ICANN DNSO Registrars Constituency

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To Chuck Gomes,

The Registrar Constituency (RC) is hereby responding to the VeriSign Global Registry Services (VGRS) regarding its revised proposal to manage a Wait Listing Service (WLS), the subscription service for deleted domain names. After issuing its original WLS proposal on December 30, 2001, VGRS issued a revised proposal on January 29, 2002. VGRS allowed ICANN constituencies and other interested parties to submit comments and questions regarding the revised WLS.

Having opposed the original WLS proposal (see January 18, 2002 RC letter to VRSN) and considered the revised proposal, the RC remains significantly concerned with this proposal. Therefore, the RC opposes the revised WLS proposal in its current form. Following are the RC's key concerns regarding the WLS, which focus on price and transparency:

a) We continue to view the proposed $35.00 price point for WLS (which is in addition to the $6.00 registry fee) as exorbitant, even with the potential proposed rebate program. VGRS has never justified its price point with cost requirements. The fact that VGRS easily lowered its original price begs the question of what costs actually justify the proposed WLS price.

   As we had previously stated, the WLS would significantly raise the price point for the end consumer, effectively undermining 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 contrast, 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 to price below wholesale, as it has in the past with the $6.00 fee. The result is to unfairly undermine competitor registrars.

b) The additional concern that continues to exist with the revised WLS proposal is regarding the 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 $41.00 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) An additional inherent unfairness is the ability of the largest registrar to "game" the WLS system. Since VeriSign's registrars delete over 50% of domain names, they can offer (to potential WLS subscribers) a WLS subscription on its customers' names that only VeriSign knows are to be deleted. Other registrars' customers would be buying a WLS name without the benefit of knowing that a particular name will actually be deleted. The current system does not provide registrars an advantage based its size. With the WLS system what is to prevent a registrar extending its advantage over the other registrars by not deleting the names that have expired without renewal and thereby offering less risky WLS subscriptions on those names compared to the other registrars?

In terms of the RC's questions, they are as follows:

a) What are the costs that justify the WLS price? What is the intellectual property that SnapNames is providing?
b) The introduction to the VGRS' "Justification" document states that the WLS "is not a solution for the deleted names issue." If the WLS system does not solve the batch pool problem (per VGRS explanation), why should it be adopted?
c) What is the phase in procedure (ie: landrush)?
    a. The SnapNames Parallel Registries Proposal (Sept 21, 2001) identifies 25,000 deletions/day. This means that the annual demand on deleted names is roughly 4.5 million. It is very likely that there will be a landrush. Since VGRS could not handle the load of 160,000 domain release back in August 2001 (which led us to today's condition), how will it deal with a WLS landrush?
    b. There will be competition amongst speculators to be the first to get the WLS on the best names about to be deleted, which may extend the landrush effect.
d) What is the proposed length of the trial?
    a. Page 8, Paragraph g of the proposal states, "Subscriptions continuing beyond the end of the trial period would continue to be serviced by VGRS and registrars." Thus, the trial period lasts for two years, not one.
e) How many expired names does VGRS Registrar have that have not been deleted? When will they be deleted? Will these names be deleted before the start of the WLS?
f) Pages five and six of the proposal discuss registration data to be submitted to the WLS, which suggest potential added data. Would any data in addition to the current Whois information be required?
g) The proposal allows registrars to delete a domain with full refund if it is less than 120 hours old. Is there a grace period for deletion (cancellation) of a WLS subscription, which will refund the fee?
h) How would VGRS handle "charge-backs" for subscriptions?
i) What are the criteria for a evaluation of a successful testbed?
    a. These should be specified prior to launch.
    b. Do those criteria take into account the existing competitive landscape? What are market measurements to serve as the basis for a comparison?
    c. Under what metrics will the WLS test be considered a failure?
j) What are the technical impacts of the protocol (epp) ?

k) Does the WLS proposal expose current registrars of record to different and/or additional risks than other registrars? Alternatively, do registrars of record have any advantage over other registrars?

l) Many have requested an opt-out capability. Does the protocol used for registering a WLS subscription have this capability, if not why could this not be added?

m) Registrars have requested several improvements and fixes of registry operations in order to address problems that are impeding registrations. When will the Registry fix these issues and why has the WLS taken precedent above fixing these issues?

n) Why has VGRS not implemented batch deletions in several weeks?

o) Has VGRS investigated the antitrust, auction law and commodity futures law implications of WLS? If it is deemed to be illegal or raise civil law implications, will VGRS indemnify affected registrars, resellers, registrants and other market participants? Does VGRS offer any assurances from legal staff that the WLS product is legal?

p) Will VGRS release the actual proposed service agreement for comments at some point before a decision to deploy the WLS is made?

q) Will VGRS release criteria for what constitutes an acceptable education program for the WLS service?

r) Have financial projections been created for the WLS, for both the registry and the registrars? If so, we would like to see them.

s) When will technical and operational documents of the WLS be made available?

While the RC continues to oppose 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 the Names Council's consideration of alternate ideas for addressing these issues, many of which have been discussed by the RC.

Regards,

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