

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
PRESIDENT'S REPORT
March 23, 2007

As the President of Nunavut Broadband Development Corporation, I am very pleased to be able to report on the outstanding success of the QINIQ network.

After our formal launch in May, 2005, we brought each of the 25 Nunavut communities on line and by August 2005, we had subscribers in every community using the new network. At our AGM last year I reported more than 2,000 Nunavut subscribers use QINIQ.

Now I can tell you that more than 3,000 Nunavut homes and businesses use QINIQ.

After less than two years of operation, more than 1 out of 3 households in Nunavut are connected using QINIQ broadband. We are now one of the most “connected” communities in the world. This is very good news for the economic and social health of Nunavut – we can now connect to each other and the rest of the world.

Last year, in describing this remarkable achievement, I covered the role of a number of key people and organizations that made this possible. This year I will simply list these people and spend the rest of my time on our future challenges.

The people and organizations critical to our success are the following:

- Our Board. These volunteer members have provided the advice and the encouragement needed to continue whenever difficulties arose;

- Second, without the extraordinary effort and dedication of Lorraine Thomas, this network would not exist;
- Third, I would like to mention the efforts of SSI Micro Limited and specifically the President of SSI, Jeff Philipp and the staff of SSI Micro;
- Finally, I would like to mention the initial and ongoing efforts of our 25 Community Service Providers. These people and organizations ensure that every Nunavut community has a local QINIQ presence and that QINIQ subscribers are looked after in their own community.

Now I would like to talk about the challenges we face in the future. We are far too successful and I want to explain the consequences of that and the next steps that we must take to allow the benefits of broadband to continue in Nunavut.

First some background: The QINIQ network is supported by contributions from several sources to bring the price to the user closer to southern prices. In Nunavut we charge \$60 per month for our basic Qanniq account. In the south this exact same service would cost less than \$40 per month so at \$60 we are already well above a commercial, southern rate for similar service.

Without the contributions from the Government of Canada and others, this basic account would cost \$150 per month. But all this arithmetic is based on only 2,000 subscribers at the end of year nine of our business plan. Before we are even at year two of our plan we are already more than 50% over the approved capacity.

Our contributions from the various investors do not cover the latest 1,000 subscribers and do not cover additional future growth which continues every day.

What does this mean? It means that QINIQ is beginning to peak in the middle of the business day because we have much more business than our initial funding can support.

So what do we do now? Do we instruct the vendor and CSPs to reject new subscribers? Do we limit the speed or transfer quota of existing subscribers to match the government contributions? Something has to be done or QINIQ will continue to grow unchecked and the service for everybody will suffer.

One alternative to finance growth is to sell new and evolving services based on the existing infrastructure – services such as hot spots for visitors and digital voice (VOIP) services. In fact these new services will be launched over the next few weeks and months and they will be priced to entirely cover their costs with no outside assistance. But the revenue from these new services will not be sufficient to cover the remarkable growth in the number of basic subscribers.

To address this issue, and to look after our future, I believe that we have to go back to our investors who helped to make broadband affordable in every community – the governments of Canada and Nunavut, the Inuit land claim organizations and to our subscribers, and we have to clearly and publicly explain the following:

- QINIQ has been wildly successful as an engine for economic growth and for social development in every Nunavut community;
- To continue this success, we need more investment for the future;

- NBDC is well positioned as a not-for-profit, Inuit organization to gather investment from governments and land claim organizations, to run public RFPs as we did in 2003 for the first investment round and to continue the economic and social growth due to broadband in every Nunavut community.

Of course not everybody will agree that additional investment should be made by the public sector in Nunavut. But the NBDC position is clear – Nunavut consists of 25 remote communities without roads to the outside world. Nunavut needs assistance to cover the unusually high communications costs just like the urban people in Canada need and receive free highways and subsidized urban transit. Left solely in private hands, only the largest Nunavut communities would have broadband services.

Without assistance in communications for every Nunavut community, Nunavut cannot effectively meet its future challenges. If you have an interest in assisting us with our future plans or if you just want to comment on our plans please call or email us – we welcome advice, assistance and debate on our future.

I have been pleased and honored to be associated with this effort. Again I would like to thank everybody for the support received in the past and I am sure that support for this important sector will continue in the future.

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