



Government Gazette Staatskoerant

REPUBLIC OF SOUTH AFRICA
REPUBLIEK VAN SUID-AFRIKA

Vol. 540

Pretoria, 7 June 2010

No. 33274

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GENERAL NOTICE

NOTICE 549 OF 2010

NOTICE IN RESPECT TO THE DRAFT PRICE CAP REGULATIONS FOR THE RESERVED POSTAL SERVICES

INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA

The Independent Communications Authority of South Africa ("the Authority"), hereby gives notice in terms of Section 30 of the Postal Services Act No. 124 of 1998 and Section 7.6 of South African Post Office Licence Notice 1418 of 2008 of its intention to prescribe Price Cap Regulations.

A copy of the proposed draft regulations is available on the Authority's website (www.icasa.org.za) and in the ICASA Library at 164 Katherine Street, Pinmill Farm, First Floor, Block D between 10h00 and 16h30, on working days only.

Interested persons are hereby invited to submit written representations on the draft Price Cap Regulations **no later than 16h30 on 07 July 2010** by post, hand delivery, facsimile transmission or electronic mail (in Microsoft Word) for the attention of:

Ms Reneilwe Langa (Project Leader)

ICASA

Bag X10002 or
Sandton
2146

Block A
Pinmill Farm
164 Katherine Street
Sandton

Facsimile: (011) 566 3632, Electronic mail: rlanga@icasa.org.za cc
mphala@icasa.org.za

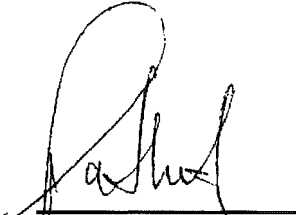
Telephone: (011) 566 3635

Oral hearings on the draft regulations will be held on **29 July 2010**. Persons making written representations are requested to indicate if they wish to make oral submissions; the estimated duration thereof must not exceed 45 minutes.

All written representations submitted to ICASA pursuant to this notice will be made available for inspection by interested persons at the ICASA library and copies of such representations will be obtainable on payment of the prescribed fee.

At the request of any person who submits written representations pursuant to this notice, ICASA will determine whether such representations or any portion thereof is confidential in terms of section 4D of the ICASA Act. If the request for confidentiality is refused, the licensee making the request will be allowed to withdraw such representations or portion thereof

The final regulations will be published in the Government Gazette.



PARIS MASHILE
CHAIRPERSON
DATE: 31/05/2010

1. Definitions

In these regulations, words shall have the same meaning assigned to them in the Postal Services Act, Act No. 124 of 1998 as amended, unless the context indicates otherwise.

“the Act”	means Postal Services Act, Act No. 124 of 1998 as amended.
“the Authority”	means Independent Communications Authority of South Africa established in terms of section 3 of the Independent Communication Authority of South Africa Act No. 13 of 2000
“Average Unit Tariff”	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
“Reserved Services”	means the postal products and services listed in the Schedule 1 of the Act to which Price Control Regulation applies
“Licensed operator”	means a holder of a licence issued in terms of section 15 of the Act;
“Postal Business Unit”	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.
“Postbank Business Unit”	means the subset of the Licensed operator’s Corporate Entity that accepts deposits in compliance with the postal licence issued under the Act.
“Price Control Period”	means period commencing on 01 April 2011 and ending on 31 March 2014 or such period as may be determined by the Authority
“Price Control Year”	means twelve (12) month period during which the approved tariffs shall be in force and which shall commence on 01 April every year for the duration of the price control period
“Reserved Postal Service”	means services as defined in Schedule 1 of the Act.

2. Application of these regulations

- (1) These regulations apply to tariffs for reserved postal services as contemplated listed in Schedule 1 of the Act, which may be modified from time to time in accordance with these regulations.
- (2) The regulations are applicable to postal service licence 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 formulae below:

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

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 equals to 3;

- (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) $CPI_{t,t}$: is the year-on-year change in the Consumer Price Index; compiled and published by Statistics South Africa, which is defined as follows:

- 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

$RC_{i,t}$ is the revenue change of the "ith" service in year "t", which is calculated as follows:

4. Tariff Filing

- (1) The licensed operator must file its reserved tariffs 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 rates contemplated in regulation 4(1) of these Regulations must be filed at least ninety (90) days before the date of publication of such rates.
- (3) The Authority will 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 rates, 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, policy directions, and the Rate Regime, in a material respect.

5. New Services and Changes to Reserved Postal Services

- (1) Subject to regulations 5(2) and 5(3) of these Regulations, the Licensed Operator may add or replace a postal service.
- (2) The Licensed Operator shall notify the Authority in writing of its intention to add or replace a new reserved service at least 45 business days before the proposed date on which such service will be implemented.
- (3) A new postal product or service constitutes features and functionalities that are not provided in any reserved products or services that are within the licensed operator's existing portfolio of reserved products and services.
- (4) The Licensed Operator must furnish satisfactory, cost-related evidence, to support its tariff application for new reserved products and services. Cost-related evidence must be reconcilable to financial statements submitted by the licensed operator to the Authority.
- (5) The Authority shall inform the licensed operator in writing of its approval or disapproval of an addition or replacement of a postal product or service contemplated in regulation 5(3) of these Regulations at least 15 days before the proposed date on which such product or service will be implemented.

6. Value-Added Tax

Prices set in terms of these regulations are inclusive of value-added tax.

7. 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
- (d) extracting such details to any person in the Republic on request, where practicable.

8. Commencement and Review of these regulations

- (1) These regulations come into effect on the date of publication in the Government Gazette.
- (2) 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.
- (3) These Regulations are called Price Cap Regulations for reserved postal services

9. Schedule 1: Tariff Application

- (1) Reserved services are to be classified into the following product/service segments:
 - (a). **Domestic Mail 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 Mail up to 1 kg** includes both incoming and outgoing mail that is inducted through the international Universal Postal Union governed postal stream.
 - (c). **Pre-sorted Mail** includes mail that has had a portion of its work content completed by the customer or a mail house on the customers' behalf (also known as "work sharing arrangements").
 - (d). **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.
 - (e). **Philatelic Sales** are postage stamps that collectors purchase for their own sake.
 - (f). **Other Reserved Service** includes those services not listed above but which are specifically identified as reserved items in the Act and/or the License.

(2) 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}

Printed by and obtainable from the Government Printer, Bosman Street, Private Bag X85, Pretoria, 0001
Publications: Tel: (012) 334-4508, 334-4509, 334-4510
Advertisements: Tel: (012) 334-4673, 334-4674, 334-4504
Subscriptions: Tel: (012) 334-4735, 334-4736, 334-4737
Cape Town Branch: Tel: (021) 465-7531

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