RIPE NCC Expenditure Planning 1995

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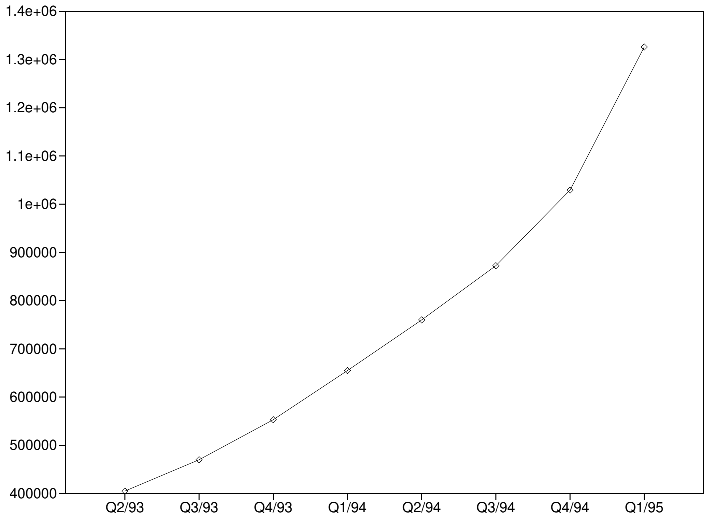
Scope

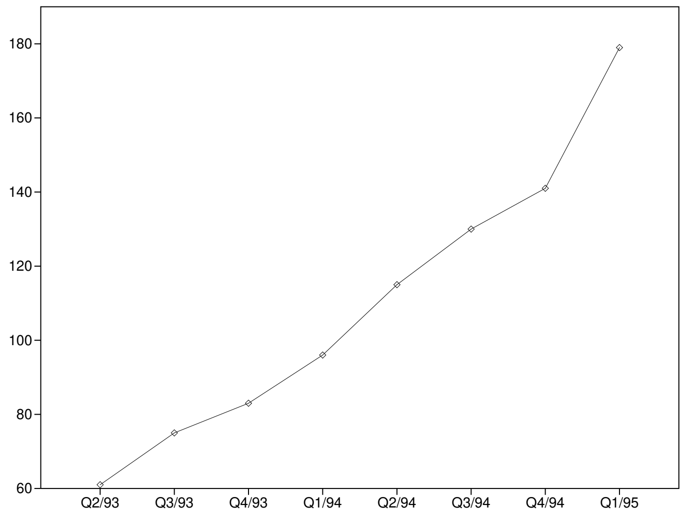
This memorandum proposes amendments to the RIPE NCC expenditure budget for 1995. The companion document "RIPE NCC Revenue in 1995" provides information about the revenue situation.

Workload

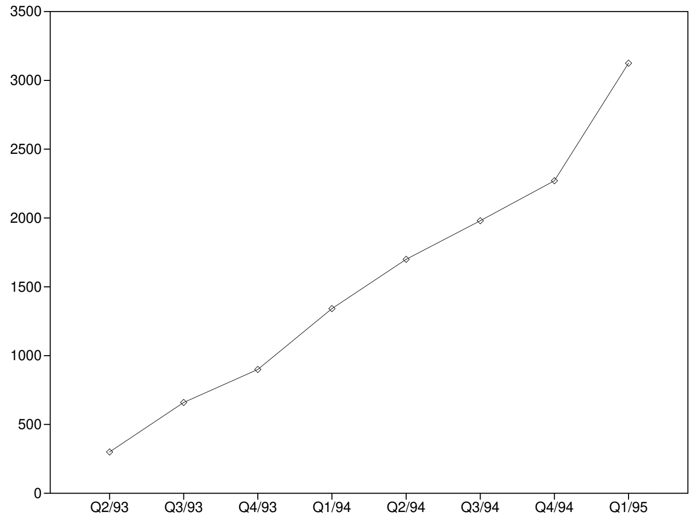
The growth rate of the European Internet seems to be increasing. This can be seen in a number of key figures like the RIPE DNS hostcount:



The current workload of the RIPE NCC is also greater than expected as the number of local registries grows somewhat faster than predicted:



Normally the sharp increase caused by the data point for Q1/95, would not be cause for revised projections by itself. However the currently available data indicate that the growth rate has persistently increased and other indicators such as the hostcount mentioned above follow the same trend.
Indicators for NCC workload such as the number of incoming e-mail messages and faxes to the registry functions of the NCC look quite similar too:



Due to the sound funding model, the growth in registries also leads to a growth in available financial resources; see the accompanying revenue report for details.

However, the NCC has just barely passed the staffing level that was necessary already in 1994 and is still lagging behind this development in staff resources.

Proposed 1995 Budget Amendments

To cope with the increased workload and the necessity to put resources onto support for new registries we propose to amend the 1995 expenditure as follows:

Budget by Cost	**1995** budgeted	%	**1995** revised	%	**delta**
Personnel	296	73	347	66	51
Office Running	53	13	66	12	13
Contracted Services	0	0	40	8	40
Travel	35	9	35	7	0
Computing	23	6	41	8	18
TOTAL (kECU)	**407**	100	**529**	100	**122**

These figures are presented in terms of the budget lines traditionally used in NCC budgeting. These lines represent cost classes and do not show the relation of the expenditure to activities. The original lines *Rent&Office*, *TERENA Services* and *Recruitment* have been combined into *Office Running*. The line *Unforeseen* has been absorbed into the other lines.

The new line *Contracted Services* represents NCC activities and services which are not performed by NCC staff but contracted out. This concerns support for new registries in the form of tutorials and other documentation. Besides this the budget increase represents three additional staff for the second part of 1995: two junior hostmasters and a deputy manager. This will bring the total number of junior hostmasters joining the team this summer to three which will provide a serious relief from the current overload situation in registration services.

The deputy manager is needed in order to provide room for proactive thinking in management and to re-start the regular reporting which has been suffering severely from the overload.

The absolute increase in 1995 of the *Personnel* budget line is rather modest as it is based on the junior people working for 6 months and the deputy manager for 3 months of the year. Assuming one year contracts for all new staff this brings the total staff commitment for 1996 to 380kECU. To employ this staff for the whole of 1996 will cost slightly more than 500kECU.

In view of the urgency of this relief we are already in the process of recruiting and hiring the junior hostmasters. It is expected that the additional staff can be hired quickly and the contract work for the support of new registries can also start reasonably quickly. The NCC will be able to cope with the increased load and slowly start proactive activities again before the end of 1995.

1995 Budget by Activities

In order to offer a clearer view on relationship between expenditure and activities we also present a different way of budgeting. There are four main budget lines closely related to the Activity Plan: *Administration & Reporting*, *Registration Services*, *New Activities* and *Other Activities*.

Budget by Activity	**1995** actual	%	**1995** revised	%	**delta**
Admin & Reporting	62	15	78	15	16
Registration Services	303	74	358	68	55
New Activities	9	2	22	4	13
Other Activities	33	8	71	13	38
TOTAL (kECU)	**407**	100	**529**	100	**122**

The *Administration & Reporting* budget line represents activities 6.1-6.4 of the activity plan, the formal procedures concerned with billing and the administration of the NCC computing systems. This currently represents 15% of the global costs and shall be proportionally kept at 15%.

The *Registration Services* budget line represents the basic NCC activities related to the NCC being a Regional Internet Registry, such as handling of incoming requests, assignment and allocation of network numbers and the coordination with other organisations. In addition are included in this chapter the activities related to the support and the training required to secure a proper start out of new registries, which will eventually lead to a reduction of the load on the RIPE-NCC. In relation to the Activity Plan these are 3.1, 3.2(66%), 3.4, 3.8, and 4.1(50%). Although in absolute value the main change proposed is within this chapter, the total fraction will reduce from 76% to 68%, thus confirming a better and more balanced distribution of activities.

The *New Activities* line represents the participation in special projects approved by the RIPE community, as defined in the RIPE-NCC activity plan (4.4). Almost non existent today, shall represent 4% of our activities in the future. The planned activities in 1995 are exclusively related to IPv6 tracking and testing.

The *Other Activities* line encompasses all the remaining activities In particular the maintenance of the Routing Registry as well as other tools developed at the RIPE-NCC, such as PRIDE, the update of the Database management tools, and the maintenance of RIPE related documents and meetings organisation. This activities represent about 8% of the total and shall be proportionally increased to 13%.

It is important to note that the *1995 Actual* column represents roughly how resources are being used currently out of necessity, not how they should be used according to the Activity Plan. The lack of personnel has forced us to concentrate resources on the Registration Services, thus neglecting the other activities defined in the Activity Plan. This has serious effects on both the progress of those activities and staff morale. The current staff were not hired and are ill suited to spend the majority of their time doing registration services. The new junior staff will explicitly be hired and suited to spend the majority of their time doing registration services, freeing some time of the current staff for the remaining activities.

As this budgeting model clearly shows where resources are going w.r.t. the activities, we propose to adopt it as the main tool for NCC budgeting in the future.

Support for New Registries

The total expenditure on activities for new registries in the revised budget is ECU 117k. This represents approximately two thirds of the funds that are earmarked for these activities. It is not possible to use more resources in a useful way this year.

Building Reserves

Reserves accumulated so far (ECU 51k) will probably have to be used to cover for the 1994 revenue problems, which shall leave us almost with no reserves at all.

It is therefore necessary to build prudent reserves, equal to at least half the yearly operating cost of the NCC, as TERENA members require that no costs associated with an unexpected discontinuation of the NCC be borne by TERENA.

Thanks to a growth, even faster than expected, of the NCC customers there was a healthy surplus expected in 1995, which amounts to 344Kecu. It is proposed that this amount be transferred to reserves, which will provide about half of what is deemed necessary.

Conclusions

The European Internet is growing faster than expected.

The 1995 expenditure needs to be increased by 112kECU in order to catch up to present needs and to cope with the increasing growth rate of the workload.

We cannot spend all the unexpected signup fee revenue of ECU 174k on new registry support effectively, but max. 66% of that amount.

A substantial part of 1995 revenue should be used to build reserves.