

Response to Letter from Concerned Citizens of our Community

Q1. At this point, it would seem the Municipality of Huron Shores council is focused solely on the H&M COFI project, to the exclusion of other potential opportunities for better service, one example being Leepfrog. A focus on one solution while blocking others, some of them immediate and shovel-ready, does not seem to be in the best interest of constituents.

A1. The Municipality of Huron Shores has already provided a letter of support for the Iron Bridge's initial project. Leepfrog is free to pursue its project as it sees fit. Having limited resources, we have focused on the H&M COFI design, which is open to all ISPs in the region and will create a network covering 100% of residents in the Huron and Manitoulin regions. The 100% coverage is consistent with the Federal Government's goal of connecting 100% of Canadians to High-Speed Internet. Also, the H&M COFI initiative has been selected by the Ontario ICON program to proceed to a Stage 2 submission, so we have independent validation that our project is a shovel ready project. We are not aware of any plans by Leepfrog for a similar approach to serving 100% of our residents. In their submission to the HNCEA RFP from earlier this year, they indicated that many of our residents were in the NWD category. When we asked what that meant, we were told that it was "Not Worth Doing." NWD is utterly inconsistent with the federal government's goal, and we have aligned our H&M COFI plan to serve 100% of our residents as we consider EWD "Everyone Worth Doing."

Q2. Council has stated that the total cost of the project is \$150 million. It should be pointed out that the initial cost of a project is typically 20%, with another 80% in maintenance over a 5-year period. This would put the total cost more in the neighbourhood of \$600-750 million. (Gartner Group concept of Total Cost of Ownership).

A2. The Gartner Group concept of Total Cost of Ownership that you refer to is based on an IT model where the life cycle of equipment is three years or less. The telecom model, especially fibre-based networks, is not the same as the assets are much longer lived and therefore, replacement and upgrade costs are not the same. The numbers quoted are simply not realistic, and if you look at the financials of any telecom company like Bell, Rogers or Telus, you will see that is simply not the case. Any submission for funding to the ICON Program or Universal Broadband Fund will have the business case vetted by professional advisors to these programs. We are preparing our business case for review by these groups.

Q3. A claim has also been made that the project would generate \$40 million per year in monthly fees from 37,000 homes and businesses. That number represents a 90% adoption rate. Best in class adoption rates, upon deploying new initiatives, are typically 20%.

A3. A little bit of math utilizing a round number, for example, \$100 per month for internet service (we know that we all pay more than this for services today) x 12 months per year = \$1,200 per year x 10 years = \$12,000 per home. Multiply by 37,000 = \$44.4 million per year or over \$440 million over ten years.

The business case that we are developing is not dependent on a 90% adoption rate. As mentioned earlier, our assumptions will be validated by independent advisors to the ICON and UBF programs.

It merely is not a valid statement regarding the comment about Best-in-Class adoption rates of 20% for new initiatives. Would the Canadian Federal Government make available \$1.75 billion and the Ontario Government make available \$1.0 billion in funds if there was only a likelihood adoption rate of 20%? Is that what you feel is the % of people that need a broadband connection in our region? In terms of adoption rates for community broadband networks in the US, we see over 85% adoption rates. To put out that only 20% of our community would sign up for high-speed internet is simply a false and misleading statement.

Q4. Our region includes large Mennonite and Amish communities, aging populations, and many seasonal residents. As well, many communities already have satisfactory service, and not all municipalities have endorsed the project. This would indicate that a 90% adoption rate is unattainable.

A4. The goal of the Federal Government is to enable 100% of Canadians to have internet access by 2030, and with the recent funding announcements, the government is looking to accelerate this date. Again, the goal is 100% of Canadians! To suggest that Mennonite, Amish, Aging People and Seasonal Residents do not require internet is a broad statement that is not consistent with the government's goal. Again, our business case, which will be vetted by independent advisors of the ICON and UBF programs, is not based on a 90% adoption rate. You should also consult the Canadian Broadband Availability Map for our region. Your comment that many communities have satisfactory service again is a false and misleading statement. Nearly ALL COMMUNITIES in our area have less than the federal broadband standard of 50 Mbps download speed, and 10 Mbps upload speed. The majority are 5 Mbps down and 1 Mbps up.

Q5. Therefore, there is a significant risk that less than 10% of the total overall cost would be covered by revenue, a challenge considering that federal and provincial funding would cover no more than 75%. This is cause for concern in terms of liability for municipalities and ratepayers.

A5. Investing in technology like a fibre-based network will deliver an asset to our community for the next 30 to 50 years. This network is designed to be an open-access network available to any Internet Service Provider who wants to access the network. Our goal is to ensure that the

network revenues will pay for any costs incurred by the community, and as such, the only costs will be to pay for the internet access itself. Experts will evaluate the soundness of our financial plan in the field at ICON and UBF.

Q6. Rock Networks Inc. is the chosen partner in this endeavour. Our concerns regarding their ability to manage and deliver on a project of this magnitude remain unanswered. They are already committed to a significant project in Pictou County, Nova Scotia, which after three years has yet to deliver service. Further, Rock operates on a revenue-sharing model, while assuming no liability.

A6. ROCK Networks was recently ranked the 23rd fastest-growing company in Canada over the past five years and the #1 fastest growing telecommunications company. ROCK Networks works with partners to deliver the solution, including companies such as Nokia, a top 3 global telecom player. That they have won a project with Pictou County should give you comfort that they know what they are doing. As for the timeframe of three years for the Pictou project, that is simply not correct. ROCK Networks announced its initial design contract award from Pictou County in October 2019. This work was completed, and due to COVID, there was a delay at the beginning of the construction phase. ROCK Networks and Pictou County recently announced the start of Phase 1 construction of the network. The contract that ROCK Networks has signed with Pictou County is a Design-Build Contract. Pictou County is the owner of the network. Funds to build the network will be from Pictou, Government Grants and Revenues generated from the network. There is not a formal revenue-sharing agreement with Pictou. And ROCK Networks is contractually obligated to deliver the network to a statement of work and deliverables, so again your statement is factually incorrect.

Q7. To date, we are unaware of any public consultation in any of the communities involved. We are still left with many questions about this undertaking and some of the decisions that have been made so far.

A7. The H&M COFI team, in conjunction with ROCK Networks, has participated in numerous council presentations across the region, and Mayor Bilodeau has shared updates with all councils during the process. All municipal, provincial, and federal politicians have heard a resounding cry across rural Canada for better internet access. We are responding in conjunction with other elected officials to this need and working to provide a solution that serves our region's long-term future needs. We will continue to engage with the local community on this critical initiative. We are in the process of launching a community survey feedback and sign-up tool for this purpose. Our next milestones are the ICON submission in January and Universal Broadband Fund submission in February.