



REPRESENTING THE RESTAURANT INDUSTRY

The Cornerstone of the Economy, Career Opportunities and Community Involvement

Statement for the Record

For The Hearing on

ICANN's Expansion of Top-Level Domains

Before

**Subcommittee on Communications and Technology
Committee on Energy & Commerce**

Wednesday, December 14, 2011

The National Restaurant Association appreciates the opportunity to register the U.S. restaurant industry's strong opposition to the January 2012 roll-out of the new generic top-level domain (gTLD) program approved by the Internet Corporation for Assigned Names and Numbers (ICANN) in June 2011.

The Association is the leading business association for the restaurant and foodservice industry. Our industry is comprised of 960,000 restaurant and foodservice locations. These nearly 1 million restaurant locations serve more than 130 million Americans every day. Our members include multi-state, multi-unit restaurant brands with thousands of locations worldwide and small independent businesses with a single location.

The restaurant industry plays a significant role in our nation's economy. Restaurants will generate an estimated \$604 billion in sales this year, with an overall economic impact of more than \$1.7 trillion. The restaurant industry is one of the nation's largest private-sector job creators, employing about 12.8 million people, representing nearly 10 percent of the U.S. workforce.

The Association joins more than 100 other major business associations and companies in the Coalition for Responsible Internet Domain Oversight (CRIDO) in urging the Department of Commerce to stop or delay ICANN's new gTLD program. We were part of CRIDO's petition to U.S. Department of Commerce Secretary John Bryson in November urging the Department to work with ICANN on delaying and reconsidering the program.

We believe ICANN's gTLD program would impose billions of dollars in unnecessary costs on the restaurant industry at a time when restaurant operators are looking forward to investing in their businesses and hiring employees after the worst recession in decades. Profit margins in restaurants are notoriously slim, with restaurants averaging about 4 percent in pre-tax profits on every dollar in sales. The ICANN program will divert scarce restaurant resources away from job-creating, business-building activities. These are dollars far better spent reinvesting in our businesses.

If ICANN proceeds as planned, the organization will start accepting applications next month for hundreds and ultimately thousands of new top-level domains. Restaurants of all sizes will be forced to apply for new domains to protect their brands and trademarks. Costs include a \$185,000 application fee for each new top-level domain. Restaurants and other companies also likely would be forced to register numerous second-level domains -- the words to the left of the "dot" in Internet addresses -- within the new top-level domains. Costs would be driven higher by legal, marketing and other costs. Some businesses have put the cost of registering a single top-level domain at \$2 million or more over the initial 10-year contract as companies submit applications, watch and defend their domains, monitor for infringement and litigate to block abuse. Costs could run higher if businesses are forced to buy their own Internet names in auctions.

The Internet is increasingly central to restaurateurs' efforts to attract guests and grow their businesses. This is true for both major restaurant brands and independent restaurants. Association research shows that Americans increasingly go online for information about restaurant menus, specials, nutrition facts and more. Restaurants rely on the Internet to reach guests. Our members

would have little choice but to apply for domain names for both commercial and defensive reasons. For our largest restaurant-member brands, the price tag is exorbitant. For the hundreds of thousands of smaller restaurant operators who depend on the Internet to communicate with guests, the costs and confusion could be insurmountable.

Even beyond the financial toll the gTLD program will exact on millions of U.S. businesses, the Association believes that ICANN's program will confuse consumers by spreading Internet searches across hundreds or even thousands of new top-level domains. As confusion grows, each domain name becomes less valuable. This could undermine consumer trust in the system and make it harder for the Internet to serve as the efficient conduit for business activity that it does today.

The U.S. government has delegated powers to ICANN to govern the domain-name process. ICANN is responsible for ensuring its actions further the public interest and promote consumer trust. ICANN says it has built consensus on its recommendations; indeed, its contract with the Department of Commerce requires this consensus. Yet the Association believes ICANN has failed to justify the need for the potentially explosive expansion in top-level domains or to get consensus from the millions of business stakeholders who will be affected by the program.

Finally, we believe ICANN has taken only minimal steps to educate and inform the business community and consumers about the new top-level domain process. If ICANN proceeds with the January roll-out of its gTLD program, businesses and non-profit organizations will be immediately affected. Yet even given the reaction of the business and non-profit communities to the ICANN program, there has been little education and information to help businesses and consumers understand the scope of what is about to happen. Millions of American business owners know nothing about the gTLD expansion. Information has filtered out slowly and sporadically since ICANN approved the program in June, leaving businesses and consumers in the dark about one of the biggest shake-ups in Internet marketing in decades.

The Association asks Congress and the Commerce Department to urge a reassessment of the gTLD program before its planned roll-out in January. We thank the Subcommittee for holding this hearing to air the serious concerns of America's business community with ICANN's domain name expansion program.