

## Attachment 1 – Confidential Information

### Confidential Attachment 1 – Telecommunications Network Agreement July Update

Date: July 14, 2022

#### Reason for Confidential Information

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This report contains information about a trade secret or scientific, technical, commercial, financial or labour relations information, supplied in confidence to the City or local board, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons or organization.

#### Confidential Recommendations

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It is recommended that the TTC Board:

1. Approve the principles in the draft Term Sheet (as outlined in Appendix 1: TTC Telecommunications Network Agreement Term Sheet) as the basis of an amended agreement with Rogers;
2. Delegate authority to the TTC General Counsel, or his designate, to execute any and all necessary documents and agreements relating to Recommendation 1 in this Confidential Attachment; and
3. Delegate authority to the TTC CEO to enter into an agreement or amendment with BAI Canada with respect to adding wireless telecommunication services for Lines 5 and 6 in order to ensure seamless customer connectivity within the TTC subway system.

#### Financial Summary

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Overall, the proposed contract amendments would provide significant benefits to TTC customers and enhanced data connectivity for TTC operations, while also generating increased and new revenue opportunities for the TTC.

From a revenue perspective, a 10-year extension to the TTC-BAI Telecommunications Agreement would, **at a minimum**, increase revenue resulting from a revised fee schedule currently proposed at \$41.7 million for the TTC over the remaining and extended term of the contract, versus \$38.7 million if the pricing schedule remained unchanged at the same levels as in the original BAI agreement.

The 2022 Operating Budget, approved by the TTC Board on December 20, 2021 and by City Council on February 17, 2022, includes \$1.0 million in revenue from the existing

contract with BAI Canada. Both the proposed amendment and the existing contract include an increase in annual revenue to \$1.5 million in 2023 through to 2026. The Term Sheet retains the original BAI Canada agreement scheduled increase to \$2.0 million in annual revenue starting in 2027 and an increase to \$2.1 million starting in 2030.

Through the proposed agreement amendment, the TTC would secure the following financial benefits:

- Increased revenue during the term extension to:
  - \$2.3 million annually starting in 2032.
  - \$2.5 million annually starting in 2037.
- [REDACTED]
- Ability to review the agreement every five years to account for technological advancements and changing TTC use cases.
- Implementation of 5G technology throughout subway network, with all costs born by Rogers. The TTC to receive full cost recovery for all costs incurred.
- Wi-Fi-based passenger counting and crowd monitoring data, at no charge to the TTC, resulting in savings of \$335,000 that is currently paid for this data.

The financial benefits to accrue from these amendments will be subject to the outcome of final negotiations.

The Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **Confidential Information or advice**

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In June 2022, staff informed the TTC Board of the negotiations with Rogers on developing a draft Term Sheet that would provide the basis for a revised Telecommunications Network Agreement.

Rogers is one of Canada's largest telecommunication service providers. Rogers is currently deploying 5G infrastructure throughout the country and has committed to deploying 5G within the TTC subway network. Rogers has a 46% market share in Ontario, which will mean that more of the TTC's customers would have access to cellular in the subway network. Rogers will also provide network access to Bell and Telus through commercially agreeable terms, which is the approach that has been used in other Canadian transit systems (Montreal, Vancouver and Ottawa). Freedom Mobile customers will continue to receive service under the existing terms. The overall benefits to TTC customers include:

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<sup>1</sup> Monthly-recurring connectivity revenue means revenue directly generated from the non-DAS fiber Rogers installs in the subway system for its own purposes.

- **Total cellular coverage** in the entire TTC subway system – creating a seamless network experience from station entry to exit;
- **Network Access to all riders** – all wireless carriers can participate on commercial terms; and
- **Delivery of 5G Network technology** – TTC network infrastructure would be upgraded to enable the delivery of the Internet of Things, media and other smart city applications to TTC customers.

Rogers' acquisition of BAI is conditional on certain changes being made to the existing TTC-BAI Telecommunications Network Agreement. A key change is a 10-year extension of the TTC-BAI Telecommunications Network Agreement to provide Rogers with a payback period for its investment in the wireless network upgrade within the TTC infrastructure. Rogers has tentatively agreed to consider a revised fee schedule for the entire term of the contract. The revised fee schedule (see Appendix 1: Telecommunications Network Agreement Term Sheet) proposes \$41.7 million in revenue for the TTC over the remaining and extended term of the contract, versus \$38.7 million if the pricing schedule remained unchanged at the same levels as in the original BAI agreement. In addition, Rogers has tentatively agreed to amend the Agreement to no longer charge the TTC for Wi-Fi-based passenger data.

The TTC will continue to engage with Rogers to understand their required scope, schedule and timelines and ensure that all activities relating to the build-out of the wireless network does not impact the planned TTC work in the subway system.

TTC staff will continue to work with BAI Canada to ensure that Lines 5 and 6 meet the same levels of services for the Wireless Network as the rest of the TTC subway system.

**Next steps:**

TTC staff will develop and execute an amended Telecommunications Network Agreement with Rogers in accordance to the principles outlined in the draft Term Sheet (see Appendix 1: TTC Telecommunications Network Agreement Draft Term Sheet).

**Appendix 1: TTC telecommunications Network Agreement Term Sheet**

# APPENDIX 1: TTC TELECOMMUNICATIONS NETWORK AGREEMENT TERM SHEET

**No binding obligation shall exist until an amended Telecommunications Network Agreement has been executed by the parties.**

## Background

In December 2012, the TTC entered into an agreement with BAI Communications (BAI) that would see the development of a wireless network in the subway system (Wireless Network) for a fixed fee payable to the TTC over a 20-year term. The TTC-BAI Telecommunications Network Agreement (TNA) contains a provision to the benefit of the TTC, to extend the existing 20-year term for a further period of five years (2032-2037). The Agreement also contains the allowance for further extensions after the full build-out of the Wireless Network is completed.

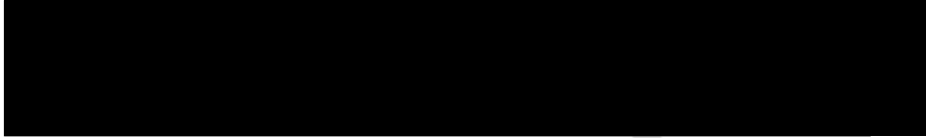

Rogers Communications (Rogers) and BAI Canada (BAI) are in discussions that would see Rogers acquire BAI. Rogers' acquisition of BAI is conditional on certain changes being made to the existing Telecommunications Network Agreement between the TTC and BAI. Following its acquisition of BAI, Rogers plans to upgrade the Wireless Network. These upgrades would:


- Enable wireless connectivity to support Rogers customers and such other cellular mobile wireless licensed operators who may join the Wireless Network;
- Involve the deployment of additional spectrum in 4G and 5G and the installation of newer technology in the TTC subway DAS<sup>1</sup>;
- Enable continuous and consistent service across the entire TTC subway tunnel network to ensure customers have universal coverage and extensible capacity for both 4G and 5G services;
- Provide sufficient capacity to meet Rogers and Freedom Mobile requirements, and such cellular mobile wireless operators who may join the Wireless Network, for 4G and 5G services for all user devices and for Internet of Things services for Rogers; and
- Expand capacity to manage traffic growth for Rogers and Freedom Mobile, and such other cellular mobile wireless licensed operators who may join the Wireless Network, for 4G and 5G services.

Rogers' plans would enhance the TTC customer experience by providing 4G and 5G cellular service while travelling within the subway system, and facilitate the participation of other cellular mobile wireless operators within the Wireless Network. This non-binding Term Sheet sets out the Parties' agreement in principle on the core terms to be embodied in an amended Telecommunications Network Agreement to be executed at a later date.

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<sup>1</sup> Distributed Antenna System (DAS)

Item	Terms and Conditions (Subject to Board Approval)
1. <b>Contract Extension Term</b>	Contract to be extended for 10 years (TTC option to renew for five years thereafter will remain intact)
2. <b>Contract Extension term conditions</b>	<p>a. In exchange for a 10-year extension (from December 2032 to December 2042) of the TTC-BAI Telecommunications Network Agreement (TNA) to provide Rogers with a payback period for its investment in the Wireless Network upgrade Rogers agrees to a revised fee schedule (see Table 1 below) for the entire term of the contract, including the extension period.</p> <p>b. </p>
3. <b>Five-Year Review</b>	The parties shall meet every five years during the term of the TNA to discuss technological advancements, new revenue-sharing opportunities and changing TTC use cases. If a party proposes amendments to the TNA in connection with those discussions, the parties shall discuss such amendments in good faith and any unresolved issues shall be part of a dispute escalation process, which process will escalate the unresolved issues to various levels within both organizations, including the respective CEOs.
4. <b>Installation fees associated with the implementation of the Wireless Network</b>	<p>The TTC is to be reimbursed for all costs for work associated with the implementation or maintenance of the Wireless Network (i.e. cost neutral). This includes all work performed by TTC and/or supervisory and related costs as per the TTC rate card.</p> <p>This will include the removal of the one-time flat fee per tunnel segment rate with an adjusted schedule rate based on a detailed design provided by Rogers.</p>
5. <b>Ownership of assets</b>	<p>Rogers will permanently own all assets in the Wireless Network. If the TNA terminates or expires:</p> <p>a. Rogers will negotiate with the TTC or the succeeding network operator to sell the Wireless Network assets used for wireless connectivity at TTC for fair market value.</p> <p>b. </p>
6. <b>Onboarding other cellular mobile wireless licensed operators</b>	Rogers agrees to use commercially reasonable efforts to onboard interested cellular mobile wireless licensed operators within 18 months from the date Rogers first makes its wireless services available to TTC customers, and ongoing from that point. Access to the Wireless Network will be contingent on each operator paying its proportional share of Rogers' initial capital investment in the network together with ongoing capital and operational costs relating to the network.
7. <b>New expansion lines</b>	Rogers' rights and obligations with respect to the Wireless Network will include all current TTC subway lines, as well as new lines that become part of the TTC subway network. However, new expansion transit lines (Eglinton, Finch, Ontario, Eglinton West, Scarborough and Yonge North lines) that are not under the control of the TTC are not subject to the terms of the TNA. Therefore, the wireless network rights (including the fibre) within those projects would need to be negotiated separately.

<b>8. Responsibility on deployment of Wireless Network</b>	
<b>9. Co-ordination of installation of Wireless Network</b>	<p>Both parties agree to work together to facilitate the safe, efficient construction and deployment of the Wireless Network upgrades. Rogers agrees to provide the TTC with detail design, scope, timing and resource requirements of each installation to ensure it does not impact planned TTC maintenance and capital works in the subway system.</p>
<b>10. Service Level Agreements</b>	<p>Rogers agrees to adhere to the equity and fairness objectives of the TTC to ensure that no community is left underserved by the deployment or lack of deployment of the Wireless Network. Therefore, the TTC requires a commitment from Rogers that as part of its build-out it will ensure equal access to all customers across the subway network. The Service Levels to be agreed will be maintained across the TTC network in which TTC grants Rogers permission to operate.</p>
<b>11. Implementation of TTC use cases</b>	<p>Both parties agree to hold quarterly commercial and technical engineering meetings to discuss strategy and the implementation of the TTC's use cases as determined by its Digital Connectivity Strategy and opportunities for Rogers to provide telecom services to the TTC.</p>
<b>12. Customer data</b>	<p>Rogers will provide Wi-Fi-based readily available passenger data, including counting and crowd monitoring data, at no charge to the TTC for the term of the contract.</p>
<b>13. Existing Wireless customers</b>	<p>Freedom Mobile customers will continue to receive wireless service in the subway system pursuant to the Network Carrier Master License Agreement between Freedom and BAI.</p>

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Table 1: Revised Fee Schedule

Calendar Year	Year of TTC Contract	Original Fee Schedule	Proposed Fee Schedule
2022	Year 11	1,500,000	1,500,000
2023	Year 12	1,500,000	1,500,000
2024	Year 13	1,500,000	1,500,000
2025	Year 14	1,500,000	1,500,000
2026	Year 15	1,500,000	1,500,000
2027	Year 16	2,000,000	2,000,000
2028	Year 17	2,000,000	2,000,000
2029	Year 18	2,000,000	2,000,000
2030	Year 19	2,100,000	2,100,000
2031	Year 20	2,100,000	2,100,000
2032	Year 21	2,100,000	2,300,000
2033	Year 22	2,100,000	2,300,000
2034	Year 23	2,100,000	2,300,000
2035	Year 24	2,100,000	2,300,000
2036	Year 25	2,100,000	2,300,000
2037	Year 26	2,100,000	2,500,000
2038	Year 27	2,100,000	2,500,000
2039	Year 28	2,100,000	2,500,000
2040	Year 29	2,100,000	2,500,000
2041	Year 30	2,100,000	2,500,000
Total from 2022 to 2041		<b>38,700,000</b>	<b>41,700,000</b>

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