

CITY OF KELOWNA
MEMORANDUM

DATE: December 8, 2003
TO: City Manager
FROM: Assistant Airport General Manager
SUBJECT: **PUBLIC PAYPHONE LICENCE**

File: 0550-05
2320-20

RECOMMENDATION:

THAT Council approve entering into a five-year licence agreement with TELUS Communications Inc. (TELUS) for the provision of pay telephone services at Kelowna International Airport, commencing January 1, 2004 with an ultimate expiry date of December 31, 2009.

AND THAT Council authorize the Mayor and City Clerk to sign the licence agreement on behalf of the City of Kelowna.

BACKGROUND & COMMENTS:

The Kelowna International Airport entered into its last licence agreement with TELUS (then BC Tel) on January 01, 1998. This licence agreement expired December 31, 2002, and has been in overholding tenancy since that date.

TELUS has agreed to pay a commission of up to 11% of the Net Daily Average Revenue for the term of this licence. This compensation schedule matches what the City of Kelowna currently receives for public pay telephones provided by TELUS throughout the City. Based on 2002 net daily average revenue of \$83,615, this arrangement could pay telephone commissions of approximately \$9,200 per annum.

The Airport has seen a steady decrease in payphone revenues due to the increased usage of cellular telephone and wireless communication devices. From 2001 to 2002, the Airport saw a 22% decrease in payphone revenue. Due to the rapidly decreasing revenues, and TELUS' high equipment costs, locking in to a five-year agreement at a higher rate of return at this time is prudent. The rates of return for shorter terms are significantly lower.

The Airport has looked at other payphone providers, but none match the reliability and service network of TELUS.

This has been reviewed and approved by the Purchasing Manager.

S. Samaddar

SS/cdu