

8 Operation of the Emergency Call Answering Service

- 8.1** All emergency calls made in the State are handled by the Emergency Call Answering Service (ECAS). The ECAS is operated from three centres, located in Ballyshannon in County Donegal, Navan in County Meath and Eastpoint Business Park in Dublin. Emergency calls are received in the centres and forwarded to the relevant emergency service i.e. An Garda Síochána, the ambulance service, the fire services or the Irish Coast Guard.
- 8.2** In accordance with an EU Directive, there is no charge for the person making a call to the emergency services.¹ Instead, in Ireland, a call handling fee is payable by the presenting telephone network and/or the telephone call service provider.² The ECAS is funded entirely by the call handling fee.
- 8.3** In September 2007, the Department of Communications, Energy and Natural Resources (the Department) issued an invitation to tender to six companies for the provision and operation of an emergency call answering service. Four tenders were received by the closing date of December 2007. One of the four tenders did not meet the qualification criteria and as a result it was not accepted for further evaluation.
- 8.4** The remaining three tenders received were evaluated by an evaluation committee which comprised personnel from the Department, the Commission for Communications Regulation (ComReg),³ representatives of the emergency services and a consultancy firm. The evaluation was based on award criteria published in the invitation to tender i.e.
- compliance with system requirements and quality of the system design
 - quality and credibility of the business plan and tendered call handling fee
 - quality of insurance cover
 - quality of implementation process proposed and the exit plan
 - compliance with the draft concession agreement provisions.
- 8.5** The evaluation committee awarded the highest ranking to the tender submitted by BT Communications Ireland (BT) and recommended that contract negotiations be initiated with BT. The committee also noted that if the negotiations with BT were found to be unsuccessful or unsatisfactory, then contract negotiations could be conducted with the second ranked tenderer.
- 8.6** A concession agreement was entered into by the Minister for Communications, Energy and Natural Resources and BT on 12 February 2009, to establish, operate, manage and maintain the emergency call answering service. The contract duration was for a period of five years, with the option to extend it for up to two additional years.
- 8.7** The concession agreement set the initial call handling fee at €2.23. The fee is reviewed annually and is revised to take account of changes in call volumes and costs incurred by the operator. The first review of the fee took place in December 2010. As a result of that review, the call handling fee increased by 50% to €3.35. Following further changes in later reviews, the fee was set at €3.08 for the year ending February 2015.

¹ Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services (Universal Service Directive), March 2002.

² Section 58C, Communications Regulation (Amendment) Act 2007.

³ The statutory body responsible for the regulation of the electronic communications sector (telecommunications, radio communications and broadcasting transmission) and the postal sector.

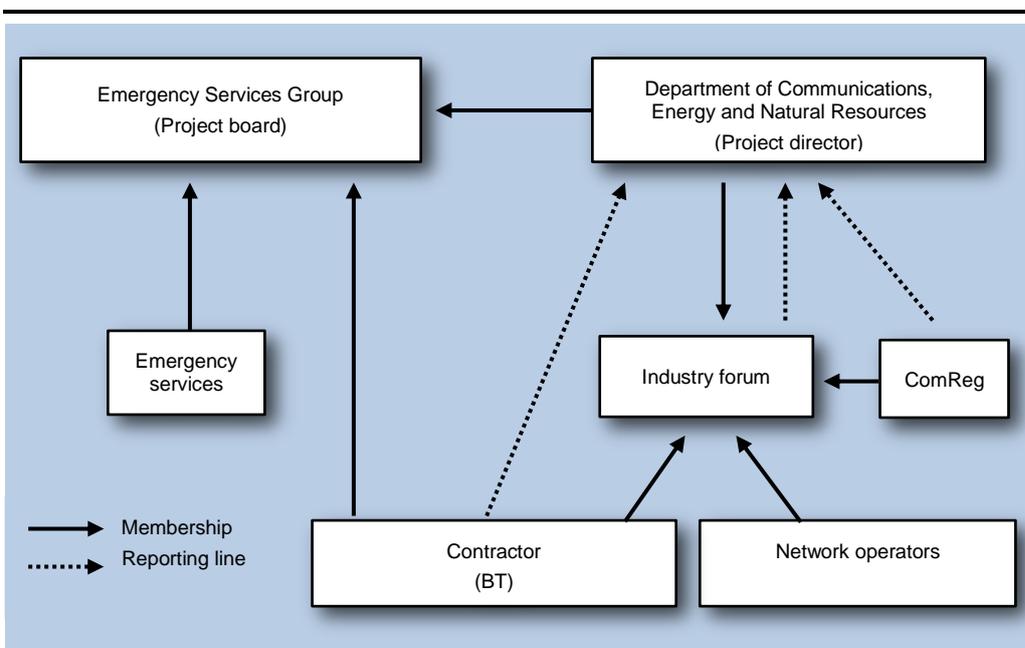
8.8 In light of the increases in the call handling fee since the start of the contract with BT, an examination was undertaken to ascertain whether

- the contractual arrangements in place for the provision of the emergency call answering service are adequate
- the process for setting the call handling fee is adequate
- the arrangements in place for monitoring and assessing service provision are sufficient.

Contract Management Arrangements

8.9 The concession agreement described the management structure that should be established to oversee the ECAS. The structure proposed included a project board and a liaison committee. The governance arrangements in place to oversee the ECAS are set out in Figure 8.1.

Figure 8.1 Governance arrangements for ECAS



Source: Office of the Comptroller and Auditor General

8.10 The Department has confirmed that the project board was established, and is referred to as the Emergency Services Group. It meets quarterly and comprises senior representatives of the Department (which chairs the Group), BT and the emergency services. While functions of the Group are set out in different parts of a schedule to the concession agreement, no formal terms of reference for the Group are available.¹ Formal minutes of the meetings are not recorded. The Department stated that formal minutes are not recorded to allow full and open discussion on all aspects of the service.

¹ Schedule 18 to the concession agreement is over 100 pages in length.

- 8.11** The stated aim of the liaison committee proposed in the concession agreement was to facilitate communication on all matters between the Department and BT. It was to meet quarterly and minutes would be recorded. It was also planned that the Department (on behalf of the committee) would prepare a report based on the minutes of each meeting setting out the details of the issues discussed. The committee was also to carry out an annual review of the contractor's performance. However, the Department has confirmed that the liaison committee was not established. As a consequence, the annual performance reviews specified in the concession agreement have not been carried out.
- 8.12** When this issue was raised with the Department, the Department stated that the concept of a liaison committee was considered at a time when there was no reporting on the quality of the service being provided by the previous operator. The Department stated that alternative structures to facilitate discussion of issues of concern between the Department and BT were developed and that the role envisaged for the liaison committee is now achieved through a meeting, at least quarterly, between a Department representative and the operator's representative.¹ The Department also pointed out that, while annual performance reviews are not carried out, monthly performance reviews are undertaken by the Department and ComReg in consultation with the operator.
- 8.13** ComReg has a statutory regulatory role in respect of ECAS, which is
- to review the maximum call handling fee that the ECAS provider may charge²
 - to report to the Minister on the operational performance of the ECAS.³
- 8.14** An industry forum was also established in 2011 in order to report on service performance and present an operational review of ECAS. It also provides an opportunity to discuss any related issues. The forum comprises members of the Department, ComReg, BT and industry representatives and it meets quarterly.

Emergency Call Handling Fee

- 8.15** The call handling fee for each 12-month period is set in advance and is calculated by dividing the total costs that it is expected BT will incur, by the forecast volume of calls.
- 8.16** While the concession agreement between the Department and BT was signed in February 2009, the previous operator (Eircom) continued to provide the service until 13 July 2010. After that date, the ECAS was fully operational, under the management of BT.
- 8.17** Figure 8.2 sets out the estimated amounts payable to BT from July 2010 to February 2014.

¹ The Department has assigned responsibility for the operational aspects of the ECAS to a staff member within the Department.

² Section 58D, Communications Regulations (Amendment) Act 2007.

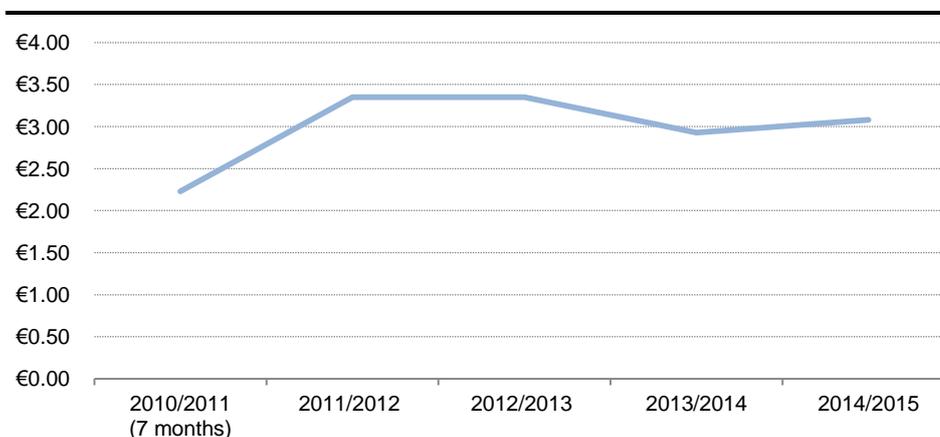
³ Section 58G, Communications Regulations (Amendment) Act 2007.

Figure 8.2 Amounts payable to ECAS provider (BT), July 2010 – February 2014

Year	Amount payable €m
Period ending 11 February 2011 (7 months)	3.86
Year ending 11 February 2012	9.42
Year ending 11 February 2013	9.30
Year ending 11 February 2014	7.76

Source: Analysis by the Office of the Comptroller and Auditor General

- 8.18** ComReg carries out an annual review of costs and call volumes.¹ The reviews consider the actual costs and call volumes to date and the estimated costs and call volumes for the remainder of the contract period. In assessing the costs, ComReg decides what costs are reasonable and therefore allowable. ComReg's reviews also consider the revenue received and estimated revenue to be received in order to decide if BT's costs have been recovered. If the revenue is less than or greater than the assessed costs, the under or over-recovery of costs is taken into account when setting the call handling fee for the next period. Based on this information, ComReg recommends the fee to be applied for the following 12-month period.
- 8.19** From inception of the contract to date, there have been four reviews. Call volumes have been considerably lower than was envisaged at the outset of the contract and costs have been lower than anticipated. The call handling fee has fluctuated as set out in Figure 8.3.

Figure 8.3 Call handling fee, July 2010 – February 2015

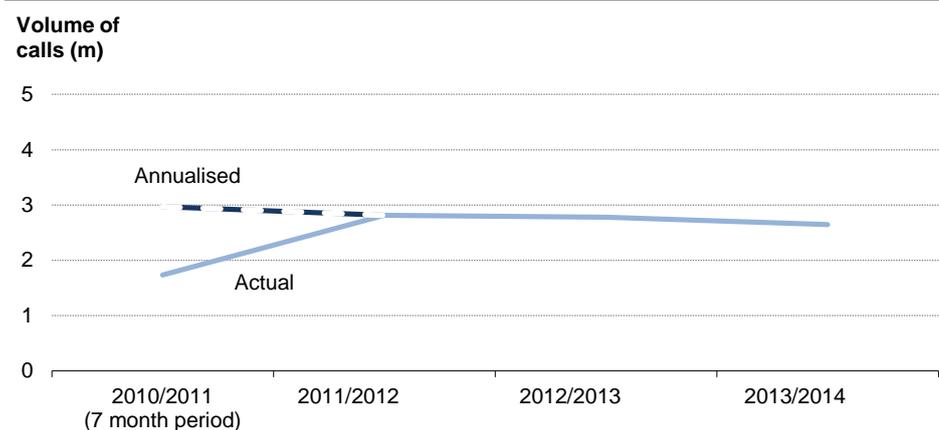
Source: Commission for Communications Regulation

¹ ComReg engages consultants to assist in carrying out the reviews.

Call Volumes

- 8.20** In September 2007, when the Department issued the tender seeking a company to provide the ECAS, the actual call volumes from 2000 to 2006 were provided. In the five years prior to the year of the tender competition, the volume of emergency calls was between 4.5 million and 5 million annually. When submitting tenders, tenderers were requested to base their calculations on an estimated annual call volume of 4.8 million. The Department stated that in setting the call volumes for the purposes of the tender competition, the primary concerns were to ensure that all calls to ECAS would be answered quickly and routed to the correct emergency service and that the service would be adequately resourced to cope with any sudden increases in demand.
- 8.21** In the period from 2009, the volume of emergency calls has been much lower than anticipated when the service was tendered.¹ The principal reason for this was remediation work carried out by Eircom on faulty lines that were generating a high number of false emergency calls. Since this issue was rectified by Eircom, the number of calls has stabilised at approximately 2.8 million calls per annum (see Figure 8.4). In the absence of any change to costs, the lower than anticipated call volumes would have caused an increase of around two-thirds in the call handling fee.

Figure 8.4 Emergency call volumes, July 2010 – February 2014^a



Source: Commission for Communications Regulation

Note: a Each 12-month period is from 12 February to the 11 February of the following year.

- 8.22** The Department stated that the call volumes included in the tender documents were based on figures provided by Eircom. While there were indications at the time that the call volumes could fall, partly due to the remedial work being undertaken by Eircom, the Department had no way of identifying the impact of the remedial action being undertaken.
- 8.23** I asked the Department if it was satisfied that more realistic projected call volumes could be provided in any future tender competitions to identify an ECAS service provider. The Department stated that it has gained considerable experience and knowledge in the provision of the service since 2010 and is now in a better position to make an informed decision on future call volumes. There are now detailed statistics available about call volumes which were not available at the time of the original invitation to tender in 2007.

¹ The annual average number of calls between 2002 and 2008 was 4.7 million. In 2009, the number of calls fell to 3.6 million.

- 8.24** At the time of the tender, operators were asked to provide a sensitivity analysis of their business plans, demonstrating the impact of changes in the main assumptions on the viability of the plan and on the call handling fee. The successful operator included some sensitivity analysis in its tender – for example, how changes in the average time taken to answer calls would impact on the call handling fee. The analysis noted that any reduction in the volume of calls would impact the cost per call and that the majority of costs were fixed and staff related. As an example, it stated that a 50% drop in the number of calls would lead to a 100% increase in the call handling fee. The Department record of bids did not show any evidence that the two other operators in the tender competition whose tenders were evaluated had provided a sensitivity analysis.¹

Analysis of Costs

- 8.25** The Act specifies that BT may recover costs that are determined by ComReg to be reasonable.² The costs of providing the ECAS comprise operating costs and finance costs.

Operating Costs

- 8.26** Operating costs comprise pay and non-pay costs. The pay costs have two elements – the cost of call operators and the payroll costs of BT staff involved in the provision of ECAS.
- 8.27** The call operators are provided by a specialist call centre company which is sub-contracted by BT. BT pays a fixed hourly charge to the call centre company for the required hours. As part of the review process, ComReg reviews the level of staffing and the hourly rate paid to the sub-contractor in order to ensure that both are reasonable.
- 8.28** The BT staff cost relates to staff solely dedicated to the ECAS and support staff that are assigned to ECAS as required. At the end of 2013, there were 12 BT staff dedicated to the provision of the ECAS on a full-time basis. In addition to this, there are support staff, such as technical and engineering staff, that are charged as required to ECAS.

- 8.29** The main non-pay costs relate to premises, network provision and network maintenance. BT leases premises for two of the call centres and there are management charges for both of those premises also. For the third centre, BT utilises space within the specialist call centre company's premises and the costs associated with this are included as a general overhead in the hourly rate paid to the company for the operators.

Finance Costs

- 8.30** The finance costs are the costs associated with financing the project over the duration of the contract and comprise
- annual depreciation charge
 - guaranteed rate of return
 - allocation towards a contingency fund
 - prior period under-recovery
 - cost of capital rebate.

¹ Neither of the other two tenderers provided an analysis of how changes to the main assumptions would affect the call handling fee. One tenderer stated that there would be no variance in the business plan; the other tenderer provided information on how the provision of additional services would affect the call handling fee.

² Reasonable costs are defined in the concession agreement as including "...contributions to the sinking fund, all necessary costs incurred by the contractor in the normal course of business, such as capital outlay, depreciation, heating and lighting, labour, the annual monitoring costs and the final monitoring costs of ComReg, adjustment for any over or under-recovery of the guaranteed return for any previous call handling fee periods and costs that may be incurred as a result of having to comply with any law."

Set-up Costs and Annual Depreciation Charge

- 8.31** The main focus of the first review carried out by ComReg was to establish the reasonableness of the initial investment made by BT in establishing the ECAS. The ECAS operating system is located in two secure equipment centres. The initial capital investment deemed reasonable by ComReg was approximately €11 million, while a further €232,000 of the set-up costs were disallowed. Some additional capital investment has also been required over the life of the contract.
- 8.32** The annual depreciation charge is calculated on the investment in the ECAS. BT is writing the cost of that investment off over the life of the contract (five years) which means that the depreciation charge is just over €2 million per annum.
- 8.33** I asked the Department how it would ensure that BT would not benefit from an unfair advantage if it took part in the next tender competition given that it would already have the necessary infrastructure in place to provide the service. The Department stated that it will consider options while preparing the tender documentation to ensure the award criteria confer no advantage on BT compared with other potential bidders.

Guaranteed Rate of Return

- 8.34** The agreement between the Department and BT specifies a guaranteed rate of return on the capital sum invested – in effect, an agreed cost of capital – which applies for the duration of the contract. In the tender documents, the Department stipulated a base rate of return (4.2%) on the eligible investment. Tenderers then proposed a margin to be added to the base rate provided in the tender. The final guaranteed rate of return in the contract between the Department and BT is 6.63% (4.2% plus a margin of 2.43%). The Department stated that a base rate of return was included in the invitation to tender in order to encourage competition and assure potential respondents that an appropriate rate of return would be available on their investment. While BT recoups its investment at a steady rate over the life of the contract through depreciation, the guaranteed rate of return in each year of the contract is calculated on the gross book value of its capital investment. On this basis, the guaranteed rate of return is around €750,000 each year.
- 8.35** I asked the Department what was the basis for setting the base rate of return at 4.2% in the tender documents that issued. The Department stated that the base, or risk-free, rate of return used was the Euribor one-week rate at 3 September 2007. This rate was selected on the basis that the tender was open to applicants from other EU countries and was advertised in the Official Journal of the EU. The September 2007 rate was the most recent available rate prior to the issue of the tender documents. The Department added that once the premium rate was added by the tenderers, the base rate was no longer considered.
- 8.36** The consultant which ComReg contracted to assist with the 2011 and 2012 reviews of the call handling fee noted in both reports that the method of calculation being used was different to traditional approaches where the cost of capital is generally calculated as a percentage of the net book value. Because BT is recouping its capital investment over the life of the contract through a depreciation charge, in effect, its actual return on its capital investment is significantly higher than the guaranteed rate of return of 6.63% set in the concession agreement.

- 8.37** The Department pointed out that the Act states that, in determining the maximum call handling fee, ComReg “shall have regard to the need for the ECAS operator to cover the reasonable costs likely to be incurred by it in operating the service and, in particular, to recover a guaranteed rate of return for providing the ECAS.”¹ Consequently, the Department considers that it is required to ensure that a guaranteed rate of return is the basis for remunerating the ECAS operator.

Contribution to Contingency Fund

- 8.38** Under the terms of the agreement with the Department, BT is required to pay €250,000 per annum into a contingency fund. The fund is held and managed by the Department, and the funds are ring-fenced to be used solely for the ECAS. The principal purpose of the fund as set out in the concession agreement is to cover any under-recovery by the contractor at the end of the contract period. The Department has stated that the fund could also be used

- to address special demands that may arise and have to be addressed immediately for security or operational reasons
- to fund enhancements to the ECAS in certain limited circumstances
- to cover step in rights if required
- to manage transition costs to a new operator at the end of the concession agreement.

- 8.39** To date, €250,000 has been withdrawn from the account. This was used to fund the establishment of an emergency SMS service. The annual payment to the contingency fund is included in the costs incurred by BT for fee setting purposes.

Cost of Capital Rebate

- 8.40** The initial call handling fee of €2.23 per call was based on an estimated 4.8 million emergency calls per annum (400,000 per month). However, because the volume of calls received was less than two-thirds of that level in the initial period of operation (up to February 2011), the receipts were not enough to cover BT’s assessed costs in providing the service. BT was therefore allowed to recover the cost through an adjustment to the fee in subsequent periods.
- 8.41** Because BT did not recover the assessed costs in the initial period, it had to finance the under-recovery of those costs. BT is compensated for this by way of a ‘cost of capital’ rebate which is based on the estimated interest cost resulting from the self-financing arrangements. The rebate is treated as a reasonable cost and is spread over the remaining life of the contract.
- 8.42** There has not been an over-recovery of costs by BT in any year to date. However, if this were to happen, the costs over-recovered would be deducted in the calculation of the call handling fee in the following period. An over-recovery of costs at the end of the contract period would be refunded by BT into the contingency fund. Similarly, an under-recovery of costs by BT at the end of the contract period would be refunded by the Department to BT from the contingency fund. The aim is that by the end of the contract period all reasonable costs incurred by BT will be recovered.

¹ Section 58D (3),
Communications Regulation
(Amendment) Act 2007.

Annual Reviews of Costs

- 8.43** In carrying out each annual review, ComReg reviews BT's costs to determine what is reasonable and accordingly may be recouped via the call handling fee. The review covers actual costs incurred to date and projected future costs.
- 8.44** Each review focuses on a particular aspect of the ECAS. The reviews to date have focused on the following
- 2010 review – the capital expenditure incurred by BT in providing the ECAS
 - 2011 review – operating costs
 - 2012 review – operating costs and resourcing model
 - 2013 review – a general assessment of the previous cost savings and call volumes.

It is proposed that the 2014 review will focus on the methodology used by BT to compile and calculate the performance data submitted in the monthly performance reports.

- 8.45** A summary of the four reviews from 2010 to 2013 is set out in Figure 8.5.

Figure 8.5 Summary of reviews carried out on the call handling fee

Operating period (Review date)	Findings	Outcome: movement in call handling fee
February 2011 to February 2012 (December 2010)	<ul style="list-style-type: none"> ▪ Set-up costs reasonable ▪ Volume of calls lower than projected 	 50% to €3.35
February 2012 to February 2013 (November 2011)	<ul style="list-style-type: none"> ▪ Costs lower than forecast ▪ Volume of calls lower than projected ▪ Some expenditure disallowed ▪ Hourly rate to call operator too high 	 Remaining at €3.35
February 2013 to February 2014 (October 2012)	<ul style="list-style-type: none"> ▪ Costs at forecast level ▪ Volume of calls higher than projected 	 12.5% to €2.93
February 2014 to February 2015 (October 2013)	<ul style="list-style-type: none"> ▪ Costs lower than forecast ▪ Volume of calls lower than projected 	 5% to €3.08

Source: Analysis by the Office of the Comptroller and Auditor General

- 8.46** Key findings of the four reviews to date have been
- the set up costs were, broadly, determined to be reasonable and were admitted as allowable expenditure
 - the hourly rate paid initially by BT to the call centre operator was reviewed in November 2011 and deemed not to be reasonable. ComReg reduced the allowed rate by 19% which was applied retrospectively from June 2011
 - some costs have been lower than expected due to the lower than forecast call volumes. The Department noted that as the volume of calls has reduced, the number of hours required of ECAS operators by BT has also been reduced
 - some costs submitted by BT were disallowed.

- 8.47** Overall, projected costs since 2012 have stabilised at around 20% lower than the costs projected for the first year of the contract. This offsets, in part, the impact of the reduction of over 40% in the call volumes, resulting in a net increase of around 38% in the call handling fee for the 2014/2015 period when compared with the fee at the start of the contract.

Legal Challenge

- 8.48** A legal case was taken against ComReg in 2011 by a network provider in relation to the first review of costs. The network provider challenged the manner in which ComReg made the decision on the call handling fee and the absence of an appeal process in respect of the new fee. Judicial review proceedings were withdrawn in August 2011. ComReg incurred legal costs of just over €310,000 (net) in respect of this case.
- 8.49** Since the settlement, ComReg has carried out a formal consultation process as part of the annual reviews of the call handling fee. In doing so, ComReg issues a consultation and draft determination paper seeking the views of interested parties on a number of key principles related to the inputs required to ensure that the maximum call handling fee permitted is reasonable. Submissions are considered by both ComReg and the consultants contracted to assist with the annual review prior to publishing the final determination setting out the fee that will apply for the following 12 months.

Monitoring of Service Performance

- 8.50** Each month, BT prepares a report which includes data on a number of key areas, one of which is BT's performance against certain service parameters. The parameters were specified in the concession agreement signed by both parties in February 2009, and can be amended if required during the life of the contract. If this is necessary, BT must submit a request to the Department who in turn must approve the request before it is progressed. Figure 8.6 sets out the parameters and the performance level expected.
- 8.51** BT sends the monthly reports to the Department and ComReg for review. BT also presents the reports at the quarterly meetings of the Emergency Services Group and the industry forum. Each monthly report presents the performance for the current month and the two previous months. The reports are reviewed by the Department and ComReg in order to identify any instances where performance in achieving the service parameters is diminishing or outside the specified targets. Any failures to meet the required parameters are discussed with the operators and remedial action is taken.
- 8.52** The Department stated that while an annual review of performance is not undertaken as envisaged at the time the agreement with BT was signed, the monthly reporting (and hourly when issues are identified) provides a more effective mechanism for review of the service.¹

¹ Reports on the operation of the service can be provided by BT giving hourly breakdowns of performance in order to enable the Department representative review the functioning of the service while an operational issue is ongoing.

Figure 8.6 Parameters used to measure performance

Parameter	Measurement frequency	Performance level and measurement period
ECAS availability	Monthly	At least 99.999% One year
Average speed of answer	Hourly and daily	No more than 1.3 seconds One day
Percentage of calls answered in 5 seconds	Hourly and daily	At least 97.5% One day
Accessibility index ^a	Quarter hours and daily	At least 85% One day
Customer or emergency service complaints	Monthly	No more than two per month or one for every 200,000 calls
Standards certification	Annually	Annual certification inspection
Average call handling time	Hourly and daily	No more than 36 seconds One day
Average call routing time	Hourly and daily	No more than 15 seconds for 90% of routed calls One day
Average call abandon rate	Hourly and daily	No more than 12% One day
Call handling accuracy ^b	Monthly (50 calls chosen randomly per operator centre per month)	At least 99% Monthly

Notes: a This parameter measures the percentage of quarter hours where 85% of calls are answered within five seconds, ignoring calls abandoned within five seconds.

b This parameter measures the quality of the call operator's performance when handling calls. BT monitors a sample of recorded calls each month to ensure that operators are adhering to training principles and procedures.

- 8.53** ComReg has stated that its monthly review of the performance reports is linked to the annual review of the call handling fee as the parameters are used to inform the resource model considered by ComReg as part of the annual review. The annual review of the call handling fee also considers the performance of BT as it includes visits to the three call centres and the two data centres. ComReg has also visited BT's monitoring centre in Belfast as part of the annual review of the call handling fee. The purpose of these visits is to ensure that BT's infrastructure is adequate and operating as required.
- 8.54** The monthly reviews by ComReg focus on once-off or occasional instances where performance does not meet the performance levels specified in the concession agreement.
- 8.55** As part of this examination, a sample of the performance reports submitted by BT was reviewed. The reports covered the period January 2013 to April 2014. Over that period, the reports indicated that the performance standards were consistently met by BT.

- 8.56** I asked the Department how it validates the results in the performance reports generated by BT. The Department stated that it has access at all times to the raw data generated by BT's computer system and that it has regularly checked and vetted the quality and classification of the calls. The Department has carried out these inspections on an unannounced basis and has, at no stage, identified any inconsistencies in the performance reports generated by BT. The Department also pointed out that, as part of ComReg's annual review of the call handling fee later this year, an independent consultant will be engaged to formally review and test the methodology by which BT compiles and calculates its performance reports.

Conclusions and Recommendations

- 8.57** The emergency call answering service is fully funded by the companies operating the telephone networks from which emergency calls are made. The companies are charged a handling fee for each call made. The fee is regulated by ComReg, based on the expected cost of providing the service and the anticipated volume of emergency calls. Annual revisions of the call handling fee take account of any under or over-recovery of costs by the service operator in prior periods.
- 8.58** The call handling fee for 2014/2015 is around 38% higher than the fee when the contract commenced in 2010. Over the period 2010 to 2014, the level of calls received has been substantially lower than initially expected when the service was put out to tender. This led to a sharp increase in the call handling fee for 2011/2012. Some costs fell due to the lower call volumes being handled and the annual reviews revised or disallowed some other costs.
- 8.59** The concession agreement between BT and the Department set out how the emergency call answering service should be overseen. The structure envisaged comprised a project board and a liaison committee. The project board has no formal terms of reference – instead, the functions of the board are referred to at various sections of one of the schedules to the concession agreement. Formal minutes of the group's quarterly meetings are not recorded. A liaison committee, to facilitate communication on all matters between the Department and BT, envisaged under the concession agreement was not established. However, alternative structures were put in place to facilitate communication between the Department and BT.

Recommendation 8.1

Formal consolidated terms of reference for the Emergency Services Group should be put in place. Additionally, in order to ensure that adequate records of the Department's oversight of the operation of the emergency call answering service are maintained, the Department should ensure that formal records are kept of meetings of the Group.

Accounting Officer's response

Agreed. The Department notes that while the structures already in place have ensured that the required service quality is delivered and have provided robust reporting arrangements, it is in the process of agreeing formal terms of reference for the project board. In addition, all future project board meetings will be minuted.

Performance Reviews

- 8.60** BT reports monthly on its performance against service delivery standards specified in the concession agreement. The reports are reviewed by ComReg and the Department and instances where performance fails to meet the specified standard are raised and addressed with BT. The reports are also presented at the quarterly meetings of the Emergency Services Group and the industry forum. Overall, performance standards are being met.
- 8.61** Although set out in the concession agreement, no annual reviews of performance by BT have taken place. However, ComReg plans to engage an independent consultant to formally review and test the methodology by which BT compiles and calculates its performance reports. This review will form part of ComReg's annual review of the call handling fee and is expected to take place by the end of 2014.

Recommendation 8.2

While the monthly reviews of performance currently being carried out allow the Department and BT to respond to issues as they arise, a formal annual review and report would allow an overview of performance over a period to be provided to the public and interested parties. The Department should consider publishing an annual review of performance in order to report on performance for the year, the issues encountered (if any) and how those issues were addressed.

Accounting Officer's response

Agreed. The Department is putting arrangements in place for annual reporting on the performance of the ECAS. ECAS is performing to a consistently high standard and exceeding all of the performance levels set out in the concession agreement. The average speed of answer for a caller to ECAS is 0.6 seconds which is one of the fastest in Europe and calls are passed to the appropriate emergency service on average within 6.35 seconds with details of the emergency and the location of the caller.

Rates of Return

- 8.62** As part of the tender competition to select a service provider for ECAS, the Department specified a base rate of return (4.2%) which would apply to the operator's eligible investment. The tenderers were invited to indicate what margin would be added in order to arrive at the final guaranteed rate of return which would apply for the duration of the contract. The Department used the Euribor one-week rate as at 3 September 2007 as the base rate stipulated in the tender documents. The contract between the Minister and the ECAS operator was not signed until 14 months after the closing date for receipt of tenders. As a result, any reductions in market interest rates would have resulted in an additional benefit to the contractor. If market interest rates rose significantly, the contractor was not obliged to enter the contract.
- 8.63** No financial advice was requested from the National Development Finance Agency (NDFA) in relation to the setting of the base rate of return in the tender. One of the principal functions of the NDFA is to advise state authorities on the optimal financing of public investment projects. State bodies are obliged to consult with the NDFA for projects with capital investment in excess of €20 million and may do so, if they so choose, for smaller projects.

- 8.64** The guaranteed rate of return, which is specified in the concession agreement as 6.63%, is calculated annually on the gross book value of the contractor's investment for the full period of the contract. Because BT is also recouping its investment through an annual depreciation charge, in effect the actual return on the capital invested is significantly higher and increases over the life of the contract.

Recommendation 8.3

The Department should consider consulting with the NDFA on any future projects, of a similar size and involving similar complex structures, in order to ensure that the most appropriate terms are agreed, including advice on whether it is appropriate to specify a base rate of return.

Accounting Officer's response

Agreed. The Department complies with relevant regulations and guidelines in relation to capital investments. However, as the capital element of the establishment of ECAS was €11 million, which is considerably less than €20 million limit, and no financial instrument was involved, it was not considered necessary to consult with the NDFA.