

APNIC EC Meeting Minutes

Teleconference

Thursday 20 November 2008

Meeting Start: 3:03 pm (UTC +1000)

Present

Akinori Maemura
Che-Hoo Cheng
Kuo-Wei Wu
Kusumba Sridhar
Paul Wilson

Geoff Huston (minutes)
Irene Chan
Richard Brown
Connie Chan

Michael Hillier (KPMG, for agenda item 6)
Ron Zubrik (KPMG, for agenda item 6)

Apologies

Ming-Cheng Liang
Mao Wei
Ma Yan

Agenda

1. Agenda Bashing
2. Review of Minutes and Action List Review from 25 August Meeting
3. Financial Report: Financial Report 10/08
4. Director-General's Report
5. 2009 APNIC Budget
6. Fees Study Update
7. ASO/AC 2009 Activity review
8. AOB

Minutes

1. Agenda bashing

Endorsement of policies that achieved consensus at APNIC 26 was added to AOB.

2. Minutes of Last Meeting and Matters Arising

The minutes from the meeting of 9 October 2008 were approved unanimously.

Action ec-08-033: Secretariat to publish minutes of the October meeting

Review of action items:

- Action ec-08-030:** Secretariat to publish minutes of the August meeting
[completed]
- Action ec-08-031:** Secretariat to amend the APNIC Fee Schedule, Section 3.2.2, of <http://www.apnic.net/docs/corpdocs/member-fee-schedule.html> to read: "The minimum per-address fee payable for any allocation or assignment of IPv4 address space is equal to the fee payable for a minimum IPv4 address allocation."
[completed]
- Action ec-08-032:** Further guidance to be provided to KPMG regarding Task 4.
[completed]

3. Finance Report

Irene Chan provided the monthly report of expenditures revenues, and membership movements for October 2008. Projected expenses for 2008 are AUD 10.56M, 0.6% over the originally projected budget figure. Projected revue for 2008 is AUD 10.59 M, 1.6% lower then budget. The main factor here is a reduced level of per allocation fees for 2008. As of the end of October total expenses are closely aligned to the budgeted amount, while total revenue is slightly below the budget projection.

The EC accepted the financial report for October 2008 (attached).

4. Director-General's Report

The Director-General noted a response from APNIC to the US NTIA inquiry into the DNSSEC signing of the root zone, reiterating the statement made by the APNIC community at APNIC 26 to ICANN in support of the ICANN proposals to sign the DNS root.

The D-G noted ongoing discussions with ICANN staff relating to possible IP address scenarios associated with the exhaustion of the unallocated pool of IPv4 addresses. The D-G indicated an intent to include in the 2009 activity program the commissioning of some external consultancy work as an information gathering exercise to assist the APNIC policy development process with the provision of pertinent expert commentary on aspects of the situation. A budget allocation for professional fees associated with this activity has been included in the 2009 budget proposal in support of this proposed activity. This work may be undertaken in conjunction with ICANN, under terms of a mutually agreed set of arrangements.

The Cross-RIR Drafting Group has made no further report on the drafting of a proposed MoU concerning the intended disposition of any returned legacy Ipv4 address space.

The D-G informed the EC of the retirement of the President and CEO of ARIN, Ray Plzak, and informed the EC on the interim arrangements that have been undertaken within ARIN.

5. 2009 APNIC Budget

The EC considered the 2009 budget papers and the proposed 2009 APNIC budget (attached). The proposed expenditure in the budget was produced using an activity plan approach, looking at the potential cost elements for each APNIC activity. It was noted that while there was an anticipated membership growth of some 14% for 2009, the 2009 budget was prepared on the basis of no change in the staff establishment levels.

The EC deferred consideration of a motion to accept the budget until its next regularly scheduled meeting, on the 18th December.

6. Fees Study Update

Michael Hillier and Rob Zubrik of KPMG briefed the APNIC EC on Task 4 of the Fee Study. A model of expenditure to 2013 is to be used as a starting point for modelling the effect of various fee structure for APNIC. It was noted that the model used would not incorporate the formation of any further NIRs.

KPMG informed the EC of their understanding of the EC's instructions to study four fee structures, relating to the incorporation of a new membership level at the large end of the membership structure, the adoption of a continuous membership fee model, as distinct from the current "stepped" membership fee model, the introduction of a premium applied to the NIR's membership fees over those for 'ordinary' APNIC members and the adoption of a NIR fee model based on the membership of the NIR with a discount factor to take into account NIR activities.

The EC considered the directions relating to the "RIPE funding model" where the fees would be altered each year in order to provide an assured financial outcome. The EC members present indicated some concerns with the introduction of additional elements of fee variability into the fee schedule. The EC agreed to request further details relating to the study of the "RIPE funding model" before providing KPMG with further guidance relating to the study of this model. The EC also requested KPMG to include a study of the fee structure factoring in the formation of additional NIRs as well as the case without the formation of any further NIRs.

Action ec-08-034: EC Chair to request further details of the RIPE funding model for study from Ming-Chen Liang.

Action ec-08-035: KPMG to include NIR formation as a study case in the Task 4 fee study.

7. ASO/AC 2009 Activity review

The EC noted a request from the ASO/AC regarding the 2009 activity plan. The EC determined to suggest to the ASO/AC that they examine relevant aspects of the appropriate means of handling returns of IPv4 legacy space.

8. AOB

8.1 APNIC Policy Endorsement

The APNIC EC endorsed a number of policies as part of the APNIC PDP.

The following policies were endorsed:

- prop-055: **Global policy for the allocation of the remaining IPv4 address space**
- prop-062: **Use of final /8**
- prop-064: **Change to assignment policy for AS numbers**
- prop-066: **Ensuring efficient use of historical IPv4 resources**

Next Meeting

18th December 2008 (Teleconference)

Meeting closed: 4:46 pm (UTC+1000)

Summary of Action Items

- Action ec-08-033:** Secretariat to publish minutes of the October meeting [completed]
- Action ec-08-034:** EC Chair to request further details of the RIPE funding model for study from Ming-Chen Liang.
- Action ec-08-035:** KPMG to include NIR formation as a study case in the Task 4 fee study.



APNIC

Monthly financial report (in AUD)

For the month ending October 2008

Asia Pacific Network Information Centre

1. Balance Sheet

Statement of Financial Position (AUD)					
	31/10/2008	% of Total Asset or Liab+Equity	% change from 31/12/2007	Year-End 2007	Year-End 2006
CURRENT ASSETS					
Cash	6,873,548	44%	3.7%	6,626,341	5,696,300
Term deposit investment	2,300,000	15%	0.0%	2,300,000	3,300,000
Receivables	1,531,851	10%	107.6%	737,859	1,474,467
Others	525,428	3%	61.3%	325,739	347,259
TOTAL CURRENT ASSETS	11,230,828	72%	12.4%	9,989,939	10,818,026
NON-CURRENT ASSETS					
Other financial assets	956,109	6%	-21.8%	1,222,666	1,148,369
Property, plant and equipment	1,643,165	11%	-1.4%	1,667,091	1,494,461
Long term deposit investment	1,700,000	11%	0.0%	1,700,000	2,000,000
TOTAL NON-CURRENT ASSETS	4,299,274	28%	-6.3%	4,589,758	4,642,830
TOTAL ASSETS	15,530,102	100%	6.5%	14,579,696	15,460,856
CURRENT LIABILITIES					
Payables	503,013	3%	-55.8%	1,139,160	1,458,382
Provisions	986,434	6%	11.1%	888,178	707,834
Unearned revenue	5,427,563	35%	42.2%	3,817,898	4,271,275
TOTAL LIABILITIES	6,917,011	45%	18.3%	5,845,236	6,437,490
EQUITY					
Share capital	1.00	0%	0.0%	1.00	1.00
Reserves other financial assets investment *	(298,777)	-2%	-429.0%	90,827	143,620
Retained earnings	8,911,866	57%	3.1%	8,643,633	8,879,745
TOTAL EQUITY	8,613,091	55%	-1.4%	8,734,461	9,023,366
TOTAL LIABILITIES & EQUITY	15,530,102	100%	6.5%	14,579,696	15,460,856

Notes:

For comparison purposes the following exchange rates apply:

- (1) ATO official monthly average rate for October 2008 is 0.7041
- (2) ATO official notes spot rate for 31 December 2007 was 0.8875 and for 31 December 2006 respectively 0.7938

* The negative value in “Reserves on other financial assets investment” is due to the revaluation of our investment in unit trusts based on the market valuation as at the end of September.

2. Profit and Loss Statement

2.1 Expenses

This report provides the projected figures, for comparison with the 2008 budget.

EXPENSES (AUD)	Oct-08 Actual	YTD Actual	YTD %	Projected Actual 2008	Budget 2008	Projected Year End Budget Variation	Projected Budget Variation %
Bank charges	6,057	55,269	0.7%	66,323	83,573	(17,250)	-20.6%
Communication expenses	13,736	141,596	1.7%	169,915	231,783	(61,868)	-26.7%
Computer expenses	(1,559)	127,905	1.5%	153,486	162,390	(8,904)	-5.5%
Depreciation expense	55,030	527,779	6.2%	633,335	641,480	(8,145)	-1.3%
Sponsorship and Publicity expenses	11,489	159,832	1.9%	180,698	190,883	(10,185)	-5.3%
Doubtful debt expenses	0	57	0.0%	20,126	20,126	0	0.0%
ICANN contract fee	19,709	197,086	2.3%	236,503	285,000	(48,497)	-17.0%
Insurance expense	9,986	102,034	1.2%	122,441	121,526	915	0.8%
Meeting and training expense	248	153,636	1.8%	163,636	183,841	(20,205)	-11.0%
Membership fees	7,518	48,496	0.6%	58,195	69,496	(11,301)	-16.3%
Miscellaneous expenses	5	1,332	0.0%	1,598	5,534	(3,936)	-71.1%
Office operating expenses	6,797	98,116	1.2%	117,739	88,616	29,123	32.9%
Postage & delivery	1,025	31,098	0.4%	37,318	36,586	732	2.0%
Printing & photocopy	2,856	36,036	0.4%	43,244	31,526	11,718	37.2%
Professional fees	68,865	375,141	4.4%	583,128	544,172	38,956	7.2%
Recruitment expense	10,825	124,950	1.5%	144,950	90,503	54,448	60.2%
Rent and outgoings	67,698	505,797	6.0%	619,665	586,245	33,420	5.7%
Salaries and personnel expenses	675,724	4,506,121	53.1%	5,464,659	5,402,753	61,906	1.1%
Staff Training/conference expenses	6,383	116,774	1.4%	126,774	84,305	42,469	50.4%
Tax expense	0	0	0.0%	135,543	44,928	90,615	201.7%
Translation expenses	0	16,458	0.2%	21,458	73,871	(52,413)	-71.0%
Travel expenses	186,253	1,161,327	13.7%	1,461,327	1,519,033	(57,706)	-3.8%
TOTAL EXPENSES	1,148,645	8,486,842	100.0%	10,562,063	10,498,170	63,893	0.6%

Notes:

The anticipated outcome is a total expenditure level of AUD \$10.56M, compared to the original budget estimate of \$10.50M, or a 0.6% variance. Some of the major expenses variances are as follows:-

- Communication expenses – lower than budgeted due to the staff connectivity plan that has been revised and incorporated into each individual salary package.
- ICANN contract fee – when this was paid in August the exchange rate was much higher than budgeted
- Recruitment expenses – higher due to increased relocation expenses for overseas staff recruitment, and agency placement costs
- Salaries and Personnel expenses – higher due to revised salary rate to align with the market rate base on the Hays salary scale, and some organisational structure changes.
- Staff Training/ conference expenses –professional development provided to staff by through increased in-house training.

- Tax expense – increased significantly for 2008 when compared to the budget projections, employee related taxes have been moved to Salary & Wages Expenses. Tax related to Investment and Interest income has increased in line with increased in returns.
- Translation expenses – lower than budgeted due to translation activity undertaken by internal staff and a reduction in translation requirements.
- Travel expenses – lower than budgeted due to a focus on the reduction in travel activity.

2.2 Revenue

REVENUE (AUD)	Oct-08 Actual	YTD Actual	YTD %	Projected Actual 2008	Budget 2008	Projected Year End Budget Variation	Projected Budget Variation %
Interest income	66,454	650,767	7.4%	780,921	721,997	58,924	8.2%
IP Resource application fees	126,760	926,919	10.6%	1,112,303	963,960	148,343	15.4%
Membership fees	593,498	5,468,598	62.5%	6,705,907	6,732,908	(27,001)	-0.4%
Non-members fees	10,803	104,908	1.2%	125,889	198,316	(72,427)	-36.5%
Per Allocation fees	64,836	1,266,478	14.5%	1,534,774	1,912,246	(377,472)	-19.7%
Reactivation fees	0	8,876	0.1%	10,651	17,936	(7,285)	-40.6%
Sundry income	1,701	254,756	2.9%	255,756	214,885	40,871	19.0%
Foreign Exchange gain/(loss)	54,540	73,774	0.8%	69,064	0	69,064	0.0%
TOTAL REVENUE	918,592	8,755,075	100.0%	10,595,265	10,762,248	(166,983)	-1.6%

Notes:

The projected revenue for 2008 is lower than budgeted due to significantly lower levels of address allocations in the per-allocation area.

2.3 Operating Profit/ Loss

Revenue and Expenses (AUD)	Oct-08 Actual	YTD Actual	YTD %	Projected Actual 2008	Budget 2008	Projected Year End Budget Variation	Projected Budget Variation %
Total Revenue	918,592	8,755,075	100%	10,595,265	10,762,248	(166,983)	-1.6%
Total Expenses	1,148,645	8,486,842	100%	10,562,063	10,498,170	63,893	0.6%
OPERATING PROFIT/ (LOSS)	(230,053)	268,233		33,202	264,077		

Note: Accounts are projected based on the following:-

- pro-rata from the actual figures and projected until the end of year
- year to date figures will be used if further expenses are not expected
- budget figures, or
- other updated information available

3. Membership

3.1 Membership statistics

At the end of October 2008, APNIC had a total of 1,836 members serving 51 economies. There is net growth of 252 members, with 380 new members whilst 128 member accounts have been closed. The majority of the closures are due to members that are either non contactable, or transfer/ merger accounts.

3.1.1 Membership by Category

The following table shows the monthly changes in membership and provides an analysis of APNIC's membership tiers; this table shows that 44% of APNIC members are included in the Small membership tier.

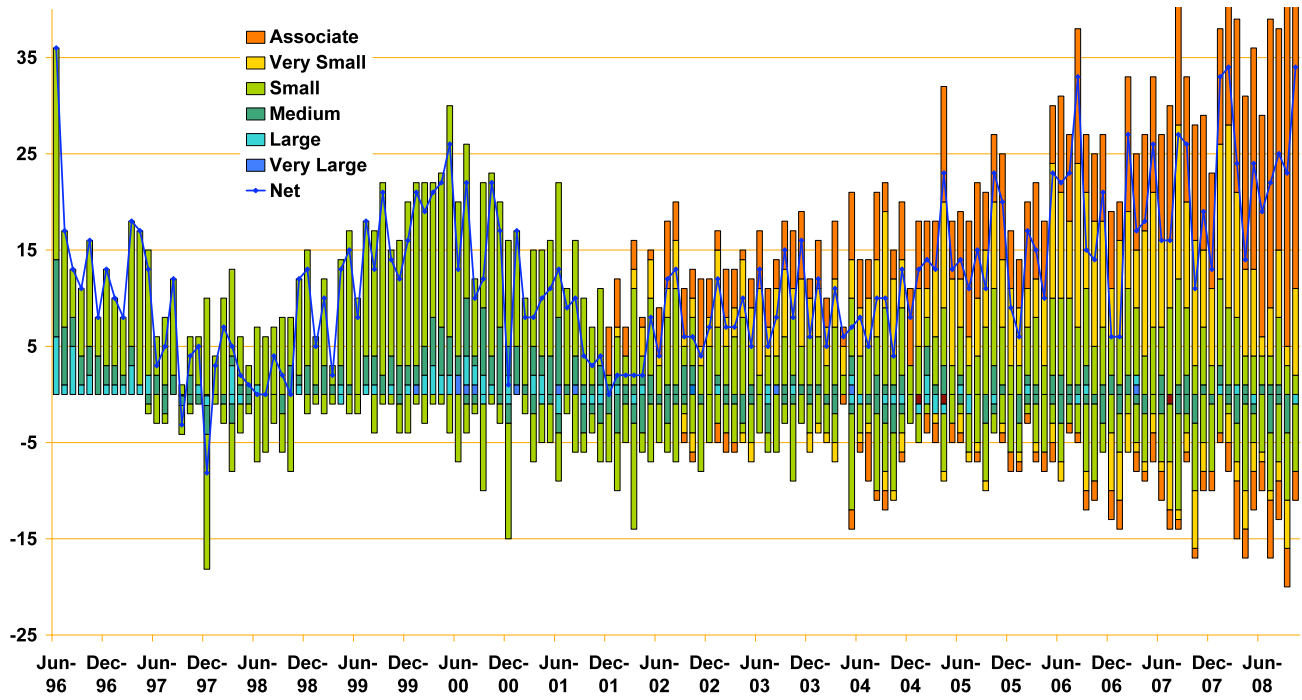
Membership	Total	New	(Closed)	Size	Total	Total YTD
	Sep-08	Oct-08	Oct-08	Change	YTD	(%)
				Oct-08	Oct-08	Oct-08
Extra Large	12	0	0	0	12	1%
Very Large	29	0	0	1	30	2%
Large Member	88	0	(1)	2	89	5%
Medium	247	0	0	5	252	14%
Small	814	2	(7)	2	811	44%
Very Small	344	9	0	0	353	19%
Associate	268	34	(3)	(10)	289	16%
TOTAL	1802	45	(11)	0	1836	100%

The table below compares the actual growth of membership at the end of October 2008 with the budgeted annual growth on a monthly pro-rata basis.

Membership	Actual	Actual	Actual	Budgeted	Budgeted	Budgeted	Variation
	Total	Total	Growth	Total	Growth	Growth	Actual vs.
	EOY	YTD	YTD	EOY	EOY	YTD	Budget
	2007	Oct-08	2008	2008	2008	(*)	(*)
Extra Large	9	12	3	9	0	0	3
Very Large	27	30	3	34	7	6	-3
Large Member	77	89	12	83	6	5	7
Medium	231	252	21	259	28	23	-2
Small	765	811	46	894	129	108	-62
Very Small	304	353	49	405	101	84	-35
Associate	171	289	118	219	48	40	78
TOTAL	1584	1836	252	1903	319	266	-14

3.1.2 Membership Movement

The graph below illustrates the monthly movements of APNIC membership since 1996. October 2008 represents the highest number of new members achieved to date.



APNIC budget submission – Financial Year 2009

1. Executive Summary

This document contains the submission for the APNIC budget for the financial year from January to December 2009. It includes revenue, expense, and cash flow projections based on the planned activity profile for 2009, the projected revenue growth and other variables including economic forecasts, consumer price index predictions and interest rate forecasts.

The purpose of this paper is to allow the Executive Council of APNIC to approve an expenditure level for 2009, in the manner as described in the APNIC ByLaws:

“to establish the basis for the budget of APNIC and determine, in the light of the decisions taken by the Members on the reports referred to in by-law 5(b) above, a ceiling for the expenditure of APNIC until the next AGM after considering all relevant aspects of the work of APNIC in that period”[APNIC ByLaws30(g)]

The operational expenditure for APNIC for 2009 is proposed to be AUD \$12,058,479, the projected revenue for 2009 is AUD \$12,086,125, and the anticipated operating surplus for the year is AUD \$27,647. There is a proposed capital expenditure \$1,335,500

It is proposed that the Executive Council approve an expenditure ceiling for 2009 for APNIC of AUD \$13,393,979.

2. Financial Outlook 2009

2.1 Revenue Outlook

There are both internal and external factors that will affect APNIC revenue for the 2009 year. Revenue from interest bearing deposits will reduce as the rates available for such investments have declined from up to 8.4% in 2008 to a forecast rate of less than 5% in 2009. Income from member related activities including membership fees, application and allocation fees although continuing to grow strongly in 2008 are likely to be affected by decreases in activity as a result of changes in global economic conditions.

As nearly 66% of APNIC revenue is derived from Membership Fees, when considering this revenue for 2009 there are two important factors to consider. Firstly, approximately 5% of the Membership fees growth in 2009 is a result of recognising a full year of the Australian dollar fee schedule that was applied to any renewals from January 2008. Secondly, whilst membership growth has been strong in 2008 it is prudent to be more conservative with growth estimates in 2009, an assumed discount factor of 30% has been applied to the projected membership growth to account for uncertainties caused by the global financial crisis through 2009.

2.2 Expense Outlook

The expenses in this budget have, where practical, been determined based on a zero based budgeting approach. A detailed bottom up process has been used to accurately determine the expenses that APNIC will incur as result of undertaking its planned activities in 2009. The introduction of new activities for “IPv6” and “HiAvail” in 2009, combined with a high reported inflation rate of 5%, and a decline in the value of the AUD in relation to the USD have all been significant factors to consider in developing this budget.

The “HiAvail”(High Availability) activity is intended to address APNIC's service previous reliability issues by placing all public facing online services within a robust high availability framework. The “IPv6” activity is intended to support the transition to IPv6 in the Asia pacific through collaboration with IPv6 related bodies regionally and globally, and by providing information regarding transition status and operational matters to stakeholders.

The secretariat has undertaken a comprehensive review of all expenses and has identified a number of areas where action can be taken to reduce costs; these have been incorporated into the budget submission.

2.3 Capital Expenditure Outlook

The Capital Expenditure submission for 2009 includes an AUD \$500,000 allowance for a major refit of the Milton Office. The Milton office which originally accommodated staffing of seven has grown to allow for a current staffing level of 60, the leased area has increased over time as more space was required. It is clear that a strategic review of the office layout is needed to make use of the office space more effectively. There is currently little accommodation available for visitors and meeting rooms are not often available. The initial quote for a complete fit-out was in excess of AUD \$1,500,000 so the secretariat has investigated alternative lower cost solutions and believe that they can find a solution that will fit within the proposed allowance of \$500,000 for this activity.

Expenditure on Equipment and Software is line with that approved in the budget for 2008 and includes significant investment in Hardware for the “HiAvail” activity which is new for 2009. The Capital expenditure planned for 2009 is AUD \$1,355,500

2.4 Financial Projections for 2009

2.4.1 Profit & Loss Statement – Budget 2009

Operating Position (AUD)	2009	2008	Change
Expenses	12,058,479	10,562,061	14.2%
Revenue	12,086,125	10,595,265	14.1%
Net Outcome	27,647	33,204	-16.7%
Revenue			
Interest	617,000	780,921	-21.0%
IP Resource Application Fees	1,263,282	1,112,303	13.6%
non-members Fees	131,984	125,889	4.8%
Per-Allocation Fees	1,876,701	1,534,774	22.3%
Reactivation Fees	15,601	10,651	46.5%
Sundry	237,744	324,820	-26.8%
Membership Fees	7,943,814	6,705,907	18.5%
Total	12,086,125	10,595,265	14.1%
Expenses			
Bank Charges	73,816	66,323	11.3%
Communication Expenses	158,549	169,915	-6.7%
Computer Expenses	339,423	153,486	121.1%
Depreciation Expense	679,860	633,335	7.3%
Donation/Sponsorship	176,981	180,698	-2.1%
Doubtful Debts Expenses	27,175	20,126	35.0%
ICANN Contract Fee	329,200	236,503	39.2%
Insurance Expense	130,310	122,441	6.4%
Meeting and Training Expenses	213,500	163,636	30.5%
Membership Fees	68,700	58,195	18.1%
Miscellaneous Expenses	2,000	1,598	25.2%
Office Operating Expenses	126,731	117,739	7.6%
Postage & Delivery	35,000	37,318	-6.2%
Printing & Photocopy	45,000	43,244	4.1%
Professional Fees	854,832	583,128	46.6%
Recruitment Expense	118,826	144,950	-18.0%
Rent & Outgoings	646,179	619,665	4.3%
Salaries, Wages & Oncosts	6,103,160	5,464,659	11.7%
Staff Training/Conference	132,000	126,774	4.1%
Tax Expense	135,000	135,543	-0.4%
Translation Expenses	35,000	21,458	63.1%
Travel Expenses	1,627,237	1,461,327	11.4%
Total	12,058,479	10,562,061	14.2%

2.4.2 Statement of Cash Flows

Cash Position	2009
EXPENSES (AUD)	12,058,479
Capital Purchases	
Equipment & Software	845,500
Furniture	10,000
Improvement	500,000
Total Capital Purchases	1,355,500
Non-Cash Expenses	
Bad/ doubtful debt expense	27,175
Depreciation expense	679,860
Employment entitlements	185,636
Loss on dispose of asset	12,708
Total Non-Cash Expenses	905,379
TOTAL CASH OUTFLOW	12,508,600
Total expenditure - capital and operational	13,413,979

Cash Reserve Forecast	2009
Cash Position 1 Jan 2009	6,873,548
Projected Cash Receipts	12,086,125
Projected Cash Disbursements	12,508,600
Net change in Cash Position	-422,475
Cash Position 31 Dec 2009	6,451,073
Term Deposit Investments	4,000,000
Cash and Deposits 31 Dec 2009	10,451,073
2010 budget growth	14.2%
2010 expenditure forecast	13,766,906
2010 Projected Relative Cash holdings	76%

3. Budget Preparation Notes

3.1 Data Sources

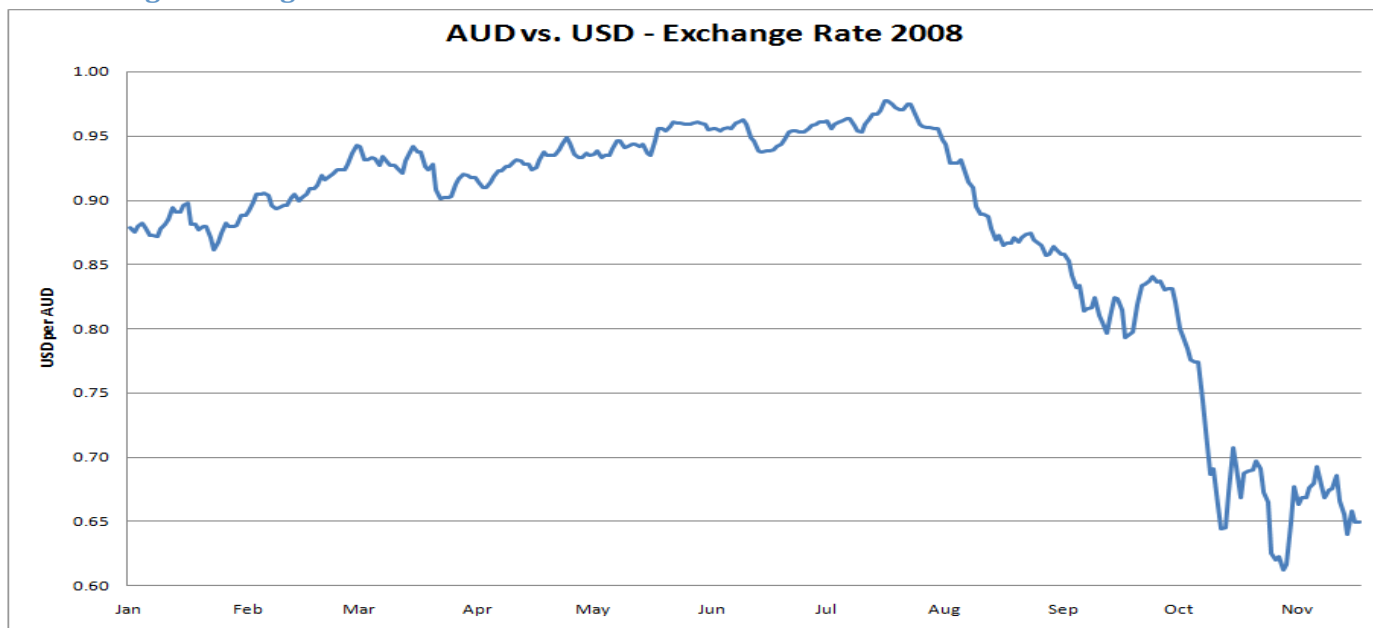
The APNIC 2009 budget has been prepared on the basis of expenditure forecast to support APNIC in undertaking membership services and support functions for 2009. The primary data sources used to develop this budget submission are:

- The APNIC member survey has been used to develop the Activity Plan for 2009
- The APNIC organisation structure and HR system provides expenditure breakdown for staff establishment level
- The forecasts for expenses use known committed expenditure where these are known
- The Asset Register has been used to estimate depreciation expenditure in 2009
- 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 full year impact of the AUD fee schedule.
- Interest Income is calculated based on estimated cash holdings and forecast interest rates contained in the National Australia Bank's financial outlook report for 2009
- Other revenue is calculated based on an using trend and variability analysis

3.2 Currency

APNIC's exposure to foreign exchange fluctuation has been significantly reduced in 2008, when the fee schedule was established Australian currency. There are however a number of expenses that continue to be incurred in US dollars, these include; the ICANN contract fee, NRO contributions, Membership fees (ISOC, APIA and ISC Bind), Professional Fees (ISC Root Server Fees). For this budget submission, a rate of 0.65 has been used to estimate the cost in Australian dollars. It is important to note that in 2008, the AUD at one point in July reached nearly 0.98 US dollars per Australian dollar and the rate of 0.65 used in this budget submission represents a decline of around 33% from this peak, this is illustrated in the chart below.

3.2.1 Foreign exchange trend 2008 AUD vs. USD



3.3 Projection techniques

When determining expenses for 2009 the secretariat has avoided using statistical projections and transaction analysis, and instead this budget was developed using a comprehensive bottom-up zero based approach. Based on a high level of consultation with individual managers and analysis of the financial system, existing commitments, combined with those new costs that will be incurred to support activities in 2009, have been combined to achieve the expense forecast for 2009.

When considering this expenditure, the secretariat has identified and is actively addressing a number of areas for productivity gains and has considered carefully the resources required to undertake existing and new activities in 2009.

Consumer Price Index surveys shows that the inflation rate in Australia is running at 5%, and this has been used as the basis for the 2009 budget submission. (<http://www.abs.gov.au/Ausstats/abs@.nsf/mf/6401.0>)

4. Revenue 2009

The table below illustrates the revenue trend from 2004 through to 2009 and shows that the predicted increase for 2009 above 2008 is 14.1%.

Revenue Projection

Revenue (AUD)	2004	2005	2006	2007	2008	2009
Interest	383,371	427,682	565,375	601,512	780,921	617,000
IP Resource Application Fees	475,864	695,239	770,603	764,637	1,112,303	1,263,282
non-members Fees	37,515	96,283	120,110	142,764	125,889	131,984
Per-Allocation Fees	860,678	830,685	1,049,811	1,251,102	1,534,774	1,876,701
Reactivation Fees	3,897	1,249	11,394	11,854	10,651	15,601
Sundry	105,701	176,869	242,458	212,215	324,820	237,744
Membership Fees	4,756,629	4,871,202	5,491,250	6,102,907	6,705,907	7,943,814
Total	6,623,654	7,099,208	8,251,002	9,086,991	10,595,265	12,086,125
Increase		7.2%	16.2%	10.1%	16.6%	14.1%

4.1 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 2009. The Australian governments deposit guarantee initiative will commence on 28/11/2008, all accounts over \$1M(per customer) can be insured for a cost of 0.7% for deposits with AA rated Authorised Deposit taking Institutions(ADI's).

4.2 IP Resource Application Fees

The revenue forecast for IP application fees is based on a weighted average growth of the years 2005 through to 2008. This estimate has been increased by an extra \$65k based on the analysis of the more recent trend in 2008.

4.3 Non Member Fees

Non-Member fee revenue is based on a weighted average growth of the years 2005 through to 2008.

4.4 Per Allocation Fees

Per Allocation fees revenue is based on a weighted average growth of the years 2005 through to 2008.

4.5 Reactivation Fees

Reactivation fee revenue is based on a weighted average growth of the years 2005 through to 2008.

4.6 Sundry

Sundry fee revenue is derived from the following sources and is based on a weighted average growth for the years 2005 through to 2008:

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

Sundry income for 2008 includes an amount of \$69,604 of foreign exchange gains

4.7 Membership Fees

4.7.1 Predicted membership growth through modelling

Membership numbers have continued to grow strongly with a forecast of close to 19% growth being achieved for 2008. The forecast membership growth used for this budget submission was calculated by using an exponential decay weighted mean ratio of 2005 - 2008 variance (5,3,2,1) see below with sensitivity included(1 stddev):

Membership	2008 (est)	2009 Projection		
		2009 (Low)	2009 (Med)	2009 (High)
X-Large	12	12	14	16
V-Large	29	30	34	37
Large	91	96	105	114
Medium	253	270	278	287
Small	833	905	933	962
V-Small	356	399	447	495
Assoc	302	354	453	553
Total	1876	2066	2264	2464
Variation	19.4%	10.1%	20.7%	31.3%

4.7.2 Discounted membership growth

To account for some of the uncertainty resulting from the Global Financial Crisis, the 2009 median growth estimate has been discounted by 30%, see below:

Membership	2008 (est)	2009 (Med)	Calc Growth	Disc 30%	2009(Fcast)
X-Large	12	14	2	1	13
V-Large	29	34	5	4	33
Large	91	105	14	10	101
Medium	253	278	25	18	271
Small	833	933	100	70	903
V-Small	356	447	91	64	420
Assoc	302	453	151	106	408
Total	1876	2264	388	273	2149

4.7.3 Membership Projection for 2009 budget

Membership Projection

Membership	2004	2005	2006	2007	2008 (est) *	2009
X-Large	8	8	9	9	12	13
V-Large	14	20	21	27	29	33
Large	60	56	70	75	91	101
Medium	164	196	210	233	253	271
Small	534	568	658	760	833	903
V-Small	123	174	261	298	356	420
Assoc	75	135	133	169	302	408
Total	978	1157	1362	1571	1876	2149
Growth	11.3%	18.3%	17.7%	15.3%	19.4%	14.6%

4.7.4 Membership Revenue Calculation

Membership revenue is calculated by taking the AUD fee schedule and applying it to the existing membership values at the end of December and then applying the same fees to 50% of the forecast growth in 2009. This 50% calculation accounts for the timing of new memberships over the calendar year.

Membership	Dec-08	Fee Schedule	Revenue 2009	Growth 2009	Growth Revenue	Total Revenue
X-Large	12	50,704	608,442	1	25,352	633,794
V-Large	29	25,352	735,201	4	50,704	785,904
Large	91	12,676	1,153,505	10	63,379	1,216,884
Medium	253	6,338	1,603,499	18	57,041	1,660,540
Small	833	3,169	2,639,752	70	110,914	2,750,665
V-Small	356	1,584	564,077	64	50,704	614,780
Assoc	302	792	239,257	106	41,989	281,246
Total	1876		7,543,732	273	400,082	7,943,814

5. Expenses 2009

Operational expenditure for the 2009 budget submission was developed based on the resources required to deliver the 2009 activity plan. The budget process involved all managers at APNIC and was developed where practical using a zero based approach. Where available, actual contractual commitments were included; otherwise estimates were based on trend data extracted from the financial reporting system.

Area Managers working with their unit managers identified the resources required to meet the activity schedule and provided detailed estimates of current and planned expenditures involved in meeting this schedule. A major review of these submissions was undertaken by the Executive team before final estimates were agreed for this submission.

EXPENSES (AUD)	2004	2005	2006	2007	2008 (Est)	2009
Bank Charges	28,454	41,665	56,336	67,504	66,323	73,816
Communication Expenses	143,539	164,567	125,248	208,217	169,915	158,549
Computer Expenses	74,713	88,819	151,993	145,026	153,486	339,423
Depreciation Expense	407,115	467,607	521,466	565,075	633,335	679,860
Donation/Sponsorship	106,037	54,341	110,707	140,575	180,698	176,981
Doubtful Debts Expenses	13,778	-3,884	4,727	4,237	20,126	27,175
ICANN Contract Fee	233,082	298,515	245,405	243,468	236,503	329,200
Insurance Expense	77,119	84,970	86,383	115,894	122,441	130,310
Meeting and Training Expenses	92,920	113,202	119,676	143,318	163,636	213,500
Membership Fees	126,786	144,592	77,423	52,706	58,195	68,700
Miscellaneous Expenses	-128,606	20,470	7,623	3,901	1,598	2,000
Office Operating Expenses	140,459	78,944	90,257	105,406	117,739	126,731
Postage & Delivery	55,063	58,902	44,829	35,714	37,318	35,000
Printing & Photocopy	47,581	38,337	38,696	36,249	43,244	45,000
Professional Fees	559,641	506,585	422,464	391,459	583,128	854,832
Recruitment Expense	61,922	66,240	87,699	91,504	144,950	118,826
Rent & Outgoings	331,540	370,321	397,254	446,076	619,665	646,175
Salaries, Wages & Oncosts	3,430,020	3,684,859	4,203,946	4,799,161	5,464,659	6,103,160
Staff Training/Conference	65,915	47,655	61,013	83,355	126,774	132,000
Tax Expense	114,783	64,430	108,078	100,818	135,543	135,000
Translation Expenses	18,835	13,982	35,281	20,313	21,458	35,000
Travel Expenses	708,882	788,129	952,703	1,186,740	1,461,327	1,627,237
TOTAL EXPENSES (AUD)	6,709,578	7,193,248	7,949,207	8,986,716	10,562,061	12,058,475
Variation		7.2%	10.5%	13.1%	17.5%	14.2%

5.1 Expense variations ranked by % variation

Expenses	2009	2008	Change
Computer Expenses	339,423	153,486	121.1%
Translation Expenses	35,000	21,458	63.1%
Professional Fees	854,832	583,128	46.6%
ICANN Contract Fee	329,200	236,503	39.2%
Doubtful Debts Expenses	27,175	20,126	35.0%
Meeting and Training Expenses	213,500	163,636	30.5%
Miscellaneous Expenses	2,000	1,598	25.2%
Membership Fees	68,700	58,195	18.1%
Travel Expenses	1,627,237	1,461,327	11.4%
Bank Charges	73,816	66,323	11.3%
Salaries, Wages & Oncosts	6,103,160	5,464,659	11.7%
Office Operating Expenses	126,731	117,739	7.6%
Depreciation Expense	679,860	633,335	7.3%
Insurance Expense	130,310	122,441	6.4%
Rent & Outgoings	646,179	619,665	4.3%
Staff Training/Conference	132,000	126,774	4.1%
Printing & Photocopy	45,000	43,244	4.1%
Tax Expense	135,000	135,543	-0.4%
Donation/Sponsorship	176,981	180,698	-2.1%
Postage & Delivery	35,000	37,318	-6.2%
Communication Expenses	158,549	169,915	-6.7%
Recruitment Expense	118,826	144,950	-18.0%
Total	12,058,479	10,562,061	14.2%

5.1.1 Computer Expenses

Major increases in Computer Expenses relate to the following:

- Move Brisbane & HK Colo from Rent & Outgoings = \$38,823
- New rack at Brisbane Colo = \$16,800
- CMS Support \$26,000
- CISCO increase \$11,000
- VeriSign certificate \$5,000
- Hosted Payroll solution \$3,000
- VOIP Support \$10,000
- ITIL \$4,000
- Performance Management hosted solution \$5,000
- Extra license O3 \$5,000

- RT3 Support \$6,250
- RedHat increase \$7,400
- ANS Support Increase \$6,500
- Luna Support Increase \$7,800

5.1.2 Translation Expenses

Translation expenses include an allowance for \$10,000 for translation activities associated with IPv6.

5.1.3 Professional Fees

The major incremental increases from 2008 are:

- \$200,000 to business consultancy on IP addressing scenarios
- \$31,000 CMS Support
- \$18,000 ISC Root Server Maintenance (Exchange rate change)
- \$10,000 Sugar CRM customization
- \$5,000 RT3 SecureMail customization
- \$5,000 BPM Consultancy
- \$15,000 BPKI CPS Consultancy
- \$25,000 Exchange rate variance ISIF
- \$20,000 Train the Trainer

5.1.4 ICANN Contract Fee

The reason for this increase is related to the currency fluctuation

5.1.5 Meeting & Training Expenses

The major incremental costs for Meeting and training expenses in 2009 are:

- Training venue expenses \$46,500
- Staff Events reallocation \$27,000 move from Salary & Wages
- IPv6 Meetings \$10,000

5.1.6 Membership Fees

The majority of the increase for this category of expenses relates to the currency fluctuation from 2008 to 2009. Membership of ISOC, APIA, and the Bind Consortium will increase by over \$13,000 as a result of this.

5.1.7 Salary & Wages Expenses

Salary & Wages expenses represent over 50% of the total expenses at APNIC were developed from a detailed model analysing all individual staff and the costs associated.

Salary & Wages expenses are based on the calculation of existing headcount at the end of December 2008.

There are no new positions for 2009 included in this budget although the original submissions included a request for 7 new positions.

A default incremental increase of 5% (CPI movement) was included in the calculation of these expenses in 2009.