

REGIONAL DISTRICT OF NANAIMO

**BOARD MEETING
TUESDAY, MARCH 25, 2008**

A D D E N D U M

PAGES

ADMINISTRATOR'S REPORTS

2-6 Local Calling Between the Nanaimo and Cowichan Valley Regional Districts.
(All Directors – One Vote)



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BOARD	✓ MARCH 25TH

MEMORANDUM

TO: C. Mason
Chief Administrative Officer

DATE: March 18, 2008

FROM: N. Avery
General Manager, Finance &
Information Services

FILE:

SUBJECT: Update on Proposed Costs for Local Calling between the Nanaimo and Cowichan Valley Regional Districts

PURPOSE:

To report on correspondence from Telus with respect to their offer for a local calling service.

BACKGROUND:

At its meeting held February 12, 2008 the Committee of the Whole deferred discussion on a report with respect to a local calling area between the Cowichan Valley and the Regional District of Nanaimo. Telus had requested a delay to give them time to do an internal review of the report conclusions.

The revised information is shown below compared to the initial costing:

	Original Costing	Revised Costing	Change
Residential lines	\$1.90	\$2.00	\$0.10
Business	\$3.00	\$3.15	\$0.15

In the initial proposal the surcharge would cease after 36 months. The revised proposal would see the surcharge reviewed after 36 months and it would either stay in place or be reduced.

If the two Regional District Boards approve going forward with the initiative, Telus would send our application to the Canadian Radio-television & Telecommunications Commission (CRTC). The Commission reviews the proposal and is at liberty to make changes to the rates as they see fit. Once CRTC approval is received, a referendum is held and if successful, Telus proceeds to make any changes to its equipment and programming. It is likely to take up to two years to finalize the changes. Telus' role is to support our interest in this initiative by undertaking the studies and making an application to the CRTC. It is our role to promote and answer questions from citizens regarding the changes.

The referendum for the local calling area is conducted by an independent third party as a mail in ballot through Telus telephone bills. The estimated cost overall is between \$190,000 and \$210,000 and staff proposed that the cost be apportioned between the two Regional Districts on the basis of assessments. The cost to the Regional District of Nanaimo is estimated at \$140,000 and an individual property owner would see a one time charge for this purpose of about \$0.55 to \$0.60 per \$100,000 of property assessment.

Staff today confirmed that at this point the Cowichan Valley Regional District has not included the cost of a local calling referendum in their 2008 budget and in fact, have not provided their Board a summary of any of the Telus information.

ALTERNATIVES:

1. Approve the initiative to bring local calling to the Nanaimo and Cowichan Valley Regional Districts at a single unified rate.
2. Decline to participate further in the local calling initiative between the Nanaimo and Cowichan Valley Regional Districts.

FINANCIAL IMPLICATIONS:

Alternative 1

Under the initial proposal the cost to a single line residential customer would have been \$22.80 per year or \$68.40 over a 36 month implementation period. Under the revised proposal the cost would rise to \$72.00 over the same period – but would also continue at an additional cost of up to \$24.00 per year compared to today, because the surcharge has no technical end date.

If agreement to proceed is not reached for 2008 Telus would need to review this information at a later date and it may change again.

Alternative 2

Under this alternative we would take no further action at this time. While there is no specific deadline to respond to Telus' offer, there is every likelihood that the costs would change again if we pursued this at a later date.

Alternatively, we might conclude that on balance a local calling area is unlikely to be supported by our residents and advise both the Cowichan Valley and Telus that we have no further interest in a local calling area.

OTHER COMMENTS

Telus' experience is that very few local calling areas have been implemented. Reasons include greater and increasing penetration of cell phones and VOIP (Voice over Internet Protocol) services which do not pay the additional line costs – and therefore would not care whether the initiative is successful or not. Additionally, businesses, who tend to be prime beneficiaries of the changes, do not participate in the referendum.

In the correspondence attached Telus also notes that many of their customers now have North America-wide calling plans which allow them to call anywhere for one set charge – and these customers would not benefit further from local calling between the two Regional Districts.

SUMMARY/CONCLUSIONS:

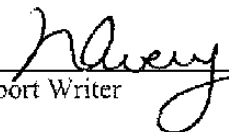
Telus has advised staff that the revised cost to introduce local calling between and across the Nanaimo and Cowichan Valley Regional Districts, is \$2.00 per line (was \$1.90) per month for residential customers and \$3.15 per line (was \$3.00) per month for business customers. Over a 36 month period a single line residential customer would pay \$72.00 rather than \$68.40. More strikingly however is that the surcharge will not be dropped after 36 months, but would be reviewed and either stay in place or be reduced. This means that the change under the revised proposal is virtually permanent.

In order to implement a local calling area a referendum must be conducted by an independent third party. Staff estimate that a property owner would pay on a one time basis, about \$.55 to \$.60 cents per \$100,000 of assessed property value. The 2008 budget would also be amended to include \$140,000 for this purpose assuming both Regional Districts give approval to proceed.


This initiative requires approval by both local governments in order to proceed. Staff have conferred with the Cowichan Valley Regional District and are advised that a report on this topic has not yet been forwarded to their Board and that their 2008 budget has been virtually finalized. It is therefore unlikely that any approval will be forthcoming for 2008. On balance staff believe that a referendum is unlikely to be successful and recommend that we terminate our interest in this initiative.

RECOMMENDATION:

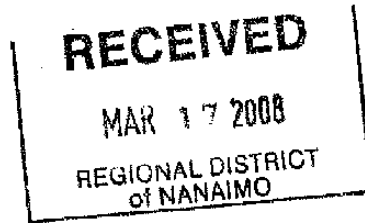
That the Regional District of Nanaimo not pursue a local calling area with the Cowichan Valley Regional District and that staff correspond with Telus and the Cowichan Valley Regional District accordingly.



Report Writer



C.A.O. Concurrence



March 14, 2008

Nancy Avery
Manager of Finance and Information Services
Regional District of Nanaimo
6300 Hammond Bay Road
Nanaimo, BC
V9T 6N2

Dear Nancy:

RE: Request for Local Calling Area expansion within Nanaimo Central Island

The Nanaimo Regional District has been working with TELUS for some time now to explore the desirability of Local Calling Area expansion for the Central Island region. This letter is to inform you that in light of significant changes in the landline phone marketplace and technology, TELUS recently launched an internal review of our process for local calling area expansions. That review has resulted in a moderate revision of the surcharge we quoted you last year.

The landline telephone sector has undergone significant competitive and industry developments over the last few years that have made local calling areas less relevant for our customers. Our residential and business customers now enjoy a much broader array of inexpensive communication options including low cost long distance plans, expanded mobile service at lower rates, e-mail, and instant messaging to connect with businesses, friends and family in areas outside of their existing local calling area.

Technology advances have allowed TELUS to reduce long distance rates markedly in the last few years, dropping them from dollars to pennies per minute. In fact, TELUS' residential customers can get unlimited calling anywhere in Canada for just \$20 a month, less than half of what 750 minutes of calling cost in 2004. Many TELUS long distance plans now include calling within North America for one set charge, allowing clients to call anywhere they want for one fixed rate, whether across town or across the country. We think it is important to note that under the terms of municipal regulations if you decide to move ahead with this project and your voters opt to move ahead with the expansion in a poll, area residents who are taking advantage of a flat-rate TELUS long distance plan will

not benefit from a local calling area expansion, but they will be charged the monthly surcharge.

At TELUS, we continually assess and update our service offerings to ensure they meet the evolving demands and calling preferences of our customers. At times, this may mean changing our existing processes, costing or even discontinuing services where new technologies or pricing provides a more effective solution.

We re-evaluated your Local Calling Area request for the Central Island area as part of that overall review. We found the old model did not allow us to fully recover the costs of implementing such a large expansion, and are moderately raising the surcharge we quoted in November of 2007. The residential surcharge, for example, is rising 10 cents a month.

The new surcharges are as follows:

Line Type	New Surcharge
Residential	\$2.00/month
Business	\$3.15/month
Centrex	\$1.05/month

Note that the surcharge will no longer expire after 36 months. Instead, we will re-examine the surcharge after that period of time in light of market conditions and technological developments at that time and will either leave the surcharge in place or reduce the rate.

If you have any questions or concerns regarding this decision, please contact me directly at 604-432-5822.

Regards,



Joan Schindel
TELUS – LCA Product Manager

cc: Kim Logan - Director of Government Relations, BC, TELUS
Gary Korpan – Mayor of Nanaimo