

Date: Friday, 14 September 2018

To: ZADNA members, .ZA Registry Operators, .ZA Registrars, South African Internet Community, South African Public

**NOTICE:**  
**REQUEST FOR SUBMISSIONS:**

**WHOLESALE FEE REVIEW:**  
**Co.za, Net.za, Org.za and Web.za**

**Closing date: 15 October 2018**

## 1. INTRODUCTION

The .ZA Domain Name Authority (ZADNA) hereby invites the ZADNA members, .ZA SLD Registry Operators, .ZA Registrars, Registrants (i.e. holders of domain names), the South African Internet Community and the South African Public to submit comments and/or proposals regarding the review of the wholesale fee that applies to co.za, net.za, org.za and web.za Second Level Domains (SLDs). “Wholesale fee” is the annual per domain name fee that a Registrar pays to the SLD Registry Operator.

The Wholesale Fee was last reviewed in November 2014 and the review resulted in a “once-off” increase of the EPP Wholesale Fee from R35.00 VAT exclusive to R45.00 VAT exclusive. At the request of the Registrar community back in 2014, the R45.00 EPP Wholesale Fee remains in effect until 2019. Alongside the EPP Wholesale Fee change in 2014, the Co.za Legacy Wholesale Fee increased gradually since 2015 as shown in Table 1 below.

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Co.za Legacy	R90.00	R100.00	R110.00	R120.00	R130.00
Effective Date:	Q1 2015				

The co.za Legacy Wholesale Fee is the fee charged on the users of the Co.za Legacy System, and its annual increase since 2014 is meant to phase out the usage of the Legacy System so that the more cost effective EPP system is used.

## 2. 2018 FEE REVIEW

In preparation for 2019, ZADNA hereby conducts a review of the Wholesale Fee with a view of effecting any changes thereto in 2019. It must be noted upfront that this review of the Wholesale Fee must not be construed to be an indication or commitment by ZADNA to change the fee upwards or downwards. Instead, the fee review is intended to better inform ZADNA if there should be any changes to the current EPP and co.za Legacy Wholesale Fees and if so, what those changes should be. There are several worthy arguments in support of, and against, whatever options ZADNA may determine as an outcome of the fee review process. Below are the basic options that ZADNA has to consider.

## **2.1. EPP Wholesale Fee Review**

### **2.1.1. OPTION 1: Increase the EPP Wholesale Fee:**

In view of the ever-rising costs of living, increasing the current EPP Wholesale Fee (R45.00 VAT exclusive) based on changes in the Consumer Price Index (CPI) is a reasonable basis. This may be warranted considering the fact that until 2011 (when ZACR introduced the EPP system), the co.za Wholesale Fee was R50.00 VAT exclusive.

That fee was only reduced to R35.00 VAT exclusive due to operational cost savings that were realized when the EPP system was introduced. It was thereafter increased to R45.00 in 2015 due to increasing operational costs of ZACR. In essence, therefore, increasing the Wholesale Fee back to what it was until 2015 (which was R50.00 VAT exclusive) is reasonable.

However, the downside of such an increase may be that it goes against the Government's efforts of reducing the costs to communicate. Such increase also makes .ZA domain names more expensive at the time when there is increased competition from the +1000 "new generic Top Level Domains (gTLDs) that entered the domain name market since 2013.

- (a) Bearing in mind that the co.za Wholesale Fee was once R50.00, is it justifiable to increase the EPP Wholesale Fee taking into account the CPI changes to date?
- (b) If, yes, what do you think could be a reasonable increase or margin?
- (c) What could be other potential downsides or upsides in increasing the current EPP Wholesale Fee?

### **2.1.2. OPTION 2: RETAIN THE CURRENT EPP WHOLESale FEE:**

The current EPP Wholesale Fee of R45.00 VAT exclusive is well established and makes .ZA to remain more price-competitive. Instead of increasing this fee, there may be a need to first explore more operational efficiencies at the Registry and regulatory levels so that the domain name users do not have to incur increased domain name registration costs.

However, the fact that the current EPP Wholesale Fee has remained unchanged since 2015 does not flow with economic realities that appreciate increased living costs. Retaining the current fee may not be appreciative of the increasing costs of managing the domain name infrastructure.

- (a) Taking into account that the fee has been the same over 5 years, do you think it justified for the EPP Wholesale Fee to remain the same in the 2019/20 financial year?
- (b) If yes, why do you want the fee to remain the same?
- (c) Could there be any other potential downsides or upsides in retaining the current EPP Wholesale Fee?

### **2.1.3. OPTION 3: Decrease the EPP Wholesale Fee**

It may be reasonably argued that the steady increase in the number of .ZA domain name registrations should be leading to proportionate economies of scale, which should actually help reduce the EPP Wholesale Fee. Such decrease will help .ZA to become more price-competitive and attract more domain name users.

On the other side, decreasing the EPP Wholesale Fee may result in limited capacity to invest further in more robust domain name infrastructure, which could, over time, compromise the security, resiliency and stability of the .ZA namespace. In addition, lowering the EPP Wholesale Fee may only enrich Registrars, as most of them may not translate such a decrease into a decrease in the prices that Registrars charge their consumers.

- (a) Do you support a decrease in the EPP Wholesale Fee? Please give reason/s to support your view.
- (b) If you support the decrease in the current EPP Wholesale Fee, what should be the decreased Wholesale Fee?
- (c) Could there be any other potential downsides or upsides in decreasing the current EPP Wholesale Fee?

## 2.2. Co.za Legacy Fee

The Wholesale Fee charged for using the Co.za Legacy System, which is operationally more expensive to operate than the EPP registry system, has gradually increased since 2015. The logic behind the gradual annual increase in the co.za Legacy Wholesale was to gradually phase the Legacy System out. The ultimate goal of the increasing Legacy Wholesale Fee is to compel the migration of all remaining co.za registrations in the Legacy System to the EPP system.

The gradual increase in co.za Legacy System Wholesale Fee has resulted in a gradual decline in the number of Legacy registrations. To date, only around 50 000 Legacy registrations remain, which accounts for 3% to 4% of the total registrations in co.za.

In view of the Legacy System being more expensive to maintain, it seems more sensible to completely phase out so that all registrations are migrated to the EPP system. Such a move may make it unnecessary for there to be 2 types of Wholesale Fees. Another approach could be to continue increasing the Legacy Fee to compel further migration of registrations to EPP system.

In either case, the phase-out of the Legacy System is important, as it will ensure that ZACR remains only as the Registry Operator instead of serving as both the Registry Operator and the Registrar for some of the co.za legacy registrations.

- 2.2.1. Do you support the phase out of the co.za Legacy System through implementing annual increases until all legacy registrations are migrated to the EPP system? Why?
- 2.2.2. Do you think that simply setting a cut-off date by which all remaining co.za Legacy registrations must be migrated to the EPP system is a better approach than using price increases? Why?

## 3. IMPORTANT NOTES

The above fee review options are presented to guide the submission of feedback, comments and/or proposals. ZADNA has not committed to any of the options, and is soliciting feedback so that a sufficiently informed decision is made regarding the review of

the EPP and co.za Legacy Wholesale Fee. In making its decision, ZADNA will have to balance between competing interests.

In particular, the need to keep .ZA domain name registration fees as much affordable as possible should be balanced with the need to invest in secure, robust and stable domain name registry infrastructure and regulation. ZADNA intends to finalise its decision regarding Wholesale Fee review no later than 30 November 2018. Whatever the final decision will be, it will only come into effect in 2019, as ZADNA is required to give a notice of at least 90 days before changes in domain name fees can become effective.

#### **4. SUBMISSION OF COMMENTS, FEEDBACK AND/OR PROPOSALS**

Interested parties are requested to submit their feedback, comments and/or proposals no later than **Monday, 15 October 2018** to ZADNA via email at **submissions@zadna.org.za**. Should you have queries and request additional information, please direct them in writing to the ZADNA CEO (Vika Mpisane) at the aforementioned email address.

Yours truly,

**MR. VIKA MPISANE**  
**CEO: ZADNA**

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**END**