

Strategic Planning 2011/12 Members' Inputs

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Introduction

At the 2010 AGM, President Frank March and I outlined the proposed approach for improvements to InternetNZ's strategic planning process for the 2011/12 financial year. Understanding and incorporating members' priorities is the first step.

This document provides background information and asks some questions for members to consider. In addition, any other comments are welcome.

Scope

As you will see from this document, the scope of the background information and questions is not limited to operational matters alone. We are seeking discussion and views about all issues related to InternetNZ.

Once we've figured out "what" needs to be done, the appropriate people for that area – staff, Council, members – can work out the "how".

Providing your views

There are several ways you can provide your views:

- Discussion on the members discuss mailing list.
- Download the Response Form located at <http://internetnz.net.nz/content/business-plan> and email your answers and views to me vikram@internetnz.net.nz
- Participate in the members' meetings in Auckland on 1st September 2010 or Wellington on 3rd September 2010. Details of the meetings have been emailed to you. To attend, please RSVP to rsvp@internetnz.net.nz
- Directly email your comments to Frank president@internetnz.net.nz or me vikram@internetnz.net.nz

What happens next

A document recording your comments and feedback across all channels will be developed by InternetNZ staff. This will also be available to Council and members.

Your views will be an important input into the Group Strategy Day on 9 September 2010. At this meeting, Council members and the Boards of our subsidiaries will develop strategic priorities for the 2011/12 financial year.

Your views and the Group priorities will then be reflected in the draft InternetNZ Business Plan for 2011/12. We will bring this back to you for further comments in February 2011.

Your views are important and will make a difference

The deadline for sending in your views is **Monday, 6th September 2010**. Thank you for your time and inputs.

Vikram Kumar

Chief Executive

Structure and Financials

Constitution

In relation to our objectives, the InternetNZ Constitution¹ states:

“2. OBJECTS

Internet New Zealand Incorporated trading as InternetNZ ("the Society") is a non-profit common interest society to maintain and extend the availability of the Internet and its associated technologies and applications in New Zealand, both as an end in itself and as means of enabling organisations, professionals and individuals to more effectively collaborate, cooperate, communicate and innovate in their respective fields of interest. It is intended that the Society be the principal organisation representing the interests of Internet users and Internet Service Providers in New Zealand. The Society's objects are:

2.1 To promote the competitive provision of Internet access, services and facilities in an open and uncaptureable environment.

2.2 To develop, maintain, evolve, and disseminate standards for the Internet and its inter-networking technologies and applications.

2.3 To develop, maintain, evolve and disseminate effective administrative processes for the operation of the Internet in New Zealand.

2.4 To promote and conduct education and research related to the Internet and inter-networking.

2.5 To coordinate activities at a national level pertaining to good management of centralised systems and resources which facilitate the development of the Internet, including but not limited to the Domain Name System.

2.6 To collect and disseminate information related to the Internet and inter-networking, including histories and archives.

2.7 To develop and maintain formal and informal relationships with the international Internet community, including the Internet Society.

2.8 To represent the common interests of the wider New Zealand Internet community both nationally and internationally.

2.9 To promote widely and generally available access to the Internet.

2.10 To liaise with other organisations, New Zealand Government authorities, and the general public for coordination, collaboration, and education in effecting the above objects.”

Q1: Do the Objects in the InternetNZ Constitution continue to correctly and completely describe our mission?

¹ <http://internetnz.net.nz/content/constitution>

Charity Status and Income Tax Exemption

InternetNZ was registered as a charity by the Charities Commission on 30th June 2008². Similarly, DNCL was registered on 10th October 2008 and NZRS on 19th August 2008.

The need for InternetNZ to maintain its charitable status (and thereby exemption from income tax) requires our primary purpose to be a “charitable purpose” that meets the definition set out in law³. In addition, InternetNZ is required to continue providing a “public benefit” and ensuring that its activities are not carried out for the financial benefit of any individual (including a member).

The last constraint to be aware of is that the charitable purposes must be carried out in New Zealand to continue to be fully exempt from income tax⁴.

Organisation Structure

InternetNZ is a membership-based, not-for-profit, incorporated Society. According to our Constitution, “The affairs of the Society shall be conducted by the Council of the Society in accordance with this Constitution and the resolutions of Members of the Society in General Meeting.”

In addition to the President and Vice President, there are 10 members of the Council. Council members are elected by members, generally for three year terms with a third of the Council retiring each year.

InternetNZ has two wholly owned subsidiaries, Domain Name Commission Limited (DNCL)⁵ and New Zealand Domain Name Registry Limited (NZRS)⁶. Both of these are independent companies managed by a Board of Directors. One Council member is appointed to each of the Boards.

InternetNZ has an operating agreement with DNCL⁷ by which it has appointed DNCL to manage and administer the .nz Domain Name Space on its behalf. Under a separate operating agreement, InternetNZ has given NZRS the exclusive right to operate and manage the register of domain names and Domain Name System (DNS) in the .nz Domain Name Space. These agreements also provide for a Service Level Agreement between NZRS and DNCL covering the operation of the .nz registry and DNS.

Council focuses on governance and strategic direction while employing a Chief Executive to run the day-to-day operations of InternetNZ.

² InternetNZ record is at <http://www.register.charities.govt.nz/CharitiesRegister/CharitySummary.aspx?id=14708eff-2a8a-dc11-98a0-0015c5f3da29>

³ For more information see <http://www.charities.govt.nz/Settingupacharity/Charitablepurpose/tabid/158/Default.aspx> and <http://www.charities.govt.nz/Settingupacharity/Charitablepurpose/AdvocacyandtheCharitiesAct/tabid/170/Default.aspx>

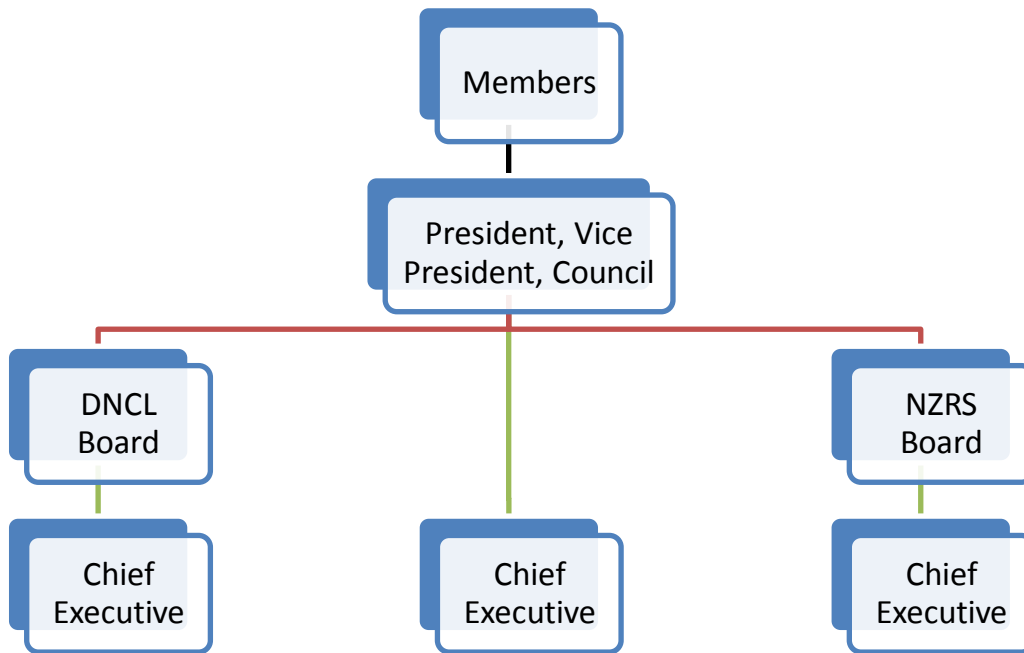
⁴ For more information see <http://www.ird.govt.nz/non-profit/np-charities/>

⁵ <http://www.dnc.org.nz/>

⁶ <http://www.nzrs.net.nz/>

⁷ Available at http://www.dnc.org.nz/content/Operating_Agreement.pdf

InternetNZ



Organisation structure of InternetNZ and its subsidiaries

Members *elect* the President, Vice President and Council members

Council *appoints* the two Boards of Directors

Council and Boards *employ* the respective Chief Executives

InternetNZ has 8 full time staff and one contractor. Full time staff includes a Chief Executive, three policy & communications staff, and four staff who work for the Shared Services Unit (SSU). The SSU provides administration support for InternetNZ, Council, members, and a few organisations that InternetNZ supports. It also provides some common office services for InternetNZ, DNCL and NZRS.

Q2: Is the staff size of InternetNZ appropriate to deliver on the Objects in the Constitution, members' expectations, and its role in the organisation structure?

Financials

InternetNZ's latest Annual Report is for the financial year 2009/10 and is available at <http://internetnz.net.nz/content/annual-reports>. This includes audited accounts to 31st March 2010.

InternetNZ

An illustration of the projected income, profits and intra-organisational cash flows for InternetNZ and its two subsidiaries is in the Appendix. The Appendix shows the “normal” projected operating flows and excludes:

- An expected one-off transfer of \$2.4 million from NZRS to InternetNZ as special dividend over the year to consolidate Group cash in excess of reserves in InternetNZ.
- A possible change from NZRS paying dividends to InternetNZ to a mixture of licence fee and dividends.

The major source of income across all three organisations is the .nz wholesale fee. This singular dependence creates some risks given both the continued evolution as well as disruptive change potential of the international domain name system.

InternetNZ gets most of its funding as dividend from NZRS. Membership subscription is relatively minor.

The budget for InternetNZ for the current financial year 2010/11 is as follows:

	Budget 09/10	Actual 09/10	Budget 10/11
Public work			
Grants	\$437,500	\$346,266	\$400,000
Work Streams	\$455,000	\$204,630	\$455,000
Policy Office	\$1,031,495	\$1,066,087	\$969,000
Operating expenses			
Council/Members	\$272,500	\$299,983	\$272,000
SSU	\$556,726	\$678,377	\$543,000
TOTAL	\$2,753,221	\$2,595,343	\$2,639,000

Q3: What priority should InternetNZ give to diversifying its sources of income? Are there any suggestions for viable options to increase and/or diversify the income?

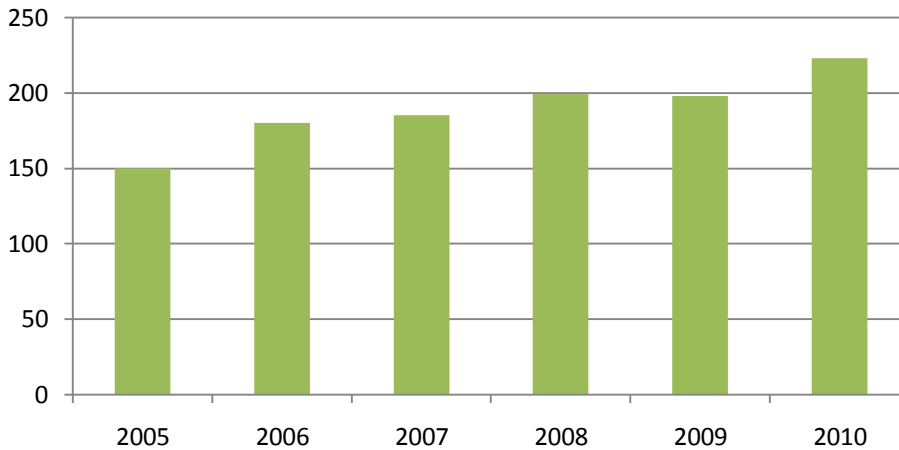
Q4: Is the scale and split of the current budget aligned with the goals of InternetNZ and the work programme? Are there any major shifts required in the total amount and/or its allocation across various categories in the next financial year 2011/12?

Membership

Number of members

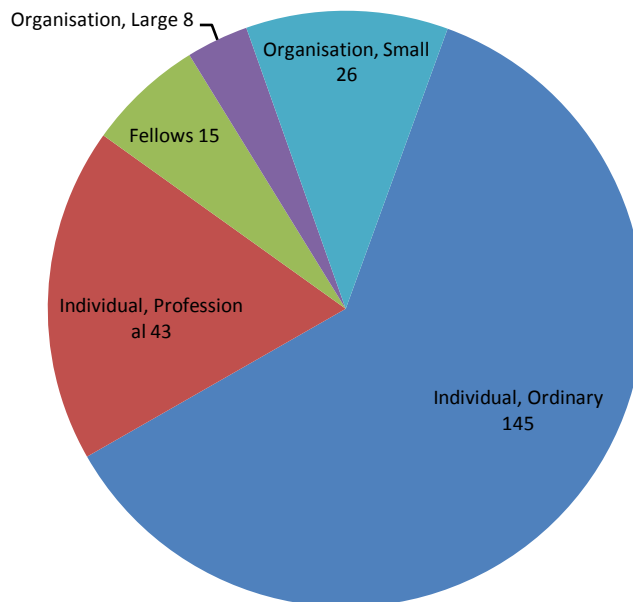
Membership peaked in August 2009 at 325. The approximate number of members in June of previous years was:

Membership



As at 15th July 2010 InternetNZ had 237 members. These were the number of people eligible to vote at the 2010 AGM. The graph below shows the break-up of the membership amongst different categories:

INZ Membership, July 2010



There has been a noticeable increase in membership in the past few weeks (about 10%). This is attributed to an increased InternetNZ public profile during and after the AGM; efforts by some individual members to encourage people to become members; and media coverage of InternetNZ's advocacy and policy positions.

Q5: Are the number and types of members satisfactory or should there be priority to increasing the number of members or attracting a different set of members?

Value proposition

Members describe their reason for joining and remaining a member of InternetNZ for different reasons including:

- As a way to contribute their expertise and skills to the wider community
- To have a say in the governance and strategic direction of the .nz Domain Name Space
- To express support for the outcomes that InternetNZ works for, i.e. an open and uncapturable Internet
- To contribute to defining the policy and/or supporting the advocacy positions of InternetNZ
- To ensure that InternetNZ is well governed and remains a trusted, apolitical organisation

The Constitution defines two categories of individual membership, Ordinary and Professional. It specifies that “Professional membership shall carry additional direct benefits to those enjoyed by Ordinary members.” At present the additional benefit Professional members get is the Goldstein news digests, a weekly email with the latest in domain name and general Internet news.

At the same time, membership benefits have to respect the constraints imposed by the need for InternetNZ to continue to be a registered charity and exempt from income tax as previously described. In particular, there is a strict requirement for InternetNZ to ensure its activities are not carried out for the financial benefit of any individual (including a member).

Q6: Is the membership value proposition well understood and well articulated? Are there any benefits that add little value and should be discontinued? Is further work required to develop a value proposition to attract new members that takes into account our Objects and constraints?

Q7: Is the value proposition of Professional members well differentiated from Ordinary members? Are there “additional direct benefits” that Professional members should receive (keeping in mind the constraints)? Alternatively, is there a need to have a separate Professional members category?

Q8: How can members be better engaged in the work of InternetNZ? What’s working well and what needs to be improved?

Strategy and Priority Focus Areas

Strategic direction

Four strategic goals have been used to guide the work of InternetNZ in recent years. One of these, management of .nz, has been delegated to our wholly-owned subsidiaries DNCL and NZRS.

The other three strategic goals are:

- Advocacy and Public Policy

Goal: a policy and regulatory environment that ensures the security and stability of the Internet

- Technical Development and Innovation

Goal: world-class Internet infrastructure and capability in New Zealand

- Organisational Capability

Goal: an organisation capable of delivering the Society's Objectives and Strategic Plan

A well articulated strategic direction is critical to InternetNZ's continued success. It provides a framework that translates the Society's Objects into tangible, medium-term goals. The strategic direction also provides the logic against which Council and staff test annual plans.

Members' views on the strategic direction are therefore extremely important.

Q9: Do the three strategic goals continue to correctly and comprehensively define the medium-term goals of InternetNZ? What changes are required?

Organisational focus areas

The five priority focus areas for the current year and the outcomes we are working towards are listed below. These form part of the Business Plan 2010/11⁸ approved by Council and adopted by members at the 2010 AGM.

The priority areas are all inter-related. Progress in one focus area is often dependent upon progress in other priority areas.

⁸ Available from <http://internetnz.net.nz/content/business-plan>

InternetNZ

- Improving member engagement

Outcomes:

- We better understand our members, their interests, and areas where they want to see improvements.
- Members find it easier to contribute to policy development in areas that interest them.
- Better member support services, including online self-service.
- The value proposition of being a member is clear and positive.

- Reaching out to the wider community

Outcomes:

- InternetNZ partners with other organisations and assists communities of interest in subject areas aligned with our mission to protect and promote the Internet in New Zealand.
- Areas for InternetNZ's future policy work are identified.
- InternetNZ is increasingly seen as a critical component for the success of the Internet in New Zealand.

- Telling the InternetNZ story better

Outcomes:

- InternetNZ is better recognised for its valuable and trusted role in protecting and promoting the Internet in New Zealand.
- The work done internationally on behalf of New Zealand is considered valuable and appropriate.
- Greater recognition that .nz arrangements are considered best practice for ccTLDs globally.
- Greater recognition of the work done on behalf of the community to support and fund a network of partners, projects, and causes that collectively reinforces our mandate.

- Increasing organisational effectiveness

Outcomes:

- Work done to improve organisational capability continues.
- Members, Council, and stakeholders have confidence that InternetNZ operates efficiently and effectively.
- There is continuous operational improvement.

InternetNZ

- High quality policy advice

Outcomes:

- InternetNZ is increasingly seen as the leading Internet policy advocate in New Zealand. Our policy advocacy is valued, respected, and trusted.
- We react quickly and flexibly to issues related to our area of interests, including Government-led initiatives.
- Our proactive programme of work reflects the policy challenges facing the Internet in New Zealand and globally.
- The principles that drive our policy are clearly articulated and drive all our work.
- Key policy makers and legislators are well informed on Internet issues.

Our international efforts and relationships, though “business as usual”, is also a priority area and is a sixth focus area in the current year.

Outcomes:

- Understanding issues and developments related to the Internet at the global level to ensure alignment of InternetNZ objectives and planning. Also, where necessary, taking the lead on introducing into New Zealand relevant issues that originate overseas.
- Maintaining key relationships and positions of influence within regional and global Internet institutions and decision-making fora to influence policies and practices and promote InternetNZ’s objectives.
- With a particular focus on the Pacific Islands region, assisting other overseas Internet-related organisations, and local communities aiming to create such organisations, to develop and implement strategies that enshrine an “open and uncapturable” Internet.
- Maintaining the status of New Zealand as an active and notable participant in Internet development, including being a regular venue for internationally significant Internet events.

Q10: Should these six areas be the Organisational Focus Areas in 2011/12? For each Organisational Focus Area, what outcomes should we be targeting in 2011/12?

Proactive policy focus areas

The areas for proactively focussing our policy work plan in the current year as detailed in the Business Plan 2010/11 are:

- Access
The Internet is accessible to everyone, a fast network that ends the bandwidth constraint for all New Zealanders.
- Openness
The Internet remains open and uncapturable, with its protocols and local governance maintaining an open platform for innovation and change.
- Rights and responsibilities
Citizens benefit from the Internet and the changes it is spurring – they know how to make use of the opportunities it presents, and can do so safely and responsibly.

Q11: Should these three areas be the Proactive Policy Focus Areas in 2011/12? For each Proactive Policy Area, what outcomes should we be targeting in 2011/12?

Q12: Looking at broadband access issues specifically, should InternetNZ be doing more about data caps; interconnection and backhaul issues; net neutrality; etc.?

.nz focus areas

As previously mentioned, DNCL and NZRS are responsible for managing, administering, and operating the .nz Domain Name Space. The role of InternetNZ in relation to the .nz Domain Name Space is⁹:

“InternetNZ retains decision-making authority on:

- (a) the long-term strategy for the .nz Domain Name Space;
- (b) the monthly registration fee;
- (c) the policy framework underlying the allocation and use of domain names in the nz Domain Name Space;
- (d) changes to the .nz Domain Name Space position on international issues;
- (e) major transactions;
- (f) other governance issues; and

⁹ Para 2.2, Schedule 1 of the InternetNZ-DNCL operating agreement, *ibid*

InternetNZ

- (g) the key principles that underpin policy regarding the .nz Domain Name Space,

namely:

- (i) the “first come, first served” principle;
- (ii) safeguarding registrant’s rights; and
- (iii) having a competitive, but stable, market for registrars with low entry requirements.”

These areas of retained decision-making authority are in relation to the DNCL stewardship of the .nz Domain Name Space. They are distinct from InternetNZ’s role as the sole shareholder of DNCL.

In the current year, InternetNZ has no planned work in the Business Plan in the areas of retained decision-making authority for the .nz Domain Name Space. Decision-making authority is exercised by the Council, generally based on recommendations from DNCL (and, where appropriate, NZRS).

Q13: In relation to the areas of the .nz Domain Name Space that InternetNZ has decision-making authority, is there any work that should be taken up as a priority in 2011/12? If so, what are the outcomes from that work?

Others

There are several areas that InternetNZ on its own or in collaboration with partners seeks to understand and influence in pursuit of our Objects. Examples of current areas and those previously suggested by members and stakeholders include IPv6 implementation; broadband/fibre uptake; centralised filtering; software patents; open source and open standards; copyright; digital literacy; cyberlaw; and Green ICT.

Q14: Of the Other areas listed and/or new emerging Internet-related areas, which ones should we further research or influence? Are there any such areas that InternetNZ should aspire to be a thought leader, key catalyst, or action leader?

Grants

Since last year, all third-party funding (other than those related to administrative and workstreams' expenditure) has been put into a single category and termed "grants". This includes financial support for partners, sponsorship, support for individuals travelling to overseas workshops/meetings, and a variety of other initiatives.

Grants have been listed as a separate discussion area in this document as it is widely perceived as an area in need of improvement.

Grants applications are received at all times. Requests for amounts up to \$5,000 are decided by a Grants Committee. Applications above this threshold are initially reviewed by the Grants Committee and then a recommendation sent to Council for discussion and decision.

The budget for grants in the current financial year is \$400,000, representing about 15% of the annual InternetNZ budget. Currently, there is a proposal to increase this by \$100,000 to \$500,000 by re-allocation of operational under-spend in the first quarter of the current financial year.

All approved requests have been published since 1 April 2010 on our website¹⁰. We also publish the budget balance left online¹¹.

In the current year, just under two-thirds of the \$400,000 budget was pre-allocated to partners and other pre-commitments at the start of the financial year. By the end of July 2010, four months into the financial year, over 90% of the \$400,000 budget for the full year had been committed.

Q15: How can providing "grants" better align strategically with the goals of InternetNZ? How can the grants process be improved?

Q16: Is the amount and/or percentage of the grants budget set at the right level? What factors should be taken into account to set the grants budget for 2011/12?

¹⁰ See <http://internetnz.net.nz/content/projects-funded-201011>

¹¹ <http://internetnz.net.nz/content/current-funds-status>

Appendix

InternetNZ group income/expenditure flows 2010-2011

