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## GENERAL NOTICE

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NOTICE 887 OF 2001



### **INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA**

#### **NOTICE OF INTENTION TO MAKE REGULATIONS ON FEES AND CHARGES IN THE PUBLIC SWITCHED TELECOMMUNICATIONS SECTOR.**

THE INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA ("ICASA") HEREBY GIVES NOTICE THAT IT INTENDS MAKING THE FOLLOWING REGULATIONS IN TERMS OF SECTIONS 96 (1) AND 96 (4) READ WITH SECTION 45 OF THE TELECOMMUNICATIONS ACT, 1996 (ACT No. 103 OF 1996). INTERESTED PERSONS ARE HEREBY INVITED TO MAKE WRITTEN COMMENTS OR REPRESENTATIONS WITH REGARD TO THE PROPOSED REGULATIONS TO BE RECEIVED BY NO LATER THAN 12:00 ON 23 JULY 2001 BY POST, HAND DELIVERY OR FACSIMILE TRANSMISSION, FOR THE ATTENTION OF MR. P. HLAPOLOSA, ICASA: PRIVATE BAG X10002, SANDTON, 2146; BLOCK A, PIN MILL FARM, 164 KATHERINE STREET, SANDTON; FACSIMILE (011) 321 8536.

**MANDLA LANGA**  
**CHAIRPERSON**  
**ICASA**

## 1. Definitions

In these regulations a word or expression shall have the meaning assigned to it in terms of the Telecommunications Act, 1996 (Act No. 103 of 1996), and, unless the context indicates otherwise –

**“basket services”** means the telecommunication services listed in Schedule A to which price regulation applies.

**“business day”** means any day other than a Saturday, Sunday or Public holiday

**“customer premise equipment”** means an item of equipment approved under Chapter IV of the Act, which does not form part of the Public Switched Telecommunication Network, but is connected or intended to be connected, to Terminal Connection Equipment, whether fixed or portable, and by means of which signals are initially transmitted or ultimately received.

**“emergency”** means an emergency of any kind, including without limitation, any circumstance whatsoever resulting from major accidents and natural disasters.

**“exchange line”** means a local line provided to connect a Terminal connection point to the Local Exchange

**“ISDN”** means Integrated Services Digital Network which is defined as Switched Services Digital Network providing end-to-end digital connection for simultaneous transmission of voice and/or data over multiple multiplexed communication channels and employing transmission that conforms to internationally-defined standards.

**"local exchange area"** means a geographically defined area within which all exchange lines are connected to, and served by, the same Local Exchange.

**"local exchange"** means that part of a telecommunication system comprised in the Local Access Network installed in the local exchange area to provide switched Local Access Telecommunication Services to customers connected Local Lines comprised in that local exchange area.

**"n"** means the number of services in the basket

**"operator"** means any person licensed to provide a telecommunication service pursuant to a licence of a type referred to in section 34(2) of the Act.

**"price control period"** means the period commencing on the date on which the relevant tariff regime becomes effective and subsequent periods commencing on the anniversary of such date.

**"price control year"** means a calendar year period during which the approved tariffs shall be in force.

**"PSTS"** means Public Switched Telecommunications Services.

**"public pay telephone"** means apparatus (including any kiosk, booth, acoustic hood, shelter or other similar structure in which that apparatus may be installed) at which public pay telephone services are made available to the public or segments of the public, and which contains a device to accept payment for those services.

**"RC"** means Revenue Change

**"t"** means the current year in the Price control period



**"terminal connection point"** means any point within an item of Terminal Connection Equipment at which signals are conveyed to or from one or more items of customer premises equipment.

## 2. Application of these regulations

- (a) These regulations shall be applicable to fees and charges (together "prices") payable, pursuant to the Telecommunications Act, as amended, to PSTS licensees for the telecommunications services listed in Schedule A ("the basket services"), as such may be modified from time to time in accordance with the provisions of these regulations.
- (b) These regulations shall be effective as from 1 January 2002 and shall remain in force for a period of at least eighteen (18) months or until such time that a new regime is prescribed.

## 3. General Price Control Formula

- (a) The licensee shall take all reasonable steps to ensure that in each price control year the price charged for the basket services shall be set so as to satisfy the criteria in formulae (1) and (2) set forth below:

$$(RC_{(t)}/RR_{(t-1)}) 100 \leq \Delta CPI_{(t)} - X_{(t)} \quad (1)$$

$$X_{(t)} = 5.0\% \quad (2)$$

Subject to the following definitions:

(t): the current year in the price control period

(t-1): the preceding year

$X_{(t)}$ : the productivity factor

$\Delta CPI_{(t)}$ : the year-on-year change in the Consumer Price Index, which is defined as follows:

$$\Delta CPI_{(t)} = ((CPI_{(t)} - CPI_{(t-1)}) / (CPI_{(t-1)})) 100$$

Where:

$CPI_{(t)}$ : the Consumer Price Index for the month of September the year (t).

$CPI_{(t-1)}$ : the Consumer Price Index for the month of September of year (t-1)

$RC_{(t)}$ : the total Revenue Change, which is calculated as follows:

$$RC_{(t)} = \sum_{i=1}^n RC_{(i,t)}$$

Where:

n: the number of services in the basket

$RC_{(i,t)}$ : the revenue change of the i-th service in year (t), which is calculated as follows:

$$RC_{(i,t)} = RR_{(i,t-1)} \Delta P_{(i,t)}$$

Where:

$RR_{(i,t-1)}$ : the Reported Revenue of the licensee for the i-th service in the basket from the relevant financial year ended 31 March commencing with 31 March, 2001 for the first year and each

subsequent financial year ended 31 March for the duration of the Price control period.

$\Delta P_{(i, t)}$ : the average percentage change in the unit tariff of the i-th service, in year (t), which is defined as follows:

$$\Delta P_{(i, t)} = [( \text{Average unit tariff of the i-th service at the end of year (t)} / ( \text{Average unit tariff of the i-th service at the end of year (t-1)} ) - 1] \times 100;$$

$RR_{(t-1)}$ : the reported revenue of the licensee, in year (t-1), of all the service in the basket, and is calculated as follows:

$$RR_{(t-1)} = \sum_{i=1 \text{ to } n} RR_{(i, t-1)}$$

*A worked example of the formula set out in 3(a) above is illustrated in Schedule B to these regulations.*

#### (b) Residential sub-basket

The weighted-average annual rate increase for the sub-basket of basic residential services shall be set to satisfy the criteria in the formula below:

$$\Delta CPI_{(t)} - x_{(t)}$$

where  $x_{(t)} = 5\%$

#### (c) Carryover

The licensee shall be allowed to carry over to the next price control year any unused part of the allowed tariff increase.



#### **4. Tariff Filing**

- (a) The licensee shall file the rates as well as the relevant terms and conditions with the Authority pursuant to which the licensee proposes to offer Public Switched Telecommunication Services that are subject to these regulations.
- (b) Such tariffs shall be filed at least thirty (30) business days before the proposed date on which such rates are to become effective in a form specified by the Authority.
- (c) If the Authority does not deliver to the licensee a notice in writing of disapproval at least fifteen (15) business days before the proposed effective date of the rates, the rates shall be deemed approved.
- (d) The Authority may disapprove the proposed tariffs only where;
  - i) The calculations contain mathematical errors; or
  - ii) The terms and conditions violate applicable laws, including, without limitation, policy directions, regulations and the Rate Regime, in a material respect.

#### **5. Changes to the Basket Services**

- (a) Subject to subsections (b) and (c) below, the licensee shall be entitled to add or replace telecommunication services in respect of the basket services only if such telecommunication services are either:
  - (i) Wholly or substantially in substitution of an existing telecommunication service; or

- (ii) Wholly or substantially in substitution of an existing package offering of existing telecommunication services or of elements of existing telecommunication services; for the avoidance of doubt, a package offering of existing telecommunication services would include a scheme the effect of which would be to reduce the licensee's standard prices, as published in accordance with these regulations, including, without limitation, a residential low user scheme.
- (b) The licensee shall notify the Authority in writing of its intention to add or replace a telecommunication service in respect of the basket services pursuant to subsection (a) above not later than four (4) months in advance of the price control year in which it proposes to implement such change to the basket services.
- (c) The Authority shall inform the licensee in writing of its approval or disapproval of changes to the basket services proposed by the licensee in terms of subsection (a) above within two (2) months from being notified in accordance with subsection (b) above.

#### 6. **Maximum Prices**

- (a) With effect from the effective date, prices may not exceed the limits set pursuant to these regulations.
- (b) Prices for any of the basket services set pursuant to these regulations may be adjusted by the licensee from time to time during the price control period in which it is to apply in accordance with these regulations and the provisions of its licence, but may not be increased in real terms by a margin of more than five percent (5%) based on the Consumer Price Index for September of year (t) except where specific approval has been received from the Authority for a higher margin of increase.

## **7. Value Added Taxes**

Prices set pursuant to these regulations are exclusive of any value-added tax, which may be levied in addition to the Prices.

## **8. Publication of Prices**

(a) Publication of the details of tariffs shall be made by:

- i) Sending a copy of the relevant details to the Authority;
- ii) Placing the relevant details in every registered office of the licensee so that it is available for inspection, free of charge, by members of the public, as soon as practicable after sending a copy of them to the Authority;
- iii) Sending a copy of the relevant details (or extracts of them as may, in the circumstances, be appropriate) to any person in the Republic who requests a copy; and
- iv) including a copy thereof with the statements to customers prior to the implementation of such tariffs, where possible;

**SCHEDULE A****Basket services**

The following services shall be comprised in the basket services:

**1. Installation Services**

- 1.1 The installation and bringing into service of exchange lines to residential customers.
- 1.2 The installation and bringing into service of exchange lines to business.
- 1.3 The installation and bringing into service of direct dialling inward/outward exchange lines to business customers:
  - 1.3.1 analogue lines;
  - 1.3.2 2 MBPS digital lines.
- 1.4 The installation and bringing into service of ISDN exchange lines:
  - 1.4.1 basic rate access;
  - 1.4.2 primary rate access.
- 1.5 The installation and bringing into service of exchange lines to switched telematic services:

- 1.5.1 telex services;
- 1.5.2 teletex services;
- 1.5.3 Saponet-P services.

## **2. Rental Services**

2.1 The provision and maintenance of exchange lines to residential customers.

2.2 The provision and maintenance of exchange lines to business customers.

2.3 The provision and maintenance of direct dialling inward/outward exchange lines to business customers:

- 2.3.1 analogue lines;
- 2.3.2 2 MBPS digital lines.

2.4 The provision and maintenance of ISDN exchange lines to business customers:

- 2.4.1 basic rate access;
- 2.4.2 primary rate access

2.5 The provision and maintenance of access lines to switched telematic services:

- 2.5.1 telex services;
- 2.5.2 teletex services;
- 2.5.3 Saponet-P services.

- 2.6 The provision and maintenance of point-to-point telecommunication circuits leased to customers for the provision of private circuits or for use in Private Telecommunication Networks:

2.6.1 fixed rental element, if any;

2.6.2 distance dependent rental element, if any;

2.6.3 capacity/bandwidth dependent rental element, if any;

but excluding any circuits made available to an operator in terms of any agreement for interconnection services.

### **3. Call Services**

- 3.1 Calls made to and from terminal connection points within the same local exchange area (local calls) served by an automatic or manual exchange:

3.1.1 from an item of customer premises equipment;

3.1.2 from a public pay telephone

- 3.2 Calls made from a terminal connection point in a local exchange area served by a manual or an automatic exchange to a network providing a mobile telecommunication service:

3.2.1 from an item of customer premises equipment;

3.2.2 from a public pay telephone

- 3.3 Calls made from a terminal connection point in a local exchange area served by an automatic or manual exchange to a terminal connection point in another local exchange area via the national long-distance telecommunication network:



- 3.3.1 from an item of customer premises equipment, per each long distance metering band;
- 3.3.2 from a public pay telephone, per each long distance metering band.
- 3.4 International calls made from a terminal connection point in a local exchange via the international telecommunication network per country of destination.
- 3.5 Calls made by means of the networks providing switched telematic services:
  - 3.5.1 Telex calls per each distance band;
  - 3.5.2 Teletex calls per each distance band;
  - 3.5.3 Saponet-P services.
- 3.6 Directory information services
- 3.7 Telephone operator services

#### **4. Excluded Services**

The following services are not included in the basket services:

- 4.1 Interconnection Services;
- 4.2 Value Added Network Services;
- 4.3 Mobile Telecommunication Services;
- 4.4 emergency services;
- 4.5 customer premises equipment; and
- 4.6 services that are eliminated by the Authority from the basket services from time to time.

**SCHEDULE B****Example Calculations of  $\Delta CPI_{(t)} - X_{(t)}$** 

Service	Reported Revenue in year $(t-1)$ $RR_{(t-1)}$	Average Unit tariff at the year end $(t-1)$	Average Unit tariff at the year end $(t)$	Price Change 0 measured over year $\Delta P_{(t)}$	Revenue Change in year $(t)$ : $RC_{(t)}$
	(a)	(b)	(c)	(d)	(e)
Service 1	100.0	1	1.1	10%	10.0
Service 2	200.0	2	1.9	-5%	-10.0
Service 3	150.0	3	3	0%	0.0
Service 4	<u>300.0</u>	40	42	5%	<u>15.0</u>

Total

Reported

Revenue

 $RR_{(t-1)} = \underline{750.0}$ 

Total

Revenue

Change

 $RC_{(t)} = \underline{15.0}$ 

Where:

$$(d) = (c/b - 1) * 100$$

$$(e) = (a) * (d)$$

**Calculation of  $\Delta CPI_{(t)} - X_{(t)}$ :**Assumed  $\Delta CPI_{(t)} = 7.0\%$ 

$$(RC_{(t)} / RR_{(t)}) 100 \leq \Delta CPI_{(t)} - X_{(t)}$$

$$(15.0 / 750.0) 100 \leq 7.0\% - 5.0\%$$

$$2.0\% \leq 2.0\%$$

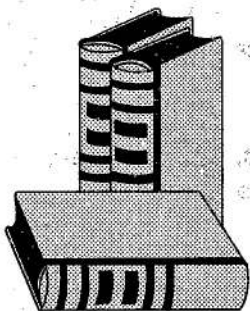
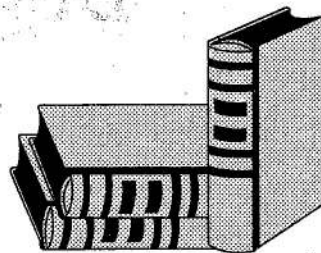
### **Summary**

Since the change in the revenue basket is equal to  $\Delta \text{CPI}_{(t)} - x_{(t)}$  the proposed price changes are acceptable.

### **Notes**

- The requirement to respond at least fifteen (15) Business Days before proposed tariffs become effective as indicated in Section 4 above, is as a result of the Licence issued to Telkom.
- Reported Revenue, in respect of the General Price Formula, is sourced from the licensee's statutory accounts. In respect of the Residential Sub-basket, unless and until the licensee has separate business and residential tariffs, Reported Revenue is estimated on the basis of statistical sampling of residential customers, under arrangements to be approved in advance by the Authority.
- The revenue change is notional revenue and does not equate to changes in the real revenue due to the tariff changes.

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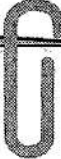
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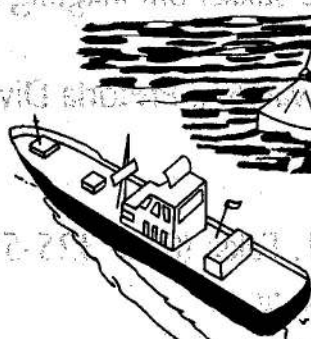
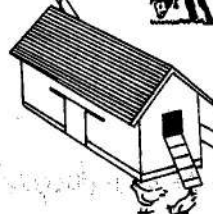
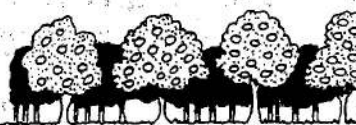
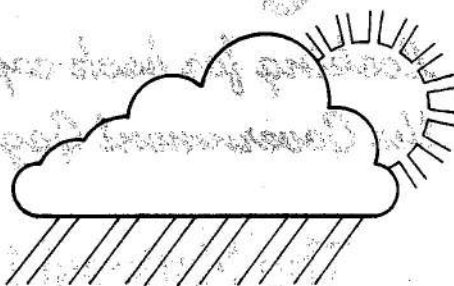
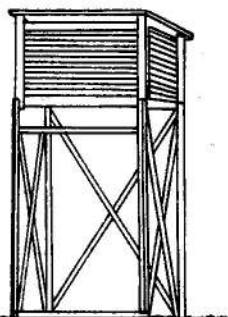
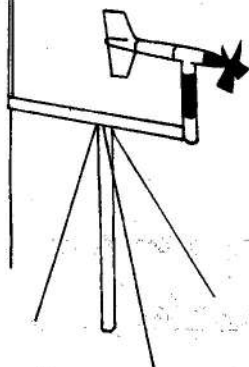
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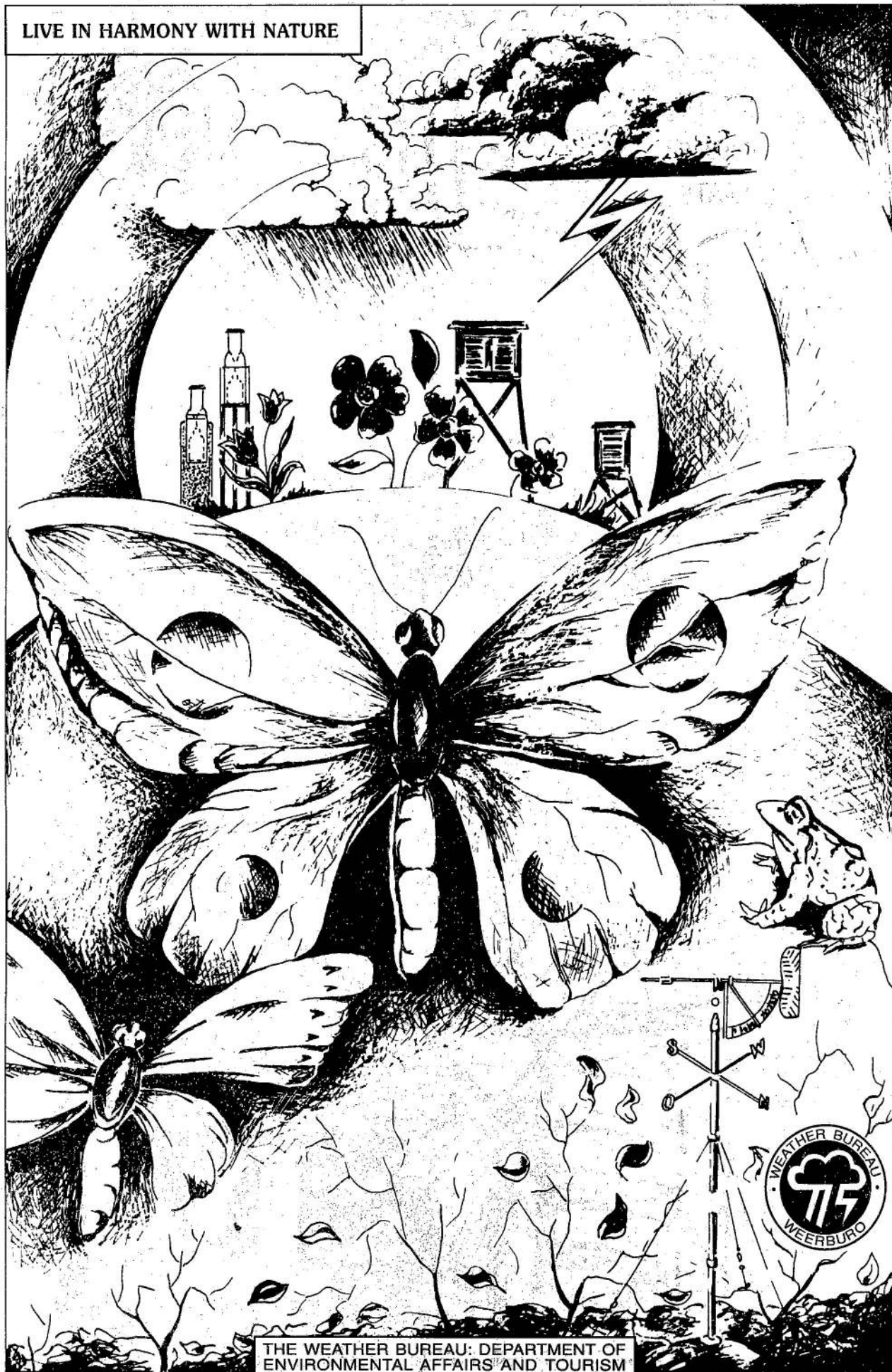
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