



REPORT FOR PUBLICATION

Second Public Consultation Paper (PCP) on Proposed Licensing and Regulatory Framework for the Postal Sector: Licence Fees

18 OCTOBER 2022

Contents

1.	INTRODUCTION	3
2.	SECOND CONSULTATION	3
3.	RESPONSES ON THE ANNUAL PUBLIC POSTAL LICENSEE (PPL) LICENCE FEES.....	4
4.	RESPONSES ON THE ANNUAL COURIER, EXPRESS AND PARCEL (CEP) LICENCE FEES	5

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. The consultation closed on 25 January 2021 with six (6) responses received. Details of the consultation are contained in report dated 8 March 2024.
- 1.2. Subsequent to the consultation and after several rounds of deliberation and presentations for approval, AITI was asked to follow up on the consultation with a focus on the proposed licence fee structure.
- 1.3. A Second Public Consultation Paper (PCP) was issued on 5 August 2022 to seek feedback on the proposed licence fee structure.
- 1.4. This report sets out the issues further consulted on, responses received and AITI’s decisions on the same.

2. SECOND CONSULTATION

- 2.1. Dialogue sessions were held between 10 August 2022 to 1 September 2022 where the following questions were asked:

2.1.1. Public Postal Licence (PPL)

- (a) Do you agree with the proposed licence fee structure i.e. annual licence fee of 0.5% of Annual Gross Turn Over (AGTO) subject to a minimum fee? If you do not agree, please state the reason.
- (b) If the proposed licence fee structure mentioned above is implemented, how will this affect your business?
- (c) If the licence fee structure is based on the feedback received during the January 2021’s PCP, how will this affect your business?
- (d) In the previous consultation, it was mentioned that all postal licensees have different accounting treatment. This was further indicated that postal licensees may need to increase their operating cost to fulfill the requirement to report their revenue collection for regulated postal articles.
 - If there is an increase in operating cost, are you able to provide an estimate of the cost?
 - Will you be able to absorb it without affecting the price rates that you are currently charging your customers? Please explain your answer.

2.1.2. Courier, Express and Parcel Service (CEP) Licence

- (a) Do you agree with the proposed licence fee structure i.e. annual licence fee of 0.5% of AGTO subject to a minimum fee? If you do not agree, please state the reason.
- (b) If the proposed licence fee structure mentioned above is implemented, how will this affect your business?

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- (c) If the licence fee structure is based on the feedback received during the first PCP in January 2021 (see paragraph 3.2 of the first PCP report), how will this affect your business?
- (d) In the previous consultation, it was mentioned that all postal licensees have different accounting treatment. This was further indicated that postal licensees may need to increase their operating cost to fulfill the requirement to report their revenue collection for regulated postal articles.
 - If there is an increase in operating cost, are you able to provide an estimate of the cost?
 - Will you be able to absorb it without affecting the price rates that you are currently charging your customers? Please explain your answer.

2.2. The following eleven (11) CEP Operators attended one-on-one sessions with AITI:

- 2.2.1. Abasjaya Logistics Sdn Bhd.
- 2.2.2. Alvy Forwarding.
- 2.2.3. Archipelago Express Sdn Bhd.
- 2.2.4. ASDS Sdn Bhd.
- 2.2.5. B.T. Forwarding Sdn Bhd.
- 2.2.6. DHL Express (B) Sdn Bhd.
- 2.2.7. Express Cargo Services.
- 2.2.8. Globex Global Logistics Sdn Bhd.
- 2.2.9. Jayapuri Sdn Bhd.
- 2.2.10. JiFEE Technologies Sdn Bhd.
- 2.2.11. Syarikat LBC Mabuhay

2.3. PosBru Sdn Bhd was also invited for a consultation session on the issues relevant to the PPL.

3. RESPONSES ON THE ANNUAL PUBLIC POSTAL LICENSEE (PPL) LICENCE FEES

3.1. AITI's Proposal

The annual PPL Licence fee will be 0.5% of audited Annual Gross Turnover (AGTO), subject to a minimum of BND40,000.

3.2. Comments Received

- 3.2.1. Respondent believes all licensees should be treated in the same manner. As such, the PPL Licence fee should be aligned with the CEP Licence fee for similar services offered by both licensees.
- 3.2.2. Respondent proposes for the PPL Licence fee to be the same as CEP Licence fees i.e. with a minimum of BND 10,000.

3.3. AITI's Decision

- 3.3.1. AITI acknowledges the observations made by the PPL and acknowledges the recommendations made relating to the annual licence fees.

- 3.3.2. AITI will consider the proposal made for the PPL Licence fee to be reduced from 0.5% of audited AGTO, subject to a minimum of BND40,000 to 0.5% of audited AGTO, subject to a minimum of BND10,000.

4. RESPONSES ON THE ANNUAL COURIER, EXPRESS AND PARCEL (CEP) LICENCE FEES

4.1. AITI's Proposal

The annual CEP Licence fee will be charged at 0.5% of audited AGTO, subject to a minimum of BND1,600 for **international** services and subject to a minimum of BND550 for **domestic** services . If both international and domestic services are being carried out, the operator will need to apply for both Licenses.

4.2. Comments received

- 4.2.1. Most CEP Operators' major revenue stream is from freight services. They offer courier services as a value add for their customers in order to complete the last mile delivery. As such, the preference is to have a fixed flat rate for their annual licence fee rather than 0.5% of AGTO so that the revenue from regulated postal services i.e. courier services does not have to be segregated from revenue from freight services. Effecting this revenue segregation complicates the business processes and adds onto their operating costs which already includes corporate tax, vehicle licence fees, warehouse rental and sea port fees.
- 4.2.2. Postal articles regulated under the Postal Services Order, 2024 usually arrive into Brunei Darussalam as part of bulk cargo. This means that there is no clear demarcation between freight and courier services.
- 4.2.3. There was a suggestion that annual CEP Licence fees could be charged at 0.5% on Annual Net Profit (ANP) subject to a minimum of BND750 for domestic services and BND1,800 for International services instead of AGTO because the industry has high operating cost and merely looking at AGTO does not truly reflect the company's earnings.
- 4.2.4. Another suggestion was made that AITI implement a tiered based fixed licence fee depending on the revenue generated. This means that players who earn more revenue would pay higher annual licence fees compared to that paid by smaller players.
- 4.2.5. AITI also note that some CEP Operators do not have a clear understanding on the role of a regulator hence there were inquiries with regards to the functions and objectives of a regulatory body. This includes inquiries on the benefits they will receive once being regulated under AITI.

4.3. AITI's Decision

- 4.3.1. AITI acknowledges the observations relating to the annual licence fees made by the respondents and acknowledges that the manner of reporting information to enable the calculation of annual licence fees will require resources and incur some administrative cost to implement.

- 4.3.2. For now, AITI will propose for higher authority approvals that annual CEP Licence fee be charged on a **fixed flat fee** basis as this is administratively easier for both the licensee and the postal authority, especially during the first few years of formal regulation by AITI. Annual CEP Licence fees will be proposed at BND750 for domestic services and BND1,800 for international services.

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