

RIPE NCC Charging Scheme Model 2013 and Beyond

Introduction

The purpose of the RIPE NCC Charging Scheme is to generate sufficient income for the operations of the RIPE NCC in a stable and predictable manner. The RIPE NCC Charging Scheme model defines how the necessary income is generated by contributions provided by RIPE NCC members.

In recent years, there has been much discussion about the Charging Scheme model. The RIPE NCC Executive Board acknowledged the membership's feedback and decided to establish a Charging Scheme Task Force composed of a group of members to advise the Executive Board on the Charging Scheme model. This task force did not propose a specific Charging Scheme but did give recommendations on what should be included in a future Charging Scheme model.

Following these recommendations, the Executive Board proposes a simple model that reflects the existing dimensions of the RIPE NCC Association:

- All members have equal rights and obligations;
- All members can use all RIPE NCC services;
- All members have to financially contribute; and
- All members should be able to determine the value they attach to the membership of the RIPE NCC

Following from this, the Executive Board proposes that the majority of the membership make the same annual contribution to the RIPE NCC. This is the main principle behind the new Charging Scheme model described below.

The Model

The model is based on the majority of members contributing the average per member income that is forecast for a given year. This amount, the "Regular" contribution, is determined by dividing the expected total income from members by the expected number of members in that year (currently, this would be approximately EUR 2,000 – 2,500).

The Executive Board believes it would be unfair to ask a "Regular" contribution from some members, for instance members that just hold a small amount of Internet number resources, i.e. smaller than an IPv4 /22, over a number of years or those only wishing to register legacy resources. We propose that these "Small" members contribute half the "Regular" amount (currently, this would be approximately EUR 1,000 – 1,250).

On the other hand, there are some members who would be regarded as contributing less than their fair share of the operating expenses at the "Regular" level. Examples of this category are members with substantial address space holdings, members that derive a greater than average benefit from the RIPE NCC and members of a size that is clearly larger than "Regular". We refer to these members as "Large Members". We propose that these members contribute twice the "Regular" fee (currently, this would be approximately EUR 4,000 – 5,000).

Annually, members would be given the opportunity to determine their own category for the coming year (see Appendix III). However, for 2013 the member categories would be set based on the existing categories [Extra Small becomes “Small”; Small and Medium become “Regular”; and Large and Extra Large become “Large”].

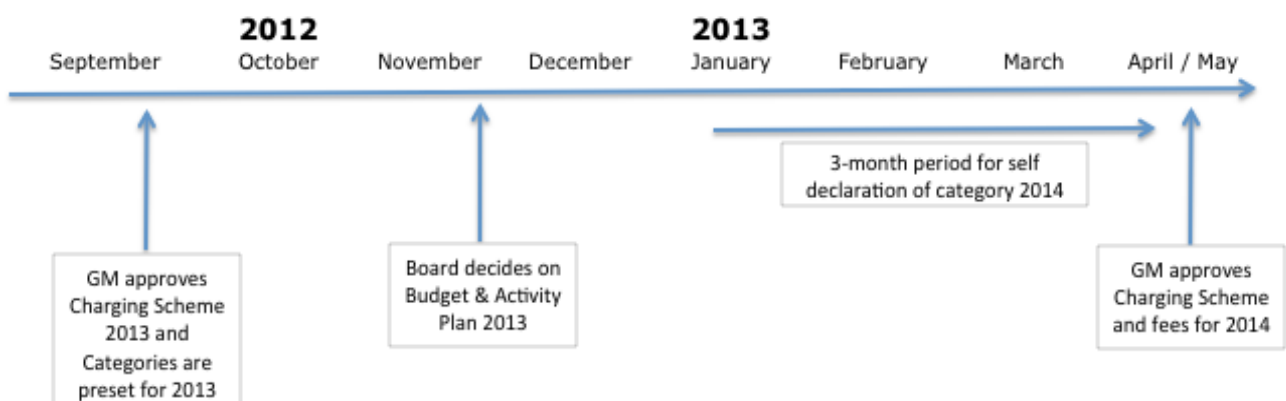
Based on existing RIPE Policy, the separate charge of EUR 50 per Provider Independent (PI) address block would be continued. Contrary to previous years, AS Numbers are excluded from this separate charge.

Non-members that are currently charged fees for using specific services, such as DNSMON, and new Direct Assignment Users must become members. The same rationale as mentioned above would apply for these members. Organisations that wish to support the RIPE NCC or particular activities should become members.

The sign-up fee for new members would be continued and would remain at EUR 2,000. Direct Assignment Users who have already paid the administration fee of EUR 2,000 would not be required to pay the sign-up fee when they become members. All new members would initially be given the category “Regular” with the option of changing category in the following year.

Process for Charging Scheme

Based upon the recommendation of the Charging Scheme Task Force, the Executive Board proposes to change the current Charging Scheme approval process. From 2013, the Executive Board suggests that at the first General Meeting of each year, members should decide on the Charging Scheme for the following year. After the decision regarding the Charging Scheme, members will be given a period of three months to confirm or change their membership category (“Small”, “Regular” or “Large”) and to confirm their current Provider Independent resource registrations.



Appendix I: Analysis

The principle behind the proposed Charging Scheme is that the majority of the membership contributes the average budgeted income per member. While guaranteeing sufficient income and simplifying the overall model, this proposed Charging Scheme aims to give members more transparency and clarity on their annual contribution.

The Executive Board expects that this model and the corresponding fees would gather sufficient income for 2013. However, in future years the fees may change as a result of:

- Shifts in categories;
- Variances in number of new members;
- Variances in the average RIPE NCC expenses per member (i.e. an increase or decrease in the average expense incurred by the RIPE NCC in serving the membership)

Income variations in a given year would not automatically lead to a change in contribution fees because the Executive Board may decide to settle a surplus or deficit by using the RIPE NCC reserves.

Paying the "Regular" fee is inherently defensible to decision makers inside most member organisations. The fee will be at a level that is well within expectations unless the size and composition of the membership changes drastically. The "Small" fee provides a justifiable way to contribute for legacy holders or very small members; the absolute amount of this fee is very affordable compared to other costs of being in business. The "Large" fee is easily defensible for very large organisations and those that obtain a substantial benefit from specific RIPE NCC activities and services.

Returning to a model with income derived almost exclusively from membership fees and returning to a low number of fee categories considerably strengthens the position of the RIPE NCC to remain exempt from Dutch company tax. This scheme is simple and transparent. It achieves all the important goals for a Charging Scheme.

Appendix II: Analysis against Charging Scheme Task Force Recommendations

This proposal implements the broad recommendations of the Charging Scheme Task Force:

- “The Charging Scheme model that is decided upon should be applicable for several years.”

The proposed scheme is intrinsically stable over time. As long as the membership numbers and the activities of the RIPE NCC do not change drastically, the proposed scheme would be stable and generate the required income.

- “There should be stable fees per member.”

As long as the membership numbers and activities of the RIPE NCC do not change drastically, the fees would be quite stable and predictable. Past experience suggests that the number of members grows slightly faster than the required revenue, which would result in a very gradual drop in fees. If more activities are required, the fees could increase slowly with a clear justification provided by the additional activities.

- “A small number of members should not pay most of the membership fees.”

The proposed Charging Scheme model meets this recommendation explicitly because the vast majority of the members would pay the majority of the membership fees. The proposal is centered on this principle. Note, however, that the current uneven distribution of independent resources can lead to a very uneven distribution of membership contributions.

The detailed recommendations of the task force assume a deterministic calculation of membership fees. Since this proposal does not calculate membership fees at all, not all the detailed recommendations are implemented literally. However, this proposal is consistent with the underlying intentions of the detailed task force recommendations.

The text that follows is an analysis of the Charging Scheme model with regard to the detailed task force recommendations:

1. Differentiation – fully implemented

“The task force recommends having a difference between membership fees and recommends retaining the category distinction in line with the existing tax ruling.”

The Charging Scheme proposal fully implements this recommendation.

“The task force recommends that there should be no fixed minimum or maximum membership fee. The task force recommends that the Executive Board

should not propose a Charging Scheme that would lead to excessive fees for individual members.”

As the task force examined the Charging Scheme at a high level, they did not stipulate any minimum or maximum membership fee. This proposal allows for the possibility that the minimum and maximum membership fees may change while avoiding excessive fees. It proposes smaller fee differences than have ever existed at the RIPE NCC.

2. Categories – partially implemented

“The task force recommends that the membership fees should be based on membership categories. The task force recommends to ideally have a minimum of five categories and a maximum of ten categories.”

The proposal is based on membership categories as the task force recommends. However, the proposal has less than the minimum five categories recommended. This is necessary because the essence of our proposal is that the majority of the members pay the “Regular” fee equal to the average cost per member. Five categories would make this impractical.

3. Cover all services – fully implemented

“The task force recommends that the Charging Scheme covers all services and there are no optional extras.”

The proposal implements this.

4. Sign-up fee – fully implemented

“The task force recommends to continue charging a sign-up fee and that it should be high enough to constitute something of a barrier to entry.”

The proposal implements this.

5. IPv6 – not applicable for this charging scheme

“The task force recommends including IPv6 in the calculation to determine the category size of a member (i.e., charge for IPv6).”

As this Charging Scheme proposal does not incorporate charging based on Internet number resources, it cannot incorporate this recommendation from the task force.

6. Independent Resources – fully implemented

“PI address space should be charged separately and there should be no double charging. There should be a differentiation in charge depending on assignment size, e.g. a /18 is charged more than a /24. There is no need to charge for ASNs. However, if the Executive Board decides to charge for AS Numbers it should be

identical to PI, for simplicity's sake. Regardless of how PI space and ASNs are charged, there should be no distinction between IPv6 PI space and IPv4 PI space.”

Charging for independent Internet number resources would be continued for PI addresses but would be discontinued for AS Numbers. AS Numbers would not have a separate charge under this proposal.

7. Charging based on period and not on specific date – fully implemented

“The task force recommended that the charge should be based on a specific date that is announced well in advance. The date should be brought forward so members can calculate what their fee will be for the following year. The task force recommends having a minimum period of three months in between the approval of the Charging Scheme and the date on which the Charging Scheme calculation is executed.”

The Charging Scheme proposal fully implements this recommendation

8. Based on service portfolio – fully implemented

“There was consensus among the task force that the members should be charged based on the service portfolio offered by the RIPE NCC rather than on the work the RIPE NCC carries out for each member.”

The Charging Scheme proposal fully implements this recommendation.

9. No history – fully implemented

“The recommendation was to charge members based on the PA resources that they hold and that the length of time the resources were held should not be a factor.”

The Charging Scheme proposal fully implements this recommendation.

Appendix III: Procedure for Members Selecting their own Membership Category

For the initial year of the proposed Charging Scheme, the Executive Board proposes to set the membership categories based on the 2012 size categories. [Extra Small becomes “Small”; Small and Medium become “Regular”; and Large and Extra Large become “Large”]. For all subsequent years, members would be able to select which member category they wish to be in once the "Regular" fee for the coming year has been set. Thus, from 2013, members would have the opportunity to self-select their membership category (“Small”, “Regular” or “Large”).

Members would have information available to them about how many members hold less, the same and more resources in terms of AS Numbers, IPv4 addresses and IPv6 addresses, as well as any other relevant criteria, such as DNSMON usage.

This information could be given not only based on all current members but also separately for the members in the same country-code. The current choices by other members could also be presented. Once the member has made a selection, the fee for the coming year is fixed and predictable. If the member makes no selection, the size category of the previous year would be used.

The self-declared category is not confidential information and would be made public.

Appendix IV: Holders of Legacy Address Space

Holders of legacy resources should be encouraged to register their resources in order to strengthen the RIPE NCC Internet Number Registry. The Executive Board recommends that legacy resource holders who are not already RIPE NCC members are encouraged to become members. Including legacy resource holders in RIPE NCC governance would strengthen the organisation.

The Executive Board proposes to waive the sign-up fee for those new members that only register legacy resources and do not require additional Internet number resources. For those who register a small amount of legacy resources, the absolute amount of the yearly fee for “Small” members is very reasonable considering the other costs of being in business.

While legacy holders would be initially given the membership category “Small”, they would have the option to change this in the following years if they wish to change membership category (see Appendix III).

Should the absolute amount of fees be too high for specific legacy resource holders, the RIPE NCC should actively bring them in contact with suitable Local Internet Registries (LIRs) that are willing to provide registration services at a lower fee.