

Regional Seminar on Costs and Tariffs for Member Countries of the Regional Group for Asia and Oceania (SG3RG-AO) (former TAS Group)

Hanoi, Vietnam, March 4-6, 2009

Document 3

Market mechanism and cost reporting – Experience from Indonesia



Telecommunication
Regulatory Body
of Indonesia

Gunawan Hutagalung, MT
Head of Tariff and Interconnect Section
Directorate Telecommunications – DG Postel
Telecommunication Regulatory Body of Indonesia
Email : hutagalung@postel.go.id

Per year of 2007 as follows (based on regulatory performance report) :



Fixed Telephone

- 8.717.872 subscribers with 2 operators
- 43.000 USO subscriber



Fixed Wireless

- 16.598.550 subscribers with 4 operators
- Including limited mobility with CDMA 1X



Mobile

- 126.994.871 subscribers with 5 operators
- Including 3G and HSDPA



Internet

- Up Link : 8.101.087 kbps
- Down Link : 9.296.325 kbps



Internet User

- 56.763.560 users
- Including internet cafe

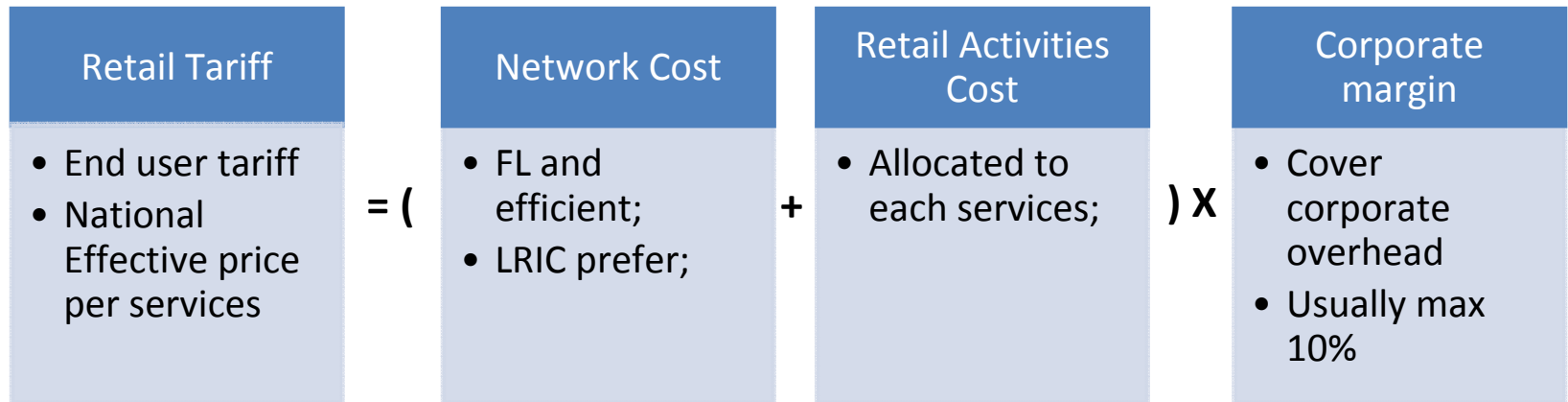
- Indonesia Population is around 220 million;
- Total subscriber is around 153 millions and at first semester of year of 2009 approximately around 180 millions;

Retail Tarif Calculation



Telecommunication
Regulatory Body of
Indonesia

For all services (basic telephony and broadband) :



Implementation of Retail Tarif

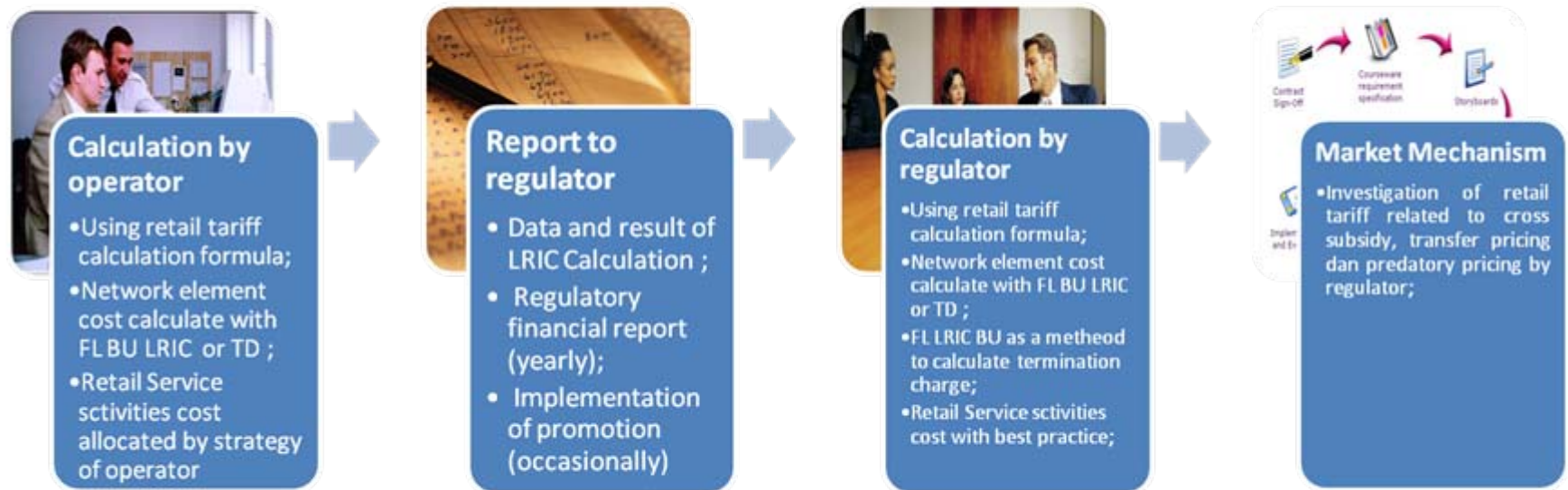
bundling by region, segment, product etc.;

De-everage by time, region and product;

Promotion per product per time period;

Extension of promotion should be approved by regulator

As follows :

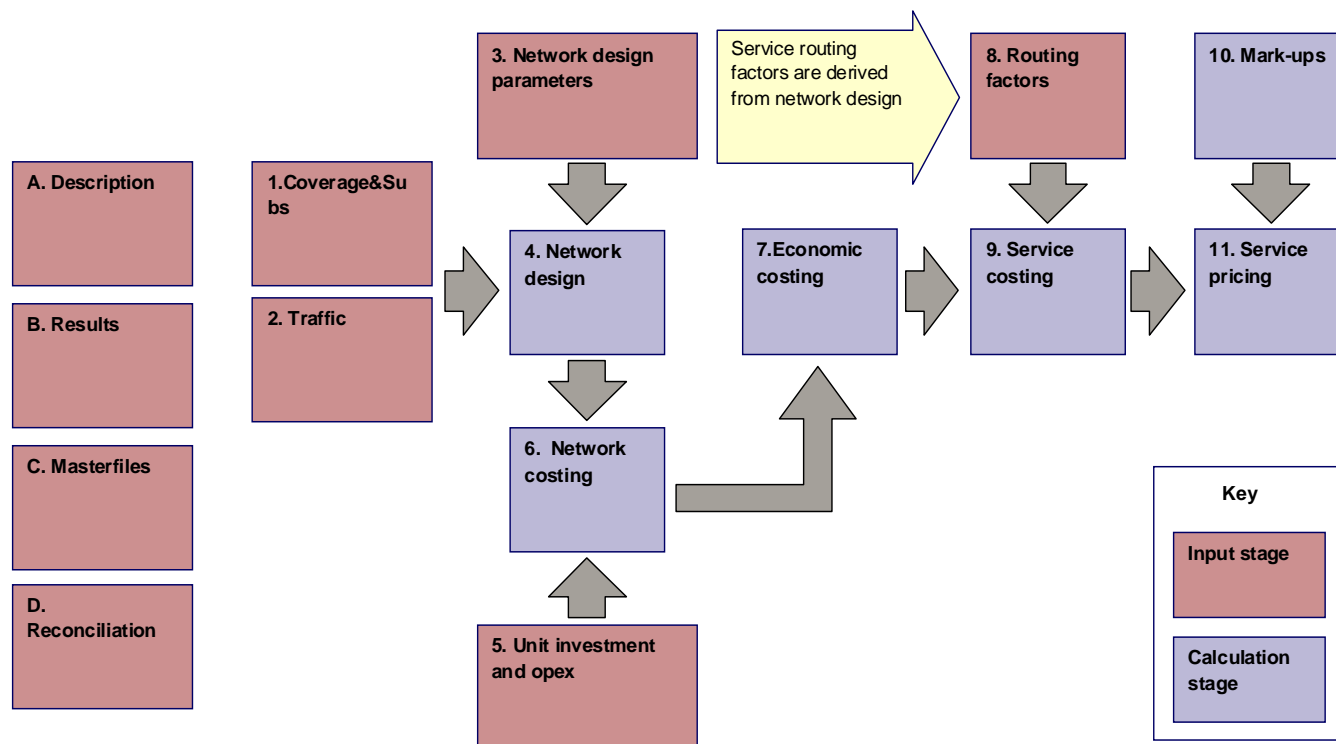


- To increase growth of subscriber and volume of traffic, for this moment, regulator does not regulate floor pricing;
- Opportunity for public to enjoy affordable tariff;
- Boosted tariff competition among operators;
- Transparency of cost;

Termination Cost



- Termination costs calculate with LRIC FL BU;
- Regulator and operator will calculate termination costs by using data from industry .
- Result of calculation will be implemented by all operator (symetric termination cost);
- Practical Indonesian LRIC FL BU as follows :

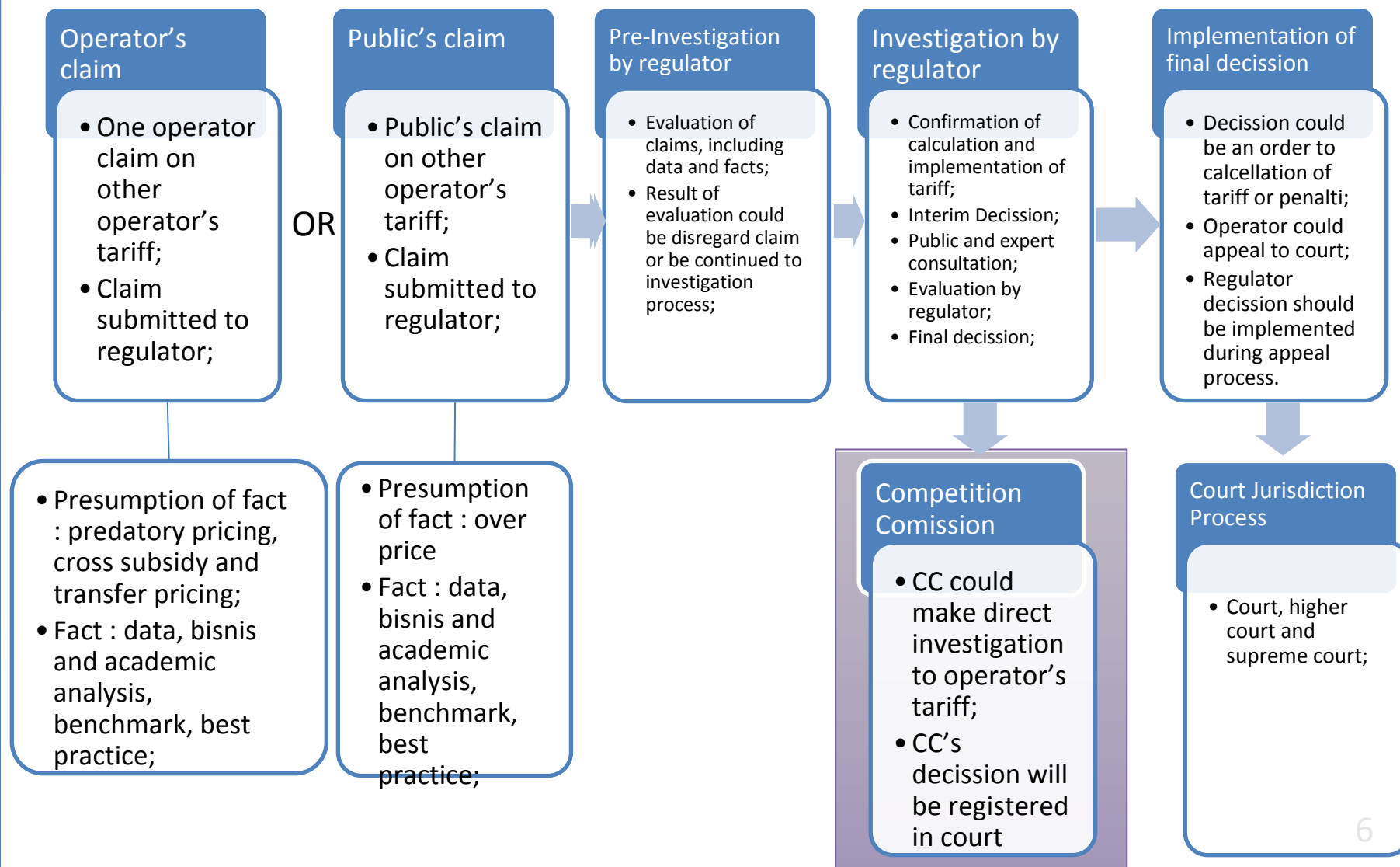


Market Mechanism Process



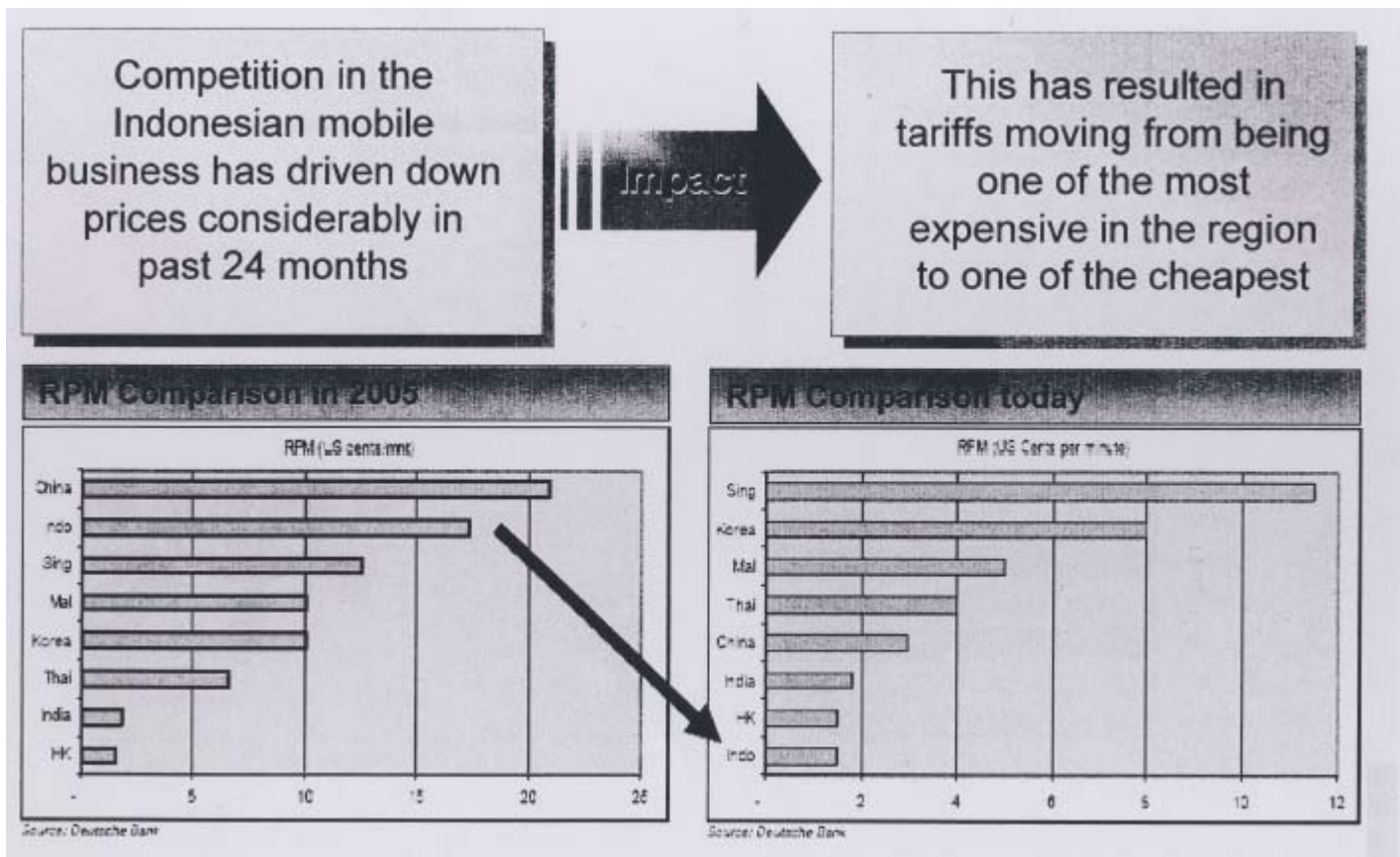
Telecommunication
Regulatory Body of
Indonesia

As follows :



Impact of tariff regulation

From most expensive to cheapest in the region :



Source : Deutsche Bank

Impact of tariff regulation

To reach unreachable:

Region	Population	Monthly expense for telco services (Rp)			
		> 150 K	> 200 K	> 300 K	> 500 K
Sumatra	49,198,036	39,344,763	30,747,679	18,146,969	6,794,795
DKI Jakarta	8,998,314	8,972,219	8,821,947	7,604,475	4,008,749
Jabar & Banten	50,034,765	40,733,302	30,969,018	17,864,913	6,754,693
Jateng & DIY	36,372,841	26,079,327	18,288,265	9,969,796	4,284,721
Jatim	36,768,974	24,495,490	16,226,148	7,846,499	2,798,119
Kalimantan	13,014,458	10,541,711	8,073,194	4,432,399	1,484,624
Sulawesi	16,546,555	10,756,585	7,281,477	3,356,634	1,088,432
Bali & IBT Lainnya	17,103,003	11,129,209	7,681,814	3,844,185	1,299,258
Total	228,036,947	172,052,607	128,089,542	73,065,870	28,513,392

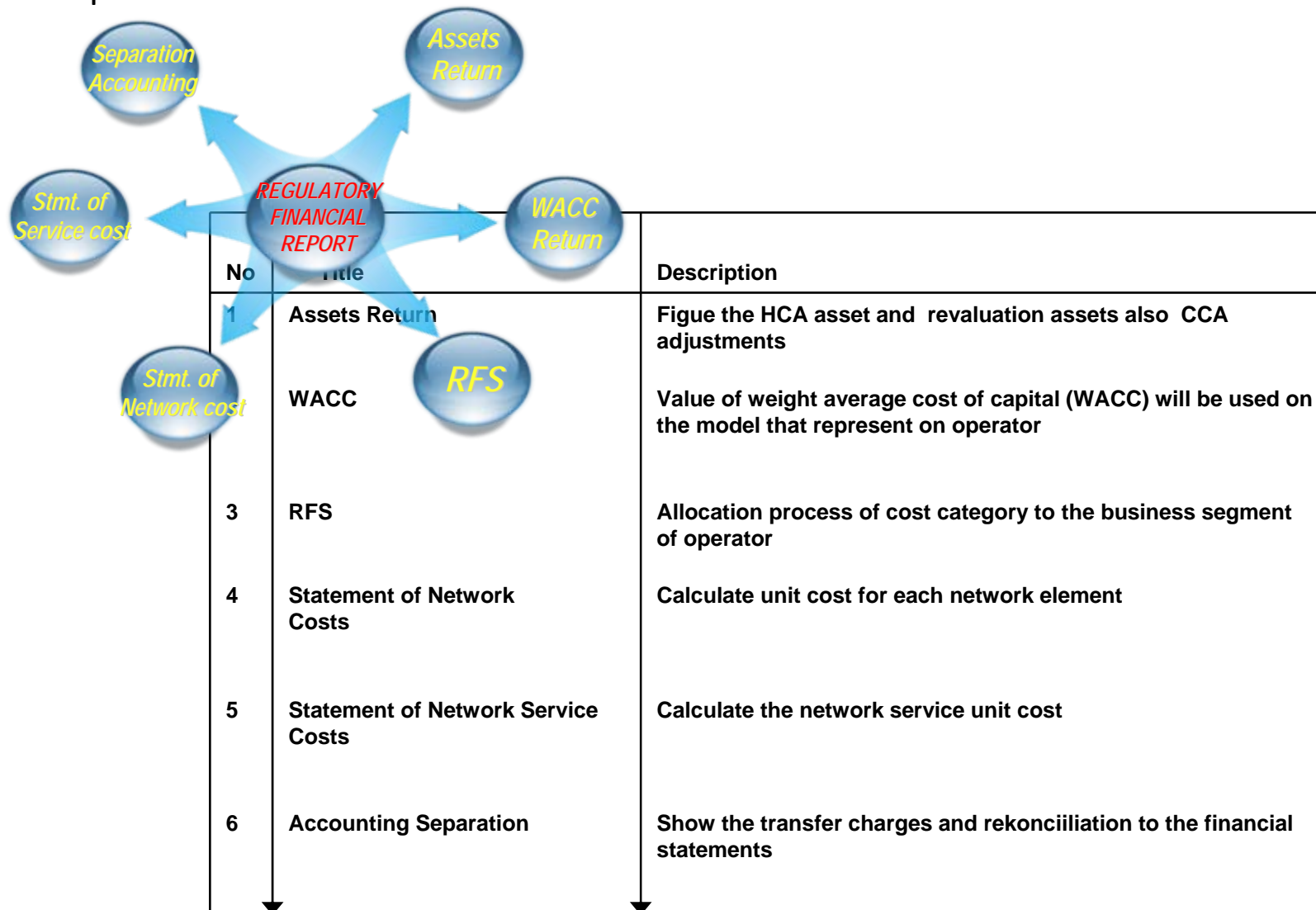


Target Market for
Telco Services

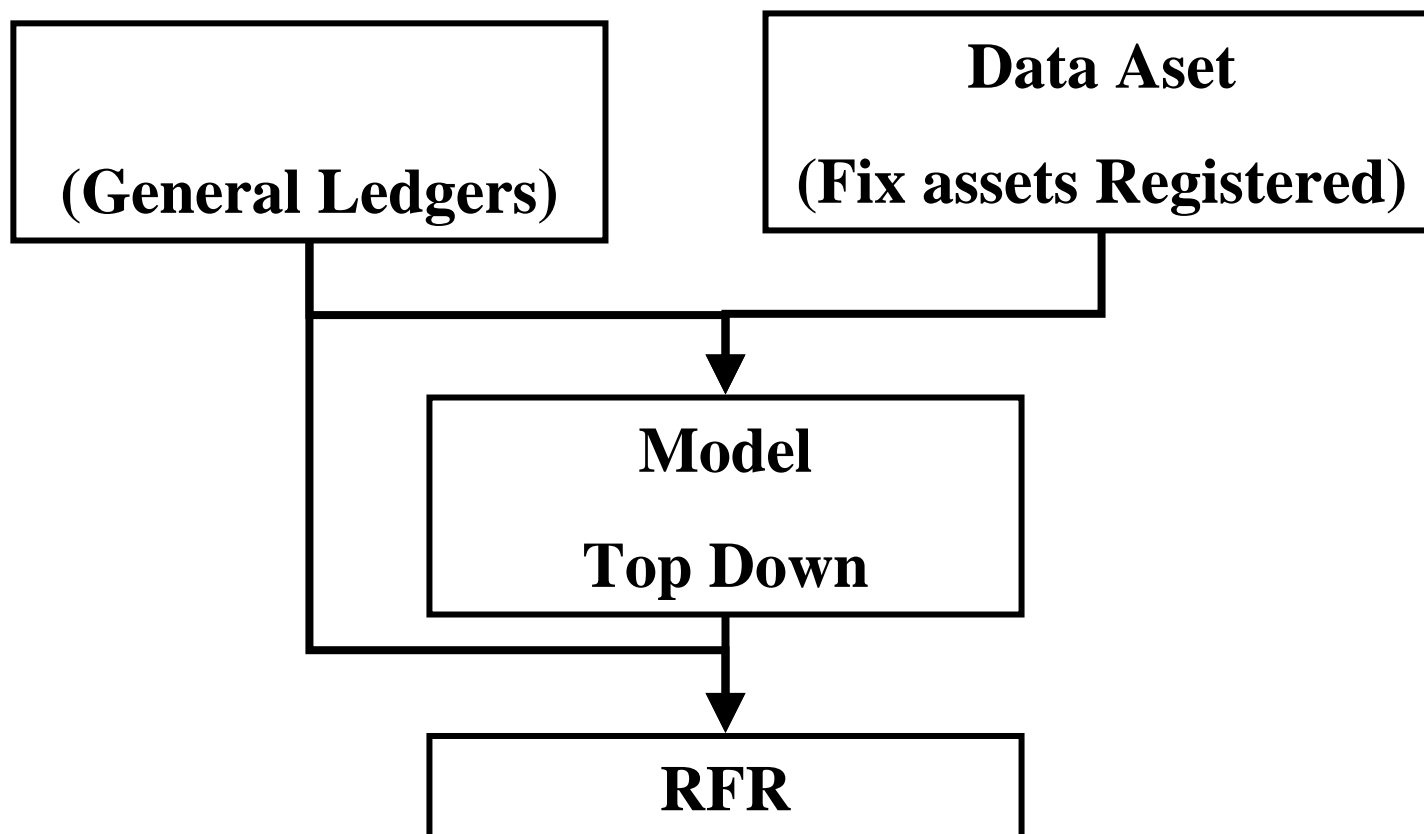
Lower purchasing power parity will be effect to the target market for Telecommunication services.

Regulatory Financial Report

Component of RFR :



How to prepare RFR :

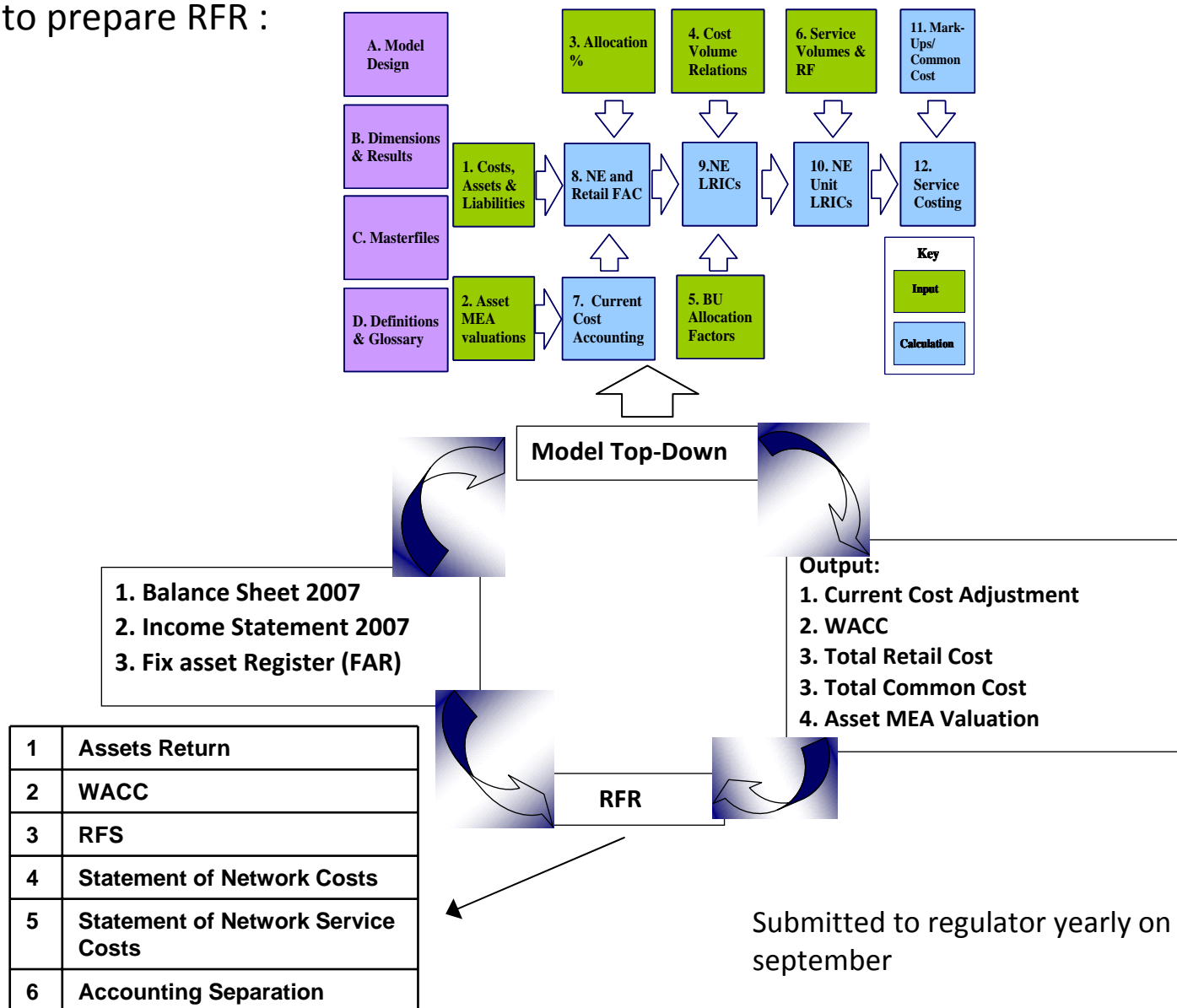


Regulatory Financial Report



Telecommunication
Regulatory Body of
Indonesia

How to prepare RFR :



Conclusion :

Market mechanism and cost reporting regulation will :

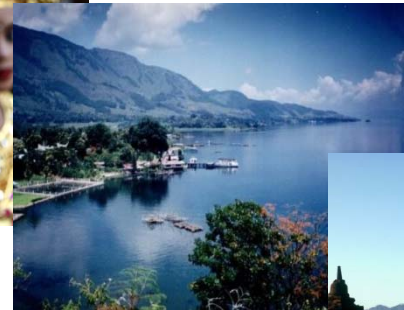
- be an opportunity for public to enjoy affordable tariff;
- Boost tariff competition among operators;
- Be a transparency of cost;
- Create a smart business strategy by operator;
- Increase efficiency of industry (encourage operator for consolidation i.e infrastructure sharing, open access and merger);



Telecommunication
Regulatory Body
of Indonesia

Thank You.

Terima kasih!



NATIONALGEOGRAPHIC.COM