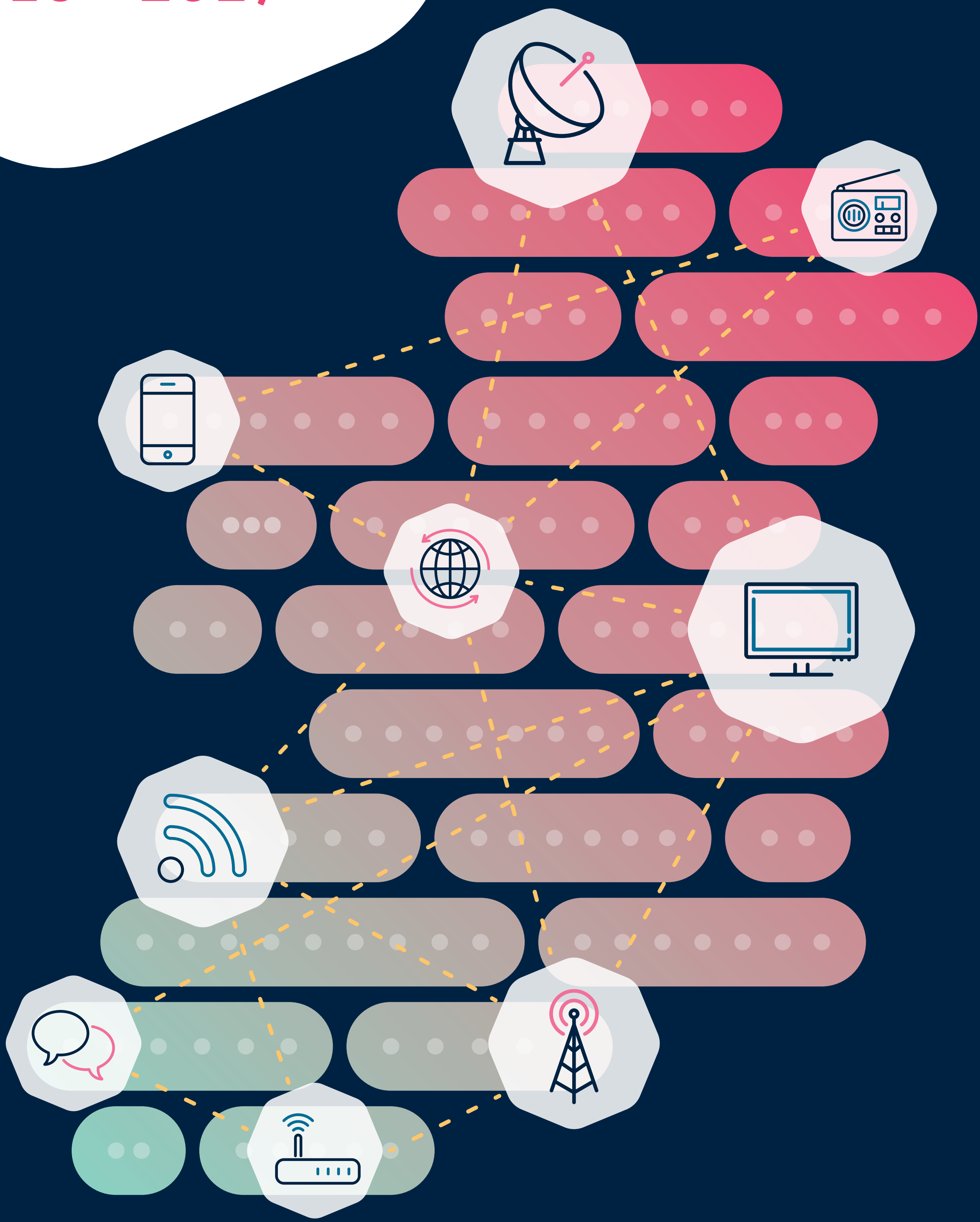
An Coimisiún um
Rialáil Cumarsáide

Commission for
Communications Regulation

ANNUAL REPORT
2016 – 2017



Commission for Communications Regulation

ANNUAL REPORT FOR THE PERIOD JULY 1, 2016 – JUNE 30, 2017

Presented to the Minister for Communications, Climate Action and Environment in accordance with Section 32 of the Communications Regulation Act, 2002

Figure 1: ComReg Vision, Role and Mission[1]

VISION

Consumers and businesses in Ireland have affordable, high-quality, and widespread access to communications services and applications that support their social and economical needs.

ROLE

ComReg's role is to ensure that communications markets operate in the interests of end-users and society.

MISSION

Through effective and relevant regulation, we facilitate the development of a competitive communications sector in Ireland that attracts investment, encourages innovation and empowers consumers to choose and use communications services with confidence.

1 ComReg Document 17/31 www.comreg.ie/publications

CONTENTS

COMMISSIONERS

Gerry Fahy
Chairperson

Jeremy Godfrey
Commissioner

Kevin O'Brien
Commissioner

LEADERSHIP TEAM

Caroline Dee-Brown
General Counsel

Barbara Delaney
Director, Retail and Consumer Services Division

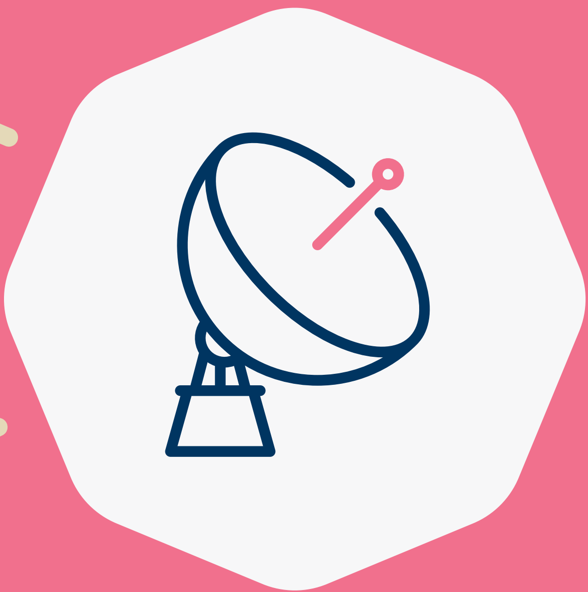
John Evans
Senior Advisor
Economics, Policy and Research

Joe Heavey
Director
Corporate Services Division

Donal Leavy
Director
Wholesale Division

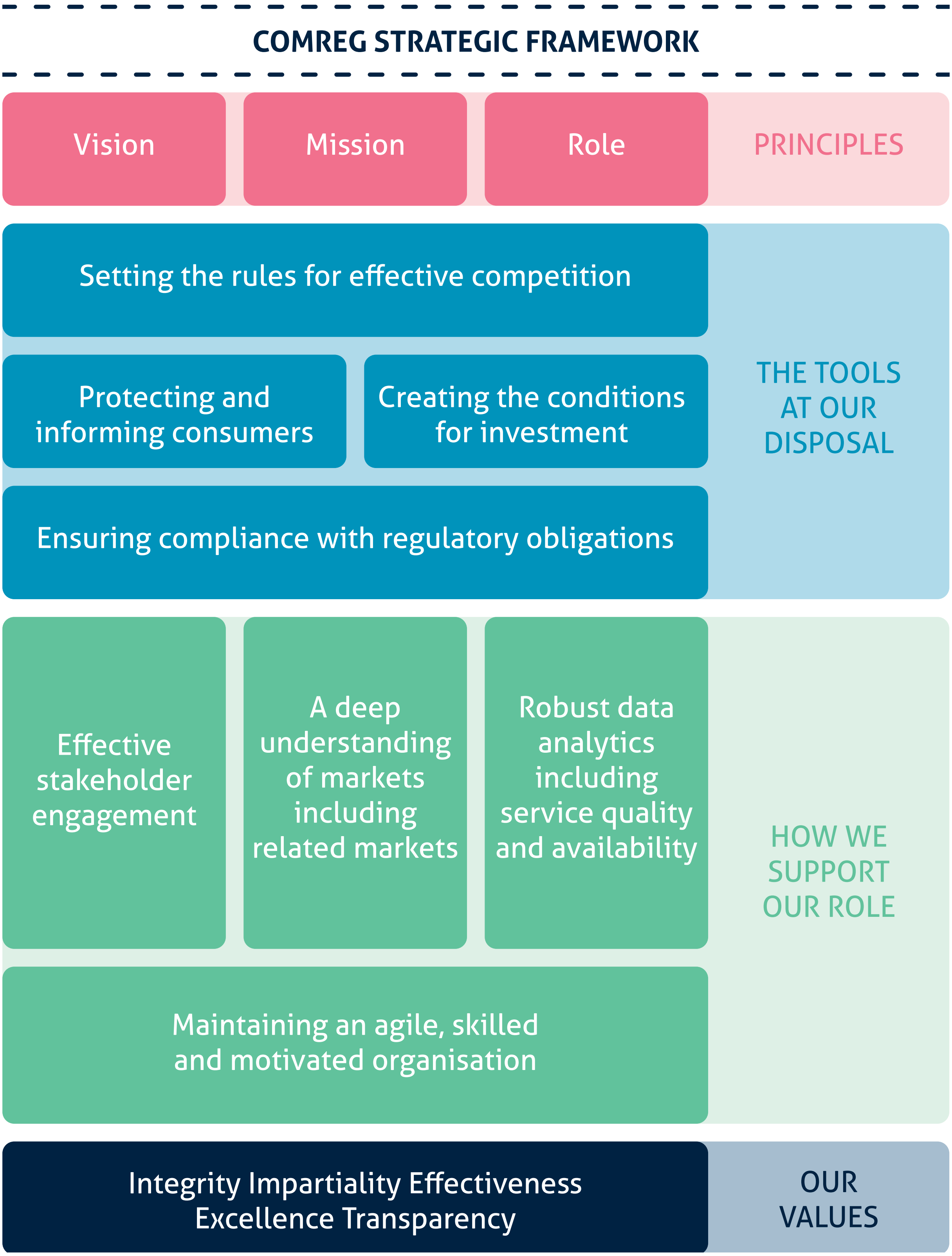
George Merrigan
Director
Market Framework Division

ABOUT COMREG



ComReg is the statutory body responsible for the regulation of electronic communications (telecommunications, radio communications and broadcasting networks), postal and premium rate services. ComReg is the national regulatory authority for these sectors, in accordance with EU and Irish Law. In addition, we manage the radio frequency spectrum and the national numbering resource, among other responsibilities.

Figure 2: ComReg Strategic Framework[2]



2 ComReg Document 17/31 www.comreg.ie/publications

ORGANISATIONAL STRUCTURE

The Commission for Communications Regulation (ComReg) was established on 1 December 2002 by the Communications Regulation Act 2002 and is led by a Commission of up to three Commissioners. At the end of this reporting period the Commission had three Commissioners: Gerry Fahy (Chairperson), Jeremy Godfrey, and Kevin O'Brien.

The Commission, with the Leadership Team, is responsible for the strategic and operational management of the organisation. ComReg depends on the efforts of all of our staff (including lawyers, economists, engineers, accountants, business analysts and administrative specialists) to deliver on our mission and meet our regulatory objectives.

ComReg consists of four Divisions, supported by a General Counsel and a Senior Advisor - Economics, Policy & Research. The structure is based on cross-functional teams operating in a multi-disciplinary environment.

Functions

ComReg is responsible for promoting competition, protecting consumers and for encouraging innovation. We deal in complex issues of law, economics, accounting, regulation and technology.

Our objectives are set out in line with both primary and secondary legislation, and this legislative framework continues to evolve since the Communications (Regulation) Act of 2007. In 2007, ComReg's responsibilities and powers, as well as available enforcement measures, were augmented by the Communications Regulation (Amendment) Act 2007. In particular, ComReg was granted Competition Act powers in relation to electronic communications and services.

The Communications Regulation (Premium Rate Services & Electronic Communications Infrastructure) Act 2010 transferred responsibility for the regulation of premium rate services to ComReg and ComReg commenced regulation of this area in July 2010. The Postal Act 2011 sets out ComReg's regulatory responsibilities in relation to postal matters.

Under the Communications Regulation Acts 2002 to 2017, ComReg has a range of functions and objectives in relation to the provision of electronic communications networks, electronic communications services and post.

These include:

- Ensuring compliance by operators with obligations
- Promoting competition
- Contributing to the development of the internal market
- Promoting the interests of users within the European Community
- Ensuring the efficient management and use of the radio frequency spectrum and numbers from the national numbering scheme
- Promoting the development of the postal sector and, in particular, the availability of a universal service
- Protecting the interests of end users of premium rate services

This Annual Report covers our key activities from 1 July 2016 to 30 June 2017.

Figure 3: ComReg Strategic Intents[3]

STRATEGIC INTENTS 2017-2021

01 COMPETITION
The market delivers innovation and the greatest possible choice of wholesale and retail operators

02 CONSUMER PROTECTION
Consumers can choose and use communications services with confidence

03 INVESTMENT
Efficient investment has enabled affordable, high quality and widespread access to communications services and applications

04 ENFORCEMENT AND COMPLIANCE
Regulated entities comply with regulatory obligations

05 ORGANISATION
We are an effective and relevant regulator

3 ComReg Document 17/31 www.comreg.ie/publications

COMMUNICATIONS OVERVIEW

Figures in this section were taken from quarterly reports published between Q2 2016 and Q2 2017

Number of operators

Under the authorisation process, operators notify ComReg of their intention to provide networks or services to third parties. By June 2017, 631 such notifications were registered of which 620 were fixed/ wireless broadcasting and 11 were mobile.

Fixed Line market share

Based on operator data submitted via the Quarterly Report questionnaire, Other Authorised Operators (OAOs) accounted for 51.9% of the total fixed line market in terms of overall (retail and wholesale) revenue by June 2017, up from 50.8% in June 2016. Eircom Ltd. accounted for the remaining share of the market.

Fixed CPS, WLR and WLA

Indirect access to fixed line networks for call services can be provided through Carrier Pre-Selection (CPS), where the call services are provided by an operator using the incumbent operator's network, with the customer paying line rental to the incumbent.

Through Wholesale Line Rental (WLR) an operator can provide single billing to the consumer for both their fixed line rental and fixed call usage.

White Label Access-Voice Access (WLA-(Voice)) is a switchless voice service which allows an operator to purchase end-to-end call services without the need to have its own interconnection infrastructure.

By the end of June 2017, WLR accounted for 54.4% of all lines provided via indirect access, (down from 64.0% at the end of June 2016), WLA accounted for 43.2% (up from 33.0% in June 2016) and CPS accounted for 2.4% of lines (down from 3.0% in June 2016). In total there were 577,154 indirect access paths at the end of Q2 2017, down by 1.8% since June 2016.

Figure 4: Narrowband Indirect Access Paths

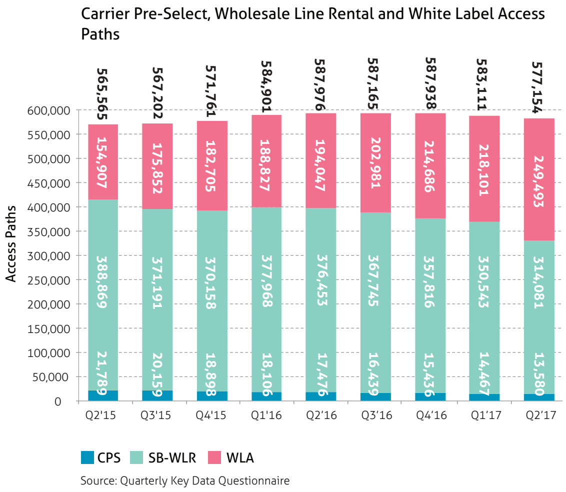
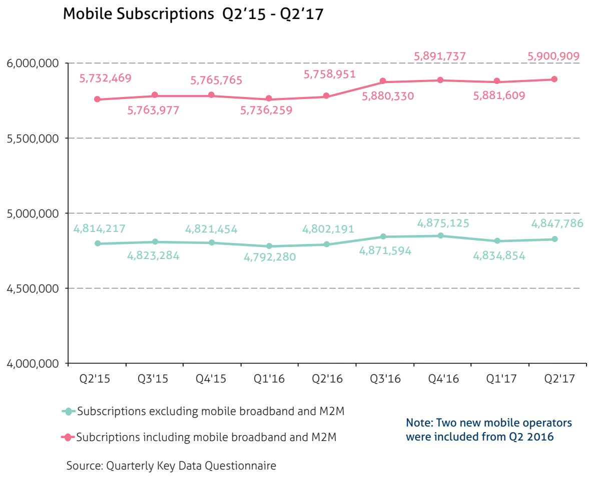


Figure 5: Mobile Subscriptions



Fixed telecom access paths and fixed voice traffic

There were 1.43 million direct and indirect Public Switched Telephone Network (PSTN) and Integrated Switched Digital Networks (ISDN) access paths in the Irish market as of June 2017, a decline of 3.9% since June 2016. Indirect access using WLR or CPS accounts for 40.4% of all access paths in the fixed copper market.

Voice traffic originating on fixed networks continued to decline. In Q2 2017, the average residential subscriber originated 107 minutes of fixed voice calls compared to 126 minutes in Q2 2016.

Mobile communications services

At the end of June 2017 there were over 5.9 million subscriptions to mobile communications services in Ireland, which equates to a penetration rate of 125.2%. In Q2 2016 total M2M subscriptions stood at 606,683 increasing to 746,803 in Q2 2017 representing a 23.1% annual growth.

Due partly to the increasing use by consumers of instant messaging services, the volume of text messaging decreased by 13.8% in Q2 2017 compared to Q2 2016. In the three months to June 2017, the average Irish mobile subscriber sent an average of 84 messages per month, compared with an average of 99 per month in the quarter to June 2016.

Average monthly voice call minutes per mobile subscriber in Ireland decreased from 219 minutes per month in June 2016 to 214 minutes per month in June 2017. Average monthly traffic per mobile subscriber using voice and data services was 4.1GB in June 2017 compared to 2.4GB in June 2016.

In Q2 2017 mobile Average Revenue Per User (ARPU) for prepaid mobile phone subscribers was €14.14 per month while mobile ARPU for post-paid mobile phone subscribers was €42.10 per month. Mobile ARPU for prepaid mobile broadband subscribers was €13.79 per month while mobile ARPU for post-paid mobile broadband subscribers was €19.64 per month.

There were 398,219 mobile numbers ported between operators in the twelve months to June 2017, which equates to, on average, 33,184 mobile numbers ported every month.

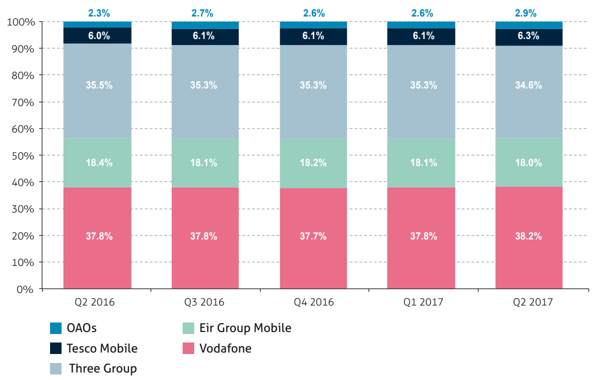
Vodafone retains the largest share of subscriptions (including mobile broadband and Machine-to-Machine (M2M) subscriptions) and comparing Q2 2016 to Q2

2017, Vodafone slightly increased market share from 37.8% to 38.2%. At the end of Q2 2017, Three Group had 34.6% of subscribers falling from 35.5% in Q2 2016.

Eircom Ltd's (trading as eir) mobile market share decreased by 0.4% since Q2 2016. Tesco Mobile's market share increased by 0.3% while other operators' market shares increased by 0.6% since Q2 2016.

Figure 6: Market Share – Number of Subscriptions (inc. mobile broadband and M2M

Market Share by Subscription (inc. MBB and M2M) Q2'16 - Q2'17



Source: Quarterly Key Data Questionnaire

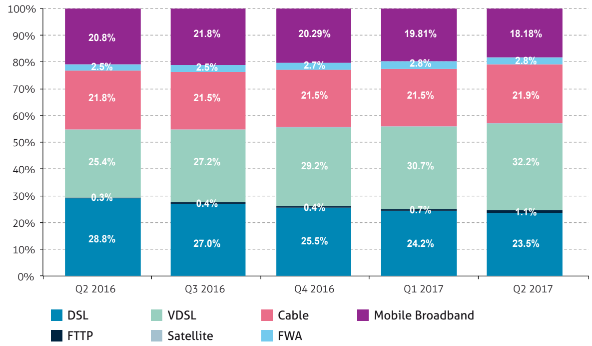
Broadband

By the end of June 2017, there were 1,685,369 broadband subscriptions. VDSL account for the bulk of these subscriptions at 542,141, followed by 396,601 DSL subscriptions, 369,478 cable subscriptions, Fixed Wireless Access (FWA) broadband accounts for 46,611 subscriptions, Fibre to the Premises (FTTP) at 19,125 and Satellite at 5,093. The number of mobile broadband subscriptions was 306,320 at the end of June 2017.

In Q2 2017, VDSL broadband subscriptions accounted for 32.2%, DSL 23.5%, cable broadband 21.9% FWA 2.8%, FTTP 1.1% and satellite 0.3% of all broadband subscriptions. Mobile broadband accounted for 18.2% of all broadband subscriptions. Since Q2 2016, the number of VDSL subscriptions have increased by 26.8%, in contrast to a fall in DSL, satellite and mobile broadband subscriptions.

Figure 7: Profile of Active Broadband Subscriptions by Type

DSL, Cable, Mobile and Other Broadband Subscriptions



Source: Quarterly Key Data Questionnaire

In addition to broadband subscriptions, there are an estimated 1,148 WiFi hotspots in Ireland providing nomadic broadband access nationwide, particularly to laptop and smartphone users. This figure decreased by 61.4% comparing Q2 2016 to Q2 2017[4].

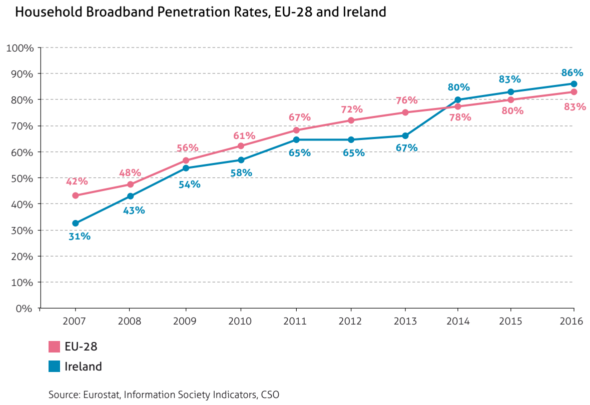
Figure 8: Broadband Subscriptions and Growth

Subscription Type	Q2 2017	Quarterly Growth Q1'17 – Q2'17	Year-on-Year Growth Q2'16 – Q2'17
DSL Broadband	396,601	-4.3%	-18.2%
VDSL Broadband	542,141	+3.1%	26.8%
Cable Broadband	369,478	0.5%	+0.8%
FTTP Broadband	19,125	58.4%	294%
Satellite Broadband	5,093	-2.4%	-4.8%
FWA Broadband	46,611	-1.8%	11.3%
Total Fixed Broadband	**1,379,049**	**0.4%**	**3.6%**
Mobile Broadband	306,320	-9.7%	-12.5%
Total Broadband	**1,685,369**	**-1.6%**	**+0.3%**

4 In Q3 2016 Eir retired their WiFi service

Figure 9 illustrates Ireland's position compared to the EU28 average in terms of fixed and mobile broadband household penetration. Ireland (86%) was above the EU28 average (83%) for household broadband (fixed and mobile) penetration in 2016.

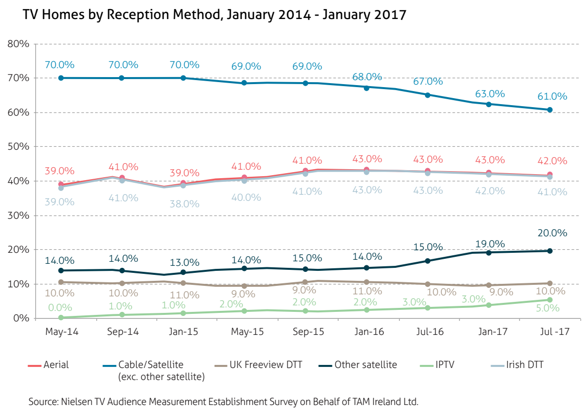
Figure 9: European household broadband penetration comparison, 2016



Broadcasting

By July 2017, of 1.59 million TV households in Ireland, 61% had a subscription cable or satellite service, 42% had an aerial service, 41% had Irish DTT service and 20% had a free to air satellite service.

Figure 10: Television Homes by Reception Method

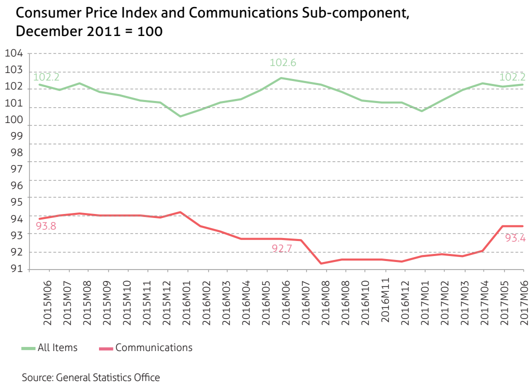


Price developments

In overall terms, figure 11 shows the change in the Consumer Price Index (CPI) and the communications sub-component. The CSO weights communications as 3.48% of the total CPI.

Using December 2011 as the base period, total CPI decreased by 0.4% in the year to June 2017 while communications costs increased by 0.8%

Figure 11: Central Statistics Office Consumer Price Index



CHAIRPERSON'S REVIEW

During the year under review, the sector regulated by ComReg continued to grow and develop as communications networks and operators maintained strong levels of investment. A vibrant and thriving electronic communications sector is an essential requirement for businesses and consumers, alike.

Now more than ever, people are becoming more dependent on communications systems and networks for work, education or social reasons. Indeed, the pace of change in the sector is continuing to accelerate as new innovations such as the Internet of Things become more widespread.

As an economic regulator, ComReg's role is to ensure that communications markets operate in the interest of end-users and society. Connectivity has become central to all our lives and it is a key driver of economic productivity and social inclusion.

In that regard, ComReg is conscious that for some people a lack of good broadband and mobile coverage is a fundamental issue. That's why ComReg is an active participant of the Government's Broadband and Mobile Taskforce. Established in July 2016, the Taskforce aims to identify immediate solutions to broadband & mobile phone coverage deficits and to investigate how better services could be provided to consumers prior to the rollout of the National Broadband Plan. ComReg has committed to a number of key actions to improve the overall consumer experience in relation of broadband and mobile coverage.

During the year ComReg also issued its Electronic Communications Strategy Statement for 2017-2019. The Strategy Statement sets out our vision for the sector where consumers and businesses enjoy affordable, high-quality and accessible communications services.

Broadband Market Developments

During the year need for broadband increased overall demand for data rose. By the end of Q2 2017, there were 1.68 million broadband subscriptions. VDSL (Very Fast Digital Subscriber Lines) accounts for the bulk of these subscriptions at 542k followed by 397k DSL subscriptions, 369k cable subscriptions, Fixed Wireless Access (FWA) broadband accounts for 47k subscriptions, Fibre to the Premises (FTTP) at 19k and Satellite at 5k. The number of mobile broadband subscriptions was 306k at the end of Q2 2017.

Fixed Market Compliance Issues

During the period ComReg conducted a review of Eircom Ltd.'s (eir's) Regulatory Governance Model. Phase 2 of the review commenced in September 2016 and was completed in March 2017. ComReg received draft reports from its Advisors with a view to considering the content and publication.

Separately, ComReg has been addressing ongoing problems with Eircom Ltd.'s compliance with its regulatory obligations.

It has initiated court proceedings against Eircom Ltd. in respect of five findings of breaches of its regulatory obligations over a period from July 2011 to July 2015. A number of other investigations were also ongoing, including investigations which are concerned with matters addressed in the Advisors' reports.

Mobile Market developments

At the end of this reporting period, there were over 5.9 million subscriptions to mobile communications services in Ireland, which equates to a penetration rate of 125.2%. Due to the uptake of instant messaging services, the volume of text messaging decreased by 13.8% year-on-year. In Q2 2016 total M2M subscriptions stood at 606,683 increasing to 746,803 in Q2 2017 representing a 23.1% annual growth.

In May 2017, ComReg announced the results of its 3.6 GHz spectrum award. Conducted by auction, this award saw the assignment of 350 MHz of Spectrum. The award increased the amount of harmonised spectrum for mobile, nomadic and fixed wireless broadband services by 86% and represents a good outcome for consumers and service providers. The auctions will raise €78 million over the duration of the licences awarded.

Consumer

ComReg is statutorily obliged to protect and inform Irish consumers when they are buying electronic communications products or services. It's imperative that all consumers' rights are upheld by their service providers and, if they are not, ComReg will take action where it is necessary. All consumers should have access to clear and adequate information that enables informed choice. This is a key strategic goal for ComReg.

During the period there were approximately 30,000 issues raised by consumers who contacted us. These issues are evenly split between Electronic Communications Service (ECS) issues, Premium Rate Service (PRS) issues and all other issue types. 19% of all issues raised with ComReg in the period were complaints.

The majority of ECS issues raised in respect of ComReg's remit are in relation to Billing, Disputed Charges (including data), Contractual Matters such as Contract Termination Request and a varied number of Contractual subcategories, and Service Issues.

Postal

In relation to postal regulation, ComReg's statutory functions are to ensure the provision of a universal postal service that meets the reasonable needs of postal service users and to monitor and ensure compliance by postal service providers with the obligations imposed on them.

During the year ComReg made a direction to An Post as Universal Service Provider under the 2017 Accounting Direction. This provides ComReg with the information necessary ensure transparency on the costing and profitability of the universal service provider. During the period the Communications Regulation (Postal Services) (Amendment) Act 2017 repealed Section 30 of the 2011 Postal Services Act. The prices of universal postal services are now set by An Post.

International

ComReg is an active member of the Body of European Regulators for Electronic Communications (BEREC) and during the period under review ComReg participated in nine BEREC working groups. ComReg is also a member of the Radio Spectrum Policy Group and European Conference of Postal and Telecommunications Administrations, CEPT.

Gerry Fahy
Chairperson

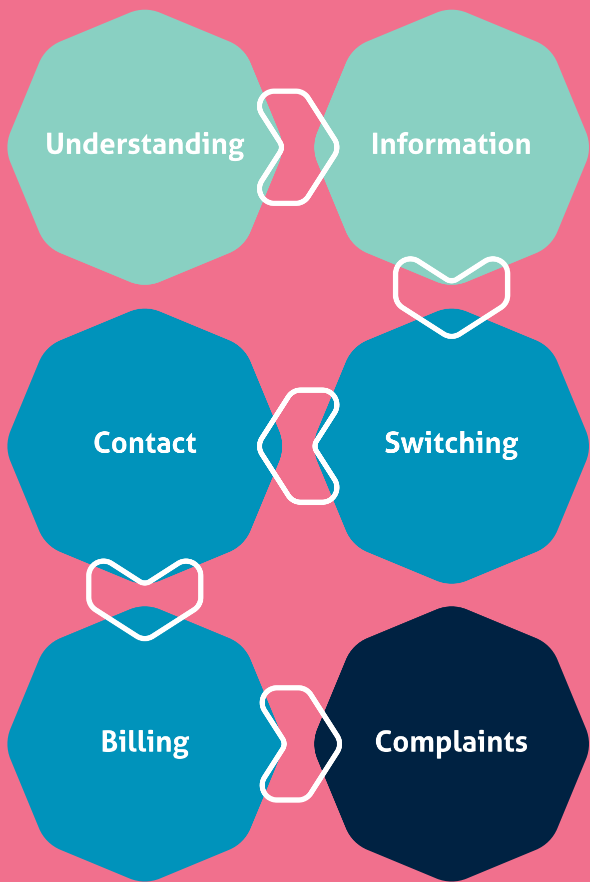
CONSUMERS

ComReg's overall strategic approach to consumers is to protect and inform consumers so that they can choose and use communications services with confidence.

During the period, ComReg carried out a number of actions to deliver its associated consumer goals.

Figure 12: Consumer Journey

THE CONSUMER JOURNEY



Informing and Protecting Consumers

ComReg seeks to empower consumers by ensuring the availability of appropriate and transparent information while also offering an effective complaints handling process. ComReg seeks to understand evolving consumer needs by liaising with various stakeholders using a variety of mechanisms such as our Consumer Line; our Consumer Engagement programme (including on-line presence); the ComReg Consumer Advisory Panel; the ComReg Workshop on Electronic Communications for People with Disabilities; by carrying out relevant surveys and by gaining inputs from consumer organisations with which we liaise closely.

Consumers are informed through timely, relevant, clear and accessible information. ComReg recognises the need for consumers to be appropriately informed in order to make choices in respect of electronic communications and to assist them in their dealings with their service provider, even more so as competition intensifies. In this respect, ComReg has continued to update its consumer section of **www.comreg.ie** with relevant information and news on choosing and using communications services.

ComReg also works with industry to ensure that relevant, accurate information is available to consumers in relation to current market offers, to assist them with their purchasing decisions. On this aspect, ComReg engaged a third party provider to develop a new value comparison tool **www.comreg.ie/compare**. The new tool offers increased functionality to consumers including the facility to compare communications service providers' market offerings by average monthly cost, total cost including handset costs, allowances and speed, based on the information entered by consumers. There are many additional features including: the ability to select a preferred handset type when comparing available packages, the ability to upload your bill to input your usage or to download an application on your Android phone that calculates your usage, or choose predetermined usage levels for ease of use.

To assist consumers that have questions regarding PRS charges which have been applied to their bill or deducted from their credit, ComReg also offers an online facility to check the customer care details and other details for all premium rate services **http://servicechecker.comreg.ie**/. Consumers can input the name or the number of the service they have been charged for and the details are returned with details of the customer service helpline number and email.

Consumer Engagement Programme

ComReg continued to expand its consumer engagement reach during the period with a number of targeted campaigns to inform consumers of their rights and the information ComReg makes available. Such initiatives include updating the new ComReg website with new consumer material and functionality, outreach to senior citizens, trade show presence and a Facebook campaign in relation to informing consumers of the code of practice for complaint handling. In addition, the distribution of ComReg consumer guides continued throughout the year ensuring leaflets were available in a network of GP surgeries, health centres and hospitals nationwide.

Figure 13: ComReg Engagement staff attending the Over 50s show in the RDS, Dublin.

Protection of Vulnerable Users

During the period under review, ComReg held two meetings of its Disability Workshop on Electronic Communications for People with Disabilities. The composition of attendees at each Workshop event is compiled to ensure that those in attendance (including service providers and bodies representing people with disabilities) can contribute both experience and best practice and ensure that attendees have knowledge and responsibility in respect of the topic in focus. In Q4 2016, ComReg's Workshop theme was "Accessible information" and the focus was on accessible websites. In Q1 2017 the main Workshop topic was "The facility for disabled subscribers to register requirements" and accessible directory enquiries and accessible top up facilities were also discussed.

Following on from ComReg's Decision on Text Relay Services[5], which became effective in Q2 2016. A new enhanced Text Relay Service was implemented. Every service provider with more than 100,000 telephone subscribers must now offer an enhanced Text Relay Service (TRS). The service is a technology-neutral service available for use with the following devices: Minicom, fixed-line, mobile, personal computer, tablet, or other equivalent electronic device.

Ensuring Consumers are treated fairly by ECS and Premium Rate Services (PRS) providers

ComReg understands the importance of having effective redress mechanisms in place as one way to instil confidence in consumers. With this in mind, ComReg has continued its work to improve complaint handling by service providers.

5 ComReg Document 15/143 D09/15 www.comreg.ie/publications

Complaints Handling Code of Practice

ComReg consulted and decided on a set of minimum requirements for Service Providers' Codes of Practice for complaint handling with measures to be effective from 1 January 2018.[6] This decision will ensure greater transparency, certainty and quality in service providers' complaints handling procedures and will result in improved redress for consumers that have complaints.

Consumer Contacts to ComReg

ComReg continues to provide a quality complaints handling service to consumers. Consumers may contact ComReg's Consumer Line through the following channels – telephone, email, online complaints form, letter and web chat. In addition, consumers have the option to send an SMS[7] (text) with the words "ComReg" or "AskComReg" to 51500 to receive a call back or SMS text back from one of our agents. A call back service is also available to those callers who are holding on the phone for more than 20 seconds.

During the year, 80.1% of all calls to ComReg's Consumer Line were answered within 20 seconds. In 2017, ComReg also launched a service for consumers who wish to contact our Consumer Line using Irish Sign Language.

ComReg continues to publish quarterly statistics in respect of issues raised by consumers who contacted our Consumer Line.

During the period July 2016 to June 2017 there were approximately 30,000 issues about which consumers contacted us. These issues are split between Electronic Communications Service (ECS) issues, Premium Rate Service (PRS) issues and all other issue types.

6 ComReg Document 17/62 D04/17 www.comreg.ie/publications
7 Short Messaging Service

Approximately 14,000 of the total issues raised were in relation to electronic communications issues, with approximately a further 14,000 relating to premium rate service issues. 19% of all issues raised with ComReg in the period were complaints.

The majority of ECS issues raised in respect of ComReg's remit are in relation to Billing, Disputed Charges (including data), Contractual Matters such as Contract Termination Request and a varied number of Contractual subcategories, and Service Issues (of which 50% are Loss of Service and Mobile Coverage).

The majority of PRS issues raised relate to situations where consumers deny that they have engaged with the PRS or where the consumer disputes the PRS charge in question.

1,441 of the total issues were raised by business consumers and were mainly related to service issues (including loss of service and mobile coverage) billing (including disputed charges), contractual matters and switching and number portability.

Compliance and Enforcement

ComReg recognises it is important to ensure that a culture of compliance is engendered so that consumers' rights are upheld by their service provider. Effective compliance and enforcement is important in achieving this.

In respect of consumer rights, ComReg monitors compliance by PRS and ECS providers with relevant obligations including the PRS Code of Practice, the Universal Service Regulations[8] and associated ComReg Decisions, The Roaming Regulations[9], The Unfair Contract Terms Regulations[10] and the Consumer Information and Cancellation Regulations[11]. ComReg has a co-operation agreement with the Competition and Consumer Protection Commission (CCPC).

ComReg Compliance Cases and Findings

In July 2016, ComReg imposed a penalty of €255,000 on Virgin Media in the form of Fixed Payment Notices, pursuant to Section 85 of the Consumer Protection Act 2007. This came on foot of an investigation by ComReg which found that between November 2015 and April 2016 Virgin Media had failed to provide 26,046 of its customers with a contract on a durable medium, contrary to Regulation 12 of the Consumer (Information and Cancellation) Regulations 2013.

On 6 October 2016, ComReg issued a Notification of Non-Compliance to Three. ComReg found that, in relation to a number of Contract Change Notifications, Three had failed to comply with Regulation 14 (4) of the Universal Service Regulations and with ComReg Decision D13/12, and, in particular, Three failed to advise customers of their right to exit their contracts without penalty, within one month, pursuant to changes thereto, and a failure by Three to provide full information on the contract changes. Subsequently, Three stated to ComReg that it had remedied the non-compliance and had put processes in place to ensure that its Contract Change Notifications would be compliant thereafter. ComReg formed an Opinion of Non-Compliance but having taken account of the remedial measures taken decided not to take further action in respect of the matter.

8 European Communities (Electronic Communications Networks and Services) Universal Service and User Rights' Regulations 2011

9 S.I. 228/2013 –Communications (Mobile Telephone Roaming) Regulations 2013
REGULATION (EU) No 531/2012 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 June 2012 on roaming on public mobile communications networks within the Union.
S. I. No 240/2017 Communications (Mobile Telephone Roaming) Regulations 2013 (Amendment) Regulations 2017

10 S.I. 27/1995 – European Communities (Unfair Terms) in Consumer Contracts), Regulations 1995
S.I 336/2014 – European Communities (Unfair Terms in Consumer Contracts) (Amendment) Regulations 2014.
S.I. No. 160/2013 - European Communities (Unfair Terms in Consumer Contracts) (Amendment) Regulations 2013.

11 S.I. No. 484/2013 European Union (Consumer Information, Cancellation and Other Rights) Regulations 2013
S.I No. 250/2014 European Union (Consumer Information, Cancellation and Other Rights)(Amendment) Regulations 2014

On 11 November 2016, ComReg issued a Notification of Non-Compliance to Virgin Media. ComReg found that, in relation to a number of Contract Change Notifications, Virgin Media failed to comply with Regulation 14 (4) and (5) of the Universal Service Regulations and with ComReg Decision D13/12 and, in particular, Virgin Media had inappropriately placed marketing material in the body of Contract Change Notifications.

On 27 March 2017, ComReg issued a Notification of Non-Compliance to Three. ComReg found that that, in relation to Contract Change Notifications issued by Three preparatory to changes in pricing and other contractual terms, Three failed to comply with Regulation 14 of the Universal Service Regulations and with ComReg Decision D13/12. The non-compliance related, in particular, to the fact that Three had failed to properly advise its customers of the nature of the contract changes proposed and to adequately facilitate customers' right to exit their contracts without penalty within one month of being notified of the proposed contractual changes.

On 25 May 2017, ComReg issued Notifications of Non-Compliance to Vodafone, Eircom Ltd. and Sky Ireland. ComReg found that, in relation to a number of Contract Change Notifications, all three undertakings failed to comply with Regulation 14 (4) and (5) of the Universal Service Regulations and with ComReg Decision D13/12 and, in particular, all three undertakings had inappropriately placed marketing material in the body of Contract Change Notifications.

Billing/Switching

On 27 March 2017, ComReg issued a Notification of Non-Compliance to Three. ComReg found that that, in relation to conditions and procedures for contract termination put in place by Three in respect of the proposed contract changes, Three failed to comply with Regulations 25 (6) (b) of the Universal Service Regulations and, in particular, Three failed to ensure that its conditions and procedures for contract termination did not act as a disincentive to a consumer to change service provider.

On 27 March 2017, the Dublin District Court heard a case taken by ComReg against Eircom Ltd. concerning transfer of the customer's telephone services to Eircom Ltd. in respect of three sites. ComReg alleged that Eircom Ltd. failed to deal with the matter correctly, resulting in the customer being without telephone service for three weeks, with one of the customer's sites being without service for eight weeks, and that customer telephone numbers at two sites were unnecessarily changed; all contrary to Regulation 25 of the Communications Regulations Act 2002. It was also alleged by ComReg that the customer received bills for two Eircom accounts at one site (double billing) contrary to Section 45 of the Act.

The Court imposed criminal convictions for each of 7 charges and ordered Eircom Ltd. to pay a total of €16,500 in fines.

Premium Rate Services enforcement

ComReg investigated the AppMob PRS, provided by Zamano, in accordance with Section 9 of the Premium Rate Services Act and Sections 10 of the Communications Regulation Act. ComReg found that Zamano's AppMob PRS was not compliant with relevant provisions of the Code of Practice, including provisions relating to the information that must be provided to end users before they incur any charges, and that any end user who engaged with a particular promotion for Zamano's AppMob was entered into the PRS without their prior knowledge or consent. This was because the promotion failed to provide pricing information and any material details relating to the PRS, which would allow end users to make an informed transactional decision, consumers who responded to the promotion were misled into entering the service and subsequently incurred charges. Zamano was required to remedy the non-compliance in respect of the breaches of the Code and to refund affected end users.

Roaming Regulation

In accordance with its statutory function, ComReg continues its work in monitoring the implementation of the Roaming Regulation by Irish mobile companies.

On 15 June 2017, new rules were introduced on using your mobile phone when travelling within the European Economic Area (EEA), which is the European Union, Norway, Iceland and Lichtenstein.

On 16 June 2017 ComReg published an Information Notice, (ComReg 17/55r) containing an outline of the new Rome Like At Home (RLAH) changes.[12] To further promote awareness and transparency for consumers while roaming, ComReg's website provides consumers with information about mobile roaming, a guide to mobile roaming and information on the implementation of RLAH.

Customers are now charged the domestic retail price for using their mobile phone when travelling – this is referred to as Roam Like At Home (RLAH). If a mobile customer has purchased bundled services (price plans that have specific call, text, and data allowances) any roaming usage is now deducted from that home bundle. If all of the bundle allowance is used up, then the "Domestic Price" charged is the normal price that they pay at home for out of bundle usage. Before June, roaming service providers were allowed to impose an additional charge above the domestic price (a surcharge) for retail roaming usage. With the introduction of RLAH, service providers cannot charge more than what would be levied if the customer was consuming those services in the home country i.e. the domestic price. However, there are exceptions. These include the ability to apply a fair usage policy for data, anti-abuse measures and sustainability provisions. In addition, there are transparency measures in place which will help roaming customers to manage their consumption and costs.

Data

For voice calls and texts, consumers can use the full allowances that they have at home. However, in some cases, service providers can apply a fair usage policy to data usage which limits the amount of data that you can use from your domestic bundle whilst roaming. These limits, if implemented by roaming service providers, are determined by the type of contract (post-pay or prepay) and the data allowance that you have. There is a formula for assessing if a fair usage policy (FUP) applies to your data allowance and this is available on the ComReg website. Each consumer should be aware of any data limits applicable when roaming as there are different scenarios which involve different calculations to determine the data limits. ComReg advises consumers to contact their operator directly for confirmation on what allowances and/or FUPs may apply in advance of travelling.

Transparency

Consumers who are roaming continue to get a personalised SMS Message upon entry into another EEA country. This message has details such as price (ex VAT) of making and receiving calls, sending an SMS, and any usage policy and charges in excess of limits and surcharges, free of charge phone number for more information and the number for emergency services.

Consumers who are roaming receive an alert when the financial limit of €50 (ex VAT) has been reached. The financial or volume limit on data roaming consumption of €50 (ex VAT) is per monthly billing period. Consumers are then asked to confirm if they want to continue using data. In addition, consumers have the right to request and receive, free of charge, more detailed information from their roaming service provider from anywhere in the EEA.

12 ComReg Document 17/55r www.comreg.ie/publications

Emergency Call Answering Service

ComReg is statutorily responsible for monitoring the quality of service of the Emergency Call Answering Service (ECAS) provider and for reviewing the Call Handling Fee (CHF) that the ECAS provider may charge.

The service continues to perform to the quality specifications set by the Minister for Communications Climate Action and Environment in the original 2009 contract with the service provider. In January 2017, ComReg determined, following the review of the costs incurred by the ECAS provider to maintain the maximum CHF of €3.95 per call for the period 12 February 2017 to 11 February 2018. The consumer is not charged for calls to 999 or 112 as this cost is borne by the presenting telecommunications network.

Universal service for Electronic Communications

A central aspect of our work on consumer protection is to ensure availability of a universal electronic communications service.

In July 2016, following a series of public consultations, Eircom Ltd. was designated as the Universal Service Provider (USP), in accordance with the European Communities (Electronic Communications Networks and Services) (Universal Service and Users' Rights) Regulations 2011, to provide Access at a Fixed Location for five years until 30 June 2021 (D05/16).[13]

13 ComReg Decision D05/16, Eircom Ltd. appealed to the High Court and on 8 March 2017, the proceedings were struck out with no order as to costs.

USO Quality of Service

In February 2017, ComReg specified annual quality of service performance targets in respect of the provision of certain elements of the universal service in D03/17.

In setting these targets ComReg had regard to the following principles:-

- The targets should aim to balance the interests of end-users with promoting efficient investment.
- The targets should allow Eircom Ltd to have the flexibility to balance investment (in current and new networks) and repair expenditure as it considers appropriate to meet the targets.
- The cost and other implications for Eircom Ltd should be proportionate.

ComReg introduced a new "service availability" target which combines the two previous metrics of fault occurrence and fault repair[14]. In addition, ComReg introduced annual national and sub-national targets for both service availability and connections. These quality of service measures are effective from 2 February 2017 until 31 December 2018.

Universal Service Quality of Service Compliance and Enforcement

ComReg assessed Eircom Ltd USO compliance against targets specified in ComReg D02/08 from 1 January 2016 to 31 December 2016, in respect of timescales for connection, fault repairs and fault rate occurrence. Information Notices were published by ComReg showing Eircom Ltd. USO performance on a quarterly basis. Performance Data for Quarter 4 2016 and Annual 2016 were published on 12 June 2017, in ComReg 17/54. In April 2017, Eircom Ltd. paid ComReg €1,525,000 for its failure to meet the USO quality of service performance obligations arising under ComReg D02/08 for 2016.

14 ComReg has decided to state this target in terms of "maximum of working days outage per line" instead of as a "percentage" value

Cost of the USO

In May 2011, following a consultation process, ComReg issued a Decision ComReg Document D04/11 regarding the principles and methodologies for establishing the net cost of providing the universal service. This decision provided the basis upon which the net cost of providing the universal service is calculated and will enable ComReg to determine if the net cost, if any, constitutes an unfair burden on the universal service provider.

ComReg is preparing to commence a process of consultation (in Q4 2017) on the assessment of Eircom Ltd.'s applications for funding for the periods 2010-2011, 2011-2012, 2012-2013, 2013-2014; 2014-2015,and 2015-2016 which were resubmitted by Eircom Ltd. between September 2014 and March 2017[15] .

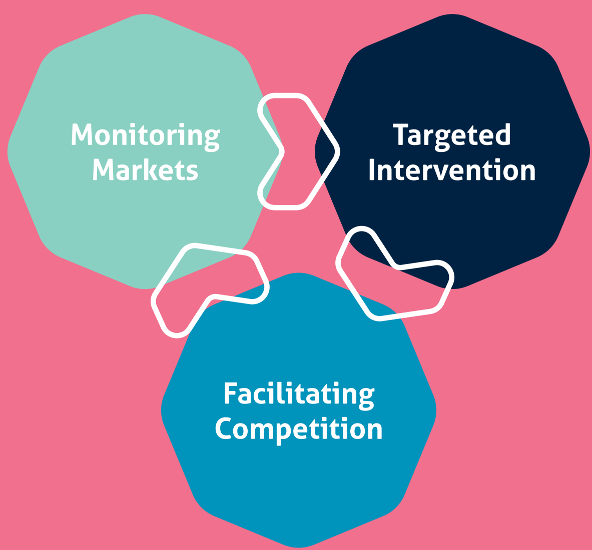
15 ComReg Document D04/11 www.comreg.ie/publications

COMPETITION

In the period of this report there were a number of important developments. Competition between providers of services increased and the market share of alternative operators continued to increase. ComReg made decisions relating to the pricing of a range of Eircom Ltd.'s wholesale access products, mobile termination rates and the analysis of wholesale fixed call origination and transit markets.

Figure 14: Regulation to Drive Competition

REGULATING TO DRIVE COMPETITION



Retail Trends

Total retail revenues in the twelve months to June 2017 at €3.092 billion were up from over €3.056 billion over the previous 12 months. During the period, Eircom Ltd.'s retail share of fixed line revenues declined by 1.1% over the year to 48.1% of the overall fixed line retail revenues. There were 1,685,369 broadband (fixed and mobile) subscriptions which was an increase of 0.3% compared to June 2016. Fixed broadband subscriptions grew to 1,379,049, an increase of 3.6% over the previous 12 months.

Fixed broadband household penetration increased from 67.9% to 70.09%. According to Eurostat[16] data, Ireland's household fixed and mobile broadband penetration rate was 86% at the end of 2016 compared to an average EU household penetration rate of 83%. Eircom Ltd.'s retail share of the fixed broadband market at the end of June 2016 was 32.2% in terms of subscriber numbers, a fall of 1.5 percentage points compared to one year earlier. Virgin Media's share had decreased from 27.4% to 26.7% in that period. Approximately 35.9% of fixed broadband subscriptions were supplied by other operators using Eircom Ltd.'s wholesale bitstream, Local Loop Unbundling (LLU) and Virtual Unbundled Access (VUA) products.

Next Generation Access and Broadband

As of June 2017, approximately 1.7m premises were passed by Eircom NGA networks including FTTC (Fibre to the Cabinet) and FTTP (Fibre to the Premises) based technologies. In total, 551k subscribers were using these services. Of these 48.1% were supplied by Eircom Retail while 51.9% were supplied by other operators using Eircom Ltd.'s wholesale NGA product set.

Virgin Media also continued to be a significant player in the market, advertising speeds in excess of 300Mbps downstream. According to public filings[17] Virgin Media's network addressed 822,700 homes and premises as at 30 June 2017. It had 366,100 broadband subscribers at that date amounting to 27.4% of the fixed broadband market.

SIRO, a joint venture between ESB and Vodafone, has also been rolling out FTTP to households and businesses in a number of selected towns across the country.

Average fixed broadband speeds continued to increase. In June 2017 approximately 80% of all fixed broadband subscriptions were equal to or greater than 10Mbps up from 75% in June 2016. While at the end of this review period 69.1% of all fixed broadband subscriptions were equal to or greater than 30Mbps, up from 60.1% in Q2 2016.

Total fixed retail broadband subscriptions increased from 1.33m in June 2016 to 1.39m in June 2017. Of these about 32.2% (down from 33.7% in Q2 2016) were provided by Eircom Retail; about 26.7% by Virgin Media, about 19.3% by Vodafone, about 12.2% by Sky and 9.6% by remaining operators. The retail broadband services provided by Vodafone, Sky and operators (other than Eircom Ltd. and Virgin Media) are enabled by such operators using wholesale products such as Bitstream and Virtual Unbundled Access (VUA) products.

16 www.ec.europa.eu/eurostat/web/products-datasets/-/ isoc_ci_it_h.

17 www.ec.europa.eu/eurostat/web/products-datasets/-/ isoc_ci_it_h.

Market Analysis

In Ireland the scope and nature of telecommunications regulation is determined by a process set out in European law known as a market analysis. As part of the process ComReg must first of all define what markets are potentially within the scope of regulation having had regard to a list of recommended markets published by the European Commission. Having defined the relevant market, ComReg must assess whether any company or companies is individually or jointly dominant within that market.

If it is concluded that a dominant operator does exist it must impose at least one remedy to ameliorate the effect of this dominance based on a list set out in the legislation. For example, ComReg may require a dominant operator to open up its network to competitors at the wholesale level. In practice, most telecommunications regulation is targeted at the wholesale level; at the end of 30 June 2017 only one retail market (with three sub-segments) was subject to regulation - the market for retail access to the public telephone network at a fixed location (line rental).

Following on earlier consultations, in July 2015 ComReg published its decision[18] with respect to its analysis of the wholesale fixed access and call origination (FACO) markets and the voice call transit market. Arising from this market review, Eircom Ltd. was designated as having Significant Market Power (SMP) in the FACO market and has had various obligations imposed upon it to, inter alia, provide Wholesale Line Rental and call origination services to other operators. ComReg also removed all regulation from the voice call transit market as these were identified as being competitive.

ComReg also commenced its analysis of a number of other wholesale markets including the wholesale markets for:

1. High Quality Access (HQA): essentially wholesale high speed symmetric broadband services used as inputs in the provision of downstream/ retail broadband services to medium and large businesses, as well as being used by service providers to extend the boundaries of their networks. ComReg issued its consultation on wholesale HQA in August 2016, with the review ongoing.
2. Wholesale Local Access (WLA) and Wholesale Central Access (WCA): being two wholesale markets which are used as inputs in the provision of downstream/retail broadband and telephony services (among others). ComReg issued its consultation on WLA/WCA in November 2016, with the review ongoing.
3. Fixed Voice Call Termination (FVCT) and Mobile Voice Call Termination (MVCT): being two wholesale markets involving the completion of calls on the networks of called parties. Preparatory work on the FVCT and MVCT analyses is ongoing.

ComReg has been heavily engaged in the gathering of information from service providers using its statutory information gathering powers.

18 ComReg Document 15/87 D05/15 www.comreg.ie/publications

Fixed Market Compliance Issues

During the period ComReg conducted a review of Eircom Ltd.'s (eir's) Regulatory Governance Model. Phase 2 of the review commenced in September 2016 and was completed in March 2017. ComReg received draft reports from its Advisors with a view to considering the content and publication.

Separately, ComReg has been addressing ongoing problems with Eircom Ltd.'s compliance with its regulatory obligations. It has initiated court proceedings against Eircom Ltd in respect of five findings of breaches of its regulatory obligations over a period from July 2011 to July 2015. A number of other investigations were also ongoing, including investigations which are concerned with matters addressed in the Advisors' reports.

Compliance

This section covers investigations into breaches of regulatory obligations by telecoms operators, incidents associated with misuse of Irish numbers and reports of significant network incidents.

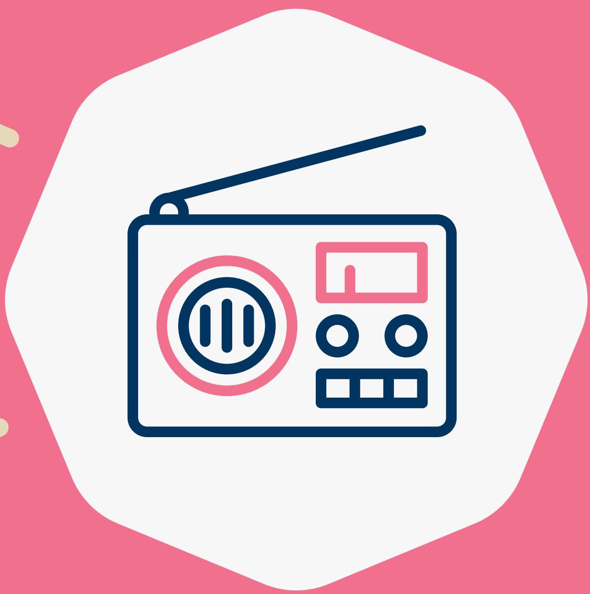
When dealing with regulatory obligation investigations the conclusion of the case may result in a formal opinion of non-compliance by an operator, an administrative payment by an operator, court proceedings or the closure of a case where no issue is identified or closure following remediation by an operator where ComReg considers further action is not warranted.

During the period, ComReg's telecoms compliance activities included :

- Regulatory compliance:
    - 35 cases opened
    - 20 cases closed
    - 48 ongoing cases.
- Misuse of Irish numbers:
    - 104 Cases opened
    - 100 cases closed
- Network incident reports:
    - 15 incidents reported

Associated with the regulatory compliance cases, ComReg carried out 23 active compliance investigations into the incumbent fixed line operator and 12 active compliance investigations into mobile operators.

RADIO SPECTRUM MANAGEMENT



Radio spectrum is a medium by which information may be transmitted wirelessly over distances ranging from a few metres to thousands of kilometres. It is essential to the provision of mobile communications and wireless reception of broadcast services.

Radio spectrum is also fundamental to the safe operation of air and maritime transport, the day-to-day operation of the Defence Forces and emergency services, as well as being vital to many important scientific applications. As a finite natural resource it needs to be prudently managed to ensure the efficient and effective use of the resource.

During the year in review, several key spectrum management projects were commenced and or completed as detailed below.

The award of the 3.6 GHz band

The 3.6 GHz band is an important spectrum band of interest to both wireless internet service providers (WISPs) and mobile networks operators (MNOs). It has a variety of potential uses, which include addressing mobile capacity constraints and being a core band for providing and improving fixed wireless broadband services particularly in rural areas. Additionally, the band has been identified by Europe's Radio Spectrum Policy Group (RSPG)[19] as a candidate band for the introduction of new 5G services.[20]

Having completed its consultation process on 24 August 2016, ComReg initiated the award process for the 3.6 GHz band with the publication of its Information Memorandum (ComReg Document 16/71). This Information Memorandum set out the processes, procedures and auction rules for the

19 The Radio Spectrum Policy Group (RSPG) is a high-level advisory group that assists the European Commission in the development of radio spectrum policy. It adopts opinions, position papers and reports, as well as issuing statements, which are aimed at assisting and advising the Commission at strategic level on radio spectrum policy issues, coordination of policy approaches and harmonised conditions, where appropriate, with regard to the availability and efficient use of radio spectrum necessary for the establishment and functioning of the internal market.

20 RSPG Opinion, "Strategic roadmap towards 5G for Europe" 9 November 2016,

350 MHz of spectrum in the 3.6 GHz band in each of the nine regions of the State (five urban and four rural) for the period 2017 to 2032. On 22 May 2017, ComReg published the results of the award (ComReg Document 17/38) which resulted in the successful assignment of all 350 MHz of available spectrum in all regions of the State to five winning bidders.

- **Imagine Communications Ireland Ltd** the largest existing WISP which held over 80% of the previous licences in the band;
- **Airspan Spectrum Holdings Ltd** a new entrant to the Irish market;
- **Vodafone Ireland Ltd** an existing mobile network operator;
- **Three Ireland Hutchison Ltd** an existing mobile network operator; and
- **Meteor Mobile Communications Ltd** an existing mobile network operator.

The release of the 3.6 GHz band increased the amount of harmonised spectrum for mobile, nomadic and fixed wireless broadband services in Ireland by 86% and places Ireland at the vanguard of Europe, having released 350 MHz of the band in full accordance with the 3.6 GHz Band European Commission harmonisation decision.

The full results of the award is shown in table 1. Over the lifetime of the licences, winning bidders will pay in excess of €78 million, comprising €60.5m in upfront fees and circa €17.7m in spectrum usage fees to be paid over the 15 year duration of the licences.

Figure 15: Results of the 3.6 GHz Band Spectrum Award

Region	Airspan Spectrum Holdings Ltd	Imagine Communications Ireland Ltd	Meteor Mobile Communications Ltd	Three Ireland (Hutchison) Ltd	Vodafone Ireland Ltd
Borders Midlands and West	25 MHz	60 MHz	80 MHz	100 MHz	85 MHz
South West	25 MHz	60 MHz	80 MHz	100 MHz	85 MHz
East	25 MHz	60 MHz	80 MHz	100 MHz	85 MHz
South East	25 MHz	60 MHz	80 MHz	100 MHz	85 MHz
Dublin City and Suburbs	60 MHz	-	85 MHz	100 MHz	105 MHz
Cork City and Suburbs	60 MHz	-	85 MHz	100 MHz	105 MHz
Limerick City and Suburbs	60 MHz	-	85 MHz	100 MHz	105 MHz
Galway City and Suburbs	60 MHz	-	85 MHz	100 MHz	105 MHz
Waterford City and Suburbs	60 MHz	-	85 MHz	100 MHz	105 MHz
Final Upfront Fees[21]	€ 7,556,700	€ 8,128,800	€ 11,498,400	€ 15,313,700	€ 17,968,712
Total Spectrum Usage Fees[22]	€ 2,078,550	€ 1,640,520	€ 4,163,610	€ 5,059,200	€ 4,765,320
TOTAL					**€ 78,173,512**

21 Final Upfront Fees is contingent on any licence fee refunds in respect of delayed commencement arising from Transition Activities as detailed in the Information Memorandum.

22 Spectrum Usage Fees will be indexed to CPI and paid annually over the duration of the Award. Figures presented in this table do not assume any adjustment and are presented as indicative.

Co-ordinated DTT spectrum plans in the UHF band below the 700 MHz band

The radio spectrum 694 - 790 MHz known as the 700 MHz band has long been used to provide Digital Terrestrial Television (DTT) services in Ireland and internationally. In 2012, the International Telecommunication Union (ITU) decided that, in addition to being used to provide DTT services, the 700 MHz band may also be used to provide mobile services in Europe, Africa and the Middle East. The ongoing provision of DTT services will be provided for below the 700 MHz band, in the 470 – 694 MHz band.

Since the ITU decision was taken, significant progress has been made in making the 700 MHz band available for technologies and services other than DTT at the European and national level. At the European level, technical harmonisation measures are now in place to allow the use of mobile technologies (e.g. LTE) in the 700 MHz band and a recent EU Decision requires EU Member States to allow the 700 MHz band to be used for purposes other than DTT by 30 June 2020.

As radio frequencies are not bound by political borders, Ireland must coordinate its radio spectrum plans with neighbouring countries in order to facilitate the efficient use of radio spectrum in all countries with a particular focus on preventing or minimising any cross-border interference. In respect of the United Kingdom a plan for the continued provision of DTT services below the 700 MHz band was finalised on 24 March 2017 with the signing of a Memorandum of Understanding (MoU) by Ofcom and ComReg . To facilitate the implementation of this plan ComReg[23] and Ofcom agreed a further MoU[24] to co-ordinate transition activities. The work to complete the migration of DTT from the 700 MHz band in both jurisdictions will continue until the migration has been completed. Spectrum in the frequency range 470 - 694 MHz has favourable propagation characteristics i.e. it travels far and DTT networks utilise high masts with very high power. ComReg therefore negotiated a coordination agreement[25] with France on DTT services in the 470 – 694 MHz band and the agreement was finalised and entered into on 28 April 2016.

Although Ireland's DTT services do not directly impact on European countries other than our nearest neighbours the UK and France, it was also necessary for Ireland to participate in a wider multilateral regional planning group. This is because the spectrum plans of European countries other than the UK and France could affect Ireland indirectly in that those countries affect the spectrum plans of the UK and France. On 29 April 2016, a multilateral agreement to coordinate the DTT plans for the 470-694 MHz band was signed by the relevant administrations of Belgium, France, Germany, Ireland, Luxembourg, the Netherlands and the United Kingdom.[26]

The 700 MHz Cost Recovery Mechanism

ComReg commissioned Frontier Economics Ltd. to carry out a cost benefit analysis (CBA) on the repurposing of the 700 MHz band. Published in June 2015[27], the analysis found that a net benefit of €91m would result from repurposing the 700 MHz in Ireland. The report also acknowledged that repurposing the 700 MHz band would cause the incumbent DTT network operator, 2rn, to incur costs outside of its normal operating costs.

Subsequently, in July 2015, the Department of Communications, Climate Action and Environment (DCCAE) requested the assistance of ComReg to develop a cost recovery mechanism (CRM) to be applied to future expenditure on the Digital Terrestrial Television (DTT) network.

23 ComReg Document 17/23a www.comreg.ie/publications
24 ComReg Document 17/23b www.comreg.ie/publications
25 ComReg Document 17/23c www.comreg.ie/publications
26 ComReg Document 17/23d www.comreg.ie/publications
27 ComReg documents 15/62, 15/62a and 15/62b. www.comreg.ie/publications

ComReg engaged Frontier Economics to conduct a fully reasoned analysis and assessment of the efficiently incurred capital and operational costs which 2rn, and ultimately RTÉ, would be likely to incur as a result of DTT migrating from the 700 MHz band.

The Frontier Economics report[28] was published in December 2016, and estimates that the incremental costs likely to be incurred by 2rn as a result of 700 MHz migration, could amount to €8.6 million. The report also formed the basis for estimating the compensation payable to RTÉ to cover such migration and recommended that such compensation be paid in three phases, as follows:

i. Phase 1 early 2017: 60% to cover tendering and installation of equipment;

ii. Phase 2 late 2017: 30% to cover further tendering and installation of equipment (to be installed in Summer 2018);

iii. Phase 3 2020: 10% to cover the final reconciliation between forecast and actual costs.

ComReg will continue to work with DCCAE, 2rn and Frontier Economics to monitor costs and verify expenditure to ensure that the schedule of the compensation phases are met.

Figure 16: Spectrum Stand

28 ComReg Document 16/114a www.comreg.ie/publications

Spectrum Leasing in the RSPP and 700 MHz bands

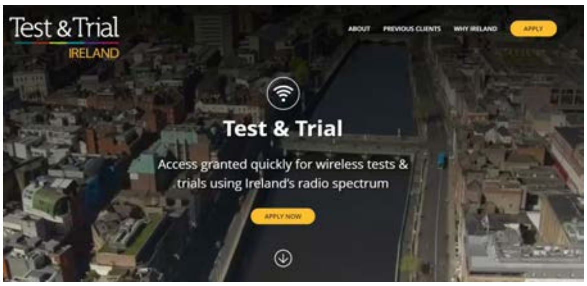
In June 2017, ComReg began a public consultation (Consultation 17/47) on a framework for the ex-ante review of proposed spectrum leases in the EU Radio Spectrum Policy Programme (RSPP) and 700 MHz[29] radio spectrum bands.

In summary, Consultation 17/47 proposed to extend the existing procedures for reviewing notified spectrum transfers, established under S.I. No. 34 of 2014 in 2014, to encapsulate spectrum leases, and this would enable undertakings to obtain spectrum rights of use to radio spectrum in accordance with the spectrum leasing procedures as specified by ComReg.

Test & Trial Ireland

Ireland's geographic position on the western edge of Europe and its low population density provides a key natural advantage, namely, a relative abundance of unused spectrum. Test & Trial Ireland is a service which entrepreneurs, researchers and developers may use to test or trial wireless technologies in a wide variety of frequency bands, including parts of the mobile and broadcasting bands. During the year in review ComReg issued 19 Test & Trial licences. Further details are set out at Test & Trial Ireland **www.testandtrial.ie**.

Figure 17: www.testandtrial.ie



29 An EU Decision on the use of the 470 – 790 MHz frequency band came into effect in June 2017. http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017D0899&from=EN

Licensing Operations

The possession and use of radio equipment in Ireland requires authorisation from ComReg. This authorisation may take the form of either a licence or a licence exemption. Licences may be issued in accordance with the following legislation:

- Wireless Telegraphy Act 1926 (as amended);
- Broadcasting Authority Act 1960, as amended (in the case of the RTÉ Authority);
- Radio and Television Act, 1988 (in the case of the Broadcasting Commission of Ireland); or the
- Broadcasting (Amendment) Act 2007 for Digital Broadcasting.

As of 30 June 2017, the total number of live radio licences on our database was 18,561, up 2% on the previous period.

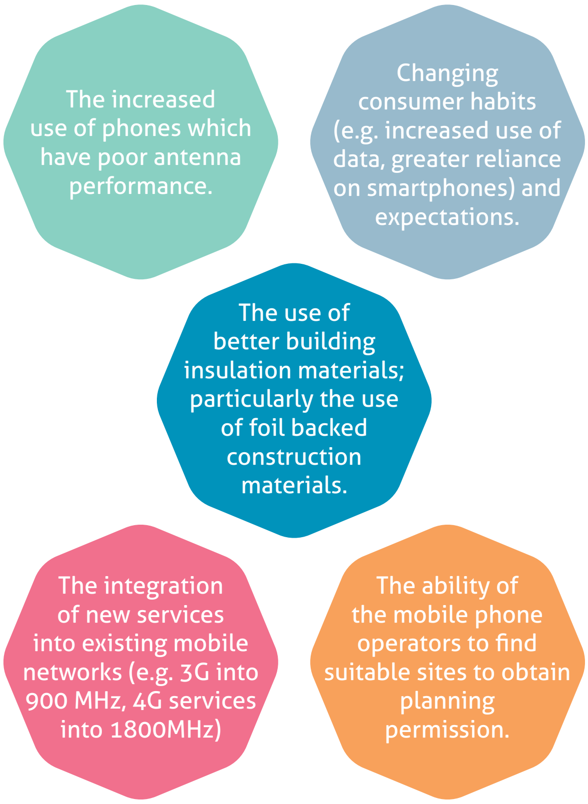
The total number of new licences issued in this reporting period was 4,020, an increase of 20% on the previous year. A significant proportion of new licences issued (2,590) were in respect of fixed links.

Mobile User Experience

During the period there were some notable developments in the mobile consumer experience space. ComReg flagged this as an area of importance in its Radio Spectrum Management Statement 2016 – 2018 (ComReg 16/50).

The matter of mobile user experience can often give rise to confusion, accentuated by a relative dearth of research and reliable information. While there are five key factors (see figure 18) that ComReg has identified as potentially having a detrimental impact on a mobile user's experience, they are generally all debated or discussed under the single heading of 'coverage'.

Figure 18: Main Factors affecting mobile user experience



ComReg is endeavouring to bring clarity to the debate by producing reliable facts and data and making this information readily available. This coincides with the findings and recommendations of the Government's Mobile and Broadband Taskforce report[30]. During the 2016 – 2017 period ComReg commenced work in the following areas:

- Mobile Handset Performance Testing;
- Building Materials Testing;
- Developing a Coverage Checker website; and,
- Developing a consultation on the use of mobile phone repeaters.

It is intended that this work will help to inform and protect consumers. ComReg anticipates that it will commence publishing information on these matters in the coming reporting periods.

30 http://www.dccae.gov.ie/en-ie/communications/publications/Pages/Report-of-the-Mobile-Phone-and-Broadband-Taskforce.aspx

Spectrum Intelligence and Investigations

ComReg's Spectrum Intelligence and Investigations unit is responsible for ensuring compliance with wireless telegraphy legislation and the Electromagnetic Compatibility (EMC)[31] and Radio Equipment (RE) Directives in the State and enforcing same as required.

During the period 193 consumer devices were detained and inspected by ComReg through the course of its market surveillance activities in relation to the EMC and RE[32] Directives and approximately 70% of those were found to be non-compliant[33].

As part of its market surveillance activities ComReg enjoys and is grateful to have a productive relationship with the Customs and Excise Authorities to ensure non-compliant electronic equipment does not enter the State. Such prohibited devices have been found to cause harmful interference to a range of services including mobile phone networks and aeronautical services.

In the period from July 2016 to June 2017 ComReg received 132 reports of harmful interference to radio services. This represents a 5% increase over the previous period. Almost half of all complaints received are reports of interference to mobile network operators. Interference involving fixed line services and non-radio devices also represent a significant proportion of the work in this area; such cases are often interlinked with the market surveillance activities under the EMC Directive.

All instances of interference reported to ComReg are given a priority based on the severity and impact of the interference. During the last year ComReg outsourced a portion of its lower priority interference investigations[34]. This has allowed ComReg to concentrate its limited resources on matters of highest priority, being those with significant levels of interference and impact and in proactive activities such as market surveillance and radio monitoring.

Programme of Measurement of Non-Ionising Radiation (NIR)

ComReg requires, as a condition of wireless transmission licences, that operators of transmitting stations must ensure that their installations comply with the NIR emission limits specified in the latest guidelines published by the International Commission on Non-Ionising Radiation Protection (ICNIRP).

ComReg carries out annual audits of compliance by operators with licence conditions which includes the ICNIRP emission limits. Each annual audit involves surveying a sample number of sites and transmitter types (broadcast, mobile telephony, wireless broadband etc.) countrywide.

Results of all the site surveys conducted during this reporting period were summarised and published in four quarterly reports which are available on **www.comreg.ie**. Copies of the individual site survey reports were made available on the ComReg website as well as via **www.siteviewer.ie**[35].

ComReg is pleased to report that at all of the sites surveyed during this reporting period, measurements of NIR emissions were found to be significantly below the ICNIRP guideline limits.

31 The Electromagnetic Compatibility Directive 2014/30/EU as transposed into Irish law by S.I. No. 69 of 2017 – European Communities (Electromagnetic Compatibility) Regulations 2017.

32 The Radio Equipment Directive 2014/53/EU as transposed into Irish law by S.I. No. 248 of 2017 – European Communities (Radio Equipment) Regulations 2017.

33 It is important to note that this is not representative of the rate of non-compliance of products on the market, rather it is a function of the targeted approach to market surveillance adopted by the organisation.

34 Note that the procedure for making an interference complaint has not changed; instances of interference should be reported directly to ComReg.

35 Site viewer is an on-line facility provided by ComReg, which allows the public to view details of GSM, 3G and LTE mobile telephony base stations throughout Ireland.

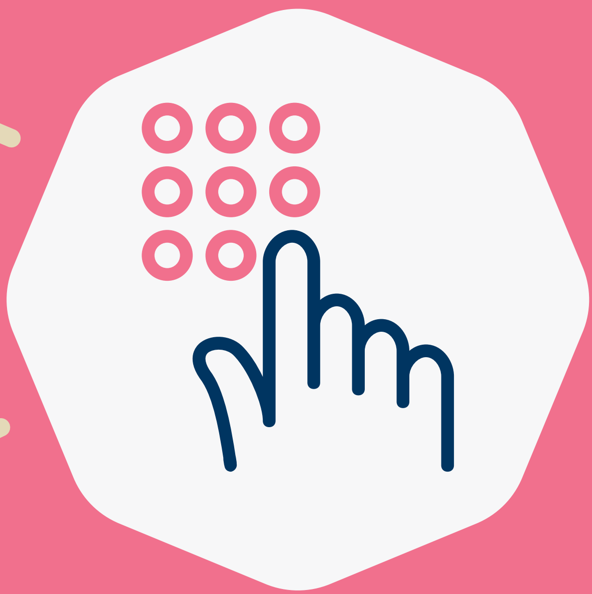
Mobile Network Operator Licence Compliance – Drive Testing

During the review period ComReg published two summary reports of its national drive tests. In addition, ComReg has for the first time made the raw data that underlies the drive tests available for download on its website **www.comreg.ie**.

The drive test regime is designed to assess compliance with the coverage obligations set down in the 3G and Liberalised Use Licences. The route taken covers in excess of 5,000km taking in all primary and secondary roads in the State; this is the most rigorous schedule undertaken by any National Regulatory Authority (NRA) in the EU.

The results found that all mobile network operators are in compliance with their licence conditions.

NUMBERING



Management of the National Numbering Resources

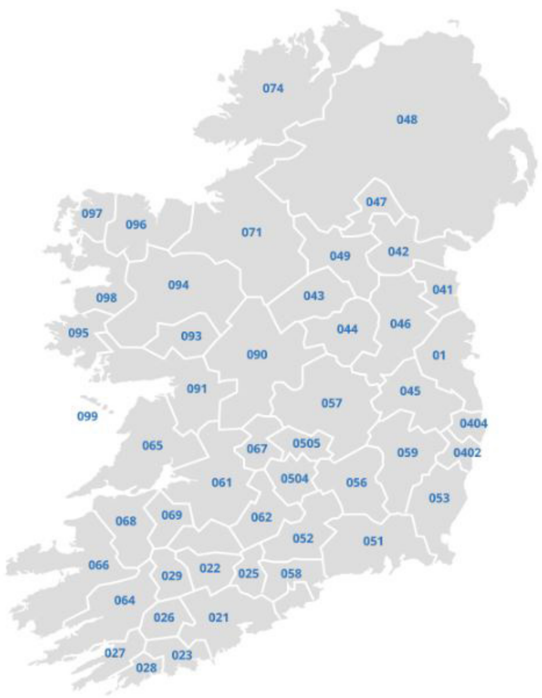
Telephone numbers are a national resource that are essential for communications services. Telephone numbers ensure effective routing of national and international communications services, and support the correct functioning of billing and settlement regimes for those services. They can provide information to the caller on the type of service called, the price of the call and the location of the called party. They also support supplementary services such as Calling Line Identification (CLI).

As a fundamental competitive enabler for communications services, it is essential that sufficient numbers are available for both existing and future services. It is vital that ComReg continues to manage the national numbering resource in a manner that promotes competition and supports innovative communications services, but also protects and informs consumers.

ComReg manages the national numbering resource in accordance with European and International Recommendations and subject to specific National and European legislation. ComReg's management of the national numbering resource includes setting conditions (i.e. rules) for operators' use of numbers and defining who is eligible to hold numbers. The conditions and eligibility criteria are largely designed to protect consumers and to provide operators with equal access to Irish numbering resources in order to promote competition. The conditions are updated as required to take account of new product/service developments, legislative changes and any other requirements.

Machines that need to access public telephone networks also need numbers. Key areas currently benefiting from Machine-to-Machine (M2M) or Internet of Things (IoT) connectivity include automotive, ehealth services, smart metering/smart grids, smart homes, smart cities, industry/automation and agriculture. Analysys Mason forecasts there will be 719 million connected cars worldwide by 2025[36]. The introduction of eCall automated emergency calling in all newly manufactured cars intended for sale in the EU from April 2018 is also a specific requirement. ComReg must facilitate demands for new numbers in line with its statutory objectives.

Figure 19: Area Code Map[37]



Number Conservation Measures

The Communications Regulation Acts 2002-2017 requires ComReg to take all reasonable measures to ensure the efficient use and effective management of Irish numbering resources. Number exhaustion is a constant concern for national regulators.

The usual remedy when approaching number exhaustion is to introduce a number change to expand capacity. However, as numbers are now embedded into so many systems and devices, a number change can take several years and can be costly and disruptive. Number conservation will therefore be of paramount importance in the future.

Conserving existing number ranges is fundamentally important to effective numbering plan management. In 2015, ComReg engaged consultants to recommend measures for conserving existing Geographic and Mobile numbers[38]. The consultants developed two reports[39] which set out various measures for conserving numbers and assessed their likely impact. The reports identified inefficiencies in some operators' business processes and systems that lead to significant number wastage. Major number conservation measures are now underway, with the full support of the Irish telecoms industry.

ComReg will continue to monitor operators' use of numbers to ensure that the conservation measures are being properly implemented.

Review of Mobile Numbering Resources

The M2M sector and Over-the-Top (OTT) voice and messaging services are experiencing rapid growth globally. Only a small proportion of OTT services will require new mobile numbers, as many leverage the customer's existing number or use proprietary addressing for on-net calls.

Given the forecasted growth of M2M connections, ComReg is currently conducting an in-depth review of numbering for both M2M and mobile OTT services to assess the potential impacts of these services on the Irish numbering resource.

36 Analysys Mason report: Connected Cars: Worldwide Trends and Forecasts 2013 to 2025

37 https://www.comreg.ie/industry/licensing/numbering/area-code-maps-2/

38 ComReg Document 16/20 www.comreg.ie/publications

39 ComReg Documents 16/20a and 16/20b www.comreg.ie/publications

The global nature of the M2M market means that some M2M services will likely use Irish numbering resources on an 'extraterritorial' basis. ComReg's review will consider the broader technical, commercial and regulatory issues raised in an environment where Irish numbering resources will be used outside Ireland.

As part of its review, ComReg has held discussions with Irish and international mobile operators as well as specialist M2M service providers. A benchmarking exercise will assess the experience in addressing M2M demands in other countries. The review is expected to recommend the optimum solution for Ireland, and the implementation requirements of any recommended solutions. ComReg plans to publish a consultation document on this review by the end of 2017.

Review of Non-Geographic Numbers

ComReg is currently reviewing the functioning of five different types of Non Geographic Numbers (1800, 1850, 1890, 0818 and 076) in Ireland. Although these Non-Geographic Numbers (NGNs) provide a useful platform for the delivery of a wide variety of services, ComReg has concerns about their use. The purpose of the review is to gather and analyse information to allow ComReg to consider whether its concerns can be substantiated. The review takes into account the requirement to ensure that these numbers are used in a manner which promotes competition and protects consumers.

ComReg will shortly commence a full public consultation on NGNs. The consultation will set out preliminary options to improve the functioning of the NGN platform in Ireland. ComReg will consider all inputs to the consultation before deciding on the next steps.

Numbering Forum

ComReg's Numbering Forum provides a platform for the discussion of commercial, operational, regulatory and technical issues related to numbering. It consists of representatives of the electronic communications industry and ComReg.

At an operational level, ComReg works directly with individual operators to ensure new numbers are promptly opened up on networks and to resolve issues such as misdialling.

International Co-ordination

ComReg tracks and participates in European and international working groups on numbering issues. This is important as changes to the European and/or international numbering landscape can have implications for national numbering resources and network operations in Ireland. ComReg is also required to ensure that relevant EU legislation on numbering harmonisation is implemented.

At an operational level, ComReg works with its colleagues in other national regulatory authorities and with the International Telecommunication Union (ITU) to ensure that new Irish and foreign telephone numbers become operational promptly on all national and international networks.

POSTAL REGULATION

ComReg's statutory functions are to ensure the provision of a universal postal service that meets the reasonable needs of postal service users and to monitor and ensure compliance by postal service providers with the obligations imposed on them.

ComReg's statutory objectives are to:

- promote the development of the postal sector and, in particular, the availability of a universal postal service within, to and from the State at an affordable price for the benefit of all users;
- promote the interests of postal service users;
- facilitate the development of competition and innovation in the market for postal service provision.

The Communications Regulation (Postal Services) Act 2011 designated An Post as the Universal postal Service Provider (USP) until 2023, with the option for ComReg to consider a review in 2018. Specific functions of ComReg include monitoring compliance of the USP with directions issued by ComReg.

During the review period, ComReg addressed the following areas:

Universal postal service accounting obligation

ComReg made a direction to the USP pursuant to section 31 of the 2011 Act (2017 Accounting Direction). The 2017 Accounting Direction replaces the 2006 Accounting Direction, established under the older statutory framework. For the most part, the existing requirements under the 2006 Accounting Direction continue under the 2017 Accounting Direction. The new requirements are few in number, minimal in their effect, and proportionate having regard to their purpose.

The purpose of the 2017 Accounting Direction is to set out the USP's accounting obligations in respect of the universal postal service and to ensure transparency on the costing and profitability of the universal postal service, set out in the Regulatory Accounts. This provides ComReg with the information necessary for it to discharge its statutory functions. The accounting obligations also enable ComReg to monitor the USP's compliance with various other obligations, including the tariff and terminal dues requirements.

Quality of Service

The availability of an efficient, high-quality postal service is a key objective for a modern competitive economy such as Ireland. One of the fundamental objectives of the European Postal Directives is to secure improvements in quality of service for universal postal service and ComReg is obliged by law to set a quality of service target for the USP for its provision of universal postal service.

ComReg has directed the USP to achieve a next-day delivery standard of 94% for single piece priority mail delivered within the State. ComReg monitors An Post's performance against that 94% standard, in accordance with Comité Européen de Normalisation/ the European Committee for Standardisation (CEN) and international measurement standards, and ComReg publishes annual performance reports on its website. ComReg first introduced independent monitoring of the quality of the universal postal service in 2003 and at that time just 71% of single piece priority mail was being delivered on the next working day. In the intervening years, the rate of next–day delivery has improved by 20 percentage points, a rate of improvement of 28%, since the introduction of regulatory monitoring.

The annual performance report for the calendar year 2016 included the following key findings:

- An Post delivered 91% of single piece priority mail on the next working day following the day of posting, which is the same result as for 2015 and is 3% short of the 94% standard;
- An Post delivered 99.1% of single piece priority mail within three working days following the day of posting, which is also the same result as for 2015 and is just slightly below the 99.5% standard, demonstrating that An Post's postal network can capably deliver the vast majority of single piece mail within three working days;
- In the 11-month period January to November 2016, An Post delivered 92% of single piece priority mail on the next working day though next-day delivery performance fell to 77% in December 2016, a notable deterioration; and
- An Post delivered 88% of "postal packets" (currently the growth area in postal services) on the next working day, which is 6% below the 94% standard.

Independent postal service user dispute resolution procedures

Section 43(3) of the 2011 Act gives ComReg, or an appointee of ComReg, a discretionary power to resolve postal service users' disputes which remain unresolved after due completion of all the procedures of a postal service provider's code of practice. During the year, ComReg made a number of dispute resolutions.

Repeal by the State of the price cap control on universal postal service

Section 30 of the 2011 Act empowered ComReg to limit the amount by which An Post could increase the prices of any of its universal postal services, in a given year. ComReg established such a "price cap" in June 2014 and it was to remain in effect for five years, until June 2019. This ensured, among other things, that the prices of universal postal services remained affordable by allowing modest price increases, reflective of incentivising An Post to become more cost-efficient given An Post's forecasts of mail volume declines. The price cap considerably reduced An Post's losses on the provision of those universal postal services subject to the price cap.

The Communications Regulation (Postal Services) (Amendment) Act 2017 repealed section 30 of the 2011 Act and ComReg's five-year price cap.
The prices of universal postal services are now set exclusively by An Post. Following the repeal of the price cap, An Post increased the prices of its mail services, with the price of a domestic stamped letter increasing by 39%.

CORPORATE SERVICES DIVISION

Governance

It is the objective of the Commission to ensure compliance, at all times, with best practice in Corporate Governance.

This financial period commenced on 1 July 2016 i.e. before the effective date of 1 September 2016 of the new 2016 Code of Practice for the Governance of State Bodies. Hence we have continued to apply the 2009 version of the Code of Practice for the Governance of State Bodies in relation to the 2017 Financial Statements.

It is ComReg's policy to comply with the Code of Practice for the Governance of State Bodies and it has reported on its compliance with relevant sections of the Code either in this Annual Report or separately by way of a letter to the Minister for Communications, Climate Action and Environment.

ComReg has a comprehensive audit programme in place, overseen by its Audit Committee which met five times during the year. The committee's external members as of 30 June 2016 were: Aisling Kennedy[40], Martin Higgins and Patricia Byron. The internal audit function is outsourced. An independent trustee of the pension scheme is also in situ, in accordance with best industry practice.

As a public body operating in a difficult environment, an ongoing challenge is to continue to add value while working within resource constraints. We continuously review and amend policies and procedures in relation to expenditure, procurement and risk management. ComReg is accountable to the Oireachtas through Oireachtas Committees (see Communications and Engagement).

The ongoing implementation of the procurement plan aims to achieve value for money, to provide a quality service to the public and arrange procurement in a compliant manner.

40 Marie Collins has since replaced Aisling Kennedy

During the current year we have arranged competitive tendering in respect of equipment and outsourced services.

We have followed European Procurement Directives for larger contracts including publishing tenders in respect of Multi-Supplier panels for Barrister Services and Regulatory Governance Professional Services. We have used the Office of Government Procurement Framework Agreements where feasible.

We aim to pay all valid invoices within 15 days and we publish on our web-site the number and value of payments made quarterly. We continue to improve work processing cycle times, aided by the co-operation of all staff and the new technological initiatives developed internally to improve processing. In the year to 30 June 2017 82% of payments has been made within the requisite time period.

The Freedom of Information Act 2014 requires Freedom of Information (FOI) bodies such as ComReg to publish a disclosure log, which contains details of the types of requests received under FOI since January 2015 and the decisions made by the body in response to those requests. We publish this information on our website. ComReg received 8 FOI requests from July to December 2016 and 22 FOI requests from January to June 2017. We had one Access to Information on the Environment (AIE) request in March 2017, zero formal Data Protection requests and zero Protected Disclosures.

Human Resources

We continue to recognise that our people are key to our ability to deliver ComReg's increasingly complex mandate. We therefore place a strong emphasis on the core areas of Recruitment, Development, Engagement and Wellbeing. We believe that building a culture which attracts talented people from diverse backgrounds leads to better service for consumers and stakeholders.

Resourcing continues to remain a challenge. We experienced a spike in attrition during the year due to increasing competition from other public and private sector entities. As a high proportion of our roles require specialised skills – Engineers, Economists, Accountants, Lawyers and Analysts – it can be challenging to ensure we quickly fill our vacancies with the skill and talent required. During 2017 we developed and launched a bespoke Competency Framework. This identifies our core skills and behaviours and brings renewed focus to our values of Integrity, Effectiveness, Excellence, Transparency and Integrity. We are using this framework as part of the recruitment process to provide additional clarity regarding requirements and how candidates will be tested and measured.

The quality, skill and dedication of our people is a key component in the organisation's ability to achieve our regulatory objectives and fulfil our role in promoting competition, protecting customers and encouraging innovation. In an effort to retain and attract talent, we invest in enabling people to develop their technical and professional skills through internal programmes and formal education. Based on our training needs analysis, we introduced a calendar of organisational programmes which included management development, professional and technical programmes and lunch time sessions designed to encourage collaboration and information sharing. We continue to sponsor education and our staff have achieved excellent results as they augment their knowledge and ability. Our mentoring programme was further enhanced during 2017 and continues to provide opportunities to share insights, expertise and knowledge at all levels throughout the organisation.

We are committed to providing a fulfilling and progressive workplace which will be enhanced by the new working environment in One Dockland Central where the ComReg offices relocated in June 2017. The open plan design facilitates information sharing and collaboration.

We continue to work on our foundations – updating our policies and practices in accordance with our values and legislation.

We are committed to ensuring that diversity thrives, that all colleagues are treated fairly and with respect and are aware of what is and what is not acceptable behaviour. The objective of our active wellness agenda is to emphasise the importance of taking care of physical and mental health. We do this through facilitating access to experts, and to latest thinking in holistic wellbeing.

A new electronic HR system was rolled out in 2017, enabling increased efficency by minimising our reliance on manual processes. We are currently using the system for operational and L&D purposes and expect to expand this over the next 12 months by creating further efficiencies in the areas of metrics and performance management.

The achievements of ComReg are built on the quality, commitment and professional standards of the people who work here. We look forward to continuing to build on this through the future introduction of new and refreshed initiatives.

Operational excellence

During the period under review, ComReg continued to strive to be an effective and dynamic regulator using the necessary resources in order to respond to a rapidly changing environment. During the period under review we issued 194 publications. We also conduct Regulatory Impact Assessments (RIAs) where appropriate, to ensure excessive regulatory burdens are avoided.

ComReg recognises the importance of being up-to-date in its research on markets and consumer behaviour. In particular, ComReg works with the Economic and Social Research Institute (ESRI) on a number of research projects such as the Price Lab research which examined consumer responses to switching providers and the role that information plays in the decisions made by consumers. ComReg believes that making use of such data deepens our understanding of the markets we regulate.

During the period, ComReg also worked on other key initiatives

- ComReg updated its Business Continuity Planning function
- ComReg further improved financial reporting functionality.
- ComReg continued to put in place a project management system for all staff
- ComReg Customer Charter and Action Plan
- ComReg Irish Language Scheme

ComReg is aware of its responsibilities in relation to sustainability issues. We have put in place a number of green initiatives which include the promotion of public transport use by staff under the tax-saver scheme, staff access to the cycle-to-work scheme, the use of recycling bins and energy efficient measures including the installation of sensory-activated lights in offices and other locations, and timers on water heaters. ComReg will continue to put in place necessary measures, where possible, in order to reduce our Carbon footprint.

ComReg is required to ensure that we comply with sections 25, 26, 27 and 28 of the Disability Act 2005.

- We ensure that the public areas of our building are accessible to people with disabilities.
- We ensure that our mainstream public services are accessible to people with disabilities.
- We have appointed an access officer they can be contacted on **access@comreg.ie**
- We ensure that the goods or services we purchase are accessible to persons with disabilities
- We ensure that information we impart is provided in an accessible format to persons with disabilities.

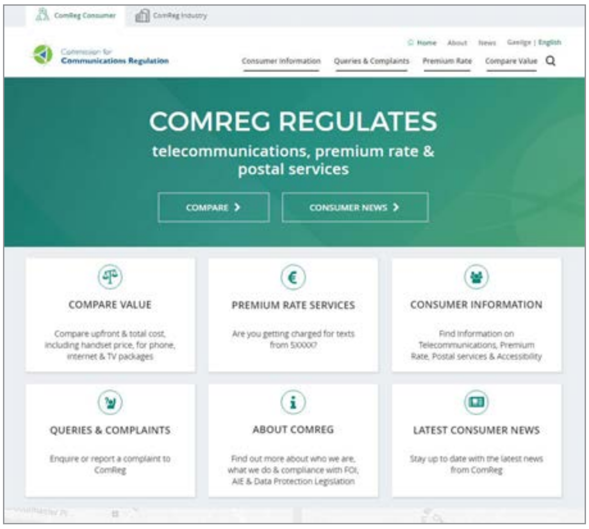
Information Technology

In-line with current eGovernment policy, ComReg continues to enhance its Information Technology services. During the period under review there was a significant review of ComReg's IT infrastructure in tandem with the organisations move to new premises.

ComReg continued to improve its strategic consumer management system to process consumer queries and complaints handled by ComReg. Its features include more efficient data capture and enhanced reporting capabilities. ComReg also continued to develop its digital presence primarily focussing on the amalgamated **www.comreg.ie** and the applications it hosts.

ComReg continues to invest in its operational systems to achieve efficiency in speed of processing applications e.g. Radio Licensing, Authorisations and Consumer Issues etc. and making more efficient use of staff resources by systemising operational tasks where possible

Figure 20: www.comreg.ie Consumer Homepage



Communications and Engagement

One of ComReg's key goals is to interact proactively with its stakeholders. ComReg has a wide range of stakeholders spanning from individual consumers and their representative groups, to authorised operators, industry representative groups as well as domestic and international government bodies and departments, among others. We see frank and open engagement with all stakeholders as highly beneficial.

Given the range of our stakeholders, ComReg tailors its communication and engagement to different stakeholder groups.

ComReg uses formal consultations which gives stakeholders the opportunity to offer feedback and express opinions on developing regulatory measures and proposed regulatory decisions. ComReg uses Advisory panels to gain insights into consumer issues including issues for consumers with accessibility requirements. We also host industry stakeholder forums to facilitate the development of new regulated wholesale products and changes to existing products. These forums also provide the industry with an opportunity to communicate to us on topical issues. ComReg also appears before Oireachtas Committees when requested. We appeared before the Joint Oireachtas Committee on Communications, Climate Action and Environment in January 2017 to discuss postal matters and again in May 2017 to discuss our Strategy for 2017 – 2019 and roaming.

INTERNATIONAL AFFAIRS

Body of European Regulators for Electronic Communications (BEREC)

ComReg is an active member of BEREC. Before the end of each year and having consulted with its stakeholders BEREC adopts an Annual Work Programme for the following year.

The individual elements of the Work Programme are allocated to nine Expert Working Groups (EWGs), which are staffed by representatives from national regulatory authorities (NRAs), like ComReg, from across the 28 Member States of the European Union and the 4 European Free Trade Association (EFTA) members (Iceland, Liechtenstein, Norway, Switzerland). Participation in BEREC's Work Programme is a requirement of the regulatory framework and it represents a significant commitment by NRAs. ComReg participates directly in a number of EWGs, currently Co-chairing the Benchmarking EWG, and is actively involved in all BEREC outputs. In addition to its annual Work Programme, BEREC's work also includes providing opinions and technical advice to the European legislative institutions (the European Commission, the Council and the European Parliament).

Furthermore, BEREC continues to co-operate with other advisory bodies, such as the Radio Spectrum Policy Group (RSPG)[41] and European Union Agency for Network and Information Security (ENISA)[42] where that cooperation contributes to the interests of citizens and the promotion of competition.

41 Radio Spectrum Policy Group; http://rspg-spectrum.eu/
42 European Network and Information Security Agency; http://www.enisa.europa.eu/

BEREC Plenary Meetings

In accordance with the BEREC Regulation, the Board of Regulators meets four times per year where a number of key documents were adopted and approved for publication, including:

- Public consultation on BEREC Strategy 2018-2020
- BEREC Work Programme for 2017 (January to December)
- BEREC's response to the public consultation from the European Commission on the update of the "SMP Guidelines"
- Guidelines on the Implementation by National Regulators of European Net Neutrality Rules, which was a legislative requirement under the "Net Neutrality" Regulation (Regulation (EU) 2015/2120 laying down measures concerning open internet access)
- Revised BEREC Guidelines to explain the EU Roaming Regulations (Regulation (EU) No. 531/2012) including the Commission Implementing Regulation (CIR), which set down detailed rules on the application of a "fair use policy" (FUP) for roaming customers.

Consistency in Regulation across Europe

In order to achieve a greater consistency in regulatory processes, the European Commission has oversight powers in respect of measures which NRAs may take regarding the competitive state of markets at national level (referred to as "Article 7 cases" after the provisions of Article 7 and 7a of the Framework Directive (Directive 2002/21/EC, as amended)). When the Commission expresses serious doubts about an NRA's analysis of the market and remedies to address competitive failures, it opens a so-called "Phase II investigation" and must take the utmost account of BEREC Opinions before exercising its powers. In such instances, BEREC has a procedure to establish an ad hoc EWG responsible for drafting an opinion.

As of May 2011, the Commission's powers may only be exercised after having taken the utmost account of BEREC Opinions.

ComReg has provided a member to three such ad hoc EWG's, which drafted opinions adopted by the Board of Regulators, as follows:

- June/July 2016, ComReg provided the Chair of the EWG (case IT/2016/1885) that considered the EU Commission's serious doubts related to a dispute resolution with respect to voice call termination on individual mobile networks in Italy.
- February/March 2017, ComReg provided a member of the EWG (case NL/2017/1960) that considered the EU Commission's serious doubts concerning wholesale high-quality access provided at a fixed location in the Netherlands.
- February/March 2017, ComReg provided a member of the EWG (case DE/2017/1961) that considered the EU Commission's serious doubts concerning the market for wholesale call termination in individual public telephone networks provided at a fixed location in Germany.

All BEREC Opinions adopted by the Board of Regulators are published on the BEREC website .

European Commission's Digital Single Market (DSM) strategy

In May 2015 the EU Commission published its strategy for a Digital Single Market (DSM), which is broadly intended to bring down barriers to unlock online opportunities and make the EU's single market fit for the digital age. Included in the strategy statement was the intention to conduct a review of the regulatory framework for electronic communications (the Framework) and in September 2016 the EU Commission published a draft framework, the European Electronic Communications Code ("Code") and a revised BEREC Regulation, which would see significant changes to BEREC's structure and how it operates. ComReg has carefully examined the Commission's proposals and was also directly involved in BEREC's analysis of these proposals.

In December 2016, BEREC published a high-level opinion providing its initial evaluation of both the Commission's proposals in the Code and the draft BEREC Regulation.

This high-level opinion included a preliminary assessment of some key topics (the scope of the regulation, the definition of ECS, end-user provisions, access regulation and governance issues). BEREC subsequently focused on carrying out a more comprehensive analysis of the proposals in order to provide technical contribution to the legislative process i.e. BEREC intended to provide the co-legislators (European Commission, European Parliament and Council) with relevant technical expertise and concrete suggestions for amendments to the Commission's initial proposals, through a series of short technical documents on a arrange of topics including:

- non-competitive oligopolies
- the forced step-back of regulation
- market analysis
- symmetric regulation
- co-investment
- vertically separate undertakings
- the double-lock veto mechanism
- the duration of spectrum rights
- implementing acts on spectrum
- information requests (notably on OTTs)
- the notification process for General Authorisations and administrative charges and
- the ITRE draft report on the proposed BEREC Regulation

All of these documents are published on BEREC's website[43]

The Independent Regulators Group (IRG)

ComReg is also an active participant in the Independent Regulators Group (IRG), which was established in 1997 by a group of European NRAs, to assist in sharing experiences and points of view among its members on important issues relating to the regulation and development of the European telecommunications market. The IRG works in close cooperation with BEREC (Body of European Regulators for Electronic Communications) and all members of the IRG are also members or observers in BEREC.

The Communications Committee (CoCom)

The Communications Committee (CoCom) was established in 2002 under the Framework Directive as an advisory committee to the European Commission. The CoCom is composed of Member State representatives and its main role is to provide opinions on draft measures that the Commission intends to adopt. Along with representatives of the Department of Communications, Climate Action and Environment (DCCAE), ComReg participates as part of the Irish delegation and in 2016, CoCom advised the Commission on the regulation (Commission Implementing Regulation (EU) 2016/2286), which set out detailed rules on how fair use policies for roaming should be implemented.

43 http://berec.europa.eu/eng/document_register/subject_matter/berec/press_releases/7090-updated-press-release-on-berec-papers-on-the-review

FINANCIAL STATEMENTS

REPORT OF THE CHAIRPERSON

FOR THE YEAR ENDED 30 JUNE 2017

I have pleasure in submitting the annual report and audited financial statements for the Commission for Communications Regulation (the Commission) for the year ended 30 June 2017.

Principal Activities

The Commission was established on 1 December 2002. The functions of the Commission are specified in the Communications Regulation Act, 2002, and the Communications Regulation (Amendment) Act, 2007. These functions relate to the regulation and licensing of the electronic communications industry (including radio and broadcasting transmission), the regulation of postal services, the regulation of premium rate services and the regulation of the .ie domain name. The Commission is funded wholly by income received from the electronic communications, postal and premium rate services industries.

Income

Levies are raised on certain providers of electronic communications, postal services and premium rate services which are used to fund the cost of regulation.

The Commission is also responsible for the management of the radio spectrum and issues and renews a large number of Wireless Telegraphy licences to various operators, public bodies, private companies and individuals. These licences generate most of the Commission's income. Certain licences also include a requirement to pay for the right to use radio spectrum.

Financial Results

Details of the financial results of the Commission are set out in the Financial Statements and the notes supporting the Financial Statements.

Auditor and Accounts

Under the Communications Regulation Act, 2002, the Commission shall keep in such form as may be approved by the Minister for Communications, Climate Action and Environment, with the consent of the Minister for Public Expenditure and Reform, all proper and usual accounts of all moneys received or expended by it. The Commission shall submit accounts in respect of each year to the Comptroller and Auditor General. Within 42 days of the accounts being audited, the Commission is required to present to the Minister for Communications, Climate Action and Environment a copy of such accounts, together with the audit report of the Comptroller and Auditor General.

Corporate Governance

The Commission is committed to maintaining the highest standards of corporate governance. The Code of Practice for the Governance of State Bodies (2009) published by the Department of Public Expenditure and Reform is the foundation on which our corporate governance policies are based. The Code of Practice for the Governance of State Bodies (2016) was effective in relation to financial reporting periods beginning on or after 1st September 2016 and it will be adopted in the 2018 Financial Statements.

Section 33 of the Communications Regulation Act, 2002, requires the Commission to adopt, with the approval of the Minister for Communications, Climate Action and Environment and the Minister for Public Expenditure and Reform, a code of financial management and to arrange for its publication following such approval. In addition the Commission is required to review periodically its code of financial management and revise and republish the code as appropriate. There is also a requirement on the Commission to comment in the annual report on adherence to the code.

Our code of financial management (which is based on the Code of Practice for the Governance of State Bodies (2009) published by the Department of Public Expenditure and Reform) has been approved by the Minister for Communications, Climate Action and Environment and the Minister for Public Expenditure and Reform. The code is published on our website, and it is the policy of the Commission to ensure compliance with the code.

Going Concern

The Commissioners, after making enquiries, believe that the Commission has adequate resources to continue in operation for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements.

Prompt Payment of Accounts

The Commission acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the European Communities (Late Payments in Commercial Transactions) Regulations, 2002 ("the Regulations"). Procedures have been put in place to identify the dates upon which invoices fall due for payment and to ensure that payments are made by such dates. Such procedures provide reasonable assurance against material non-compliance with the Regulations. The payment policy during the year under review was to comply with the requirements of the Regulations.

Gerry Fahy
Chairperson
Commission for Communications Regulation
27 March 2018

STATEMENT OF THE COMMISSION'S RESPONSIBILITIES

Section 32 of the Communications Regulation Act, 2002, requires the Commission to keep in such form as may be approved by the Minister for Communications, Climate Action and Environment, with the consent of the Minister for Public Expenditure and Reform, all proper and usual accounts of moneys received or expended by it, including an income and expenditure account and a balance sheet, distinguishing between:

a. its functions relating to electronic communications,

b. its functions relating to postal matters and

c. its functions relating to premium rate services.

In preparing financial statements, the Commission is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Commission will continue in operation.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

The Commission is responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, the financial position of the Commission and which enable the Commission to ensure that financial statements comply with the requirements of Section 32 of the Communications Regulation Act. The Commission is also responsible for safeguarding the assets of the Commission and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Commission
Gerry Fahy
Chairperson
27 March 2018

STATEMENT ON INTERNAL FINANCIAL CONTROL

FOR THE YEAR ENDED 30 JUNE 2017

Responsibility for Internal Financial Control

On behalf of the Commission, I acknowledge the Commission's responsibility for ensuring that an effective system of internal financial control is maintained and operated.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities either are prevented or would be detected in a timely period.

Key Control Procedures

The Commission has taken steps to ensure an appropriate control environment by:

- clearly defining management responsibilities;
- establishing formal procedures for reporting significant control failures and ensuring appropriate corrective action.

The Commission has established processes to identify, evaluate and manage business risks by:

- identifying the nature, extent and financial implication of risks facing the body, including the extent and categories which it regards as acceptable;
- assessing the likelihood of identified risks occurring;
- assessing the body's ability to manage and mitigate the risks that do occur;
- assessing the costs of operating particular controls relative to the benefit obtained.
- The system of internal financial control is based on a framework of regular management information, administrative procedures, including segregation of duties, and a system of delegation and accountability. In particular it includes:

- a comprehensive budgeting system with an annual budget which is reviewed and agreed by the Commission;
- regular reviews by the Commission of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- formal project management disciplines.

The Commission has an internal audit function, which operates in accordance with the Framework Code of Best Practice set out in the Code of Practice for the Governance of State Bodies (2009). The work of internal audit is informed by analysis of the risks to which the Commission is exposed, and annual internal audit plans are based on this analysis. The analysis of risk is reviewed by the Audit Committee, and the internal audit plans are approved by the Audit Committee and the Commission. At least annually, the internal auditor provides the Audit Committee and the Commission with a report of internal audit activity. The report includes the internal auditor's opinion on the adequacy and effectiveness of the system of internal financial control.

The Commission has favoured to continue to apply the 2009 version of the Code of Practice for the Governance of State Bodies, work is ongoing for adoption of the 2016 version of the Code of Practice for the Governance of State Bodies in the 2018 Financial Statements.

The Commission's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor, the Audit Committee, which oversees the work of the internal auditor, the executive managers within the Commission who have responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his management letter.

Annual Review of Controls

I confirm that a review of the effectiveness of the system of internal financial control took place for the year ended 30 June 2017.

On behalf of the Commission
Gerry Fahy
Chairperson
27 March 2018

Ard Reachtaire Cuntas agus Ciste
Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Commission for Communications Regulation

Opinion on financial statements

I have audited the financial statements of the Commission for Communications Regulation for the year ending 30 June 2017 as required under the provisions of section 32 of the Communications Regulation Act 2002. The financial statements comprise

- the statement of income and expenditure
- the appropriation account
- the statement of comprehensive income
- the statement of financial position
- the statement of cash flows and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Commission for Communications Regulation at 30 June 2017 and of its income and expenditure for that year in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are described in the appendix to this report. I am independent of the Commission for Communications Regulation and I have fulfilled my other ethical responsibilities in accordance with the *Code of Ethics of the International Organisation of Supreme Audit Institutions*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Commission for Communications Regulation has presented certain other information together with the financial statements. This comprises the annual report, the report of the Chairperson, the statement of the Commission's responsibilities, and the statement on internal financial control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus McCarthy

Seamus McCarthy
Comptroller and Auditor General

29 **March 2018**

Appendix to the report

Responsibilities of the Commission

As detailed in the statement of the Commission's responsibilities, the Commission is responsible for

- the preparation of financial statements in the form prescribed under section 32 of the Communications Regulation Act 2002
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 32 of the Communications Regulation Act 2002 to audit the financial statements of the Commission for Communications Regulation and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission for Communications Regulation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Commission for Communications Regulation to cease to continue as a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if there are material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if there is any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

Statement of Income and Expenditure for the year ended 30 June 2017

						Year to 30 June	Year to 30 June
		2017	**2017**	**2017**	**2017**	**2017**	**2016**
	Notes		Electronic Communications	Post	Premium Rate Services		
		Levy	Other	Levy	Levy	Total	Total
		€'000	€'000	€'000	€'000	€'000	€'000
Income							
Levy		7,086		1,822	548	9,456	9,824
Licensing Fees	2		45,413			45,413	42,285
Spectrum Income	2		76,050			76,050	24,100
Other Income	2		4,917			4,917	42
Gross Income		**7,086**	**126,380**	**1,822**	**548**	**135,836**	**76,251**
Transfer (to) Capital Reserve	12		(5,771)			(5,771)	(851)
NET INCOME		**7,086**	**120,609**	**1,822**	**548**	**130,065**	**75,400**
EXPENDITURE							
Staff Costs	3	6,148	3,444	551	237	10,380	9,618
Retirement Benefit Costs	17(b)	1,660	930	149	64	2,803	1,838
Technical Advice	4	5,535	2,396	1,060	222	9,213	6,327
Legal Expenses	5	951	1,178	50	58	2,237	1,718
Advertising		36				36	22
Administrative Expenses	6	1,130	999	85	61	2,275	1,975
Auditors' Remuneration		11	8	1	1	21	32
Premises and Related Expenses		1,308	1,032	106	106	2,552	1,491
Depreciation	7	926	643	75	75	1,719	1,168
Loss on Disposal of Assets			74			74	-
Subscriptions to International Organisations	15	768				768	687
		18,473	**10,704**	**2,077**	**824**	**32,078**	**24,876**
SURPLUS / (DEFICIT) BEFORE APPROPRIATIONS		**(11,387)**	**109,905**	**(255)**	**(276)**	**97,987**	**50,524**

All income and expenditure for the year relates to continuing activities at the Statement of Financial Position date.

The Statement of Cash Flows and Notes 1 to 22 form part of these financial statements.

On behalf of the Commission

Gerry Fahy
Chairperson
27 March 2018

Appropriation Account for the year ended 30 June 2017

		Year to 30 June	Year to 30 June
		2017	**2016**
		Total	Total
	Notes	€'000	€'000
Surplus before Appropriations		**97,987**	**50,524**
Less: Appropriations			
Payable to Central Fund	13	(99,368)	(50,966)
Pension Reserve adjustment	13	1,381	442
Surplus after Appropriations		**0**	**0**

The Statement of Cash Flows and Notes 1 to 22 form part of these financial statements.

On behalf of the Commission

Gerry Fahy
Chairperson
27 March 2018

Statement of Comprehensive Income for the year ended 30 June 2017

		Year to 30 June	Year to 30 June
		2017	**2016**
		Total	Total
	Notes	€'000	€'000
Surplus after Appropriations		**0**	**0**
Actual return less expected return on scheme assets	17(f)	1,661	(93)
Experience gains/(losses) on retirement benefit obligations	17(f)	823	1,226
Changes in assumptions underlying the present value of retirement benefit obligations		2,559	(10,377)
Transfers in for prior service	17(g)	-	-
Total actuarial gain/(loss) in the year		**5,043**	**(9,244)**

Movement in Pension Reserve			
Balance at 1 July		(13,760)	(4,074)
Total Recognised Gains/(Losses) in the year		5,043	(9,244)
Pension Reserve adjustment	13	(1,381)	(442)
Balance at 30 June		**(10,098)**	**(13,760)**

The Statement of Cash Flows and Notes 1 to 22 form part of these financial statements.

On behalf of the Commission

Gerry Fahy
Chairperson
27 March 2018

Statement of Financial Position as at 30 June 2017

		30 June	30 June
		2017	**2016**
	Notes	€'000	€'000
Fixed Assets			
Property, Plant & Equipment	7	9,251	3,480
CURRENT ASSETS			
Receivables	8	9,657	9,700
Short-Term Investments	9	125,587	91,707
Cash and Cash Equivalents		11,114	96,289
		146,358	**197,696**
Current Liabilities (Amounts falling due within one year)			
Payables	11	(146,358)	(197,696)
NET CURRENT ASSETS		**0**	**0**
Total Assets less Current Liabilities		**9,251**	**3,480**
Total Net Assets excluding Retirement Benefits (Liability)		**9,251**	**3,480**
Retirement Benefits			
Net Defined Benefit (Liability)	17(ci)	(10,098)	(13,760)
Total Net (Liabilities) including Retirement Benefits (Liability)		**(847)**	**(10,280)**
Representing			
Capital Reserves	12	9,251	3,480
Pension Reserve		(10,098)	(13,760)
		(847)	**(10,280)**

The Statement of Cash Flows and Notes 1 to 22 form part of these financial statements.

On behalf of the Commission

Gerry Fahy
Chairperson
27 March 2018

Statement of Cash Flows for the year ended 30 June 2017

		Year to 30 June	Year to 30 June
		2017	**2016**
	Notes	€'000	€'000
Net Cash Flows from Operating Activities			
Excess Income over Expenditure (before Appropriations)		97,987	50,524
Difference between pension charge and contributions		1,381	442
Depreciation	7	1,719	1,168
Loss on Disposal of Assets		74	-
Bank interest	2	(41)	(7)
Capital reserve transfer	12	5,771	851
Decrease / (Increase) in Receivables		43	(87)
Increase / (Decrease) in Payables (excluding Central Fund)		9,633	1,756
Net Cash Inflow from Operating Activities		**116,567**	**54,647**
Cash Flows from Investing Activities			
Payments to acquire Property, Plant & Equipment	7	**(7,568)**	**(2,019)**
Cash Flows from Financing Activities			
Bank and Other Interest received	2	41	7
Receipt from sale of Asset		4	
Payment to Central Fund		(160,339)	(22,130)
Management of Liquid Resources			
- (Increase) in Short-Term Investments	10	(33,880)	(2)
Net Cash Flows from Financing Activities		**(194,174)**	**(22,125)**
Net Increase in Cash and Cash Equivalents	10	**(85,175)**	**30,503**

Notes to the Financial Statements for the year ended 30 June 2017

1. ACCOUNTING POLICIES

The basis of accounting and significant accounting policies adopted by the Commission are set out below. They have all been applied consistently throughout the year and for the preceding year.

a) General Information

The Commission was set up under the Communications Regulation Act, 2002 and has offices at One, Dockland Central, Guild Street, Dublin 1.

The functions of the Commission are specified in the Communications Regulation Act, 2002, and the Communications Regulation (Amendment) Act, 2007. These functions relate to the regulation and licensing of the electronic communications industry (including radio and broadcasting transmission), the regulation of postal services, the regulation of premium rate services and the regulation of the .ie domain name.

The Commission is a Public Benefit Entity (PBE).

b) Statement of Compliance

The financial statements of the Commission for the year ended 30 June 2017 have been prepared in accordance with FRS102, the financial reporting standard applicable in the UK and Ireland issued by the Financial Reporting Council (FRC), as promulgated by Chartered Accountants Ireland.

The Commission has favoured to continue to apply the 2009 version of the Code of Practice for the Governance of State Bodies. The Code of Practice for the Governance of State Bodies (2016) was effective in relation to financial reporting periods beginning on or after 1st September 2016 and it will be adopted in the 2018 Financial Statements. These Financial Statements reflect our compliance with the Code of Practice for the Governance of State Bodies (2009).

c) Basis of Preparation

The financial statements have been prepared under the historical cost convention, except for certain assets and liabilities that are measured at fair values as explained in the accounting policies below. The financial statements are in the form approved by the Minister for Communications, Climate Action and Environment with the consent of the Minister for Public Expenditure and Reform under the Communications Regulation Act 2002. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Commission's financial statements.

1.1 Income Recognition

The Commission receives income from a number of sources
- Levies on certain providers to fund the costs of regulation. The relevant levies are as follows:

    i. Electronic Communication levy - The Levy is imposed on providers of electronic communications services. The levy payment due from an individual service provider for any particular year is calculated based on their annual turnover during the financial year ending in the levy year and is payable in four instalments. Income is recognised on a receivable basis.

    ii. Postal Levy - The Levy is imposed on postal service providers providing postal services within the scope of the universal postal service. Income is recognised on a receivable basis.

    iii. Premium Rate Services (PRS) are goods and services that you can buy by using your landline, mobile phone, the Internet, interactive digital TV or fax. The PRS Levy is paid equally by PRS services providers and network operators. The levy is invoiced one month in arrears and income is recognised on a receivable basis.

- Licensing Fees - The main areas this covers is the Radio Communication licensing.
- Spectrum Income - Income represents fee income paid to the Commission for the right to use radio spectrum. This income is brought to account in the period when it falls due. Spectrum Income of €76.05 million was recorded as income in 2017. In recent years spectrum rights have been awarded via an auction. Winning bidders are required to pay upfront fees and annual licences fees over the life of the licences. The 2017 figures include €48.1m in respect of the 3.6GHz Spectrum Award. In circumstances where the commencement of the related licences is delayed, ComReg makes a provision for the amount potentially repayable based on its estimate of the length of the delay. This is not recognised as income and is included as a creditor (See Note 11). The amount of the provision is reassessed at the end of each accounting period.
- Other income - Other income includes bank and NTMA interest on deposits and amounts payable to the Commission on foot of compliance and enforcement activities.

Notes to the Financial Statements for the year ended 30 June 2017

1.	ACCOUNTING POLICIES (CONTINUED)
	1.2 Appropriation of Operating Surplus
	The surplus generated in the year net of the pension reserve adjustment is payable to the Exchequer. Amounts are paid over to the Central Fund by direction of the Minister for Communications, Climate Action and Environment (See Note 13).
	1.3 Fixed Assets and Depreciation
	Property plant and equipment are stated at cost less accumulated depreciation, adjusted for any provision for impairment. Depreciation is provided on all property, plant and equipment at rates estimated to write off the cost less the estimated residual value of each asset on a straight line basis over their estimated useful lives, as follows: Technical equipment –15% per annum Computer equipment –33 1/3% per annum Fixtures & fittings – 9% per annum Office Furniture & office equipment –15% per annum Motor vehicles –20% per annum Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of an age and in the condition expected at the end of its useful life. The Commission adopts a minimum capitalisation threshold of €1,000. If there is objective evidence of impairment of the value of an asset, an impairment loss is recognised in the Statement of Income and Expenditure in the year.
	1.4 Receivables
	Receivables are recognised at fair value, less a provision for doubtful debts. The provision for doubtful debts is a specific provision, and is established when there is objective evidence that the Commission will not be able to collect all amounts owed to it. All movements in the provision for doubtful debts are recognised in the Statement of Income and Expenditure.
	1.5 Capital Reserve
	The capital reserve represents the unamortised amount of income used to purchase fixed assets.
	1.6 Foreign Currencies
	Transactions denominated in foreign currencies relating to revenues and costs are translated into euro translated at the rates of exchange ruling on the dates on which the transactions occurred. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the Statement of Financial Position date.
	1.7 Short Term Benefits
	Short term benefits such as holiday pay are recognised as an expense in the year, and benefits that are accrued at year-end are included in the Payables figure in the Statement of Financial Position.

Notes to the Financial Statements for the year ended 30 June 2017

1.	ACCOUNTING POLICIES (CONTINUED)
	1.8 Retirement Benefits
	The Commission is staffed by Commissioners and directly recruited employees. A defined-benefit pension scheme is in place for Commissioners and employees of the Commission. The scheme is funded by contributions from Commissioners, employees and the Commission, which are transferred to a separate trustee administered fund. The Commission also operates the Single Public Service Pension Scheme ("Single Scheme") for those staff who joined the Single Scheme on or after 1 January 2013. Single Scheme members' contributions are paid over to the Department of Public Expenditure and Reform (DPER). In addition, the Commission is liable to pay an employer contribution to DPER in accordance with DPER Circular 28/2016. To the extent that a material liability arises, the liability in respect of the Single Scheme members is matched by a deferred funding asset on the basis of the provisions of Section 44 of the Public Service Pensions (Single Scheme and other Provisions) Act 2012. The Commission has not accounted for its costs and liabilities under the single public services pension scheme as these are not material on an actuarial basis. The Commission intends to account for the costs and liabilities from 2018 onwards. The Commission has adopted FRS 102 which has impacted on the calculation of Retirement Benefits. Pension scheme assets are measured at fair value. Pension scheme liabilities are measured on an actuarial basis using the projected units method. An excess of scheme liabilities over scheme assets is presented on the Statement of Financial Position as a liability. The pension charge in the Statement of Income and Expenditure comprises the current service cost plus the difference between the expected return on defined benefit scheme assets and the interest cost of scheme liabilities. Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the Statement of Comprehensive Income for the year in which they occur. The financial statements reflect, at fair value, the assets and liabilities arising from the Commission's defined benefit pension obligations and any related funding, and recognises the cost of providing pension benefits in the accounting period in which they are earned by employees. Retirement benefit scheme liabilities are measured on an actuarial basis using the projected unit credit method.

Notes to the Financial Statements for the year ended 30 June 2017

1.	ACCOUNTING POLICIES (CONTINUED)
	1.9 Taxation
	The Commission is not liable for Corporation Tax. Income raised by the Commission is not subject to VAT. Provision is made for taxation on deposit interest received.
	1.10 Allocation of Costs
	The Commission is required under Section 32 of the Communications Regulation Act, 2002, to distinguish between its functions relating to electronic communications, its functions relating to postal matters and its functions relating to the premium rate services. Revenues and expenses directly related to each function are identified separately in the accounts. Shared overhead costs are allocated to each function in proportion to the staff numbers engaged in each function.
	1.11 Critical Accounting Judgements and Estimates
	The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates and may be material. The following judgements have had the most significant effect on amounts recognised in the financial statements. a. **Depreciation and Residual Values** The Commission have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of fixtures and fittings, and have concluded that asset lives and residual values are appropriate. b. **Retirement Benefit obligation** The assumptions underlying the actuarial valuations for which the amounts recognised in the financial statements are determined (including discount rates, rates of increase in future compensation levels and mortality rates) are updated annually based on current economic conditions, and for any relevant changes to the terms and conditions of the retirement benefit and post-retirement plans. The assumptions can be affected by: i. the discount rate, changes in the rate of return on high-quality corporate bonds ii. future compensation levels, future labour market conditions.

Notes to the Financial Statements for the year ended 30 June 2017

			Year to 30 June	Year to 30 June
			2017	**2016**
			Total	Total
		Notes	€'000	€'000
2.	**NON LEVY INCOME**			
	Electronic Communications Licensing Fee			
	2G & 3G Radio Licensing Fees		7,936	8,010
	Liberalised Use Licensing Fees		23,068	19,900
	Other Radio Licensing Fees		14,409	14,291
	MMDS & Deflector Licensing		0	84
			45,413	**42,285**
	Electronic Communications Spectrum Income			
	3G Spectrum Income		27,900	24,100
	3.6GHz Spectrum Income	11	48,150	0
			76,050	**24,100**

A 3.6GHz Multi Band Spectrum Auction was conducted during 2016/17. The auction result was announced in May 2017. Final upfront fees received (contingent on any licence fee refunds due) amounted to €61.6m. Of the €61.6m, €48.1m was recognised as income. The Commission set aside amounts totalling €13.5 in refunds due to delayed commencement of Lots of the new 3.6 GHz Band Liberalised Use licences. All refunds payable by the Commission will be calculated in accordance with the methodology outlined in the Information Memorandum (Commission Document 16/71).

In addition annual Spectrum Usage fees (before indexation) for these licences will amount to a total of €17.7m over the life of the licences.

	OTHER INCOME		
	Bank Interest	41	7
	Sundry*	4,876	35
		4,917	**42**

* Sundry Non Levy Income includes:

(a) A payment of €255,000 in September 2016 by Virgin arising from its failure to provide 26,046 of its customers with a contract in a durable form. This is in contravention of the Consumer Information Regulations 2013.

(b) A payment of €3,094,000 in December 2016 by Eircom arising from its failure to achieve certain performance targets in relation to Eircom's quality of service performance with respect to aspects of its Universal Service Obligation for the period 2014/2015.

c) A payment of €1,525,000 in April 2017 by Eircom arising from its failure to achieve certain performance targets in relation to Eircom's quality of service performance with respect to aspects of its Universal Service Obligation for the period 2015/2016.

(d) Sundry Income includes various amounts payable to the Commission on foot of compliance and enforcement activities conducted in the period. Where such activities were concluded by legal settlement, they may be subject to a confidentiality clause.

Notes to the Financial Statements for the year ended 30 June 2017

		Electronic Communications		Post	PRS	Year to 30 June	Year to 30 June
						2017	2016
		Levy	Other	Levy	Levy	Total	Total
		€'000	€'000	€'000	€'000	€'000	€'000
3.	STAFF COSTS						
	Employee costs during the year:						
	Wages and Salaries #	5,609	3,142	503	216	9,470	8,774
	PRSI	539	302	48	21	910	844
		6,148	**3,444**	**551**	**237**	**10,380**	**9,618**
	The average number of staff employed by the Commission during the year, analysed by category, was as follows:	62	43	5	5	115	112

#The Commission operates a performance related remuneration scheme (which was originally established by the Office of the Director of Telecommunications Regulation). The scheme is based on individual performance and the Commission approves all payments made under the scheme. Of the total Wages and Salaries costs, €820,000 (or 9%) of the total represents payments to staff in accordance with the provisions of the performance related remuneration scheme and the terms of their contracts of employment (2016: €736,000 (8%)). Staff costs include a termination payment of €13,000 in relation to an employee related settlement.

Key Management Personnel

Key Management Personnel in ComReg consists of the members of the Commission.
Details of the remuneration of Commissioners are shown below.

	Salary	Other Remuneration	Total
	€'000	€'000	€'000
Jeremy Godfrey* – Chairperson	159	2	161
Gerry Fahy** – Chairperson	153	2	155
Kevin O' Brien – Commissioner	146	-	146

*Chairperson until 28 February 2017
**Chairperson from 1 March 2017

Other Remuneration represents the cost of medical insurance paid by the Commission. The Commissioners' pension entitlements do not extend beyond the standard entitlements in Model Superannuation Scheme for civil servants or the Single Public Service Pension Scheme. Commissioners are not eligible for performance related pay.

	30 June 2017	30 June 2016
Employee Salary breakdown	**Number**	**Number**
Range (€'000)		
20 - 40	12	15
40 - 60	43	41
60 - 80	33	31
80 - 100	22	22
100 - 140	9	7
140 - 180	3	4

Notes to the Financial Statements for the year ended 30 June 2017

		30 June	30 June
		2017	**2016**
		€'000	€'000
4.	**TECHNICAL ADVICE**		
	Professional & Technical Advice	7,485	4,632
	Contact Management	682	744
	Market Research	198	190
	Quality of Service Monitoring	505	469
	Staff Training and Professional Development	343	292
		9,213	**6,327**
5.	**LEGAL EXPENSES**	**2,237**	**1,718**
	Legal expenses are stated net of costs recovered from third parties.		
6.	**ADMINISTRATIVE EXPENSES**		
	Equipment and IT Maintenance	725	501
	Subscriptions to Databases/Research Reports	374	328
	Travel and Subsistence	220	231
	Conferences/Meetings	239	197
	Postal and Telecommunications	124	109
	Stationery	65	60
	Publishing and Promotion	107	93
	Recruitment	57	165
	Light, Heat and Cleaning	73	74
	Insurance	39	30
	Other Administrative Costs	252	187
		2,275	**1,975**

Other Administrative Costs includes the sum of €40,000 deposit paid for the fit out of a commercial vehicle. The supplier went into receivership. ComReg is seeking recovery of the deposit.

Notes to the Financial Statements for the year ended 30 June 2017

7.	PROPERTY, PLANT AND EQUIPMENT					
		Technical Equipment	Computer Equipment	Fixtures, Fittings & Office Equipment	Motor Vehicles	Total
		€'000	€'000	€'000	€'000	€'000
	Cost					
	At 30 June 2016	2,857	7,103	2,674	237	12,871
	Additions	433	2,937	4,160	38	7,568
	Disposals	(612)	(3,466)	(2,526)	(96)	(6,700)
	At 30 June 2017	**2,678**	**6,574**	**4,308**	**179**	**13,739**
	Accumulated Depreciation					
	At 30 June 2016	1,479	5,226	2,593	93	9,391
	Disposals	(612)	(3,448)	(2,495)	(67)	(6,622)
	Charge for period	322	1,302	75	20	1,719
	At 30 June 2017	**1,189**	**3,080**	**173**	**46**	**4,488**
	Net Book Value					
	30 June 2017	**1,489**	**3,494**	**4,135**	**133**	**9,251**
	30 June 2016	1,378	1,877	81	144	3,480

As part of the exit from our previous offices in June 2017, the Commission carried out a review of its Fixed Assets Register and those assets considered obsolete were removed from the Asset Register. These assets included a vehicle that was considered no longer fit for purpose and older IT / Fixtures & Fittings assets that were redundant due to the office move. Such assets had a Net book Value of €78,000. The reduction in Cost and Accumulated Depreciation in respect of such assets is included in the 'Disposals' figures above. Included in the Fixed Asset additions of €7.6m are amounts of €4.4m relating to the fit out of the Commissions new leased premises.

		30 June	30 June
		2017	**2016**
		€'000	€'000
8.	**RECEIVABLES**		
	Due within one year:		
	Electronic Communications administration levy	49	638
	Postal administration levy	-	3
	Radio Licence Income	7,849	7,616
	Accrued Income	445	841
	Pre-payments & Recoverable expenses	1,314	602
		9,657	**9,700**
9.	**SHORT TERM INVESTMENTS**		
	Short Term Investments	**125,587**	**91,707**

Short Term Investments comprise Exchequer Notes purchased from the National Treasury Management Agency Limited. The Commission places excess cash holdings in short term investments. These cash holdings mainly represent surpluses generated by the Commission which are payable to the Exchequer (as disclosed in Note 11) and monies held in trust in relation to commitments made by third parties to the Commission and potential refunds in respect of the delayed commencement of certain licences (also disclosed in Note 11).

Notes to the Financial Statements for the year ended 30 June 2017

		30 June	30 June
		2017	**2016**
		€'000	€'000
10.	**RECONCILIATION OF NET INCREASE IN CASH AND CASH EQUIVALENTS TO MOVEMENT IN NET FUNDS**		
	(Decrease) in Cash and Cash Equivalents in the period	(85,175)	30,503
	Increase / (Decrease) in Short Term Investments	33,880	2
	Change in Cash and Cash Equivalents	**(51,295)**	**30,505**
	Opening Net Funds	187,996	157,491
	Closing Net Funds	**136,701**	**187,996**
11.	**PAYABLES**		
	Amounts falling due within one year		
	Trade Creditors	3,598	1,707
	Other Creditors	14,329	4,363
	Value-added tax	35	36
	Accruals	1,081	1,749
	Deferred income (see analysis below)	29,723	31,373
	Payroll	984	889
	Payable to Central Fund (see Note 12)	96,608	157,579
		146,358	**197,696**
	Other Creditors includes Cash Deposits in the sum of €0.6m held in trust relating to certain commitments made to the Commission concerning its regulatory functions and potential refunds of €13.5m in respect of delayed commencement of 3.6GHz Band Liberalised Use licences. The corresponding amounts are included in the Commission's year end Short Term Investments balance.		
	Analysis of Deferred Income		
	Radio Licence Income	29,443	30,873
	Other	280	500
		29,723	**31,373**
	Where licences are renewed for a period which extends beyond the end of the financial year, a proportion of that income is deferred to meet expenditure in the following year.		

Notes to the Financial Statements for the year ended 30 June 2017

		30 June	30 June
		2017	2016
		€'000	€'000
12.	**CAPITAL RESERVES**		
	Opening Balance	**3,480**	**2,629**
	Transfer (to) / from Income and Expenditure Account:		
	Additions to fixed assets	7,568	2,019
	Amortisation in line with fixed asset depreciation	(1,719)	(1,168)
	Amount released on disposal of Fixed Assets	(78)	-
	Net Amount from Income and Expenditure Account	**5,771**	**851**
	Closing Balance	**9,251**	**3,480**

13. APPROPRIATION OF SURPLUS

Section 30 of the Communications Regulation Act 2002 provides that the Minister may, with the consent of the Minister for Public Expenditure and Reform direct the Commission to pay sums to the Exchequer. The amount to be paid over is decided by the Minister after consultation with the Commission. The Commission is awaiting direction from the Department in relation to the final determination of the amount payable to the Central Fund for the year ending 30 June 2017.

The amount owed to the Exchequer is determined by reference to the surplus recorded by the Commission in the period, adjusted for a number of items as set out below.

	Gross Amount Due	Pension Adjustment(b)	Net Amount Due
	€'000	€'000	€'000
Balance due to Exchequer at 30 June 2016	161,299	(3,720)	157,579
Surplus for 2017	97,987		97,987
Paid in 2017	(160,339)		(160,339)
Pension reserve adjustment (a)	1,381		1,381
Pension fund payment clawback (b)	(960)	960	-
Balance at 30 June 2017	**99,368**	**(2,760)**	**96,608**

The comparative figures in respect of the amount owed to the Exchequer as at 30 June 2016 are shown below.

	€'000	€'000	€'000
Balance due to Exchequer at 30 June 2015	132,783	(4,040)	128,743
Surplus for 2016	50,524		50,524
Paid in 2016	(22,450)		(22,450)
Pension reserve adjustment (a)	442		442
Pension fund payment clawback (b)	-	320	320
Balance at 30 June 2016	**161,299**	**(3,720)**	**157,579**

(a) The pension reserve adjustment represents the difference between the pension amount charged to the Income and Expenditure Account in 2017 of €2,803,000 (2016: €1,838,000) and the employer contributions in the period of €1,422,000 (2016: €1,396,000).
(b) The Commission made a total contribution of €5m to its pension fund (€2.5m in 2008 and €2.5m in 2009, a total of €5m). The amount owed to the Exchequer is shown net of this contribution which is being recovered at €320,000 per annum as payments to the Exchequer are made. In 2017 three years of payments were made resulting in a clawback of €960,000 (2016: €320,000).

Notes to the Financial Statements for the year ended 30 June 2017

14. PREMISES AND ACCOMMODATION

The Commission moved to new lease premises located at One Dockland Central, Guild Street, Dublin 1 on 6 June 2017. The premises are rented at a cost of €1.6m (excluding VAT) per annum.

The total of future minimum operating lease payments (excluding VAT) under non-cancellable operating leases in respect of premises occupied by the Commission are as follows:

	30 June	30 June
	2017	**2016**
	€'000	€'000
Payable		
Within one year	1,636	36
Between one and five years	6,580	180
More than five years	6,700	203
	14,916	**419**

15. MEMBERSHIP OF INTERNATIONAL TELECOMMUNICATIONS ORGANISATIONS

Certain payments to International Telecommunications Organisations are met by the Department of Communications, Climate Action and Environment (DCCAE) out of the proceeds of the Electronic Communication Administrative Levy. The charge to the Income and Expenditure Account includes €768,000 (2016 : €687,000) for that purpose. Such charges are invoiced to DCCAE who are subsequently reimbursed by ComReg.

16. COMMISSIONERS, STAFF AND ADVISORS/CONSULTANTS – DISCLOSURE OF INTERESTS

The Commissioners and staff complied with the requirements of Section 25 (Disclosure of Interests) of the Communications Regulation Act, 2002. There were no transactions in the year in relation to the Commission's activities in which the Commissioners or any advisor or consultant had any interest.

17. RETIREMENT BENEFITS

a) Description of Scheme

The Commission is a national regulatory authority established under the Communications Regulation Act, 2002. Sections 26 and 27 of the Act provide that the Commission shall make schemes for granting of superannuation benefits to and in respect of Commissioners and staff members, subject to Ministerial approval.

A funded defined-benefit scheme is being operated for the employees of the Commission. The benefits are defined by reference to the current 'model' public sector scheme regulations. Employer contribution rates are set having regard to actuarial advice and periodic review on the funding rate required for the scheme. The scheme provides a retirement benefit (one eightieth per year of service), a gratuity or lump sum (three eightieths per year of service) and spouse's and children's retirement benefits. Normal retirement age is a member's 65th birthday. Retirement benefits in payment (and deferment) normally increase in line with general public sector salary inflation.

The Commission also operates the Single Public Service Pension Scheme ("Single Scheme") for those staff who joined the Single Scheme on or after 1 January 2013. Single Scheme members' contributions are paid over to the Department of Public Expenditure and Reform (DPER). In addition, the Commission is liable to pay an employer contribution to DPER in accordance with DPER Circular 28/2016. The Commission has not accounted for its costs and liabilities under the single public services pension scheme as these are not material on an actuarial basis. The Commission intends to account for the costs and liabilities from 2018 onwards.

For the purposes of reporting in accordance with Financial Reporting Standard 102 – (FRS 102), an update of the actuarial review (in respect of the funded defined benefit scheme) was completed as at 30 June 2017.

Notes to the Financial Statements for the year ended 30 June 2017

17.	RETIREMENT BENEFITS (CONTINUED)	30 June	30 June
		2017	2016
		€'000	€'000
b)	**Retirement Benefit Costs**		
	Current service cost	2,903	2,094
	Interest cost	1,111	1,211
	Expected return on Scheme Assets	(860)	(1,124)
	Less: Employees' Contributions	(351)	(343)
	Total	**2,803**	**1,838**
ci)	**Net Retirement Benefit Liability**		
	Made up of:		
	Fair value of Scheme Assets	47,350	43,341
	Present Value of Retirement benefit obligations	(57,448)	(57,101)
	Net (Liability)	**(10,098)**	**(13,760)**
cii)	**Present Value of Retirement Benefit Obligations at beginning of year**	57,101	45,053
	Current Service Cost	2,903	2,094
	Interest Cost	1,111	1,211
	Actuarial (Gain) /Loss	(3,382)	9,151
	Benefits Paid	(285)	(408)
	Present Value of Retirement Benefit Obligations at end of year	**57,448**	**57,101**
ciii)	**Change in Scheme Assets**		
	Fair Value of Scheme Assets at beginning of year	**43,341**	**40,979**
	Expected return on Scheme Assets	860	1,124
	Actuarial Gain/(Loss)	1,661	(93)
	Employer Contributions	1,422	1,396
	Members' Contributions	351	343
	Benefits paid from Scheme	(285)	(408)
	Fair Value of Scheme Assets at end of year	**47,350**	**43,341**
	The current practice of increasing retirement benefits in line with public sector salary inflation is taken into account in measuring the defined retirement benefit obligation.		

Notes to the Financial Statements for the year ended 30 June 2017

17.	RETIREMENT BENEFITS (CONTINUED)		
		30 June 2017	**30 June 2016**
		€'000	€'000
d)	**Scheme Asset Composition**		
	The scheme assets at the year end were composed of:		
	Equities	25,258	21,426
	Bonds	18,110	18,098
	Property	594	552
	Cash and Other liquid assets	3,388	3,265
		47,350	**43,341**
	The scheme assets at the year end expressed in % terms comprised		
		%	%
	Equities	53.3%	49.4%
	Bonds	38.3%	41.8%
	Property	1.2%	1.3%
	Cash and Other liquid assets	7.2%	7.5%
		100.0%	**100.0%**
	Weighted average assumptions used to determine benefit obligations		
	Discount Rate	2.40%	1.95%
	Rate of compensation increase	3.30%	3.00%
	Weighted average assumptions used to determine pension expense		
	Discount Rate	1.95%	2.70%
	Expected long-term return on scheme assets	1.95%	2.70%

Notes to the Financial Statements for the year ended 30 June 2017

17.	RETIREMENT BENEFITS (CONTINUED)	30 June	30 June
e)	**Principal Actuarial, Financial & Demographic Assumptions**	**2017**	**2016**
	The financial assumptions used were as follows:		
	Discount rate	2.40%	2.70%
	Salary increases	3.30%	3.00%
	Pension increases	2.80%	2.50%
	Inflation increases	1.80%	1.50%

The Demographic Assumptions used were as follows		
	2017	**2016**
Mortality Pre-Retirement & Post-Retirement	S2PMA with CMI 2013 (1.5%) improvements for all members	S2PMA with CMI 2013 (1.5%) improvements for all members
Retirements	It is assumed that all members who joined prior to 1 April 2004 retire at age 60 and all other members retire at 65	It is assumed that all members who joined prior to 1 April 2004 retire at age 60 and all other members retire at 65
Ill Health Retirement	No allowance	No allowance
Early Retirement	No allowance	No allowance
Withdrawals	No allowance	No allowance
Percentage married	It is assumed that 90% of Males and 75% of Females are married.	It is assumed that 90% of Males and 75% of Females are married.
Age Difference between spouses	A male is assumed to be 3 years older than his spouse	A male is assumed to be 3 years older than his spouse

* The mortality assumptions chosen are based on standard tables reflecting typical pensioner mortality and they allow for increasing life expectancy over time.

The assumptions underlying the actuarial valuations for which the amounts recognised in the financial statements are determined (including discount rates, rates of increase in future compensation levels and mortality rates) are updated annually based on current economic conditions, and for any relevant changes to the terms and conditions of the retirement benefit and post-retirement plans.

The assumptions can be affected by:
(a) the discount rate, changes in the rate of return on high-quality corporate bonds
(b) future compensation levels, future labour market conditions

Notes to the Financial Statements for the year ended 30 June 2017

		30 June 2017 €'000	30 June 2016 €'000	30 June 2015 €'000	30 June 2014 €'000	30 June 2013 €'000
17.	**RETIREMENT BENEFITS (CONTINUED)**					
f)	**History of defined benefit obligations, assets and experience gains and losses**					
	Defined benefit obligations	57,448	57,101	45,053	43,480	35,749
	Fair value of Scheme Assets	(47,350)	(43,341)	(40,979)	(35,758)	(30,566)
	Deficit / (Surplus) for funded Scheme	(10,098)	(13,760)	4,074	7,722	5,183
	Experience Adjustment on Scheme Assets	1,661	(93)	1,821	2,675	1,379
	percentage of scheme assets	3.5%	0.2%	4.4%	7.5%	4.5%
	Experience gains / (losses) on Scheme Liabilities					
	amount	823	1,226	1,828	(1,549)	(267)
	percentage of Scheme Liabilities	1.4%	2.1%	4.1%	(3.6%)	(0.8%)

g) Prior Pensionable Service

The liabilities of the pension scheme relate to retirement benefits arising from service with the Commission and service with other public bodies prior to joining the Commission where such service is known to the Commission. The Commission is entitled to seek to recover the cost of funding the prior service from other public bodies under the terms of its membership of the Public Service Transfer Network.

For service transferred by members prior to 30 June 2017, the total value of such payments received in the year to 30 June 2017 was Nil (2016: Nil).

Payments in respect of transferred in service (when received) are shown as a separate item in the Statement of Comprehensive Income.

h) Funding of retirements benefits

A triennial actuarial valuation of the scheme was carried out as at 1 January 2016 and the recommended contribution rate was subsequently agreed. The next triennial actuarial valuation is due to be carried out as at 1 January 2019.

Notes to the Financial Statements for the year ended 30 June 2017

18.	CONTINGENT LIABILITIES
	Legal costs incurred to date have been fully provided for in these financial statements. However, the Commission is involved in a number of legal cases, the outcome of which is uncertain. Potential future costs in relation to these cases have not been provided for due to the uncertainty around the outcome and the potential costs that may be incurred.

19.	RELATED PARTY TRANSACTIONS
	As part of the ordinary course of business, the Commission has had transactions with other government departments and other state bodies. Key Management Remuneration is disclosed in Note 3.

20.	PENSION RELATED DEDUCTION
	An amount of €568,000 (2016 : €473,000) deducted from salaries in respect of the Pension Related Deduction was paid to the Department of Communications, Climate Action and Environment in the year ended 30 June 2017.

21.	POST BALANCE SHEET EVENTS
	There were no events after the year end which could have a material impact on any information in these financial statements.

22.	APPROVAL OF FINANCIAL STATEMENTS
	These financial statements were approved by Gerry Fahy, Chairperson, for the Commission, on the 27th March 2018.

Commission for
Communications Regulation

Block DEF,
Abbey Court,
Irish Life Centre,
Lower Abbey Street,
Dublin 1

Tel: +353 1 8049600
Fax: +353 1 8049680