



Commission for
Communications Regulation

Emergency Call Answering Services

Call Handling Fee review 2020

NON CONFIDENTIAL

Consultation and Draft Determination

Reference: ComReg 20/102

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Additional Information

All responses to this consultation should be clearly marked :- “Submissions to ComReg 20/102”, and sent by post or email to arrive on or before 24 November 2020, to:

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1 Introduction

- 1 In Ireland, emergency services are called by dialling 999 or 112, and such calls are initially received by the Emergency Call Answering Service (“ECAS”).
- 2 In accordance with relevant Irish legislation, emergency calls are free of charge to the caller¹ on all networks.
- 3 On 12 February 2018, the Minister for Communications, Climate Action and Environment (“the Minister”) awarded a contract to BT Communications Ireland Ltd (“BT”) with respect to the ECAS. This contract known as “the Agreement” is between the two parties alone.
- 4 The ECAS is funded entirely through the Call Handling Fee (“CHF”). This is a fee payable by the presenting telephone network operator and/or the telephone call service provider whenever a customer on their network calls the ECAS.
- 5 ComReg is required² to annually review the maximum CHF that may be charged by the ECAS operator.
- 6 Between 1 March 2019 and 11 February 2020 the maximum permitted CHF that the ECAS operator could charge was €3.93. This was determined by the Department of Communications, Climate Action and Environment (“DCCAE”). The current maximum permitted CHF (since 12 February 2020) that the ECAS operator can charge is €1.77.
- 7 The movements between the CHF as determined by DCCAE (€3.93) and that as determined by ComReg (€1.77) at last review were:

CHF determined by DCCAE to 11 February 2020 €3.93	
Reduction based on higher than predicted call volumes (historical)	€[X] (-)
Reduction due to repayment from the Agreement 1 Sinking Fund	€[X] (-)
Reduction based on higher than predicted call volumes (forward looking)	€[X] (-)
2020-2021 CHF payable	€1.77

¹ Regulation 5 of the European Communities (Electronic Networks and Services) (Universal Service and Users’ Rights) Regulations 2011

² Section 58(D)(I) of the Communications Regulation Act, 2002, as amended (“the Act”)

- 8 The present consultation concerns the maximum chargeable CHF from 12 February 2021, the third anniversary of the date on which the contract was entered into, in accordance with Section 58D(1) of the Act.
- 9 The cost base of the ECAS has been assessed for this purpose. During the review an assessment was also undertaken of reasonable costs. ComReg was supported by TERA Consultants in its review.
- 10 ComReg expects volumes to be c. 2.45m calls per annum which has been estimated based on current monthly call volumes.
- 11 ComReg has completed its analysis of reasonable costs and projected call volumes as well as accommodating accumulated funds in the Agreement 1 Sinking Fund, as set out below. **ComReg proposes that the CHF to be applied from 12 February 2021 be €2.83.** This proposed CHF is for the period from 12 February 2021 to 11 February 2022.
- 12 The movement in the proposed CHF can be summarised as follows:

CHF to 11 February 2021	€1.77
Contribution of Sinking Fund and historical volumes adjustment from 2020/2021	€[>] (+)
Sinking Fund adjustment 2021/2022	€[>] (-)
Effect of volume increases	€[>] (-)
Increase in operating costs	€[>] (+)
Operating costs disallowed pending further review	€[>] (-)
Other cost movements	€[>] (+)
2021-2022 CHF payable	€2.83

- 13 While the CHF of €2.83 represents an increase on last year, it is worth noting that the CHF contained in the original contract is €3.93.
- 14 ComReg is required to complete its review by 12 December 2020. If, by that date, it appears that the expected rate of call annual volumes will differ from the forecast of 2.45m ComReg may further adjust the CHF calculation accordingly.

- 15 ComReg encourages interested parties to respond to this consultation and thus to contribute to the continuing effective functioning of this key service. Should a respondent's submission contain confidential information, an additional document labelled "non-confidential" should be provided. Only this "non-confidential" version will be published by ComReg. In this context, ComReg maintains the confidentiality of information supplied, in accordance with Section 24 of the Communications Regulation Act 2002 (as amended) (" the Act") and in accordance with ComReg's Guidelines on the treatment of confidential information as set out in ComReg Decision No. D05/24.

2 Movement in the proposed CHF

16 The following are the significant movements in the proposed CHF.

CHF to 11 February 2021	€1.77
Contribution of Sinking Fund and historical volumes adjustment from 2020/2021	€[x] (+)
Sinking Fund adjustment 2021/2022	€[x] (-)
Effect of volume increases	€[x] (-)
Increase in operating costs	€[x] (+)
Operating costs disallowed pending further review	€[x] (-)
Other cost movements	€[x] (+)
2021-2022 CHF payable	€2.83

Sinking Fund contribution and historical volumes adjustment

17 During the previous CHF review the following three adjustments were made to the CHF as originally set by the contract at €3.93.

- Both the “*Reduction based on higher than predicted call volumes (historical)*” and the “*Reduction due to repayment from the Agreement 1 Sinking Fund*” were once off items and hence do not reappear in the proposed CHF of €2.83. Those reductions accounted for one-off adjustments of €[x] and €[x] respectively to the CHF for 2020/2021. These are not present in the CHF for 2021/2022.
- The “*Reduction based on higher than predicted call volumes (forward looking)*” effectively reset the baseline for call volumes from 1.76m, as originally predicted by DCCAE when determining the CHF of €3.93, to revised predicted volumes for 2020/2021 of 2.3m. ComReg expects a comparable level of call volumes, with a slight increase to 2.45m , to continue into the future.

Sinking Fund adjustment 2021/2022

18 DCCAE has agreed to release €400,000 from the Sinking Fund as a deduction from the cost of running the ECAS in 2021/2022.

19 This reduces the CHF by €[<] for 2021/2022 only.

Effect of volume increases

20 As mentioned above ComReg expects call volumes to increase to c2.45m calls per annum. In the last review calls were projected at c2.3m per annum.

21 The change in this assumption for the remainder of the ECAS term equates to a reduction of €[<] in the CHF for 2021/2022. This is essentially an economy of scale but has a knock-on effect on labour costs discussed further below.

Increased operating costs

22 There were increases noted across a number of categories in particular premises, network services and staff costs.

23 There was an increase in premises costs in the current year driven largely by the impact of COVID 19 and measures required to deal with it.

24 As discussed in Section 4 the forecast call volumes are estimated to be 2.45m per annum. The total cost of operating and managing the ECAS is c. €<. While the ECAS is predominantly a fixed cost operation, and the costs do not fluctuate greatly from year to year (with the exception of the Covid-19 impact on costs), the increase in call volumes in the current volume has required increased call takers driving a consequential rise in labour costs.

25 This is discussed by Tera at Section 1.2.2 (page 7) of their report and results in an annual increase in the CHF of c. €[<] per call.

Deferral of certain costs

26 During the course of its review ComReg queried a number of costs which it intends to investigate further before deciding on whether they are permissible as reasonable costs. While these are discussed in more detail below they relate to:

- Networks – dual running costs;
- Networks – recruitment of an engineer; and
- Engineering and scheduling – additional costs in relation to Help desk function.

27 Currently these costs are excluded from the costs of the CHF and as a result have reduced the CHF by €[§<].

Other movements

28 “Other movements” includes the effect of a number of small adjustments impacting the CHF other than those mentioned above.

29 The net effect of these is to increase the CHF by €[§<].

Monitoring Costs

30 ComReg can confirm that its monitoring costs³ associated with the carrying out of this review are not, at this time, being recovered through the CHF.

³ Section 58 (E) of the Act

3 Reasonable Costs

- 31 As part of this review ComReg has reviewed the costs incurred by BT under the Agreement to determine whether or not they could be considered reasonable. In conducting its review ComReg, with the support of its advisors TERA Consultants⁴, has had extensive interaction with BT.
- 32 Due to COVID 19 restrictions ComReg has not been able to visit the call centres in Ballyshannon and Navan. While this is regrettable ComReg has visited these sites on several occasions in previous years.
- 33 Despite the COVID 19 restrictions ComReg has engaged extensively with BT's finance function to understand the cost structure of the ECAS and how it compares to the bid originally submitted to DCCAE as part of the tendering process⁵.

3.1 Comparison of ongoing costs with costs in the bid

- 34 ComReg has compared the ongoing costs as estimated by BT to the end of the Agreement compared to the costs it submitted to DCCAE as part of its bid. The variances are discussed in further detail below.

Cost categories	€'000
Total lifetime costs per bid	€[X]
Call centre operators	€[X] (+)
Other staff costs	€[X] (+)
Networks	€[X] (+)
Premises	€[X] (+)
Call centre manager / first line manager	€[X] (-)
Engineering and scheduling	€[X] (-)
Other	€[X] (+)
Total cost movement	€[X] (+)
Forecast lifetime contract costs	€[X]

⁴ See ComReg Document 19/96a

⁵ ComReg was not part of the review process of the tenders.

35 At a summary level ongoing costs of the ECAS are expected to be €[X] for the length of the Agreement when compared to costs in the bid of €[X]. This represents an increase of €[X].

36 Within this c. 94% relates to an increase in the cost of the call operators and the balance of c. 6% is spread across the remaining cost categories.

Call centre operators €[X]

37 In the tender call volumes were expected to be c. 1.76m per annum. As noted in chapter 4 they are currently running at c. 2.45m per annum an increase of 36% over. In order to maintain the standards as determined by DCCAE, as well as offering the most appropriate service to the public, BT has had to increase the number of operators by c.10 Full Time Equivalents. BT continues to use an Erlang model to resource the ECAS. This is the same process it has used for several years and has been extensively reviewed by ComReg.

38 This extra cost is c. €[X] to the end of the Agreement.

39 ComReg considers these costs to be reasonable.

Other staff costs €[X]

40 The increase in other staff costs reflects the following:

- Health insurance and permanent health insurance for additional operators;
- Increased travel associated costs. Included in this are additional costs that arose when the night shift for the Navan call centre was temporarily transferred to a standby site in Dublin. This reduced the risk of the closure of the Navan site if there was a COVID outbreak.
- Account has also been taken of a marginal reduction in some ancillary costs such as procurement and billing.

41 The net extra cost is c. €[X] to the end of the Agreement.

42 ComReg considers these costs to be reasonable

Networks and Maintenance €[X]

- 43 When BT submitted its tender it was expected that operators would migrate to the new platform in a timely manner. While a period of dual running costs was, nevertheless, always envisaged the extent of these costs has been greater than expected.
- 44 The extra costs have been €[X] but BT expects them to significantly reduce in the not too distant future.
- 45 ComReg considers that recovery of these costs should be deferred until further analysis of them has been completed.
- 46 Since the signing of the current contract, BT, with the approval of DCCAE, has transferred the technical support of the ECAS platform from its original third-party supplier to BT (UK). This transfer has been done on the same terms and conditions as the original third-party contract. BT UK took on 7 of the employees from the original third-party supplier so that it had the relevant expertise in-house to provide this technical support. The cost of BT UKs support for the ECAS is no longer being charged to the ECAS. Instead it is accounted for at a consolidated level. Previously the “revenue” in BT UK would have offset the “cost” in BT Ireland at a consolidation level. BT proposes to continue charging this cost to the ECAS, while no longer making a payment to BT UK, as this support is necessary for ensuring the integrity of the platform. ComReg considers that this proposal is reasonable.
- 47 Following the transfer to BT (UK), BT (Ireland) recruited a member of the original third-party supplier to provide additional technical support to the ECAS. This has not, however, resulted in an equivalent reduction in costs to BT (UK). ComReg, pending further explanations from BT, has not allowed the inclusion of this cost in the calculation of the CHF.

Premises €[X]

- 48 COVID 19 has had an impact on how the ECAS has managed the health and safety aspect of its operations. It is not possible for staff to work remotely for an extended period of time.
- There has been an increase in the frequency and intensity of cleaning at the call centres. This is expected to continue for the foreseeable future.
 - The Navan call centre is also a data centre and provides a significant administrative function to the ECAS. As noted above it was closed each evening for a period of time when the night shift was transferred to Dublin. Due to the criticality of the site night-time security was considered necessary when the premises were unoccupied.

49 This results in a forecasted extra cost of c. €[X] to the end of the Agreement.

50 ComReg considers these costs to be reasonable.

Call centre manager / first line managers €[X]

51 In its bid BT included a call centre manager and X first line managers. As a result of staff churn and headcount reductions, BT is reconfiguring how it manages the resourcing of operations with a reduced cohort of 6 FTE with a re-distribution of roles and functions within the group.

52 The cost savings to the ECAS are €[X] when compared to the bid.

Engineering and scheduling €[X]

53 This comprises three main elements, which largely compensate each other in terms of cost and also specialism:

- Shared service manager;
- Shared technical resources; and
- scheduler.

Shared service manager

54 The cost of the shared service manager has been reduced by €[X] as the necessity for this role is not as significant as envisaged in the bid.

Shared technical resources

55 The cost of shared technical resources has increased by €[X]. BT states that, after an internal review (post the bid) it has found that not all time associated with these resources is being fully recovered. In addition the expertise required of the technical resources has proven to be of a more senior grade than envisaged in the bid.

56 Pending further explanations from BT ComReg has not allowed this cost in the calculation of the CHF.

Scheduler.

57 In its bid BT had envisaged the use of a scheduler to manage the resourcing of operators. This function is now being managed by FLMs.

58 As a result there has been a reduction in costs of €[X].

Other €[X]

59 Other cost movements of €[X] cover a variety of matters and represent less than 1% of the additional costs.

3.2 Operating Costs

60 ComReg has reviewed the remaining annual costs of operating the ECAS. The operating costs reflect the estimated total costs over the seven-year life of the Agreement and are averaged to reduce the impact of fluctuations from one year to another.

61 While the main cost categories are discussed below it should be noted that apart from the matters noted above no unusual costs were noted or considered unreasonable.

Call centre operations

62 There are c. [X] call centre operators. These continue to be paid on the number of hours worked. The total annual cost of the call centre operators is estimated at c. €[X]. These reflect projected inflationary increases over the life of the Agreement.

63 In addition to the call centre operators there are various support functions necessary for the successful running of the PSAPs. These include:

- First line managers – monitor call quality, provide training / one-to-one coaching, schedules resources and can also take calls where necessary; and
- HR resource – deals with operators as initial contact for HR issues and deals with HR administration.

BT incurred costs

64 BT incurs certain of its own costs in running the ECAS. These roles include:

- Head of ECAS – responsible for the overall running of the ECAS;
- Service engineers – three engineers dedicated to maintaining the ECAS;
- ECAS administration support – responsible for report preparation and also retrieval of calls for evidence-based matters;
- ECAS service manager - Manages operational relationship with Undertakings and technology suppliers;

- Solution Architect – responsible for strategic development of the ECAS platform;
- Shared service engineers – mainly network monitoring and incident management and resolution;
- Support labour costs – finance, procurement and regulatory; and
- Overhead – utilisation of buildings and central overheads.

Other costs

65 Other costs associated with the Agreement include:

- Premises – rent, rates and insurance;
- Maintenance – platform support - majority of which is now undertaken by BT;
- Network services – resilient connectivity to the ECAS sites from telecoms operators the emergency services; and
- Other – audit and ancillary costs.

Sinking Fund

66 The DCCAE has mandated that there be an annual payment of €250,000 per annum into the Sinking Fund and this is considered to be beyond the scope of the review.

67 For the purposes of this CHF the DCCAE has agreed to release €[X] for this year only against a deduction against the costs of operating the ECAS. This has the effect of reducing the CHF.

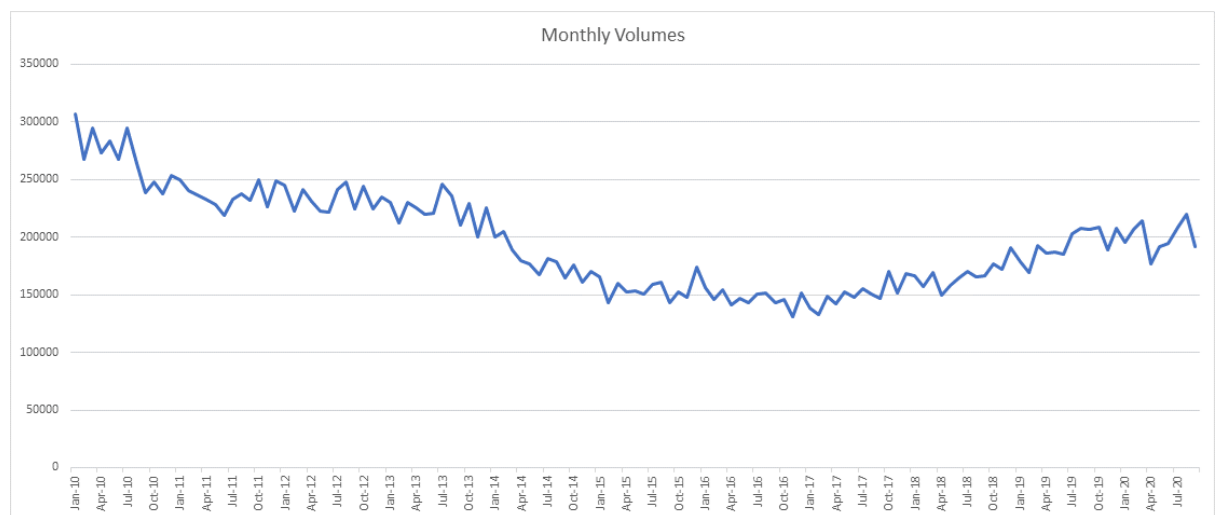
Guaranteed rate of return

68 There is a guaranteed rate of return for BT of €[X] per annum which has been set by DCCAE and is considered to be beyond the scope of the review.

4 Volumes

69 Annual volumes are currently c. 2.42m per annum and the movement in actual calls is reflected in Figure 1 below:

Figure 1: ECAS monthly call volumes January 2010 to September 2020



Source: BT

70 ComReg publishes regular information notices on ECAS call volumes. Figure 2 below (which is taken from ComReg Information Notice No. 20/74) shows the differences in monthly call volumes between January 2020 and June 2020. When compared to the same period in 2019.

Figure 2: Call volumes January 2019 to June 2019 v January 2020 to June 2020

	2020	2019	difference	% difference
January	195,430	178,364	17,066	9.6%
February	207,136	169,305	37,831	22.3%
March	214,053	192,276	21,777	11.3%
April	176,467	185,918	(9,451)	(5.1%)
May	191,992	187,142	4,850	2.6%
June	194,616	185,079	9,537	5.2%
January to June Total	1,179,694	1,098,084	81,610	7.6%

Source: BT

- 71 Call volumes for July to September 2019 compared to July to September 2020 were:

Figure 3: Call volumes July to September 2019 v July to September 2020

	2020	2019	Difference	% Difference
July	208,885	203,343	5,542	2.7%
August	220,172	207,461	12,711	6.1%
September	191,536	206,505	<14,969>	<7.2%>
July to September Total	620,593	617,309	3,284	0.5%

Source: BT

- 72 Given the unpredictability of call volumes (and their bursty nature) there can be significant variations month-on-month. BT through its analysis of the different call types has predicted that there will be annual call volumes of c. 2.45m for 2021/2022.

73 Due to the unpredictability of call volumes ComReg is of the preliminary view that it is prudent to maintain a forecast call volume of 2.45m calls for 2021/2022 and beyond.

Q. 1 Please provide any comments you may have in relation to forecast call volumes for 2021/2022. Please provide detailed reasoning and accompanying calculations (where appropriate) supporting your submission.

Q. 2 Are there any matters which you wish to raise as part of this review? Please provide detailed reasoning and accompanying calculations (where appropriate) supporting your submission.

5 Draft Determination

Definitions

1.1 In this determination:

- “*the Act*” means the Communications Regulation Act 2002(as amended);
- “*the Commission*” means the Commission for Communications Regulation established under section 6 of the Act;
- “*emergency call*” has the same meaning as in section 58A of the Act; and
- “*the emergency provider*” means BT Communications Ireland Limited.

2 Determination

2.1 The Commission makes this determination:

- In exercise of its powers under section 58D (2) of the Act;
- Pursuant to the review conducted by it under section 58D (1) of the Act;
- Having had due regard to section 58D (3) of the Act;
- Pursuant to Commission Document No. 20/102 and Commission Document No. 20/102a;
- Having duly taken account of the responses received to Commission Document No. 20/102 and Commission Document No. 20/102a; and
- Having regard to the reasoning and analysis conducted by the Commission and set out in this response to consultation and determination.

2.2 The Commission hereby determines that for the period from 12 February 2021 to 11 February 2022 the maximum permitted call handling fee that the emergency provider may charge to entities who forward emergency calls to it for handling such a call shall be €2.83.

2.3 This determination is effective from the date of the publication of this response to consultation and determination.

Q. 3 Do you agree or disagree with the wording of ComReg's Draft Determination?
Please provide detailed reasoning for your views.

6 Submitting Comments

- 74 The consultation period will run from 27 October 2020 to 24 November 2020, during which ComReg welcomes written comments. It is requested that comments be cross-referenced to the relevant question numbers from this document.
- 75 Having analysed and considered the comments received, ComReg will publish a response to consultation and decision in January 2021.
- 76 In order to promote further openness and transparency, ComReg will publish respondents' submissions to this consultation. However, ComReg must strictly maintain the confidentiality of any information provided to it in confidence. Electronic submissions should be submitted in an unprotected format so that they can be appended into the ComReg submissions document for publishing electronically.

7 Statutory Basis

- 77 Section 58 (A) – 58 (H) of the Communications Regulation Act 2002 (as inserted by section 16 of the Communications Regulation (Amendment) Act 2007) provides generally for the establishment of the ECAS and associated matters. Section 58 (D) obliges and empowers ComReg to review and determine the maximum permitted CHF on an annual basis.

8 Questions

- Q. 1 Please provide any comments you may have in relation to forecast call volumes for 2021/2022. Please provide detailed reasoning and accompanying calculations (where appropriate) supporting your submission.
- Q. 2 Are there any matters which you wish to raise as part of this review? Please provide detailed reasoning and accompanying calculations (where appropriate) supporting your submission.
- Q. 3 Do you agree or disagree with the wording of ComReg's Draft Determination? Please provide detailed reasoning for your views.