



Commission for
Communications Regulation

Emergency Call Answering Services

Call Handling Fee review 2019

NON CONFIDENTIAL

Consultation and Draft Determination

Reference: ComReg 19/96

Date: 23/10/2019

Additional Information

All responses to this consultation should be clearly marked :- “Submissions to ComReg 19/96”, and sent by post or email to arrive on or before 20 November 2019, to:

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Content

Section	Page
1 Introduction.....	4
2 Movement in the proposed CHF	6
3 Reasonable Costs	8
Capital costs	9
Operating Costs	9
4 Volumes	12
5 Draft Determination	15
6 Submitting Comments	17
7 Statutory Basis	18
8 Questions	19

1 Introduction

- 1 In Ireland, emergency services are called by dialling 999 or 112, and such calls are initially received by the Emergency Call Answering Service (“ECAS”).
- 2 In accordance with relevant Irish legislation, emergency calls are free of charge to the caller¹ on all networks.
- 3 In February 2009, the then Minister for Communications, Climate Action and Environment (“the Minister”) awarded a contract to BT Communications Ireland Ltd (“BT”) to design, build, and implement the ECAS.
- 4 On 12 February 2018, the Minister for Communications, Climate Action and Environment (“the Minister”) awarded a new contract to BT Communications Ireland Ltd (“BT”) with respect to the ECAS. These contracts known as “Agreements” are between the two parties alone.
- 5 For ease of reference the 2009 contract is referred to as “Agreement 1” and the 2018 contract is referred to as “Agreement 2” and they refer to “ECAS1” and “ECAS2” respectively.
- 6 The ECAS is funded entirely through the Call Handling Fee (“CHF”). This is a fee payable by the presenting telephone network operator and/or the telephone call service provider whenever a customer on their network calls the ECAS.
- 7 Agreement 1 expired in July 2017. However, BT continued, on the basis a provision in Agreement 1 allowing for an equivalent service to continue to be delivered by BT for a further twelve months (“Equivalent Services”), to implement the ECAS pending the completion of a public procurement process by the Minister in relation to the next Agreement, Agreement 2.
- 8 ComReg is required² to annually review the maximum CHF that may be charged by the ECAS operator.
- 9 In February 2018, ComReg, having concluded its annual review, determined the maximum permitted CHF at €3.07 for the year 12 February 2018 to 11 February 2019. To determine this figure, ComReg analysed the reasonable costs incurred by the ECAS operator. ComReg’s analysis was informed by third party consultants³ with expertise in this area. Views of interested parties were requested through a public consultation process and detailed responses were received.

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

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

³ Analysys Mason Limited.

- 10 This was ComReg's last such determination of the CHF under Agreement 1.
- 11 Since 1 March 2019 the maximum permitted CHF that may be charged by the ECAS operator has been €3.93 as per the terms of Agreement 2.
- 12 The present consultation concerns the maximum chargeable CHF from 12 February 2020, the second anniversary of the date on which the contract was entered into, in accordance with Section 58D(1) of the Act.
- 13 The cost base of the ECAS has been assessed for this purpose. During the review an assessment was also undertaken of reasonable costs.
- 14 The CHF of €3.93 as per the terms of Agreement 2 is based on predicted call volumes assessed by DCCA and its consultants as part of the contract tendering process. ComReg understands that actual call volumes at this time are higher than those predicted in the tender forecasts.⁴
- 15 ComReg expects volumes to be c. 2.3m calls per annum.
- 16 ComReg has completed its analysis of reasonable costs and projected call volumes as well as accommodating accumulated funds in the Agreement 1 Sinking Fund, as set out below. **ComReg proposes that the CHF to be applied from 12 February 2020 be €1.77.** This proposed CHF is for the period from 12 February 2020 to 11 February 2021.
- 17 The movement in the proposed CHF can be summarised as follows:

✂
- 18 ComReg is required to complete its review by 12 December 2019. If, by 12 December 2019, it appears that the expected rate of call annual volumes will differ from the forecast of 2.3m ComReg may further adjust the CHF accordingly.
- 19 ComReg encourages interested parties to respond to this consultation and thus to contribute to the continuing effective functioning of this key service. Should a respondent's submission contain confidential information, an additional document labelled "non-confidential" should be provided. Only this "non-confidential" version will be published by ComReg. In this context, ComReg maintains the confidentiality of information supplied, in accordance with Section 24 of the Communications Regulation Act 2002 (as amended) ("the Act") and in accordance with ComReg's Guidelines on the treatment of confidential information as set out in ComReg Decision No. D05/24.

⁴ See ComReg Document 19/76 "ECAS call volumes January to June 2019"

2 Movement in the proposed CHF

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

CHF determined by DCCAE to 11 February 2020 €3.93	
Reduction based on higher than predicted call volumes (historical) ⁵	<€>
Reduction due to repayment from the Agreement 1 Sinking Fund ⁶	<€>
Reduction based on higher than predicted call volumes (forward looking) ⁷	<€>
2020-2021 CHF payable	€1.77

2.1 Reduction based on actual higher than predicted call volumes

21 When Agreement 2 for ECAS2 was awarded annual call volumes were expected to be c. <€>m. While call volumes are discussed further in Section 4, as set out in ComReg Information Notice 19/76⁸ call volumes from January 2019 to June 2019 were 1,098,084. On a simple annualised basis this would result in c. 2.3m calls or c. <€> more than anticipated.

22 At an initial CHF of €3.93 this would result in additional revenue of c. <€>m.

23 As part of this CHF review, ComReg proposes that estimated annual call volumes be rebased to 2.3m calls, for the relevant period. Therefore returning the <€>m to operators in the next CHF results in a once-off reduction of c. <€> per call

2.2 Reduction due to repayment from the Agreement 1 Sinking Fund

24 As part of the closure of Agreement 1 ComReg was requested by DCCAE to review any under or over recovery of reasonable costs incurred.

25 This review assessed:

- Total revenues received
- Reasonable costs incurred
- Sinking fund payments

⁵ Paragraph 21

⁶ Paragraph 24

⁷ Paragraph 31

⁸ Volume of emergency calls January 2019 to June 2019

- Guaranteed rate of return

26 Certain costs which were deferred in previous reviews of ECAS 1 included:

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

27 ComReg, with its external advisors Analysys Mason for the completion of ECAS1, has identified reasonable costs incurred but not recovered totalling c. €X. Between ComReg's last review and the end of Agreement 1 a further c. €X in revenues was earned primarily driven by the increase in call volumes.

28 At the end of Agreement 1, ComReg is of the view that a net €X was due to BT by way of unrecovered reasonable costs. ComReg understands that this will be refunded to BT by DCCAE via the Sinking Fund.

29 ComReg has been informed by DCCAE that €Xm can be transferred against the costs of ECAS2. DCCAE will arrange this transaction directly with BT.

30 This transfer will result in a once off reduction in the CHF for the period 2020/2021 of c. €X per call.

Reduction based on higher than predicted call volumes 2020/2021

31 As discussed in Section 4 the forecast call volumes are 2.3m per annum as compared to Xm per annum used to set the current CHF of €3.93. The total cost of operating and managing the ECAS is c. €X. As this is predominantly a fixed cost operation the costs do not fluctuate greatly.

32 Therefore by rebasing the annual call volumes for 2020/2021 from Xm to 2.3m results in an annual reduction in the CHF of c. €X per call

Monitoring Costs

33 ComReg can confirm that its monitoring costs⁹ associated with the carrying out of this review are not, at this time, being recovered through the CHF.

⁹ Section 58 (E) of the Act

3 Reasonable Costs

34 As part of this review ComReg has reviewed the costs incurred by BT under ECAS2 to determine whether or not they could be considered reasonable. In conducting its review ComReg, with the support of its advisors TERA Consultants¹⁰, has had extensive interaction with BT.

35 ComReg visited the call centres in both Ballyshannon and Navan. In Ballyshannon ComReg discussed and reviewed:

- The staffing of the call centres;
- The management of call quality; and
- Volume forecasts.

36 In Navan ComReg reviewed the capital expenditure associated with ECAS2.

37 Also, ComReg has engaged extensively with BT's finance function to understand the cost structure of ECAS2 and how it compares to ECAS1.

38 Two notable changes have taken place in the operation of the ECAS since Agreement 1: (i) the move from three PSAPs to two and (ii) operators transferred from Conduit to BT.

Move from three PSAPs to two

39 Under Agreement 1 there were three PSAPs:

- Ballyshannon
- Navan
- EastPoint

40 Agreement 2 has determined that only the PSAPs in Ballyshannon and Navan are required. It should be noted that there was limited infrastructure in EastPoint and that despite the closure of this PSAP staffing levels in both Ballyshannon and Navan have risen so that the mandated KPIs can be met.

41 BT also has a standby site that was visited as part of this review. It is situated in an existing BT building and is currently unmanned. ComReg understands that it is to be used should the Navan PSAP become inaccessible.

42 This standby site contains desks, phones and terminals but no data centre equipment. It can become fully operational very quickly. Access to it is restricted.

¹⁰ See ComReg Document 19/96a

Operators transferred from Conduit to BT

43 As part of ECAS2 BT has directly employed all of the operators. These were previously outsourced via a third party call centre operator, Conduit.

44 BT considers that there are several intangible benefits to this move:

- More streamlined communications between operators and BT management;
- Less churn and less need for induction training; and
- More flexibility in filling rosters.

45 The costs of the operators are discussed below.

46 Apart from the above the structure of ECAS2 is broadly similar to that of ECAS1.

Capital costs

47 Capital costs of c. €<m are recorded in the CHF model and are depreciated over the life of Agreement 2. This is comprised of costs incurred of €<m and refresh costs estimated at €<m. Refresh costs are included at the initial phase so as to avoid fluctuations in the CHF at a later stage.

48 These total capital costs (incurred and refresh) are depreciated over the life of Agreement 2.

49 ComReg has reviewed the capital costs incurred and considers them to be reasonable. These mainly comprise hardware costs. Capital costs are lower than ECAS1 primarily for two reasons:

- BT is reusing its existing ECAS1 buildings which needed to be brought up to standard for ECAS1; and
- There is less capitalised labour in ECAS2 because ECAS2 is an enhancement and evolution of an existing service whereas ECAS1 had to be designed, developed and implemented as a completely new service.

50 In relation to the “refresh costs” ComReg will monitor this category on an annual basis and by the end of Agreement 2 only actual reasonable costs incurred will be recovered through the CHF.

Operating Costs

51 Operating costs are broadly similar to ECAS1. As there is limited data for ECAS 2, being based on four months actual activity, the initial costs as estimated in the bid have been inspected, and will continue to be monitored and reviewed in detail in subsequent years.

- 52 The operating costs reflect the estimated total costs over the seven year life of Agreement 2 and are averaged to reduce the impact of fluctuations from one year to another.
- 53 While the main cost categories are discussed below it should be noted that there may be movements in costs from one to another reflecting the move from three PSAPs to two and that operators have transferred from Conduit to BT. As a result ComReg considers that it is important to reflect on the total cost of operating the ECAS2 compared to ECAS1. Underlying cost categories are also considered but with the caveat that costs may have been reallocated.

Call centre operations

- 54 There are c. 2 call centre operators which is similar to ECAS1. These continue to be paid on the number of hours worked. The total annual cost of the call centre operators is estimated at c. €2m. These reflect projected inflationary increases over the life of Agreement 2.
- 55 In addition to the call centre operators and in line with ECAS1 there are various support functions necessary for the successful running of the PSAPs. These include:
- First line managers – monitor call quality, provide training / one-to-one coaching and can also take calls where necessary;
 - Call centre manager – responsible for overall HR related matters, performance management and recruitment;
 - Scheduler – prepares the roster; and
 - HR resource – deals with operators as initial contact for HR issues and deals with HR administration.

BT incurred costs

- 56 BT incurs certain of its own costs in running the ECAS. These roles, which were in existence under ECAS1 include:
- Head of ECAS – responsible for the overall running of the ECAS;
 - Service engineers – three engineers dedicated to maintaining the ECAS;
 - ECAS administration support – responsible for report preparation and also retrieval of calls for evidence based matters;
 - ECAS service manager;
 - Solution Architect – responsible for strategic development of the ECAS platform;
 - Shared service engineers – mainly network monitoring;
 - Support labour costs – finance, procurement and regulatory; and

- Overhead – utilisation of buildings and central overheads.

Other costs

57 Other costs associated with ECAS1 and ECAS2 include:

- Premises – rent, rates and insurance;
- Maintenance – platform support;
- Network services – resilient connectivity to the ECAS sites from telecoms operators the emergency services; and
- Other – audit and ancillary costs.

Sinking Fund

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

Guaranteed rate of return

59 There is a guaranteed rate of return for BT of ~~€~~ which has been set by DCCAE and is considered to be beyond the scope of the review.

Summary

60 Based on the cost categories described above the annual cost of ECAS2, when compared to ECAS1 is¹¹:

Cost category	ECAS 2 €	ECAS 1 €	Difference €
CAPEX / depreciation	✂	✂	✂
Call centre operations ¹²	✂	✂	✂
BT incurred costs	✂	✂	✂
Other costs	✂	✂	✂
Sinking Fund	✂	✂	✂
Guaranteed rate of return	✂	✂	✂
Total	✂	✂	✂

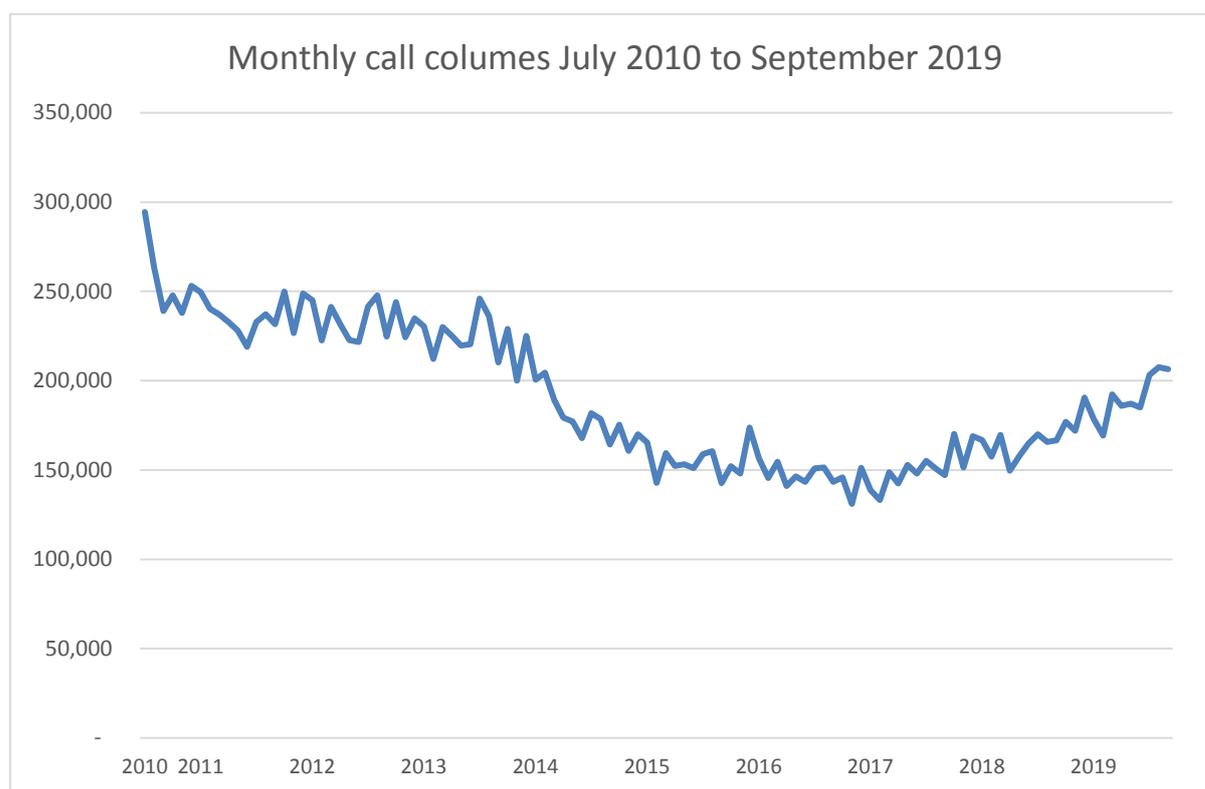
¹¹ This is taking the total costs of the ECAS over the life of the agreement in the CHF model and annualising them to remove fluctuations.

¹² Due to BT bringing call centre operations in-house there has been a reclassification of some costs between *BT incurred costs* and *Call centre operations*.

4 Volumes

61 When the ECAS operator entered Agreement 1 for ECAS1 with the State, the annualised tendered volume of emergency calls was 4.8 million. When DCCAIE issued its tender for ECAS2 call volumes were predicted to be c. 8m calls per annum. The movement in actual calls is reflected in Figure 1 below:

Figure 1: ECAS monthly call volumes July 2010 to September 2019



Source: BT

62 ComReg publishes regular information notices on ECAS call volumes. Figure 2 below (which is taken from ComReg Information Notice No. 19/76) shows the differences in monthly call volumes between January 2019 and June 2019. When compared to the same period in 2018.

Figure 2: Call volumes January 2018 to June 2018 v January 2019 to June 2019

	2019	2018	difference	% difference
January	178,364	166,816	11,548	6.9%
February	169,305	157,426	11,879	7.5%
March	192,276	169,720	22,556	13.3%
April	185,918	149,589	36,329	24.3%
May	187,142	157,711	29,431	18.7%
June	185,079	164,847	20,232	12.3%
January to June Total	1,098,084	966,109	131,975	13.8%

Source: BT

- 63 Call volumes for July to September 2018 compared to July to September 2019 were:

Figure 3: Call volumes July to September 2018 v July to September 2019

	2019	2018	Difference	% Difference
July	203,343	170,069	33,274	19.6%
August	207,461	165,680	41,781	25.2%
September	206,505	166,567	39,938	24.0%
July to September Total	617,309	502,316	114,993	22.9%

Source: BT

- 64 Given the unpredictability of call volumes (and their bursty nature) there can be significant variations month-on-month. BT through its analysis of the different call types has predicted that there will be annual call volumes of c. 2.3m for 2020.

65 Due to the unpredictability of call volumes ComReg is of the preliminary view that it is prudent to maintain a forecast call volume of 2.3m calls for 2020/2021 and beyond.

Q. 1 Please provide any comments you may have in relation to forecast call volumes for 2020/2021. Please provide detailed reasoning and accompanying calculations (where appropriate) supporting your submission.

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

5 Draft Determination

Definitions

1.1 In this determination:

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

2 Determination

2.1 The Commission makes this determination:

- In exercise of its powers under section 58D (2) of the Act;
- Pursuant to the review conducted by it under section 58D (1) of the Act;
- Having had due regard to section 58D (3) of the Act;
- Pursuant to Commission Document No. 19/96 and Commission Document No. 19/96a;
- Having duly taken account of the responses received to Commission Document No. 19/96 and Commission Document No. 19/96a; and
- Having regard to the reasoning and analysis conducted by the Commission and set out in this response to consultation and determination.

2.2 The Commission hereby determines that for the period from 12 February 2020 to 11 February 2021 the maximum permitted call handling fee that the emergency provider may charge to entities who forward emergency calls to it for handling such a call shall be €1.77.

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

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

6 Submitting Comments

- 66 The consultation period will run from 23 October 2019 to 20 November 2019, during which ComReg welcomes written comments. It is requested that comments be cross-referenced to the relevant question numbers from this document.
- 67 Having analysed and considered the comments received, ComReg will publish a response to consultation and decision in January 2020.
- 68 In order to promote further openness and transparency, ComReg will publish respondents' submissions to this consultation. However, ComReg must strictly maintain the confidentiality of any information provided to it in confidence. Electronic submissions should be submitted in an unprotected format so that they can be appended into the ComReg submissions document for publishing electronically.

7 Statutory Basis

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

8 Questions

- Q. 1 Please provide any comments you may have in relation to forecast call volumes for 2020/2021. Please provide detailed reasoning and accompanying calculations (where appropriate) supporting your submission.
- Q. 2 Are there any matters which you wish to raise as part of this review? Please provide detailed reasoning and accompanying calculations (where appropriate) supporting your submission.
- Q. 3 Do you agree or disagree with the wording of ComReg's Draft Determination? Please provide detailed reasoning for your views.