

10 January 2018

Dear CGSO Participant

PARTICIPATION FEES FOR 2018

As you are aware the Consumer Goods and Services Industry Code of Conduct provides for the CGSO to determine and receive participation fees as follows:

- 1) Participants shall contribute to the funding of the operations of the CGSO by means of the payment of a ***joining fee*** and an ***annual levy*** and (if necessary) ***a special levy***, as shall be determined from time to time by the Board of the CGSO.
- 2) In determining the joining fee, annual levy and special levy, the Board may have regard to the ***relative market share*** of the Participants in each Sector Industry Category, the ***anticipated number of complaints*** to be dealt with by the CGSO annually and the costs of operating the CGSO.
- 3) With reasonable notice to the Participants, ***a special levy*** may be raised when deemed necessary by the Board to provide for un-anticipated expenditure incurred by the CGSO due to increased caseloads or any other reason acceptable to the Board.
- 4) The Board shall from time to time ***determine the scale of fees*** to be charged to any entity which falls outside of the CGSO's jurisdiction and with which the CGSO has ***entered into an agreement to render dispute resolution services***.

After a concerted compliance awareness and recruitment drive, the CGSO has been able to increase the number of participating and fee contributing members from 24 to 662. As a result, we have been able to collect enough funds to run our day to day operations and build up reserves at the same time. This we were able to do without having to increase the participation fees since inception. We would like to thank our founding members as well as each contributing participant for your continuing support of this office which has been able to resolve more than 13 000 complaints since Inception.

In view of our healthy financial position due to the prudent management of our Board approved budget, and our continuing efforts to increase the number of contributing participants, we are pleased to announce that the CGSO Board has approved the reduction the CGSO's Participation fees by 20% for those participants who fall with the group 1, 2 and 3 categories. This reduction is in line with the promise that the CGSO had previously made that once reasonable reserves are raised, annual fees will be reduced mainly for Group 1, 2 and 3 who, from inception have been subsidizing the smaller groups. With regards to the remaining groups (Groups 4 and 5) the Board has approved an increase of the participation fee by 12%. This is considered fair considering that the founding members in group one to three have been carrying the larger burden of the fees since inception.

The number of paying participants has risen from the 24 founding members who registered voluntarily before the scheme was accredited by the Minister with effect from 29 April 2015, to 662 to date. Although this is just a fraction of entities who are operating in the goods and services industry, it helped us to raise enough reserves for the CGSO to be sustainable. The scheme operates on a non-profit basis and is continuing to put more efforts to ensure that all eligible participants are in the net.

METHOD FOR DETERMINING PARTICIPATION FEES

As per the provisions of the Code, the current method of determining participation fees is based on the total Turnover per annum. **Below are the new participation fees that will be payable in 2018.**

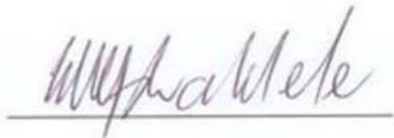
Group	Turnover Range	Old Annual Fee	New Annual Fee
Group 1	R3 bil +	250 000	200 000
Group 2	Above R1 bil to R3 bil	150 000	120 000
Group 3	Above R500 mil to R1 bil	50 000	40 000
Group 4	Above R5 mil to R500 mil	3 000	3 360
Group 5	Above R1 mil to R5 mil	1 500	1 680
Group 6	R1 to R1 mil	no cost	no cost

Participation Groups were left unchanged in the interim while the CGSO is in the process of obtaining updated Financial Statements for existing participants in order to determine whether participants are still grouped in the correct category.

We hope that the above changes are acceptable and look forward to your continued participation as required by the Consumer Protection Act and the Consumer Goods and Services Industry Code of Conduct that emanates from it.

Should you have more questions, please contact us on (011) 781 2607 for further deliberations. We also attach a legal opinion we obtained to assist in answering some of the frequent questions we receive from existing and potential participants.

Yours sincerely



Magauta Mphahlele
Acting Ombudsman