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Final Report prepared for



中華人民共和國香港特別行政區政府
The Government of the Hong Kong Special Administrative Region
of the People's Republic of China

Consultancy study on the Institutional Framework and Corporate Governance for the Administration of Internet Domain Names in Hong Kong

Deliverable 1: Report on current environment including the concerns and expectations of stakeholders in respect of the governance, management and administration of Internet domain names

July 2006

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Executive Summary

This report documents the findings of the current situation in Hong Kong, in relation to corporate governance for the administration of Internet domain names in Hong Kong. The Consultant firm engaged by the Hong Kong Office of the Government Chief Information Office (“HK OGCI”) to conduct the assessment, utilised a variety of methods of including desk-based research, face-to-face interviews with key stakeholders and a web-based questionnaire distributed to a wider group of stakeholders.

The report comprises two distinct sections:

- A review of corporate governance for the administration of Internet domain names in Hong Kong and comparison against an analytical framework developed and used to assess a number of International jurisdictions via desk research; and
- The concerns and expectations raised during consultation, by key stakeholders on corporate governance for the administration of Internet domain names in Hong Kong.

This report does not contain any conclusions or recommendations for change. A separate document outlining suggested areas for improvement and opportunities for governance, management and administration of Hong Kong Internet Registration Company (“HKIRC”) / Hong Kong Domain Registration Company (“HKDNR”) and their relationships with the Government have been prepared by the Consultant. This separate document will form part of the “Strategic Options” report.

Review of the Current Situation

The key issues and deficiencies that were identified during the analysis of corporate governance for the administration of Internet domain names in Hong Kong were as follows:

[

This part of the document is not disclosed. Please refer to endnotes (1) and (4).

]

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Concerns and Expectations of Stakeholders

Concerns raised by Board Directors, former Board Directors and the HKDNR senior management team centred on the following issues:

[

This part of the document is not disclosed. Please refer to endnotes (1), (3) and (4).

]

Customers (business, consumers, IT industry bodies and professional associations, the digital divide and disadvantaged people) raised concerns with respect to:

- The role of the HKIRC and scope of its objectives;
- A perceived complex and cumbersome registration process; value for money, and lack of consultation with customers to seek feedback and opinions;
- Lack of transparency in the process for election of Directors to the Board;
- Poor disclosure in respect of the Board's activities and decisions
- Poor information dissemination, particularly operating and financial performance, audited statements, etc.

The Office of the Government Chief Information Officer raised several issues, related to:

- The powers and objectives of HKIRC;
- [This part of the document is not disclosed. Please refer to endnotes (1) and (4).]
- The business model of HKIRC and its operation, such as outsourcing part or all of the Registry operation or moving to a Registry-Registrar model;
- Strategies to "future proof" the institutional framework and governance of Internet domain names in Hong Kong.

The views and expectations on the role of Government in the corporate governance of the administration of Internet domain names differ across and amongst the key stakeholder groups. The key messages noted during the qualitative research were:

- Stakeholders appreciate the role that Government has played in the current process;
- Most stakeholders would like the Government to take a more proactive and leading role in developing policy for corporate governance of the administration of Internet domain names in Hong Kong;
- Some stakeholders would prefer Government to appoint Board Directors in the stewardship of the administration of Internet domain names;

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However, with respect to day-to-day operation of the Registry the majority of stakeholders prefer no involvement from Government, but rather a market-based approach.

Summary of the main findings from the Quantitative Survey

A web based survey was conducted during a two week period between 16 June 2006 and 30 June 2006 and completed surveys were received from 567 respondents of which 84% were “.hk” domain name holders and 31% were Members of HKIRC.

The respondents’ views on the current performance of HKIRC/HKDNR, was similar to those obtained from the face to face interviews. For example:

- Several respondents were dissatisfied with the “High prices” charged by HKDNR
- A perceived low efficiency of HKDNR. Respondents were critical in several areas including: the unacceptable length of time to update the DNS, the need to simplify the registration processes; the need to make improvements to the payment method.
- Poor customer service. Examples included: in cases where registrants had complained, some respondents commented that no response had been forthcoming and that there was no improvement to the service; insufficient communication with customers; Hotline staff could unable to respond effectively to customer technical problems on DNS services.
- Lack of competition. A number of respondents were concerned about the lack of competition in the market, thus potentially unfair to consumers.

With respect to effective governance, respondents ranked independence, world-class standards and efficiency as the highest desirable criterion and accountability the lowest.

On the issue of HK Government involvement with the HKIRC, respondents were equally split on the issue (i.e. should there be “more involvement”, “less involvement”, the “same involvement” or “no comment”), with only a marginal proportion seemingly satisfied with the status quo. Some of those commenting in favour of more involvement by the HK Government argued that

- The domain name registration system is an asset of Hong Kong and hence should not be operated by a private company;
- More involvement would improve accountability to the public;
- The government can positively impact development of the Internet in HK;

Those commenting against HK Government involvement argued that

- The government is one of HKIRC’ clients and should therefore not be engaged in its governance;
- The government does not possess the administration and technical skills to be involved in the management of HKIRC.

Approximately half of the respondents were satisfied with the current organisational structure. For those in favour of the current organizational structure, typical comments received were

- A not-for-profit organisation is more likely to provide member-oriented and unbiased services, whereas
- A for-profit company would be focused on generating profit, potentially at the expense of customer service.

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1. Introduction

1.1. Background

The Office of the Government Chief Information Officer (“OGCIO”) of the Government of the Hong Kong Special Administrative Region Government aims to review the institutional framework and corporate governance for the administration of Internet domain names in Hong Kong in order to make recommendations with implementation proposals on how the existing framework and arrangements can be improved.

Since the governance and administration arrangements for the “.hk” domain were put in place, there have been a number of developments which may impact on them. First of all, an increasing importance of national governments role, as the proportion of country code Top Level Domain (“ccTLD”) name registrations have continued to grow reaching in 2005 about 40% of the total number of registered domains worldwide¹. So the question of the role of national governments within the administration of national domain names has moved to the forefront. Second, changes to Internet governance at global level, with significant debate particularly on the role of Internet Corporation for Assigned Names and Numbers (“ICANN”). Third, an evolving though fragmented, understanding of what constitutes good practice in ccTLD governance and administration. Fourth, new challenges raised by technological changes for national ccTLD governance regimes.

These factors amount to a significant change from the environment in which the current Hong Kong domain name administration arrangements were established.

Against the context of environmental change described above, the OGCIO has set the objectives for the study that are listed in Figure 1 below.

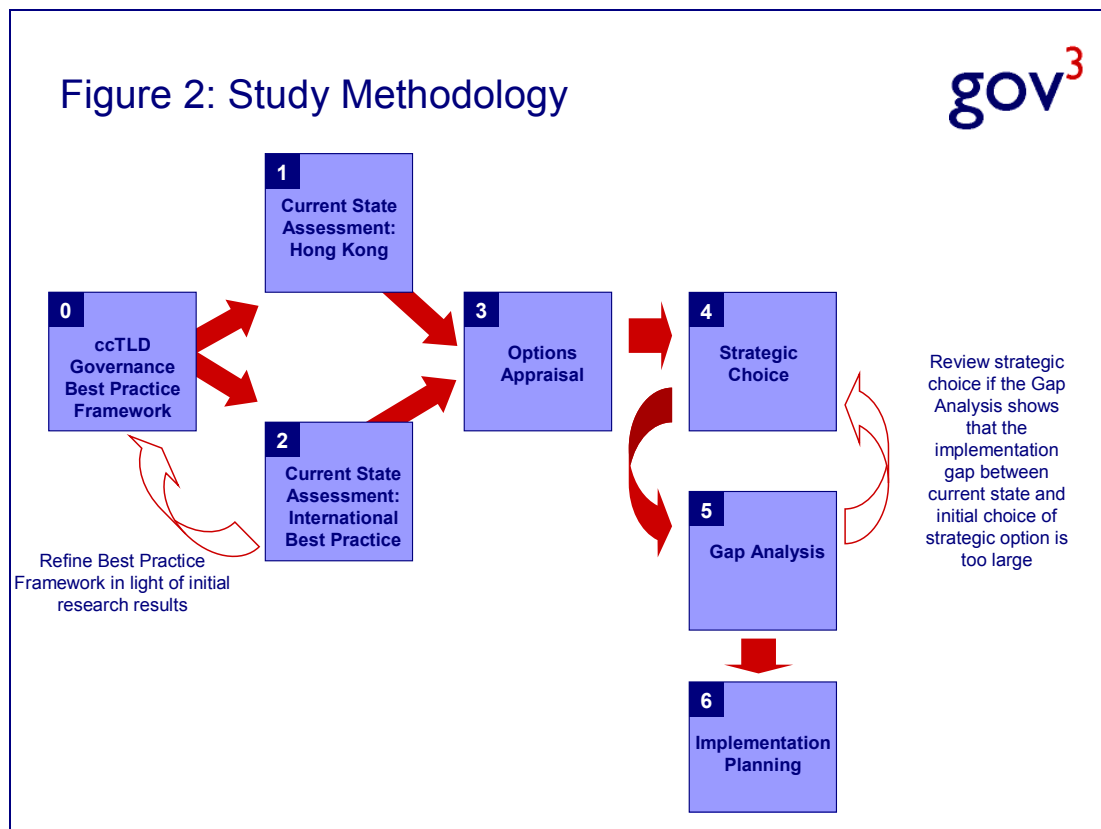


Figure 2 illustrates the methodology proposed by Gov3 to carry out the study and achieve the listed objectives.

¹ Verisign data, 2005.

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1.2. Scope of the Report

The report contains the findings of the activities for phase 1 of the study. **Chapter 2** contains an overview of the methodology used and **Chapter 3** provides the main findings of the current situation with respect to the governance, management and administration of Internet domain names in Hong Kong. In this chapter we include a review of the relationship between Government and the Hong Kong Internet Registration company (“HKIRC”).

In **Chapter 4** we provide a synthesis of stakeholder concerns with the current situation and their expectations on where they would like to see improvements in the governance, management and administration of Internet domain names in Hong Kong.

Annex A contains the findings from the desk research. (The key elements of this are included in the description of the current situation set out in Chapter 3 of the main paper, but we have included this Annex separately as an illustration of the information which is available on these issues publicly, and for comparison with the country reports in our International Research report.) Details of the stakeholders who participated in the face-to-face interviews are given in **Annex B**. The results from the quantitative research are presented in **Annex C**.

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The report does not contain any conclusions or recommendations for change. A separate document containing a list of areas of improvement and opportunities for the governance, management and administration of HKIRC/HKDNR and their relationships with the Government has been prepared, which will form part of the “Strategic Options” report.

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2. Methodology

A three stage approach was taken to provide an assessment of the current situation with respect to the governance, management and administration of Internet domain names in Hong Kong

2.1. Desk Research

A ccTLD Assessment Framework was developed for phase 2 of the study, “Current Assessment: International Best Practice” where web-based research, and a trawl of relevant published academic and market research was conducted to form an assessment of the current state of domain name registration in an agreed list of 13 selected countries².

In order to provide a comparison of the governance, management and administration of Internet domain names in Hong Kong with the public data of the selected 13 countries, the ccTLD Assessment Framework was completed for Hong Kong using the same methodology.

2.2. Qualitative Research

Face-to-face interviews were carried out with key stakeholders. The list of key stakeholders was agreed with the OGCIO and comprised of the following:

- HKIRC Board Directors;
- Key operational staff at Hong Kong Domain Name Registration Company (“HKDNR”);
- Former Chairman of HKIRC;
- A representative from the Joint Universities Computer Centre (“JUCC”), the former administrator of Internet domain names in Hong Kong;
- 31 IT trade related bodies in Hong Kong;
- 12 IT professional related organisations in Hong Kong;
- The IT sub committees of the major Chamber of Commerce in Hong Kong;
- 9 representatives from the Digital Divide and disadvantaged people;
- Representatives from the education sector;
- 7 organisations representing the SME community in Hong Kong;
- Non official members of the Digital 21 Strategy Advisory Committee

A personal letter from Mr. Stephen Mak, Deputy Government Chief Information Officer (Operations) was sent to the individuals or representatives of the above organisations inviting them to participate in either an individual or group interview. Details of the stakeholders who participated in the interview discussion are contained in Annex B.

² The selected countries included: Australia, China, Finland, France, Germany, India, Japan, Republic of Korea, Singapore, Sweden, Taiwan, the UK and the US.
A report on the International desk research is available as Deliverable 3 of the Consultancy project.

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2.3. Quantitative Research

In order to reach a wider group of stakeholders a short questionnaire was developed in conjunction with OGCIO. The web based questionnaire was distributed to individuals and companies by the following organisations:

- Hong Kong Domain Name Registration company;
- Information Security and Forensics Society;
- The Hong Kong General Chamber of Commerce;
- Chamber of Hong Kong Computer Industry Ltd;
- Hong Kong Linux Industry Association.

Completed surveys were received from a total of 567 respondents. It is important to note that the survey was not intended to reach a representative sample of the Hong Kong community, although the results do give a strong indication of the views of .hk users. The results from the survey are contained in Annex C

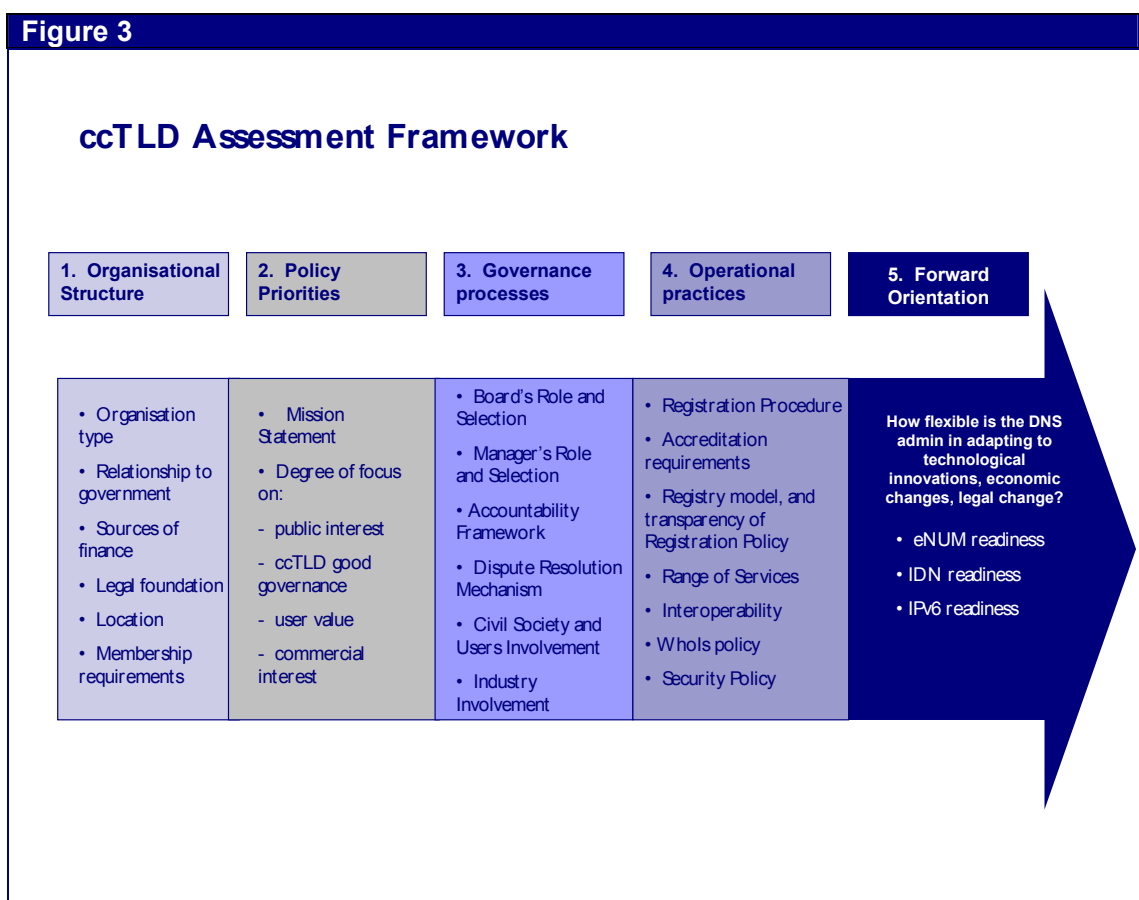
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3. Corporate Governance of the Administration of Internet Domain Names in Hong Kong

This chapter presents the main findings of the current assessment of the governance, management and administration of Internet domain names in Hong Kong.

The structure of the chapter follows that of the Hong Kong country template used during the desk research, which is summarised in Figure 3 below:



The commentary in this chapter is derived primarily from the qualitative research. Information that was collected from the desk research is reported in Annex A.

3.1. Organisational Structure

3.1.1. Organisational Type

HKIRC is a not-for-profit company limited by guarantee and does not have an authorised or paid-up share capital. The company was incorporated on 14 December 2001. Prior to March 2002 all Internet domain names under “.hk” were managed and administered by the JUCC through its wholly owned subsidiary HKDNR. In March 2002, JUCC

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transferred all the issued shares in HKDNR to HKIRC for a cash consideration of HK\$ 10 million.

HKIRC provides registration services through its wholly-owned subsidiary, HKDNR, which is a private (for profit) limited company, incorporated in February 2001. The Consultant was advised that HKIRC has written to Inland Revenue Department (IRD), and Financial Services and the Treasury Bureau (FSTB) to make a claim for HKDNR to be a non-profit making company.

There appears to be some confusion both at the Board and amongst the stakeholders regarding the organisational structure of HKIRC/HKDNR. It was noted during interviews with the HKIRC Board that there is a need to clarify the organisation type – should HKDNR operate as a commercial for-profit company or as a not-for-profit company?

During the stakeholder interviews many people noted that it was confusing to have two separate companies and wanted to understand the rationale for the current structure. It is highly likely that the wider Hong Kong community is unaware that HKDNR is a for-profit company.

3.1.2. Relationship with Government

In April 2002, the Hong Kong Government formally endorsed HKIRC to the Internet Corporation for Assigned Names and Numbers (“ICANN”) for ICANN’s re-delegation to administer “.hk” domain name registration in Hong Kong.

The tripartite relationship amongst ICANN, the Hong Kong Government and the HKIRC has been set out in a Memorandum of Understanding (“MOU”) signed between the HKIRC and the Government.³ The HK Government may terminate the designation of HKIRC, if in the opinion of the HK government:

- (a) HKIRC is unable to continue to manage and administer “.hk” domain names; or
- (b) HKIRC commits a material breach of its obligations

There is one representative in the Government class on the HKIRC Board of Directors.

The Consultant has noted that there are some discrepancies between HKIRC’s responsibilities documented in the MOU (between the Government and HKIRC) and the objects and powers of HKIRC in its Memorandum of Association and Articles of Association (“M&A”) and HKIRC’s objectives documented on the company website. The key differences are noted in Figure 4.

³ The MoU between the HKIRC and the Government sets out one leg of the triangular relationship between ICANN, the Government and the HKIRC. Both HKIRC and the Government wrote to ICANN about the re-delegation to HKIRC after signing the MoU. ICANN approved the re-delegation of “.hk” ccTLD from JUCC to HKIRC in June 2005 to complete the final leg.

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Figure 4

MOU	M&A	HKIRC website
To assist HK Government in formulating policy relating to the allocation of IP addresses in Hong Kong	To liaise with local and international bodies on issues relating to the development and administration of domain name systems and Internet Protocol addresses;	To administer and manage the allocation and assignment of Internet Protocol addresses in Hong Kong.
Contributing to the sound development of the Internet community in the Hong Kong Special Administrative Region and the Internet community worldwide.	To promote Hong Kong as an international centre for e-commerce and to encourage for the benefit of the Hong Kong community a better understanding and use of the Internet and related technology.	Same as the M&A

A number of concerns regarding the Government's relationship with HKIRC were raised during the stakeholder interviews, which are noted in Chapter 4.

3.1.3. Sources of Finance

HKIRC's income is derived from the following sources:

- Registration of new domain names;
- Renewal of existing domain names;
- Transfer of domain names;
- Modification of name server;
- Annual fees; and
- Late charges.

HKIRC has the right to levy membership and subscriptions fees but to date has not exercised this right.

The Hong Kong Government, with the approval of the Finance Committee of the Legislative Council, approved a loan of HK\$6.5 million from the Government Loan Fund to HKIRC for start-up working capital to fund its initial operations. This loan has not been utilised, as HKIRC has been self funding and profitable from the end of its first year of operation, and has expired.

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3.1.4. Membership Requirements

HKIRC has implemented a membership scheme where all existing domain name holders that are companies or businesses registered in Hong Kong or who are Hong Kong residents that have completed the re-registration with HKDNR and currently maintaining a valid registration of one or more Internet domain names under ".hk" will be eligible to register as a Member.

Membership is free and Members are entitled to certain benefits, such as enjoying the rights to

- Nominate candidates to stand for election to the Board;
- Second a nominated candidate to stand for election to the Board;
- Cast one vote at a general meeting of the HKIRC; and
- Cast a number of votes, equal to the number of vacancies to the Board for the relevant class for the election of the Board of Directors.

There is no charge for membership of HKIRC.

Each Member shall pay such fees (if any) and subscriptions (if any) as shall from time to time be determined by HKIRC. At present, HKIRC does not require members to pay membership fee.

Currently, the membership is divided into six classes: Government, User, Service Provider, Information Technology Industry, Commerce and Industry, and Tertiary Institutional classes.

There are approximately 100,000 ".hk" registered Internet domain names and circa 600 Members of HKIRC.

3.2. Policy Priorities

HKIRC has recently developed a Mission Statement [

This part of the document is not disclosed. Please refer to endnotes (1), (3) and (4).

]

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It should be noted that the HKIRC Board has delivered a number of key public policy objectives that are referred to in the Mission Statement, for example:

- [This part of the document is not disclosed. Please refer to endnotes (1), (3) and (4).]
- HKDNR has been awarded the ‘Caring Company 2005/06’ status by the HKCSS in recognition of its corporate citizenship and care for the community.
 - The ‘We Care, We Share’ program was introduced and free “.hk” domain names were given to the local charitable organizations.

- [This part of the document is not disclosed. Please refer to endnotes (1), (3) and (4).]

3.2.1. Users’ Values

The users’ value priority is assessed in terms of the ease of registration and the low cost of registration.

- [This part of the document is not disclosed. Please refer to endnotes (1), (3) and (4).]

The Consultant could find no evidence of HKIRC implementing any changes to simplify the registration process.

3.2.2. Commercial Interest

Figure 5 provides statistics on the number of active “.hk” domain names.

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Figure 5

Year ending	Active number of “.hk” domain names	Annual % increase
2003	68,206	
2004	90,246	32%
2005	99,827	10%
2006 ⁷	120,000	20%

In 2005, HKIRC’s Net Profit (before tax) was [This part of the document is not disclosed. Please refer to endnotes (3) and (4).]. The company has approximately [This part of the document is not disclosed. Please refer to endnotes (3) and (4).] on its balance sheet⁸.

3.3. Governance Processes

The HKIRC website provides information on its governance processes, such as:

- Procedures and eligibility for election of Board Directors;
- Profiles (of most) of the current HKIRC Board Directors;
- Terms of Reference for the various sub-committees of the Board;
- Mission and objectives of HKIRC.

Noticeable admissions on information about governance processes admissions from the website include:

- Statement on corporate governance;
- Attendance of Board Directors;
- Agenda and minutes of Board meetings.

[This part of the document is not disclosed. Please refer to endnotes (1) and (4).]

3.3.1. Board’s Selection Process

The HKIRC Board of Directors comprises of 13 representatives. The Board is elected annually and comprises Members from six different classes.

Figure 6

Class	Number of directors
Government	1
User	6
Service Provider	2
Information Technology Industry	2
Commerce and Industry	1
Tertiary Institution	1

⁷ Source:

⁸ Source:

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The intention of electing Directors from the six classes is to ensure that the Board composition comprises of a representative sample of the Hong Kong community. However, there appears to be some deficiencies in the current system:

- The tertiary institutional class is represented by the JUCC.
 - Other tertiary institutions are not eligible to be a Member of, or nominate their representative for this Class;
- Only four bodies are entitled to select the Commerce and Industry Class namely:
 - The Hong Kong General Chamber of Commerce; The Chinese General Chamber of Commerce; Federation of Hong Kong Industries; The Chinese Manufacturers' Association of Hong.
 - Other commercial organisations such as the HK SME Association are not eligible to be a Member of this Class.
- Any person or business with an “.hk” domain name can register to be a Member of the User class.
 - It was noted during the stakeholder interviews that it is very easy [
This part of the document is not disclosed. Please refer to endnotes (1) and (4).] to be nominated and elected as a Board director of the User class. With [
This part of the document is not disclosed. Please refer to endnotes (1) and (4).] a Member can be elected as a Director of the User Class.
 - There have been instances where a Member has served as a Board Director of a non-User Class and has subsequently been elected as a Board Director of the User class.

Board Directors⁹ are appointed for a term of 3 years and can serve for up to two consecutive or three non consecutive terms i.e. a maximum of six years in office. Each year, one third of the Board is required to retire.¹⁰ If the number of elected Directors to retire is less than one-third, then the remaining elected Directors have to draw lots to make up the total number of elected Directors to retire. Thus a Board Director, in his first term of office, may be required to retire after serving only one year in office. If the Board Director is subsequently elected for another term he may also be required to retire at the end of the first year of his second term of office. He will then be ineligible to stand for a third term, although he has only served 2 years in office (compared to a possible 6 years).

3.3.2. CEO Selection Process

[This part of the document is not disclosed. Please refer to endnotes (3) and (4).] The Board of Directors was consulted in the selection process and a transparent recruitment process appears to have been followed.

3.3.3. Accountability Framework

HKIRC have not adopted the ICANN Accountability Framework. [This part of the document is not disclosed. Please refer to endnotes (3) and (4).]

⁹ With the exception of the Government Director who is appointed by the Hong Kong Government.

¹⁰ In 2005 there was a change in the tenure of the term from two years to three years. At the same time the mechanism used to draw lots to make up the total number of elected directors to retire from office was introduced.

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The Consultant's discussions with OGCIO on this matter indicated that it was perceived that some economies may not wish to enter into a legal contract with ICANN.

3.3.4. Dispute Resolution Policy

HKIRC has implemented a dispute resolution policy that is compliant with ICANN URDP. A Complaint and Dispute Resolution Committee formed by the Board of Directors to handle incoming complaints and disputes escalated to the Board or Committee level according to the policies and procedures intended for the specific types of complaints and disputes, and to review and approve recommendations related to those policies and procedures.

HKDNR receives approximately [This part of the document is not disclosed. Please refer to endnotes (3) and (4).] customer complaints a year. [

This part of the document is not disclosed. Please refer to endnote (3) and (4).]

3.3.5. User and Industry Involvement

There are several mechanisms for user and industry involvement in HKIRC:

- In 2000 the Government published a Consultation Paper inviting comments from the public on the future arrangements for the administration and assignment of Internet domain names and Internet protocol addresses in Hong Kong.
 - The Government received 37 comments from the public, most of which were accepted and incorporated into the existing arrangements where the Government formally endorsed HKIRC to administer ".hk" domain name registration in Hong Kong.
- In February 2006, HKIRC conducted a Public Consultation on ".hk" Chinese domain name soft launch and reserved ".hk" Chinese domain name categories.
 - Public comments on the public consultation documentation are posted on the HKIRC website.
- From interviews with HKIRC Board and former Board Directors there is some evidence they actively seek the views and opinion of the Members they represent.

[This part of the document is not disclosed. Please refer to endnotes (1), (3) and (4).]

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3.4. Operational practices

3.4.1. Registration procedures

There are several methods by which “.hk” domain names can be registered.

- The domain name can be registered directly on the HKIRC web site;
- Via a registered HKDNR Service Partner;
 - Currently there are [This part of the document is not disclosed. Please refer to endnotes (3) and (4).] registered Service Partners; or
- Internet Service Providers can register domain names.

There is a clear procedure for registering domain names, which is documented on the HKIRC website. Registration of domain name is on a first-come, first-served basis. Immediate online registration is possible. However, customers must provide documentary evidence to verify their eligibility. Once HKIRC has received and verified all the required document(s), registrants will receive email notification within [This part of the document is not disclosed. Please refer to endnotes (3) and (4).]

All registrants can register multiple domain names¹¹.

Overseas entities (organisations and individuals) can register Second-Level “.hk” domain names. Currently, approximately [This part of the document is not disclosed. Please refer to endnotes (3) and (4).] of registrations are from overseas.

3.4.2. Registry Model

HKIRC is the Registry and the sole Registrar of ccTLD Internet domain names in Hong Kong. [

This part of the document is not disclosed. Please refer to endnotes (1), (3) and (4).]

3.4.3. “Whois Policy”

HKIRC has implemented a “Whois policy” and procedures are in place to protect data and privacy and to counter spam.

3.5. Forward Orientation

On the company website, HKIRC state that it has a “Forward Plan”

- To keep up with international practices, the HKIRC has planned to roll out new services including registration of Chinese domain names ending with “.hk” in the near future.

¹¹ Provided the domain names are under or being upgraded to the latest HKDNR Registration Agreement.

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HKIRC has conducted a public consultation on the soft launch of Chinese “.hk” domain names and plans are in place to implement a soft launch this year with full commercial launch in Q1 2007.

During the discussion between HKIRC Board Directors and the Consultant it was revealed that [This part of the document is not disclosed. Please refer to endnotes (1), (3) and (4).]

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4. Stakeholder concerns

This chapter presents a summary of the stakeholder concerns with the current situation and their expectations on where they would like to see improvements in the governance, management and administration of Internet domain names in Hong Kong.

The concerns and expectations have been synthesised from three key stakeholder groups:

- HKIRC Board Directors and HKDNR Senior Management team;
- Customers; and
- Government

4.1. HKIRC Board Directors and HKDNR Senior Management

Six key areas of concerns were raised by both the Board Directors, former Board Directors and HKDNR senior management team.

- Independence of Board Directors;
- Board selection process;
- Effectiveness of Board decision making process;
- Policy priorities;
- HKDNR management team; and
- HKIRC's relationship with Government

4.1.1. Independence of Board Directors

[

This part of the document is not disclosed. Please refer to endnotes (1), (3) and (4).

]

4.1.2. Board Selection Process

Most interviewees were of the opinion that although the intent of the rules and process for the election of Board Directors is good, there are some deficiencies with the current arrangements that need to be addressed:

- Several interviewees remarked that it was very easy for a person to be nominated and elected as a Board Director for the User Class.
 - A Member requires [This part of the document is not disclosed. Please refer to endnotes (1) and (4).] to be elected as a Board Director of the User Class.

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- It was also noted that a Member could [This part of the document is not disclosed. Please refer to endnotes (1) and (4).] onto the Board for [This part of the document is not disclosed. Please refer to endnotes (1) and (4).]
- The current allocation of Board seats to the 6 different classes of Members was raised as an issue;
 - Several interviewees stated that they would like to see the scope of the Tertiary Institution Class widened to include all educational establishments. Whilst it was appreciated there was a need to have a representative from the JUCC on the Board in the start up phase of HKIRC - in order to achieve a smooth handover - this role was no longer required;
 - Some interviewees noted that the Board had too many representatives from vendors and ISPs. It was suggested that the number of Board Directors representing the Service Provider and the Information Technology Industry Classes should be reduced from two to one only. This would enable Board representation from the wider Hong Kong community, such as NGO's, Small Medium and Enterprises ("SME"), Digital Disadvantaged, Logistics and Finance industries;
- A view expressed by several people was that there is a need to ensure that Board Directors possess appropriate qualifications and experience and possess high morale standing;
 - A number of suggestions were made on how this might be achieved, for example, adopting the ICANN criteria for selection of directors;
 - Vetting of all elected Board Directors by a trusted third party to ensure they present no security or financial risk to the company;
- [This part of the document is not disclosed. Please refer to endnotes (1) and (3).]
- [This part of the document is not disclosed. Please refer to endnotes (1) and (4).]

As reported in Chapter 3 paragraph 3.3.1, the current system of Board rotation has resulted in some Board Directors being forced to resign after one year of their three year term in office. [

This part of the document is not disclosed. Please refer to endnotes (1), (3) and (4).

]

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4.1.3. Effectiveness of Board Decision Making Process

[

This part of the document is not disclosed. Please refer to endnotes (1), (3) and (4).

]

4.1.4. Policy Priorities

[

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]

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[

This part of the document is not disclosed. Please refer to endnotes (1), (3) and (4).

]

4.1.5. HKDNR Management Team

[

This part of the document is not disclosed. Please refer to endnotes (1), (3) and (4).

]

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4.1.6. HKIRC's Relationship with Government

[

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]

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4.2. Customers

The views of a wide range of current customers and potential customers were sought during the qualitative and quantitative research. The concerns and expectations of these customers (business, consumers, IT industry bodies and professional associations, the digital divide and disadvantaged) have been synthesised into four key areas:

- Role of HKIRC;
- Customer values;
- Transparency of the organisation; and
- Role of Government

4.2.1. Role of HKIRC

Many customer groups had little knowledge about the role of HKIRC. None of the interviewees were aware of the objectives of HKIRC. The Consultant presented HKIRC's objectives to the interviewees and the initial reaction from most was of surprise at the wide scope of HKIRC's objectives.

There was general consensus that HKIRC was not fulfilling its role in "promoting Hong Kong as an international centre for e-commerce".

- Most interviewees were of the opinion that this was a good objective but that it was not possible for HKIRC to achieve this objective on its own.
 - HKIRC would need to work with other organisations such as IT industry bodies, Hong Kong Trade Development Council and Government.
 - The view was that HKIRC has not made any efforts to co-ordinate their activities with organisations to achieve this objective.

Most people were also of the opinion that HKIRC is doing very little in fulfilling its role "to encourage for the benefit of the Hong Kong community a better understanding and use of the Internet and related technology".

- This was viewed as an important objective, particularly with respect to Hong Kong organisations that are working in the area of digital inclusion or working with disadvantaged groups;
 - HKIRC could play an important role to support these groups, particularly as it is a not-for-profit organisation;
 - It was suggested that HKIRC could consider funding programmes, from its business activities, to address civil interests in the information society such as digital inclusion, internet addiction, etc.

Customer groups had mixed views on whether HKIRC was effectively fulfilling its role in administering ".hk" domain names.

- A typical remark from the customer interviews was "as there has been no complaint about HKIRC administering internet domain names, we assume the company is doing an ok job".

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Many of the interviewees were of the opinion that HKIRC has not been effective in promoting and educating the Hong Kong community on the role of HKIRC. Most customers did not understand the need for, or the role of the two separate companies – HKIRC and HKDNR.

- Concerns were raised that HKIRC has done very little to promote the benefits of “.hk” internet domain name to the Hong Kong community;
 - Customers were unable to articulate the benefits of registering a “.hk” domain name;
 - No easily accessible marketing information provided by HKIRC on its website¹⁷.
 - Interviewees suggested that HKIRC needed to develop and implement customer awareness programmes and conduct seminars to promote the benefits of using an “.hk” domain name.

4.2.2. Customer Values

Three key issues were raised with respect to Customer Values, namely,

- The registration process;
- Price; and
- Seeking customers’ opinions.

4.2.2.1. Registration process

Many customer groups complained that the registration process was too complicated and time consuming. The registration process was perceived as a major inhibitor for customers to use an “.hk” domain name. Whilst it was recognised that there are benefits in providing documentary proof of identity it was suggested that the relevant information, such as Business Registration Document is already available at Government offices and should be verified on-line.

However, for some customer groups, such as the Education sector, “ease of registration” was less important to them than the benefits they received from knowing that only a bona fide registered school, tertiary institutions and other approved educational institutions in HKSAR are eligible to register “.edu.hk” domain names.

It was also noted that the Membership registration process was cumbersome and a key reason why many “.hk” domain name holders have not joined as member of HKIRC.

4.2.2.2. Price

Customer groups had concerns about the price of a “.hk” domain, which is approximately three times higher than a “.com” domain name. Most people were of the view that this was too high as there are insufficient benefits of using a “.hk” domain name compared to “.com”.

¹⁷ The Consultant obtained an HKIRC corporate brochure from [This part of the document is not disclosed. Please refer to endnote (3).], which described the benefits of using a “.hk” domain name.

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However, many people wanted to support “.hk” as a brand and have pride in being associated with Hong Kong. It was suggested that HKIRC should consider investigating the price versus benefits of “.hk” and if appropriate consider price adjustments. Some people were of the view this would assist HKIRC in reaching out to the wider community in Hong Kong and could result in increasing registrations.

It was suggested by some interviewees that Hong Kong’s population is too small to support an efficient ccTLD domain name registration system and that it may be more cost effective for the operation of the Registry to be outsourced to a third party. Any cost savings from the Registry outsourcing could be passed onto the customer in terms of lower prices.

4.2.2.3. Seeking customer’s opinions

Customers stated that they did not receive any regular updates and feedback from HKIRC to collect their opinions and requirements from the registration of internet domain names. Many were surprised that their opinions had been sought for this Consultancy Study.

Very few people were aware that they could become a Member of HKIRC and have the opportunity to nominate, stand for and elect Board Directors.

Those customers that were HKIRC Members noted that they rarely received any information from HKIRC and when they did, the information tended to be about the election of Board Directors. Members noted they would like to receive information from HKIRC on areas such as new products and services, HKIRC’s activities with other domain name registries.

Customers were of the opinion that HKIRC should conduct customer satisfaction surveys as a mechanism to seek feedback from the user community.

4.2.3. Transparency of the Organisation

Two concerns were raised by Customers with respect to the transparency of the organisation, namely the process for the election of Board Directors and disclosure of information.

Those customers that are also HKIRC Members raised some issues regarding the transparency of the process for election of Board Directors. It was noted that there was insufficient information about the Board nominees for Members to make an informed opinion on the suitability of the candidates. It was suggested that Board Directors seeking election should be required to supply more details on their experience, reasons for joining the Board, how they intend to represent users and what they believe that can contribute to the Board. It was noted that it was very easy for Members to be elected to the User Class and that only a few votes were required, which led to concerns that the interests of the wider user community, such as SMEs and disadvantaged people are not being taken into consideration.

Customers would like to know how the Board Directors are elected (or appointed) to represent other Member Classes.

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The second issue raised by customers was regarding the disclosure of information. Customers would like HKIRC to disclose more information on its website, such as:

- Agenda and minutes of HKIRC Board Meetings;
- Board Director attendance at Board Meetings;
- Audited financial statements;

Customers pointed out that this type of information is available on the ICANN website.

When this issue was raised with OGCIO the Consultant was advised that audited financial information is available to Members of the HKIRC (through the “Members only” section of the website, which is accessed via a logon user ID and password).

4.2.4. Role of Government

Generally, customers were of the view that Government should take a more leading role in HKIRC’s policy, particularly in the area of e-commerce. However, customers were strongly of the opinion that the execution of policy should be left to the market and not be led by Government.

It was noted by many interviewees that Information Technology (“IT”) underpins all businesses and is very important for the success of Hong Kong. However, many people voiced the opinion that the Hong Kong Government does not take IT seriously and has not devoted enough resources to developing the industry. Customers noted that Governments in other Asian countries such as South Korea, Singapore, India and China have done much more to nurture the IT industry.

Most people were not clear of the role played by the HKIRC Government Board representative. Some were of the view that the Government Board representative could assist with developing business opportunities for HKIRC, for example, by promoting the use of “.hk” domain names in other Government departments.

4.3. Government

During discussions with OGCIO a number of concerns and issues have been raised, which fall into five key areas:

- Scope of HKIRC activities;
- Operation of HKIRC;
- Business planning and risk management;
- Forward orientation; and
- Relationship between the HKIRC and the Government;

Each area of concern is described below. However, as noted earlier, this report does not contain any conclusions or recommendations for change. A separate document containing a list of areas for improvement and opportunities for the governance, management and administration of HKIRC/HKDNR and their relationships with the Government has been prepared, which will form part of the “Strategic Options” report.

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4.3.1. Scope of HKIRC Activities

HKIRC's main business activities are the administration and management of ".hk" domain names. However, the powers and objects of HKIRC contained in the Memorandum of Association and Articles of Association ("M&A") are much broader as was noted earlier in paragraph 3.1.2. [

This part of the document is not disclosed. Please refer to endnotes (1), (2) and (4).

]

The Consultant has observed that under the terms of the M&A, HKIRC has the power to:

- Amalgamate with any companies, institutions, societies or associations, which have objects altogether or mainly similar to those of the Company;
- Carry on any other trade or business whatsoever which can, in the opinion of the Board of Directors, be advantageously carried on by the Company in connection with or ancillary to the general business of the Company;

4.3.2. Operation of HKIRC

The OGCIO has raised some concerns about how it should respond to possible changes on how HKIRC runs its operation. Two areas have been identified:

- Outsourcing all or part of the Registry operation to a local or overseas company;
- Migrating from the single registry operation to a Registry-Registrar model; [This part of the document is not disclosed. Please refer to endnotes (3) and (4).]

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- OGCIO is open to the suggestion but requires advice on the pros and cons of such a model, level of accreditation required for registrars and optimum number of registrars.

The Government would like to measure the performance of the Internet domain name registration system in Hong Kong¹⁸. OGCIO requires advice on how to implement a performance management system based on international best practice.

4.3.3. Business Planning and Risk Management

[

This part of the document is not disclosed. Please refer to endnotes (3) and (4).

] The Government has expressed an interest in HKIRC developing a strategic plan and to report progress against the plan. This would provide the Government with some degree of comfort that HKIRC is addressing the future direction of the business from a technical and commercial perspective and that it is assessing risks and has appropriate contingency plans.

4.3.4. Forward Orientation

The Government is well aware that administration of Internet domain names has and will continue to undergo many changes. This is naturally a major concern for Government. Whilst OGCIO appreciates that it is beyond the scope of this consultancy assignment to anticipate and make recommendations on how to “future proof” the institutional framework and governance of Internet domain names in Hong Kong, it does seek some guidance and a framework of how it should address these policy issues.

4.3.5. Relationship between the HKIRC and the Government

The Government has a formal relationship (a MOU) with HKIRC, the Hong Kong ccTLD Registry. This MOU enables the Government to enjoy certain rights such as terminating the designation of HKIRC, if in the opinion of the Government:

- HKIRC is unable to continue to manage and administer “.hk” domain names; or
- HKIRC commits a material breach of its obligations

In addition, HKIRC’s Memorandum of Association and Articles of Association contains some exclusive rights for the Government Class over and beyond any other Member of the company.²⁰

²⁰ **RIGHTS OF THE GOVERNMENT CLASS**

Notwithstanding any provision herein or in the Company’s Articles of Association (the “Articles”), any resolution of the Company

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OGCIO is open to changes to the institutional framework and corporate governance of the management of the Internet domain name in Hong Kong but wishes to ensure that any changes will enable

- Public interest to be preserved;
- Alignment with the government's general telecommunication policy; and
- Maintenance of the security and integrity of the ".hk" internet domain name system.

(a) to amend any right of the Government (as defined in the Articles) under these Articles;

(b) affecting the nomination, appointment or removal of a Government Director (as defined in the Articles) or the termination, alternation, modification, variation or suspension of their appointment as a Director; or

(c) to vary Article 32 of the Articles

shall be the exclusive right of the Government class. The Members of other classes shall have no right to consider or vote on any of the resolutions aforesaid.

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Annex A: Desk Research on ccTLD Best Practice Governance Framework

Country Report against the ccTLD Best Practice Governance Framework: Hong Kong	
Organisational Structure	
For example:	
<ul style="list-style-type: none"> Organisation type: eg a commercial enterprise; non-profit corporation or organization; public entity; academic entity; operated by an individual 	<p>Hong Kong Internet Registration Corporation Limited (HKIRC) is a not-for-profit company limited by guarantee and not having a share capital incorporated on December 14, 2001</p> <p>Source: http://www.hkirc.hk/eng/about/hkirc.html Source: MOU for the management and administration on internet domain names in HK</p>
<ul style="list-style-type: none"> Sources of finance: eg registration fees, membership fees, government contributions, voluntarily run TLD 	<p>Organisation's income comes from fees (Registration of new domain name, renewal of existing domain name, transfer of domain name, modification of name server, annual fee and late charges). HKIRC has the right to levy membership and subscriptions fees (no fees are payable to date).</p> <p>Note: The HK Government, with the approval of the Finance Committee of the Legislative Council, provided a loan of \$6.5 million from the Government Loan Fund to HKIRC for start-up working capital to fund its initial operations.</p> <p>Source: http://www.hkirc.hk/eng/fee_schedule/index.html Source: https://members.hkirc.hk/MRS/rules/index.htm</p>

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<ul style="list-style-type: none"> ■ Legal foundation: eg legislation directly affecting ccTLD? commission or body in place to examine ccTLD management or legislation? formalized ccTLD-government relationship? ccTLD decisions independent of government? 	<p>HKIRC incorporated and existing under the laws of Hong Kong.</p> <p>Source: MOU for the management and administration on internet domain names in HK</p>
<ul style="list-style-type: none"> ■ Independence and relationship of institution to government: Is ccTLD organisation explicitly recognised by government? Is it there a formal relationship between the government and the ccTDL (contract or MoU)? Is there a government involvement or presence on the board? If there are government representatives in the board, are they in a personal, advisory, or to formally representative capacity? If there are no government representatives in the board, what mechanisms does the government use to exert influence on the organization (formal and/or informal)? For example, if for public policy reasons the Government took the view that the organization should take on some additional new role, would it have any ability to make this happen? If the organization was thought to be failing in any way, would there be any benchmark against which to judge this, and would the government have any way of intervening? 	<p>In April 2002, the Hong Kong Government formally endorsed HKIRC to the Internet Corporation for Assigned Names and Numbers (ICANN) for ICANN's re-delegation to administer ".hk" domain name registration in Hong Kong.</p> <p>The tripartite relationship amongst ICANN, the Government and the HKIRC has been set out in a Memorandum of Understanding signed between the HKIRC and the Government.²¹The HK government may terminate the designation of HKIRC, if in the opinion of the HK government:</p> <p style="padding-left: 40px;">(c) HKIRC is unable to continue to manage and administer “.hk” domain names; or (d) HKIRC commits a material breach of its obligations</p> <p>There is one representative in the government class on the HKIRC board of directors. It is not clear in which capacity the government representative – this is something that we will probe during the interviews.</p> <p>Source: http://www.hkdnr.hk/eng/about/hkirc.html Source: MOU for the management and administration on internet domain names in HK</p>
<ul style="list-style-type: none"> ■ Location: eg in the country the ccTLD 	<p>HKIRC is located in HK:</p>

²¹ The MoU between the HKIRC and the Government sets out one leg of the triangular relationship between ICANN, the Government and the HKIRC. Both HKIRC and the Government wrote to ICANN about the re-delegation to HKIRC after signing the MoU. ICANN approved the re-delegation of “.hk” ccTLD from JUCC to HKIRC in June 2005 to complete the final leg.

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<p>refers to? Abroad?</p>	<p>Unit 2002-2005, 20/F, ING Tower, 308 Des Voeux Road Central, Sheung Wan, Hong Kong.</p> <p>Note: the location of HKIRC defined in the MOU is a different address.</p> <p>Source: http://www.hkirc.hk/eng/about/hkirc.html</p>
<p>■ Membership requirements: eg are there particular requirements for membership eligibility (for example, nationality, legal status, fees, etc.)</p>	<p>HKIRC comprises of six different classes of membership:</p> <ol style="list-style-type: none"> 1. Government class 2. User class 3. Service provider class 4. Information Technology industry class 5. Commerce and Industry class 6. Tertiary Institution class <p>A definition of each of these classes of membership can be found on the HKIRC website: https://members.hkirc.hk/MRS/class/classdef.html#gov</p> <p>All domain name holders who are companies or business registered in Hong Kong or Hong Kong residents having completed the re-registration with HKDNR and is currently maintaining a valid registration of one or more Internet domain names under ".hk" are eligible to register as a member.</p> <p>Domain names registered under personal names are eligible to register as members provided that the required Confirmation letter and necessary document have passed HKIRC verification.</p> <p>Each eligible party can only register as member of one of the classes only.</p>

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	<p>Source: https://members.hkirc.hk/MRS/faq/faq_membership_registration.htm</p>
<ul style="list-style-type: none"> ■ Mission Statement: eg is a Mission Statement stating the Basic Principles according to which the institution operates available? (for example self-regulation, bottom-up authority, consensus, transparency, etc.) 	<p>The MOU for the management and administration on internet domain names in HK, states that the HKIRC shall manage and administer “.hk” domain names in accordance with the following principles and such other principles as HK Government may set from time to time:</p> <ol style="list-style-type: none"> 1. Conducting its activities in an open and transparent manner that ensures wide public access to all relevant information 2. Contributing to the sound development of the Internet community in the Hong Kong special Administrative Region and the Internet community world wide and 3. complying with HK Government’s public policy objectives <p>A Mission statement has recently (since this study was started) been published on the HKIRC website:</p> <p>HKIRC is a not-for-profit organization that is committed to providing '.hk' Internet domain name registration and related services in an effective, customer-centric and sustainable manner.</p>
<p>Governance processes</p>	
<p>For example:</p>	
<ul style="list-style-type: none"> ● Board’s Role and Selection: eg who is involved in the selection process? Is the choice periodically revised) Which are its main powers? 	<p>The board of directors comprises of 13 representatives. The board is elected annually and comprises members from six different classes, namely User Class (6 representatives), Service Provider Class (2 representatives), IT Industry Class (2 representatives), Commerce and Industry Class (1 representative), Tertiary Institution Class (1 representative) and Government Class (1 representative).</p> <p>Any member can nominate one or more persons (the number equals to the number of Board vacancies of the relevant class) as candidates standing for election to the Board.</p>

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	<p>Source: https://members.hkirc.hk/MRS/faq/faq_membership_nomination.htm</p> <p>If the number of nominees standing in that particular class for election to the Board is greater than the number of vacancies for such class, voting by members in that class will be required. All members whose membership application was accepted by HKIRC are eligible to take part in the election for that year.</p> <p>Source: https://members.hkirc.hk/MRS/faq/faq_membership_election_voting.htm</p> <p>The HKIRC comprises of 6 committees:</p> <ol style="list-style-type: none"> 1. Audit committee 2. Business Development & Promotion committee 3. Complaint & Dispute Resolution Committee 4. Finance & Administration committee 5. Institution & Governance committee 6. Technology committee <p>The Terms of Reference for each committee is contained on the website. However, there are no Terms of Reference for the main board.</p> <p>Source: http://www.hkirc.hk/eng/about/hkirc.html</p>
<ul style="list-style-type: none"> • Manager's Role and Selection: eg which stakeholders are involved in the selection process? Is the choice periodically revised? Which are his/her main powers? 	<p>No public information available - will probe during the interviews.</p>
<ul style="list-style-type: none"> • Membership in coordinating board: eg is the Manager member of international coordination bodies (for example, ccNSO, etc.)? 	<p>No public information available - will probe during the interviews.</p>

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<ul style="list-style-type: none"> • Policy aims: eg does it exist a master document defining organisation’s aims and priorities? How have they been decided? Is there a mechanism in place for assessing performances with respect to the agreed aims and priorities? 	<p>The objectives of the HKIRC are published on their website and are as follows:</p> <ul style="list-style-type: none"> • to promote Hong Kong as an international centre for e-commerce and to encourage for the benefit of the Hong Kong community a better understanding and use of the Internet and related technology; • to develop the administration of Internet domain names in Hong Kong; • to administer a registration system for all levels of Internet domain names under the Hong Kong country code '.hk' and its other equivalents and to establish and develop a self-regulatory framework in respect of such registration system; • to provide services for registration of all levels of Internet domain names under the '.hk'; • to administer and manage the allocation and assignment of Internet Protocol addresses in Hong Kong; • to liaise with local and international bodies on issues relating to the development and administration of domain name systems and Internet Protocol addresses; • to develop and establish a policy framework for the development and administration of Internet domain names under the '.hk' and its other equivalents; and • to establish appropriate complaints handling and dispute resolution processes which provide for conciliation or redress of grievances on matters associated with the administration or use of Internet domain names under the '.hk' and its other equivalents. <p>Source: http://www.hkirc.hk/eng/about/hkirc.html</p> <p>There is no public information available, which describes how the objectives were decided nor is there a mechanism in place for assessing performances with respect to the agreed aims and priorities.</p>
<ul style="list-style-type: none"> • Accountability Framework: eg Has the ICANN Accountability Framework been adopted and implemented? Are other measures of this type been implemented? 	<p>No public information available - will probe during the interviews</p>

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<ul style="list-style-type: none"> • Dispute Resolution Mechanism: eg has a Domain Name Dispute Resolution policy been developed and published? Is this policy compliant with internationally recognised policies, such as ICANN URDP or WIPO? 	<p>A Domain Name Dispute Resolution policy has been developed and published on the HKIRC website. All disputes in relation to the registration and use of a Domain Name registered with HKIRC are governed by the HKDNR Domain Name Dispute Resolution Policy. Under the HKDNR Domain Name Dispute Resolution Policy the action to be taken is to commence an arbitration proceeding by filing a Complaint with an Arbitration Dispute Provider appointed by HKDNR in accordance with the HKDNR Domain Name Dispute Resolution Policy, the HKDNR Domain Name Dispute Resolution Policy Rules of Procedure and the Supplemental Rules of the Arbitration Dispute Provider. The sole Arbitration Dispute Provider is the Hong Kong International Arbitration Centre (HKIAC).</p> <p>There is no indication that the policy is complaint with internationally recognized policies, such as ICANN, URDP or WIPO. Will probe during the interview process.</p> <p>Source: http://www.hkirc.hk/eng/legal/dispute_resolution_policy.html</p>
<ul style="list-style-type: none"> ■ Civil Society and Users Involvement: eg have civil Society and user groups been involved in the policy formulation process? Is there a clear understanding who the relevant user groups and civil society representatives are? Are there regular updates and feedback rounds in order to collect these groups' opinions and requirements? Are there special activities related to support web usage by specific groups (e.g. local community groups, certain age groups)? 	<p>User groups are allowed to become members of the HKIRC. Six of the 13 board of directors are elected from user groups.</p> <p>The HKIRC website contains the name and profile (albeit very limited for some of the board members) of the User Group board members. However, there are no contact details for any of the User Group board members (telephone or email address) on the web site. There is no clear understanding of which user group or civil society each board member represents.</p> <p>There appears to be no formal mechanism for the commerce and industry class Board Member to receive updates and feedback from the constituents that he represents.</p> <p>Source: http://www.hkirc.hk/eng/about/hkirc.html</p>

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<ul style="list-style-type: none"> ■ Industry Involvement: eg have industry groups been involved in the policy formulation process? Is there a clear understanding who the relevant industry representatives are? Are there regular updates and feedback rounds in order to collect these groups' opinions and requirements? Are there special activities related to support web usage by specific groups (e.g. SMEs)? 	<p>The following bodies are entitled to elect to become a member of the Commerce and industry class:</p> <ol style="list-style-type: none"> 1. The Hong Kong General Chamber of Commerce 2. The Chinese General Chamber of Commerce 3. Federation of Hong Kong Industries 4. The Chinese Manufacturers' Association of Hong Kong <p>The HKIRC website contains the name and profile of the board member (Paul KAN Man Lok) who represents the commerce and industry class. However, there are no contact details for Mr. Man (telephone or email address) on the web site.</p> <p>There appears to be no formal mechanism for the commerce and industry class Board Member to receive updates and feedback from the constituents that he represents.</p> <p>Source: http://www.hkirc.hk/eng/about/hkirc.html</p>
<p>Operational Practices</p> <p>For example:</p>	
<ul style="list-style-type: none"> • Registration Procedure: eg the ccTLD registries have direct registration to the public? They accept registration from the public through accredited registrars? Through Internet Service Providers? 	<p>There are several methods in which ccTLD names can be registered:</p> <ol style="list-style-type: none"> 1. The domain name can be registered directly on the HKIRC web site 2. Via a registered HKDNR Service Partner (currently there are 28 registered partners) 3. Internet Service Providers can register domain names
<ul style="list-style-type: none"> • Accreditation requirements: eg is a clear accreditation policy put in place? Which are the main requirements (for 	<p>Any parties interested in promoting ".hk" domain name registration, provided they register and make use of at least ONE ".hk" domain name under their company name</p>

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<p>example, nationality, legal status, transparency of domains registration process, etc.)?</p>	<p>can join the HKDNR service provider program. HKDNR reserves the right to make the final approval of all applications.</p> <p>The process for applying to be an HKDNR service provider is on the HKIRC website.</p> <p>Source: https://www.hkdnr.hk/eng/svcp/svcp_program_v_2_0_FAQ.htm#5</p>
<ul style="list-style-type: none"> • Registry model: eg Is there a clear procedure for registering domain names (eg First Come, First Serve Basis)? Is immediate online registration possible? Which are available the registration procedures (email-based, mail-in, fax, face-to-face, etc.)? Is an email-based registration process in place? 	<p>There is a clear procedure for registering domain names on the HKIRC website under (FAQ). Registration of domain name is on a first-come, first-served basis. Immediate online registration is possible.</p> <p>Source: https://www.hkdnr.hk/eng/faq/new_reg.html#9</p>
<ul style="list-style-type: none"> • Transparency of Registration Policy: eg are the Registry policies and procedures equitable and fair to all eligible Registrants that request domain names? Has it been defined which parties are eligible to register domain names under the ccTLD? Is the registration based on objective criteria which are transparent and non-discriminatory? Are these criteria documented and publicly available? Are decisions on registrations being fully and immediately published? Are contact details for open questions available? 	<p>Registration policies and procedures are published on the HKIRC website. An individual, a company, an ISP or an HKDNR service provider can register domain names under the CCTLD.</p> <p>Contact details (telephone and email address) for further information are published on the HKIRC website.</p> <p>Source: https://www.hkdnr.hk/eng/faq/new_reg.html#0</p>
<ul style="list-style-type: none"> • Range of Services/Quality of Registration Policy: eg does the range of services on offer comply with international standards and expectations? Are the tasks being completed with the necessary technical 	<p>Not possible to judge from information available - will probe during the interviews.</p>

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<p>competence (RFC 2181), such as operating with accuracy, robustness, and resilience (RFC1591)?</p>	
<ul style="list-style-type: none"> • Requirements for the Registrants: eg Is a clearly set of registration rules easily available? Which are the requirements for registrants (for example, nationality, different rulings for different registrants, limits in number of registrations, etc.)? 	<p>The registration rules are clearly set out on the HKIRC website. Third level “.hk” domain names (myname.com.hk) are designated for Hong Kong organisations.</p> <p>Overseas entities are requested to ‘consider’ second level “.hk” domain names (myname .hk)</p> <p>“.idv.hk” domain names are designated for Individuals aged 11 or above with HKID cards.</p> <p>Source: https://www.hkdnr.hk/eng/faq/new_reg.html#0</p>
<ul style="list-style-type: none"> ■ Interoperability: eg does the registrar have a policy on interoperability and standards? Does this policy follow the international procedures of the internet community (eg IETF, W3C)? 	<p>Not possible to judge from current information - will probe during the interviews</p>
<ul style="list-style-type: none"> ■ Whols policy: eg Is a WHO-Is Service and Policy formulated and implemented? Is this service linked to registration procedure in order to provide request for negotiation about sale? Is there a privacy/data protection policy in place preventing abuse of Who-IS data (Spam, identity theft, fraud, stalking)? Is the WHO-IS policy compliant with local and international privacy norms and laws? 	<p>A “Who-Is” service and policy has been implemented, which is linked to the registration procedure.</p> <p>A privacy/data protection policy is in place and there are features to prevent abuse of “Who-IS” data.</p> <p>Source: WHOIS Term of Use: https://www.hkdnr.hk/hkdnr/Whois.do</p>
<ul style="list-style-type: none"> ■ Security Policy: eg, is a Comprehensive Security Policy in place, eg compliant with ICANN Security and Stability Advisory Committee (SSAC)? Are concrete measures and procedures 	<p>HKIRC has a Privacy Policy Statement, which makes reference to some specific areas of security.</p> <p>We will use such secured encryption systems as are appropriate for the collection of your personal information over the Internet, based on the type of</p>

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<p>in place to ensure that all Registry data is secured against damage or loss? Are appropriate authentication procedures in place for end-user registration as well as for registration process between ccTLD and IANA? Is PKI infrastructure or other technical means of security required?</p>	<p>information being collected. Unfortunately these security measures are not 100% secure and it is possible that others may intercept the information you are sending.</p> <p>We will also take such steps as are appropriate to ensure the security of that information while it is held by us. This will include password protection and other electronic security methods as well as physical security methods, where appropriate to ensure that the information can only be accessed by our authorized employees who shall be made aware of the terms of this statement and our duties to you under it</p> <p>Any information we receive from you will not be disclosed by us to any party outside Hong Kong Domain Name Registration Company Limited except as provided herein or with your prior consent. Personal information, whether stored in electronic form on computers or in hard-copy form will be accessible only by our authorized employees. Employees designated to handle personal data will be made acquainted with this Privacy Policy Statement and told how to fulfill our obligations to you.</p> <p>There is no PKI infrastructure in place.</p> <p>Source: http://www.hkirc.hk/eng/legal/privacy_policy_statement.html</p>
<p>■ Qualitative measures of efficiency, eg: provide any qualitative info on the organisation’s approach to cost control, service level (i.e. waiting times for end users)</p>	<p>The HKDKR states on its website:</p> <p>“HKDNR will employ latest technology to deliver cost-effective service to Customers”.</p> <p>“HKDNR endeavors to be cost-conscious but not profit-orientated”.</p>
<p>■ Quantitative measure of efficiency:</p>	<p>There are 103,475 active “.hk” domain names.</p>

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total number of annual registrations/ annual cost of the organization

9,581 domain names were registered in 2005.

HKDNR provides a fee schedule for their services (see below).

All HK Internet Service Providers can register “.hk” domain names. The fee charged to clients for domain name registration depends on the ISP’s business objectives. The large ISPs such as PCCW charge a much higher fee than the HKDNR i.e. HK\$550 per year (compared to HK\$200 if direct registration through HKDNR).

HKDNR registration processing time varies between 3 to 14 working days (3 days from receipt of all required documentation and payment is provided by the customer).

Contract Period	Per .com.hk .org.hk / .net.hk / .gov.hk .edu.hk domain name	Per .idv.hk domain name	Per .hk domain name
Annual Fee (HK\$): for 1-year contract for 2-year contract for 3-year contract for 5-year contract	\$200 \$400 \$500 \$800	\$150 \$280 \$380 \$550	\$250 \$500 \$625 \$1,000
Types of Application	Per Application (HK\$)	Per Application (HK\$)	Per Application (HK\$)
* Registration of New Domain Name / * Renewal of Existing Domain Name	Based on the Contract Period selected	Based on the Contract Period selected	Based on the Contract Period selected
#Transfer of Domain Name	\$500 + Annual Fee	\$500 + Annual Fee	\$500 + Annual Fee

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	<table border="1" data-bbox="972 248 1861 552"> <tr> <td data-bbox="972 248 1216 392">*Modification of Name Server</td> <td data-bbox="1216 248 1451 392">\$200 (For domain names registered under Old Contract)</td> <td data-bbox="1451 248 1637 392">\$0</td> <td data-bbox="1637 248 1861 392">\$0</td> </tr> <tr> <td data-bbox="972 392 1216 552">*Late Charges</td> <td data-bbox="1216 392 1451 552">\$200 (Within 14 days after domain name's suspension)</td> <td data-bbox="1451 392 1637 552">\$100 (Within 14 days after domain name's suspension)</td> <td data-bbox="1637 392 1861 552">\$200 (Within 14 days after domain name's suspension)</td> </tr> </table> <p data-bbox="875 564 1951 644">* For all unsuccessful new domain name applications, the first \$150 (for .idv.hk), \$200 (for .com.hk, .org.hk, .net.hk, .gov.hk and .edu.hk) and \$250 (for Second-Level 'hk') of the application fee is NON-REFUNDABLE.</p> <p data-bbox="875 647 1951 699"># For all unsuccessful application for domain name transfer, the first \$500 of the application fee is NON-REFUNDABLE.</p>	*Modification of Name Server	\$200 (For domain names registered under Old Contract)	\$0	\$0	*Late Charges	\$200 (Within 14 days after domain name's suspension)	\$100 (Within 14 days after domain name's suspension)	\$200 (Within 14 days after domain name's suspension)
*Modification of Name Server	\$200 (For domain names registered under Old Contract)	\$0	\$0						
*Late Charges	\$200 (Within 14 days after domain name's suspension)	\$100 (Within 14 days after domain name's suspension)	\$200 (Within 14 days after domain name's suspension)						
Forward orientation									
For example:									
<ul style="list-style-type: none"> ■ ENUM readiness: eg is there a strategy plan to accommodate for ENUM development and integration? Has this plan been developed in cooperation with international bodies? (ITU) 	No information available in the public domain – will probe during the interviews								
<ul style="list-style-type: none"> ■ IDN readiness: eg is there a standardisation and implementation plan for IDN? (e.g. has the IETF IDN standard been taken up?) Is there already a regional coding standard for the representation of the local scripts in place? (e.g. Singapore: Chinese and Tamil characters in the IDN System environment) 	No information available in the public domain – will probe during the interviews								
<ul style="list-style-type: none"> ■ IPv6 readiness: eg is a masterplan in place and have tasks been allocated with 	No information available in the public domain – will probe during the interviews								

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<p>respect to IPv6 transition? Are the links to international technical bodies developing the standards been established and consultations take place frequently?</p>	
<ul style="list-style-type: none"> • Mechanisms to stay on top of RFC developments and decisions on to which to adhere 	<p>No information available in the public domain – will probe during the interviews</p>
<ul style="list-style-type: none"> • Other 	<p>To keep up with international practices, the HKIRC has planned to roll out new services including registration of Chinese domain names ending with '.hk'. HKIRC has recently completed its consultation process for Chinese domain names.</p> <p>Source: http://www.hkirc.hk/eng/about/hkirc.html</p>

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Annex B: Stakeholder Interviews

The following people participated in group and individual face-to-face interviews

Name	Organisation	Group / Individual Interview
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Name	Organisation	Group / Individual Interview
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Annex C: Results from the Quantitative Research

A web based survey was conducted during a two week period between 16 June 2006 and 30 June 2006 and was distributed to members of the following organisations:

- Hong Kong Domain Name Registration company;
- Information Security and Forensics Society;
- The Hong Kong General Chamber of Commerce;
- Chamber of Hong Kong Computer Industry Ltd;
- Hong Kong Linux Industry Association.

Completed surveys were received from a total of 567 respondents. It should be noted that a fairly large number of comments were received, which have been summarized in the relevant sections of this annex.

1. Respondent Profile

Type of domain name	%
Domain name holder – all types e.g. “.com”	98.9
“.hk” domain name holder ²⁴	83.8
Member of HKIRC ²⁵	31.4

Type of domain name stakeholder	%
Citizen User	19.8
Business User	67.3
Internet Service Provider	4.3
Domain Name Service Provider	3.6
Other	5.0
	100.0

²⁴ As a percentage of total respondents

²⁵ As a percentage of “.hk” domain name holders

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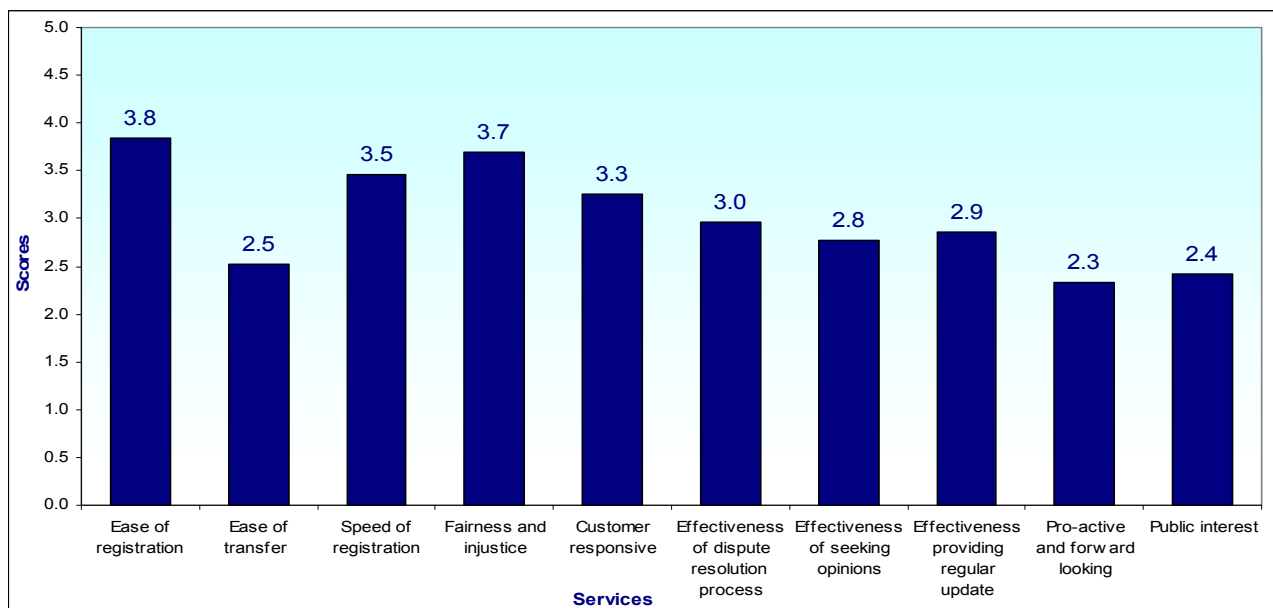
Location of where the majority of business is transacted from	%
Hong Kong SAR	85.4
Mainland China	6.4
Elsewhere	8.2
	100.0

From the responses and comments received, it can be concluded that

- Of those that have a .hk domain name
 - The majority of registrants are businesses;
 - These businesses mainly trade in Hong Kong;
 - As such, these firms wanted to display their local i.e. HK, presence;
 - A number of firms registered the .hk domain purely to prevent 'cyber-squatters';

- Of those that have not registered a .hk domain name, respondents commented
 - The ".hk" domain name is 'very expensive';
 - They didn't wish to change their current domain name contract;
 - They didn't perceive any value in registering a ".hk" domain name;
 - They did not want their clients to believe that they were trading in Hong Kong only;
 - They did not wish to incur the administration time and costs of changing from their existing domain name to .hk;

2. Respondents views on the current performance of HKIRC

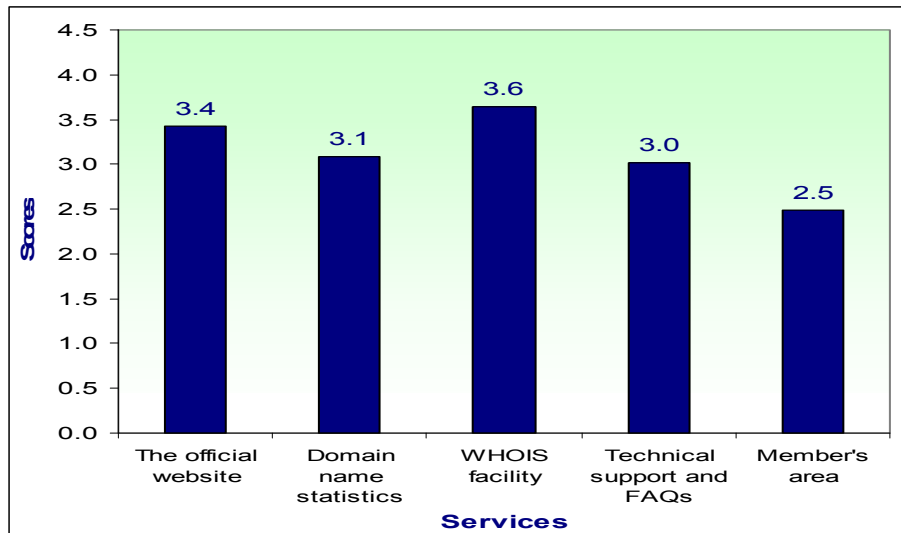


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In summary, respondents scored relatively high marks for the registration process and fairness of the HKIRC. However, transfer of an existing registration to .hk scored lowly.

Lowest marks have been awarded to HKIRC communication with their registrants and perceived poor performance in terms of looking forward and serving the public interest.



The WHOIS facility is clearly very popular and considered a useful tool, however, the members' area needs enhancing to service the registrants more effectively.

The comments to this section reveal a number of issues relating to,

- High prices
 - "A .hk registration is almost three times higher than ".com"";
 - An unwillingness to pay the HK\$200 transfer fee;
 - For existing users, HKIRC levies a charge for every change in the domain name information;
- Perceived low efficiency
 - "Takes three days to update the DNS, in comparison to relatively immediate changes elsewhere";
 - A domain name owner cannot become a member automatically, but needs to apply separately;
 - Respondents suggested that HKIRC should reduce the price and simplify the registration processes;
 - Respondents also asked that improvements be made to the payment method - the "current credit-card processing system is very problematic";
- Poor customer service
 - In cases where registrants had complained, some respondents commented that no response had been forthcoming and that there was no improvement to the service;
 - E-mails and newsletters written in English only;

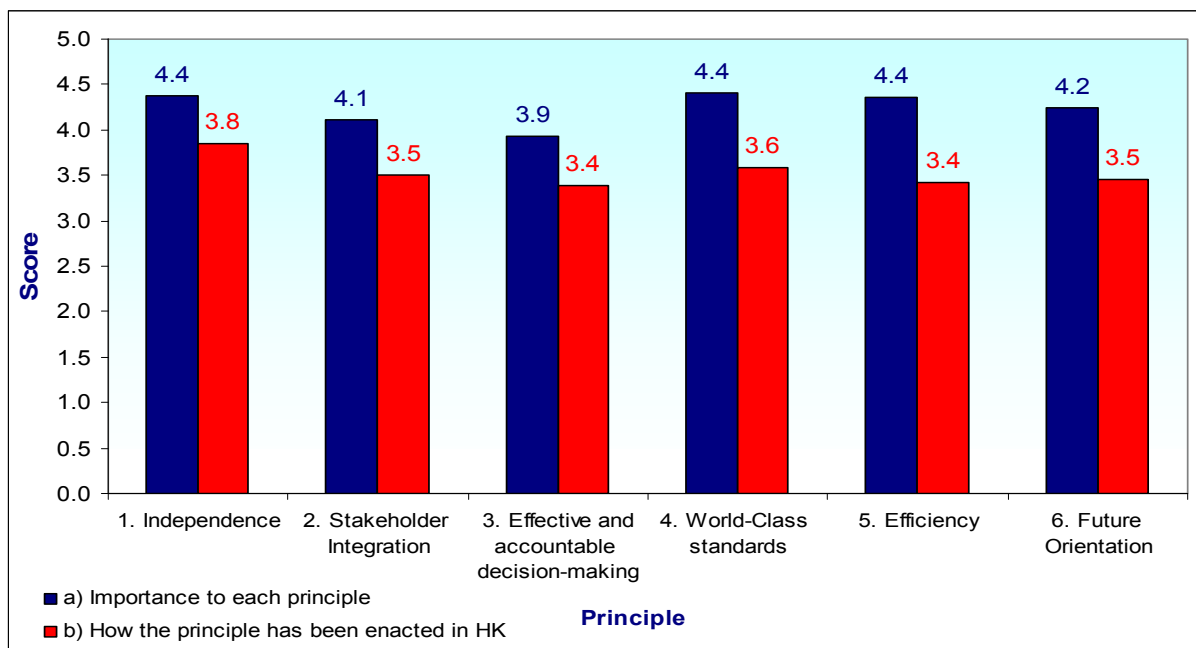
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- Not convenient for users in mainland China, since they are unable to pay the annual fee online;
 - “Very difficult to use the registration system”;
 - “HKIRC should provide more instructions for users who are not familiar with the registration process”;
 - In instances where the domain name had expired, the service had not been cancelled immediately;
 - Insufficient communication with customers;
 - Poor customer Hotline services - hotline staff could not respond effectively to customer technical problems on DNS services;
- Lack of competition
 - A number of respondents were concerned about the lack of competition in the market, thus potentially unfair to consumers;

[This part of the document is not disclosed. Please refer to endnotes (1) and (4)]

3. and 4. Principles for the effective governance of an Internet domain name registration system



With respect to effective governance, respondents ranked independence, world-class standards and efficiency as the highest desirable criterion and accountability the lowest.

In relation to the HKIRC performance against the highest ranking criterion, it can be argued that the HKIRC performed relatively well, although improvements need to be made on the efficiency front.

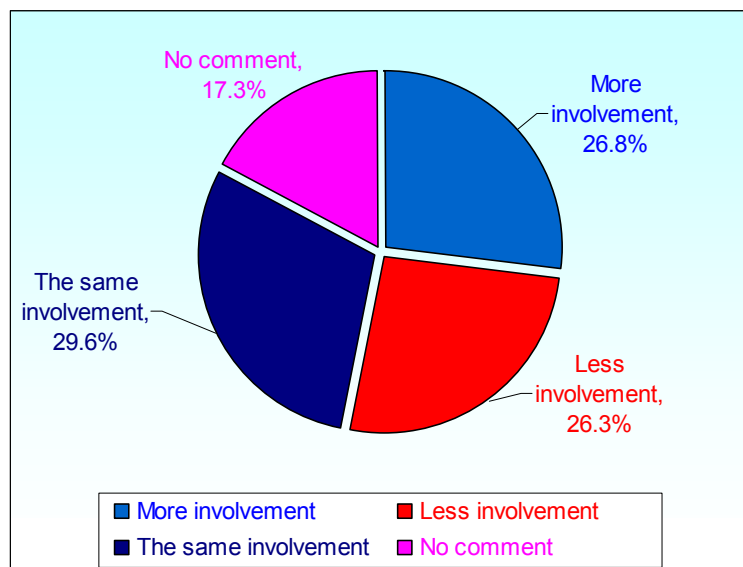
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In addition, respondents commented that the

- HKIRC should provide 24 hour support;
- Reduce the registration fee;
- HK government should introduce competition into the .hk domain name registration business;
- HKDNR should cooperate with overseas peer groups to provide additional domain name registration services (no examples of additional services were quoted though);

5. Respondents views on relationship of HKIRC with the Hong Kong Government



On the issue of HK Government involvement with the HKIRC, respondents were equally split on the issue, with only a marginal proportion seemingly satisfied with the status quo.

Some of those commenting in favour of more involvement by the HK Government argued that

- The domain name registration system is an asset of Hong Kong and hence should not be operated by a private company;
- More involvement would improve accountability to the public
- The government can positively impact development of the Internet in HK;

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Those commenting against HK Government involvement argued that

- The government is one of HKIRC' clients and should therefore not be engaged in its governance;
- The government does not possess the administration and technical skills to be involved in the management of HKIRC;

Some respondents commented that they did not have sufficient knowledge of the extent of current HK Government involvement to comment either way.

Questions 5.1 and 5.2 re Organisational Structure and Funding

	Yes	No	No comment
5.1 Agree current organisational structure is effective	51.5%	20.8%	27.7%
5.2 Agree sources of funding from registration fees only	36.9%	37.6%	25.6%

Approximately half of the respondents were satisfied with the current organizational structure – an overwhelming majority.

However, respondents were equally split on the issue of funding.

For those in favour of the current organizational structure, typical comments received were

- A not-for-profit organisation is more likely to provide member-oriented and unbiased services, whereas a
- A for-profit company would be focused on generating profit, potentially at the expense of customer service;

A key objection of those seeking a change to the current structure was that a non-profit organisation lacked any incentive to improve quality of service and may not be able to attract high-calibre work-force.

With respect to funding from registration services only, amongst those in favour of maintaining the status quo, one of the concerns was that the registration fee is 'already high' and that charging for other services would be unfair to the users. Some commented that as a not-for-profit organisation it did not make sense for HKIRC to seek additional income from charging for other services.

Of those in favour of seeking alternative sources of funding, comments received include,

- HKIRC should find alternative sources of money such as advertisements;

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- HKIRC should host regular functions and activities, which would earn revenue and also promote the company;
- Increasing competition in the market has lowered the price for a “.com” domain name (US\$9 including domain parking and email forwarding). Therefore, HKIRC should find other sources of income and reduce its registration fee.
- Any company should not rely on a narrow base of revenue but must diversify its revenue stream;

5.4 Other comments

A selection of other comments received include,

- “HKIRC should review the “WHOIS” system again. The system shows too much irrelevant information such as e-mail addresses, user names and server information”;
- “HKIRC should reduce price”;
- “The HK government should increase competition in the market”;
- “HKDNR does not listen to its customers”;
- [This part of the document is not disclosed. Please refer to endnotes (1) and (4)]
- “Customer votes don't work, because very few of them vote”;
- [This part of the document is not disclosed. Please refer to endnotes (1) and (4)]
- “HKIRC should improve the payment system”;
- “The framework should follow that of a "public utility" - HKIRC should be split into (1) policy setting and regulatory body with broad inputs and governance by a publicly elected board (2) profit-making operating company licensed to do this for a few years, after which the policy setting body will re-tender by inviting interested companies to bid”;
- “The operations should be run by a commercial company that has experience of providing good service at competitive cost. Policy making should be by the Government (OFTA)”.

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Endnotes

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(1) Legal proceedings

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(2) Management and operation of the public service

Information whose disclosure would harm or prejudice negotiations, commercial or contractual activities, or the awarding of discretionary grants and ex-gratia payments by a department.

(3) Third party information

Information held for, or provided by, a third party under an explicit or implicit understanding that it would not be further disclosed.

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Information including commercial, financial, scientific or technical confidences, trade secrets or intellectual property whose disclosure would harm the competitive or financial position of any person.