



REPORT
**Consultation on the Development and Implementation of a
Licensing and Regulatory Framework for the Postal Sector**

8 MARCH 2021

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1. INTRODUCTION

- 1.1. On 21 December 2020, the Authority for Info-communications Technology Industry of Brunei Darussalam (“AITI”) issued a Consultation Paper to seek views on the proposed licensing and regulatory framework for the postal sector in Brunei Darussalam.
- 1.2. At the close of the consultation on 25 January 2021, six (6) responses had been received from the following respondents:
- 1.2.1. Alvy Forwarding;
 - 1.2.2. Archipelago Express Sdn Bhd;
 - 1.2.3. ASDS Sdn Bhd;
 - 1.2.4. B.T. Forwarding Sdn Bhd;
 - 1.2.5. Jayapuri Sdn Bhd; and
 - 1.2.6. PosBru Sdn Bhd.
- 1.3. AITI thanks all respondents for the responses submitted for the consultation.
- 1.4. This report sets out the responses to the issues raised in the Consultation Paper and AITI’s decisions on the same.

2. RESPONSES ON THE PUBLIC POSTAL LICENSEE (PPL) LICENCE

2.1. Products and Services

AITI’s Proposal

The PPL will provide products and services to cover three (3) categories:

- (a) Letters, postcards and printed papers up to 2 kgs;
- (b) small packets up to 2 kgs; and
- (c) parcel items up to 20 kgs.

Comments Received

Respondent agreed to the proposal with no concerns raised.

AITI’s Decision

AITI will implement as proposed.

2.2. Universal Service Obligations

The appointed PPL must carry out the Universal Service Obligation (USO). The aspects to be carried out are as follows:

2.2.1. Access to postal infrastructure

AITI’s Proposal

There should be at least one (1) postal outlet for each *mukim* in Brunei Darussalam. The postal infrastructure, or postal outlet, is not limited to a post office or postal agent but different modes/channels can also be adopted to deliver USO.

Comments Received

Respondent understands that the definition of postal outlet includes stamp sellers and postal agents and it is understood that the reference to access of PO boxes refer to access

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to opportunity to rent a PO Box. Respondent prefers that the final text makes this more specific.

AITI's Decision

AITI takes note on the respondent's comment about the final text with respect to the requirements for postal infrastructure and will endeavour to be more specific. It also notes that the respondent has no issue with the proposal and as such, AITI will proceed as proposed in the Consultation Paper.

2.2.2. Access to mail delivery

AITI's Proposal

The PPL should provide three channels of access to mail delivery, which are:

- (a) P.O box delivery,
- (b) home delivery, and
- (c) delivery by postal representatives.

Comments Received

Respondent agrees that the above channels should continue and makes an observation that the majority of mail is delivered through home delivery rather than PO Boxes as stated in the Consultation Paper.

AITI's Decision

AITI takes note of the respondent's comment and will implement the proposed access to mail delivery stated above.

2.2.3. Collection and delivery frequency

AITI's Proposal

For mail collection, PPL should provide daily collection from postal outlets and posting boxes and three (3) times per week from postal representatives in rural areas. For mail delivery, PPL should provide daily delivery to PO Boxes and three (3) times per week delivery to homes through its own delivery staff or through postal representatives.

Comments Received

Respondents agree to the minimum proposed collection standards. Respondents further suggested for the obligation to be set as an 'alternate-day-delivery' model based on a five (5) days per week delivery model. This means that customers would receive five (5) deliveries over a two (2) week period.

AITI's Decision

AITI takes note of the respondent's comment which is assumed to cater to the declining mail volumes and to reduce operating costs. As such, AITI will implement:

- (a) daily collection from postal outlets and posting boxes and three (3) times per week from postal representatives in rural areas; and
- (b) for mail delivery, PPL should provide the 'alternate-day-delivery' based on a five (5) days per week delivery model for homes. This means that customers would receive five (5) deliveries over a two (2) week period.

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2.2.4. Security

AITI's Proposal

The carriage of materials that involve an offence to Islamic teachings or materials, or which are not Syariah compliant, which are injurious or indecent in nature is prohibited.

The PPL shall undertake sufficient security to safeguard mail items from theft, damage or other loss, and follow UPU security guidelines for transfer of international mail. In addition, the PPL must ensure that proper and adequate safety and security measures are implemented to safeguard the lives of staff and customers.

Comments Received

Respondent agrees with the proposal above. Respondent believes that the same set of conditions should be imposed on all licence holders.

AITI's Decision

AITI takes note of the recommendation from the respondent but will maintain the current proposal as contained in the Consultation Paper and re-evaluate this in the future.

2.2.5. Reserved Areas

AITI's Proposal

The requirement to provide universal service involves providing service in areas of high cost. Carving our reserved areas for the PPL enables the PPL to fulfil the USO obligation. The PPL will have exclusivity in three (3) areas:

- (a) The carriage of any postal articles up to 2 kgs shall be reserved to the PPL, except where a licensee charges a minimum of three (3) times the base tariff set by the PPL.
- (b) The P.O. Box network will be exclusively operated by the PPL.
- (c) The PPL will also have exclusive management rights to philatelic products and services.

Comments Received

Respondent agrees that there is a need for reserved areas but prefers that the purpose for this reserved areas is designed to prevent 'cherry-picking' of profitable niches. Respondent requested that the pricing restriction makes it clear that it is three (3) times the price for the weight of item using standard letter/parcel tariffs.

AITI's Decision

AITI takes note and will be more specific on the pricing restrictions. AITI will implement the rest of the reserved areas on PO Box network and philatelic products and services as described above.

2.3. Licence Fees and Duration

AITI's Proposal

The PPL will pay an annual fee of 0.5% of its audited Annual Gross Turnover (AGTO), subject to a minimum of BND 40,000. The duration of the licence is fifteen (15) years, which will be renewable for a further period as AITI deems appropriate.

Comments Received

Respondent has suggested for the minimum and the percentage of AGTO chargeable to be reduced.

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Respondent agrees that fifteen (15) years is an appropriate initial term and suggests that a review on the extension to start at the ten (10) year mark.

AITI's Decision

AITI acknowledges the observations relating to the annual licence fees made by the respondent but has decided to implement this as proposed in the Consultation Paper. No adjustment will be made to the manner of charging nor to the minimum chargeable as this is the only way in which AITI is able to cover its costs of regulating this sector.

AITI will implement the licence duration as agreed and will consider the review of the potential extension at the 10th year.

2.4. Price Controls

AITI's Proposal

The PPL is free to determine rates, subject to AITI's approval through an annual rate review. AITI reserves the right to establish price controls for universal service products.

AITI will adopt a light-handed approach to tariff setting. The annual rate review allows for revision of postal rates to take into account changes in costs, postal volumes and international benchmarking consideration.

Comments Received

Respondent agrees that a 'light-handed' approach and an annual review process is important.

AITI's Decision

AITI will implement this as proposed in the Consultation Paper.

2.5. Quality standards

AITI's Proposal

(a) The PPL shall meet the provide standards of service as detailed below:

- i. PO Box delivery - J+1;
- ii. Home delivery - J+2; and
- iii. Postal representative delivery - J+3.

Note: J refers to the day of posting.

(b) The PPL shall meet the quality of service standards as detailed below:

- i. 90% (J+1) for PO Box delivery;
- ii. 80% (J+2) for home delivery, and
- iii. 70% (J+3) for postal rep delivery.

(c) For the provision of CEP services, the PPL shall be subject to the same quality standards as CEP licensees detailed below in Section 3.4.

Comments Received

Respondent agreed that the proposed targets for standards of service are reasonable. However, it was raised that with the different targets set for standards of service and quality of service, it is important to understand the mechanism of how they are being monitored.

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AITI's Decision

AITI will implement the above standards of service and quality of standards. In the meantime, AITI will work on the mechanism to measure the targets and will socialise this with the licensees in future.

2.6. Reporting

AITI's Proposal

The PPL shall submit monthly and annual reports that contains market information such as mail and parcel volumes. Monthly reports, which are to be submitted every quarterly, will contain market information including mail and parcel volumes. Annual reports will contain financial and operational information.

Comments Received

Respondent agreed with the quarterly and monthly submission of the reports.

AITI's Decision

AITI will implement the reporting intervals as proposed above and will take into consideration on working with respondent to refine the forms.

2.7. Customer care

AITI's Proposal

The PPL is required to establish a set of complaint handling procedures, which should be documented and published. Adequate resources should be provided to handle customer complaints, and that remedies developed are fair and reasonable. All complaints and outcomes need to be collected and recorded. AITI will conduct an investigation for significant matters only when the former channel has been exhausted.

Comments Received

Respondent has agreed that it is important to have a robust process for handling complaints and that this procedure should be exhausted before any complaints would be considered by AITI.

Respondent also mentions it is beneficial to set-out the nature of the complaints that AITI will be prepared to consider and also the remedies that might be available for customers.

AITI's Decision

AITI takes note of the respondent's suggestion on the nature of the complaints and remedies and this will be socialising in future.

3. RESPONSES ON THE COURIER, EXPRESS AND PARCEL (CEP) LICENCE

3.1. Products and Services

AITI's Proposal

The CEP licence allows the operator to carry mail items up to 20 kgs. All items above 20 kgs are considered as cargo and are not subject to postal regulation.

Comments Received

Respondents agreed that the licence will only cover mail items up to 20 kgs. Respondents also mention that obligations such as mail security should be included for CEP licence holders as well.

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AITI's Decision

AITI will implement this as proposed in the Consultation Paper.

3.2. Licence Fees

AITI's Proposal

The CEP operators will pay an annual fee of 0.5% of audited AGTO, subject to a minimum of BND1,600 for international CEP operators, and a minimum of BND550 for domestic CEP operators. If both services are being carried out, the operator will need to apply for both licenses. The duration of the licence is three (3) years, which will be renewable for a further period as AITI deems appropriate.

Comments Received

None of the respondents agreed with the annual licence fee of 0.5% of AGTO as it will create a lot of complication and their accounting system will need to be modified. All CEP operators have different accounting treatment between operating units in different geographies and can vary. This will increase their cost of business. Respondent also stressed the importance to ensure that the reported revenue reflects the volume of inbound international traffic handled in the case that the AGTO does not properly reflect the cost of final mile delivery. All respondents have proposed for the annual licence fees to be a flat rate.

AITI's Decision

AITI acknowledges the observations relating to the annual licence fees made by the respondent and acknowledges that the manner of reporting information to enable the calculation of annual licence fees will incur some administrative cost. However, AITI has decided to implement this as proposed in the Consultation Paper. No adjustment will be made to the manner of charging nor to the minimum chargeable as this is the only way in which AITI is able to cover its costs of regulating this sector.

3.3. Price Controls

AITI's Proposal

CEP Licensees are free to set prices but items up to 2 kgs is subject to a minimum fee of three times the PPL base tariff. CEP Licensees are also required to submit their pricing to AITI and also publish the information to the public.

Comments Received

Respondents are generally agreeable to the above proposal but CEP Licensees should be allowed to adjust their pricing depending on the scenario e.g. when a customer send bulk deliveries, the customer should be entitled to receive a discount and not a fixed rate. However, they have commented that the consumers should be the main beneficiary of all protections and to ensure growth in e-commerce. It is important to bear in mind that there is big volume in customers and overregulation may cause CEP Licensees to stop providing service in this sector.

AITI's Decision

AITI takes note of the comments from the respondents. AITI will implement as proposed in the Consultation Paper and will endeavour to ensure the implementation of regulatory interventions will take into consideration the comments received.

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3.4. Quality standards

AITI's Proposal

CEP licensees must submit quality standards for various services to AITI and make such information reasonably available to the public. AITI maintains minimal control over the quality standards of CEP licensees, and will not any quality checks on the licensees unless there is significant customer discontent.

Comments Received

All respondents agreed to submit their quality standards to AITI and will also be transparent to the public by publishing their standards.

AITI's Decision

AITI will implement this as proposed in the Consultation Paper.

3.5. Reporting

AITI's Proposal

CEP licensees have to submit a monthly and annual report that contains market information such as mail and parcel volumes. The monthly reports which are to be submitted every quarterly, will contain market information including mail and parcel volumes. Annual reports will contain financial and operational information.

Comments Received

Respondents take note that they will have to submit the monthly and annual report to AITI.

AITI's Decision

AITI will implement this as proposed in the Consultation Paper.

3.6. Customer Care

AITI's Proposal

CEP licensees are to establish a set of complaint handling procedures, which should be documented and published. AITI will only conduct an investigation for significant matters only when the former channel has been exhausted. The procedures should include considerations such as provision of adequate resource to handle complaints, development of remedies that are fair and reasonable, and documentation of complaints and outcomes.

Comments Received

All respondents agreed that it is important to have a set of complaints handling procedures and that AITI will only conduct an investigation for significant matter.

AITI's Decision

AITI will implement this as proposed in the Consultation Paper.

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