

## **PART 1 - BACKGROUND**

### **Introduction**

In Internet terms, Nominet has a long and stable history. Over five and-a-half years it has grown steadily in size and stature, during which time the world in which it operates has changed and matured. At its strategy review meeting this March, the Council of Management made some significant recommendations for change to the way in which Nominet operates. This document attempts to describe those changes, and, for those new to Nominet, it tries to place the changes in an historical context.

### **History**

Nominet was formed as a not-for-profit body in 1996 and is a company limited by guarantee. It draws its authority from the UK Internet community. However, its members, who have voting powers at Annual General Meetings, ultimately control Nominet. Members are not shareholders and the Memorandum and Articles of the Company forbid distribution of profits to the Membership. This means that whilst Nominet can build up surpluses for operational requirements, it has to be run on a cost-neutral basis. The Memorandum and Articles define and restrict the activities of Nominet to that of a trustee for the .uk namespace and ensure that Nominet acts in the interests of all of its stakeholders.

### **Development**

Since its inception - at its first meeting, there were one hundred members - Nominet has grown steadily. The Members formed a steering committee, and would discuss Nominet-related issues on a list called NOM-STEER. In the early days NOM-STEER was a suitable forum for the discussion of issues and policy matters. It also provided a platform for criticism, sometimes valid, sometimes incorrect. Over time, the NOM-STEER list began to be perceived as becoming a less effective mouthpiece for the membership, and sometimes provided a misleading "public face" to Nominet. Also, whilst Nominet has a duty under its Memorandum and Articles to consult with its members before it takes certain actions, it had no formal way of doing this. To correct this the Policy Advisory Board (PAB) was instituted to provide a more effective communication channel from the Membership to the Board, a forum for honing policy and a formal mechanism for member consultation. The PAB was additional to the existing structure.

The PAB itself has developed to provide a policy input not only from members but also from representatives of the wider stakeholders of Nominet - the Government, the business community, Trademark Interests, Companies House etc. The word stakeholder is a much-used catch-all, but in the Nominet context we recognise that each domain name holder has a contract with Nominet and therefore has a valid interest in its activities.

### **The Environment**

Nominet has grown steadily in size to a current staff level of around 140. This organic growth changed to explosive growth in 2000 when the combination of a price decrease (driven largely by the requirement to remain cost-neutral) and the "dot com boom" changed the registration rate from around 20,000 per month to 200,000 per month. The renewals process means that the level of interest in domain names will not diminish in the foreseeable future.

At the same time, social, political and international issues of Internet policy began to come to the fore. Many of these have little to do with Nominet directly since a registry function is fairly simple and well defined. They impinge on Nominet however because it has the largest membership body of the UK Internet industry, and is therefore perceived as a nexus for the implementation of policy.

Nominet's size and stature and the leadership of Dr Willie Black has allowed it to grow into an enviable position as one of the worlds largest and most influential registries. This position gives the UK a pre-eminent position, and is shown by Dr Black's chairmanship of CENTR - the European Association of ccTLD Registries. (Although nominally European, this body is fast assuming a global role.)

### **Operational Issues**

Nominet's functions have not changed significantly over the years, but the demands placed upon it have. A number of issues, which have always been present, have begun to show as fault lines in the operational structure, and the growth in external pressures from both governments and the membership have begun to show deficiencies in communication and transparency.

## **PART 2 - IMPETUS TO CHANGE**

### **Changes**

The Board considers that Nominet is not broken, and much of the recent criticism on NOM-STEER stems from lack of information or lack of understanding of the position, structure and methods of operation of an organisation, which has always sought to be transparent and democratic. The very fact of this lack of information is evidence that changes are required however.

The Board has started a process, which has two objectives: to strengthen our management and relate better to the outside world.

### **Management reorganisation**

The first step is to modify the management structure of the Company. The new structure is aimed at providing greater professional management of operating functions at the correct levels, to provide a more controllable management structure and to ensure that job holders are suitably qualified and where necessary trained to fulfil their roles. This new structure will also provide a clearer career path for Nominet staff.

As currently, management at all levels will be expected to achieve performance targets and to develop their departments to deal with operating requirements. Their performance will continue to be measured in relation to achievement.

The Board recognises the achievements of Nominet's staff to date and recognises the effective and loyal team we have. Nominet has a strong ethos and an enviable continuity of service. The changes we are making do not reflect on the existing staff and management. They are a move to bolster and develop our existing structure, and can be seen as an evolution rather than a revolution.

Overall operational control has been given to Lesley Cowley whose new job title of Managing Director reflects this responsibility. The Board has also strongly recommended the strengthening of operations in both the financial and technical areas. Lesley has been tasked with urgently reviewing the corporate structure to ensure that suitable job functions and management training are applied where necessary.

The Board, headed by Willie Black as Chairman, will require reports and advice that reflect the stronger requirements of this structure. The Board recognises that the implementation of these changes will require additional support and attention, and has resolved to increase the frequency of Board meetings to monthly. The Board also considers that this will enable it to speed up the processing of PAB recommendations, since the previous Board schedule did not fit well with PAB meetings held on alternate months.

### **External Policy**

There are new pressures of Governmental (both UK and Brussels) interest in domain names and the uncertainties of the ICANN process. The increasing interest of bodies such as the OFT and DTI in the social and consumer implications of the Internet, and our interests in the wider aspects of international co-ordination of ccTLD Registries all represent additional burdens on the role of Chairman.

The Board has decided that these pressures are highly significant for Nominet in the medium term, and that our handling of relations with Governments and statutory and regulatory bodies requires increased attention. Our interests are served by ensuring that such bodies are well informed and guided by those with suitable technical and other understanding of the DNS and related activities, and Nominet needs to take a lead in this area.

## **PART 3 - SPECIFIC BOARD RECOMMENDATIONS**

### **Detailed Policy Issues**

At its March meeting the Board crystallised a number of key areas for change as detailed below.

- The Board will be focusing on the progress of technical developments within the organisation, which will be given the highest priority. A technical development plan will be formulated and published which addresses issues such as the progress on deployment of secondary name servers, and the issue of requests for proposals for transit, web interface for members, etc.
- The Nominet web site will be improved in terms of structure, searchability and navigation. There will be a review of the members-only section of the site, and information will only remain private to members where it absolutely must be.
- PAB documents will be made publicly available, except in circumstances where personal privacy or Data Protection mitigates this.

- It was agreed that summaries of Council of Management ("Board") meetings and decisions will be provided on the website.
- A direct link will be maintained between the Member database and membership of the NOM-STEER and NOM-ANNOUNCE mailing lists. (Subject of course to each member's approval to be on the lists and their option to unsubscribe.) The need for PGP signing will be eliminated.
- Although Nominet had been asked to get involved with bids for the .eu and .org Registries, it was agreed that Nominet's involvement was not appropriate at the present time. The Board concluded that these activities would be a distraction for Nominet, that the registries would have different stakeholders and that there was a potential conflict of interest with members who might be involved in bids for either registry. Willie Black is currently Chairman of one such bid for the .eu Registry, and the Board had no objection to his continued involvement in a personal capacity. Lesley Cowley, who is on the working group for ENUM, will continue to be involved in that project, which has specific relevance to the UK.
- The Board agreed upon a full review of the Certificate process, and made a commitment to advance the investigation of alternative electronic certification systems. The Board reviewed the original aims and objectives of the decision to issue certificates and agreed that Nominet's core function of maintaining the integrity of the .uk database was unchanged.
- To release administrative resources to areas where they are needed most, the Board agreed to the principle that Nominet should cease to issue credit notes for cancellations. A further operational implementation plan will be required.
- Following legal advice regarding current tag change procedures and tag liens, Nominet will move swiftly towards a system where a request to Nominet for a tag transfer by a registrant will be actioned, irrespective of contractual arrangements between the registrant and the tag holder. The Board will propose to the PAB making a charge for this service, which would be levied on a cost-recovery basis, and will also collect any unpaid registration or renewal fees from the registrant prior to any such transfer.
- Nominet currently processes 1,900 transfers each month, which can demand considerable staff resources due to various tag and registrant practices and incorrect registrant information. The Board concluded that this places an unfair burden of costs on other tag holders and registrants and that a charge should be levied for this service, on a cost-recovery basis. Members will recall that in October 2001, the PAB recommended an increase in the price of discounted registrations. This was resisted by the Board whilst it considered cost savings and alternate mechanisms for cost recovery. It is intended that the two charges mentioned above will mitigate the need for such an increase.
- The Board decided that the InCOP project should be funded and promoted externally to Nominet and resolved that the current funding of the project should be terminated in line with the original project plan of one year. This

issue has been subsequently discussed by the PAB. It was the view of the PAB that this project is important to Nominet's policy and that the Board has been asked to review this decision with a view to supporting the further development of InCOP. This is an ongoing issue at present.

- In a recent legal ruling a judge has decided that there was no contract between Nominet and the registrants of domain names registered under the "Naming Committee" (which existed prior to the establishment of Nominet). The decision stemmed from the fact that no payment or consideration passed between the registrant and the Naming Committee. This decision underlines the need to regularise pre-Nominet registrations and bring them under Nominet's current Terms and Conditions. Nominet will pursue this matter and encourages the holders of such names to provide full registrant details.
- The Board has agreed to maintain the start-up pricing mechanism that was agreed for the *me.uk* second level domain. It was pleased to note that the OFT had advised that a complaint submitted by PDN regarding their application for this SLD had been dismissed by the OFT.

### **Summary**

Whilst not a dramatic change, the Board intends this package to modernise Nominet and bring a new visibility and accountability to its activities. The wider availability of information to members brings with it responsibilities, and the Board encourages members to use the available channels to express opinions and ideas. Members are encouraged to liaise with, and where appropriate, lobby Policy Advisory Board representatives, as well as members of the Council of Management, and submit formal proposals for changes to policies and rules to the [pab-suggest@nominet.org.uk](mailto:pab-suggest@nominet.org.uk) email list.

The pressures on government to instigate knee-jerk reactions to incorrect public perceptions is strong, and such legislation can be costly and damaging to the industry and its commercial health. Nominet is always available to advise on why we pursue and develop particular policies, both to external bodies and to members seeking information or change.

The Board, The PAB and the Executive and Staff of Nominet are available to assist members - indeed it is one of our prime functions, and one which we will continue to pursue to the best of our ability.

The Council of Management  
April 2002