	100%

3.1.3 Membership Movement

The following graph illustrates APNIC total membership growth and membership monthly movements.



3.1.4 Year to Date Membership Movement by Economy

The graph below illustrates the year to date new and closed membership movement by economy. Australia has the highest number of both new and closed members, with 128 new and 27 closed members; followed by India.

