



Commission for
Communications Regulation

Emergency Call Answering Services

Call Handling Fee review 2018

Consultation and Draft Determination

Reference: ComReg 17/92

Date: 08/11/2017

Additional Information

All responses to this consultation should be clearly marked :- “Submissions to ComReg 17/92”, and sent by post, facsimile or email, or submitted on-line at www.comreg.ie (current consultations), to arrive on or before 5 December 2017, to:

**Retail Division
Commission for Communications Regulation
One Docklands Central,
Guild Street,
Dublin 1
Ireland
D01 E4X0**

Ph: +353-1-8049600 Fax: +353-1-8049680 Email: retailconsult@comreg.ie

Legal Disclaimer

This consultation is not a binding legal document and also does not contain legal, commercial, financial, technical or other advice. The Commission for Communications Regulation is not bound by it, nor does it necessarily set out the Commission’s final or definitive position on particular matters. To the extent that there might be any inconsistency between the contents of this document and the due exercise by it of its functions and powers, and the carrying out by it of its duties and the achievement of relevant objectives under law, such contents are without prejudice to the legal position of the Commission for Communications Regulation. Inappropriate reliance ought not to be placed on the contents of this document.

Content

Section	Page
1 Introduction.....	4
2 Movement in the proposed CHF	7
3 Volumes	12
4 Draft Determination	15
5 Submitting Comments	16
6 Statutory Basis	17
7 Questions	18

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 In 2009, the then Minister for Communications, Climate Action and Environment (“the Minister”) awarded a contract to BT Communications Ireland Ltd (“BT”) to design, build, and implement the ECAS. This contract, known as the Concession Agreement (“CA”), is between these two parties alone. 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.
- 4 The current CA expired in July 2017. BT continues to deliver equivalent services, on the basis of a provision in the CA for a further twelve months (“Equivalent Services”). These Equivalent Services are required pending the completion of a public procurement process by the Minister in relation to the next CA.
- 5 ComReg is required² to annually review the maximum CHF that may be charged by the ECAS operator.
- 6 In February 2017, ComReg, having concluded its annual review, determined the maximum permitted CHF at €3.95 for the year 12 February 2017 to 11 February 2018. To determine this figure, ComReg analysed the reasonable costs incurred by the ECAS operator. ComReg’s analysis was informed by third party consultants³ with expertise in this area. Views of interested parties were requested through a public consultation process and detailed responses were received.
- 7 The present consultation concerns the maximum chargeable CHF from 12 February 2018. While the CHF is set annually for a 12 month period, unless the contract ends, it has been calculated based on a period of the Equivalent Services (as set out in the CA), that is to July 2018.

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 of 2002”)

³ Analysys Mason Limited.

- 8 The cost base of the ECAS (excluding prior period under-recoveries and/or identified cost discrepancies between BT actual costs and the predictive model used to determine the CHF (“the CHF Model”)) has remained relatively stable. During this review and also in previous reviews a significant assessment was undertaken of reasonable costs. These costs have been analysed as part of the current CHF review and that the ongoing costs accounted for in the current are considered reasonable.
- 9 In the 2017-2018 CHF review, ComReg predicted that calls would decline at a rate of 6% over the 12 months in scope. The current rate of decline is, if annualised, approximately 4%. However, given historical seasonal fluctuations in call volumes⁴, ComReg is of the preliminary view that it is appropriate to maintain a forecast call volume decline of 6%⁵.
- 10 ComReg is of the preliminary view that, having completed its analysis of reasonable costs and projected call volumes as well as accommodating prior under-recoveries and foreseen movements, set out below **ComReg proposes that the CHF to be applied from 12 February 2018 be €3.24**. This proposed CHF is for the period from 12 February 2018 to 11 February 2019 or the commencement of a new CA, whichever is earlier.
- 11 The movement in the proposed CHF can be summarised as follows:

2017-2018 CHF	€3.95
Increase due to capital investment - operational activities ⁶	€X
End of under-recovery factor ⁷	€X
Reduction due to repayment from the Sinking Fund ⁸	€X
2018-2019 CHF payable	€3.24

- 12 It should be noted that the operating structure of the ECAS and the associated costing methodology has not changed when compared to previous reviews.

⁴ The actual rate of decline tended to exceed the forecast rate of decline

⁵ The 2% difference between the actual call volume decline (4%) and the forecast call volume decline (6%) results in an impact of c. €0.07 per call.

⁶ ParagraphError! Reference source not found.

⁷ Paragraph 17

⁸ Paragraph 35

- 13 ComReg is required to complete its review by 12 December 2017. If, by 12 December 2017, it appears that the rate of call volume decline will exceed 6% ComReg may further adjust the CHF accordingly.
- 14 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 Regulation 15 of the European Communities (Electronic Communications Networks and Services) (Framework) Regulations 2011 ("the Framework Regulations").

2 Movement in the proposed CHF

15 The following are the significant movements in the proposed CHF.⁹

2017-2018 CHF	€3.95
Increase due to capital investment - operational activities ¹⁰	€X
End of under-recovery factor ¹¹	€X
Reduction due to repayment from the Sinking Fund ¹²	€X
2018-2019 CHF payable	€3.24

2.1 Capital investment – operational activities (increase - €X)

16 Almost all of the entire asset base of the ECAS has now been written off. However, as assets continue to be used normal upgrade and maintenance has been required. Software licence renewals have been significant in this context and the capital element of these expenditures is depreciated over the remaining term.

2.2 End of under-recovery factor (decrease - €X)

17 Primarily due to the call historical call volumes decline at a much greater rate than forecast the ECAS operator had significant under-recovery of costs for several periods. A proportion of previous CHFs included an element to clear these under-recoveries by the end of the CA. The CHF of €3.95 from the prior review was set so that a prior under-recovery of costs would be cleared by 12 February 2017. As this has now been cleared, the additional element in the CHF, necessary last year (and in prior years), is no longer required.

⁹ The movements are calculated based on the estimated number of calls from 12 February 2018 to July 2018 (c. 620,000 calls).

¹⁰ Paragraph 16

¹¹ Paragraph 17

¹² Paragraph 35

18 It should be noted that current operating costs are in line with previous forecasts. ComReg does not consider that any of the costs associated with the operation of the ECAS are unreasonable. However, in order to reduce the possibility of costs being under-recovered by the end of the CA ComReg considers that it is prudent to include quarterly forecast costs at their maximum rate from the previous four quarters rather than the average used heretofore. If there is an over-recovery of costs any over-recovery will be paid into the Sinking Fund. The treatment of any surplus on the Sinking Fund, should it arise, is a matter for DCCAE.

2.3 Sinking Fund

19 Over the period of the CA €X per annum (as mandated by DCCAE) has been paid in the Sinking Fund. The Sinking Fund has accumulated €X over the term and funds are held in escrow by the DCCAE.

20 Following consultation, DCCAE has confirmed that specific residual costs have already been, or will soon be, paid from the Sinking Fund rather than contributing to an increased CHF. These costs include:

- Capital Investment required by DCCAE;
- Call centre hours;
- Upgrade of Navan STM1 to STM4 and increase in STM1 charges;
- SMS costs;
- Modelling assumptions.

Total paid into the Sinking Fund	€X
Capital investment required by DCCAE ¹³	€X
Call Centre hours ¹⁴	€X
Upgrade of Navan STM1 to STM4 and increase in STM1 charges ¹⁵	€X
SMS costs ¹⁶	€X
Modelling assumptions ¹⁷	€X
Balance of Sinking Fund¹⁸	€X

¹³ Paragraph 21

¹⁴ Paragraph 22

¹⁵ Paragraph 25

¹⁶ Paragraph 28

¹⁷ Paragraph 32

¹⁸ Paragraph 35

2.3.1 Capital investment required by DCCAE €X)

21 During the term of the CA the DCCAE authorised payments totalling €X) for certain capital items. These developments included:

- SMS access
- Support for eircodes
- Support for Advanced Mobile Location
- Support for eCall

2.3.2 Call centre hours (€X)

22 In ComReg document no. 16/95 ComReg noted that a review of calculation of historical call centre hours was required.

23 Accordingly, a review of call centre hours in the CHF model was undertaken which indicates that more hours were required of the ECAS operator to maintain the Key Performance Indicators (“KPIs”) as mandated by DCCAE than were forecast. Consequently, there has been an under-recovery of costs by the ECAS operator.

24 These historical costs have now been assessed and are considered to be reasonable

2.3.3 Upgrade of Navan STM1¹⁹ to STM4 and increase in STM1 charges €X)

25 In ComReg document no. 16/95 ComReg noted that an upgrade of an STM1 to STM4 required further assessment.

26 The circuit to Navan was upgraded to STM4 in 2014/2015. However, the cost impact was not included until Q4 2015/2016 quarterly management accounts. These costs were excluded from previous CHF reviews pending ComReg gaining a further understanding of the basis on which they were incurred.

27 A review of the basis of these costs and the associated functionality indicates that the upgrade was necessary to maintain the KPIs as mandated by DCCAE.

2.3.4 SMS Costs – A new infrastructure for handling the 112 ECAS SMS traffic was implemented in September 2015 (Capex - €X / Opex - €X)

28 In ComReg document no. 16/95 ComReg noted that a review of SMS traffic infrastructure investment required further assessment.

¹⁹ Synchronous Transport Module

- 29 This infrastructure provides higher availability and resilience while minimising ongoing platform updates, thus providing a more stable environment.
- 30 These costs were excluded from previous CHF reviews pending ComReg gaining a further understanding of the basis on which they were incurred.
- 31 A review of the basis of these costs and the associated functionality would indicate that the upgrade was necessary to maintain the KPIs as mandated by DCCAE.

2.3.5 Modelling assumptions (€X)

- 32 Since the ECAS operator commenced operations in July 2010 it has handled approximately 17m calls at a cost of c. €X. With the current CA drawing to conclusion the use of forecast cost data has largely been replaced by actual data. This has resulted in certain underlying assumptions and inputs being refined. This has resulted in an increase in total costs since July 2010 of c. 0.3% to the total cost base.
- 33 A further minor refinement of modelling assumptions may be required at the conclusion of the CA. If there is an over-recovery of costs the ECAS operator is required to refund the excess to the sinking fund. If there is an under-recovery of costs the ECAS operator is entitled to be paid the difference from the Sinking Fund.
- 34 Therefore for the period from 12 February 2018 onwards the only costs to be recovered are the actual costs of running the ECAS.

2.3.6 Balance of Sinking Fund (€X)

- 35 Under the CA the ECAS operator is due to make an eighth payment of €250,000. This means over the CA €X will have been paid into the Sinking Fund and by the time all historical items are paid back there would be c. €X left.
- 36 The DCCAE has advised ComReg that it will retain a balance of €X in the Sinking Fund and that the remaining balance of c. €X can be credited back to operators through a lower CHF.
- 37 By summer 2018 there should be neither an under nor an over recovery of costs. If there is an over recovery of costs any excess will be paid into the Sinking Fund. If there is an under recovery of costs ComReg considers that the €X should be sufficient to address this. ComReg considers that the likelihood of an under-recovery is reduced given the following:

- Costs have remained relatively stable²⁰

²⁰ Paragraph 8

- Call volumes are estimated slightly higher than the current trend²¹
- Historical under-recoveries have been cleared by June 2017²².

Monitoring costs

38 ComReg can confirm that its monitoring costs²³ associated with the carrying out of this review are not, at this time, being recovered through the CHF.

²¹ Paragraph 9

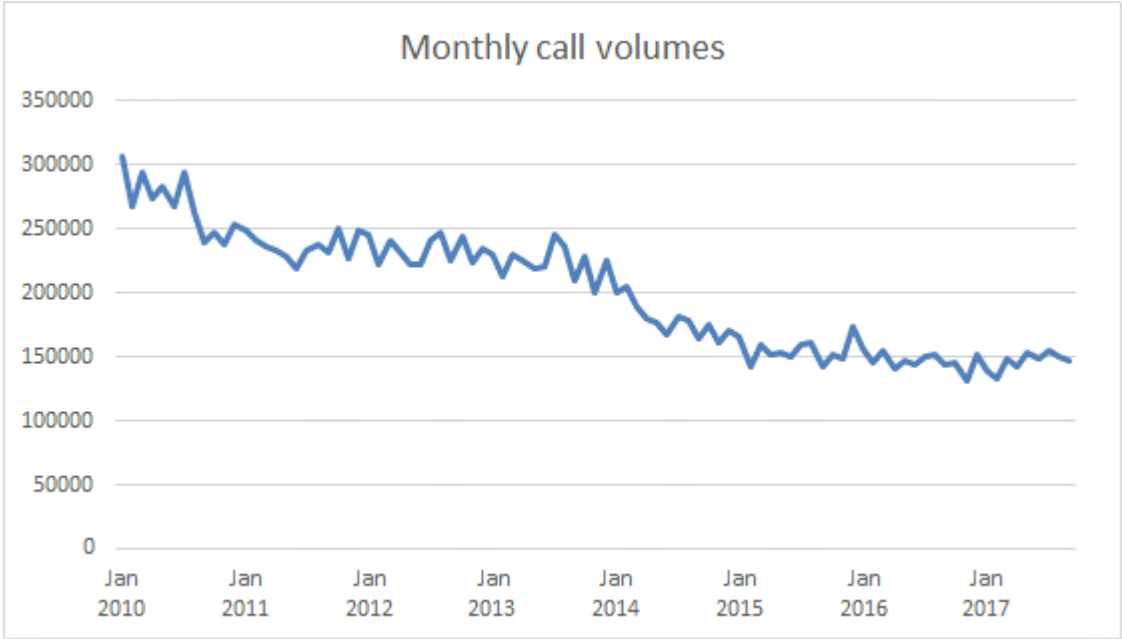
²² Paragraph 17

²³ Section 58 (E) of the Act of 2002

3 Volumes

39 When the ECAS operator entered the CA with the State, the annualised tendered volume of emergency calls was 4.8 million. Since that time, there has been a marked and steady decline. Current volumes are approximately 1.7 million calls per annum. This movement is reflected in Figure 1 below:

Figure 1: ECAS monthly call volumes January 2010 to September 2017



40 ComReg publishes regular information notices on ECAS call volumes. ComReg Information Notice No. 17/84 shows the differences in monthly call volumes between June 2015 and June 2017.

Call volumes for October 2015 to September 2016 compared to October 2016 to September 2017 were:

	2016 - 2017	2015 - 2016	Difference	% Difference	Average
October	145,828	152,176	<6,348>	-4.2%	-8.7%
November	131,038	147,959	<16,921>	-11.4%	
December	151,242	173,685	<22,443>	-12.9%	
January	138,772	156,533	<17,761>	-11.3%	
February	133,138	145,609	<12,471>	-8.6%	
March	148,747	154,608	<5,861>	-3.8%	
April	142,448	141,023	1,425	1.0%	2.3%
May	152,768	146,416	6,362	4.3%	
June	148,026	143,375	4,651	3.2%	
July	155,121	150,828	4,293	2.8%	
August	150,947	151,352	<405>	-0.3%	
September	147,114	143,314	3,800	2.7%	
Total	1,745,189	1,806,878	<61,689>	-3.2%	

- 41 The decline in call volumes from October 2016 to September 2017 was 3.2% year on year. This is compared to a forecast decline for the same period of 6%. This means that slightly more calls were answered by the ECAS in that period than had been forecast.
- 42 Given the unpredictability of call volumes (and their bursty nature) there can be significant variations month-on-month.
- 43 Within the period from October 2016 to September 2017 calls for the first six months declined by c. 9%²⁴ while calls for the second six months increased by c. 2%.

²⁴ December 2016 saw a decline of c. 13% when compared to December 2015

44 Due to the unpredictability of call volumes ComReg is of the preliminary view that it is prudent to main a forecast call volume decline of 6%.

Q. 1 Are there any matters which you wish to raise as part of this review? Please provide detailed reasoning and accompanying calculations (where appropriate) for your views.

4 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. 17/92;
- Having duly taken account of the responses received to Commission Document No. 17/92; 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 2018 to [XX Month, 201X] 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 **€3.24**.

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

Q. 2 Do you agree or disagree with the wording of ComReg’s Draft Determination? If not, please state your detailed reasoning.

5 Submitting Comments

- 45 The consultation period will run from 8 November 2017 to 5 December 2017, during which ComReg welcomes written comments. It is requested that comments be cross-referenced to the relevant question numbers from this document.
- 46 Having analysed and considered the comments received, ComReg will publish a response to consultation and decision in January 2018.
- 47 In order to promote further openness and transparency, ComReg will publish all respondent's 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.

6 Statutory Basis

- 48 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.

7 Questions

- Q. 1 Are there any matters which you wish to raise as part of this review? Please provide detailed reasoning and accompanying calculations (where appropriate) for your views.**
- Q. 2 Do you agree or disagree with the wording of ComReg's Draft Determination? If not, please state your detailed reasoning.**