



Complicating ICANN's New TLDs Decision

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Drawing on standard-setting approaches and the regulatory options at the disposal of the Federal Communications Commission (FCC), I outline three alternative venues to decide on launching new top-level domain names (TLDs). ICANN needs to analyze all these venues before making a final procedural decision.

Venues

You cannot make a causal inference about desirability of new TLDs based on observing that companies have not registered their brands under all existing ICANN-recognized TLDs. You need to rely on a model for TLD registration decisions, such as the [signaling model](#).

There are three venues to introduce new TLDs:

1. Full Command-and-Control

Under this option of setting standards, the government helps shape the details of the standards that emerge by funding standard-setting activity directly, as the Defense Department did for the TCP/IP protocols.

This venue, however, typically favors incumbent license holders, who favor regulatory barriers to entry. One such example is the FCC's spectrum-allocation procedures. FCC protection comes under the umbrella of "public interest" concerns. In addition, the FCC has been accused of side deals to appease industry factions in the short term and put off analytically sound but politically difficult policy choices needed to promote long-term economic benefits. For this reason, the qualification process is sometimes referred to as "a beauty contest."

2. Selecting Private Entities

The government lets private bodies or firms propose standards and then endorses one of them. For example, the government endorsed the 802.11 Wi-Fi standards developed by the Institute of Electrical and Electronics Engineers (IEEE).

3. Market Driven

The government can let dueling standards proliferate in the market, as with the VHS vs. Betamax videocassette recorder standards war in the early 1980s.

Performance Comparisons

It is not easy to predict which approach is best. Markets sometimes adopt an inferior standard, such as the QWERTY keyboard. On the other hand, the result when the U.S. government failed to intervene in the decision on the [2G](#) telecommunications standard was the emergence of CDMA. The Europeans, in contrast, adopted a command-and-control approach imposing the GSM standard. Initially, GSM was hailed as the better approach. However, in retrospect, CDMA proved superior, in that telecom service providers found it much easier to move to the [3G](#) system.

There is precedence for the market approach in adding new TLDs, namely that of [New.net](#). Their limited success may be due to registrants' concerns about the outfit's long-term viability and its lack of ICANN support. The New.com technology requires cooperation with ISPs, and users have to download a plug-in. However, to reduce cooperating costs and gain economies of scale will require cooperation among competing firms in various regions to uphold the same standard.

Different technologies can peacefully coexist when serving different consumer needs, as demonstrated by the various connectivity options of wireline Voice over IP (VoIP) Internet protocol technologies. Different approaches can satisfy difference market segments. For example AOL's instant messaging, which acts as a type of "who is online" directory, restricts the user to communicating with fellow members only. Other services enable subscribers to call anyone without having to use a broadband connection. Yet other technologies do require broadband for universal connectivity.

Should ICANN maintain a grip on all aspects of the decision and control of new TLDs? The value chain framework can be used to determine what lines of business a company should integrate internally. A blind application of the framework suggests integrating activities that matter most to customers by improving functionality and reliability through standardization, speed, and convenience. AT&T used the implied suggestion to control the end-to-end telecommunications network, and IBM to control the early days of the mainframe market. ICANN seems to be consciously or otherwise adopting the analysis to control the TLD market. However, unlike the typical corporate objective of integrating activity so as to maximize shareholder value, ICANN's task is to satisfy sometimes conflicting interests of customers (trademark holders, investors/speculators, and corporations); this tension makes it irresponsible to use the framework blindly. Moreover, when consumers are frustrated with the limitations of the offerings before them, such as current TLD offerings, standards inhibit the ability of companies to innovate. Thus, standards are not always a good thing and the market may better serve such customers.

Nevertheless, one can make arguments for market solutions similar to the benefits of net neutrality as an engine of innovation, but at the periphery and not the middle—that is, ICANN and ISPs—controlled as they are by a few giant telecoms.

In conclusion, ICANN needs to also explore options 2 and 3 before making a decision. ■