

DOCUMENT FOR ccTLD WORKSHOP

Source: Government of the Hong Kong Special Administrative Region, P.R. China

Title: Briefing notes on the redelegation of ccTLD in Hong Kong

Purpose

1. This paper aims to share the experience in redelegating the administration and assignment of Internet domain names under ".hk" top level domain in Hong Kong.

Background

2. The Joint Universities Computer Centre (JUCC) in Hong Kong started its role as the administrator of the ".hk" Internet domain names in 1990 after its predecessor had registered the country-code top level domain, i.e. ".hk", for Hong Kong.

3. The JUCC provided registration services of ".hk" under five second level domain categories, i.e. .com.hk, net.hk, edu.hk, org.hk and gov.hk. A one-off fee was charged for each application for registration of new domain names or modification of existing domain names. No annual renewal fee was required. However, an organization was allowed to apply for only one domain name which was non-transferable.

4. With the rapid development of the Internet and electronic commerce in Hong Kong, the number of new Internet domain names registered in 1999 showed an increase of 160% compared with that in 1998. To facilitate the increasing Internet activities in Hong Kong, there were suggestions that greater flexibility should be allowed in the domain name registration system. Views were also expressed as to whether the JUCC was able to adequately represent the interests of different sectors in Hong Kong in discharging the administrator function for ".hk" domains.

Contact: Alan C.K. Wong

Email ackwong@itsd.gov.hk

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The Redelegation Process

5. The redelegation process can be summarized in the following milestone activities -

Stage	Activity	Time frame
Consultation	a. A Task Force was formed for identifying a framework which best suits Hong Kong for administering Internet domain names.	October 1999
	• The Task Force completed a review and a list of recommendations on the administration and assignment of Internet domain names and IP addresses in Hong Kong.	May 2000
	• A consultation paper was issued to invite comments from the public on the recommendations.	June 2000
Preparatory work	• A provisional board for the proposed new corporation was set up under the auspices of the JUCC to take forward the transfer of JUCC's administrative functions for Internet domain names to the proposed new corporation.	December 2000
	• A new company, the Hong Kong Domain Name Registration Company Limited (HKDNR) was established by JUCC to prepare for the transfer and implementation of new registration policies.	February 2001
	• New domain name registration policies and alternative dispute resolution mechanism were rolled out.	June 2001
Establishment of new corporation	• A Preparatory Committee was set up to develop the constitution of the new corporation and to work on the preparatory arrangements for the transfer of the domain name administration functions from the JUCC to the corporation.	June 2001
	• The new corporation, Hong Kong Internet Registration Corporation (HKIRC) was incorporated.	December 2001

Transfer of ownership	<ul style="list-style-type: none">• The HKIRC took up the ownership of HKDNR through the transfer of shares of the HKDNR from the JUCC.	March 2002
Financial arrangement	<ul style="list-style-type: none">• In recognition of JUCC's pioneering work and contributions in setting up the ".hk" domain name administration regime, the HKIRC agreed to pay a sum of HKD10 million to the JUCC.	
	<ul style="list-style-type: none">• The Hong Kong Special Administrative Region Government (HKSARG) provided a HKD4.2 million grant and HKD6.5 million loan to the HKIRC as initial working capital.	March 2002
Redelegation of registration function	<ul style="list-style-type: none">• The HKSARG signed a Memorandum of Understanding with the HKIRC to designate the corporation as the ".hk" domain name administrator.	April 2002
	<ul style="list-style-type: none">• HKIRC and JUCC applied to ICANN for redelegating the ".hk" domain name administration function to HKIRC.	June 2002

Critical Success Factors

6. Different political and economic circumstances would require different approaches in redelegating the administration of ccTLDs. In the case of Hong Kong where .hk domains were originally administered by universities and the local Internet community is small, successful redelegation of the administration of .hk domains to the HKIRC depends on the following critical factors –

a. *Full commitment of the Government*

The Government should take the lead and determination in the redelegation process. As different stakeholders could have different interests, it is essential that the Government, as a neutral body and having no commercial interest, should plan, engineer and monitor the transfer. In the case of Hong Kong, universities are oriented towards academic activities and administration of Internet domain name is not their core and priority function. On the other hand, the Internet community expects a customer-centric Internet registration service to be operated on a commercial setting. The role of the HKSARG is therefore essential in seeking the collaboration of the universities in releasing the administration function to the community and in reaching a balance among the interests of the stakeholders.

It is also necessary for a designated Government department, i.e. the Information Technology Services Department (ITSD) to assume ownership of the redelegation process. ITSD seeks assistance from other government departments and stakeholders whenever necessary, provides the logistic support in establishing the HKIRC and provides the necessary policy steer from the community perspective. ITSD also represents the HKSARG as an ex-officio director at the HKIRC Board to provide the necessary steer and assistance.

b. *Community support for the redelegation*

To convince the original administrator of the need for redelegation, it is necessary to gauge public views on whether such changes are warranted. In the case of Hong Kong, the public consultation exercise reflected the expectation of the public on the Internet domain name registration service and supported the transfer of the domain name administration function from JUCC to a new non-profit-making organisation. To gain the trust of the public on the redelegation, it is essential that the Government should mastermind and monitor the whole process.

c. *Involvement of stakeholders*

Stakeholders including the universities, IT sector, commercial and industrial organisations, Internet service providers, legal sector and the Consumers Council should be fully involved in order to gain rapport and commitment in the redelegation process. In the case of Hong Kong, a Preparatory Committee comprising representatives from the stakeholders was set up to develop the constitution of the HKIRC and to work on the preparatory arrangements for the transfer of the domain name administration function from the JUCC to HKIRC. The Preparatory Committee was subsequently transformed to the first Board of Directors for HKIRC.

d. *Nature of the new corporation*

The necessary powers and safeguards can be provided to the new corporation if it is established under legislation. However, the governing legislative process is lengthy and could be politicized. A statutory organisation is also inflexible to constitutional changes which are often required to cope with the changing world of Internet. In the case of Hong Kong, the HKIRC was established as a private, non-profit-making and non-statutory organisation.

e. *Pecuniary payment to original administrator*

It is not unreasonable for the original administrator to demand for a payment in recognition of its past contributions to Internet domain name administration. However, such payment may affect the financial viability of the new corporation, and has to be critically examined and negotiated. In the case of Hong Kong, a dedicated negotiation team was set up to negotiate with JUCC on the amount and terms of the payment. As a result, the final resolution of an amount of HKD10M to be payable from the operating profit of the HKIRC to JUCC will not undermine the financial viability of HKIRC.

f. *Financial resources*

The new corporation, being a private company, must be financially viable and possess adequate funds for its operations and development. Being a new company without track records, it is difficult for it to secure a commercial loan for its initial set-up and operations, despite its sound business plan. In the case of Hong Kong, the HKSARG provided the HKIRC with a HKD4.2 million grant for setting up the company and a HKD6.5 million loan as its initial working capital. This initial financial support from the HKSARG is very important to prime the business and to overcome the initial cashflow problem of the HKIRC.

g. *Initial governing Board*

The Board of Directors for the new corporation is to be elected by its members. However, under this open election process, it is difficult to predict who will be the Board of Directors. In its initial year of operation, it is essential for the governing Board to function effectively and efficiently as a continuation to the previous Preparatory Committee. Interruption of the

domain name administration and registration service is not permissible and continuity of the governing body is therefore essential. In the case of Hong Kong, the first Board consists of Directors who also served on the Preparatory Committee.

h. *Means of transfer*

The legal process in the acquisition of a business could be very tedious and time-consuming. In the case of Hong Kong, the most expedient way of acquiring the domain name administration function from JUCC is for JUCC to set up a subsidiary company, HKDNR, responsible for the administration function which will then be acquired, through transfer of shares, by HKIRC as its wholly owned subsidiary. The Board of Directors of HKIRC are also the Board of Directors of HKDNR.

i. *Dispute resolution mechanism*

The original domain name registration policy was restrictive and inflexible to prevent cybersquatting. In liberalizing the registration policy, it is necessary to put in place dispute resolution mechanism in order to provide an efficient and economical way of resolving any likely disputes on the use of domain names. In the case of Hong Kong, HKIRC has engaged the HK International Arbitration Centre as the ".hk" domain name dispute resolution service provider.

j. *Reregistration of domain names*

Registration fee is the prime source of income for the domain name administrator. In the case of Hong Kong, the transfer is complicated by the fact that HKIRC charges an annual registration fee but JUCC did not. The transfer of the domain name administration function from JUCC to HKIRC cannot legally coerce the registrants to transfer from the old contract under which no annual registration fee is necessary to the new contract. To attract registrants to transfer to the new contract, the transfer is accompanied with a more flexible registration policy, i.e. multiple domain names and transfer of domain names. In order to size up the source of revenue and to weed out the dormant domain names, domain name holders are required to reregister with HKIRC within a period of one year.

Challenges Ahead

7. Upon taking over the administration of ".hk" domains, the HKIRC will consolidate its systems and procedures to ensure a robust, reliable and secure registration system and to provide a good and responsive customer service. It will seek to settle the payments to JUCC at an early date while maintaining a sound financial position.

8. Within twelve months from its incorporation, the HKIRC will implement a membership scheme with its members recruited from ".hk" domain name holders, Internet service providers, IT industry, the commercial sector and the academia. Its board of directors will be elected from its members. The Government will be represented on the Board to provide input pertaining to public policies.

9. To keep up with international practices, the HKIRC has plans to rollout new services including registration for individual domain names ending with ".id.hk", domain names for information providers ending with ".info.hk", half Chinese domain names ending with ".hk" and domain names ending with ".hk". As the development of full Chinese domain names is still being explored in the international fora, the rollout of this service will be examined at a later stage. In the longer term, the HKIRC will consider the viability of creating multiple registrars for the second level of ".hk" domains.
