



Commission for  
**Communications Regulation**

# **Response to consultation and Final Determination regarding the Emergency Call Answering Service Call Handling Fee Review 2012/2013**

## **Submissions to Consultation**

**Reference:** ComReg 12/01s

**Date:** 12/01/2012

**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](mailto:info@comreg.ie) Web [www.comreg.ie](http://www.comreg.ie)

## Submissions Received from Respondents

Document No:	12/01s
Date:	12/01/2012

Consultation:	11/81
Response to Consultation:	12/01

# Content

<b>Section</b>	<b>Page</b>
1: ALTO.....	4
2: Eircom.....	12
3: H3GI.....	26
4: Magnet.....	36
5: Telefónica.....	39
6: Vodafone.....	46

# 1: ALTO

# alto

alternative operators in the communications market

**Consultation - Emergency Call Answering Service - Call Handling Fee review 2012/2013 Ref: 11/81**

**Submission By ALTO**

**Date: November 30<sup>th</sup> 2011 (At 1 pm)**

ALTO is pleased to respond to the ComReg Consultation and Draft Determination on Emergency Call Answering Service – ECAS, Call Handling Fee Review 2012/2013.

**General Observations:**

ALTO is concerned that there are issues underlying the establishment of the ECAS Call Handling Fee – CHF, as detailed in our previous responses to ComReg’s various ECAS publications. We still find it most curious that the levels of historical activity dropped as drastically as they did to display a reduction of in excess of 1 million calls in a very short period of time in the circumstances.

ALTO remains focussed upon the overstatement issue and continues to call on ComReg to carry out a detailed investigation into whether or not over-recovery has been occurring relating to these call types on the former providers network. While ALTO makes no formal allegation in respect of the foregoing, the subject of ECAS in general and the pending tender and potential transfer from eircom Ltd. to another successful bidder (whom we now know to be BT Ireland) is notably coincidental when referencing the reduction in call volumes.

If over-recovery, or some technical event (such as loop-disconnect) was occurring, and continues to occur, to inflate call volumes then this must be carefully scrutinised. We make this request again, and remark without prejudice to the outcome or further consultation or formal investigation that ComReg may choose to undertake.

ALTO notes that this, and all other ECAS consultations have made various assumptions relating to population demographics based on Central Statistics Office – CSO, and other data. ALTO is satisfied that in the event of a catastrophic incident, the ECAS centres could cope with the traffic volume loads such an event would undoubtedly bring.

ALTO confirms for the record that while BT Ireland is a member of ALTO, for the purposes of this submission BT has not participated given the potential impacts to over member interests. In any event, ALTO positions are not attributable to any member company in isolation.

ALTO generally states again, that it does not fully support the historically stated increase in the costs of termination or conveyance to ECAS, although it must be acknowledged that this appears to be the trajectory of, or the ultimate conclusion in relation to ComReg's findings and that of its partners.

ALTO submits this response cognisant of the various judicial appeals brought in relation to ComReg's decision in the previous round of consultations on this issue. We express no view in relation to those substantive appeals, other than to state that we are happy that matters are back before industry for consultation.

### **Responses to Consultation Questions:**

Q. 1 Do you agree or disagree with ComReg's preliminary view that a hybrid costing methodology, based on HCA accounts (appropriately adjusted for reasonableness), and reflecting forward-looking cost and volume data is the most appropriate way to determine the CHF? Please provide detailed reasoning for your views.

A.1. ALTO has no issue with the use of historical cost data – HCA, and call volumes being used once this data is procured from the BT Ireland, the current ECAS provider and not the previous provider eircom Limited. Should ComReg base its findings on data where a clear and gross overstatement of call volumes has been apparent (and unsatisfactorily investigated) relating to the previous providers data that would be problematic for ALTO. If data from eircom is to be used ALTO would prefer a BU LRAIC + approach to be implemented.

Q. 2 Do you agree or disagree with ComReg's preliminary view that avoidable cost is the appropriate costing principle for reviewing the maximum permitted CHF as outlined above? Please provide detailed reasoning for your views.

A. 2. ALTO generally agrees with ComReg's view relating to avoidable costs as the appropriate costing principle for reviewing the maximum permitted CHF.

Obviously, avoidable costs are those that would not be incurred if the service was not provided, thus avoidable costs relate 100% to the cost of supplying the essential ECAS service.

Q. 3 Do you agree or disagree with ComReg's preliminary view that the cost associated with the provision of ECAS are Direct Costs, Indirect Costs, Fixed Costs and Variable Costs? Please provide detailed reasoning for your views.

A. 3. ALTO agrees with ComReg's preliminary view that the costs associated with the provision of ECAS are namely Direct and Indirect Costs as well as Fixed and Variable costs. ALTO expresses no detailed view in relation to our reasoning here. We are satisfied that the preliminary view appears *prima facie* reasonable.

Q.4 Do you agree or disagree **with ComReg's preliminary view that €28.07 is a reasonable hourly rate payable to the specialist call-centre company?** Please provide detailed reasoning and calculations for your views.

A. 4. ALTO agrees with ComReg's preliminary view, above. We also consider that the amount as stated represents a reasonable rate of return for the call centre operation.

ALTO remarks that having 3 Public Safety Answering Points – PSAPs, might be perceived to be disproportionate give the Irish population versus that of our near neighbours and other EU Member States. Although, given the population

demographic assumptions drawn and presented in the consultation document 3 PSAPs may be the correct amount when dealing with serious or catastrophic incidents.

Given the recent Government policy to withdraw from decentralised governance, ALTO questions whether the location of certain PSAPs<sup>1</sup> would have been made in the current economic climate?

In any event, ALTO believes that the issue of ECAS is a matter of public interest and does not detract from the work of the Department of Communication, Energy and Natural Resources, and BT Ireland in the circumstances.

Q.5 Do you consider that the staff, which is 100% dedicated to ECAS, represents the appropriate organisational structure? Please provide detailed reasoning for your views.

A. 5. ALTO agrees with ComReg's view in relation to the above question. We find it difficult to express a robust view without more information. ALTO is of the opinion that ECAS staff should be 100% dedicated to ECAS services at all times, and should not be used to work on other ancillary projects by the tendering entity (regardless of what company that is, from time-to-time).

Q.6 Do you agree or disagree with ComReg's preliminary view on call volume forecasts? Please provide detailed reasoning for your views. Please outline if you are aware of any network remediation programme or any such initiative in the short to medium term (1 to 4 years) which may affect the forecasted volume of emergency calls.

A. 6. ALTO disagrees with ComReg's preliminary view on call volume forecasts. We believe that the data used in this section of the consultation, 7.4 is inaccurate

---

<sup>1</sup> ALTO is aware of the location of all PSAPs but does not remark on which PSAPs we comment on

and does not properly reflect the reality of traffic forecasts utilising ECAS. We restate our dissatisfaction with the previous regime and would ask ComReg to reconsider its conclusions to that end. Please see preliminary comments relating to catastrophic events.

Q.7 Do you agree or disagree with ComReg's preliminary view that such international benchmarks in paragraph 8.6 above where the CHF information cannot be directly comparable is not applicable? If not, please state your detailed reasoning including any state which jurisdictions, if any, would allow for a direct comparison for benchmarking purposes.

A. 7. ALTO does not fully support ComReg's preliminary view that the international benchmarks in paragraph 8.6 are directly comparable. What we find most curious is that an industry cost structure subsists in only two instances, that of the UK and Ireland. We believe that there is something inconsistent relating to this figure. ALTO is also interested to review data related to the fixed versus mobile penetration percentages in places where call volumes per capita exceed 60%. Should it be the case that similar issues continue to arise, as arose in the past relating to erroneous mobile calls hitting the 999/112 levels, requiring an ECAS intervention.

Q.8 Please provide any particular comments in relation to the type of information you consider likely to be confidential or commercially sensitive.

A. 8. ALTO has no further comments in relation to this question.

**ALTO**

**30<sup>th</sup> November 2011**

---

above.



## 2: Eircom

**eircom Ltd.**

**Response on behalf of eircom Ltd to ComReg  
Consultation and Draft Determination 11/81:**

**Emergency Call Answering Service:  
Call Handling Fee Review 2012/2013**



**30 November 2011**

**DOCUMENT CONTROL**

<b>Document name</b>	eircom Ltd. Response on behalf of eircom Ltd to ComReg Consultation and Draft Determination 11/81: <i>Emergency Call Answering Service: Call Handling Fee Review 2012/2013.</i>
<b>Document Owner</b>	eircom
<b>Last updated</b>	Final
<b>Status</b>	Non-confidential

## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	4
GENERAL COMMENTS .....	6
RESPONSES TO CONSULTATION QUESTIONS .....	9
RELEVANT COST STANDARD.....	9
TYPES OF COSTS .....	9
REASONABLE COSTS .....	10
VOLUMES .....	11
INTERNATIONAL BENCHMARKS .....	12
TREATMENT OF CONFIDENTIAL INFORMATION.....	13

## **EXECUTIVE SUMMARY**

eircom welcomes the opportunity to respond to the ComReg consultation on its review of the Emergency Call Answering Service (ECAS) Call Handling Fee (CHF) for 2012-2013.

The ECAS is a vital public service providing access to emergency services to the general public in Ireland. As in other jurisdictions the service is a key component of Government policy and is supported by national legislation.

For many years eircom provided the service on a pro-bono basis. In July 2007 eircom began to receive payments for the service through the €1.55 charge per call, rising to €2.21 in August 2009. In August 2010 BT took over the operation of the ECAS and the CHF was set at €2.23 per call. By February 2011 (six months later) the CHF had increased by 50% to €3.35. This significant increase placed a considerable burden upon the operators concerned.

eircom Group notes the current proposal to maintain the CHF at the existing €3.35 level. While this means that the costs to eircom Group of ECAS calls will not increase, however, serious questions remain in terms of the efficiency of the model used to derive the price of ECAS calls in particular in a context where volumes are declining.

The basis for the increase in 2011 according to ComReg was to ensure that BT recovers all of its capital and current costs over the lifetime of the five year contract. For full transparency the operators who fund the service and the general public need to be assured that the operation is efficiently run. This efficiency should not be affected by handling calls such as spurious<sup>1</sup> and SIM Free<sup>2</sup> calls that do not reflect the needs of the public.

In this response eircom raises concerns on the efficiency of the operations. In the absence of full information it is difficult to adequately espouse these concerns through detailed analysis. This is exacerbated by the lack of comparable international benchmarks due to the unique nature of the ECAS in Ireland. However it is noteworthy that the proposed ECAS fee in Ireland of €3.35 is in excess of three times the rate charged in the UK.

The current ECAS is designed to handle 4.8m calls per annum. However it has been clear for some time that the call volumes have been in decline and still have some way to go. ComReg

---

<sup>1</sup> Calls generated by faulty customer equipment or network connections.

<sup>2</sup> ECAS calls made from a mobile telephone without a SIM card.

and other stakeholders should work to achieve maximum efficiency in the ECAS operation during the life of the current five year contract. In 2014 a new ECAS will be established under a new contract. The new ECAS should be modelled on volumes of calls that are genuine emergency calls, with spurious, SIM Free and other unnecessary calls eliminated as far as possible. This new model should be capable of being funded by a reduced CHF while still delivering a robust and reliable service to Ireland.

In the meantime eircom continues to run a successful programme to manage and reduce the volumes of spurious calls that pass through its network. SIM Free calls remain a significant issue for the operators due to the volumes involved. eircom urges ComReg and other stakeholders to actively cooperate to reduce and eliminate unnecessary calls to the ECAS.

## **GENERAL COMMENTS**

The Emergency Call Answering Service (ECAS) is a vital public service, available to all citizens free of charge. The ECAS, being part of the overall suite of emergency services, is designed to be robust in its configuration and operation.

The ECAS in Ireland is designated for the sole purpose of answering emergency calls from citizens and its facilities cannot be used for the provision of any other service. The ECAS is funded by the fixed line and mobile operators that pass on the calls from their customers. The funding mechanism is through the Call Handling Fee (CHF) for each call handled. This operating and funding model is unique to Ireland.

This simple model should provide clarity on the costs that are attributable to the service. No other service can use the facilities and therefore no opportunity should exist for costs to be shared. However the information presented in the ComReg consultation document and the accompanying Tera Report do not allow stakeholders to conduct a full evaluation of the operations.

A CHF of €2.23 per call was in place when BT took over the operation of the ECAS in August 2010. This CHF was marginally higher than the €2.21 which eircom was permitted to charge up to that time. Within six months the CHF had increased by 50% to €3.35. This placed a significant additional burden upon the operators concerned and raised questions on the efficiency of the operation when volumes were clearly declining, and on the incentives provided to BT to run the provision of ECAS efficiently.

This review of the CHF proposes to maintain the fee at the current level. eircom Group notes the current proposal to maintain the CHF at the existing €3.35 level. While this means that the costs to eircom Group of ECAS calls will not increase, serious questions remain in terms of the efficiency of the model used to derive the price of ECAS calls. In the consultation document ComReg notes that efficiencies have been made by BT and that certain costs have been disallowed. For example Tera noted that some costs are unreasonable and should not be recovered by the CHF. Tera also questioned the hourly rate paid by BT to its contractor and BT's capacity planning. The disallowance of certain costs and the reduction of others should result in a decrease of the price of calls to operators.

In this context, it is a fundamental issue that the model used to determine the price of ECAS calls, appears to allow for the same body of costs to be recovered, regardless of volumes, resulting in a higher unit fee when volumes decrease. eircom has long indicated to ComReg that the volumes would reduce over time due to the initiatives put in place. In an effort to manage its own costs these initiatives will continue. The price that BT is allowed to recover from ECAS calls should recognise this trend.

This means the capital and operating costs to provide a new ECAS, based on lower volumes, should result in a proportionately reduced CHF.

It is incumbent upon ComReg and stakeholders to work to bring about a reduction in volumes so that only genuine calls are generated and passed to the ECAS. Consequently measures must continue to be taken and initiatives put in place to deal with nuisance calls, spurious calls and SIM Free calls. The benefit will be an efficient ECAS service which is funded by the industry in a cost effective manner.

ComReg's current approach to cost recovery does not allow this objective to be achieved. In particular, eircom continues to disagree with ComReg's allowance for the full depreciation of the assets employed for the ECAS over five years. As explained before, clearly these assets are likely to have a remaining useful life. It would be reasonable to expect that from 2014, the newly appointed ECAS provider, be it BT or a new provider, will take over the existing ECAS infrastructure (as it would be unreasonable to expect the industry to fund a replica ECAS to facilitate the entry of a new provider) and that in these circumstances, the CHF would allow for no further depreciation of a fully depreciated infrastructure, thereby resulting in a decrease of the CHF from 2014 onwards. However, this clearly is not an efficient manner to approach cost recovery - in particular there is no good reason why the current ECAS operator should be entitled to frontload costs in this manner.

eircom refers to the issues raised in its letter dated 9 March 2011, which have not been considered in any satisfactory manner by ComReg and remain valid and outstanding in relation to this review. In this regard, eircom does not accept ComReg's position that '*The "the set-up costs" incurred by BT in designing, building and implementing the ECAS were reviewed last year and therefore, they are outside of the scope of the review*' (para. 2.2). eircom further notes that section 58 of the Communications Regulation Act as amended does not allow ComReg to restrict the scope of its review in the manner proposed by ComReg.

It is noteworthy that ComReg has not conducted a Regulatory Impact Analysis (RIA). Clearly the 50% increase in the CHF in February 2011 was not without its consequences for operators, particularly at a time of economic difficulty and falling revenues. The consequences remain into 2013, as the fee is proposed to remain at the current €3.35 level. eircom does not accept the justification offered by ComReg to explain that it has not conducted a RIA. In particular, the justification that "*ComReg is not imposing any legal obligations on any electronic communications networks and service providers*" is clearly incorrect. ComReg sets the maximum price that BT is allowed to charge other operators and it is difficult to see how this is different from the pricing regulation adopted by ComReg in relation to certain of eircom's regulated services. ComReg is imposing on BT the obligation not to charge more than the fee specified.

In addition, and in any event, even if ComReg's position was correct (which it is not), it is clear from ComReg Doc. 07/56 on ComReg's Approach to Regulatory Impact Assessment, in particular para. 3.13, that ComReg will assess the requirement for a RIA in each case, having regard to its degree of discretion and the principles of reasonableness and proportionality. eircom has no doubt that ComReg should have conducted a RIA.

## **Responses to Consultation Questions**

### **Relevant cost standard**

Q.1 Do you agree or disagree with ComReg's preliminary view that a hybrid costing methodology, based on HCA accounts (appropriately adjusted for reasonableness), and reflecting forward-looking cost and volume data is the most appropriate way to determine the CHF? Please provide detailed reasoning for your views.

eircom has reviewed the ComReg consultation document and the Tera Report. eircom agrees that a hybrid costing methodology, as described by ComReg, is the most appropriate way to determine the Call Handling Fee (CHF). The ECAS network has been recently deployed by BT and has been the subject of a cost review by ComReg. This would suggest that at this stage the Historical Cost Analysis (HCA) costs of the ECAS network platform, appropriately adjusted for reasonableness, should closely reflect the costs of a Current Cost Accounting (CCA) for the Modern Equivalent Asset (MEA).

It is also appropriate that the CHF should reflect the future costs of the level of staffing necessary to meet the contracted ECAS service levels based on forward looking demand data. In this regard, eircom again points to decreasing volumes of calls.

### **Types of costs**

Q.2 Do you agree or disagree with ComReg's preliminary view that avoidable cost is the appropriate costing principle for reviewing the maximum permitted CHF as outlined above? Please provide detailed reasoning for your views.

eircom agrees that avoidable costs is the appropriate costing principle as the CHF should only compensate an operator for the reasonable costs it has necessarily incurred as a result of providing the ECAS.

Q.3 Do you agree or disagree with ComReg's preliminary view that the cost associated with the provision of ECAS are Direct Costs, Indirect Costs, Fixed Costs and Variable Costs? Please provide detailed reasoning for your views.

eircom agrees with the general classification of costs outlined by ComReg in the context of ECAS as it is currently provided in Ireland. As ComReg has noted the ECAS network was designed and built specifically for offering ECAS. This means that it is not going to enjoy the economies of scope that are available in the case of multi-service networks. Therefore common and joint costs are not likely to be relevant. Indeed the majority of costs relevant to the CHF are likely to be direct as they will relate to staff that are dedicated to some extent to ECAS and to the third-party support contracts specific to ECAS.

In the absence of economies of scope, ComReg must be certain that the costs are representative of a truly efficient operation. Any inefficiency must be reflected in the calculation of the ECAS Call Handling Fee.

## **Reasonable costs**

Q.4 Do you agree or disagree with ComReg's preliminary view that €28.07 is a reasonable hourly rate payable to the specialist call-centre company? Please provide detailed reasoning and calculations for your views.

In general, in the ComReg consultation document and the Tera Report, there is an absence of sufficient detail to enable a fully considered response. Much of the relevant data and figures have been redacted.

The hourly cost of €12.79 in respect of salary, bonus and PRSI appears to be reasonable and in line with industry norms.

However, it is not possible to comment on the remaining elements of the hourly charge given the lack of detail provided. eircom would have preferred to have visibility of the detail behind the remaining €15.28 per hour. This is a mark-up of 120% on the direct labour costs, which seem high for a labour intensive operation. An explanation of each element of this figure and the basis on which this is included is required before it can be reviewed.

Q.5 Do you consider that the staff, which is 100% dedicated to ECAS, represents the appropriate organisational structure? Please provide detailed reasoning for your views.

The ECAS as currently modelled is dedicated solely to the handling of emergency calls without the possibility of being flexible during slack periods. The lack of detail provided makes it difficult to accurately evaluate the efficiency of the staffing levels. It is also not clear if the staff numbers provided represent actual headcount or Full Time Equivalents (FTEs).

However the staff planning for the ECAS centres suggests that there is over capacity. This is evident, for example, from the data presented by BT<sup>3</sup> showing the 1.3 second Speed of Answer target is being overachieved by 50%. In addition Tera commented that “The number of hours requested by BT for ECAS is too high.”<sup>4</sup>

For First Line Managers, in our view it is not possible to say whether this represents an appropriate structure given the lack of detail provided on the number of Customer Service Representatives (CSRs) per centre or information on rosters.

With respect to Support Engineers, again it is not possible to comment without further detail, for example on the data centre site locations. Also it is not clear whether the three engineers are full time equivalents or whether the engineers support the function on an "on-site" or remote basis.

The number of support and administration staff appears reasonable given the reporting and quality requirements.

## Volumes

Q.6 Do you agree or disagree with ComReg’s preliminary view on call volume forecasts? Please provide detailed reasoning for your views. Please outline if you are aware of any network remediation programme or any such initiatives in the short to medium term (1 to 4 years) which may affect the forecasted volume of emergency calls.

<sup>3</sup> “Emergency Calls Answering Service Quarterly Forum”, held in ComReg offices 16<sup>th</sup> November 2011.

<sup>4</sup> ComReg 11/81a (Tera Report) Page 5

The volume forecast ignores the fact that approximately 28% of all ECAS calls are SIM Free<sup>5</sup>. This is a significant volume of calls and creates an unacceptable burden for the industry that pays €3.35 for each of these calls. For Meteor SIM Free ECAS calls represent approximately 40% of ECAS calls from its network. Countries such as Sweden estimate that over 98% of calls from SIM Free handsets are either hoax or false calls. In the Irish context this equates to approximately 768,000 calls per annum<sup>6</sup>. This issue needs to be investigated and addressed given the significant inefficiency imposed on the operation of the ECAS and the huge cost burden on the industry.

SIM Free calls also consume significant resources from the emergency services perspective creating inefficiencies in the system and it is notable that in recent times a number of countries have taken active steps to technically restrict SIM Free ECAS calls in order to eliminate this inefficiency.

Based on the volume projections, no account of any reductions in SIM Free calls seems to be factored in. In that context eircom would not agree with the forecast as presented.

eircom however continues to monitor spurious 112 calls and report any faulty lines to the eircom fault handling centre. In the case of calls not generated from within the eircom network, customers are advised of defective equipment. Technicians are dispatched to investigate the fault and repair in the case of a cable fault. eircom believes that the forecast reduction of 3.5% in call volumes is consistent with the objectives of this project.

## International benchmarks

Q.7 Do you agree or disagree with ComReg's preliminary view that such international benchmarks in paragraph 8.6 above where the CHF information cannot be directly comparable is not applicable? If not, please state your detailed reasoning including any state which jurisdictions, if any, would allow for a direct comparison for benchmarking purposes.

There are different operating models for the provision of the ECAS type services across the world. In practically all cases the service is funded by central government or by a government agency such as a police force.

<sup>5</sup> "Emergency Calls Answering Service Quarterly Forum", held in ComReg offices 16th November 2011.

<sup>6</sup> Monthly average of 64,000 SIM Free calls, per "Emergency Calls Answering Service Quarterly Forum".

In the UK the service is operated by BT when providing other commercially related services. However it is difficult to segregate the direct costs involved as the provision of other services co-exist with the ECAS. The funding is provided by the operators that pass the ECAS calls to BT. It is notable nonetheless that the BT ECAS Fee in the UK is £0.7885 maximum (VoIP calls)<sup>7</sup>. The proposed ECAS fee in Ireland of €3.35 is in excess of three times the rate charged in the UK.

The absence of publicly available benchmark comparisons therefore behoves ComReg to be absolutely rigorous in its examination of the ECAS operations and the calculation of the ECAS Call Handling Fee.

## **Treatment of confidential information**

Q.8 Please provide any particular comments in relation to the type of information you consider likely to be confidential or commercially sensitive.

The eircom comments in this response document are non-confidential and may be published by ComReg.

---

<sup>7</sup> BT Carrier Price List, 1 March 2010. Fixed line and mobile calls charged at £0.6571 and £0.5605 respectively.

## **3: H3GI**

H3GI response to Emergency Call Answering Service:  
Call Handling Fee Review 2012/2013  
Doc no. 11/81



H3GI is a leading provider of mobile communications services in Ireland and the leading provider of mobile broadband in Ireland. H3GI has in excess of 195,000 mobile broadband subscribers. H3GI forms part of the 3 Group, a group of companies with a presence in the UK, Sweden, Denmark, Austria and Italy and the international telecoms division of Hutchison Whampoa Limited. H3GI launched in 2005 and is Ireland's fastest growing mobile network. H3GI's network is the only network in Ireland purpose built for 3G.

H3GI welcomes the opportunity to feed into ComReg's consultation regarding the review and determination of the Emergency Call Handling Fee ('CHF'). Please note the following detailed responses to ComReg's Consultation Document No. 11/81 ('Consultation'):

Throughout the Consultation and Tera Consultants Recommendation for a reasonable Call Handling Fee (CHF) as associated with the Emergency Call Answering Services (ECAS) Final report ('Tera report') references are made to ComReg's initial review which was carried out in February 2010 by Horwath Bastow Charleton ('HBC') where ComReg permitted a 50% increase in the CHF. H3GI raised a number of concerns regarding the HBC review and subsequent determination (see annex 1 'Letter'). These concerns remain outstanding.

As outlined in the Consultation, the Concession Agreement ('the CA') which was entered into on 12 February 2009 set the initial maximum CHF at €2.23. Section 58 B (1) (a) of the Communications Regulation (Amendment) Act, 2007 ('the Act of 2007') provides that '*the contract shall specify terms and conditions for the effective operation of the service and in particular, shall (a) specify the maximum call handling fee that the operator is permitted to charge during the first 2 years of the operation of the service*', as a result the CHF should have remained at €2.23 during the first 2 years of the operation of the service as required within the CA. The BT ECAS service went into operation on 14 July 2010 and therefore the applicable CHF as set within the CA should have remained until July 2012.

Section 58 D B (1) of the Act of 2007 provides that "*Not later than 2 months before the second anniversary of the date on which an ECAS contract was entered into, and not later than 2 months before each subsequent anniversary of that date while the contract remains in force, the Commission shall conduct a review of the maximum permitted call handling fee that the ECAS operator can charge for handling emergency calls*", this confirms the point above that the CHF should have remained at €2.23 until July 2012.

ComReg has stated that it has '*ensured the consultation provides enough information for the issues to be comprehensible and for stakeholders to respond to it*', H3GI strongly disagrees with this statement. Having reviewed the documentation in full, there is not sufficient information in order to respond. Relevant information has been excluded. For example, see section 3.16 Table 1 where the Total reasonable costs were to be split out and explained, only €3.2m of the total €8.7m has been explained. €5.5m [emphasis added] has been excluded on the basis of confidentiality. If ComReg believes that because we have been provided with a breakdown of €3.2m of costs of €8.7m that this is sufficient while there is a gap of €5.5m, H3GI would question how this is sufficient? Telecommunication providers ('the telco's) pay an already excessive fee for this service so that BT ECAS can recover its costs and make a guaranteed rate of return of 6.63%. H3GI believes the telco's who pay for this service should be provided with this critical information so that a comprehensive response can be provided.,

H3GI response to ComReg  
Consultation Doc no. 11/81



Three.ie

if necessary, including a confidentiality ring. Furthermore, with call volumes on a continuous decline, it is hard to understand why the fees increased firstly by 50% and now it is proposed that this rate remain stable for the remainder of the life of the contract.

ComReg has stated in the consultation that it is *'aware of the advantages of ensuring that the maximum permitted CHF is relatively stable and is also cognisant of the preference to minimise fluctuations if possible'*. H3GI would be interested in knowing what these advantages are and who's preference is it to minimise fluctuations? H3GI would request that the CHF be reflective of the reasonable costs incurred of an efficient service based on the current call volumes and not on historical data.

ComReg also reference that BT ECAS has implemented certain costs savings which has had a material impact on ComReg being able to maintain the CHF at €3.35. H3GI would have expected a reduction in the CHF not the maintenance of the already excessive rate.

In relation to paragraph 2.16, H3GI is concerned that any expenses relating to the financing of the fit out of the PSAP's have been recovered already under the 'set-up costs'. Therefore H3GI requests ComReg to clarify this.

With regard to paragraph 2.21 and the cost savings made as a result of a management restructure i.e. amalgamated certain roles, ComReg have referred to cost savings which H3GI believes may have impact on the CHF but ComReg have failed to provide actual savings made per annum. Again H3GI would expect a reduction in the already excessive fee in light of the cost saving initiatives. Additionally there should be efficiency metrics in place whereby the staffing levels should reflect the actual call volumes.

Overall the total estimated savings which is hoped to be achieved for 2012 /2013 is approximately €1m or €38c per call. In light of these estimates H3GI hopes that ComReg will ensure that these savings are passed to the operators who are providing access to the service and paying for the service when the rate is set next year.

Within section 3.7, ComReg have outlined that the costs may change depending on the assumptions made, and refers to an approximation of the principal cost categories as outlined in *Figure 2: percentages of 'in-life' costs*. There is no information here regarding 'in-life' costs and therefore a review of the approximation cannot be carried out. H3GI would query how stakeholders are required to respond as proposed when there is insufficient data provided.

Within section 3.11, ComReg refers to call volumes and how projected increases in population has been taken into consideration in setting the CHF. ComReg has stated that *'For every 1% increase in the population, it is assumed that the ECAS call volumes will also increase by 1%'*. H3GI does not agree that the call volumes will increase in line with population increases. The CSO has shown that the population has been on a continuous increase since 2002 (3,917,203), 2006 (4,239,848) and 2011 (4,581,269) while the call volumes have been on a continuous downward trend. Therefore this rules this correlation out.

Within section 3.12, ComReg refers to the relative percentage of allocations of reasonable costs and indicates that the data would be available to review in *Figure 3: Percentages of*



*reasonable costs*. Again there is no information. How are stakeholders able to provide responses if they have no access to the data.

Section 3.15 defines a *'reasonable cost'* and it states that *'annual Monitoring Costs and the Final Monitoring Costs of ComReg'* are included within the definition of reasonable costs. H3GI would like to point out that the Act of 2007 explicitly states in Section 58 E (1) that *'The ECAS operator shall pay to the Commission such amount as the Commission certifies in writing as being the amount it has reasonably incurred in monitoring the operation of the ECAS during a specified period'*. The Act of 2007 does not state that BT ECAS can recover these costs from industry via reasonable costs or under the guaranteed rate of return.

In relation to set-up costs, see section 4.10 ComReg has outlined that this review does not entail an assessment of the set-up costs of the ECAS as ComReg reviewed these in 2010, H3GI feels it necessary to reiterate that the initial review was insufficient on the basis that it was based on only 7 months of estimated data. Additionally the initial review of the ECAS set-up capital costs disallowed €232k in respect of a four month delay incurred with the set-up of the Navan ECAS centre but this fee was again included in BT ECAS's QMA accounts when seeking to recover costs this time around. It is outlined within section 6.6.2. of Tera's report, that contrary to the expectation that set-up costs should only incur at the beginning of the ECAS operation, that some set-up costs come up a gain and that these costs were re-allocated to in-life costs as opposed to set-up costs and the consultants state that *'this only impacts the calculation of the cost of capital'*. H3GI would like to highlight that the cost of capital is the guaranteed rate of return which is applied to the Gross Book Value of the fixed assets and the set up costs – therefore it clearly does impact on the CHF which telco's have to pay.

Furthermore, HBC outlined in its report that set-up costs of €232.8k for October-November 2010 were forecast figures which were not audited as part of its review, and advised that these costs be examined in detail as part of the next CHF review. H3GI would request that the set-up costs be fully reviewed as per ComReg's obligations.

In relation to the Sinking Fund, see section 6.7.2 of Tera report where it is outlined that *'this fund must be recovered by the CHF'* and then it goes onto state that *'the cost of this fund is €250,000per annum for BT'* – BT recover this cost via the CHF, therefore this fee is paid for by the telco's not BT. Has Tera reviewed the appropriate level of this fund? H3GI believes that there should be a cap to this fund and upon expiry of the contract any excess funds should be returned to the industry.

As queried in our previous correspondence to ComReg (see Annex 1), this review has again failed to provide reasoning as to why a third call centre was established when the initial tender requested that 2 centres be established. With the continuous decline in call volumes, H3GI believes ComReg should have used this opportunity to examine the need for a third centre and also review the efficiency metrics regarding staff numbers. Separately, Tera's report has outlined that the BT ECAS may have received better value from local suppliers as opposed to using already contracted parties for the procurement of the PSAP centres. Furthermore had BT ECAS used local suppliers then the 4 month delay in establishing the Navan centre may not have occurred.

H3GI response to ComReg  
Consultation Doc no. 11/81



Three.ie

In relation to depreciation and ownership of the assets once the contract expires in 2015, as the telco's having fully paid for the equipment per sec, H3GI requests that ComReg provide a detailed explanation as to what decision will be made regarding these valuable assets and confirmation that the value of the assets would be either refunded to industry or re invested into the ECAS operation going forward, which would also assist in reducing the CHF.

In relation to the life of the assets, which includes the ECAS network which BT have stated that they purposely designed and built for the operation of the ECAS service, ComReg has outlined that *'if a longer average asset life were to be applied, the resulting annual depreciation charge would be lower and as a result the permitted CHF would also be lower'*. H3GI believes the life of the assets of the ECAS operation will extend beyond the life of the contract and therefore a longer asset life should be applied and effectively reduce the applicable CHF.

In relation to section 6.74 and any decisions regarding how the assets will be treated after the expiry of the contract, H3GI disagrees that the assets could not be used by BT or another operator after the expiry of the contract. As outlined above, if the State purchased the assets of BT ECAS then whichever provider was selected to operate the ECAS service on behalf of the State, then they would be able to utilise the system already in place. Significant investments have been made across all industry in order to be able to provide caller location information in the format as required. After the expiry of the contract, industry should not have to amend any of their systems so to meet requirements of the new ECAS provider.

In relation to human resources and the number of operators required to operate an efficient ECAS service, HBC suggested that 49 FTE would be required to cover a full year of calls (it should be noted that HBC's estimate's were based on higher call volumes of 4.8m per annum, and if based on lower call volumes as analysed for ComReg in 2007 of 3.4m calls and call duration times of 27 seconds indicated a requirement for 50 operators). The current position is that there are 80 CSR employees and considering the call volumes are continuously declining and the fact that these labour costs impact on the CHF, H3GI believe it is necessary that a comprehensive review be carried out by ComReg regarding staffing levels. With regard to the amendments to the organisational structure and subsequent amalgamation of certain roles, the reduction in overheads should have an impact on the CHF.

In relation to section 6.39 where a slight reduction in number of CSR hours could be feasible, H3GI believes that a reduction should be implemented in light of the significant reduction in volume of calls. Currently the BT ECAS operation is over achieving in some areas and this is down to the number of staff employed i.e. 80 therefore it seems that a reduction could be achieved without impacting on the standards as set by the CA.

From review of sections 6.41 – 6.51 there seems to be a duplication of activities which have been accounted for separately by different roles for example Administration & Support staff prepares reports and monitor the quality of calls, the monitoring of call quality is one of the main responsibilities (up to 40/60% depending on PSAPs) of the FLM. Due to the high numbers of staff working on the ECAS operation, H3GI believes that there is a duplication of activities for a number of positions and would request a transparent breakdown of the costs incurred for each of the positions.

H3GI response to ComReg  
Consultation Doc no. 11/81



Three.ie

Furthermore section 6.56 lists the support functions charged as required by ECAS, H3GI believes these are common costs to BT's other telecommunications service and therefore these costs should not be recoverable. Only costs directly attributable to the ECAS operation should be recoverable.

In relation to Types of Costs, specifically indirect non-pay costs associated with support functions i.e. finance, human resources, specialist engineering and legal/regulatory services. H3GI would like to understand what % of their work is attributable to the ECAS operation? H3GI believes these costs should be covered under Joint and Common costs, as they are resources utilised from BT's other telecommunications operations and therefore not recoverable. In relation to section 5.44 where it is outlined that the ECAS network could be considered a unique network which was designed and built specifically for offering ECAS and no other telecommunications services are offered on its platform, as outlined above H3GI believes this asset is a fixed asset of the ECAS operation and one which the telco's is effectively paying for via the CHF – therefore this asset like all assets which H3GI believes would have a value after the expiry of the contract, should be sold to the Department of Communications so that all bidders would have access to the bespoke system for ECAS going forward. With regard to costs, in particular indirect costs associated with 'other services', H3GI would question what other services are being included here on the basis of a cost driver?

With regard to fixed costs and the '*minor additional expenditure was made since the go live date*', BT ECAS are seeking to recover these additional costs. H3GI requests a breakdown of these minor additional expenditures as these would have an impact on the CHF and all set-up fees were analysed and confirmed in ComReg's 2010 review. Additionally within section 5.47 of the fixed costs section, it is outlined that '*there are requirements to have a minimum number of CSRs and ECAS management, together with support services and contracts*', can ComReg please outline what the CSR requirements are and where have these been documented? H3GI would disagree that the CSR requirements etc are fixed and believe the costs associated with labour costs would be variable costs.

H3GI is disappointed that ComReg has not carried out a Regulatory Impact Assessment ('RIA') on the determination of the CHF. ComReg has outlined in the past that a RIA is an important part of ComReg's decision process. ComReg are required to carry out a RIA in accordance with European and International best practice and the Better Regulation Programme. As ComReg is aware of the significant number of simless calls which are transmitted to the ECAS operation. Out of the 27% of simless calls, only 2% are real and therefore it is apparent that the industry are paying for 25% of calls which are not real. Simless calls should not be permitted, only calls with a valid sim should be permitted to make calls. With new technologies such as ecall – cars will be required to have a valid sim in order to make an emergency call in the event of an emergency. The car alone will not be permitted to make the call, it is only cars with a valid sim that can avail of this service and this should be consistent across all industries, devices and technologies.

With regard to a simless call which has been connected to the ECAS operation, H3GI would be concerned that no information regarding the caller has been transmitted. The only information that is automatically provided is the caller location information as supplied via the CLI. As this simless handset cannot receive an inbound call from the ECAS operation in order

H3GI response to ComReg  
Consultation Doc no. 11/81



Three.ie

to verify the details of the caller etc H3GI would like to understand how the 2% of real calls received are handled by the ECAS operation.

In relation to the benchmarking exercise, ComReg has stated that it attempted to undertake a benchmarking exercise with other ECAS services in other jurisdictions and it noted that throughout the EU that only the UK and Ireland ECAS service was paid for by industry. As emergency services are a vital State service, H3GI believes the costs of the ECAS operation should be wholly paid for by the State as is the case in the majority of the European members. Then benchmarking exercises could be undertaken annually.

## Appendix 1 – Consultation responses

Q.1 Do you agree or disagree with ComReg's preliminary view that a hybrid costing methodology, based on HCA accounts (appropriately adjusted for reasonableness), and reflecting forward-looking cost and volume data is the most appropriate way to determine the CHF? Please provide detailed reasoning for your views.

H3GI agrees that the hybrid costing methodology used based on HCA accounts is appropriate in order to determine the CHF.

Q.2 Do you agree or disagree with ComReg's preliminary view that avoidable cost is the appropriate costing principle for reviewing the maximum permitted CHF as outlined above? Please provide detailed reasoning for your views.

H3GI would agree that avoidable cost is the appropriate costing principle for reviewing the maximum permitted CHF, however some of the indirect costs and joint and common costs should not all be considered as reasonable costs.

Q.3 Do you agree or disagree with ComReg's preliminary view that the cost associated with the provision of ECAS are Direct Costs, Indirect Costs, Fixed Costs and Variable Costs? Please provide detailed reasoning for your views.

As detailed above. H3GI disagrees with ComReg's preliminary view that the costs associated with the provision of ECAS are as outlined above. H3GI believes that the only costs associated with the provision of ECAS are Direct Costs, Fixed Costs and Variable Costs. H3GI believes the Indirect Costs outlined in the consultation are Joint and Common costs to BT and therefore should be removed as recoverable.

Q.4 Do you agree or disagree with ComReg's preliminary view that €28.07 is a reasonable hourly rate payable to the specialist call-centre company? Please provide detailed reasoning and calculations for your views.

H3GI would agree that €28.07 is reasonable rate per hour.

Q.5 Do you consider that the staff, which is 100% dedicated to ECAS, represents the appropriate organisational structure? Please provide detailed reasoning for your views.

As detailed above. H3GI considers that the ECAS operation is over staffed and ComReg should carry out a complete efficiency metric using current call volumes.

Q.6 Do you agree or disagree with ComReg's preliminary view on call volume forecasts? Please provide detailed reasoning for your views. Please outline if you are aware of any network remediation programme or any such initiatives in the short to medium term (1 to 4 years) which may affect the forecasted volume of emergency calls.

As detailed above. H3GI disagrees with ComReg's preliminary view, as outlined above H3GI believes the volumes of calls will continue to decline in line with the removal of ghost calls and



Three.ie

simless calls (which account for 27% of total calls). As detailed above, H3GI does not agree that there is a direct correlation between call volumes and population statistics.

Q.7 Do you agree or disagree with ComReg's preliminary view that such international benchmarks in paragraph 8.6 above where the CHF information cannot be directly comparable is not applicable? If not, please state your detailed reasoning including any state which jurisdictions, if any, would allow for a direct comparison for benchmarking purposes.

As detailed above. H3GI agrees that currently a benchmarking exercise cannot be undertaken due to the different set up's in each European jurisdiction. However, H3GI proposes that the ECAS operation costs should be wholly paid for by the State as is the case in the majority of the European members.

Q.8 Please provide any particular comments in relation to the type of information you consider likely to be confidential or commercially sensitive.

## **4: Magnet**

Magnet Networks welcomes the consultation especially in light of the significant price increase in the charge for the ECAS service to the providers of telecommunications services to end users in 2011.

*Q.1 Do you agree or disagree with ComReg's preliminary view that a hybrid costing methodology, based on HCA accounts (appropriately adjusted for reasonableness), and reflecting forward-looking cost and volume data is the most appropriate way to determine the CHF? Please provide detailed reasoning for your views.*

Magnet Networks has no issue with historical cost data and call volumes being used once this data is procured from the current ECAS provider and not the previous provider. It is noted in this Consultation that the previous ECAS provider had and continues to have issues with phantom ECAS calls thus, not giving an accurate reflection of the true call numbers. However, if the previous provider's numbers and costs are being utilised in the HCA, Magnet Networks objects to the use of this data and would prefer a BU LRAIC + approach. As Magnet Networks feels that previous ECAS provider data will be incorrect due to the phantom calls issues highlighted in this consultation.

*Q.2 Do you agree or disagree with ComReg's preliminary view that avoidable cost is the appropriate costing principle for reviewing the maximum permitted CHF as outlined above? Please provide detailed reasoning for your views.*

Magnet Networks agree with ComReg's view in relation to avoidable costs as the appropriate costing principle for reviewing the maximum permitted CHF. Avoidable costs are those that would not be incurred if the service was not provided, thus avoidable costs relate 100% to the cost of supplying the essential ECAS service.

*Q.3 Do you agree or disagree with ComReg's preliminary view that the cost associated with the provision of ECAS are Direct Costs, Indirect Costs, Fixed Costs and Variable Costs? Please provide detailed reasoning for your views.*

Magnet Networks agrees with ComReg's preliminary view that the costs associated with the provision of ECAS are namely Direct and Indirect Costs as well as Fixed and Variable costs.

*Q.4 Do you agree or disagree with ComReg's preliminary view that €28.07 is a reasonable hourly rate payable to the specialist call-centre company? Please provide detailed reasoning and calculations for your views.*

Magnet Networks believe that this is a reasonable rate considering it also includes a rate of return of the call centre company. The only concern Magnet Networks has is the fact that there are 3 PSAP for 4.2 million people, whereas the UK has 6 for over 60million people. Magnet Networks understands that this was a legislative requirement but it does lead to an additional cost to the ECAS provider resulting in a higher CHF. Magnet Networks would suggest only 2 PSAP and one could in fact sit along side or within another service, similar to that in the UK. Thus, reducing the CHF.

*Q.5 Do you consider that the staff, which is 100% dedicated to ECAS, represents the appropriate organisational structure? Please provide detailed reasoning for your views.*

Magnet Networks does not believe that having staff 100% dedicated to ECAS is the appropriate organisational structure. Magnet Networks favours an approach where there maybe other services provided by the call handlers within the ECAS call centre. There are three main reasons for this:-

1. reduce the CHF for ECAS calls, as not all of the call centres staff wages and overheads will be apportioned to ECAS

2. More efficient use of the call centre staffs time, there are obvious peaks and troughs in ECAS calls and thus in the intervening time the call centre staff may be utilised to handle other calls. Staff without continuous work may lead to low morale and potentially a higher turn over of staff which leads to higher costs due to the high level of training.
3. To relieve the stress of the ECAS call. As acknowledged during the consultation sometimes the ECAS call centre staff may have to take particular stressful and distressing calls and thus, having the call centre also handle calls such as directory inquiries or a ticket booking service etc, may allow management relieve that staff member from taking ECAS calls for several hours by placing them on different call queues away from ECAS calls. This allows the staff member to continue to work and be paid but sufficient time to recuperate from the stressful ECAS call answering environment.

*Q.6 Do you agree or disagree with ComReg's preliminary view on call volume forecasts? Please provide detailed reasoning for your views. Please outline if you are aware of any network remediation programme or any such initiatives in the short to medium term (1 to 4 years) which may affect the forecasted volume of emergency calls.*

Magnet Networks disagrees with the statement in Clause 7.4 as generic and inappropriate to this consultation. The population in Ireland is increasing due to the high level of births. Emergency services are called for many things from home incidents involving young children, to emergencies involving the elderly there may in fact be a rise in the number of calls to ECAS services over the next year. Again, Magnet Networks would like to see empirical proof for the statement in Clause 7.7 "Call volumes for this particular group (18 to 35) has tended to be higher than for most other groups". It could be argued that these individuals are ringing on behalf of the elderly or very young, and as remarked in Clause 7.7 if this age category are immigrating then the individuals on whose behalf they rang ECAS services previously will now ring on their own behalf or have panic buttons installed.

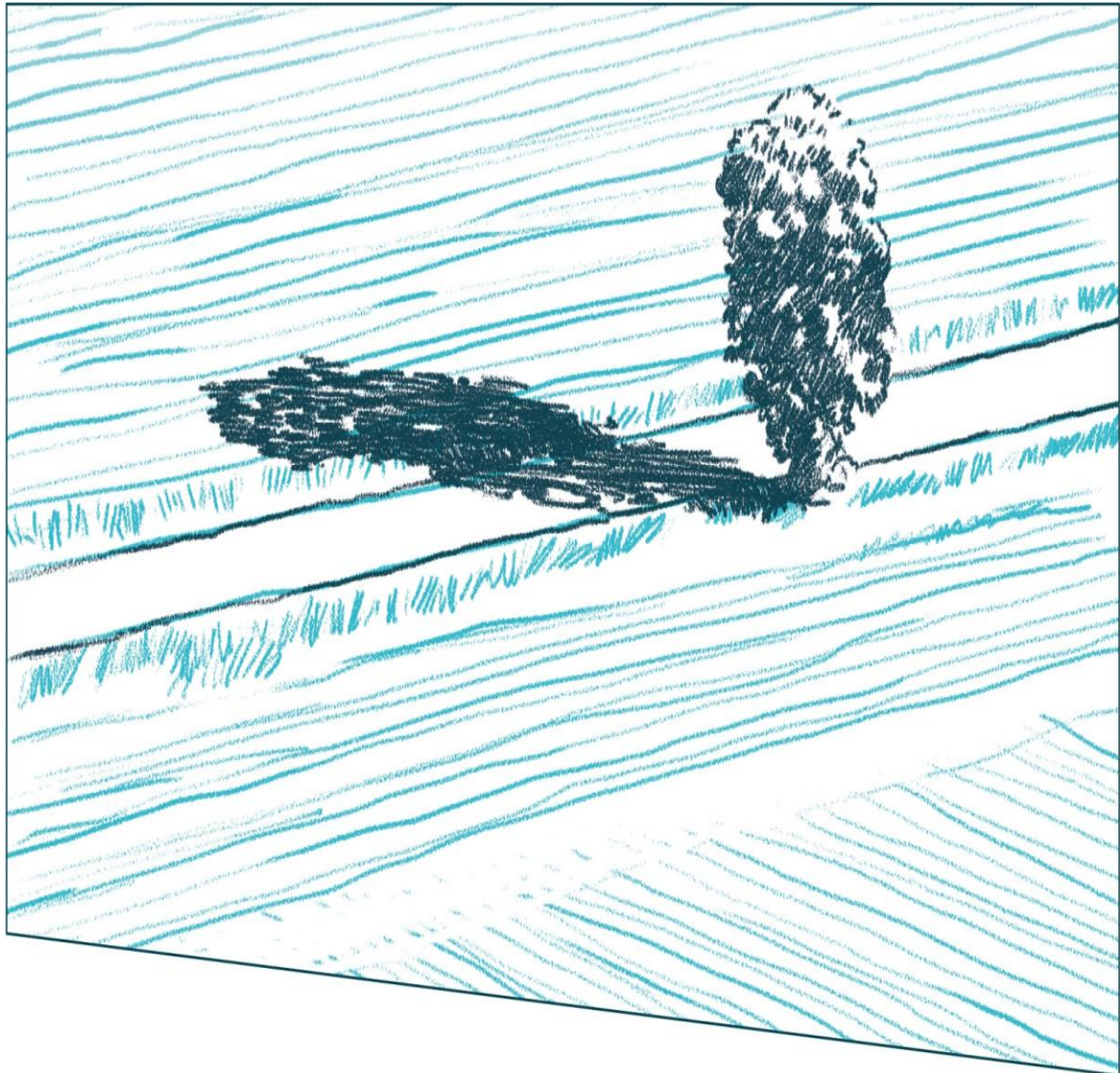
*Q.7 Do you agree or disagree with ComReg's preliminary view that such international benchmarks in paragraph 8.6 above where the CHF information cannot be directly comparable is not applicable? If not, please state your detailed reasoning including any state which jurisdictions, if any, would allow for a direct comparison for benchmarking purposes.*

Magnet Networks disagree with ComReg's view that the CHF information is not directly comparable. Magnet Networks believing comparing Ireland with other EU member states is very relevant even if the cost structure is different it is interesting to compare call volumes and PSAPs. It would be worth investing if other jurisdictions have PSAP dedicated to ECAS services or are they more like the UK are multi service sites. If the rest of Europe is more like the UK, the comparisons would be able to influence the next tender for ECAS services. Also, in some countries call volumes per capita are low, it would also be good to investigate why is this the case and what can Ireland do to achieve lower call volumes purely from a health and safety point of view. Obviously, lower call volumes increase the CHF.

*Q.8 Please provide any particular comments in relation to the type of information you consider likely to be confidential or commercially sensitive.*

No.

## **5: Telefónica**



**Response to Emergency Call Answering Service:  
Call Handling review 2012/2013**

**Comments on Document 11/81**

*Telefonica*

---

## **Table of Contents**

- 1. Introduction & Background**
- 2. Response to Consultation Questions**

## **Introduction and Background**

### ***Background to Consultation***

- 1.1. Telefonica Ireland (which trades as O2) welcomes ComReg's publication of the consultation on Emergency Call Answering Service (ECAS) call handling fee (CHF) review. ComReg's decision to hold a full consultation and a forum on ECAS is welcome and allows Telefonica and industry to better understand costs being imposed on its business by emergency calls.
- 1.2. Telefonica notes that the current consultation highlights concerns over the 2011 fee and admission by ComReg that errors were made in the assessment of reasonable costs. Telefonica would refer ComReg particularly to their admission that the hourly rate was found to be unreasonable (para 6.15) and errors in the recording of fixed assets (para 6.75).
- 1.3. ComReg present in paras 2.13, 2.18, 2.20 a series of reviews of costs for previous years and future years and advise that there was under-recovery of previous years which matches over-recoveries and errors to keep the CHF at present levels. The details behind these reviews are scant but Telefonica would request that ComReg show clearly the impact of these under and over recoveries on the CHF. The current review suggests that ComReg have not effectively set the CHF based on reasonable avoidable costs and particularly for the start up years in 2010/2011 have not be thorough in assessing what is a reasonable CHF.
- 1.4. Telefonica would note that the ECAS operator has taken the decision to outsource the provision of call handling staff (CSRs) to a specialist third party. We would also note that one of the PSAPs is in fact incorporated into the offices of the specialist call centre operator. In para 8.2 ComReg make the point that in other jurisdictions the cost of emergency calls can be reduced if operatives have other commercial activities. ComReg does not seem to take this into account, particularly in relation to one of the PSAPs. Telefonica would ask ComReg to clarify this.
- 1.5. In addition it is interesting to note that most of the ECAS cost is in fact incurred by a third party who no doubt includes a return or margin on the provision of its service to the ECAS provider. Whereas the ECAS provider is entitled to a rate of return, can ComReg confirm that any return or margin on the provision of CSR by the third party is disallowed as the decision to outsource this activity was a commercial decision by the ECAS provider?
- 1.6. Telefonica are disappointed to note that the issue of the residual value of fixed assets is not addressed in the document. It is our understanding that an allowance is given to write off these assets over the period of the contract but the value of the assets is not taken off the CHF calculations in any way. Telefonica would ask that this residual value is calculated and taken into account in the calculation of the CHF or the amount allowed for depreciation.

## **2. Response to Consultation Questions**

- 2.1. Do you agree or disagree with ComReg’s preliminary view that a hybrid costing methodology, based on HCA accounts (appropriately adjusted for reasonableness), and reflecting forward-looking cost and volume data is the most appropriate way to determine the CHF? Please provide detailed reasoning for your views.**

Telefonica O2 would agree will the hybrid costing methodology including forward looking volume and cost data

- 2.2. Do you agree or disagree with ComReg’s preliminary view that avoidable cost is the appropriate costing principle for reviewing the maximum permitted CHF as outlined above? Please provide detailed reasoning for your views.**

Telefonica O2 agrees with the avoidable cost approach.

- 2.3. Do you agree or disagree with ComReg’s preliminary view that the cost associated with the provision of ECAS are Direct Costs, Indirect Costs, Fixed Costs and Variable Costs? Please provide detailed reasoning for your views.**

Telefonica would support the cost categories outlined.

- 2.4. Do you agree or disagree with ComReg’s preliminary view that €28.07 is a reasonable hourly rate payable to the specialist call-centre company? Please provide detailed reasoning and calculations for your views.**

Telefonica disagrees with ComReg’s conclusions on the reasonable hourly rate. There is no analysis of the adequacy of 80 CSR staff by reference to international norms or the decline in call volumes. The CA requires the ECAS operator to maintain an adequate number of CSRs to deliver the service however ComReg argue that despite a significant fall in calls the CSR hours required would only have a slight impact on the CHF. Telefonica believe this statement needs further analysis and a quantification of the impact on the CHF. In paragraph 6.36 ComReg admit there are excessive CSR hours and whereas all industry supports the need to ensure that the service is delivered to a high standard given its life-critical nature, ComReg’s role is to assess reasonable costs and not to give allowances outside of the CA agreement. It is not in ComReg’s discretion to put in further guarantees. Telefonica would ask ComReg to assess the impact of this and amend the cost accordingly.

Telefonica would also point out that ComReg make the assertion in para 2.4 that certain cost savings have been made by the ECAS provider and that this programme is still ongoing. Can ComReg confirm therefore that cost savings anticipated for 2011/2012 are included in the calculation of the CHF. Also ComReg argue an additional €580,000 of cost savings were identified in 2010/2011 which implies the current rate being paid for CHF is overstated and refunds are due to operators. Can ComReg confirm the restatement of the 2010/2011. The comments in paragraph 2.18 are worrying in that ComReg appear to imply that there is under or over recovery of reasonable costs in given years, again something which is not in the remit of ComReg allow.

- 2.5. **Do you consider that the staff, which is 100% dedicated to ECAS, represents the appropriate organisational structure? Please provide detailed reasoning for your views.**

Telefonica agree if staff are 100% dedicated to ECAS their costs should be taken in to account however Telefonica would restate that no benchmarking has been conducted on the organisation structure being deployed by the ECAS operator

- 2.6. **Do you agree or disagree with ComReg's preliminary view on call volume forecasts? Please provide detailed reasoning for your views. Please outline if you are aware of any network remediation programme or any such initiatives in the short to medium term (1 to 4 years) which may affect the forecasted volume of emergency calls.**

Telefonica agrees with assumptions in relation to call volumes. Telefonica has no remediation programmes in place but would hope the ECAS forum, reconstituted, would address issues such as silent and hoax calls which add to the volume of calls and ultimately the cost of the service. Given ComReg's role in ensuring the provision of ECAS a key part of that role is to ensure the service is as effective as possible.

- 2.7. **Do you agree or disagree with ComReg's preliminary view that such international benchmarks in paragraph 8.6 above where the CHF information cannot be directly comparable is not applicable? If not, please state your detailed reasoning including any state which jurisdictions, if any, would allow for a direct comparison for benchmarking purposes.**

Telefonica has always urged caution in the use of benchmarks as a means of price derivation, however they can be a useful guide. We find ComReg's approach to be inconsistent and there are many examples where ComReg has used benchmarking to a greater or lesser extent in price derivation. Telefonica would disagree strongly with the view that the ECAS service cannot be benchmarked. It will always be difficult to find

comparable countries and Telefonica would note that only two countries insist on industry paying for ECAS services however a desk based research, using independent consultants could quickly ascertain cost, numbers of CSRs and call volumes in a range of closely aligned countries. These results could be compared to typical call centre costs where an additional metric is added for the life-critical nature of the service. There are a wide range of studies on call centre efficiency.

Telefonica note that ComReg's obligation is to assess the reasonable costs of the ECAS operation however without benchmarking both call centre operations and emergency call handling services ComReg have no reference point to assess what is or not reasonable.

- 2.8. **Telefonica confirm this response is non confidential and can be published on ComReg's website without further reference to Telefonica.**

## **6: Vodafone**

Strictly Confidential



Vodafone response to the ComReg Consultation on Emergency Call Answering Service: Call Handling Fee Review 2012/2013

Confidential

## INTRODUCTION

Vodafone welcomes the opportunity to provide views on this consultation on the Emergency Call Answering Service: Call Handling Fee Review 2012/2013. As ComReg correctly points out its role in the Emergency Call Answering Service ('ECAS') is limited and its freedom of action is constrained by the design of the ECAS system, the governing Concession Agreement ('CA') and the relevant statutory provisions. Vodafone notes that within this context the setting of the Call Handling Fee ('CHF') is different to the setting of other regulated "prices" by ComReg.

Given the statutory environment within which ComReg is setting the CHF and subject to the detailed comments below Vodafone believes its proposed overall approach is not unreasonable.

Vodafone's positions in relation to the specific issues raised in the consultation document are set out in full in response to the consultation questions below.

In addition to the specific responses Vodafone wishes to note the following: The return date for this consultation is only a few working days before ComReg is statutorily required to make a determination. This raises significant concerns over the ability of ComReg to properly consider any responses which might raise material issues with its reasoning or methodology. In addition leaving the consultation until the 11<sup>th</sup> hour means that ComReg has no flexibility in scheduling it against other consultations which might also have external time drivers. This is a matter of some concern as the concurrent scheduling of multiple consultations has negative impacts on potential respondents' ability to engage with the consultation process.

## RESPONSE TO CONSULTATION QUESTIONS

**Question 1 - Do you agree or disagree with ComReg's preliminary view that a hybrid costing methodology, based on HCA accounts (appropriately adjusted for reasonableness), and reflecting forward-looking cost and volume data is the most appropriate way to determine the CHF? Please provide detailed reasoning for your views.**

Given the parameters of the ECAS regulation, the term of the ECAS contract, the nature of the service and the standalone nature of the ECAS platform, Vodafone believes that ComReg's proposed approach is likely to allow proper cost recovery while at the same time giving relative stability and certainty on the level CHF.

**Question 2 - Do you agree or disagree with ComReg's preliminary view that avoidable cost is the appropriate costing principle for reviewing the maximum permitted CHF as outlined above? Please provide detailed reasoning for your views.**

Vodafone believes that an avoidable cost approach is not unreasonable. This approach properly reflects the cost to the ECAS provider of entering the CA. In deciding to bid for the contract a putative ECAS provider could not be certain of winning it. It therefore would have had to plan the rest of its business on

Confidential

the basis of not being successful in its bid. This means that its business case for ECAS need only have recognised the new costs which it would incur if successful as all other costs would still needed to have been covered by the rest of its business if unsuccessful. To allow these other costs to be recognised in the CHF would in effect amount to a cross subsidisation between the ECAS portion of the business and the rest of its activities in the Electronic Communications market.

Similarly once successful the ECAS provider had to incur costs in meeting its contractual commitments and given the nature of the contract and the statutory environment it would be unreasonable if the winning bidder was forced to subsidise the operation of ECAS out of its other business revenues.

**Question 3 - Do you agree or disagree with ComReg's preliminary view that the cost associated with the provision of ECAS are Direct Costs, Indirect Costs, Fixed Costs and Variable Costs? Please provide detailed reasoning for your views.**

Vodafone agrees that the appropriate cost drivers for consideration in determining the CHF are Direct Costs, Indirect Costs, Fixed Costs and Variable Costs.

Vodafone agrees that due to the nature of the design of ECAS provision Joint and Common costs are not appropriate to be considered in determining the CHF.

Vodafone has a concern regarding ComReg's treatment of the "sinking fund". If as has been set out "*the Sinking Fund is designed to accumulate, over the term of the ECAS contract, sufficient funds to cover the loss or gains from BT if revenues from the CHF are below or above reasonable costs incurred by BT (including cost of capital)*" it raises a significant question as to the approach whereby ComReg is incorporating into the CHF a provision for past under recovery as the Sinking Fund is designed to deal with this.

Further towards the end of the CA when the fund has an accumulated value this value must be reckoned as part of the overall cost recovery and the CHF reduced accordingly. Otherwise the CHF will be set to give 100% cost recovery including the specified rate of return AND the Sinking Fund will generate a surplus in excess of this. ComReg's projected levels of CHF do not appear to take any account of this.

**Question 4 - Do you agree or disagree with ComReg's preliminary view that €28.07 is a reasonable hourly rate payable to the specialist call-centre company? Please provide detailed reasoning and calculations for your views.**

[REDACTED]. However Vodafone recognises that the specific requirements of the ECAS service would tend to skew the proportions away from those associated with call centres handling commercial services. In this regard it is difficult for to comment on the appropriateness of the allocations and in the absence of detailed information we must defer to the opinion of ComReg. However given that initial training is not insignificant, if staff churn or attrition is high this increases the average allocation to training. If however the churn is low then this has the effect of reducing the average training requirement. Given the overall

Confidential

economic environment and relative economic and geographic isolation of two of the call centres Vodafone would expect that staff churn would be low and remain so. In light of this it would be appropriate to take a forward view towards the lower end of churn estimates going forward. It is not clear from the paper whether this has been reflected in the calculations.

**Question 5 - Do you consider that the staff, which is 100% dedicated to ECAS, represents the appropriate organisational structure? Please provide detailed reasoning for your views.**

Given the nature of the ECAS, the required design of the network, including call centre locations and the high service levels required. Vodafone believes that an approach using 100% dedicated staff is not unreasonable.

**Question 6 - Do you agree or disagree with ComReg's preliminary view on call volume forecasts? Please provide detailed reasoning for your views. Please outline if you are aware of any network remediation programme or any such initiatives in the short to medium term (1 to 4 years) which may affect the forecasted volume of emergency calls.**

Based on the information contained in the paper and the consultant's report Vodafone concurs with ComReg's preliminary view on call volume forecasts.

Vodafone is not aware of any network remediation in its network which would affect these volumes.

On a more general note Vodafone would point out that "ghost calls" appear to be a feature of analogue, twisted pair based voice services. In the short term customer migration to existing Voice over Broadband providers such as UPC or Blueface may have the effect of reducing "ghost calls", not because of network remediation but because the copper pairs may no longer be active. In the alternative it may be that because these lines are not in service with eircom for PSTN services but still have soft dial tone for 112/999. In this scenario normal in service maintenance will not be occurring and may drive an increase in ghost calls. Vodafone would suggest that ComReg explore this issue with eircom to see if either of these scenarios will have a material effect. These issues may be exacerbated if there is a wider deployment of full LLU or standalone Bitstream NGA services.

**Question 7 - Do you agree or disagree with ComReg's preliminary view that such international benchmarks in paragraph 8.6 above where the CHF information cannot be directly comparable is not applicable? If not, please state your detailed reasoning including any state which jurisdictions, if any, would allow for a direct comparison for benchmarking purposes.**

Given the design of the ECAS Vodafone agrees that for the purpose of the CHF, international benchmarks are not necessarily relevant at the overall fee level. However Vodafone notes that comparisons on elements of the CHF cost drivers such as call centre efficiency are relevant.

Confidential

**Question 8 - Please provide any particular comments in relation to the type of information you consider likely to be confidential or commercially sensitive.**

Vodafone notes the content of Section 10 of the consultation. We also note the level of detail and type of information which has been published as part of the consultation and must assume that this has been assessed against the parameters set out in Section 10. In this regard we assume that a similar standard of transparency will be applied when publishing other costing or pricing consultations including, but not limited to, those on USO, LLU, WBA and NGA.