

# Report of the Charging Scheme Task Force

## Introduction

The RIPE NCC Executive Board asked volunteers from the membership to participate in a task force that would write a recommendation towards the Executive Board regarding high-level principles for a future Charging Scheme.

The task force had the following objectives:

- Define the principles of a future Charging Scheme
- Propose an improved process for the annual Charging Scheme discussions and adoption
- Set a pricing structure for several years for legacy address space holders

The task force comprised four RIPE NCC members, two Executive Board members and was supported by RIPE NCC staff. Initially, five RIPE NCC members from each category size were randomly selected from those who volunteered but due to other engagements one of the selected members withdrew. The Executive Board decided to continue with the remaining four.

The four task force members are:

- Olga Fomina
- Eva Ornberg
- Vladislav Potapov
- Piotr Strzyzewski

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This document is divided into three main parts following the objectives set in the Charter of the Charging Scheme Task Force.

## Principles of the Charging Scheme

The task force was tasked with writing a recommendation on high-level principles that could be applied to the Charging Scheme for several years. Generally speaking, the task force discussed broader principles such as transparency, fairness, simplicity and longevity. Broad recommendations that covered all issues were:

- The Charging Scheme model that is decided upon should be applicable for several years.
- There should be stable fees per member.
- A small number of members should not pay most of the membership fees

The task force also identified a number of areas for which principles should be decided. The following points of discussion were identified:

1. Differentiation in membership fees - larger members pay more than smaller members
2. Membership fees based on category fees and not on individual fees
3. Membership fees cover all RIPE NCC services
4. Sign-up fee - gatekeeper function versus a low barrier entry
5. Charging for IPv6
6. Charging for Independent Resources (IPv4 PI, IPv6 PI and ASNs)
7. Charging based on period or based on a specific date
8. Charging based on service portfolio and not on RIPE NCC workload
9. Charging based on Internet number resources

These discussion points are divided into the following four sections:

- Short explanation of topic
- Discussion / argumentation on topic
- Recommendation
- Pro / con analysis if applicable

## 1. Differentiation in membership fees

This issue revolves around the basic question – should there be a fee difference between members? At the moment, “larger” members pay more than “smaller” members. This issue does not tackle the problem of defining what are “large”, “smaller” and “small” members.

### Discussion / argumentation

There was a discussion on whether there should be a mathematical link between the fees of different categories (for instance, a large member pays twice as much as a small member). This concept was abandoned as this would restrict the categorisation too much and does not have much benefit.

There was a discussion on whether there should be a fixed maximum membership fee. With the current scheme there is no limit on the amount a member has to contribute as a result of the Independent resource fee. Generally, the task force does not support a maximum fee as PI (Independent Resource) can increase someone’s fee. However, when one member or a small group of members contributes too much towards the overall income their fees should be capped in some way. But the task force believes this is a task for the RIPE NCC Management and the Executive Board.

There was a discussion on whether there should be a fixed minimum membership fee. Generally, the task force could support having a minimum fee to cover basic general services. This basic amount could ensure the RIPE NCC’s survival as an organisation for core activities. The rest of the amount would be split according to the billing categories. A concern raised with setting a minimum fee is that members could question why they pay more than this minimum fee. Another concern raised is that it would be difficult to scale up (increase fees when needed) and decide what would happen with other services. The income figures should come from the budget and not from a fixed minimum or maximum amount.

Related to the minimum fee, the task force discussed a possible minimum fee for future new members that fall under the regime of the final /8 policy. In general, there was a feeling that regardless of the IP address block size, these new members should still receive the same services and that there should not be an exception for these members.

The task force concluded from their discussion that they should recommend there should not be a minimum fee.

### Recommendation from TF

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

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.

### Pro / con analysis

Pros	Cons
Perceived as fair (logical)	Does not reflect the number of votes a member has
Retain flexibility in fees for different categories	No certainty for members on maximum fee

## 2. Membership fees based on category fees and not on individual fees

This topic deals with the matter of either grouping members into categories and charging them based on a fee per category or charging members individual fees.

### Discussion / argumentation

Abandoning a category model would constitute a material change to the Charging Scheme. This would mean that the RIPE NCC would have to inform the tax authorities of this change and re-negotiate its existing tax ruling. This could affect the current tax-free position the RIPE NCC has (Corporate Income Tax).

There was a discussion on a Charging Scheme model that was proposed last year that based the membership fee on a per-IP address basis. The task force discussed the implications of this model,

which abandons the membership model principles, insofar as the RIPE NCC would have to renegotiate its tax ruling. The task force abandoned this proposal.

Recommendation from TF

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.

Pro / con analysis

Pros for category fees	Cons against category fees
According to association principles	Charging based on IPs, interprets IPs as assets which potentially can lead to taxation
In line with principle to charge for all services	
According to existing tax ruling	

**3. Membership fees cover all RIPE NCC services**

Membership fees cover all RIPE NCC services whether they are community services or members-only service, whether an individual member uses those activities within a year or whether the member does not, whether they are registration activities or information activities, or whether members should have a separate charge per service (separate contract) or be able to choose a set of services.

Discussion / argumentation

General and community services must be supported by all members. Other services can be made optional but these have to be clearly defined.

Dividing the membership fee up makes the charging scheme more complex and unpredictable for members and for the RIPE NCC.

The task force discussed the relation between the Charging Scheme and the Activity Plan. In general, the task force supports setting an Activity Plan that covers all services and has a fee for each membership category, but there should be a defined mechanism to add and remove items from Activity Plan. The task force would welcome an improvement in the process so that the members more explicitly approve of the RIPE NCC activities and its services. Since this is outside the scope of the task force, the task force does not have a specific recommendation on this matter.

Recommendation from TF

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

Pro / con analysis

Pros	Cons
Simple	No direct link between fee and services
Protects essential services	Dependence on Activity Plan
	Extra paid service could lead to taxation

**4. Sign-up fee**

Continue charging a sign-up fee and discuss a recommendation on the level of the sign-up fee. Gatekeeper function vs. low barrier entry

Discussion / argumentation

The task force discussed the current sign-up fee and the gatekeeper function of this sign-up fee. All were in favor of maintaining a system like this because it would benefit the membership as a whole in two ways. Firstly, new members that want to become a member must make a purposeful choice and can be expected to take their obligations and the registration of Internet number resources seriously. Secondly, existing members can register smaller parties that find the fees too high and make sure their registration is in order.

Recommendation from TF

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.

Pro / con analysis

Pros	Cons
Encourage responsible management	Might be seen as unfair as available IPv4 addresses are expected to be depleted in 2012

**5. Charging for IPv6**

Should there be a charge for IPv6, i.e. include IPv6 in the calculation to determine the category size of a member.

Discussion / argumentation

The task force discussed whether not charging for IPv6 stimulated its deployment. The consensus was that this was not the case. All members of the task force expressed the view that IPv6 should not get special treatment and should be charged in a similar fashion to IPv4.

Recommendation from TF

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

Pro / con analysis

Pros	Cons
Future proof	Could remove stimulation for the deployment of IPv6
Fair to treat IPv4 and IPv6 the same	May add complexity to the Charging Scheme model
Covers the existing expenses made on IPv6 registrations	

**6. Charging for Independent Resources (IPv4 PI, IPv6 PI and ASNs)**

In this section all aspects of separate fees or the incorporation of Independent Internet number resources in the calculation for the Charging Scheme will be discussed.

Discussion / argumentation

The task force discussed methods for charging for Provider Independent (PI) address space and for ASNs. In view of the upcoming depletion of IPv4, the additional impact of either a separate charge or incorporation into the calculation for IPv4 PI addresses will be low.

The task force all agreed that PI should be charged for and that there should be no double charging for PI space. There should either be a separate charge as there currently is, or the PI space should be incorporated into the calculation towards deciding a member's category, but both should not be applied at the same time.

The task force thought that adding PI to the categorisation of members could result in members moving up several categories, so charging separately for PI would be preferable. The task force generally agreed that, if PI was charged for separately, there should be differentiation in fees depending on the size of the subnet, e.g. a /18 is charged more than a /24.

The task force thought that charging for ASNs was unnecessary. Members who have ASNs also have address space so they will still be charged.

Recommendation from TF

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.

Pro / con analysis

Pros	Cons
Relatively fair	Possible fraud to avoid charge
Future proof	Less income or income comes from different sources

**7. Charging based on period and not on specific date**

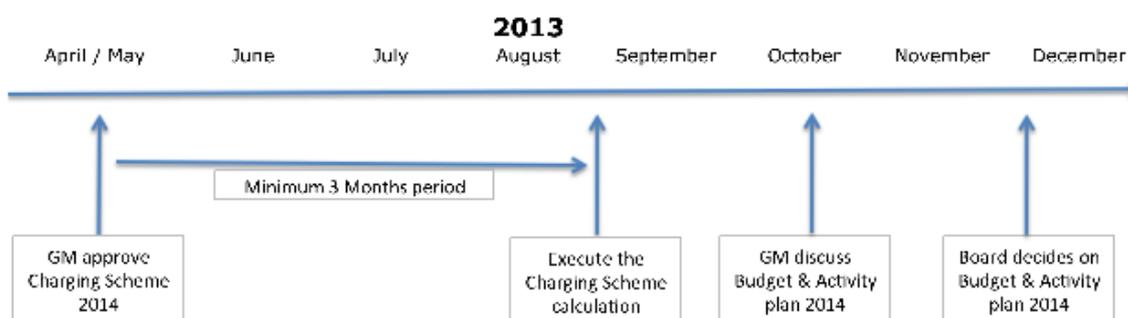
The task force discussed whether members should be categorised based on the resources they hold over a period of time or whether the resources held by a member on a specific date should be chosen.

Discussion / argumentation

The task force was of the opinion that the Charging Scheme should be based on a specific date rather than on a period of time. It was generally agreed that the snapshot used to determine the fees for members should be brought forward. This would allow members to better assess what category they would fall into and it would allow more time for their own budgeting processes.

It was noted that the RIPE NCC had a tight budgeting cycle but that this could be changed. There was a proposal to change to a reactive Charging Scheme. Under this proposal, the Charging Scheme would be voted upon in the first GM of the year and the snapshot used to determine members' categories would be taken within three months of the first GM. If there was a gap in budget, this could be compensated for in the following year's Charging Scheme. The task force liked this proposal.

The proposal timeline is set out below:



Recommendation from TF

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 to have 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.

Pro / con analysis

Pros	Cons
Allows members to budget	Possible large increase in fees in case of large deficit in the year before
Administration will not be affected	
Easier for members	

**8. Charging based on service portfolio and not on RIPE NCC workload**

The task force discussed whether it would be preferable to have a charge for members that depended on the work the RIPE NCC carried out on behalf of individual members or whether members should be charged depending on the portfolio of services offered by the RIPE NCC.

Discussion / argumentation

The task force generally agreed that it did not want to charge based on workload per member. They felt that this could result in a situation where the administrative overhead would be very high and this could result in additional charges for the membership as a whole.

#### Recommendation from TF

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.

#### Pro / con analysis

Pros	Cons
Logical from admin point of view	Possibly seen as “unfair”
In line with principles of association	Dependency on activity plan

### **9. Charging is based on Internet number resources**

The discussion revolved around whether the members should be charged based on the Internet number resources that they hold.

#### Discussion / argumentation

There was a suggestion that rather than using address space to categorise members, there could be a charge based on the number of RIPE Database entries made by a member. This proposal and others like it were rejected on the basis that it would not encourage accurate updating of the RIPE Database. The task force generally agreed that it would be better to continue to charge members based on the resources they hold.

The task force was asked if the length of time a member held a resource should be taken into account when charging. The task force agreed that this should not be a factor.

#### Recommendation from TF

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.

#### Pro / con analysis

Pros	Cons
Based on main activity	Not all services taken into account
Simple and understandable	Members are charged for unused addresses
Seen as fair	
Lower administrative burden	

## **Charging Scheme process**

The Executive Board asked the task force to make a recommendation on the process by which the Charging Scheme is presented to and voted upon by the membership.

#### Discussion / argumentation

The task force agreed that there needed to be closer alignment between the RIPE NCC operational documents, particularly the Charging Scheme and the Activity Plan. It was also felt that the Executive Board should increase the transparency by which it informs members as to the input it took on board when deciding on a Charging Scheme.

The previous discussion on the dates for deciding the categorisation and approving the Charging Scheme was also noted at this point.

#### Recommendation from TF

More closely align the Charging Scheme with the Activity Plan. Increase the transparency of the feedback mechanisms used by the Executive Board to decide on a Charging Scheme.

#### Pro / con analysis

Pros	Cons
Transparent	
Early snapshot of expenses	

## Legacy resource charging and charging legacy resource holders

There was a broad and lengthy discussion about the issue of legacy resources and how they should be included in the Charging Scheme, if at all. It was noted that the RIPE NCC does not currently charge for legacy space.

### Discussion / argumentation

The task force agreed that the most important issue was to have an accurate registry and that the RIPE NCC should do what is necessary to ensure this. The point was made that charging for legacy address space might not encourage people to register their address space. The counterpoint was also made that introducing some form of payment would bring legacy resource holders into a payment cycle that they could become accustomed to.

There was general agreement on the following points:

- Legacy resource holders should be encouraged to sign a contract with either the RIPE NCC or with a sponsoring LIR
- Treat legacy resources as a type of independent resource that is not charged in the same way as PA IPv4 address space
- The legacy resources should all be treated as one block for the purposes of charging
- There is no need to charge the legacy resource holders immediately

A proposal was made to introduce a “carrot and stick” approach whereby legacy resource holders could update registrations and sign an agreement with the RIPE NCC regarding their IPv4 addresses free of charge up to a certain date (for example, 2015), but after this date they would have to pay to update registrations and sign an agreement with the RIPE NCC regarding their resources. The task force thought this was a good idea and agreed that it should be a recommendation. The simplicity of this idea was a strong factor in deciding to recommend the proposal.

### Recommendation from TF

Charge for legacy resources in the same way as for PI space and legacy resources should be counted as one block.

Allow legacy resource holders to register their space for free until a date to be decided and charge them after that date.

Legacy resource holders who register their space should be given the option to convert it to PA space and then it should be charged accordingly.

Legacy resource holders should have the option to choose between signing the RIPE NCC Standard Service Agreement or a Direct Assignment User contract.

## Outcome of the Charging Scheme Task Force

A representative from the task force with present on the work of the task force at the RIPE NCC General Meeting on 18 April 2012. The Executive Board will meet in June and will present a charging scheme based on the discussions of the task force as soon as possible after that meeting. The Charging Scheme will be voted upon by the membership at the General Meeting in September 2012.