Council Direction:

This update report on the current status of the Extension of Local Calling areas in the City of Hamilton is presented for the information of Council.

Information:

In 2002, Council requested staff to consider the steps required to extend local calling in the City of Hamilton. An expansion to the local calling area allows the customers in each of the exchanges to call all customers in those exchanges without paying long distance rates. However, monthly rates for all lines will increase in order to address the costs of the extension, and a portion of the lost toll revenue. Each customer, depending on their calling patterns, will have a reduction in long distance charges for calls within the expanded local area exchanges. In this way, customers will see a redistribution of charges on their phone bills with increased monthly charges being offset, to varying degrees, by lower long distance charges.

Ongoing discussions about the possibility of expanding the local calling areas for telephone exchanges in the City of Hamilton were initially delayed due to the consideration by the CRTC of changing the guidelines and criteria for expansion of these areas. The new framework established by the CRTC in September, 2002 sets out the criteria for assessing applications for expanded Local Calling Areas (LCAs) and the general principles of compensation for increased operating costs, foregone toll revenues and the costs of conducting subscriber plebiscites.

Following the CRTC decision, the Extend Local Calling Task Force presented their recommendations to Council for their consideration in March, 2003, at which time the following position was adopted:
(a) That the City of Hamilton request Bell Canada to prepare the economic analysis required by the CRTC to determine the costs of expanding the local calling area to ensure that the maximum number of residents of the City of Hamilton can call other exchanges in the City of Hamilton toll free while maintaining a resulting rate increase of $1.00 per line per month or less;

(b) That Bell Canada be requested to report back to the City of Hamilton and to the Expand Local Calling Task Force in 3 months on the progress that has been achieved;

(c) That, upon the completion of the economic analysis, the information be provided to the City of Hamilton and the Extend Local Calling Task Force;

(d) That this report be forwarded to the Regional Municipalities of Niagara, Halton and Waterloo, the County of Brant, the Town of Haldimand, City of Burlington, County of Wellington, Township of Puslinch and Township of North Dumfries, for their information, and that they be invited to provide comments and/or concerns.

Although these recommendations were made by Committee of the Whole in March, 2003, there have been a few delays, including further decisions to be made by the CRTC, and completion of the pilot implementation by Bell Canada in Ottawa.

Bell Canada representatives met in late June, 2006 with members of the Extend Local Calling Task Force to update the task force on their readiness to commence work on the economic analysis of the expansion of local calling area in Hamilton, as requested in Council’s earlier decision.

Once the economic analysis is complete, the results will be presented to both the Task Force and members of Council for consideration. The economic analysis will detail the cost impacts of an expansion of the local calling area for residents and businesses in the City of Hamilton, including the City itself, and whether or not a plebiscite will be required.

In order to move forward with consideration of expanding local calling areas, the following steps still need to take place:

- Bell Canada will undertake an economic study to determine the net incremental operating costs and associated adjustments for Bell Canada and the amount of foregone toll revenue for Bell Canada and its competitors, along with the temporary surcharge for foregone toll revenue (maximum of three years), and a cost estimate of undertaking a plebiscite, if required.

- The City will decide whether or not to proceed, based on the economic study. Council will be able to decide, should the results of the economic analysis indicate that the increase in the monthly rate per line would exceed $1.00 or if the cost of the plebiscite would be prohibitive, whether or not to proceed with the expansion.
• The City will request written indications of support or non-opposition from all impacted local governments to the proposal.

• If the decision is to proceed, Bell Canada will file an application with the CRTC, whereupon there would be an opportunity for interested parties to comment.

• The City would prepare for an education campaign for the residents informing them of the extended Local Calling Area.

• If the application is approved by the CRTC, Bell Canada will undertake the necessary changes, and the City would educate the public about the changes.

Bell Canada has commenced the work required to complete the economic analysis. We expect that the results will be available later this year, with consideration of the expansion to be undertaken in 2007.

I trust this update will be of assistance.

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Joseph L. Rinaldo
General Manager
Finance and Corporate Services