March 14, 2012

The Honourable Ted McMeekin  
Minister of Agriculture, Food and Rural Affairs  
77 Grenville Street, 11th Floor  
Toronto, ON M5S 1B3

The Regional Municipality of Durham  
Clerk's Department  
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Pat M. Madill, A.M.C.T., CMM  
Regional Clerk

RE: REQUEST TO INFORM THE ONTARIO MINISTRY OF AGRICULTURE, FOOD AND RURAL AFFAIRS THAT THE REGIONAL MUNICIPALITY OF DURHAM WILL NOT BE PROCEEDING WITH THEIR RURAL CONNECTIONS BROADBAND NETWORK PROJECT AND THEREBY DECLINE THE REMAINING PORTION OF THE $1 MILLION THAT WAS AWARDED TO THE REGION BY THE PROVINCE OF ONTARIO (2012-EDT-8), OUR FILE: D02-

Honourable Sir, the Planning & Economic Development Committee of Regional Council considered the above matter and at a meeting held on March 7, 2012, Council adopted the following recommendations of the Committee, as amended:

"a) THAT the Ontario Ministry of Agriculture, Food and Rural Affairs be informed of the Regional Municipality of Durham's inability to proceed with the Rural Connections Broadband Network project due to the fact that Xplornet was unable to purchase or lease the licensed 3.5GHz Spectrum by December 31st, 2011 which was required to proceed with the project;

b) THAT the Finance Department be authorized to submit a final report to the Ontario Ministry of Agriculture, Food and Rural Affairs to request compensation for one third of the project management costs incurred to date;

c) THAT the Regional Chair be authorized to write to the Honourable Christian Paradis, MP, Federal Minister of Industry, requesting Industry Canada to set aside rural areas from urban areas and deal separately with them in the next spectrum auction, to ensure that Rural Internet Service Providers can avail themselves of much needed licensed spectrum; and

d) THAT a copy of Report #2012-EDT-8 be forwarded to Durham MP's and MPP's; area municipalities; GTA Regions; Canadian Radio-television and Telecommunications Commission; Commissioner for Complaints for Telecommunications Services; Ontario Ministry of Agriculture, Food and Rural Affairs; Ministry of Agriculture and Agri-Food Canada; Association of Municipalities of Ontario; Federation of Canadian Municipalities; Rogers; Bell; and Inukshuk Wireless."
Please find enclosed a copy of Report #2012-EDT-8 of A.L. Georgieff, Commissioner of Planning and Economic Development, for your information.

P.M. Madill, AMCT, CMM III
Regional Clerk
PMM/tf

c: The Honourable G. Ritz, Minister of Agriculture and Agri-Food Canada
  C. Chisu, MP (Pickering/Scarborough East)
  C. Alexander, MP (Ajax/Pickering)
  The Honourable J. Flaherty, MP (Whitby/Oshawa)
  C. Carrie, MP (Oshawa)
  The Honourable B. Oda, MP (Durham)
  B. Devolin, MP (Haliburton/Kawartha Lakes/Brock)
  T. MacCharles, MPP (Pickering/Scarborough East)
  J. Dickson, MPP (Ajax/Pickering)
  C. Elliott, MPP (Whitby/Oshawa)
  J. Ouellette, MPP (Oshawa)
  J. O'Toole, MPP (Durham)
  L. Scott, MPP (Haliburton/Kawartha Lakes/Brock)
  K. Bennett, Regional Clerk, Regional Municipality of Halton
  C. Reid, Regional Clerk, Regional Municipality of Peel
  D. Kelly, Regional Clerk, Regional Municipality of York
  U. Watkiss, City Clerk, City of Toronto
  M. deRond, Clerk, Town of Ajax
  T. Gettinby, CAO/Clerk, Township of Brock
  P.L. Barrie, Clerk, Municipality of Clarington
  S. Kranc, Clerk, City of Oshawa
  D. Shields, Clerk, City of Pickering
  K. Coates, Clerk, Township of Scugog
  D. Leroux, Clerk, Township of Uxbridge
  D. Wilcox, Clerk, Town of Whitby
  L. Katz, Acting Chairman, CRTC
  H. Maker, Commissioner for Complaints for Telecommunications Services
  P. Vanini, Executive Director, AMO
  B. Carlton, Chief Executive Officer, FCM
  N. Mohamed, President and Chief Executive Officer, Rogers Communications
  G. Cope, President and Chief Executive Officer, BCE and Bell Canada
  P. Vlach, Director, Inukshuk Wireless
  R.J. Clapp, Commissioner of Finance
  A.L. Georgieff, Commissioner of Planning and Economic Development
The Regional Municipality of Durham  
To: Planning & Economic Development Committee  
From: Commissioner of Planning and Economic Development  
Report No: 2012-EDT-8  
Date: February 21, 2012

SUBJECT:

Request to Inform the Ontario Ministry of Agriculture, Food and Rural Affairs that the Regional Municipality of Durham will not be proceeding with their Rural Connections Broadband Network project and thereby decline the remaining portion of the $1 million that was awarded to the Region by the Province of Ontario.

RECOMMENDATIONS:

THAT, subject to the approval of the Finance & Administration Committee, Planning & Economic Development Committee recommends to Regional Council:

a) THAT the Ontario Ministry of Agriculture, Food and Rural Affairs be informed of the Regional Municipality of Durham’s inability to proceed with the Rural Connections Broadband Network project due to the fact that Xplornet was unable to purchase or lease the licensed 3.5GHz Spectrum by December 31st, 2011 which was required to proceed with the project;

b) THAT the Finance Department be authorized to submit a final report to the Ontario Ministry of Agriculture, Food and Rural Affairs to request compensation for one third of the project management costs incurred to date; and

c) THAT the Regional Chair be authorized to write to the Honourable Christian Paradis, MP, federal Minister of Industry requesting Industry Canada to set aside rural areas from urban areas and deal separately with them in the next spectrum auction, to ensure that Rural Internet Service Providers can avail themselves of much needed licensed spectrum.
REPORT:

1. PURPOSE

1.1 The OMAFRA Rural Connections Broadband Program, Intake 2.3, had approved a $3 million project, up to a maximum provincial funding amount of $1 million, to be conducted by the Regional Municipality of Durham (the recipient) to coordinate the construction of a broadband internet network in the Regional Municipality of Durham.

1.2 The Region issued a Request for Proposals (RFP-669-2011) on Friday May 13, 2011 for the Rural Connections Broadband Network project. Xplornet Communications Inc. was awarded the contract as the Internet Service Provider best able to design, install, own and operate the proposed network. On September 28, 2011, staff received correspondence from John Maduri, CEO, Xplornet Communications Inc. advising that they were unable to proceed with signing the service development agreement, as they were unable to purchase the licensed 3.5 Spectrum as planned.

1.3 On November 16th, 2011, Report No. 2011-EDT-8 authorized staff to negotiate and award a sole source contract with Xplornet Communications Inc. for the construction of the technical plan, to allow Xplornet the opportunity to re-negotiate the purchase of the above noted spectrum. Unfortunately, these negotiations proved once again to be unsuccessful.

1.4 Under current Industry Canada spectrum auction rules, a licensed spectrum is sold in large geographic blocks covering both urban and rural areas. Companies such as Xplornet; who are delivering rural services, are unable to purchase spectrums through the current auction process because they are obligated to buy the spectrum for large urban areas as well, which is unaffordable for the majority of Rural Internet Service Providers. As in the case with the 3.5GHz Spectrum, Xplornet was out bid by Inukshuk Wireless, a joint venture owned by Bell Canada and Rogers Communications, who are not willing to lease and/or sell the rural portion.
2. COMMENTS

2.1 Xplornet continued to aggressively pursue or lease the 3.5GHz Spectrum in the Durham Region from Inukshuk Wireless, to complete the network build as originally planned. They were not successful in accessing the necessary spectrum by the end of 2011, as planned.

2.2 Xplornet had originally proposed that if they were not successful in the purchase, they would proceed with deploying the portion of the network associated with four sites (Manilla, New Park MRS, Zion & Elizabethville) located on the eastern fringe of Durham Region. Bill MacDonald, Senior Vice President, Strategic Business Development, Xplornet Communications Inc. has informed staff that these four identified sites will be upgraded under the Eastern Ontario Regional Network project, thereby not requiring funding under Durham Region's Rural Connection Broadband Network Project.

2.3 Xplornet will be deploying new satellite technology in the first quarter of 2012, which will provide high speed internet options to the residents and businesses within these 4 sites located in Durham Region. Satellite technology is not an eligible cost under the Rural Connections program.

2.4 Discussions with existing smaller Internet Service Providers (ISP) within Durham Region indicated that the ISPs are willing to increase their coverage area if there is a justifiable business case. Significant research has been done to identify gaps in affordable, reliable service throughout the Region.

3. FINANCIAL IMPLICATIONS

3.1 The total project costs incurred to date by the Region for the Rural Connections Broadband expansion project totals $53,390. Business management costs of $14,335 included the gap analysis, development of proposed technical plan and submission of the Rural Connections application. Project management costs incurred to date are $39,055. Under the agreement with the Province of Ontario, the Province will fund up to one-third of total eligible costs for the project, to a maximum of $1 million. The Finance Department has prepared a final claim to be submitted to the Province for $17,796. Regional Council had originally approved a maximum
of $150,000 for consulting services to be funded by the Region so that sufficient funds were available for the Region’s share (per Report 2011-A-8).

TOTAL COSTS AND FINANCING FOR RURAL CONNECTIONS BROADBAND PROJECT

<table>
<thead>
<tr>
<th>Incurred Costs</th>
<th>Total ($'s)</th>
<th>Provincial Share ($'s)</th>
<th>Region of Durham ($'s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Management</td>
<td>14,335</td>
<td>4,778</td>
<td>9,557</td>
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<tr>
<td>Project Management</td>
<td>39,055</td>
<td>13,018</td>
<td>26,037</td>
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<tr>
<td>TOTAL</td>
<td>53,390</td>
<td>17,796</td>
<td>35,594</td>
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</tbody>
</table>

4. CONCLUSION

4.1 It is recommended that the Regional Municipality of Durham inform the Ontario Ministry of Agriculture, Food and Rural Affairs of the Region’s inability to proceed with the Rural Connections Broadband Network project and submit a final claim report.

4.2 It is recommended that the Regional Chair write a letter to the Honourable Christian Paradis, federal Minister of Industry, outlining the issues created in Durham Region by the current spectrum auction rules, encouraging the Minister to make administrative changes to separate rural and urban areas of the spectrum.

4.3 This report has been reviewed by the Finance Department and the Commissioner of Finance concurs with the financial implications.

A.L Georgieff, MCIP, RPP
Commissioner of Planning and Economic Development
RECOMMENDED FOR PRESENTATION TO COMMITTEE

Garry H. Cubitt, M.S.W.
Chief Administrative Officer