

ORANO

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December 11, 2006

INFORMATION NOTE ORION Fee Structure

Dear Colleagues,

You may recall that early in 2006, ORANO initiated a consultative exercise to review its annual user access fees structure¹. A Working Group of 10 volunteers from the university, college and hospital sectors was established and over the past several months, ORANO has worked with this representative stakeholder group to achieve consensus on the approach and the changes to the user access fee structure. Overall, that consensus was achieved.

The Working Group recently submitted its report to ORANO and we are pleased to accept its recommendations. As a result, ORANO is revising its user access fees charged annually to connected institutions for ORION research and education services. The changes are effective January 1, 2007 and are reflected in the annual invoices issued to your institution in December 2006.

The changes, which include a 6-tier fee structure, are aimed at better reflecting the composition of ORANO's user organizations and minimizing barriers to connect for very small organizations. The structure provides for greater predictability of fees over the next three (3) years so that connected organizations can confidently plan their budgets regarding ORION fees.

As well, ORANO is working to be more transparent in how the pricing tier is determined for organizations. The approach we have taken, based on the Group's recommendations, is to subdivide our user organizations into sectors/segments and develop metrics/indicators that can assist us in determining the price tier for each organization. Some of the work in this area is still under development and will be revisited in 2009, when ORANO has committed itself to another consultative review of the fee structure.

The Annual ORION User Access Fee Schedule 2007 - 2009:

Price Tier	2007	2008	2009
Direct			
0	7,500	7,500	7,875
1	16,300	17,100	17,970
2	36,500	38,350	40,250
3	46,500	48,850	51,270
4	60,000	63,000	66,150
5	70,000	73,500	77,200
RAN	Discount 18%	Discount 18%	Discount 18%
0 (no discount)	7,500	7,500	7,875
1	13,366	14,022	14,735
2	29,930	31,447	33,005
3	38,130	40,057	42,041
4	49,200	51,660	54,243
5	57,400	60,270	63,304

¹ This review excluded school board user access fees; ORANO plans a similar review for them in 2007. VLANs and other fees were also not part of this review.

Recommendations of the Working Group:

The Working Group acknowledged ORANO's commitment to maintaining a lean organization and a prudent approach to user fee increases. The Group also acknowledged that sufficient revenues need to be generated to cover ORANO's annual operating costs, annual contributions to capital renewal to address future requirements, and contingency funds to meet the unexpected. The recommendations are as follows:

- Maintain a tiered, flat-rate pricing model for annual user access fees;
- Implement a revised annual user access fee schedule for 2007-2009 based on a new 6-tier price structure that accommodates very small organizations as well as those that grow in size over time;
- Establish a sector/segment based approach for defining specific indicators/metrics that would be used to determine the price tier to which institutions belong; and using these metrics, confirm or revise the assigned tier for each user organization and their resulting 2007 - 2009 annual user fees but no organization would pay less than it is currently paying in annual user access fees;
- Phase-in over the next 2-3 years, fee changes for those institutions significantly affected by a movement between tiers or other factors;
- Maintain the RAN discount at 18% (same as in 2006) for institutions connecting to ORION through an eligible RAN; and clarify existing RAN relationships for their eligibility to the discount based on the definition of a RAN determined by the Working Group (see below);
- Review the fee structure again in 3 years i.e. 2009.

ORANO is implementing the recommendations.

Determining an Organization's Price Tier:

A key recommendation of the Group is that ORANO subdivide its user organizations into sectors/segments and develop a set of indicators or metrics for each segment to be used to determine the price tier for an ORION-eligible organization. The following segments were established:

1. universities (accredited and publicly-funded);
2. colleges of applied arts and technology;
3. hospitals, including research/teaching hospitals, hospitals collaborating with Ontario's medical schools or with a college or university in the delivery of education and/or research;
4. research organizations (publicly funded);
5. educational and cultural organizations;
6. organizations (not for profit) supporting any of the above;
7. other organizations including public/private sector entities undertaking and/or supporting research and education activities of above organizations; and
8. school boards (not part of this review).

To determine the price tier for an organization, there was consensus in the Group that there be greater transparency regarding the indicators/metrics used and therefore, wherever possible, use easily obtained, publicly available data that would most likely be available in the future.

There is, however, no one simple set of metrics that applies across the various segments above and determining the 'metrics' for some segments was easier than for others. For example, the metrics used for universities and colleges include provincial government operating funding, FTE enrolment, and total sponsored-research funding. For hospitals, ORANO is using the classifications as assigned by the *Public Hospitals Act*.

For the remaining segments, the Group identified types of data as an initial start on their indicators, with further development to occur as ORANO's experience with these organizations grows over time.

For most user organizations, there is no change to their existing price tier. For others, while their price tier changes, the resulting annual fee increase is incremental. There is a small number of user organizations that have moved into a new price tier resulting in a significant increase in their annual user fee. For these, the increases are being phased-in over 2 – 3 years.

Regional Advanced Networks (RAN) and Eligibility for RAN Discount:

Another key recommendation and consensus from the Working Group is that ORANO use the following definition in determining if an ORION-eligible organization connecting to the network through a RAN, qualifies for a 'RAN discount'. The RAN must meet the following requirements:

- be a legal, not-for-profit entity that is managed and governed with its own formal governance structure separate from its member institutions and has its own structure documented in a formal 'legal agreement' among its members;
- have an infrastructure that mediates traffic between its members, aggregates traffic to, and exchanges routing information with, ORION, and must have a NOC to deal with ORION NOC;
- the legal capacity to sign agreements with ORANO;
- have 3 or more ORION-eligible members connected to ORION at all times; and,
- all of its ORION-eligible members must sign a user access agreement with ORANO.

A very few institutions are immediately affected by this definition. Throughout 2007, ORANO will be clarifying the RAN status of all organizations claiming eligibility for the RAN discount. Any changes will impact their 2008 annual fees.

Although consensus was not achieved regarding the RAN discount, ORANO will maintain an 18% RAN discount for the next three years. At the outset, ORANO had outlined a plan to eliminate the discount over the next 4 years. However, the institutions connecting through a RAN maintained that the discount is necessary. Consensus was not achieved on the amount of the discount, or its duration. The RAN discount will be part of the fee review to take place in 2009.

Sunset Review:

As part of ORANO's on-going commitment to consultation and collaboration, ORANO accepted the recommendation to undertake a consultative review of the fee structure again in 2009.

Acknowledgements:

ORANO extends its appreciation to the Working Group members who took time out of their busy schedules and contributed to this very important exercise. Thank you very much for your on-going support.

Members of the Working Group:

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