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.au Review Discussion Paper Submissions  
Department of Communications, Information Technology and Arts  
GPO Box 2154  
CANBERRA ACT 2601

Melbourne IT Ltd  
ACN073716793  
Level Two 120 King Street  
Melbourne Victoria 3000 Australia

[www.MelbourneIT.com.au](http://www.MelbourneIT.com.au)

Telephone 613 8624 2400  
Facsimile 613 8624 2499

Dear Sir/Madam,

Please find attached Melbourne IT's response to the Australian Government's review of the structure and operation of the .au Internet domain.

Please feel free to contact me if you wish to discuss any part of Melbourne IT's response in more detail.

Contact number: 0411 072 530

Email address: [bruce.tonkin@melbourneit.com.au](mailto:bruce.tonkin@melbourneit.com.au).

Yours sincerely

**Dr Bruce Tonkin**  
Chief Technology Officer

## Introduction:

Melbourne IT welcomes the opportunity to respond to the Australian Government's review of the structure and operation of the .au Internet domain. Melbourne IT has participated in the domain name industry since 1996. It is the largest registrar of .au domain names, with well over 200,000 .com.au domains under management, and is consistently the largest registrar of new .au domain names on a monthly basis. Melbourne IT is also the fifth largest registrar of gTLD (e.g. .com, .net, .org) names in the world, and is a large registrar in many other ccTLDs (e.g. .co.nz, .co.uk). In total Melbourne IT manages over 4 million domain name registrations for customers located around the world.

## Administrative structure of .au

### Question 3a:

**In the broadest context, is the 'domain operator/registry/registrar/reseller' model the most appropriate for .au, delivering the most efficient and effective administrative structures? If not, what structural changes could provide greater efficiencies?**

Yes - this model is appropriate for .au, and is consistent with international best practice.

auDA (as domain administrator) has responsibility for developing policy and enforcing compliance with this policy.

The registry has a narrow role of operating the central database of domain name registrations, and publishing information via the DNS protocol to allow end user equipment to locate computers (DNS Nameservers) capable of ultimately providing information on where to direct email or website requests.

Registrars provide domain name management software and customer service to the rest of the industry via resellers, and directly to end users. They need to pass technical and policy standards before they can connect directly to the registry, and are subject to direct regulation by auDA. Registrars compete vigorously, with prices usually reflecting the quality of the underlying systems and customer service.

There is a great deal of diversity in resellers ranging from a sole trader business as a web developer to the largest internet service providers in the country. These resellers generally do not have deep expertise in the operation and configuration of domain name registrations. Some Internet Service Providers (ISPs) and website hosting companies operate their own DNS nameservers, and thus are part of the operational infrastructure of the Australian DNS. They choose to use registrars to develop and manage the software and hardware systems necessary to interact with the many gTLD (e.g. .com and .net) and ccTLD (e.g. .com.au and .co.nz) registries around the world.

### **Question 3b:**

**Does auDA's current operational and Board structure support appropriate and representative administration of the .au ccTLD? If not, what changes could deliver more effective administration?**

Melbourne IT believes that the current operational staff members of auDA provide some of the best quality and cost effective administration of a ccTLD, and represent international best practice. The auDA staff members have shown a willingness to enforce the policies that have been created, and this has ensured that the .au registrars are well regarded in the Internet software and services industry and by consumers. This has resulted in the CEO, Chris Disspain, being elected by other ccTLD administrators as the chair of ICANN's ccTLD policy council.

Melbourne IT does not believe that the Board structure is effective. Melbourne IT does not believe that the current balance between industry participants with a vested financial interest in Board decisions (e.g registrars, consultants and resellers), and independent Board directors with broad industry experience is appropriate. There also appears to be little interaction with or understanding of the needs of the many thousands of small businesses that register domain names.

Melbourne IT believes that the two current independent directors (Tony Staley and Greg Crew) have provided much needed senior governance experience to the current Board. Melbourne IT would like to see an increase in the number of independent Board directors, which could be appointed by the Government for their breadth and depth of experience.

Further Melbourne IT believes that the auDA Board should review its governance policies with respect to the declaration of conflicts of interests for key votes (e.g on changes to policies that facilitate domain name monetisation, or that relax the eligibility rules for registrations) by industry participants. The auDA Board should review its practices relative the best practice governance standards for similar public bodies.

### **Question 3c:**

**Noting auDA's not-for-profit nature, are subsidiary trusts such as the auDA Foundation and auCD the most appropriate mechanisms by which to manage and distribute significant revenue streams?**

No. auDA should not be in the position of having to manage and distribute revenue streams. Any surplus revenue should either be returned to the industry at the end of the financial year, or used to invest in improving the underlying .au DNS infrastructure.

auDA should be investing in strengthening the .au DNS infrastructure against distributed denial of service attacks (DDoS). It also should be working with the many operators of DNS Nameservers (which include Government departments, corporations, and many Internet Service Providers) to improve the configuration of their DNS Nameservers, and increase their resilience against attack. There are emerging technologies such as DNSSEC that auDA could investigate further through appropriate industry testbeds.

If auDA wishes to establish trusts such as the auDA Foundation and auCD, these should be funded from donations like any other similar trust. They should not be funded by compulsory auDA fees that are added onto the cost of registrations at the domain name registry.

### **Question 3d:**

**Do you believe the governance structures for the .au domain deliver the best outcomes to the Australian Internet community, balancing the need for a reliable regulatory regime operating in the public interest with the need to facilitate competition and growth in .au? If not, what governance structures could be adopted to deliver a better service to the Australian community?**

Yes. Melbourne IT continues to support the not-for-profit self-regulatory model. This has proven to be a cost effective regulatory infrastructure when compared with equivalent Government based structures set up for other infrastructure services such as telecommunications.

The industry has worked collaboratively to create an industry code of practice that is highly regarded around the world as being effective.

### **Question 3e:**

**Is a not-for-profit industry self-regulatory model the most appropriate governance structure for the .au domain?**

Yes. Melbourne IT continues to support the not-for-profit industry self-regulatory model. The deviation from this model is auDA charging fees to the industry to create trusts for projects beyond the original mission of auDA, or not required by the industry. Melbourne IT would like to see more focus from auDA on its core mission of administering an effective .au infrastructure and investing in better security.

### **Question 3f:**

**Do auDA's principal purposes and activities, as codified in the auDA Constitution, fully reflect the needs of the Australian Internet community, and position auDA to best deliver on these needs?.**

No. auDA recently amended its constitution to expand its role from a focus on the .au ccTLD to "more generally, the Internet's unique identifier system, and to enhance the benefits of the Internet to the wider community; (Amended by Special Resolution, 14 August 2006)". This expansion in role did not seem to have any broader industry support. It has moved from its original role to attempt to encompass the role of APNIC (IP addresses for the Asia Pacific Region), and also encompass the role of the Internet Society of Australia.

Melbourne IT recommends that auDA should re-focus on its core mission of being the administrator of, and the Australian self regulatory policy body for, the .au ccTLD and its associated Second Level Domains.

### **Question 3g:**

#### **How effective has auDA been in achieving these principle purposes?**

Melbourne IT believes that auDA has been generally effective at its original principle purposes. This is in part due to the effectiveness of the auDA operational staff.

There is more auDA can do with respect to using surplus funds to invest in improving the security of the infrastructure.

Also, as the total number of domain names registered is approaching one million names, Melbourne IT believes that it is time for auDA to evolve its policies with respect to the sale of domain names. Many businesses would benefit from the opportunity to "trade-up" into better domain names, as their business grow. There is a growing international market in the sale of existing domain names in the major gTLDs (e.g com and net), and ccTLDs (e.g co.uk and .de). For example an online flower shop might start with a longer name like "greatonlineflowershop.com.au", and then in future be able to purchase "flowershop.com.au" from a registrant that is not able to extract as much economic value.

### **Question 3h:**

#### **Does the role defined for auDA reflect the expectations Internet users have for the manager of a ccTLD?**

Yes. Internet users expect that the ccTLD will be reliable in its operation, and expect that there is some regulation with respect to who is entitled to licence a .au domain name. Users expect that there is a "manager" of the ccTLD that is able to take action against those that are involved in the miss-use of the .au domain name space.

The original auDA constitution was developed by the industry and is still valid with respect to the expectations of users.

### **Question 3i:**

#### **Are current processes and procedures for the operation of .au sufficiently open and transparent and do they provide for timely, relevant outputs? If not, what operational changes could help improve openness and transparency?**

The policy development processes are sufficiently open and transparent. The processes used to set fees for the industry and the establishment of trust funds has not had the same degree of public scrutiny or discussion. Melbourne IT believes that auDA could more effectively collaborate with the wider Internet industry (ISPs, hosting companies, web designers etc) to determine appropriate priorities for the expenditure of any surplus funds.

### **Question 3j:**

**Is the current role of the Australian Government in the administration of .au appropriate e.g. acting as an observer on the auDA board and holding reserve powers under legislation? Alternatively, what role would you like to see the Australian Government assume in relation to .au?**

No. Melbourne IT would like to see the Australian Government directly appoint additional independent directors with broader industry experience. For example, note that despite the importance of domain names to the Australian Internet infrastructure, there are no Board directors with recent senior experience in major ISPs.

### **Question 3k:**

**The Australian Internet community, to whom auDA is responsible, is a broad, all-encompassing concept. Who are the key stakeholders auDA should endeavour to engage and collaborate with in order to deliver the best, most relevant and representative outcomes to the community?**

Key stakeholders include:

- ISPs (e.g Telstra, Optus)
- web hosting companies
- email and software vendors
- industry groups that rely on the Internet infrastructure (e.g banks, travel, news media)
- consumer associations (e.g Australian Consumer Association)
- marketing organisations
- small business organisations
- registrars
- resellers
- registrants

### **Question 3l:**

**Are there better mechanisms by which stakeholder input could be sought?**

Running seminars with specific industry groups on the development of the .au domain name space.

Directly appointing independent Board directors with wider Internet business experience.

Encouraging more organisations to join auDA as members. auDA currently does little to grow membership of the organisation.

### **Question 3m:**

#### **Are there general comments or observations you would like to make regarding the security and stability of the domain name system in Australia?**

auDA could invest further in increasing the resiliency of the main .au and secondary nameservers to Denial of Service Attacks, and other hacking attempts.

The DNS infrastructure also includes the many DNS nameservers operated by Government departments, corporations, ISPs, hosting companies. Many of these DNS nameservers may not be correctly configured, and could be compromised. A wide scale attempt to compromise these nameservers would cause a major disruption to many services. Better analysis and education on the correct configuration of mission critical nameservers would be useful.

### DNS structure in .au

#### **Question 4a:**

#### **Do you believe auDA's management of the current naming structure for .au has delivered maximum benefit to Australian Internet users? Please provide reasons for your comments.**

Yes.

The present naming structure has allowed for a stricter policy to apply to .com.au for businesses, whilst also supporting less stringent requirements for non-profit organisations via .org.au, or individuals via .id.au. The naming structure also provides an indication to the user of the nature of the licence holder. This contrasts with the .com and .org domains, where anyone is allowed to register in either of these spaces, and the distinction is no longer meaningful.

There is also the possibility for multiple registrants to use the same name, whilst still distinguishing their nature. For example a name like flinders.com.au used by Flinders Camping is easily distinguished from flinders.edu.au which is the University. This provides more opportunity for registrants to get a simple and easy to remember domain name, and takes advantage of the hierarchy which is a key feature of the DNS. In future as the namespace grows, it is possible to operate the second level domains on independent nameservers (or even independent registries), thus better distributing the traffic load and reliability of the system.

#### **Question 4b**

#### **Is auDA's process for introducing new 2LDs appropriate? Please provide reasons for your comments.**

No. The current process has led to uneconomic domain name spaces such as vic.au which are being subsidised by the industry. The experience of creating new TLDs, has shown that it takes

significant capital to raise the awareness of a new 2LD sufficiently for it to become known to most of the population and hence desired by licence holders. For example, ICANN created .coop, .aero and .museum in 2000 but very few people would know of their existence. Organisations proposing a new 2LD should have significant capital available to invest in marketing a new 2LD. This would establish an appropriate test to see if there is a real need to create the 2LD.

#### **Question 4c:**

**What do you believe would be the benefits and drawbacks of introducing registrations directly at the top level e.g. www.dcita.au?**

Melbourne IT is opposed to opening up registrations at the top level. The existing second level domains are widely recognised in Australian and internationally. A key drawback of introducing names directly at the top level could be damage to the businesses of existing .com.au registrants, when registrations at the top level are made to trade off their reputations. There would be a significant cost to businesses to try to protect their brands in the top level without any specific gain from a consumer perspective.

Rather than opening up registrations at the top level, auDA should give consideration to make it easier to trade domains in the existing second levels.

#### **Question 4d:**

**Similarly, what do you believe would be the benefits and drawbacks of introducing more 2LDs?**

The main drawback would be the cost to registrants that would feel the need to register in the new 2LD to protect their brands. The international experience has shown that most registrations in a new TLD are for brand protection purposes, unless there are significant efforts to market a new 2LD as having value at the consumer level. When a registration is made for brand protection purposes the brand owner generally does not use the new TLD in any of its marketing materials, hence contributing to the low level of recognition of the new TLD amongst Internet users.

### **Policy development and enforcement**

#### **Question 5a:**

**Are auDA's mechanisms for policy development appropriate, taking into account the requirements and input of internet stakeholders?**

The mechanisms are appropriate, although there is a need to get a broader base of input from internet stakeholders. The policy development committees often suffer from the same lack of broad experience as the Board.

### **Question 5b:**

**Is the policy development process sufficiently flexible to respond to both the changing Internet environment and dynamic needs of the Internet community? .If not, in what ways could these policy mechanisms be improved?**

There has been a recent tendency for auDA to devote some of its operational resources to establishing foundations/trusts etc. If auDA re-focuses its operational resources on reviewing important policy areas such as sale of names, then it should have sufficient resources and processes to respond to the needs of the Internet community.

### **Question 5c:**

**As with the policy development process, are these mechanisms appropriate, taking into account the changing Internet environment and needs of stakeholders? If not, in what ways could these policy mechanisms be improved?**

As already noted in 5b above, there has been a recent tendency for auDA to devote some of its operational resources to establishing foundations/trusts etc. If auDA re-focuses its operational resources on reviewing important policy areas such as sale of names, then it should have sufficient resources and processes to respond to the needs of the Internet community.

### **Question 5d:**

**Should all auDA policies have formal review periods?**

Rather than review all policies at fixed periods of time, it would be more effective for auDA to seek input from stakeholders on what policies need to be reviewed, and to prioritise the reviews accordingly.

### **Question 5e**

**Are the current policy enforcement mechanisms appropriate, and are they consistently enforced?**

auDA can only enforce policies directly by contract with its registrars. There have been some industry participants that operate without accreditation, and auDA has needed to use trade practices law to take action against some of these. It would be useful if the Government encouraged a closer relationship between auDA and the ACCC with respect to managing the behaviour of domain name industry participants that do not have a contractual relationship with auDA.

## Domain names policies

### Question 6a

#### **Have measures to introduce competition in the .au space been successful?**

Yes. There is a competitive market consisting of over 20 registrars, and thousands of resellers. These organisations provide a great diversity of offers to consumers, especially when taking into account the many innovative ways that domain names are bundled with other services.

### Question 6b

#### **Does the current structure ensure a competitive market and the best value for consumers? If not, what further mechanisms could be introduced to increase competition?**

Yes. The current structure has delivered a sustainable and increasingly competitive environment.

### Question 6c

#### **Are the rights of domain name consumers sufficiently protected by current mechanisms? If not, what further measures could be taken?**

Yes. Extensive work was put into the domain name industry code of practice. Much of this work built on the work already done in the telecommunications industry.

### Question 6d

#### **Are the current mechanisms for dispute resolution efficient and effective? If not, what alternative measures could be implemented?**

Yes. The tighter policy rules in .com.au have played a significant role in reducing the need for dispute resolution in comparison with gTLDs like .com, and the current mechanisms are easily adequate to deal with the low number of disputes.

### Question 6e:

#### **Given auDA's policy oversight responsibilities and operational expenses and ongoing commitment to reducing wholesale domain name costs as efficiencies are realised, do you believe the current structure delivers maximum pricing efficiency to Australian Internet users? If not, what changes could be considered?**

The general wholesale pricing is an acceptable balance between cost effectiveness and the need to invest further in the infrastructure, with the notable exception of the recent sale of geographic .com.au names where auDA charged more than 10 times the normal registry fee to raise funds for its foundations/trusts.

#### **Question 6f**

**Given auDA.s functions and related operational expenses, do you consider that the current \$4.95 auDA domain name fee is appropriate?**

Yes. auDA can use the funds obtained from this fee to increase the security and stability of the .au DNS infrastructure.

#### **Question 6g:**

**Following the introduction of competition to the .au space, do you consider that the average retail fee of .au domain names is appropriate?**

Yes. The full service retail fee for domain names is comparable with other similar registration tasks where policy checks and ongoing maintenance are required. For example business name registrations in Victoria are \$75, and trademark applications are \$150. Full service implies that a customer can ring or email anytime 24 hours/365 days a year, and get assistance with the configuration or operation of a domain name. The service also includes assistance in obtaining the correct business information (the correct ACN or ABN number) to be eligible for registration.

There are however many "loss leader" offers in the market, where domains are sold at or below cost. These business models assume that a certain percentage of their customers will pay more for additional services that subsidise the cost of providing service for domain names. Melbourne IT often finds that when a customer does not take up the additional "offers" that they can't get good service, and they will transfer to a full service registrar.

The net effect is that consumers can obtain domain names at close to the registry cost if they are capable of managing the configuration and maintenance of a domain name with no further customer service.

#### **Question 6h:**

**Are the current mechanisms for the development of eligibility and allocation rules for the .au domain appropriate, responsive and open to input from stakeholders?**

Yes. The current eligibility and allocation rules are been through regular stages of evolution, and have provided a stable environment for the growth and use of the .au domain name space.

### **Question 6i:**

**Is there any evidence that current policies restrict business opportunities for stakeholders in the domain name marketplace? Is this restriction positive, or negative?**

No, except for the restriction on the trading of domain names. Most other licences in Australia such as taxi licences etc can be traded on the market. Providing the ability to trade names will ensure that names end up in the hands of registrants that can obtain the most economic value from those names, as for other free markets.

### **Question 6j:**

**Could a relaxation of these rules facilitate meaningful growth in .au, or could it lead to inappropriate name registration and hoarding practices?**

There are already many names that are either not being used, or are under utilised. Allowing trading in those names will unlock their value in the marketplace.

### **Question 6k:**

**Does the current prohibition on the resale of domain names best serve the Australian Internet community, or do the benefits of a relaxed policy regime outweigh potential impacts upon registrants and registry operators?**

No. Trading of names is allowed in most major TLDs except .au, and there have been no significant negative impacts from this trading. The dispute resolution processes are effective in cases of trademark infringement, and hence there is little trading of trademarked names.

### **Question 6l:**

**Is there a need for affirmative action in facilitating and developing secondary markets, or will it occur naturally?**

No. Market mechanisms have worked effectively internationally.

### **Question 6m**

**If a secondary market were introduced for .au domain names, what would be the most appropriate framework through which it could be regulated?**

The appropriate framework is to have strong dispute resolution processes. This framework is already in place. Security mechanisms around password access and control may need to be strengthened as the perceived value of names rises.

### **Question 6n:**

**Is there a need for increasing the general community's awareness of the mechanisms that operate in the administration of au?**

No. Most small businesses or consumers will approach their existing provider (whether registrar or reseller) of IT services for assistance around domain names. auDA should focus its efforts on ensuring that the broader Internet industry (ISPs, web hosting companies etc) is aware of auDA and able to direct consumers there if necessary.

### **Question 6o**

**Who should be responsible for funding awareness raising and education efforts?**

auDA can raise funds from its industry fees to provide awareness raising and education. However auDA needs to be mindful that it is not cost effective to attempt to educate the general public through billboards at airports or TV advertising, and should instead focus on relevant industry groups.

### **Question 6p**

**Given that registrars and resellers are the primary point of contact for consumers, are their advertising campaigns sufficient in promoting .au?**

Yes. The growth in the volume of .au registrations shows that registrars and resellers are effectively promoting .au names.

## **International participation**

### **Question 7a**

**Is the current level of representation of Australian interests in international fora appropriate?**

Yes. It is important that Australia keeps up-to-date with best practice management of the domain name space, and that Australia also contributes to ensuring that the Internet remains subject to relatively light Government regulation to encourage international trade.

The involvement of Chris Disspain in chairing and managing international forums has raised the awareness of .au, and ensured that Australia is a welcome participant in the international network of ccTLD operators. Chris has become a sought after speaker.

International contacts are very important for the purposes of maintaining a secure Australian infrastructure, which relies on trust in the sharing of critical security information.

### **Question 7b:**

**Is the balance between government, business and civil society participation in these international fora appropriate?**

No. There is still not enough participation from industry groups (e.g banks, travel etc).

### **Question 7c**

**With the aim of promoting domestic policy interests, are there other groups or organisations in which Australia could play a more significant role?**

auDA could build its links with IETF standards activity.

## Emerging technical issues

### **Question 8a:**

**Given the natural synergies between the naming and numbering systems that underpin the operation of the Internet, is the current separation of functional responsibilities between numbering and naming appropriate?**

Yes. The issues around IP address allocation are very different to domain name allocation. auDA should focus on .au, and APNIC should focus on IP address allocation for the region.

### **Question 8b:**

**Aside from technical implementation and global allocation issues discussed above, what challenges should be addressed as part of the IPv4 to IPv6 shift?**

The only requirement from a domain name point of view is the ability to use IPv6 addresses in domain name records.

### **Question 8c:**

**With the increasing convergence between traditional communications, media and information technology networks, what are the particular technical and policy challenges that will face the .au domain?**

The main change will be the continued growth in the number of consumers using the Internet and the range of devices used to access the Internet. There will be alternative - probably proprietary - naming systems that will compete with .au domain names.

### **Question 8d**

**Do these technical and structural shifts generate a need for changes to the current model for the management of the .au domain?**

No.

### **Question 8e:**

**If the current regime continues in its present form and role, what changes would you suggest to its operation or governance to make it more effective?**

The key changes are:

- Australian Government appoint more independent Board directors with senior business experience
- auDA focus once again on the improvement of the .au infrastructure, with a new emphasis on using fees charged to registrars to improve the security and stability of the complete DNS infrastructure in Australia
- auDA review the policies around sale of names

### **Question 8f**

**Are there any other general comments you would like to make?**

Melbourne IT would like to:

- commend the efforts of the auDA CEO, Chris Disspain for his leadership of the organisation and efforts to build links with the international community.
- commend the work of the auDA Chief Policy Officer, Jo Lim, for the work she has put into creating a coherent set of policies with broad support from the policy panels that she has supported.
- commend the work of the auDA chairman, Tony Staley, for his leadership of the Board and helpful advice to the auDA CEO