

## **Authorisation of Registrars Policy Review - Submission**

**From:** Aaron Roydhouse

**Received:** July 1 2008

In general, I support proposed changes which, as I see them, aim to improve the quality of operating registrars. However, I strongly disagree with the proposed new '12 months as a reseller' requirement which I see as anti-competitive and somewhat misguided.

"The addition of a clause allowing the DNC to require a period of up to 12 months operating as a 'formal reseller' to an authorised registrar prior to authorisation being confirmed"

This proposed new '12 months as a reseller' requirement is highly anti-competitive and I wonder at the motives of the party who proposed it. If, say, GoDaddy wants to set up a .nz registrar business in New Zealand I don't think it is reasonable to expect them to be a reseller for, say, Domainz for 12 months before being allowed to compete with Domainz. The wording suggests the DNC might have discretion over the application of the rule, however I see the requirement as unreasonable to impose on anyone.

My specific objections are:

- 1) The requirement is ineffective. It is certainly possible for an investor to set up a reputable and reliable registrar business 'overnight'. Just because someone has or hasn't been a reseller for another registrar is, in my view, no indication as to whether they are or aren't able to operate a high-quality registrar operation.
- 2) The requirement acts as severe barrier to entry to the registrar market. Potential competitors cannot enter the registrar market without 12 months delay. This is highly anti-competitive.
- 3) Someone planning to set up a registrar business in NZ will usually be a competitor for existing registrars. It is not remotely sensible or even sane that they should first have to spend 12 months bringing new customers to an existing registrar who is their future competitor.
- 4) The requirement is difficult to enforce. What does it mean to 'operate as a formal reseller'? If someone signs a reseller agreement of some kind and registers a couple of domain names but roughly sits on their hand for 12 months, does this make them more qualified to operate as a registrar?
- 5) The requirement can be bypassed. To enter the market at shorter notice a potential registrar could purchase an existing registrar and bypass this requirement. Even if the purchased business was previously an effective registrar, the new business owner can easily wreck that and operate it poorly as much as any new market entrant could.
- 6) The anti-compensative nature of this rule could lead to undesirable market affects. In the extreme it might even be sensible for people to set up 'shelf' registrars ready to be purchased by local or overseas companies wanting to enter the NZ registrar market and bypass this anti-competitive delay. Registrars could set up 'reseller agreements'

where the existing registrar themselves does the reselling for 12 months, so as to provide a paid service to gain market entry.

The other proposed changes are much more sensible. Quality requirements for registrars should be based on the ongoing quality of their operations, not on artificial hoops they jumped through to enter the market. Application fees should be aligned with the cost of processing the application and establishing operations. It might also be reasonable for application to also cover, say, the cost of the DNC auditing of the registrar in the 12 month after connecting to production.

Aaron.

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