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GENERAL NOTICE

NOTICE 1095 OF 2013

NOTICE OF 2013 IN RESPECT OF THE PRICE CAP REGULATIONS FOR RESERVED POSTAL SERVICES

INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA

The Independent Communications Authority of South Africa, in terms of Section 30 of the Postal Services Act No. 124 of 1998.

I, Stephen Sipho Mncube, Chairperson of the Independent Communications Authority of South Africa ("ICASA") hereby approve and publish the regulations in the schedule made by the Independent Communications Authority of South Africa under section 30 of the Postal Services Act, 1998 (Act No. 124 of 1998).



DR STEPHEN MNCUBE
CHAIRPERSON

Schedule**1. Definitions**

In these regulations, words or expressions shall have the same meaning assigned to them in the Act, unless the context indicates otherwise.

| | |
|--|---|
| "the Act" | means the Postal Services Act, 1998 (Act No. 124 of 1998); |
| "the Authority" | means the Independent Communications Authority of South Africa established in terms of section 3 of the Independent Communication Authority of South Africa Act, 2000 (Act No. 13 of 2000); |
| "Average Unit Fees and Charges" | means the total revenue raised for a postal product or service divided by the units of postal product or service supplied over the price control period; |
| "Business Day" | means any day other than a Saturday, Sunday or public holiday; |
| "Licensed Operator" | means a holder of a licence issued in terms of section 15 of the Act; |
| "Mail Business" | means the subset of the Licensed Operator's corporate entity that provides postal services. |
| "Postal Services" | means the services as contemplated in Schedules 1 and 2 of the Act; |
| "Price Control Period" | means the period commencing from 01 April 2014 and ending on 31 March 2017 or such period as may be determined by the Authority; |
| "Price Control Year" | means the twelve (12) month period during which the approved fees and charges shall be in force and which shall commence on 01 April every year for the duration of the price control period. |

2. Application of these regulations

- (1) These regulations apply to fees and charges for reserved postal services, which may be modified from time to time in accordance with these regulations.
- (2) These regulations are applicable to the Licensed Operator who is authorised to "operate a reserved postal service" under Section 15(1) of the Act.

3. General Price Control Formula

- (1) The Licensed Operator shall ensure that in each price control year the price charged for the reserved services shall be set so as to satisfy the criteria in the formulae below:

$$\text{Formula} \quad [(RR_t \div RR_{t-1}) - 1] \times 100 \leq CPI_{t-1} - X_t$$

Where -

- t*: is the current year in the price control period;
t-1: is the preceding year;
X_t: is the productivity factor in the price control period "t" and the Authority determines that for the period 01 April 2014 to 31 March 2017 the productivity factor will be as follows:

| Price control period | Productivity factor |
|----------------------|---------------------|
| 01 April 2014 | 1.00% |
| 01 April 2015 | 1.50% |
| 01 April 2016 | 2.00% |

- (2) RR_t is the reported revenue of the Licensed Operator in year "t" of all the reserved postal services and is calculated as follows:

$$RR_t = \sum_{i=1}^n RR_{i,t}$$

- (3) RR_{t-1} is the reported revenue of the Licensed Operator in year "t-1" of all the reserved postal services and is calculated as follows:

$$RR_{t-1} = \sum_{i=1}^n RR_{i,t-1}$$

- (4) $CPI_{t,t-1}$ is the year-on-year change in the Consumer Price Index, as compiled and published by Statistics South Africa.

- a) The Licensed Operator must implement a basket consisting of all reserved postal products and services.
- b) The weighted-average annual rate increase for reserved postal services shall be set to satisfy the criteria in the expression below:

$$\frac{RC_t}{RR_{t-1}} \times 100 \leq \Delta CPI_{t-1} - X_t$$

- c) RC_t is the total Revenue Change, and is calculated as follows:

$$RC_t = \sum_{i=1}^n (RR_{i,t} - RR_{i,t-1})$$

Where -

n : is the number of reserved postal products and services

4. Fees and Charges Filing

- (1) The Licensed Operator must file its fees and charges as well as the relevant terms and conditions with the Authority in which it proposes to offer postal products and services that are subject to these regulations.
- (2) The fees and charges contemplated in regulation 4(1) of these Regulations must be filed at least ninety (90) days before the date of publication of such fees and charges.
- (3) The Authority must inform the Licensed Operator in writing of its decision at least fifteen (15) days before the date of publication in terms of regulation 4(2) of these Regulations.
- (4) The Authority may disapprove the proposed fees and charges, amongst others, if-
 - a) the calculations submitted by the Licensed Operator contain mathematical errors; or
 - b) the terms and conditions contained therein are in conflict with applicable laws.

5. Addition of Services

- (1) Subject to regulations 5(2) and 5(3) of these Regulations, the Licensed Operator may add a new product forming part of the reserved postal services.
- (2) A new product or service constitutes features and functionalities that are not provided in any products or services that are within the Licensed Operator's existing portfolio of products and services.
- (3) The Licensed Operator must furnish satisfactory, cost-related evidence, to support its fees and charges application for new products and services. Cost-related evidence must be reconcilable to financial statements submitted by the Licensed Operator to the Authority.
- (4) The Authority shall inform the Licensed Operator in writing of its approval or disapproval of an addition of a postal product or service contemplated in regulation 5(3) of these Regulations at least ten (10) business days before the proposed date on which such product or service will be implemented.

6. Publication of Fees and Charges

Details of prices shall be published by-

- (a) furnishing the Authority with the details of the prices;
- (b) simultaneously furnishing every registered office of a licensee with such details in order for it to be available for inspection, free of charge, by members of the public;
- (c) furnishing a copy or extracting such details to any person in the Republic on request, where practicable.

7. Repeal of Regulations

These Regulations repeal the Price Cap Regulations for Reserved Postal Services, 2011 in their entirety.

8. Contraventions and penalties

The Authority may impose a minimum fine of five hundred thousand Rands (R500,000) on the recommendation of the Complaints and Compliance Committee in terms of section 17E(2) of the Independent Communications Authority of South Africa Act 2000, where the said Committee has found a contravention of these regulations by the Licensed Operator.

9. Fees and Charges Application

(1) Reserved services are to be classified into the following product/service segments:

- (a). **Domestic Mail Pre-sorted up to 1 kg** includes both incoming and outgoing reserved mail that is received through national retail and collection points and delivered through the national postal network to public, private and commercial residents of South Africa.
- (b). **International Unsorted Mail up to 1 kg** includes both incoming and outgoing mail that is inducted through the international Universal Postal Union governed postal stream as well as terminal duties paid/received by the Licensed Operator.
- (c). **International Pre-sorted Mail** includes international outgoing mail (that is inducted through the international Universal Postal Union governed postal system as well as terminal dues paid/received by the Licensed Operator) and has had a portion of its work content completed by the customer or a mail house on the customers' behalf
- (d). **International Unsorted Mail** includes international outgoing mail (that is inducted through the international Universal Postal Union governed postal system as well as terminal dues paid/received by the Licensed Operator) and has had a portion of its work content completed by the customer or a mail house on the customer's behalf.
- (e). **Small Parcels up to 1 kg** includes both incoming and outgoing reserved parcels that are received through national retail and collection points and delivered through the national postal network to public, private and commercial residents of South Africa.
- (f). **Philatelic Sales** are postage stamps that collectors purchase for their own sake.

(2) **Other Reserved Service** includes those services not listed above but which are specifically identified as reserved items in the Act and/or the License.

(3) The following table is an illustrative format for the Revenue Change in reserved postal services.

| Name of Licensed Reserved Postal Services Operator | | | | | | | | | |
|--|---|---|---|---|--|---|---|---|--|
| CALCULATION OF REVENUE CHANGE | | | | | | | | | |
| | Volumes | | Tariffs | | | | Revenue | | |
| | Reported Volumes Prior Year (RV _{t-1}) | Budgeted Volumes Current Year (BV _t) | Average Unit Tariff Prior Year (AUT _{t-1}) | Actual Unit Tariff Prior Year (AT _{t-1}) | Proposed Unit Tariff Current Year (PUT _t) | Percentage Tariff Change (PTC _t) | Reported Revenue Prior Year (RR _{t-1}) | Reported Revenue Current Period (RR _t) | Revenue Change (RC _t) |
| Reserved Services | | | | | | | | | |
| Letter post products | | | | | | | | | |
| Domestic letter mail | | | | | | | | | |
| **** | | | | | | | | | |
| Total Domestic letter mail | | | | | | | | | |
| **** | | | | | | | | | |
| **** | | | | | | | | | |
| **** | | | | | | | | | |
| **** | | | | | | | | | |
| Total reserved services | | | | | | | Sum RR _{t-1} | | Sum RC _t |
| Weighted Average Price Change | | | | | | | | | RC _t /Sum RR _{t-1} |

10. Review of the Regulations

The Authority shall review these regulations at least three (3) years from the commencement date or such earlier date as may be determined by the Authority.

11. Short title and commencement

These regulations are called Price Cap Regulations for Reserved Postal Services, 2013, and will come into effect on the date of publication.

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