

To Chuck Gomes,

The Registrar Constituency (RC) is hereby providing its formal position to the VeriSign Global Registry Services (VGRS) regarding its proposal to manage a Wait Listing Service (WLS), the subscription service for deleted domain names. VRSN sent its proposal to the Registrar Constituency on December 30, 2001, and allowed registrarsto comment until January 18, 2002.

The RC has considered the WLS, holding discussions and voting by email and through a conference call. The overwhelming position of the RC – in fact the unanimous vote of all those taking a position – is to oppose the WLS. Considering VRSN's obligation under its agreements with ICANN to vet any proposed price increases or service modifications for registry services with ICANN, and ICANN's bottom-up approach, it is the RC's understanding that the RC position will be considered within the Domain Name Supporting Organization (DNSO) before the DNSO would make a recommendation to the ICANN Board, and that the RC position would be a significant factor in ICANN's consideration of the WLS proposal.

Prior to reviewing the RC's concerns, it would be instructive to recall the history of this issue. In Spring 2001, VGRS temporarily shut off registrar connections, preventing new and/or small registrars from registering .com, .net and .org domain names. Ostensibly to address this technical load problem VGRS had temporarily closed the process of deleting expired names. Rather than effectively solving the technical load problem, VGRS implemented an interim solution, relegating batch requests for deleting names to one of three pools to prevent this high-volume traffic from overloading its systems. But according to VGRS, this solution has not solved the connection problems. In fact, VGRS is once again announcing that it is limiting connections.

The RC has a number of key concerns with WLS: a) price, b) transparency, c) benefit to the Internet, and d) lack of a solution:

- a) The proposed \$40.00 price point for WLS (which is in addition to the \$6.00 registry fee) is exorbitant. VGRS has not justified this price with cost requirements. Not only does WLS create a much higher price point for the end consumer, it effectively undermines competitive registrars' financial wherewithal. It is highly unlikely that registrars would be able to increase their margins in proportion to the increased margin charged by VGRS. In fact, market data (such as the Snapames price point of \$49) demonstrates that competitive registrars would have to dramatically lower, or eliminate, their current margins in order to compete for WLS names. This would undermine competitive registrars' revenues and jeopardize their ability to remain profitable.
 - The one registrar that may be able to take effectively advantage of this price is the VeriSign registrar, which continues to enjoy the largest market share. It would be able to use the new higher margin of \$46.00 to price below wholesale, as it has in the past with the \$6.00 fee. The result is to unfairly undermine competitor registrars.

- b) There would be a lack of transparency if VGRS runs the primary registry, the largest registrar, and the subscription service. As long as the same company is operating this vertically powerful chain of companies, it may be possible for it to shift domain names from the \$6.00 registry to the \$46.00 WLS. In fact, only the registry would know all of the WLS subscriptions and the timing for deleting names. Such information could be abused by its registrar. Considering that there is a history – some of it still unresolved – of VeriSign not deleting expired names, the RC is doubly concerned that VGRS’ operating the WLS provides new opportunities for domain name hoarding.
- c) The WLS provides an incentive and reward for speculators, while squeezing registrants seeking to build a web presence and registrars (as explained above). The WLS provides a “sure thing” to Internet insiders who are savvy enough to get to the head of the line. This primarily means speculators. They will be willing to pay the added \$40 fee for a guarantee of getting the expired name if 1) they are sure the name will be deleted and 2) they believe that they can resell the domain name at a higher price. Insiders will be virtually the only ones able to ensure that a certain name will be deleted. The end user will still have to pay the market price, which will be determined on the secondary market. Moreover, the fact that a WLS subscription has been placed on any given name would prompt a speculator holding such domain name to renew it, rather than release it.
- d) In addition to creating new problems, WLS will not solve the problem of batch pool slamming. In fact, there is the potential to create the same technical loading problems on the WLS as currently exist on the main registry. For example, there will be competition among speculators to be the first to get the WLS on the best names about to be deleted. There could also be a land rush effect to place WLS on well-known popular names, at the moment when the new WLS service goes live. Registrars will still compete for the expiring names that do not have WLS subscriptions. Since it costs the same “to slam” a \$40 name as to slam a name greater than \$40, there is no incentive not to. Finally, since WLS subscriptions are not tied to a name, this will create many WLS -switches immediately after the zone file is released daily.

While the RC opposes the WLS in its current form, it recognizes the need for a permanent solution to the apparent problem of deleted names not being released or being released in a manner that undermines other registry functions. Therefore, the RC welcomes other ideas for addressing these issues, and has discussed other alternatives. The RC will address these proposals in a separate position paper. The RC is open to VGRS’ comments on these other proposals, as well as any modified VGRS proposal that modifies the WLS per the comments herein.

The RC is clearly very interested in this issue and welcomes questions or further dialogue.

Regards,

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