



Commission for
Communications Regulation

Consultation Paper

Consultation Paper on the application of retention rates in the Number Translation Code market

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All responses to this consultation should be clearly marked:-
“Reference: Submission re ComReg 03/113” as indicated above,
and sent by post, facsimile, e-mail or on-line at www.comreg.ie
(current consultations), to arrive on or before 5pm , 10 October
2003, to:

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Please note ComReg will publish all submissions with the
Response to Consultation, subject to standard confidentiality
procedures.

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1 Foreword by the Chairperson

This consultation paper seeks the views of interested parties on an issue related to the current regime of calculating retention rates in the fixed interconnect market. Specifically that in line with our current understanding, certain calls by CPS(Carrier Pre Select) customers to non geographic numbers hosted by eircom may potentially inadequately reimburse the CPSO(Carrier Pre Select Operator) in question for its costs. This may mean that CPSOs are hampered in competing in certain calls markets, including calls to the Internet. At this stage it is our intention to investigate this apparent anomaly and seek suggested remedies, should these be necessary. Detailed implementation of any changes to the regime will depend on the nature of any alterations decided upon.

Responses to this consultation document will be accepted up to 10 October 2003 and a Response to Consultation will follow shortly thereafter.

Etain Doyle

Chairperson, Commission for Communications Regulation

2 Current Arrangements for the charging regime for calls to Number Translation Codes

The current NTC charging regime in operation involves the principles known as Regulated Retention and “deemed to be” Regulated Retention for charges between the incumbent and the authorised operator (OAO).

ComReg regulates the charges eircom raises for the work it undertakes in carrying calls which are terminated on OAO hosted NTCs. This type of call is shown diagrammatically in Appendix A, Case 1. Cost elements allowed for are:

- call conveyance [*In these scenarios this is equivalent to call origination*]
- billing
- credit control
- cash collection
- and bad debt

The sum of these parts is the ‘Regulated Retention’. The balance of the retail revenue from the customer less the Regulated Retention is the “Settlement” which is paid to the OAO hosting the service provider. i.e Settlement = Retail Revenue - Regulated Retention. In this scenario therefore, *eircom* collect the retail revenue, subtract the Regulated Retention and the balance is passed to the OAO as a Settlement.

This regime has up to now proved simple to implement and practical to operate. It is however, based on an analysis of eircom’s network connections and ComReg would like to highlight one particular area where it is felt that further improvements could be made in the context of a service provider being hosted on the eircom network with calls conveyed via a CPSO. This particular amendment relates to the possibility that cost recovery for CPSOs may be incomplete.

When the scenario is that the customer is a CPSO customer and the service provider is with eircom i.e. as shown at Appendix A Case 2, the same Settlement is currently applied. In this context the settlement is referred to as “deemed to be” Regulated Retention. In this case the CPSO collects the retail revenue from the customer and as this is a CPS call it pays eircom a normal CPS origination charge. In addition, because the service provider is hosted by eircom, it also pays over the retail revenues less a retention, this settlement being at the same rate as is used in Case 1. i.e. the calculation is Settlement = Retail Revenue – Regulated Retention, Because the CPSO pays an origination charge to eircom its net receipt on the transaction amounts to the regulated retention less an origination charge. In effect It recovers an amount relating only to billing, credit control, cash collection and bad debt. There appears to be no recovery of network related costs. This is illustrated below.

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The net amount received by the CPSO in this scenario is

Retention	Origination + Billing etc
Less Origination paid	(Origination)
Net amount received by CPSO	Billing etc

No monies are retained for the costs associated to the CPSOs network utilised during the call. For this particular type of call from a CPS customer to a non geographic number it appears that CPSOs may be inadequately remunerated for carrying the calls across their network.

Under Call Case 2 (Appendix A) the cost of the call to the sum of all the network operators involved in the call would be higher than the broadly equivalent call shown in Case 1 (Appendix A). More network elements are required for Case 2 than Case 1 and this is a necessary feature of the CPS and other forms of indirect telephony.

This type of call (Case 2) has generated considerable concern amongst CPSOs already because of the low (in certain circumstances, negative) remuneration available. As a consequence examples with low retail revenues have tended to be categorised as ‘CPS excluded’. Amongst the internet access codes 1891 has always been excluded from CPS; on introduction 1892 has been similarly initially classified. As ISPs have been moving their traffic from geographic numbers (CPS included) to 1892 (currently CPS excluded) CPS operators have witnessed sharp declines in their overall traffic. Any increase in the level of retention for such calls could be a significant factor in a reappraisal of the current excluded calls status of internet access calls.

ComReg considers that there may be a case for ensuring that CPSOs recover their costs for the carriage of such calls. This would encourage CPSOs to carry such calls, rather than exclude them from CPS, and thus ensure that their traffic levels and revenues reflect their market share, while enhancing the CPS experience for customers. It is not anticipated that a change in the remuneration arrangements for these calls would result in any detriment to consumers.

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3 Possible Alternatives

If it is the case that CPSOs are inadequately remunerated in the scenario of Call Case 2 the question arises as to what level of charge would provide an appropriate recompense. The simplest answer, which would make the smallest change to the existing deemed to be charging regime, would be for the CPSO to retain an amount equal to the call origination charge levied by eircom in addition to the current amounts retained. While recognising that this is by no means the only possibility ComReg proposes that this change be introduced to the relevant interconnect charges if it is determined that a change to the existing levels of charge is appropriate. ComReg would welcome other suggestions and proposals which could also address this apparent anomaly.

Q. 1. Do respondents agree that the above description of existing charging arrangements in relation to calls to OAO hosted NTCs accurately captures the essence of the current position? Please confirm, and/or offer amendments and additional explanation.

Q. 2. Do respondents consider that the existing arrangements provide for reasonable returns on the costs incurred in carrying the traffic in Call Case 2 for the CPSOs involved in carrying such calls?

Q.3. Do respondents agree with the approach outlined above bearing in mind issues such as ease of implementation and operation. If this approach is not considered to be appropriate please give reasons and suggest alternative approaches which might be adopted with explanations supporting the approach.

Q.4. If new arrangements are instituted, from what date should these apply?

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4 Submitting Comments

All comments are welcome, however it would make the task of analysing responses easier if comments were referenced to the relevant question numbers from this document.

The consultation period will run from 18 September 2003 to 10 October 2003 during which the Commission welcomes written comments on any of the issues raised in this paper. Respondents are requested to provide as much quantitative data as possible in order to allow ComReg to accurately assess the potential impact of any changes.

Having analysed and considered the comments received, ComReg will publish a report on the consultation which will, inter alia, summarise the responses to the consultation.

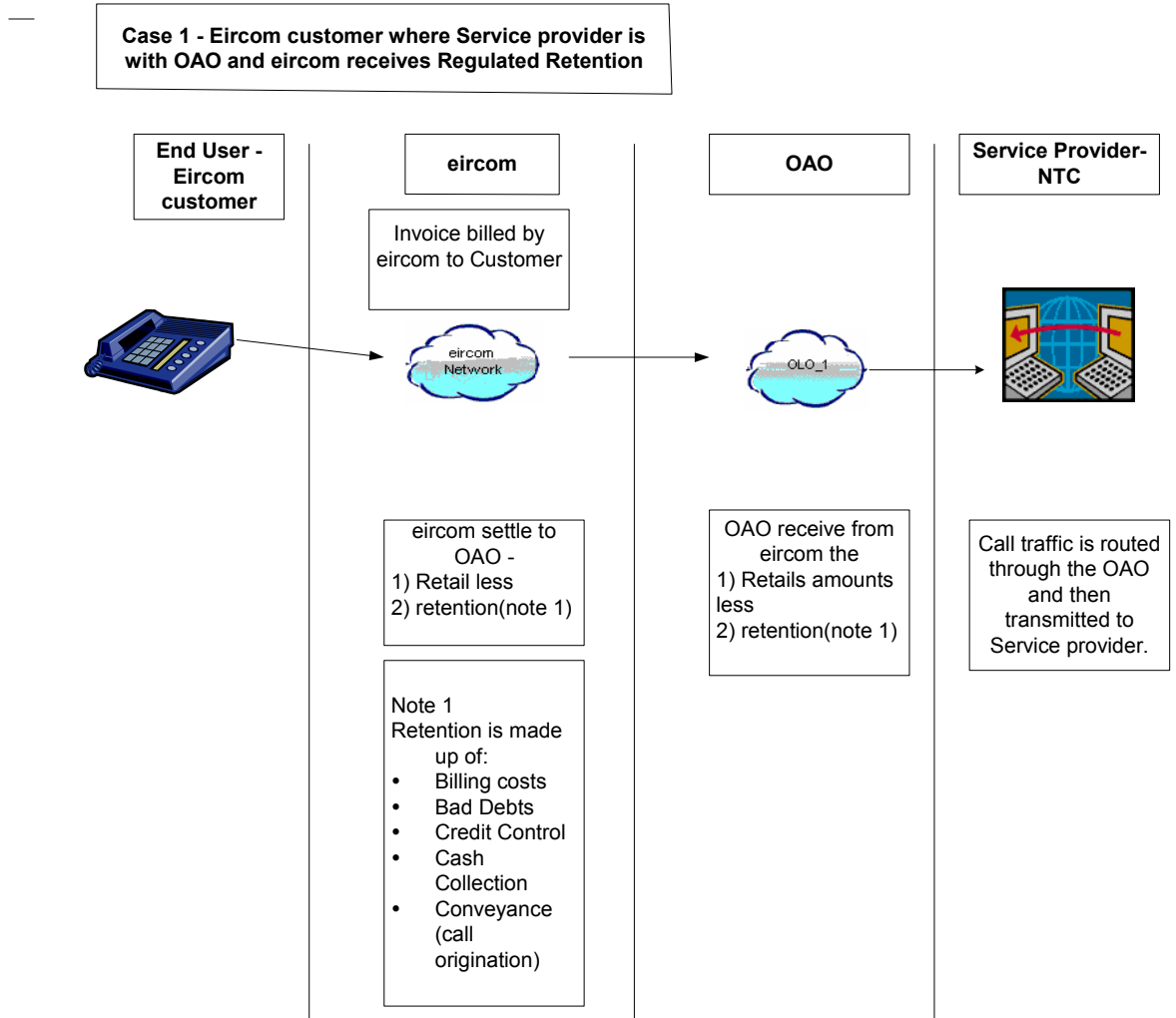
In order to promote further openness and transparency ComReg will publish the names of all respondents and make available for inspection responses to the consultation at its Offices.

Please note ComReg will publish all submissions with the Response to Consultation, subject to confidentiality.

ComReg appreciates that many of the issues raised in this paper may require respondents to provide confidential information if their comments are to be meaningful. Respondents are requested to clearly identify confidential material and if possible to include it in a separate annex to the response. Such information will be treated as strictly confidential.

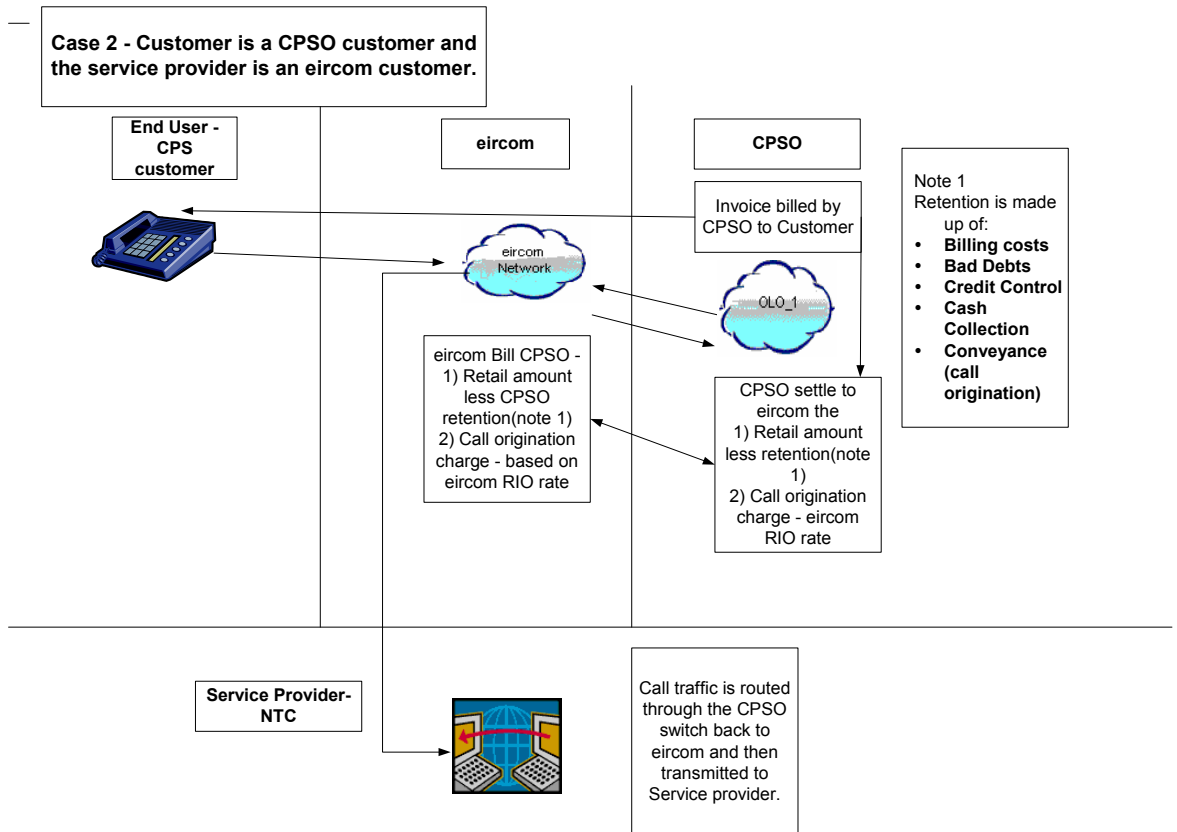
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Appendix A – Call Case 1 Diagram



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Appendix A – Call Case 2 Diagram



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Appendix B – Legislative Background

This consultation spans the changeover to the new regulatory framework which occurred on the 25th of July 2003. Regulation 38 of the Framework Regulations 2003 revokes instruments of the previous regulatory framework. However, Regulation 13(b) of the Universal Service Regulations 2003 deals expressly with the maintenance of RIO and CPS obligations. It provides that notwithstanding the revocation under Regulation 38 of the Framework Regulations, eircom must continue to comply with any obligations applicable to it on 24 July 2003 relating to carrier selection or pre-selection imposed under the European Communities (Interconnection in Telecommunications) Regulations 1998 to 2000 until such time as obligations under Regulation 14, 15 or 16 of the Universal Service Regulations are imposed. Obligations under Regulation 14, 15 or 16 may only be imposed following the completion of the market analysis process currently being undertaken by ComReg.

In addition, Regulation 8(1) of the Access Regulations 2003 provides that notwithstanding revocations under Regulation 38 of the Framework Regulations, eircom must, amongst other obligations, continue to comply with any obligations concerning access and interconnection under the European Communities (Interconnection in Telecommunications) Regulations 1998 (S.I. No. 15 of 1998) applicable to it prior to entry into force of the Access Directive until such time as specific obligations pursuant to Regulation 9 are imposed on any undertaking designated under Regulation 27(4) of the Framework Regulations.

ComReg's powers of direction in relation to Regulation 13(b) of the Universal Service Regulations and Regulation 8 of the Access Regulations arise respectively under Regulation 31 of the USO Regulations and Regulation 17 of the Access Regulations. Regulation 31 permits ComReg, for the purpose of further specifying requirements to be complied with relating to an obligation by or under Regulation 13 of the Universal Service Regulations, to issue directions to a person to do or refrain from doing anything which ComReg specifies in the direction. Regulation 17 of the Access Regulations contains near identically worded powers of Direction in respect of obligations by or under Regulation 8 of the Access Regulations.

This document is without prejudice to the legal position or the rights and duties of ComReg to regulate the market generally. Any views expressed are not binding and are without prejudice to the final form and content of any decisions which ComReg may make.

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Appendix C – Consultative Questions

Q. 1. Do respondents agree that the above description of existing charging arrangements in relation to calls to OAO hosted NTCs accurately captures the essence of the current position? Please confirm, and/or offer amendments and additional explanation.

Q. 2. Do respondents consider that the existing arrangements provide for reasonable returns on the costs incurred in carrying the traffic in scenario 2 for the CPSOs involved in carrying such calls?

Q.3. Do respondents agree with the approach outlined above bearing in mind issues such as ease of implementation and operation. If this approach is not considered to be appropriate please give reasons and suggest alternative approaches which might be adopted with explanations supporting the approach.

Q.4. If new arrangements are instituted, from what date should these apply?