



# Government Gazette

**REPUBLIC OF SOUTH AFRICA**

**Vol. 430   Pretoria   23   April   2001   No. 22240**



**AIDS HELPLINE: 0800-123-22 Prevention is the cure**

---

**GENERAL NOTICE**

---

**NOTICE 886 OF 2001****INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA****Independent Communications Authority of South Africa  
Findings & Conclusions on the Review of Rate Regime in the  
Public Switched Telecommunications Sector****1. Background**

- 1.1. On 7 May 2000 the South Africa Telecommunications Regulatory Authority (SATRA) became responsible for the regulatory regime governing the prices charged by Telkom SA for Public Switched Telecommunication Services in South Africa (the "Rate Regime"). Before that date, the price control rules were set by the government and contained in the license issued to Telkom SA and in the Ministerial Directive on Fees and Charges for Telecommunications Services, (Notice 772 of 1997, 7 May 1997). The regulator was responsible for ensuring compliance with the price control regime.

- 1.2. In terms of s45 and s27 of the Telecommunications Act, the Independent Communications Authority of South Africa (ICASA), as a successor to SATRA, published a notice and consultation document in respect of a Review of Fees and Charges in the Public Switched Telecommunications Sector on 22 December 2000. This document was a first step in reviewing the price control rules for the PSTS. ICASA invited public comment on the proposals contained therein and held hearings on the matter from 22 to 23 February 2001 at ICASA's headquarters in Sandton.
- 1.3. ICASA has now concluded its initial consultation on its review of the Rate Regime for the public switched telecommunications sector. Based on the submissions received, and in terms of s27 (8) of the Act, ICASA hereby publishes its findings and conclusions in respect of the Review of Fees and Charges in the Public Switched Telecommunications Sector.
- 1.4. In terms of s96 and s45 of the Act, ICASA will publish draft regulations on the provisions of the amended Rate Regime. These draft regulations are attached hereto and will be in the public domain for comment for a period of three months, after which ICASA will finalise them and send them to the Minister for promulgation in terms of s96 (6) of the Act.

## 2. Findings and Conclusions

In the light of the above-mentioned consultation, the Authority has reached the following findings and conclusions.

## 2.1 *Overall Regime*

Most respondents considered that the existing Rate Regime was generally acceptable and that price cap price control was the best system of price regulation. The Authority accordingly intends to retain the main features of the existing regime.

## 2.2 *Impact of the Current Regime*

Notwithstanding 2.1 above, most respondents felt that there was considerable scope for improvement in the application of the regime. In particular, strong views were expressed about the urgent need for greater downward pressure on prices to residential users in order to offset the effect of rebalancing. ICASA has duly noted this view.

## 2.3 *Cost Allocation and the Competitive Pricing of Services*

ICASA notes that according to its licence, Telkom has until May 2002 to develop a COA/CAM. We further note that a number of respondents expressed the view that the timescale for the provision of regulatory accounts by Telkom was unreasonably long and that greater priority should be given to putting these accounts in place as soon as possible. ICASA intends to give urgent attention to this issue.

## 2.4 *International Price Comparisons*

It was widely felt that, in the absence of reliable information on purchasing power parities, international price comparisons had little relevance because of the wide difference in circumstances with the countries concerned. The Authority is conscious of these shortcomings in the data available. For future reviews we have it in mind to seek advance information from countries more directly comparable to South Africa.

## 2.5 *Need For and Coverage of Price Control*

Most respondents felt that continued control was needed, especially for residential users, and that the existing coverage was reasonable. The Authority agrees with this view.

## 2.6 *Maximum Percentage Annual Increases in Individual Prices*

2.6.1 There was widespread concern that the existing maximum increase of 20% in real terms was unreasonably high and should be substantially reduced. Telkom, however, argued for its retention, on the grounds that this would give the company greater certainty that it would be able substantially to complete the necessary rebalancing of prices before the arrival of competition.

2.6.2 We note, on the other hand that Telkom did not expect to increase many of its prices by this amount. It confirmed that such increases would be the exception and would only be made where there were clear grounds for rapid rebalancing. In these circumstances we remain of the view that users should be given the assurance that, in general, increases in individual prices will be strictly limited. And that they will only be allowed to go up at a faster rate where a clear case on cost grounds can be made to the regulator.

2.6.3 ICASA accordingly proposes to reduce the maximum percentage to 5%, subject to a proviso that ICASA will be prepared to consider waiving this rule in exceptional cases where a clear case on cost grounds can be made.

## 2.7 *Telkom's Efficiency*

2.7.1 ICASA notes that most respondents, while welcoming Telkom's efforts to improve efficiency in recent years, felt that there was still a long way