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GOVERNMENT NOTICES • GOEWERMENTSKENNISGEWINGS

DEPARTMENT OF COMMUNICATIONS AND DIGITAL TECHNOLOGIES

NO. 5973 **11 March 2025**

communications
& digital technologies
Department:
Communications & Digital Technologies
REPUBLIC OF SOUTH AFRICA

REVIEW OF EXCLUSIVITY PERIOD FOR THE SOUTH AFRICAN POST OFFICE SOC LTD IN TERMS OF SECTION 16(8) OF THE POSTAL SERVICES ACT, 1998 (ACT NO. 124 OF 1998)

The Minister of Communications and Digital Technologies intends to review in terms of Section 16(8) of the Postal Services Act, 1998 (Act No 124 of 1998), the period during which no person other than the South African Post Office SoC Ltd (SAPO) may provide a reserved postal service and wishes to consult stakeholders in line with the attached Discussion Document.

In terms of schedule 1of the Postal Services Act the reserved postal services include:

(a) Conveyance of all letters, postcards, printed matter, small parcels, packages or wrapper and other postal articles weighing up to 1kg;
(b) Issuing and sale of postage stamps; and
(c) the provision of roadside collection and address boxes.

The legislative framework requires SAPO to provide such services universally to every citizen in the country regardless of whether the Post Office derives financial benefit or not to ensure that all citizens have equal access to a basic postal service that is reasonably accessible regardless of physical location, at a uniform postage rate and at an affordable price.

Section 15 (1) of the Postal Services Act prohibits anyone or operator to provide reserved postal service unless a licence has been issued by ICASA to that operator to provide such services.

Interested persons are invited to provide written comments within 30 calendar days of the publication, addressed to: -

The Director-General, Department of Communications and Digital Technologies for the attention of:

Ms. Dimakatso Tshie, Director, Postal Policy
1166 Park Street, iParioli Office Park, Block A3 First Floor, Hatfield, Pretoria or
Private Bag x 860, Pretoria, 0001
Tell: 012 427 8106/8169; Email: Exclusivity@dcdt.gov.za

Inputs and comments received after the closing date may be disregarded.

Hon. Solly Malatsi, MP
Minister

communications
& digital technologies
Department:
Communications & Digital Technologies
REPUBLIC OF SOUTH AFRICA

DISCUSSION DOCUMENT ON THE EXCLUSIVITY REVIEW FOR RESERVED POSTAL SERVICES

MARCH 2025

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1. BACKGROUND

1.1 According to Statistics South Africa, the Postal Sector of South Africa forms part of the Post and Telecommunications Industry. The postal and courier sector encompasses services including the pick-up, transport and delivery of letters, documents, and packages to domestic, regional, and international destinations by the promised delivery times. Delivery can be performed via various means, such as road, air, train, etc. Service charges are based on several factors, including promised delivery times, distance, weight, insurance, and additional specialised services. Delivery can be made from branch to branch, branch to recipient, sender to recipient and other delivery innovations**.** (Statistics South Africa, 2019).

1.2 The South African Postal Sector is governed and regulated through numerous pieces of legislation and regulations as covered in this report under section 3 below. The Independent Communications Authority of South Africa (ICASA) is the regulator for the sector, guided by policies and legislation provided by the Department of Communications and Digital Technologies (DCDT) with the public provider of postal services being the South African Post Office (SAPO).

1.3 The Postal Sector in South Africa is categorised into two segments, namely: the reserved and unreserved postal services as outlined under schedules 1 and 2 of the Postal Services Act, 1998 (Act No 124 of 1998) (the PSA) respectively.

1.4 The Reserved Postal Services are those services that only the South African Post Office (SAPO) is currently licenced to provide, and no other operator is allowed to operate (South African Post Office Licence, Government gazette No. 22574). Unreserved postal services on the other hand are those services that are open for competition and any operator can be registered with the Authority, ICASA in terms of the PSA to operate.

1.5 The Licence to provide reserved postal services, was granted to the South African Post Office SOC Ltd in terms of section 16 (3) of the PSA, in 2000 for a period of 25 years with associated Universal Services Obligations as required by the Universal Postal Union Convention (the UPU Convention) (South African Post Office Licence, Government gazette No. 22574). Article 2 of the UPU Convention provides that member countries of the UPU should designate an operator responsible for universal postal services. The Convention outlined the

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services that should be provided universally to all citizens of that country irrespective of physical location.

1.6 Section 16 (8) of the PSA requires the Minister to review the exclusivity to provide reserved postal services by SAPO every 5 years or such shorter period as the Minister may determine. Details on this provided under section 4 of this report below.

1.7 In terms of the Policy, the exclusivity to provide reserved services is meant to finance the Universal Services Obligations that the SAPO has been intrusted with in terms of the license to provide and deliver affordable postal services universally to everyone in the country regardless of physical location. Universal services Obligation covered in detail under section 6 of this report.

1.6 Given the changing nature of the postal sector globally, the downward trend in traditional letter post mail volumes and the discrepancy between regulatory parameters and operational needs and the challenges that have been facing SAPO over the years, it is critical that the discussions on the SAPO's Exclusivity to provide reserved services and the feasibility of liberalising the postal sector in the country be assessed as part of the review process. This will include looking at Universal Services and funding mechanism for USO to enable for informed policy and regulatory decision and for government to ensure that all South Africans have access to postal services that affordable, accessible and reliable in line with international obligations.

1.7 The Postal Sector Market Study conducted in 2022 through external service provider has as one of the key recommendations that a study be conducted looking at the review of reserved postal service and feasibility of liberalising the postal sector in the country without compromising the provision of universal postal services as required by international instruments (Letsema Consulting, Postal Sector Markert Study, 2022).

2. PURPOSE

2.1 The purpose of this discussion document is to solicit comments and inputs from stakeholders on the review of South African Post Office SOC Ltd.'s exclusive right to provide reserved services and the feasibility of liberalizing the Postal Sector in the country.

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2.2 This research is therefore aimed at exploring the relevance and effectiveness concept of exclusivity as a funding mechanism to ensure universal postal services and explore how it should be defined and dealt with given the changing environment, market and customer dynamics, socio-economic contributions and possible policy changes.

3. OVERVIEW OF POLICY, LEGISLATIVE AND REGULATORY FRAMEWORK GOVERNING THE POSTAL SECTOR

This section deals with policy, legislative and regulatory framework governing the establishment and control of the postal sector in the country. Below is a summary of some of the key policies, legislation and regulations for the sector and their objectives developed during the democratic dispensation.

3.1 The White Paper on Postal Services, 1998

3.1.1 Following the democratic dispensation in 1994, South Africa began the process to develop communications sector policies and legislative frameworks for the Telecommunications, Broadcasting, and Postal Services. The adoption of these policy frameworks assisted the country to begin transforming the communications sector by ensuring universal access to communications services.

3.1.2 The White paper on Postal Policy, 1998 (“The White Paper 1998”) focused on the transformation of the Postal Sector in the country to sure the provision of universal and affordable postal service to all South Africans irrespective of race, gender, class, age or geographical location. The overarching goal of this policy framework was to ensure a more accessible, equitable, efficient, and effective postal service.

3.1.3 The policy emphasised the postal service as the most basic and most common means by which messages can be communicated and goods delivered and to be served to the entire population and also serves as an important means of communications for business and commerce.

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3.1.4 The White Paper 1998 further empathised Government's commitment to facilitating the growth and development of the postal sector and includes detail on the market structure, ownership, investments and financing of the South African Post Office, regulatory frameworks, economic empowerment, the impact of technology, security, and international relations amongst others.

3.1.5 To facilitate this universal service delivery, a set of reserved postal services conferring exclusive rights to the provider of universal services was established providing a degree of monopoly protection for the reserved services. In terms of the White Paper (1998), the objective was to balance the provision of basic universal postal services to disadvantaged rural and urban communities with the delivery of services which are capable of meeting the needs of a growing South African economy. (South African Post Office Licence, Government gazette No. 22574)

3.2 The Postal Services Act, 1998

3.2.1 The Postal Services Act, 1998 (Act No 124 of 1998) (The PSA) as amended is the primary legislation governing the postal sector in the country and is premised on the vision and objectives of the 1998 White Paper on Postal Policy.

3.2.2 The PSA was designed to modernize and regulate the postal services following the end of apartheid,

3.2.3 Reflecting the country's commitment to an equitable and accessible postal service, the PSA was promulgated to provide for the development and regulation of postal sector from licensing, pricing, registration of unreserved services and consumer protection to ensure that all aspects of the PSA are complied with.

3.2.4 The importance of the Postal Services Act lies in the separation of reserved and unreserved postal services and the licencing of both reserved and unreserved postal service operators, the definition of Universal Service Obligations (USO) and funding mechanism for USO. The description and detail of reserved and unreserved services as per the PSA are dealt with under section 4 of this document.

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3.2.5 According to the PSA, operating in reserved postal services without an issued license is prohibited. Application to provide reserved services needs to as a result of policy direction issued by the Minister and an invitation to apply by the Authority. (Department of Communications and Digital Technologies, 2024).

3.3 The Independent Communications Authority of South Africa, 2000

3.3.1 The Independent Communications Authority of South Africa Act 13 of 2000 ("ICASA Act") as amended was developed with the intent to establish an independent communications authority which would function as a juristic entity dissolving the Independent Broadcasting Authority and South African Telecommunications Regulatory Authority thereby merging their functions to form ICASA. The regulation of the Postal Sector was incorporated into ICASA in 2006 in line with the Postal Services Act as amended and the ICASA Act as amended.

3.3.2 The Act mandates ICASA to set forth criteria and regulations for licencing and service parameters for reserved and unreserved services, delivery Standards, customer care and reliability, monitor compliance and develop regulations concerning pricing to ensure that rates for reserved services are fair, transparent, and justifiable, and aimed at maintaining both affordability and sustainability within the sector. (Department of Communications and Digital Technologies, 2024)

3.3.3 In line with the legislative framework, ICASA makes regulations for the communications sector, including postal. Regulations on the postal sector are provided for under 3.6 below.

3.4 The South African Post Office SOC Ltd Act, 2011

3.4.1 Adapting to the shifts in the Postal Sector, the South African Post Office SOC Ltd Act 22 of 2011 ("SAPO Act") as amended was promulgated in 2011 repealing all the postal services provisions in the Post Office Act 44 of 1958.

3.4.2 The South African Post Office Soc Ltd Act provides for the governance and mandate of SAPO and supported by the Postal Services Act.

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3.4.3 One of the most important components of the SAPO Act is the list of the duties of the South African Post Office as the public provider of postal services. This is detailed in Section 4 of the Act, as follows:

- *ensure the universal and affordable provision of postal services;*
- *ensure the provision of a wide range of affordable postal services in the interest of the economic growth and development of the Republic;*
- *be innovative in the provision of postal services;*
- *develop postal services that are responsive to the needs of users and consumers;*
- *ensure the achievement of universal access to postal services by providing an acceptable level of effective, reliable and regular postal services to all areas, including rural areas and small towns where post offices are not sustainable;*
- *ensure greater equity in respect of the distribution of services, particularly within the areas of historically disadvantaged communities, including rural areas;*
- *ensure that the needs of disabled persons are taken into account in the provision of postal services;*
- *ensure the development of human resources and capacity-building within the postal sector, especially amongst historically disadvantaged groups;*
- *act in the best interest of postal users and other consumers;*
- *maintain an effective and efficient system of collecting, sorting and delivering mail nationwide in a manner responsive to the needs of all categories of mail 10 users;*
- *actively provide and develop a citizens' post office that contributes to the community and rural development and education, thereby serving as an interface between government and the community; and*
- *ensure compliance with international commitments relevant to the postal sector.*

3.4.4 These duties form part of the Universal Service Obligations of the South African Post Office

3.4.5 SAPO Act further provides for the appointment, functions, and duties as well as the termination of the Board of Directors that govern and manage the affairs of

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the South African Post Office including funding for the universal service provider.

3.5 The National Integrated ICT White Paper, 2016

3.5.1 The National Integrated ICT White Paper of 2016 ("The White Paper of 2016") introduced to replaces the White paper on Postal Services, 1998 and summarises the government's views that information and communication technologies are a means to facilitate inclusive socio-economic transformation in South Africa. The White Paper of 2016 promotes the growth of both the ICT and postal industries and institutional frameworks to meet their responsibilities to government and citizens.

3.5.2 The National Integrated ICT White Paper of 2016 positions the postal sector and SAPO to include the following services:

- *Traditional/physical services and related online letter business such as basic letter services, basic parcel services, registered letters and parcels, addressing, retail outlets, collection points;*
- *Digital and e-postal services such as e-registered mail, hybrid mail, access to the internet and e-mails, e-filing, fax mail, parcel and related online innovations such as parcel tracking and e-commerce;* e-government services *and*
- *Financial services and associated ICT innovations such as the sale of stamps, cash on delivery, insured letters and parcels, issuing and paying money orders, money transfers, postal orders, and registering insured letters.*

3.5.3 The White Paper of 2016 also focused on the provision of innovative e-services within the infrastructure of SAPO and take advantage of opportunities created technological advancement for new businesses in the postal sector. This required SAPO to be restructured to provide e-services that are relevant and respond to the needs of customers and businesses in addition to the traditional postal services it provided in the preceding years. The SAPO Amendment Act have since been promulgated proving for the expansion of SAPO mandate in

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line with these developments. (Department of Communications and Digital Technologies, 2024).

3.6 Postal Sector Services Regulation

The responsibility for postal regulation, monitoring and enforcement is carried by ICASA. Over time, the Authority/ICASA ha have promulgated several postal regulations which are periodically reviewed and amended. The following are some of the key regulations developed for the sector:

3.6.1 The Conveyance of Mail Regulations, 2009

3.6.1.1 Conveyance of Mail Regulations of 2009 apply to both reserved and unreserved postal service providers and specify the duties and powers of conveyors of mail, legal possession and ownership of mail, security of mail, dangerous and prohibited goods and non-compliance penalties (Independent Communications Authority of South Africa, 2024).

3.6.1.2 The main purpose of the Conveyance of Mail Regulations is to:

(a) regulate the conveyance of mail and the general powers and duties of conveyors;

(b) *regulate the legal possession and ownership of mail; and*

(c) *eradicate exposure of mail to the risk of loss, theft, fraud damage and tampering.*

3.6.2 The Unreserved Postal Services Regulations, 2020

3.6.2.1 The Unreserved Postal Services Regulation of 2020 apply to all operators who operates in the unreserved postal services. The 2020 version of the regulations repeal the Unreserved Postal Services Regulation of 2009 with the purpose to:

(a) provide for the procedure for the application and renewal of the registration certificate for the provision of unreserved services;

(b) provide for the procedure for notification for change of information and the surrender of a registration certificate;

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(c) provide for fees payable with respect to the procedure referred to in paragraph (a); (d) the validity period of the registration certificate;

(d) the obligation(s) on third party contracting; and

(e) penalties applicable for the contraventions of the Regulations

3.6.2.2 In addition, Unreserved Postal Services Regulation provide for customer complaints procedures and for minimum operating standards that operators must be adhered to. Those standards are as follows:

(a) *have a track and trace system capable of locating the whereabouts of any item received or collected for delivery by the unreserved postal service*

(b) *provide standard delivery times for deliveries across borders and within the Republic;*

(c) have rates to be charged for delivery, and

(d) clear items through customs where applicable.

3.6.2.3 As set out in the PSA and validated by these regulations, no person may operate in the unreserved postal service sector without a valid registration certificate from the Authority (ICASA). The registration lasts for 5 years and needs to be renewed at least 90 days before expiry. (Independent Communications Authority of South Africa, 2024).

3.6.3 Price Cap Regulations for Reserved Postal Services, 2021

3.6.3.1 The price cap regulations apply only to the reserved services operator, currently SAPO as the licensee for reserved services.

3.6.3.2 Prices charged by the licensee for reserved postal services are set each year, by the Authority, to recover reasonable operational and maintenance expenses incurred in providing such services, along with a return on capital investment, and a reasonable profit margin.

3.6.3.3 It is the responsibility of the licensee to ensure that in each price control year, reserved postal services are priced to: e following manner:

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- recover the reasonable operational and maintenance expenses incurred in bringing services to bear in the year in which they are incurred, and
- recover capital investment and make a profit (based on an allowed rate of return) thereon commensurate with the risk undertaken

3.6.3.4 The current pricing setting process requires the licensee to 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 the price cap regulations. The fees and charges must be filed at least 90 days before the date of publication of such fees and charges.

3.6.3.5 The Authority must inform the licensee in writing of its decision at least 15 days before the publication date. The Authority may disapprove the proposed fees and charges if, amongst other things, the calculations submitted contain mathematical errors or the terms and conditions contained therein conflict with applicable laws.

3.6.3.6 In 2019, a Regulatory Impact Assessment was conducted to determine whether the imposition of price controls was still relevant with the outcome of proposing possible alternative forms of regulation, if necessary. The RIA found that a new regulatory framework was urgently needed since the price control obligation was no longer effective or proportionate. (Independent Communications Authority of South Africa, 2024).

3.6.4 The Customer Care Standards Regulations, 2021

3.6.4.1 The Customer Care Standards Regulations provide minimum service requirements for Postal Service licensees. These regulations provide for the protection and promotion of customer interest.

3.6.4.2 These regulations ensure a minimum level of service within the sector and ensure equality of service for all customers and protection of consumer information and goods being delivered as well as the monitoring and enforcement of customer care standards by the ICASA. It also enables postal services to be accessible to all members of society.

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3.6.4.3 These regulations encourage the visibility and accessibility of Postal Service operators to all members of society and includes standards of service, monitoring of complaints, ensuring that employees are well-equipped to provide optimal service to consumers, confidentiality, delivery security and reliability. (Independent Communications Authority of South Africa, 2024)

4. POSTAL SERVICES SEGMENTS ELEMENTS OF POSTAL SERVICES

The South African Postal Services is segmented into Reserved and Unreserved Postal Services as outlined under schedules 1 and 2 of the Postal Services Act, 1998 (Act No 124 of 1998) (the PSA) respectively.

4.1 Reserved Postal Services

4.1.1 In terms of schedule 1 of the Postal Services Act, the reserved postal services include:

(a) all letters, postcards, printed matter, small parcels, and other postal articles subject to the mass size limitations and including one kilogram;

(b) Issuing of postage stamps; and
(c) Provision of roadside collection and address boxes

4.1.2 For purposes of this Schedule, a letter means any form of written communication or other document, article or object that is directed to a specific person or persons or specific address and is to be conveyed other than by electronic means and includes parcel/s, package or wrapper containing any such communication or article conforming to the mass or size limitations set out in item 3 of schedule 1.

4.1.3 Reserved services involve deliver of mail items and parcels weighing up to 1kg, Regulated rates, Universal service, License conditions for quality of service, Delivery targets set by the Authority, Retail outlets (point of presence), address roll-out and issuing and sale Postage stamps

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4.1.4 The legislative framework and licence require SAPO to provide such services universally to every citizen in the country regardless of whether the Post Office derives financial benefit or not to ensure that all citizens have equal access to a basic postal service that is reasonably accessible regardless of physical location, at a uniform postage rate and at an affordable price.

4.1.5 Section 15 (1) of the Postal Services Act prohibits anyone or operator to provide reserved postal service unless a licence has been issued by the Authority ICASA to that operator to provide such services in line with the Policy Direction issues by the Minister (Department of Communications and Digital Technologies, 2024).

4.2 Unreserved Postal Services

4.2.1 Unreserved Services are those services that are open for competition and are defined under schedule 2 of the Postal Services Act and include:

(a) all letters, postcards, printed matter, small parcels and other postal articles that fall outside the ambit of the reserved services set out in Schedule 1 up to and including thirty (30) kilograms;

(b) courier services in respect of items mentioned in paragraph (a) above; and

(c) any other postal service that falls outside the ambit of the reserved services as set out in Schedule 1.

4.2.2 In terms of section 20 of the Postal Services Act, any operator can apply for registration certificate with ICASA in order to provided unreserved postal services. Unreserved Postal Operators do not have Universal Services Obligations and not regulated by the authority in terms of their fees, charges and delivery standards.

4.3.3 Unreserved postal services involve competitive services, provided by national and international private operators registered with the Authority. The operators amongst others include: The South African Post Office; Aerospeed Couriers; Aramax; City Logistics; Courier It; Dawn Wing; DHL Express; Door 2 Door Couriers; DSV lockers;

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Fastway Courier; FedEx; MDS Collivery; Pargo; PostNet; RAM Hand to Hand Couriers; and the Courier Guy. (Postal Sector Market Study, 2022)

4.3.4 The Postal Sector Market Study revealed that, many of the private operators operates without licences and registration certificates as required and also operates in the reserved market and as such contravening the provision of the Act without any enforcement by the Authority (Letsema Consulting, 2002).

4.3.5 Currently, the 2020 ICASA Unreserved Postal Services Certificates report indicated that 62 companies are registered as unreserved postal services operators. However, it is notable that there are active unregistered, unreserved operators (Independent Communications Authority of South Africa, 2020).

5. POSTAL SERVICES ELEMENTS

The postal services are broken down into different areas of product and service profiles within the UPU and adopted by UPU member countries. The following outline of some of the major lines of services included in the broad spectrum of available postal services:

5.1 ***Traditional mail service:*** This refers to regular delivery services for items such as letters and printed matters. Since the content of such items lends itself to digital communications media, these services are already feeling the effects of competition and digital transformation.

5.2 ***Parcel service:*** This is a delivery service for items for which there is no technology capable of replacing conventional transportation service. With the growth in international trade in general and e-commerce in particular, this market segment is expanding and attracting investment by large-scale private operators around the globe and courier services, as well as by airlines and road carriers.

5.3 ***Express mail service:*** This is a high value-added rapid delivery service for documents and goods in which mailed items are tracked from their point of origin to their final delivery point. It aims to be the most rapid of the physical postal services.

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5.*4* ***Integrated logistics services:*** These are services which aim to meet customers' logistics requirements, including the stages preceding and following the physical transmission of goods and documents.

5.*5* ***Hybrid mail service:*** These are processes combining physical mail delivery and electronic messaging technology. The basic process consists of the computer generation of letter mail, its transmission over data exchange networks to postal operators, and the conversion of the electronic data into physical mail items through remote printing. This process is convenient and offers a good cost-benefit ratio for users and operators.

5.*6* ***Retail services:*** Until recently, this was considered a mere stage of the postal production process and now, it is a major segment of the postal market. Traditionally viewed solely as a service network for attracting items to feed the traditional postal services stream but nowadays, service points are run like a store chain, offering services not directly related to the carriage of mail.

5.*7* ***Financial services:*** This includes a broad spectrum of financial services drawing on the extensive postal infrastructure network, the most sophisticated of which are postal banking services in which postal services play an important role as low-cost banking service providers and constitute an important tool for financial inclusion. Such services include not only simple deposit-taking and savings and cheque account management services, but also credit facilities for individual borrowers, as well as bill payment services for utility companies (water, gas, electric and telephone), fund transfers, pension and annuity payment services, etc.

5.*8* ***Electronic services:*** These services encompass e-postal services, postal electronic registered mail, the electronic postal certification mark and the electronic post box (EU Guide for Regulatory Reform, 2019).

6. UNIVERSAL SERVICES OBLIGATIONS

6.1 Integral to national policy for the postal sector is the provision of a universal service. This ensures that all citizens have equal access to a basic letter service that is reasonably accessible to all people in the country regardless of physical location, at a uniform rate of postage, at an affordable price. And offers a reliable service.

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6.2 Clause 7.4 of SAPO Licence provides as part the universal services obligations, basic postal services must be accessible to everyone in the country irrespective of physical location, at an affordable and uniform postage rate as follows:

- Extend the services such as the basic letter services to all under serviced areas,
- Provide retail outlets at which customers can mail basic letters and other postal items taking into account the population size and mail volumes of particular areas,
- Provide mail collection points which are accessible
- Provide and roll out virtual addresses where there are no available post box facilities; provided that the licensee must within a maximum period of twelve (12) months convert such virtual addresses to post boxes or street addresses,
- Ensure that there are sufficient retail outlets in the under serviced areas,
- Provide basic letter services at charges approved by the authority,
- Provide adequate facilities for the receipt from the dispatchers of basic letters,
- Sell postage stamps,
- Accept and deliver cash on delivery (COD) items, insured parcels, ordinary parcels, registered letters (with an insurance option) and signature on delivery (SOD) items, and
- Issue and pay money orders.

6.3 Delivery of the Universal Services are measured against set targets and standards which monitored and enforces by the Authority. The Authority sets annual rollout of points of presence/ rebalancing of postal network, performance targets for delivery of mail including customer care standards.

7. FUNDING FOR UNIVERSAL SERVICES OOBLIGATION (USO)

7.1 Clause 11.7.1 of the National Integrated ICT Policy White Paper, 2016 provides for “postal sector licensees to contribute to a Digital Development Fund, and that funds needed for non-ICT aspects of postal sector should be ring fenced”. The law regarding the Digital Development fund is not yet finalised and as a

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result operators in the postal sector are not yet contributing in ensuring access to universal postal services.

7.2 Funding for USO has predominantly been provided for by government through appropriation by Parliament, Government Guarantees and reserved services.

7.3 Section 7 of the South African Post Office Act, 2011 provides that Parliament may fund the normal expenditure of the Post Office out of money appropriated for the purpose.

7.4 The rationale for the reserved services serves as a funding mechanism for Universal services Obligations to guarantee the incumbent USP (SAPO) a revenue stream to cover the cost of delivering universal service and allow SAPO to subsidise the loss-making products, services or routes with the revenue earned from profitable products, service or routes.

7.5 For reserved services to work as a funding mechanism the following conditions must exist:

- There needs to be tight and clear regulations, procedures and processes in place to enforce the reserved services and ensure no other players enter the space.
- There needs to be enough volume to ensure there is sufficient revenue to cross subsidise loss making components.

7.6 The 2022 Postal Market Study revealed that, the reserved services as a funding mechanism have not been effective as there are many operators encroaching in that space and that there is lack of regulatory enforcement from the Authority ICASA to ensure that encroachment does not happen. As a result, this need to be re-looked into to ensure effectiveness of the legislative framework governing the sector

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8. CHALLENGES: RESERVED SERVICES AND UNIVERSAL SERVICES OBLIGATIONS

8.1 *Policy*

8.1.1 The reserved services market was defined by the White Paper on Postal Policy of 1998 and reenforced by the National Integrated ICT White Paper of 2016 under significantly different market conditions to the current dynamics. While the purpose of having a reserved market was well understood (to ensure minimum funds are available for designated operator (SAPO) to fulfil its universal service obligation, it has been observed over the years and confirmed by the Postal Sector Market Study that the reserved services is no longer serving its intended purpose.

8.1.2 The market for reserved services was defined in 1998, under significantly different market conditions. Much of what is defined under the reserved market are now declining businesses, which means the funds it generates are decreasingly not able to cover even the costs of delivering these services.

8.2 Regulatory and operational

8.2.1 The legislation is currently not actively enforced, resulting in the private sector likely encroaching in what has been described as reserved. The reason for this encroachment is the perceived inability of the designated operator to provide consistent and reliable service, resulting in consumers seeking alternatives for their postal services and related needs.

8.2.2 Furthermore, given the decline in letter volumes, the ability of the reserved area to fund the USO is continuously declining, while a reliance on government subsidies is unsustainable given the economic headwinds the country faces.

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QUESTIONS

The following are some of the questions to be responded to with regard to the reserved services, universal postal service and funding mechanism.

1. **Given that the concept of USO is used globally and that South Africa as part of the global community is bound by the UPU Convention, how can USO be defined in addition to the currently provided universal postal service in the context of South Africa?**
2. **What are acceptable minimum standards of quality and services delivery conditions?**
3. **How can universal services obligations be funded/financed and What can be the role of other operators be in provision of universal postal service obligations and how should their contribution be in financing the universal postal service?**
4. **Given the inefficacies currently observed in regulating the reserved services and exclusivity how can ICASA be empowered to enforce compliance and universal services**
5. **Which aspect of the reserved services can be liberalised, and which aspects can be maintained given the international obligations?**
6. **Given the challenges facing SAPO, how can other operator contribute to ensuring Universal Services, that is reliable and accessible?**
7. **Given the mandate to expand infrastructure and services to underserviced areas, How can government contribute to social obligations?**

9. INTERNATIONAL PERSPECTIVE AND BENCHMARK WITH OTHER COUNTRIES

9.1 Universal Postal Union (UPU) ON UNIVERSAL POSTAL SERVICES

9.1.1 The Universal Postal Union (UPU) is a specialised agency of the United Nations (UN) that coordinates postal policies among member nations and facilitates a uniform worldwide postal system.

9.1.2 With 192 member countries, the Universal Postal Union (UPU) is the primary forum for cooperation between postal sector players (Policy Makers, Regulators and Operators). Its main mandate is to assist to ensure that UPU

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member countries have a truly universal postal network with up-to-date products and services that satisfy the needs of customers and ensuring sustainability of designated operators and the sector. The UPU fulfils an advisory, mediating and liaison role, and provides technical assistance where needed and sets the rules for international mail exchanges and makes recommendations to stimulate growth in mail, parcel and financial services volumes and improve quality of service for customers (Universal Postal Union, 2024).

9.1.3 Article 3 provides that “in order to support the concept of the single postal territory of the union , member countries shall ensure that all user/customers enjoy the right to a universal postal service involving the permanent provision of quality basic services at all points in their territory , at affordable prices, where member countries shall set forth, within the framework of their national postal legislation or by other customary means, the scope of the postal services offered and the requirement for quality and affordable prices, taking into account both the needs of the population and their national conditions”.

9.1.4 South African is a member of the above organisations and is bound by their Convention and should ensure universal postal services.

9.2 UPU Universal Services Obligation and Designation of Universal Service Operator

9.2.1 One of the key requirements for UPU member countries is to have a designated operator that fulfil the universal services mandate of ensuring postal services are accessible universally to everyone, regardless of physical location.

9.2.2 One of the main objectives for the designation of operators is to ensure provision of the universal postal service, making it increasingly accessible to larger segments of the population, and diversifying and improving corresponding services as new opportunities present themselves.

9.2.3 At the international level, almost all countries have chosen a model with a single operator in charge of providing the universal postal service. This is a hallmark

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of the postal sector, setting it apart from other sectors such as telecommunications, in which certain models promote universal access based on different service operators with separate geographic target operating areas. Experiences with the privatization of the designated operator are rare and found in only a handful of countries. Even in such cases, the same operator, though privatized, still has sole responsibility for providing universal postal service. Logically, the leading role in postal reform efforts goes to the postal operator designated to provide the universal postal service and to fulfil the government's commitments with respect to international postal treaties (EU Postal Reform Guide, 2019).

9.2.4 Article 2 of the Universal Postal Union Convention provides for the designation of the entity or entities responsible for fulfilling the obligations arising from adherence to the Convention. It states that “member countries shall notify the International Bureau, within six months of the end of Congress, of the name and address of the governmental body responsible for overseeing postal affairs and name and address of the operator or operators officially designated to operate postal services and to fulfil the obligations arising from the Acts of the Union on their territory and inform of any changes with regard to the officially designated operators.

9.2.5 Regarding Universal Postal services, Article 3 provides that in order to support the concept of the single postal territory of the Union, member countries shall ensure that all users/customers enjoy the right to a universal postal service involving the permanent provision of quality basic postal services at all points in their territory, at affordable prices.

9.2.6 The article further states that, “with the view of achieving universal services, member countries shall set forth, within the framework of their national postal legislation or by other customary means, the scope of the postal services offered and the requirement for quality and affordable prices, considering both the needs of the population and their national conditions. Member countries shall ensure that the offers of postal services and quality standards will be achieved by the operators responsible for providing the universal postal service on a viable and sustainable basis.

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9.2.7 The UPU have identified the following basic services as mandatory for designated operators to provide under Article 17 of the Convention. This includes:

- accept, handle, convey and deliver letter-post items containing only documents of priority items and non-priority items, up to 2 kilogrammes;
- letters, postcards and printed papers, up to 2 kilogrammes;
- items for the blind, up to 7 kilogrammes;
- special bags containing newspapers, periodicals, books and similar printed documentation for the same addressee at the same address called “M bags”, up to 30 kilogrammes;
- Items containing goods of priority and non-priority small packets, up to 2 kilogrammes;
- special bags containing newspapers, periodicals, books and similar printed documentation for the same addressee at the same address called “M bags”, up to 30 kilogrammes, as specified in the Regulations;
- accept, handle, convey and deliver parcels up to 20 kilogrammes. Weight limits higher than 20 kilogrammes apply optionally for certain parcel-post items under the conditions specified in the Regulations.

9.2.8 Member countries are further required to provide mandatory supplementary services which includes:

- registration service for outbound priority and airmail letter-post items;
- registration service for all inbound letter-post items and tracking services for parcels post;
- *Advice of delivery for registered letter mail, parcels and insured items:* All member countries must fulfil the advice of delivery service for inbound items. However, member countries may choose whether or not to offer the advice of delivery service for outbound items
- *International business: reply service (IBRS):* All member countries are obliged to operate the IBRS "return" service

9.2.9 As a member of the Universal Postal union, South Africa is bound by these provisions and has through policies and legislation been implementing the provisions of the Convention.

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9.3 BENCHMARK WITH OTHER COUNTRIES

The following UPU member countries have been looked into to assess the parameters set for reserved services as well as the scope of universal services and how USO is funded (Postal Sector Markert Study, 2022).

COUNTRY	RESERVED / EXCLUSIVE SERVICES	UNIVERSAL SERVICES	USO FUNDING
1. KENYA	Reserved services are defined as: • Collection, transportation, sorting, and delivery, for hire or reward of letters and postcards weighing up to three hundred and fifty (350) grams • Production and issuance of postage stamps, pre-stamped envelopes, aerogramme, and international reply coupons bearing the official national coat of arms or the words Republic of Kenya, Kenya, or Kenya Post but the public postal licensee may enter an arrangement with any person to sell postage stamps on its behalf; and	Universal services defined as: • Letter post priority/non-priority items weighing up to 2kg • Books, newspapers, and periodicals weighing up to 2kg • Items for the blind weighing more than 2kg • Small packets weighing more than 2kg • Registered mail • Insured mail • Parcels weighing more than 20kg • Postal transfers • Cash postal money orders • Outpayment money orders	• Funding for the universal service obligation comes from the Universal Service Fund (USF), which is provided for by the Kenya Communications (Amendment) Act, 2009. It is administered and managed by the Communications Authority of Kenya for the communications sector. • Fund is credited through: a) Levies from licensees, b) appropriations from the Government for that purpose, c) Income from any investment made by the fund, and d) Any gifts, donations, grants and endowments made to the fund

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	• The rental or lease of private letter boxes or bags, including the use of postal addresses and postcodes.	• In payment money orders • Pension payments • Services on behalf of public utilities • E-commerce specific delivery services	
2. TANZANIA	Reserved postal service applies to: • Letters and postcards of up to 500g. • Packets, and parcels of up to 10kg. • Postage stamps	Universal Services of are: • Basic postal services within the United Republic which includes the acceptance, conveyance and delivery of letters up to 500 grammes. • Parcel and packets of up to 10kgs, and • Financial services delivered at equal tariffs and conditions accessible by all the population.	• The section 5(4) of the Electronic and Postal Communications (Postal) Regulations of 2018 stipulates that the Designated Postal Operator may receive funding from the Universal Communications Service Access Fund (UCSAF) for the provision of universal postal services. • UCSAF is a fund established by the Tanzanian Government by Act of Parliament No. 11 of 2006 for communications sector to ensure access to communications services. • A Board is established as the governing body of the Fund.

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			• Sources of the fund include: a) Appropriation by Parliament. b) Subversions by Authority c) Universal service levy by holders of communications licences. d) Grants, donations, bequests or other contributions, or transfers granted in any manner by any individual or legal entity, whether local or foreign and e) Sum of money received as levies and contributions in respect of services supplied by fund.
3. ZIMBABWE	Reserved postal services are regarded as: • The conveyance of letters whose mass is less than five hundred (500) grams, other than such letters as are conveyed by a commercial courier service, provided that the operator of a commercial courier service shall not charge less than the	Universal Services are: • Letter post priority/non-priority items weighing up to 2kg • Books, newspapers and periodicals weighing up to 2kg • Items for the blind weighing more than 2kg • Small packets weighing up to 2kg • Registered mail	• Universal Service Fund is established by the Postal and Telecommunications Act of 2000 to ensure access to postal and telecommunications services. • According to section 75 of the Act, the fund consists of: (a) prescribed annual contributions paid by licensees,

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	prescribed rate for the conveyance of such letters by the Corporation or the appropriate successor company: • The issuance of money orders or postal orders for an amount more than or less than that prescribed by the Minister: • Any prescribed agency service, being a service that was provided by the Corporation immediately before the fixed date on behalf of the State, the Post Office Savings Bank referred to in section 3 of the People's Own Savings Bank Act and such other statutory body or Government department as may be prescribed	• Insured mail • Recorded delivery • Express delivery • Parcels weighing more than 20kg • Cash postal money orders • Outpayment money orders • In payment money orders • Pension payments • Service on behalf of public entities	(b) moneys appropriated by Act of Parliament for the purpose of the Fund, (c) any surplus of income at the end of POTRAZ's financial year, and (d) any other moneys to which the Fund may be lawfully entitled.
4. CAMEROON	According to Section 13 of Chapter 3 of Law No.2020/004 of 23 April 2020 governing postal activity in Cameroon,	As a public operator, CamPost oversees the universal postal services and is required by Law No. 2020/004 of 23 April	The universal postal services provision is funded through: • government subsidies, proceeds

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	reserved services are described as: • receipt, sorting, transport and delivery of domestic and international items of correspondence of up to 500 (five hundred) grams for ordinary mail and 100 (one hundred) grams for expedited mail; • issuance and sale of postage stamps, postage tax stamps, official stamps, reply coupons and all other postage supplies intended for postage and philately, labelled "Republic of Cameroon" or bearing any other sign, seal or symbol of the Republic; • the post office box service and the digital postal address allocation, hosting and	2020 governing postal activity in Cameroon to: • have a national network; • ensure the provision of the universal postal service; • provide interconnection facilities for messages, goods and funds presented by other licensed operators	from the reserved area, • resources from other lucrative segments, resources from a special fund for this purpose and cost-sharing (with other local organisations)

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	valorisation service; direct mailing.		
5. BRAZIL	• The reserved postal services of Brazil are not defined, rather, Correia's competes to execute and control on a monopoly basis, postal services throughout the national territory	Brazil's universal service obligation is to provide access to postal services to every Brazilian citizen. Postal items included in the scope of Brazil's universal postal service include, amongst others: • Priority/non-priority items (books, newspapers and periodicals not included) up to 2kg, • Literature for the blind weighing more than 2kg, • Small packets up to 2kg, • Registered supplementary services, and • Parcels of more than 20kg. Furthermore, the Brazilian Government requires Correios to deliver 95% of letters within 5 working days and 90% within two working days.	• Private delivery companies are taxed 0.5% of their revenues in order to finance the universal service obligation.
6. SWITZERLAND	Reserved postal services are:	Universal service obligation is defined as:	• Swiss Post does not receive any subsidies or taxpayers' money for the

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	• Domestic letters weighing 50 grams or less Exclusions from the reserved postal service are: • Letters for which two and a half times the postal rate is paid for letters in the fastest category of the first weight and size category, and • Outgoing letters in international traffic	• Country-wide delivery of addressed letters and parcels at least five days a week: • The country-wide delivery of subscription newspapers and magazines six days a week, • Payment transaction services, and the operation of a nationwide network of post offices and postal agencies Postal items included in the scope of Switzerland's universal postal service include: • Priority/non-priority items (books, newspapers and periodicals not included) up to 1kg • Note: books, newspapers and periodicals, literature for the blind and small packets form part of the scope, however, their respective weight	provision of the universal service, it finances this from its resources. • In some cases, unprofitable services within the universal service are co-financed through profitable services

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		limits are not indicated on the country information form for Switzerland • Registered supplementary services • Recorded delivery supplementary services • Parcels up to 20kg	
7. USA	Reserved services (legal monopoly) over: • The delivery of first-class residential mail and access to mailboxes.	Universal Service Obligation is broadly outlined across many statutes and includes: • Geographic Scope • Range of Product • Access to services and facilities • Delivery frequency • Affordable and uniform pricing • Frequency of Delivery • Service quality and security of mail.	No funding mechanism for the universal postal service, however, in 2022 USA provided a report during the Council of administration meeting on the turnaround of and turnaround of the United States Postal Services (USPS). It was reported that government provided funding for the US Postal Services to ensure transformation.
8. AUSTRALIA	The reserved services of Australia are: • Letters less than 250 grams	Universal services are: • To make the letter service available at a single uniform rate of postage for the carriage within Australia, by ordinary post, of letters that	• Funded from revenue generated from its products and services. • Monopoly over the reserved services to finance its Community Service Obligations.

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		are standard postal articles. • Australia Post shall ensure that, in view of the social importance of the letter service, the service is reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business.	
9. JAPAN	No designated reserved services for the formerly publicly owned Japan Post. • Japan Post is obligated to deliver on letter post up to 2kg while this is only 1kg in South Africa.	Based on the Postal Service Privatisation Act and The Postal Law, Japan Post Holdings Company, Ltd. and Japan Post Company, Ltd. are obligated to provide postal services, payment of simple savings, remittances, services for settlement of debts and credits, and services for easy-to-use life insurance are available to customers at post offices in an integrated format and in a manner that is easy to use by customers. They are also legally obligated to maintain the post office network to ensure	No special funding mechanism for the universal postal service. Funded from its operations.

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		fair use across all of Japan well into the future. In particular, the universal service obligations of Japan Post include: • Letter post of more than 2kg • Books, newspapers, and periodicals up to 1kg • Items for the blind weighing more than 2kg	

QUESTIONS

The following are some of the questions to be responded to with regard to the international best practice and approaches to reserved services, USO and Funding for USO.

10. Given the above benchmark and how other countries approached the issues of reserved services, the importance of ensuring universal postal services and funding mechanism, which model can South Africa adopt.

11. Given the challenges facing SAPO as the designated USO provider, how can the designation of Universal Services Operator/s as required by UPU be approached, which other operator/s can be identified and designated for USO, if any.

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10. ECONOMIC MARKET ANALYSIS

10.1 Global Trends in the postal sector performance (Postal macroeconomic context and outlook)

10.1.1 The UPU Strategy Implementation Report of March 2024 reported that the Global GDP, adjusted for Purchasing Power Parity (PPP), grew at an average annual rate of approximately 3.35% from 1996 to 2022. This growth rate encapsulates the overall expansion of the global economy, reflecting the cumulative effects of technological advancements, increased trade and investment flows, and demographic changes. The average annual global GDP growth rate of 3.35% underscores the steady expansion of the world economy over the past few decades, despite fluctuations owing to economic cycles, financial crises and recent global challenges such as the COVID-19 pandemic, which indicate the overall trend has been one of resilience and growth.

10.1.2 Over the same period, it was reported that the global postal sector recorded an average annual growth rate of approximately 2.33% in real postal revenue (USD, PPP). These figures highlight a nuanced narrative of the postal sector's performance relative to the context of broader economic growth. The postal sector's average annual growth rate of 2.33% in real revenue signals a more complex trajectory. While positive, this growth rate is modest compared to the broader economic expansion, underscoring the sector's challenges and transformation in the face of digital disruption and changing consumer preferences.

10.1.3 The divergence in growth rates between global GDP and postal revenue is referred to as "postal decoupling" in economic terms. While the economy at large has benefited from globalization and the digital revolution, the postal sector has faced specific challenges, including a decline in traditional letter mail as a result of digital communication alternatives. However, the sector's ability to tap into the growth of e-commerce and diversify its revenue streams through logistics and financial services has provided avenues for resilience and adaptation.

10.1.4 The report further states that, the lower growth rate of postal revenue compared to GDP highlights the postal sector's need to continuously innovate and adapt to maintain its relevance in the digital age. The transition towards a more diversified and technology-driven service offering represents a strategic

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response to these global trends, aiming to align the postal sector more closely with the digital economy's growth drivers and consumer demands.

10.1.5 Furthermore, the report indicated that from a regional perspective, while GDP in Africa has grown at an annual rate of around 4.07%, postal revenue has experienced an annual decrease of approximately -2.25%, suggesting challenges in the postal sector despite the overall economic growth. Other regions experienced increase in postal revenue of between 3.78% (Arab) and 0.63% (Latin America).

10.1.6 Despite the decline in traditional mail volumes, the postal sector has found new life through e-commerce, diversifying into logistics and financial services to adapt and remain relevant. According to estimations, global revenue from parcels post and logistics (31.2%) surpassed global revenue from letter post (31.1%) in 2022, for the first time in history (UPU Strategy Implementation Report, 2024).

10.2 Postal traffic and postal revenues

10.2.1 For letter post, the rate of decrease reached an annual rate of -4.5% for domestic mail in 2022. The total number of domestic items in 2022 was estimated at 245 billion, representing around 71% of the 2013 value. The decrease rate for international letter-post exports is even steeper, at -12.7% per year. The total volume in 2022, estimated at 1.56 billion items, is only 41% of the 2013 value and 21% of the 2000 value, representing less than 1% of the total global letter-post volume.

10.2.1 In 2022, the volume of domestic parcels shrank for the first time following a 20-year period of rapid growth. Compared to 2021, volumes decreased by 2.5% in 2022, amounting to 27.0 billion items even though these volumes remain three times greater than in 2012.

10.2.3 Compared to 2021, nominal revenue grew by 1.5% to 322 billion SDR in 2022. This average growth rate is determined by the industrialized countries (+1.8%) and Asia-Pacific (+1.5%). However, nominal revenue shrank in Eastern Europe and CIS (-1.8%), in Africa (-21.2%) and in the Arab region (-20.0%). According to estimations, global revenue from parcels and logistics (31.2%) surpassed global revenue from letter post (31.1%) in 2022, for the first time in history (UPU Strategy Implementation Report, 2024).

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10.3 ***South African Postal Sector/Market performance and contribution***

9.3.1 This section will present mainly performance and contribution of the postal sector to the economy and that of SAPO as the designated operator for universal services.

10.3.2 Income from post and associated courier activities in 2022 was R21,8 billion. The income represents an increase of 12,0% per annum compared with the income reported in the corresponding survey of 2019 (R15,5 billion). The largest contributor was ‘same-day and next-day/overnight delivery services’ (R7,0 billion or 32,3%), followed by ‘economy delivery services, two days or more’ (R6,8 billion or 31,2%). (Post and telecommunications industry report, 2022)

10.3.3 According to the State of the ICT Sector Report of South Africa and Postal Sector Market Study, for the year ended 30 September 2021, the South African Postal Sector, that is, the reserved and unreserved services, contributed 3.16% to the GDP of South Africa. (ICT Sector Report of South Africa, 2022 and Postal Sector Markert Study, 2022)

10.3.4 The Postal Sector Market Study conducted in November 2022, revealed that the growth in postal revenue is driven predominantly by private sector growth in urban and metropolitan areas even through SAPO as public operator with universal services obligation still enjoys a majority preference share in rural communities due to its accessibility and lack of accessibility by private operators.

10.3.4 In terms of the designated operator’s (SAPO) performance, expenses continued to exceed its revenues and operate at a loss impacting on the delivery of universal services obligation. As part of the Business Rescue implementation Plan, SAPO also reduced its retail branches and currently have about 656 retail branches as part of the point of presence network to ensure operational and financial sustainability ((SAPO Performance Report, 2024/25).

10.3.5 This clearly indicates the challenges that SAPO is faced affecting the delivery of Universal Services Obligations and also proving that reserved services cannot be relied upon as funding mechanism for universal services obligations if not effectively monitored and enforced by the Authority, ICASA.

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QUESTIONS

The following are some of the questions to be responded to with regard to the size of the market and contribution to the economy.

12. Access to information regarding financial performance and contribution of the sector to the economy is critical for the development of the sector and for policy decisions. As it is always difficult to get such information, how can the Authority be empowered to have access to such information from operators?

11. CONCLUSION

11.1 As indicated, the Postal Services Act under section 16 (8) requires the Minister to review the South African Post office's exclusivity every 5 years or such shorter period as the Minister may determine. The exclusivity period will be due for review in 2025.

11.2 The changing nature of the postal sector globally and locally has resulted in discrepancies between legislative and regulatory frameworks on the one hand and operational realities and challenges on the other.

11.3 Given these dynamics and gaps and as per this discussion document, it is imperative that questions posed on the sections above be debated and responded to address any legislative and regulatory gaps for the sector to ensure the growth of the sector, contribution of the sector to the economy and employment and continued provision of universal postal services to all South African citizens in in line with international best practices and standards.

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