

APNIC EC Meeting Minutes

Face-to-Face Meeting, Fukuoka, Japan

Monday, 17 December 2012,

Tuesday, 18 December 2012,

Meeting Start: 10:35am (UTC +9:00)

Present

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

Geoff Huston
Craig Ng
Connie Chan
Sanjaya
Irene Chen (by phone)

Agenda

1. Agenda Bashing
2. Review of Previous Minutes
3. Financial Report
4. 2013 Budget
5. DG Report
6. APNIC 35 – EC Election Chair Appointment
7. EC Appointment to the ASO AC
8. AOB

Minutes

The EC Chair called the meeting to order on 10:35 am (UTC +9:00), Monday 17 December. The meeting was adjourned at 1:00 pm on Monday, and resumed at 2:30 pm, Tuesday 18 December, and closed at 5:00 pm.

1. Agenda Bashing

The EC considered agenda items 3 (Financial Report) and 4 (2013 Budget) on Monday 17 December, and resumed consideration of item 4 and other agenda items on Tuesday 18 December. The minutes record the meeting in the order of the agenda items.

2. Review of Minutes and Actions

The minutes of the meeting held on 30 November 2012 were unanimously approved.

Motion to approve the minutes proposed by Gaurab Raj Upadhaya, seconded by Kenny Huang

3. Financial Report

The EC reviewed the financial report for November 2012 (attached). The EC noted the total asset position of \$25.4M, representing a 26% increase in total assets through 2012. Total revenue to the end of November is \$16.2M, with a forecast of \$17.7M for the year, which is 7.6% above the 2012 budget forecast. Total expenses are \$12.7M to the end of November, with a forecast of \$15.1M for the full year, which is 3.5% below the original budget forecast. At this point the forecast operating surplus for 2012 is \$2.5M.

At the end of November 2012 APNIC had a total of 3,562 members. There were 85 new members, 2 reactivated members, and 29 members who had closed their accounts during the month.

The EC requested that future membership reports delineate membership closures due to mergers and acquisitions and membership closure due to transfers, and also in the report separately report on the count membership closures where the member's address holdings were returned to APNIC and membership closures of associate members with no address holdings.

The EC requested that the membership reporting procedures to adjusted to recognise an entity as a member at the time when the membership joining invoice has been paid by the new member.

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

4. 2013 Budget

The EC considered the proposed 2013 budget (attached). The proposed budget provides for operational expenditure of AUD \$15,988,555 and projected revenue of AUD \$17,695,178 providing a operating surplus of AUD \$1,706,623 for 2013. The Capital Expenditure requirements for 2013 are AUD \$995,785.

In considering the 2013 APNIC budget, the EC unanimously resolved to:

amend the IP Resource Application fee by reducing the fee by 50% effective as of 1 March 2013

Motion to adopt this resolution proposed by James Spenceley, seconded by Gaurab Raj Upadhaya

The EC unanimously resolved to:

confirm that all fees published in the APNIC fee schedule are net fees and directs the Secretariat to include a grossing up provision in the fee schedule.

Motion to adopt this resolution proposed by James Spenceley, seconded by Che-Hoo Cheng

The EC unanimously resolved to:

maintain an minimum position of cash and cash equivalent reserves at the equivalent of 12 months of operating expenses, and work to achieving an accumulation of cash and cash equivalent reserves at the equivalent of 18 months of operating expenses by 2017.

Motion to adopt this resolution proposed by James Spenceley, seconded by Gaurab Raj Upadhaya

The EC unanimously resolved to:

adopt a budget for 2013 that provides authority to the Director General of an total operational expenditure of AUD \$15,988,555 and a total capital expenditure of AUD \$995,785 for 2013.

Motion to adopt the 2013 budget proposed by James Spenceley, seconded by Che-Hoo Cheng

5. DG Report

The D-G noted that the main activities since the last meeting have concerned the course of the WTSA and WCIT meetings in Dubai. It was noted that a proposal relating to an expansion of the ITU's role in IP address administration was raised at the WTSA meeting, but subsequently withdrawn on the basis that it would be seen as being potentially divisive as part of the lead-up to the WCIT meeting. APNIC attended the WCIT meeting as a sector member. This allowed APNIC delegation attendees to participate in some, but not all, parts of the meeting. It was noted that the WCIT meeting had little in the way of agenda structure, and the process was somewhat ambiguous with critical parts of the process being undertaken behind closed doors with only a subset of national delegations present. The outcome was confusing, which a significant number of countries declaring that they were not in a position to sign the final ITR document.

The APNIC joint training exercise with the ITU's regional Asia Pacific office is progressing well.

The MoU with the RIPE NCC on cooperative activities is also progressing well with joint training material development on Ipv6, technical work on the Restful Whois protocol, the statistics and public data services and Atlas developments all taking place within the framework of this cooperation MoU.

APNIC staff participated in a promotional tour of a number of cities in India with the IRIN principles to assist in promoting IRIN in India.

On HR matters the D-G reported on one staff resignation from the administration area, and the reappointment of Sanjaya as the Operational Director for 2013.

6. APNIC 35 – EC Election Chair Appointment

The EC appointed Dr Tan Tin Wee to serve as the Election Chair for the 2013 APNIC EC Election, to be conducted at APNIC 35.

7. EC Appointment to the ASO

The EC expressed their gratitude to Andy Linton for his service to the ASO AC as the EC's appointment to this body for 2012.

The EC unanimously resolved to:

reappoint Andy Linton to the ASO AC for 2013.

Motion to appoint Andy Linton to the ASO AC for 2013 proposed by: Akinori Maemura, seconded by: Kenny Huang.

8. AOB

8.1 Public Policy Advisory Committee

With respect to the inaugural meeting of a Public Policy Advisory Committee at APNIC 35, the EC confirmed an invitation made by the EC Chair to Government WG mailing list earlier in December that invited the former Chairs and Vice-Chairs to put together a program and agenda for this session.

With respect to the role of this forum going forward, and the support to be provided by APNIC, the APNIC EC unanimously resolved that:

In hosting the meetings of this forum, the EC proposes that the forum's meetings be run along the lines of a multi-stakeholder forum, considering issues of public policy to be considered in a manner that is consistent with the conventions of a multi-stakeholder framework. In particular:

- the APNIC EC will make a room available at the APNIC meeting venue for a meeting of this forum to be held during APNIC meetings,
- the forum is a forum for dialogue and not decisions - using the conventions of the IGF framework this is not a decision making body,
- the forum provides an opportunity for the broader regional community to meet, discuss and share ideas, but it is up to individuals to take these ideas and present them to relevant bodies, as appropriate.

The EC invites a chair's report to be made to the APNIC Member Meeting on the discussions that are taking place in this forum

The APNIC EC is willing to make a commitment to support this forum in the manner described here for a period of three years, and will review these commitments at the end of the period and consider the diversity of participation and community satisfaction with this process to inform a decision on further commitments with respect to this forum.

Motion to adopt this resolution proposed by James Spenceley, seconded by Gaurab Raj Upadhaya

8.2 Meeting Schedule for 2013

The APNIC EC unanimously resolved that:

from 2013 the EC will adopt a meeting schedule of four regularly scheduled face to face meetings per year to replace the current monthly meeting schedule.

Motion to adopt the EC meeting schedule proposed by Wendy Zhao, seconded by Kenny Huang.

The EC decided to use a rotating meeting chair for 2013 meetings.

Next Scheduled Meeting

25 February 2013 (APNIC 35)

Meeting Adjourned: 5:00 pm (UTC+8:00) Tuesday 18 December 2012

Monthly Financial Report (in AUD)

November 2012

APNIC



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Statement of Financial Position

	30/11/2012	% of Total	Year-End 2011	% change from 31/12/2011
CURRENT ASSETS				
Cash/ Term deposits	14,644,147	58%	9,048,267	62%
Receivables	956,286	4%	1,077,330	-11%
Others	643,288	3%	604,933	6%
TOTAL CURRENT ASSETS	16,243,721	64%	10,730,530	51%
NON-CURRENT ASSETS				
Other financial assets	1,090,858	4%	986,920	11%
Property, plant and equipment	8,051,902	32%	8,436,968	-5%
Deferred tax assets	60,985	0%	60,985	0%
TOTAL NON-CURRENT ASSETS	9,203,745	36%	9,484,874	-3%
TOTAL ASSETS	25,447,466	100%	20,215,404	26%
CURRENT LIABILITIES				
Payables	1,511,446	6%	445,677	239%
Provisions	1,170,456	5%	1,190,748	-2%
Unearned revenue	7,819,157	31%	7,171,080	9%
TOTAL LIABILITIES	10,501,059	41%	8,807,506	19%
EQUITY				
Share capital	1.00	0%	1.00	0%
Reserves other financial assets investment *	50,386	0%	(43,085)	0%
Retained earnings	14,896,020	59%	11,450,982	30%
TOTAL EQUITY	14,946,407	59%	11,407,898	31%
TOTAL LIABILITIES & EQUITY	25,447,466	100%	20,215,404	26%

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 September 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 November 2012 has continued to increase when compared to the position at the end of 2011. The major factor causing the variance is:

- The increase in the “Cash” position due to the timing impact of expenses and the continued 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) actual figures are compared to the figures for the same period last year. The Forecast figures have been revised based on detailed review of the expected revenues, and planned committed expenditure for 2012.

EXPENSES (AUD)	YTD Nov-12	YTD Nov-11	Variance %	Forecast 2012	Forecast Variation to Budget	Forecast Variation	Budget 2012
Bank charges	122,236	95,215	28.4%	129,124	13,124	11.3%	116,000
Communication expenses	410,591	353,473	16.2%	424,595	(20,173)	-4.5%	444,768
Computer expenses *	486,165	345,845	40.6%	614,835	41,023	7.1%	573,812
Depreciation expense *	753,240	765,433	-1.6%	819,582	(80,418)	-8.9%	900,000
Doubtful debt expenses	1,258	137	815.4%	26,258	1,258	5.0%	25,000
ICANN contract fee	293,879	261,148	12.5%	321,655	11,655	3.8%	310,000
Income tax expense *	0	0	0.0%	47,170	(102,830)	-68.6%	150,000
Insurance expense	115,733	109,102	6.1%	125,050	(3,550)	-2.8%	128,600
Meeting and training expenses*	184,580	386,180	-52.2%	253,440	(236,960)	-48.3%	490,400
Membership fees	63,200	48,545	30.2%	69,093	(1,307)	-1.9%	70,400
Miscellaneous expenses	3	1,561	-99.8%	2	(998)	-99.8%	1,000
Office operating expenses	226,537	252,175	-10.2%	258,318	18,873	7.9%	239,445
Postage & delivery	28,813	30,601	-5.8%	32,162	(2,338)	-6.8%	34,500
Printing & photocopy	33,338	33,008	1.0%	47,037	(20,563)	-30.4%	67,600
Professional fees *	618,394	505,670	22.3%	1,288,000	387,650	43.1%	900,350
Recruitment expense	91,982	100,113	-8.1%	110,588	9,588	9.5%	101,000
Salaries and personnel expenses	7,247,796	6,285,451	15.3%	8,245,000	(603)	0.0%	8,245,603
Sponsorship and Publicity expenses *	150,882	166,975	-9.6%	270,585	(75,415)	-21.8%	346,000
Staff training/conference expenses	142,348	99,062	43.7%	155,770	(3,543)	-2.2%	159,313
Translation expenses	11,928	10,297	15.8%	11,928	(3,072)	-20.5%	15,000
Travel expenses *	1,796,459	1,552,399	15.7%	1,933,507	(478,851)	-19.8%	2,412,358
TOTAL EXPENSES	12,779,360	11,402,390	12.1%	15,183,698	(547,451)	-3.5%	15,731,149

Revenue

REVENUE (AUD)	YTD Nov-12	YTD Nov-11	Variance %	Forecast 2012	Forecast Variation to Budget	Forecast Variation	Budget 2012
IP Resource application fees *	2,127,250	1,434,250	48.3%	2,332,250	1,343,147	135.8%	989,103
Interest income *	527,535	351,124	50.2%	558,574	146,574	35.6%	412,000
Membership fees	13,129,497	11,823,353	11.0%	14,359,700	407,632	2.9%	13,952,067
Non-members fees	209,479	179,331	16.8%	228,937	9,868	4.5%	219,069
Reactivation and Transfer fees	44,255	25,200	75.6%	51,049	23,659	86.4%	27,390
Sundry income *	191,682	291,529	-34.2%	189,386	(669,521)	-78.0%	858,907
Foreign exchange gain/(loss)	(5,299)	5,641	-193.9%	(3,837)	(3,837)	0.0%	0
TOTAL REVENUE	16,224,398	14,110,428	15.0%	17,716,059	1,257,522	7.6%	16,458,536

Operating Surplus/ Deficit

REVENUE and EXPENSES (AUD)	YTD Nov-12	YTD Nov-11	Variance %	Forecast 2012	Forecast Variation to Budget	Forecast Variation	Budget 2012
Total Revenue	16,224,398	14,110,428	15.0%	17,716,059	1,257,522	7.6%	16,458,536
Total Expenses	12,779,360	11,402,390	12.1%	15,183,698	(547,451)	-3.5%	15,731,149
OPERATING SURPLUS/(DEFICIT)	3,445,038	2,708,038	27.2%	2,532,361	1,804,974	248.1%	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 is 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 will not be incurred. There will be additional costs in December relating to the implementation of the new mail system.
- **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 against budget. APNIC's taxation position for 2012 was confirmed after the budget was finalised in 2011, the tax status for future years is still to be finalized.
- **Meeting & Training Expenses** – Meeting and training expenses will be significantly below budget. The budget included an allowance for \$120k for catering and venue expenses for the planned increase in training activities that were largely unspent. Actual costs of catering, venue and equipment hire for the APNIC meetings was much lower than budgeted.
- **Professional fees** – The forecast includes increased consultancy cost on a number of projects, including ISIF grant fund, new event registration system, and the R & D initiative with RIPE NCC. Accounting and audit fees will be included in the December accounts.
- **Sponsorship and Publicity Expenses** – Contribution for IGF meeting and NRO share expenses will be lower than budgeted. Other savings in Gifts/Promotional material for APNIC meetings and other events will be below the budget.
- **Travel Expenses** in the budget included an annual amount of \$593k relating to cost recovery training; this initiative, has not been 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 travel activity.

(2) **Revenue**

- **IP Resource application fees** – Growth in new membership continues to be strong. The revised forecast would see a variance of around \$1.35m 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. Recent moves by the Australia Reserve Bank will see retail deposit rates become less favourable as we head into 2013.
- **Membership Fees** – Increasing growth in membership will result in a positive variance to budget of around \$400k. APNIC’s membership growth continues to exceed the conservative estimates used in the budget submission.
- **Sundry Income** in the budget included an annual amount of \$593k relating to cost recovery training income; to date very little income for this initiative has been incurred.

APNIC Reserve

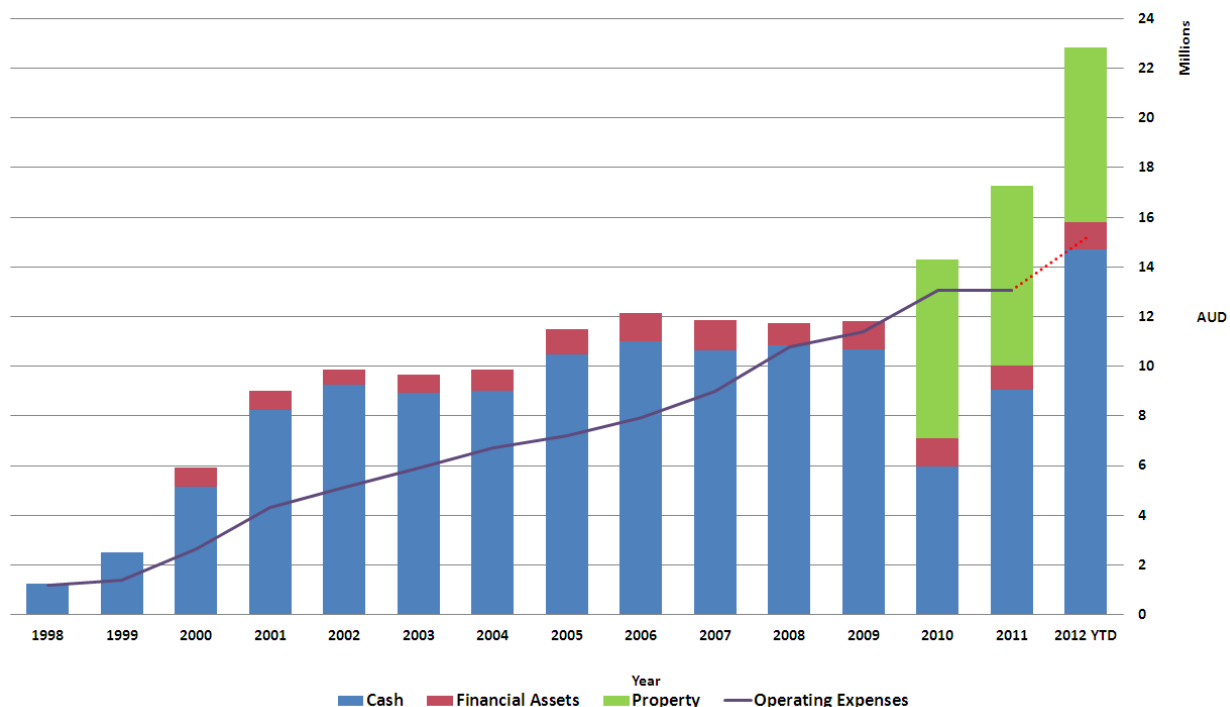
Cash Flow Statement

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

Accounts	Amount
Operating Activities	
Net Income	3,445,038
Adjustments to Profit/(Loss)	
Accounts Receivable	133,714
Other Current Asset	(51,030)
Accounts Payable	103,607
Sales Tax Payable	(17,276)
Other Current Liabilities	1,628,862
Total Adjustments to Profit/(Loss)	1,797,876
Total Operating Activities	5,242,914
Investing Activities	
Fixed Asset	385,067
Other Asset	(103,937)
Total Investing Activities	281,129
Financing Activities	
Long Term Liabilities	(21,639)
Other Equity	93,471
Total Financing Activities	71,832
Net Change in Cash for Period	5,595,876
Cash at Beginning of Period	9,048,272
Cash at End of Period	14,644,147

APNIC Capital Reserve

The APNIC Reserve is continuously diversified between Cash Investments, Managed Funds, and Property (APNIC Office). At the end of November, APNIC maintained \$14m 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 November 2012, APNIC had a total of 3,562 Members serving 52 economies.

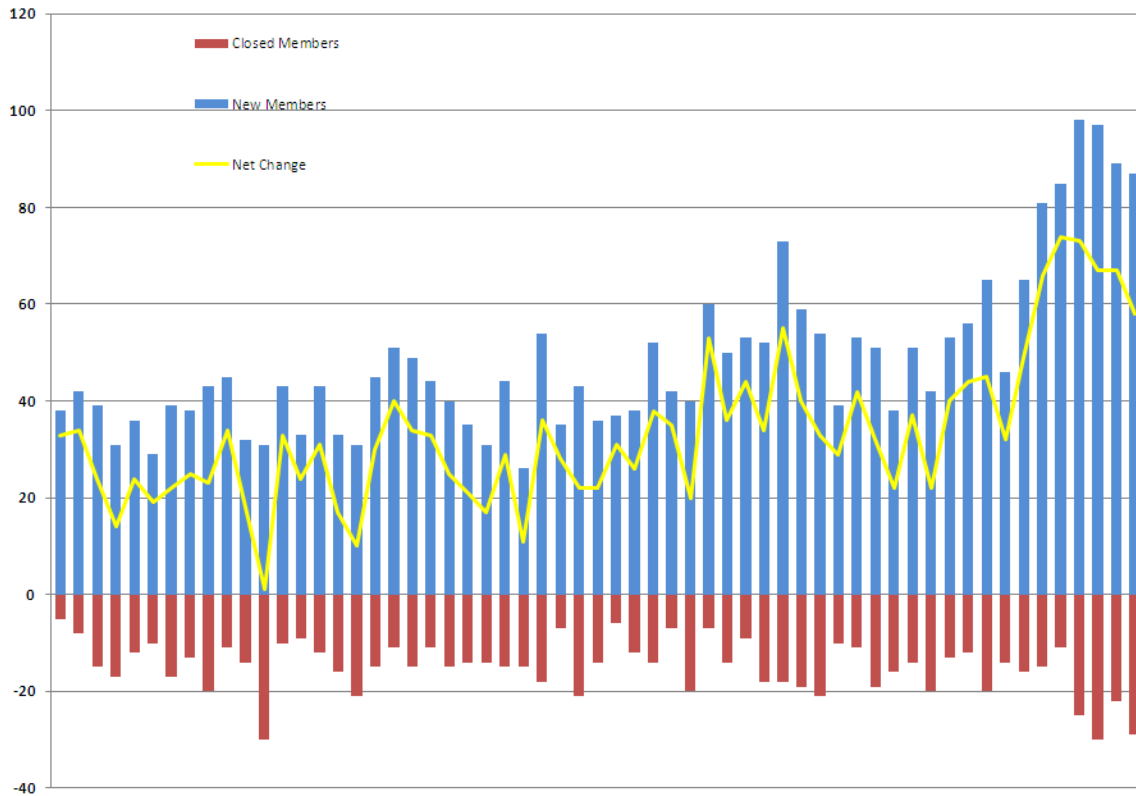
Membership by Category

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 Oct-12	New Nov-12	Reactivate Nov-12	(Closed) Nov-12	Size Change Nov-12	Total YTD Nov-12	Total YTD (%) Nov-12
Extra Large	20	0	0	0	0	20	1%
Very Large	44	0	0	0	1	45	1%
Large	145	0	0	(1)	0	144	4%
Medium	394	0	0	(1)	3	396	11%
Small	1103	0	2	(3)	14	1116	31%
Very Small	1002	0	0	(11)	12	1003	28%
Associate	796	85	0	(13)	(30)	838	24%
TOTAL	3504	85	2	(29)	0	3562	100%

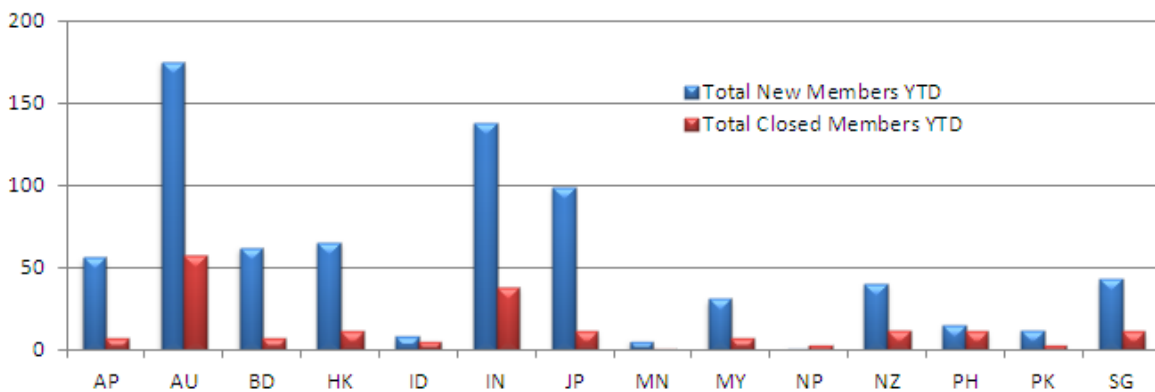
Membership Growth

The following graph illustrates APNIC membership monthly movements. Membership growth remains strong in 2012, slightly lower than previous months.

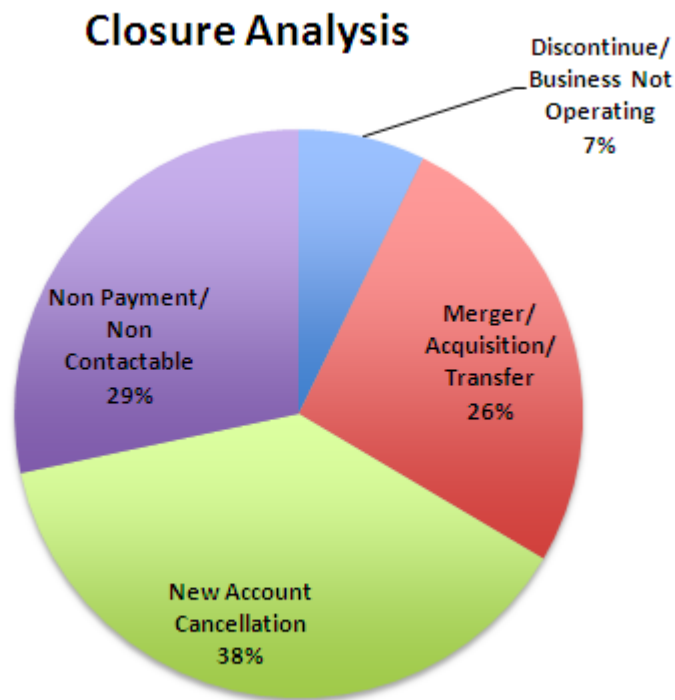


Year-to-Date Membership Movement by Economy

The graph below illustrates new and closed membership movement by economy in November 2012. Australia has the highest in new and closed Members.



The chart below gives a breakdown of the reason for closure of accounts. The majority of the closures are due to new accounts cancellations; where new accounts decide not to proceed further after they have submitted an application.



APNIC Budget Submission

Financial Year 2013

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1 Executive Summary

This document contains the APNIC budget submission for the financial year from January to December 2013. The budget submission includes revenue, expense, capital expenditure projections based on the planned activities for the APNIC Secretariat for 2103.

The purpose of this paper is to allow the APNIC Executive Council to approve an expenditure level for 2013, 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 By-laws 30 (g)]

The proposed budget includes an allowance of AUD \$1,041,250 for a reduction of the IP Resource Application Fee of 50% and a provision for AUD \$225,000 for the potential revenue impact of the India NIR on APNIC's revenue on 2013.

The proposed budget includes operational expenditure of AUD \$15,988,555 and projected revenue of AUD \$17,695,178 providing a operating surplus of AUD \$1,706,623 for 2013. The Capital Expenditure requirements for 2013 are AUD \$995,785.

2 Significant Assumptions

The 2013 budget includes a number of assumptions in relation to APNIC's operating environment, membership and service trends, and other factors. These include:

1. The Executive Council is reviewing the IP Resource application fee. This submission includes the effect on revenue in 2013 of a 50% reduction in this fee, effective as of 1 March 2013.
2. The introduction of the last /8 policy in 2011 has limited the increase of revenue from existing Members. As member holdings can only increase by a maximum of a /22, which has a negligible impact on annual fees, no provision is made for increase in annual fee revenue from existing members, in 2013.
3. While inter-regional transfers are now possible, we have insufficient data on which to base a forecast of transfer revenues in 2013. The provision of \$75,000 revenue is drawn from the transfer fee proposal that was accepted by the APNIC EC.
4. The continuing uncertainty about the uptake of IPv6 means that no IPv6-related revenue impacts are considered in the 2013 budget. However, ongoing attention to IPv6 training and outreach activities is contributing to various expense items for 2013.
5. There is a strong demand for the APNIC Secretariat to respond to developments in the area of Internet Governance, with resulting increases in expenditure on Public Affairs and External Relations functions.
6. The India NIR is now operational and is actively engaging with the Indian community, however recent indications are that movement of APNIC members to the India NIR will not occur rapidly. Under this budget, a provision of \$225,000 is made for this effect on APNIC membership fee revenues, which represents approximately 25% of the total exposure in 2013.
7. APNIC membership has grown strongly in 2012 and this submission includes revenue from new Members based on this trend continuing. Analysis shows that new members from LDC's represent less than 10% of all new members, and this is also represented in future membership forecasting.
8. Returns from cash investments continue to range from 4.7% to 5.0%. The 2013 forecast suggest there may be further reductions to official rates, which are now below long-term average rates, and a rate of 4.5% is assumed.
9. The majority of APNIC's expenses are in Australian Dollars (AUD), which significantly reduces APNICs' exposure to any foreign currency risk; therefore no provision is made for exchange gain or loss.
10. The annual Consumer Price Index (CPI) for the eight Australian capital cities is running at 2.4% at the end of September, and this rate of inflation is assumed where more specific data is not available.

3 Budget Summary

2013 Budget Submission	Budget 2012 AUD	Forecast 2012 AUD	Revised Budget 2013 AUD	Change %
Income				
Interest Income	412,000	558,574	595,000	6.5%
Membership Fees Income	13,952,067	14,359,700	15,045,828	4.8%
Non-Member Fees Income	219,069	228,937	230,000	0.5%
Reactivation Fees	27,390	35,100	35,100	
IP Resource Application Fee	989,103	2,332,250	1,457,750	-37.5%
Transfer Fees	-	3,949	75,000	1799.2%
Sundry Income	858,907	197,549	256,500	29.8%
Total - Income	16,458,536	17,716,059	17,695,178	-0.1%
Expenses				
Bank Service Fees	116,000	129,124	136,000	5.3%
Communication Expenses	444,768	424,595	531,416	25.2%
Computer Expenses	573,812	614,835	637,160	3.6%
Depreciation Expenses	900,000	819,582	894,609	9.2%
ICANN Contract Fees	310,000	321,655	310,000	-3.6%
Income Tax Expenses	150,000	47,170	60,000	27.2%
Sponsorship and Publicity Expense	331,000	270,585	335,500	24.0%
Doubtful Debt Expenses	25,000	26,258	26,000	-1.0%
Insurance Expenses	128,600	125,050	131,850	5.4%
Meeting and Training Expenses	490,400	253,440	352,550	39.1%
Membership Fees	70,400	69,093	54,641	-20.9%
Office Operating Expenses	240,445	258,320	289,420	12.0%
Postage & Delivery	34,500	32,162	33,047	2.8%
Printing & Photocopy	82,600	47,037	45,605	-3.0%
Professional Fees	900,350	1,288,000	1,154,775	-10.3%
Recruitment Expense	101,000	110,588	100,000	-9.6%
Salaries and Personnel Expenses	8,245,603	8,245,000	8,671,800	5.2%
Staff Training Expense	159,313	155,770	164,000	5.3%
Translation Expense	15,000	11,928	30,000	151.5%
Travel Expenses	2,412,358	1,933,507	2,030,182	5.0%
Total - Expenses	15,731,149	15,183,698	15,988,555	5.3%
Operating Surplus	727,387	2,532,361	1,706,623	-32.6%

2013 Budget Submission	Budget 2012 AUD	Forecast 2012 AUD	Revised Budget 2013 AUD	Change %
Capital Expenditure				
Equipment & Software	1,197,190	600,000	853,785	42.3%
Office Improvements	20,000	55,000	115,000	109.1%
Office Furniture	35,000	12,500	27,000	116.0%
Total - Capital Expenditure	1,252,190	667,500	995,785	49.2%

4 Budget Preparation Notes

4.1 Data Sources

The introduction of the new ERP system during 2012 has greatly improved the budgeting process; details of committed expenditure and prepaid revenues are readily available to assist with building the budget estimates. As in previous years, the budget is developed on a zero-based methodology, and involves extensive consultation across the organization.

There are a number of key inputs that are included in the budget process, including:

- The 2012 APNIC Survey
- 2013 Priorities as established through the Operational Planning process
- The APNIC organization structure, HR cost analysis and recruitment plans
- Membership projections, derived from analysis of historical membership growth and recent trends
- The asset register and quantity survey reports, which form the basis of depreciation and capital allowance forecast
- Taxation expense forecasts, which are based on advice from APNIC's accounting advisers and tax consultants
- Interest income, which is based on a conservative estimate of earnings in 2013

4.2 Projection techniques

Projections for revenue are based on analysis of known future income from the prepayment of Member-related fees, combined with estimates for fees to be recognized in 2013. Fees from new Members are calculated based on recent trends in new membership.

Interest income is based on analysis of existing deposits and their rates, and maturity dates.

The new ERP allows for the verification of all current approved spending commitments. This data is combined with new planned expenditure in 2013.

The CPI survey shows that across Australia's eight capital cities, the inflation rate is running at 2.4% for the 12 months ended September 2012.

5 Provisions and Allowances in 2013

5.1 Reduction in IP resource application fees

The current budget submission includes an allowance for a reduction in revenue of AUD \$1,041,250, under the proposal that the current initial application fee (AUD \$3,500) be reduced by 50% to AUD \$1,750 in 2013, effective as of 1 March 2013. The number of applications fees to be paid during 2013 is based on the forecast of new members.

5.2 Provision for revenue impact of the Indian NIR

The current budget includes a provision of AUD \$225,000 to allow for potential revenue loss in 2013 resulting from existing Members transitioning to the new Indian NIR.

This allowance was calculated by analysing the entire Membership by; Identifying all IN Members in the member database, determining anniversary dates and member holdings to determine forecast billings in 2013. This amount of represents approximately 25% of the total risk on 2013.

6 Revenue 2013

The table below sets out the trends in APNIC revenues from 2006 through to our estimates in 2013. It shows a decrease of 0.1% in 2013 due to proposed changes to the IP resource application fee (reduction of 50%), and after making an allowance for the transition of Indian Members to the India NIR. Before accounting for these allowances, underlying revenue growth in 2013 was forecast at 6.6%.

	2006 \$AUD	2007 \$AUD	2008 \$AUD	2009 \$AUD	2010 \$AUD	2011 \$AUD	2012 Forecast	2013 Budget
Income								
Interest Income	565,374	601,512	771,499	566,854	397,689	395,591	558,574	595,000
Membership Fees Income	5,491,250	6,102,907	6,678,051	7,863,971	10,199,249	12,968,291	14,359,700	15,045,828
Non-Member Fees Income	120,110	142,765	127,336	125,598	149,382	198,425	228,937	230,000
Reactivation Fees	11,394	11,854	10,144	8,876	23,550	25,200	35,100	35,100
IP Resource Application Fee	770,603	764,637	1,053,679	1,194,713	1,373,986	1,530,500	2,332,250	1,457,750
Per Allocation Fees	1,049,812	1,251,102	1,633,389	1,542,369	994,277	-	-	-
Transfer Fees	-	-	-	-	-	-	3,949	75,000
Sundry Income	242,458	212,215	264,316	161,853	205,508	298,657	197,549	256,500
Total - Income	8,251,001	9,086,993	10,538,415	11,464,234	13,343,640	15,416,664	17,716,059	17,695,178
% Change		10.1%	16.0%	8.8%	16.4%	15.5%	14.9%	-0.1%

6.1 Interest income

APNIC's cash reserves are invested in Term Deposits across three banking institutions as part of a diversification strategy. Rates for these deposits range between 4.7% and 5%. It is expected that there will be some erosion in cash deposit rates into 2013.

6.2 Membership fees

During 2012, APNIC's membership continued to increase under the last /8 policy, with total membership expected to reach above 3,600 by the end of 2012. The vast majority (over 90%) join APNIC as an associate Member; obtain resources and then transition to a tiered Member on their next anniversary. The budget is based on achieving 750 new Members in 2013.

Membership Projection	2006	2007	2008	2009	2010	2011	2012	2013 Estimate
X-Large	9	9	12	13	16	21	20	20
V-Large	21	27	30	31	33	41	44	44
Large	70	77	92	106	141	145	145	145
Medium	210	231	251	276	324	378	394	394
Small	658	765	813	823	867	970	1103	1203
V-Small	261	304	345	472	637	817	1002	1502
Assoc	133	171	312	449	503	575	914	1064
Total	1362	1584	1855	2170	2521	2947	3622	4372
Growth	17.72%	16.30%	17.11%	16.98%	16.18%	16.90%	22.90%	20.71%

Membership Growth Projection	2006	2007	2008	2009	2010	2011	2012	2013 Estimate
X-Large	1	0	3	1	3	5	-1	0
V-Large	1	6	3	1	2	8	3	0
Large	14	7	15	14	35	4	0	0
Medium	14	21	20	25	48	54	16	0
Small	90	107	48	10	44	103	133	100
V-Small	87	43	41	127	165	180	185	500
Assoc	-2	38	141	137	54	72	339	150
Total	205	222	271	315	351	426	675	750

The table below sets out the effect that different levels of new membership activity might have compared to the budget estimate of 750 new Members and includes the effect of the proposed changes to resource application fees:

Sensitivity Analysis

				Budget			
New Members in 2013	450	550	650	750	850	950	1050
Comprising: Non-LDC	405	495	585	678	765	855	945
LDC	45	55	65	72	85	95	105
Under the current Fee Schedule:							
Membership Fees from new members(Associate)	\$144,281	\$176,344	\$208,406	\$240,975	\$272,531	\$304,594	\$336,656
Initial Application fees	\$1,496,250	\$1,828,750	\$2,161,250	\$2,499,000	\$2,826,250	\$3,158,750	\$3,491,250
Impact from new members(under Current Fee Schedule)	\$1,640,531	\$2,005,094	\$2,369,656	\$2,739,975	\$3,098,781	\$3,463,344	\$3,827,906
Comparison to budget Estimate	-\$1,099,444	-\$734,881	-\$370,319		\$358,806	\$723,369	\$1,087,931
Proposed Fee Change:							
Membership Fees from new members(Associate)	\$144,281	\$176,344	\$208,406	\$240,975	\$272,531	\$304,594	\$336,656
Initial Application Fees*	-\$748,125	-\$914,375	-\$1,080,625	-\$1,249,500	-\$1,413,125	-\$1,579,375	-\$1,745,625
Impact of proposed fee changes	-\$603,844	-\$738,031	-\$872,219	-\$1,008,525	-\$1,140,594	-\$1,274,781	-\$1,408,969

* Initial Application fees reduced by 50%

6.3 Non-Member fees

Non-Member fee revenue continues to increase, and the forecast revenue estimate is based on a continued modest growth in this class of Member.

6.4 Reactivation fees

Fees from Members for reactivation of accounts have increased gradually since 2006. The revenue from these fees continues to be difficult to predict, and the budget estimate is based on a continued small increase in fees from this source.

6.5 IP resource application fees

IP resource application fees will provide a significant portion of the surplus in 2012, with income from this source exceeding initial estimates by over AUD \$1.2m. Continued growth in allocations to new Members will see this revenue source increase in 2013. This budget includes an allowance to reduce these fees by 50% in 2013.

6.6 Transfer fees

There has been minimal activity in relation to transfer fees in 2012, this submission includes an estimate of AUD \$75,000 from IPv4 address transfers in 2102, in line with estimates included in the Transfer Fee proposal.

6.7 Sundry income

Sundry income for 2103 includes revenue from the following:

- External Training Receipt - Member AUD \$125,000
- External Training Receipt - Non Member AUD \$37,500
- Training Receipts - Cost Recovery AUD \$54,000
- Meeting Receipt - Sponsor AUD \$28,000
- Investment Distribution Income AUD \$12,000

Sponsorship and registration revenue will be down compared to 2012, reflecting the arrangements for APNIC 36 in China where all sponsorship revenue and conference registrations will be used to cover Conference costs.

7 Expenses 2013

The increase in expenses for 2013 compared to 2012 is in line with the increasing scope of activities for APNIC. The table below illustrates the trend of expenses since 2006 and shows APNIC expenditure growing at 5.3% in 2013 compared to the forecast for 2012.

7.1 Expenses over time

	2006 \$AUD	2007 \$AUD	2008 \$AUD	2009 \$AUD	2010 \$AUD	2011 \$AUD	2012 Forecast	2013 Budget
Expenses								
Bank Service Fees	56,336	67,504	62,945	65,148	81,607	102,974	129,124	136,000
Communication Expenses	125,248	208,217	171,713	156,901	339,964	385,819	424,595	531,416
Computer Expenses	151,993	145,026	164,196	381,519	328,583	397,535	614,835	637,160
Depreciation Expenses	521,466	565,075	638,668	718,927	703,869	875,273	819,582	894,609
ICANN Contract Fees	245,405	243,468	236,503	358,696	321,172	284,889	321,655	310,000
Income Tax Expenses	106,835	109,382	147,422	48,830	64,301	97,250	47,170	60,000
Sponsorship and Publicity Exp	110,707	140,575	180,186	177,469	252,182	293,035	270,585	335,500
Doubtful Debt Expenses	4,727	4,237	1,540	4,928	2,106	12,808	26,258	26,000
Insurance Expenses	86,383	115,894	122,462	133,822	116,824	120,236	125,050	131,850
Meeting and Training Expenses	119,676	143,318	169,293	138,458	249,401	398,014	253,440	352,550
Membership Fees	77,423	52,706	58,282	69,496	53,663	54,261	69,093	54,641
Miscellaneous Expenses	7,623	3,901	336,163	5,234	1,032	1,221		
Office Operating Expenses	90,257	105,406	122,512	132,009	404,527	275,653	258,320	289,420
Postage & Delivery	44,829	35,714	30,270	27,170	27,394	32,842	32,162	33,047
Printing & Photocopy	38,696	36,249	41,863	24,309	21,618	37,515	47,037	45,605
Professional Fees	422,464	391,459	552,659	591,140	554,295	605,124	1,288,000	1,154,775
Recruitment Expense	87,699	91,504	152,845	73,836	140,220	123,485	110,588	100,000
Relocation Expenses	-	-	-	-	49,500	474		
Rent & Outgoings	397,254	446,076	614,054	611,805	1,418,314	28,133		
Salaries and Personnel Expenses	4,203,946	4,799,161	5,463,903	6,033,254	6,507,584	7,203,720	8,245,000	8,671,800
Staff Training Expense	61,014	83,355	122,058	107,973	146,287	107,752	155,770	164,000
Translation Expense	35,281	20,313	16,832	15,637	14,498	10,297	11,928	30,000
Travel Expenses	952,703	1,186,740	1,359,756	1,404,359	1,404,527	1,576,246	1,933,507	2,030,182
Total - Expenses	7,947,962	8,995,281	10,766,125	11,280,919	13,074,865	12,830,055	15,183,698	15,988,555
% Change		13.2%	19.7%	4.8%	15.9%	-1.9%	18.3%	5.3%

Rent & Outgoings in 2010 included expensing the provision for the remaining exposure to the leased premises in Park Road Milton. This includes future rent & Outgoings and make good costs payable under the lease agreement. The lease was not due to expire until March 2013.

7.2 Expenses ranked by total

2013 Budget Submission	F'Cast 2012 \$AUD	Revised Budget 2013 \$AUD	Change %
Expenses		-	
Salaries and Personnel Expenses	8,245,000	8,671,800	5.2%
Travel Expenses	1,933,507	2,030,182	5.0%
Professional Fees	1,288,000	1,154,775	-10.3%
Depreciation Expenses	819,582	894,609	9.2%
Computer Expenses	614,835	637,160	3.6%
Communication Expenses	424,595	531,416	25.2%
Sponsorship and Publicity Expense	270,585	335,500	24.0%
Meeting and Training Expenses	253,440	352,550	39.1%
ICANN Contract Fees	321,655	310,000	-3.6%
Office Operating Expenses	258,320	289,420	12.0%
Staff Training Expense	155,770	164,000	5.3%
Bank Service Fees	129,124	136,000	5.3%
Insurance Expenses	125,050	131,850	5.4%
Recruitment Expense	110,588	100,000	-9.6%
Income Tax Expenses	47,170	60,000	27.2%
Membership Fees	69,093	54,641	-20.9%
Printing & Photocopy	47,037	45,605	-3.0%
Postage & Delivery	32,162	33,047	2.8%
Translation Expense	11,928	30,000	151.5%
Doubtful Debt Expenses	26,258	26,000	-1.0%
Total - Expenses	15,183,698	15,988,555	5.3%

Details of the major expenses and variations to 2012 are included below:

7.3 Salaries and Personnel Expenses

Salaries and Personnel expenses include the existing HR organization structure as at the end of October. FTE increases are included for the following positions:

- Senior Security Officer
- Management Accountant

Senior Security Officer

The Senior Security Officer will provide hands-on security support to the Infrastructure Services unit, and at the same time, provide support to 'technical' security events.

Management Accountant

The Management Accountant takes over the existing finance manager role, running the day to operations of the finance team. A new position as financial controller will be created to provide independent financial analysis, internal audit services, ERP system administration and management of

the increasing demands of the ISIF, SIDA, and IDRC reporting for grant administration. This role is partially funded through the ISIF program.

The main assumptions applied to existing salaries are:

- An incremental increase of 5% is applied to existing salaries to account for performance review outcomes, promotions, and annual increases in market rates for salaries.
- It is assumed that all staff will take 3.5 weeks of annual leave and that staff annual leave balances will be maintained at less than 25 days.

7.4 Travel Expenses

This budget includes 5% increase in expenditure on travel expenses over 2012. The introduction of the new ERP solution has improved the management of travel expenses significantly. The Secretariat is currently trialling new travel providers to ensure that APNIC is getting access to the most competitive pricing. The travel calendar will be a focus for the executive team in 2013, and the new External Relations procedures will monitor travel carefully.

7.5 Professional Fees

Professional fees in 2013 include the following major expense provisions:

▪ Consultants (Communications and Design)	AUD \$195,000
▪ Legal advice & expenses	AUD \$135,000
▪ Events Consultant	AUD \$120,000*
▪ Tax and Audit Consultant Fees	AUD \$85,000
▪ Cost recovery training	AUD \$60,000*
▪ PR engagement	AUD \$60,000
▪ Swinburne – Research Project	AUD \$42,000
▪ Research & Report on APNIC History	AUD \$33,750*
▪ ISO9000 consultancy and audit	AUD \$30,000*
▪ HR Programs	AUD \$30,000

* *new expenditure for 2013*

Consultants (Communications and Design)

The Communications and Design consulting work, is a partially new cost for 2013.

This represents consulting work to replace the work done by the previous marketing manager at a more strategic level and an increase in design consulting represents an increase in the scope of work already being done in 2012.

Legal Advice & expenses

Allowance for ongoing legal support from; APNIC legal counsel, DLA Piper, and Commerce Qld legal services.

Events Consultant

The Events Consultant role will provide L&D with a high level of event management experience and skill. This role will be partially offset by reductions in fees paid to APRICOT. This role will

manage events outside the normal APNIC Conference cycle to provide better outreach to local and sub-regional events.

Tax and Audit Consultant Fees

Provision for APNIC's financial advisers (KPMG), and annual audit expenses by Ernst & Young.

Cost recovery training

APNIC is establishing agreements with technical specialists to provide on-the-ground training and consulting support in India and Singapore. These resources will reduce APNIC's travel and administration costs, and will expose APNIC to a maximum cost of AUD \$30k per year for each consultant.

PR Engagement

APNIC engages external PR firms (Racepoint/Hoffman Agencies) to interface with mainstream media for APNIC events and significant news.

Swinburne – Research project

This represents the final year of the 3-year agreement with Swinburne University on Research and development activities

Research & Report on APNIC History

APNIC will be celebrating a 20-year anniversary at the APNIC 36 Conference. An APNIC History project is underway to document APNIC's development over this period. This project commenced in the last quarter of 2012, but will conclude in 2013.

ISO9000 consultancy and audit

APNIC is developing a gap analysis to understand the scope of work required to gain ISO9000 accreditation. Currently at the gap analysis stage, this project would include the development of a quality framework and manual, with the aim of a successful audit during 2013. This would also include work related to the standardization of APNIC's policies and procedures relating to document management.

HR Programs

This budget includes provision for management coaching and training, the Employee Assistance Program and other HR related consulting.

7.6 Depreciation expenses

Depreciation costs are estimated based on the existing depreciation and capital allowance schedules for equipment, software, and building assets. An estimate of CAPEX expenditure and the corresponding depreciation expenses are included in the estimate for 2013.

7.7 Computer expenses

Computer expenses for 2013 remain in line with those incurred in 2012. The major expense items are:

▪ ERP Licenses users and modules	AUD \$92,275
▪ SAN: NetAPP maintenance	AUD \$56,000
▪ Google Ads	AUD \$50,000
▪ Load-Balancing: F5	AUD \$37,000
▪ Cisco Smartnet	AUD \$35,000

▪ BPKI: SafeNet maintenance	AUD \$29,000
▪ Events system license fees	AUD \$28,900
▪ Document management solution	AUD \$20,000
▪ SQUIZ Basic SLA 24x7 support	AUD \$20,000
▪ SQUIZ CMS support pack	AUD \$20,000
▪ Software: RedHat - JBoss x4 – SureBridge	AUD \$20,000
▪ Asmart; AHRI; Hay Group; Navigo	AUD \$16,000
▪ DNSSEC: Secure64 software maintenance costs	AUD \$16,000
▪ Vmware Vsphere support & service	AUD \$16,000

7.8 Communication Expenses

The significant costs relating to communication expenses are:

▪ Dark fibre - Office - Soul - Interactive	AUD \$120,000
▪ NextDC - 2x Rack space	AUD \$55,200*
▪ Office - Telstra 2MB/10MB Uplinks	AUD \$54,000
▪ Interactive - 2x Rack Space	AUD \$46,152
▪ Interactive - Soul 100Mbps Up-link	AUD \$40,408*
▪ DNS-Anycast-Autonomica: Netnod (SEK)	AUD \$30,000
▪ NextDC - Peering to EQUINIX	AUD \$25,800
▪ Interactive - Soul 50Mbps Up-link	AUD \$25,408
▪ NextDC - 1x Rack space for F Root - K Root & RND	AUD \$19,800*
▪ NextDC - Peering to PIPE-IX	AUD \$12,000
▪ NextDC - Peering to Vocus	AUD \$12,000*
▪ VOIP: Telstra BDSL Backup Service to NextDC	AUD \$10,548*

The relocation of the colo facility from Webcentral to the state of the art NextDC data centre will increase APNIC's ongoing network costs but will significantly increase redundancy and resilience. The rack space at NextDC for three racks will increase costs to AUD \$75k annually, compared to AUD \$33.6K at Webcentral. New peering services to Vocus will cost AUD \$12,000 per year.

Increasing the Soul up-link from 50Mbps to 100Mbps will increase costs by AUD \$40k in 2013, and planned new DNS Anycast uplink costs will increase expenses by AUD \$30k.

The introduction of a new VOIP solution in APNIC will increase annual expenditure by around AUD \$22k per year.

7.9 Sponsorship and publicity expenses

There will be significant increases in sponsorship and publicity expenses in 2013. The major costs in this expense line are:

▪ NRO expenses APNIC contribution	AUD \$105,000
▪ IGF Indonesia sponsorship	AUD \$35,000

▪ Gov. events (APT, Regional ITU, KISA, etc.)	AUD \$20,000
▪ Fellowships	AUD \$17,000
▪ Sponsor and guest gifts	AUD \$16,500
▪ ICANN Beijing sponsorship	AUD \$15,000
▪ Training – gifts for trainees and sponsors	AUD \$10,000
▪ Internet ads (Google, YouTube, etc)	AUD \$10,000
▪ APriIGF	AUD \$10,000
▪ Pacific IGF	AUD \$10,000
▪ IPv6 Summits in the region (4)	AUD \$10,000
▪ National NOGs (4)	AUD \$10,000
▪ SANOG/PACNOG	AUD \$10,000

* APNIC contribution to the ISIF program has been expensed to Professional Fees in previous years.

7.10 Meeting and training expenses

Singapore will be an expensive venue for the APNIC 35 Conference combined with APRICOT. Costs for this Conference are expected to amount to around AUD \$140k.

The costs related to the APNIC 36 Conference in Xian are estimated to be around AUD \$92k based on the proposal from the local host; this includes APNIC's contribution of AUD \$50k and payments for APNIC-specific activities.

7.11 Office operating expenses

Office operating expenses will increase by around AUD \$30k in 2013. The major factors causing this increase are rises in electricity charges of around AUD \$10k, resulting from contracted tariff increases and the introduction of the carbon tax in July 2012.

There is a provision for Workplace Health & Safety costs of AUD \$10k related to a planned workplace health screening initiative.

8 Capital Expenditure 2013

The capital expenditure planned for 2013 is estimated at around AUD \$995k. Of this, AUD \$853,785 relates to equipment and software updates and acquisitions, and the remainder relates to office furniture and office improvements.

The major CAPEX items for 2013 include:

▪ F-Root Installations	AUD \$150,000
▪ New VOIP Solution	AUD \$ 75,000
▪ Replace obsolete laptops/computers	AUD \$74,100
▪ Monitoring: New network analysis device	AUD \$68,000
▪ Virtualisation: Site redundancy deployment with VMware	AUD \$59,600
▪ Virtualisation: Blades - New M6100 series	AUD \$56,000
▪ Virtualisation: Server - New PowerEdge C6220	AUD \$50,000
▪ Allowance for Goods lift	AUD \$50,000
▪ Allowance for stair rectification	AUD \$30,000
▪ Documentation management system hardware	AUD \$30,000
▪ Training Lab - upgrades	AUD \$30,000
▪ VPN: New VPN	AUD \$30,000
▪ Network-Infra-NextDC-Colo: Router	AUD \$25,000
▪ Network-Infra-APNIC-Office: Router	AUD \$25,000
▪ Physical security: RFID deployment	AUD \$25,000
▪ Meeting room improvements (soundproofing etc.)	AUD \$25,000