

APNIC EC Meeting Minutes

Teleconference

Thursday, 20 September 2012

Meeting Start: 4:00pm (UTC +10:00)

Present

Akinori Maemura
Ma Yan
Che-Hoo Cheng
Kenny Huang
Gaurab Raj Upadhaya
Paul Wilson

Geoff Huston
Richard Brown
Irene Chan
Sanjaya
Craig Ng

Apologies

James Spenceley
Wendy Zhao

Agenda

1. Agenda Bashing
2. Review of Previous Minutes
3. Financial Report
4. NIR agreement
5. 2013 Budget Preparation
6. APNIC and RIPE NCC Cooperation Agreement
7. DG Report
8. AOB

Minutes

The EC Chair called the meeting to order at 4:06 pm.

1. Agenda Bashing

There were no changes to the agenda.

2. Review of Minutes and Actions

The minutes of the meeting held on 27 August 2012, were unanimously approved.

Motion to approve the minutes proposed by Kenny Huang, seconded by: Che-Hoo Cheng

Followup Action: The EC requested that the Secretariat publish a background note to members relating to the considerations of cost and risk associated with processing address transfers

3. Financial Report

The EC noted the August 2012 financial report (attached).

The total asset position within APNIC is reported as an 16.6% increase over the net asset levels as of the end of 2011. This is partly due to the variations in the invoice and expenses at this point in the financial year.

The current operating income is 5.3% above the pro-rata monthly income as projected by the 2012 budget, and expenses are 3.9% below budget. Membership enrolment levels continue to be strong, and the cost-recovery training program has been deferred. The projected operating surplus for 2012 is currently \$2.2M operating surplus.

There are 3,370 APNIC members as of the end of August, The membership enrolment levels are predominately in the Small and Very Small membership categories, broadly reflective of the current IPv4 address allocation policies. Strong membership growth has been recorded from Australia, India and Japan through 2012.

The EC noted the August financial report as representing the financial position of APNIC as of the end of the August 2012, and the EC was satisfied that the company is solvent and able to meet all current debts.

4. NIR Agreement

Four comments from NIRs have been received on the current draft of this agreement. Changes have been incorporated into the draft agreement as appropriate, and a copy of the amended agreement is to be considered at the October EC meeting.

5. 2013 Budget Preparation

Consideration of this matter is to be deferred to the next EC meeting.

The D-G drew the EC's attention to matter of reconsideration of the initial allocation fee, to be considered by the EC as part of this agenda item in the next EC meeting.

6. APNIC and RIPE NCC Cooperation Agreement

The EC agreed to direct the Director-General to sign this cooperation agreement (attached) with the RIPE NCC.

7. DG Report

The Director General reported to the EC on various matters.

- Update on the member survey: the next step is for the EC to publish a response to the survey. This response is being drafted for consideration by the EC at the October meeting

- APNIC is in preparation for budgeting for 2013. This includes diversification of APNIC's banking needs and consideration of further options for the treatment of the capital reserve as well as expenditure planning in the budget. The proposal for the consideration of the initial allocation fee is part of the proposed 2013 budget planning process
- Consideration for support of the formation of the Public Policy Advisory Committee (PPAC) will be included in the EC response to the 2012 Membership and Stakeholder Survey. APNIC Secretariat is planning as part of the APNIC 35 meeting to make a room and time available for a community discussion on government and governance issues
- It was noted that the EC has yet to decide upon a place and a time for the annual EC retreat meeting. There is some indications to hold this retreat in Japan in the 3rd week of December.
- Joint LACNIC Board / APNICEC meeting scheduled for Montevideo on 30th October
- The I* meeting in London in September (ISOC, ICANN, W3C, IESG, IAB RIRs,) discussed various topics of common interest
- NRO EC meeting after the I* meeting discussed options for NRO Secretariat staffing structure
- RPKI implementations. It was noted that the RIPE NCC is undertaking community consultations over its role in supporting RPKI services. It was also noted that ARIN is taking a position moderated by legal considerations relating to the third party use of ARIN-maintained and published TA material.
- Collaboration with ITU-D in training and workshops on IPv6 is progressing well
- WTPF preparatory meeting will be held in October
- HR matters: APNIC's Marketing Consultant has completed her contract of employment, and APNIC is now reconsidering its future needs in the marketing and communications area. Temporary changes in the technical area due to the long service leave on the part of the Technical director in early 2013

8. AOB

There were no items of AOB.

Next Scheduled Meeting

30 October, 2012 (Face to Face)

Meeting Adjourned: 4:55 pm (UTC+900) Thursday 20 September 2012

Monthly Financial Report (in AUD)

August 2012

APNIC



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Statement of Financial Position

| | 31/08/2012 | % of Total | % change 31/12/2011 | Year-End 2011 |
|--|-------------------|-------------|------------------------|-------------------|
| CURRENT ASSETS | | | | |
| Cash/ Term deposits | 12,126,386 | 51% | 34.0% | 9,048,267 |
| Receivables | 1,442,723 | 6% | 33.9% | 1,077,330 |
| Others | 703,853 | 3% | 16.4% | 604,933 |
| TOTAL CURRENT ASSETS | 14,272,962 | 61% | 33.0% | 10,730,530 |
| NON-CURRENT ASSETS | | | | |
| Other financial assets | 1,026,892 | 4% | 4.1% | 986,920 |
| Property, plant and equipment | 8,205,865 | 35% | -2.7% | 8,436,968 |
| Deferred tax assets | 60,985 | 0% | 0.0% | 60,985 |
| TOTAL NON-CURRENT ASSETS | 9,293,743 | 39% | -2.0% | 9,484,874 |
| TOTAL ASSETS | 23,566,705 | 100% | 16.6% | 20,215,404 |
| CURRENT LIABILITIES | | | | |
| Payables | 747,656 | 3% | 67.8% | 445,677 |
| Provisions | 1,191,859 | 5% | 0.1% | 1,190,748 |
| Unearned revenue | 7,861,838 | 33% | 9.6% | 7,171,080 |
| TOTAL LIABILITIES | 9,801,353 | 42% | 11.3% | 8,807,506 |
| EQUITY | | | | |
| Share capital | 1.00 | 0% | 0.0% | 1.00 |
| Reserves other financial assets investment * | (12,230) | 0% | 0.0% | (43,085) |
| Retained earnings | 13,777,581 | 58% | 20.3% | 11,450,982 |
| TOTAL EQUITY | 13,765,352 | 58% | 20.7% | 11,407,898 |
| TOTAL LIABILITIES & EQUITY | 23,566,705 | 100% | 16.6% | 20,215,404 |

Note:

* Reserves on other financial assets investment – This balance is due to the revaluation of our investment in unit trusts based on the market valuation as at the end of June 2012. These investments are revalued on a quarterly basis.

Notes to the 2012 Balance Sheet

The total asset position for APNIC as at the end of August 2012 has continued to increase when compared to the position at the end of 2011. The major factors causing the change are:

- The increase in the “Cash” position is primarily due to the timing impact of expenses and growth in revenue. Cash includes amounts held in the operating account and short-term deposits of up to 12 months.

Statement of Income

Expenses

This report incorporates the year to date, budget and forecast estimates. The Year to Date (YTD) are the actual figures compared to the figures for the same period last year. As per the previous report, the Forecast figures have been derived from a detailed review of the expected revenues and committed and planned expenditure for 2012.

| EXPENSES (AUD) | YTD Aug-12 | YTD Aug-11 | Variance % | Forecast 2012 | Forecast Variation to Budget | Forecast Variation | Budget 2012 |
|------------------------------------|------------------|------------------|--------------|-------------------|------------------------------|--------------------|-------------------|
| Bank charges | 85,141 | 67,529 | 26.1% | 116,328 | 328 | 0.3% | 116,000 |
| Communication expenses * | 281,664 | 298,626 | -5.7% | 428,890 | (15,878) | -3.6% | 444,768 |
| Computer expenses | 343,669 | 260,330 | 32.0% | 473,812 | (100,000) | -17.4% | 573,812 |
| Depreciation expense * | 558,677 | 558,910 | 0.0% | 850,580 | (49,420) | -5.5% | 900,000 |
| Doubtful debt expenses | 1,258 | 137 | 815.4% | 25,000 | 0 | 0.0% | 25,000 |
| ICANN contract fee | 210,552 | 189,926 | 10.9% | 321,655 | 11,655 | 3.8% | 310,000 |
| Income tax expense * | 0 | 0 | 0.0% | 76,500 | (73,500) | -49.0% | 150,000 |
| Insurance expense | 85,965 | 80,836 | 6.3% | 125,869 | (2,731) | -2.1% | 128,600 |
| Meeting and training expenses | 159,268 | 158,418 | 0.5% | 490,400 | 0 | 0.0% | 490,400 |
| Membership fees | 45,779 | 35,972 | 27.3% | 70,400 | 0 | 0.0% | 70,400 |
| Miscellaneous expenses | 2 | 1,252 | -99.8% | 500 | (500) | -50.0% | 1,000 |
| Office operating expenses * | 167,284 | 185,047 | -9.6% | 257,814 | 18,369 | 7.7% | 239,445 |
| Postage & delivery | 15,363 | 21,385 | -28.2% | 34,500 | 0 | 0.0% | 34,500 |
| Printing & photocopy | 21,615 | 18,836 | 14.8% | 52,600 | (15,000) | -22.2% | 67,600 |
| Professional fees | 382,183 | 338,129 | 13.0% | 923,369 | 23,019 | 2.6% | 900,350 |
| Recruitment expense | 64,688 | 73,762 | -12.3% | 116,000 | 15,000 | 14.9% | 101,000 |
| Salaries and personnel expenses | 5,365,540 | 4,355,963 | 23.2% | 8,245,603 | 0 | 0.0% | 8,245,603 |
| Sponsorship and Publicity expenses | 127,295 | 138,907 | -8.4% | 346,000 | 0 | 0.0% | 346,000 |
| Staff training/conference expenses | 104,121 | 86,286 | 20.7% | 159,313 | 0 | 0.0% | 159,313 |
| Translation expenses | 11,928 | 0 | 0.0% | 15,000 | 0 | 0.0% | 15,000 |
| Travel expenses * | 1,271,461 | 1,012,754 | 25.5% | 1,994,940 | (417,418) | -17.3% | 2,412,358 |
| TOTAL EXPENSES | 9,303,453 | 7,883,006 | 18.0% | 15,125,073 | (606,076) | -3.9% | 15,731,149 |

Revenue

| Revenue (AUD) | YTD Aug-12 | YTD Aug-11 | Variance % | Forecast 2012 | Forecast Variation to Budget | Forecast Variation | Budget 2012 |
|---------------------------------------|-------------------|-------------------|--------------|-------------------|------------------------------|--------------------|-------------------|
| IP Resource application fees * | 1,495,500 | 1,106,500 | 35.2% | 2,090,500 | 1,101,397 | 111.4% | 989,103 |
| Interest income * | 369,826 | 232,691 | 58.9% | 543,237 | 131,237 | 31.9% | 412,000 |
| Membership fees | 9,463,691 | 8,447,776 | 12.0% | 14,300,000 | 347,933 | 2.5% | 13,952,067 |
| Non-members fees | 152,354 | 127,010 | 20.0% | 219,069 | (0) | 0.0% | 219,069 |
| Reactivation fees | 24,300 | 19,500 | 24.6% | 27,390 | 0 | 0.0% | 27,390 |
| Sundry income * | 127,366 | 254,157 | -49.9% | 145,296 | (713,611) | -83.1% | 858,907 |
| Foreign exchange gain/(loss) | (2,985) | (4,342) | -31.3% | 2,038 | 2,038 | 0.0% | 0 |
| TOTAL REVENUE | 11,630,052 | 10,183,293 | 14.2% | 17,327,530 | 868,994 | 5.3% | 16,458,536 |

Operating Surplus/ Deficit

| REVENUE and EXPENSES (AUD) | YTD Aug-12 | YTD Aug-11 | Variance % | Forecast 2012 | Forecast Variation to Budget | Forecast Variation | Budget 2012 |
|------------------------------------|------------------|------------------|-------------|------------------|------------------------------|--------------------|----------------|
| Total Revenue | 11,630,052 | 10,183,293 | 14.2% | 17,327,530 | 868,994 | 5.3% | 16,458,536 |
| Total Expenses | 9,303,453 | 7,883,006 | 18.0% | 15,125,073 | (606,076) | -3.9% | 15,731,149 |
| OPERATING SURPLUS/(DEFICIT) | 2,326,599 | 2,300,287 | 1.1% | 2,202,457 | 1,475,069 | 202.8% | 727,387 |

Notes on the Statement of Income

Similar to the previous financial report, the major factors causing the variance between the forecast and budget are related to the increased growth in Member revenue, predominately increased activity in new membership and an increase in initial resource application fees. Planned initiatives for cost recovery training have been delayed, so income and expenses related to this initiative will be minimal in 2012. Further details on variations include:

(1) Expenses

- **Computer Expenses** – There are a number of computer related expenses that were planned for 2012 that will not be incurred. This is expected to result in a saving against budget of around \$100k.
- **Depreciation Expenses** – Due to the timing of Capital Expenditure during the year, the Depreciation expenses are forecast to be less than budgeted.
- **Income Tax Expenses** – Latest estimates for the 2012 tax expense forecast a saving of around \$75k against budget. APNIC's taxation position for 2012 was confirmed after the budget was finalized in 2011.
- **Office Expenses** – The major reason for the increase in Office expenses relates to the increase in electricity costs. Usage was higher than anticipated and the introduction of the Carbon Tax from July 1 will increase tariffs by over 10%. There is a focus on reducing electricity usage to mitigate these increases.
- **Travel Expenses** in the budget included an annual amount of \$593k relating to cost recovery training; this initiative, will not be significantly implemented in 2012. APNIC's travel costs for core activities, on the other hand, are forecast to be above budget as a result of increased requirements. August incorporates increased activity relating to the APNIC 34 Conference.

(2) Revenue

- **IP Resource application fees** – August growth in new membership continues to increase when compared to forecast estimates. The revised forecast would see a variance of around \$1m compared to the budget estimate by the end of the year.
- **Interest Income** – The increased cash flow from the growth of Member Income and strong returns for cash investments has resulted in higher than anticipated Interest income. Retail deposit rates continue to be strong in the short to medium term.
- **Sundry Income** in the budget included an annual amount of \$593k relating to cost recovery training income; to date no income for this initiative has been incurred.

APNIC Reserve

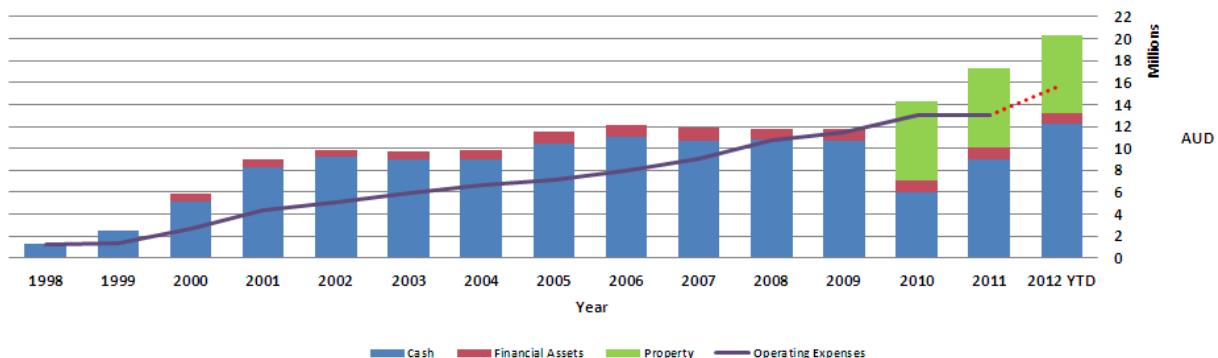
Cash Flow Statement

This report shows the draft cash flow status for the year as at the end of August.

| Accounts | Amount |
|---|-------------------|
| Operating Activities | |
| Net Income | 2,326,599 |
| Adjustments to Profit/(Loss) | |
| Accounts Receivable | (352,723) |
| Other Current Asset | (111,595) |
| Accounts Payable | 49,993 |
| Sales Tax Payable | 64,747 |
| Other Current Liabilities | 913,146 |
| Total Adjustments to Profit/(Loss) | 563,569 |
| Total Operating Activities | 2,890,168 |
| Investing Activities | |
| Fixed Asset | 231,103 |
| Other Asset | (39,972) |
| Total Investing Activities | 191,131 |
| Financing Activities | |
| Long Term Liabilities | (34,040) |
| Other Equity | 30,855 |
| Total Financing Activities | (3,185) |
| Net Change in Cash for Period | 3,078,115 |
| Cash at Beginning of Period | 9,048,272 |
| Cash at End of Period | 12,126,386 |

APNIC Capital Reserve

The APNIC Reserve is continuously diversified between Cash Investments, Managed Funds, and Property (APNIC Office). At the end of August, APNIC maintained \$12m in cash reserves, \$1m in managed fund investments, and \$7m was invested in the APNIC Property. The following chart tracks the value and the allocation of these reserves over time and also tracks the forecast operating expenses for each year for comparison:



Membership

Membership Statistics

At the end of August 2012, APNIC had a total of 3,370 Members serving 52 economies. Strong membership growth continued in August, which highlighted another month of high membership growth.

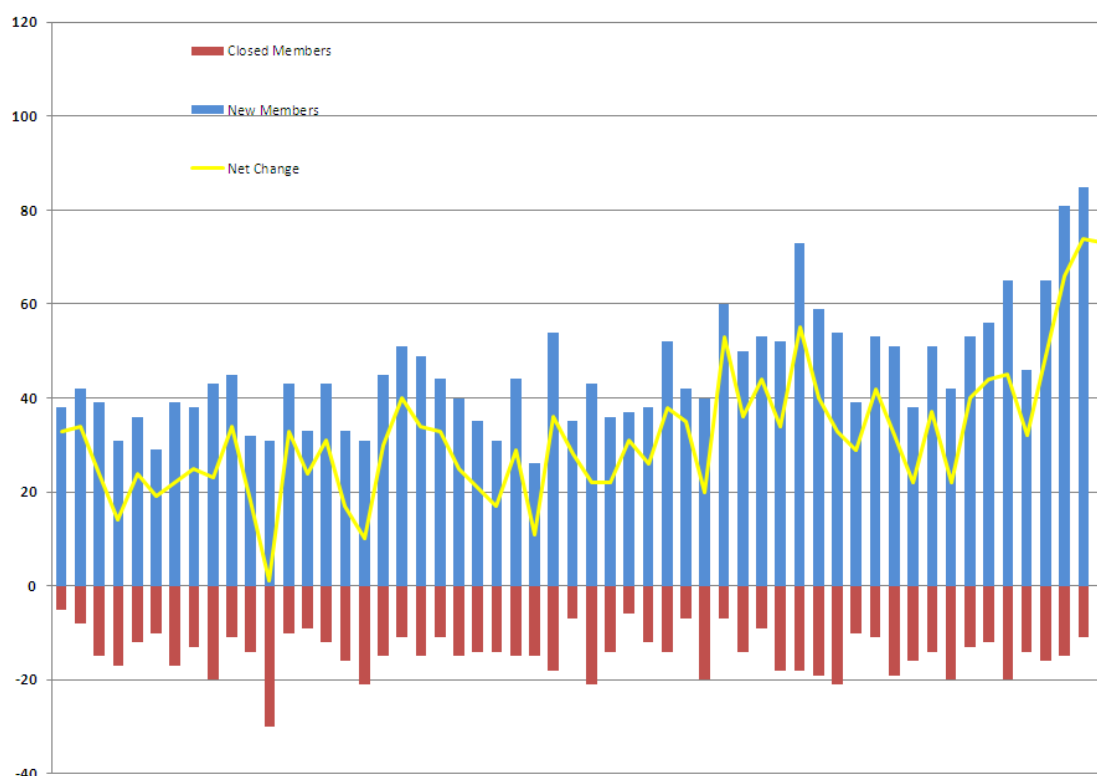
Membership by Category

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 and Very Small membership tier.

| Membership | Total Jul-12 | New Aug-12 | Reactivate Aug-12 | (Closed) Aug-12 | Size Change Aug-12 | Total YTD Aug-12 | Total YTD (%) Aug-12 |
|--------------|--------------|------------|-------------------|-----------------|--------------------|------------------|----------------------|
| Extra Large | 20 | 0 | 0 | 0 | 0 | 20 | 1% |
| Very Large | 44 | 0 | 0 | 0 | 0 | 44 | 1% |
| Large | 145 | 0 | 0 | 0 | 0 | 145 | 4% |
| Medium | 393 | 0 | 0 | (1) | 0 | 392 | 12% |
| Small | 1074 | 5 | 2 | (9) | 14 | 1086 | 32% |
| Very Small | 948 | 6 | 1 | (5) | 14 | 964 | 29% |
| Associate | 673 | 84 | 0 | (10) | (28) | 719 | 21% |
| TOTAL | 3297 | 95 | 3 | (25) | 0 | 3370 | 100% |

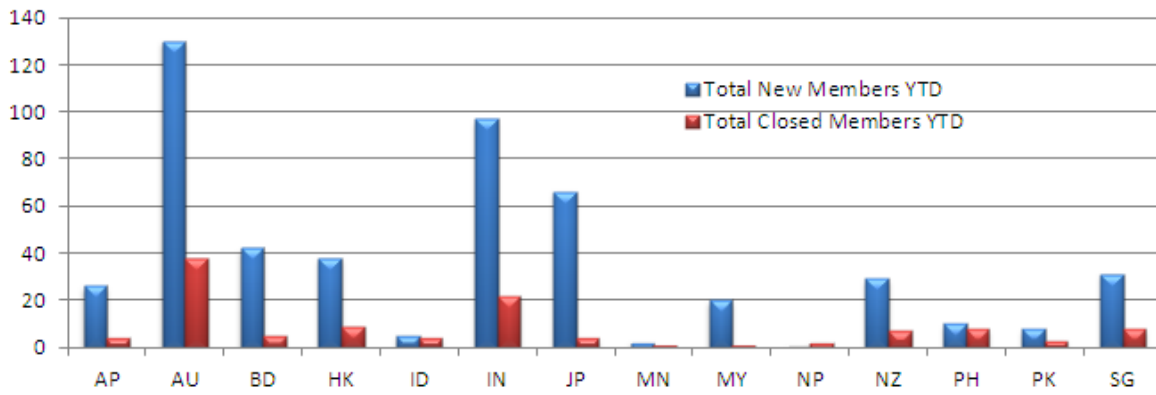
Membership Growth

The following graph illustrates APNIC membership monthly movements, followed by total APNIC membership in various tiers. Membership growth remains very strong in 2012.



Year-to-Date Membership Movement by Economy

The graph below illustrates new and closed membership movement by economy in August 2012. Australia has the highest growth with 24% of total new Members and 30% of total closed Members.



Memorandum of Understanding on Enhanced Cooperation

between

Asia Pacific Network Information Centre (APNIC)

and

Reseaux IP Europeens Network Coordination Center (RIPE NCC)

Preamble

I. APNIC and the RIPE NCC have a common interest in coordinating their activities in their service regions and to cooperate in this regard.

II. APNIC and the RIPE NCC have been cooperating successfully both within the NRO framework and outside it.

III. APNIC and the RIPE NCC wish to formalize the scope and the details of coordination and cooperation outside the NRO framework by signing this MoU.

Scope of the MoU

The parties agree to work collaboratively to enhance their coordination and cooperation with regards to activities in which they have a common interest.

Such activities shall include:

- a) RPKI Certification
- b) Research and Development
- c) Training
- d) K-root server deployment
- e) Database future architecture
- f) Membership surveys
- g) Human Resources issues
- h) Legal issues
- i) Business Area practices
- j) Joint Regional Meetings

Details of each of these activities shall be specified in Project Documents (in the form of the attached) setting out the parties' goals, resource commitments, timelines and other information, in relation to each activity. These Project Documents constitute part of this MoU. Each Project Document may be established, amended or supplemented upon agreement by both parties. Such establishment, amendment or supplement shall come into effect without the re-signing of this MoU by the parties to be necessary.

Relation with NRO activities and other RIRs

The scope of this MoU and the activities thereof are independent from the coordinative efforts of the parties together with the other RIRs formalized in the Number Resource Organization (NRO). Other RIRs may join this MoU or specific projects under this MoU, if both parties agree to it.

Status of this MoU

The parties hereby acknowledge and agree that this MoU is non-binding and does not create any obligations under law.

Duration of and amendments to the MoU

The MoU shall enter into force when signed by both parties and shall run until 31 December 2014. After this date, the MoU shall be automatically extended by one year at a time, unless one of the parties gives notice to the other party at least six months before the scheduled termination date, of its intention not to extend the MoU. Such notice must be given by means of a written notice sent to the other party.

The MoU may be amended upon agreement by both parties at any time.

APNIC
Place:
Date:
Paul Wilson

RIPE NCC
Place:
Date:
Axel Pawlik

(Template)

Project Document No XXX

| | |
|----------------------------------|--|
| Activity | |
| Activity name | |
| Details of the activity | |
| Goals of the activity | |
| Timeline | |
| Contacts | |
| Owner at APNIC | |
| Owner at RIPE NCC | |
| Other staff involved by APNIC | |
| Other staff involved by RIPE NCC | |
| Resource commitment | |
| Contribution by APNIC | |
| Contribution by RIPE NCC | |