



Commission for
Communications Regulation

Wholesale charges for non-geographic numbers

Development of a mobile cost model

Call for Input

Reference: 15/40

Date: 08/05/2015

An Coimisiún um Rialáil Cumarsáide

Commission for Communications Regulation

Abbey Court Irish Life Centre Lower Abbey Street Dublin 1 Ireland

Telephone +353 1 804 9600 Fax +353 1 804 9680 Email info@comreg.ie Web www.comreg.ie

Background to Non-Geographic Calls in Ireland

Non-geographic numbers of the format 18XX which general allow calls to be placed with the same cost to the consumer regardless of location within Ireland. For example, the access code 1800 allows a called party to be reached at no charge to the caller, as the total cost of the call is borne by the called party. Non-geographic numbers with the access codes 1850 or 1890 allow the cost of the call to be shared between the caller and the called party.

The caller is charged for the call at a fixed rate regardless of the call duration (1850) or at a fixed per minute rate (1890) and the called party is charged the remainder of the call cost. These categories of non-geographic numbers are mainly used by businesses to direct their customers' calls to a customer service area such as a help-desk.

Usually businesses requiring such unique non-geographic numbers (known as the "service provider") will engage a telecommunications operator (the "hosting operator") to handle the telecommunications aspects of the service and terminate the call. These telecommunication operators may be fixed-line or mobile operators.

In some cases a call may transit more than one network before arriving at the service provider and the question arises as to how these additional operators are to be compensated for the use of their networks.

The practice for many years is that originating operators have been compensated by deducting a retention charge. For fixed-line operators these retention charges had been based on Eircom regulated wholesale interconnect rates¹. In other words, fixed-line operators levied the same retention charges as Eircom on a symmetric basis in what was referred to as the "deemed to be" regime. Mobile operators are not part of this symmetric deemed to be regime and have historically charged retention rates significantly in excess of those of fixed-line operators.

ComReg considers that the services provided by non-geographic numbers, and the ability of consumers to avail of these services, are very important to the marketplace. Further details on the background to the treatment of non-geographic numbers in Ireland and the deemed to be regime is available in ComReg Documents 14/23² and 14/130³.

Recent Developments with Non-Geographic Calls

ComReg is aware that certain fixed-line operators have now broken from the long standing deemed-to-be regime and are now retaining higher retention charges compared to Eircom's regulated wholesale interconnection rates.

¹ See ComReg Decision Number D04/07.

² <http://www.comreg.ie/fileupload/publications/ComReg0780.pdf>

³ <http://www.comreg.ie/fileupload/publications/ComReg1423.pdf>

³ <http://www.comreg.ie/fileupload/publications/ComReg14130.pdf>

While the increased retention charges from those fixed-line operators remain lower than that of the mobile retention charges, ComReg considers that this, coupled with the higher charges from mobile operators, may be having an adverse impact on the economic welfare of callers to non-geographic numbers and the associated service providers. Furthermore, with respect to fixed-line operators moving away from the deemed-to-be regime there may be a risk that billing reconciliation between operators may become excessively complex.

ComReg is of the view that the sector for non-geographic calls could suffer detrimental effects if consumers abstain from making these calls. Neither consumers of non-geographic calls, service providers nor telecommunications providers are likely to benefit in the long-run from this potential outcome.

In ComReg Information Notice 14/130 we noted that we were developing a mobile cost model (to supplement the existing fixed cost model⁴) that could be used to inform ComReg in respect of any future determination on the appropriate charge for call origination for non-geographic numbers.

This cost model may help inform ComReg in the event of a potential dispute regarding the rates currently charged by mobile operators. Similarly, it could help inform ComReg's own assessment of such charges.

We are now seeking input from relevant stakeholders for assistance in the development of a cost based Mobile Retention Rate ('MRR') model and any views with respect to the optimal methodological approach.

Questions

Please refer to the MRR Data Request Guidance Document, which is annexed to this Call for Input, for questions in relation to the appropriate methodological approach in developing a cost model that will generate the MRR of various non-geographic calls in Ireland.

The questions (1-4) in the MRR Data Request Guidance Document are separate from the data request contained in the corresponding MS Excel file entitled MRR Data Request (.xls file). This file contains queries with regard to:

- (i) The demand of non-geographic traffic services
- (ii) Network Revenues and Volume
- (iii) Costs relevant to non-geographic call origination etc.
- (iv) Route Factors
- (v) Traffic Profile

⁴ The practice to date has been that fixed network operators have symmetrically levied, on a voluntary basis, known as the 'deemed to be regime', the same retention rate that Eircom charges other operators. Pursuant to Eircom's designation of significant market power in the market for wholesale interconnection services Eircom's retention rate cost based a modelled cost-based rate (See ComReg Decision No. D04/07).

Obtaining the Information Request “MRR_Data_Request.xls”

ComReg has sent the MRR Data Request File (.xls file) and the MRR Data Request Guidance Document to the following mobile operators which are currently listed on Eircom’s Switched Transit Routing Price List (STRPL):

- Lycamobile
- Meteor
- Tesco Mobile
- Three
- Vodafone

The MRR Data Request File is available on request to ComReg from interested parties. Requests should be sent by post or email, and received no later than 25 May 2015, to:

Mr. Paul Johnson
Commission for Communications Regulation
Block DEF, Abbey Court
Lower Abbey Street Freepost
Dublin 1

Email: Paul.Johnson@comreg.ie

Submitting data and any associated comments

RESPONSE DATE: The closing date for submissions relating to this Call for Input is **22 June 2015**

ComReg will welcome any queries that respondents may have in relation to the MRR Data Request File or the MRR Data Request Guidance document. Please submit queries to Paul.Johnson@ComReg.ie on or before 8 June 2015 i.e. up to two weeks before the final date at which we will accept submissions. ComReg may decide to provide clarifications in turn to all relevant parties to ensure that all parties are interpreting the questionnaire correctly, which will facilitate consistent responses.

Please complete the relevant sections of the Microsoft Excel file entitled “MRR_Data_Request.xls” and return to ComReg with the same formatting insofar as it is possible. We appreciate that information submitted is likely to be commercially sensitive but would nevertheless request that confidential data is clearly indicated when submitting it to ComReg.

While it is ComReg's policy to make all responses available on its website and for inspection generally, it our intention to do this only for the responses received in relation to the questions regarding the modelling methodology and available data (i.e. Questions 1-4) contained in the MRR Data Request Guidance Document.

However, we do not intend to publish the data submitted to ComReg via the MRR Data Request .xls File.

We may at a future date publish or share with relevant parties a mobile cost model that has been informed or guided by information submitted to ComReg in response to this Call for Inputs. In any event, we will ensure that confidential data submitted to ComReg is treated accordingly subject to the provisions of ComReg's guidelines on the treatment of confidential information as set out in ComReg Document No. 05/24.

Annex 1: LRIC MMR Data Request Guidance

LRIC MMR Data Request Guidance

Overview

This note provides guidance and instructions regarding the content of the data request provided to Mobile Network Operators (“**MNOs**”) pursuant to the design and development of a model which generates the Long Run Incremental Cost (“**LRIC**”) of the Mobile Retention Rate (“**MRR**”) of various non-geographic calls in Ireland. As part of this data request you have received:

- The data request MS Excel workbook (entitled “LRIC_MMR_Data_Request_v 001”) which contains the definition of required inputs along with associated timeframes, dimensions and units of measure for these inputs; and
- Narrative-style questions and data request guidance notes, to accompany the data request (i.e. this guidance document).

The categories, structure and format of data requested is comparable to that requested as part of the previous MTR BU LRIC modelling exercise.

When assessing data availability, please consider the following:

- To minimise the volume of information requested from operators, and to synchronise model update cycles, the MRR model will be developed for 2013 and 2014.
- In cases where a single datum point is requested, this is, unless otherwise stated, to be provided for year 2013 of your audited accounts. If it is not expected to be possible to provide the requested input data for this point in time, or for the exact dimensions specified, please provide the information for 2014 or the closest data point available and note how this varies from the data requested.
 - Note: Please ensure that traffic and element quantity values relate to 2013. For the avoidance of doubt, traffic and element quantity information is not anticipated to be drawn from audited accounts. However, they should relate to the same year for which audited cost data is provided.
- All financial data should be provided in nominal terms and not in real terms (without adjustments for inflation).
- Where information is requested regarding logical network elements, the specification of the underlying equipment that composes these elements is likely to vary across operators. Where assumptions are made by the operator regarding the equipment type used when defining the data request inputs, please provide relevant information such as the specification (and/or make and model) of equipment that will be provided where inputs are requested.

Questions regarding the modelling methodology and available data

The questions below are separate from the data request contained in the corresponding MS Excel file, as they relate to the methodological approach.

1. Do you believe free calls (1800 numbers) should be treated the same as other non-geographic calls (e.g. fixed fee calls)?
 - 1.1. In your view, are there significant differences between the origination costs related to different types of non-geographic call origination? If so, please describe and confirm if this cost differential is observable in the data inputs provided.
2. Are MVNOs charged in the same way as MNOs for non-geographic call origination? Are the costs associated with calls originating from MVNOs similar to MNOs' origination costs?
3. The costs of the new elements which will be added to the model are intended to be allocated on the basis of revenues or number of calls (see table below). This is comparable to the approach adopted in relation to Eircom's fixed non-geographic call cost allocation. Do you agree with this approach?
 - 3.1. It is expected that the cost categories below may be associated with a subset of volumes/revenues of services provided over your network. For example pre-paid services would not typically be expected to attract cost allocations for bad debt activities. If this is the case, please identify the services that should be associated with each cost category.
 - 3.2. The cost categories identified below of the format that would typically be associated with Activity Based Cost ("**ABC**") modelling. If this level of disaggregation is not feasible from your accounting systems, please identify the comparable set of cost categories that is available, and the cost allocation basis that you believe is most appropriate.
 - 3.3. It may be the case that that it is not possible to directly allocate revenues to all underlying services listed in the model (for example, because you may not have an existing method to allocate post-paid bundle revenues to in-bundle voice volumes). In this case, please provide revenue on the basis of non-geographic call revenues vs other call revenues, for example. Or an alternative comparable approach that would achieve an attribution to the non-geographic call increment.
 - 3.4. Please provide guidance for any specific element dimensioning rules that is not otherwise included in the data request and that you deem necessary and reasonable for the modelling exercise.

Cost category (element)	Cost allocation basis
Retail billing system	Number of calls
Credit control systems and teams	Revenue
Cash collection activities	Revenue
Bad debt management/insurance	Revenue
Bad debt recovery	Revenue
Carrier administration	Call minutes

- 4. Additional services and elements:
 - 4.1. Please add any specific set of non-geographic traffic services to be included in the model that are not already listed in worksheet 1.1.Demand.
 - 4.2. Please add any specific set of non-geographic traffic element cost categories to be included in the model that are not already listed in worksheet 4.Cost.

Data request guidance notes

This section provides guidance on completing the data request. Please consider both the content of the data request and the guidance note when completing the data request.

Please do include any notes of clarification regarding the data you provide, for example if you believe there is any doubt regarding the interpretation of the data you have provided.

General guidance

Unless otherwise stated, please provide data inputs for 2013 and 2014.

All traffic volumes, network elements and costs to be provided are to relate to your mobile telecommunications network in Ireland and this operation alone. To the extent that you have operations that incorporate non-mobile telecommunications in Ireland, or mobile operations outside Ireland, costs and volumes associated with, and therefore attributable to these operations, should not be included in this analysis. To the extent that shared costs are identified, an appropriate apportionment of these costs to your mobile network operations in Ireland is appropriate. In this case please provide the apportioned value as well as the value apportioned to other activities and the method of the apportionment.

In relation to data requested on network element quantities, specifications and utilisation, it is understood and expected that the specification of the equipment that defines these elements will vary within and across operators. As a consequence, where the network contains equipment from different vendors with different capacities and different prices then these should all be provided. Equipment prices should be provided for the specified year, where possible. If this is not possible, then the year that the alternative prices apply to should be provided.

All information supplied will be treated in confidence. However, data provided may be included in a model that may be released for consultation and therefore you should mark confidential information that you do not wish to be released.

Sheet-by-sheet guidance notes

1.1 Demand

- Please add any specific set of non-geographic traffic services to be included in the model that are not already listed in worksheet 1.1.Demand.
- As part of the MTR data request, information was requested on the distribution of aggregate voice traffic, for example across technologies and geo-type breakdown. It is anticipated that non-geographic calls do not materially differ with regard to these breakdowns. If this is not the case, please include non-geographic call specific breakdowns for technology, geo-type and BH geotype traffic distribution.

1.2. Network Revenues and Volumes

- In relation to paragraph 3.3 above, if alternative breakdowns of revenue data are necessary due to bundling or other factors, please provide a similar list that provides information on the revenues and volumes for each respective service.

4. Cost

- Please confirm if the information provided against the newly defined cost categories was included in cost data provided as part of the previous MTR modelling exercise.
- Please provide any additional elements that you consider relevant for non-geographic call origination.
- Please expand and adapt the table to present multi-year investments or easily separable items/activities, e.g. associated with incremental upgrades or refresh investments where this is appropriate.
- Please provide a narrative description of the extent to which the capital investment or staff was associated or dedicated to the provision of non-geographic call service provision.

5. Route Factors

- Please provide any additional elements and respective route factors that you consider relevant for non-geographic call origination which you may have added on "4. Cost".

6. Traffic Profile

- Time of day, week and month information for non-geographic call volumes are anticipated to be comparable to those provided for overall voice volumes as part of the previous submissions for the MTR modelling exercise. Space has been provided if a distinct profile to these calls is experienced on your network and can be measured.