

# Indonesia ICT Institute

Research . Empowerment . Discussion

## 3G Selection Delayed Again

Selection of additional blocks in the frequency range of 2.1 GHz or 3G, again delayed. The delay time is caused due to following a status Telkomsel bankrupted by the courts.

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## Indonesia Position Still Left Behind in Broadband Networks Development

The position of Indonesia in developing broadband networks (broadband) was still lagging. At least according to a report presented the World Broadband Commission entitled "The State of Broadband 2012: Achieving Digital Inclusion for All". World Broadband Commission is a commission established by the International Telecommunication Union (ITU) and the United Nations Educational, Scientific and Cultural Organization (UNESCO).

Dropping Indonesia include the fixed broadband penetration (fixed broadband). The position of Indonesia is far below other ASEAN countries such as Singapore (24), Malaysia (71), Vietnam (87) and the Philippines (101). Indonesia is also lagging behind in terms of households with connection to the internet. Indonesia is in the 74th position with 7% under Singapore came in second with 85%, Brunei Darussalam at the 8th position, then Malaysia in the 12th position or the Philippines in the 54th position. Number one in this position is Korea with 97.2% penetration.

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## What We Do

Research	The development of ICT in Indonesia interesting to study and studied considering the rapid technological changes, dynamic market, regulatory changes as well as investment opportunities in this sector are wide open
Empowerment	Adoption of new technologies and the development of ICT impact to users where necessary empowerment in order to minimize negative impacts
Discussion	Building the ICT ecosystem can not do it alone but must involve all stakeholders, so that the discussion forums are needed. We facilitate this.

Based on historical records, on 27 September 1945, the headquarters of the Post, Telegraaf en Telefoondienst (PTT) was forcibly taken over by the Young PTT. Exemption from the hands of the invaders of the PTT Office in Bandung is then defined as the Day of Posts and Telecommunications

## Establishment IndoLTE Forum to Build LTE Ecosystem

Technological evolution towards Long Term Evolution (LTE) is a necessity. Sooner or later, as the need for high-speed data, LTE will be adopted in Indonesia. GSA estimated that by the end of 2012 there will be 144 networks in 59 countries.

Implementation of LTE can not stand alone, but involves many parties that need attention LTE ecosystem and built. LTE ecosystem involves regulatory issues / frequency, standardization, provider of hardware and software both on the network and CPE (customer premises equipment), as well as service delivery and educate users. Thus, many people need to be invited to build joint LTE ecosystem includes regulators, equipment vendors and manufacturers divide consumers, academia, telecommunications (operator), content providers and prospective users of LTE-based services.

Learning from past mistakes, while the adoption of 3G and WiMAX where the ecosystems are not addressed, then the Indonesia ICT Institute initiated the establishment of Indonesia LTE Forum with the spirit of building an ecosystem that welcomes the inclusion of LTE technology. Expected, IndoLTE Forum the event to share their knowledge and ideas of all stakeholders associated with the LTE ecosystem. From this forum we are trying to monitor ecosystems and to help regulatory and standardization preparation, as well as the education and socialization of the adoption of LTE.



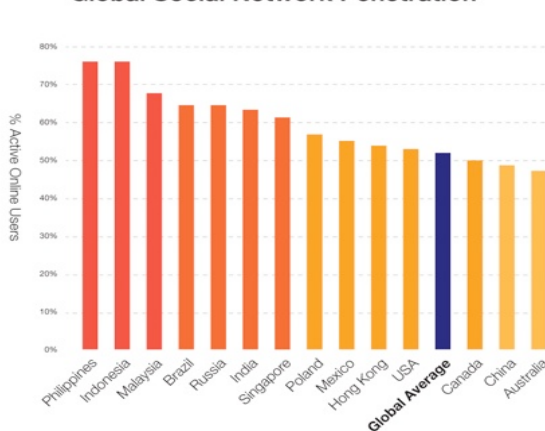
### About IndoLTE Forum

The forum is an open forum, which is expected to involve regulators, operators, vendors and CPE devices and users, both individuals and organizations / companies, which have relevance to the implementation of LTE in Indonesia.

If you are interested to joint this forum, please get the forms with send email to [info@indolte.com](mailto:info@indolte.com).

For social media communications, can be followed via Twitter at @indolte account.

Global Social Network Penetration



Indonesia is currently the country—with the Philippines—being the highest penetration of social networking users in the world, almost 80% of online users are active in social media. (Source: Report of the World Commission on Broadband, September 2012)

## A Glimpse of ICT Development in Indonesia

History of the use of information and communication technology in Indonesia has started the first local telephone calls on October 16, 1882 that connects Gambir and Tanjung Priok (Batavia). The first telegraph channel opened on October 23, 1855 by the Dutch government that connects Batavia (Jakarta) and Buitenzorg (Bogor). Telegraph services can be utilized by the public in 28 telegraph office.

(Source: The book "From Monopoly to Competition: 50 Years of Telecommunications Indonesia - History and PT Telkom Management Tips", Ramadhan KH et al., 1994)

## Selection Additional 3G Block Delayed Again

Selection of additional blocks in the frequency range of 2.1 GHz or as it is used for The 3rd generation technology known as 3G, again delayed. Delays following the dissolution of the status of one of the winner candidate requesting additional blocks—Telkomsel—to be bankrupt by the court. Telkomsel is a subsidiary of PT Telkom, State Owned Enterprises which owns a 65% share in Telkomsel, with the remaining 35% owned by SingTel.

Bankrupt decision issued by Central Jakarta Commercial Court to Telkomsel following a business dispute between Telkomsel and PT Prima Jaya Informatika (PJI) for Prima card.

Agreements related to cards and vouchers Prima signed on June 1, 2011 which originated from a memorandum of understanding (MoU) between Telkomsel with Yayasan Olahraga Indonesia – Indonesia Athletes Foundation (YOI). With this agreement, Telkomsel authorizes the YOI to sell prime cards and recharge vouchers. To execute the MoU, YOI then pointed PJI. In cooperation agreement stated that PJI are targeted to sell 10 million cards, and 120 million prime recharge voucher in the one of a year.

But after a year, Telkomsel evaluate PJI and decide that PJI unable to meet the target. So then, there was the same termination. Not accept the decision of Telkomsel, PJI sue Telkomsel to the court to decide later Telkomsel Bankruptcy Court. Beside PJI another partner Extent Media did the something.

Meanwhile, the actual selection process additional blocks of 3G awaits final round only. There are four draft Regulation of the Minister of Communication and Information Technology has consulted to the public. That includes draft Coordination procedures between operators with UMTS PCS, draft revision Ministerial Decree No. 1/2006, draft revision Ministerial Decree No. 7/2006 and of course is the draft regarding Selection Procedures Additional 3G



Minister of Communication and Information Technology Tifatul Sembiring: *"Actually a shame if Telkomsel as a company that majority owned by the state can not take the selection"* (Indotelko, September 29, 2012)

block.

Associated with the status of Telkomsel, in the draft Selection Procedures document, no chance for participants in bankruptcy conditions to be part of this selection process (Article 18 paragraph (1) item g). These rule can hinder Telkomsel to participate selection.

According to the analysis of the Indonesia ICT Institute, the government's position seems ambiguous. One side does not want to look too defending Telkomsel as a subsidiary of the state-owned Telkom, saying that the selection will continue to run, which is delayed constrained selection of documents that have not been completed. But on the other hand, implied that the process continues after Telkomsel status is clear.

However, for the industry, certainly need clarity. Increasingly congested traffic and make getting data speeds down, and the process has become the world's attention, a factor that any selection condition must go as planned. Moreover, that must concern is the name of Ministry of Communications and Information Technology, which each year have to met targets non-tax state income (non-tax revenues), that always exceeded. With the additional 3G selection status delayed again, it can be impact to the non-tax income revenue, target set is not achieved feared. Because in fact, the selection process of from notification until the determination of the winner determination will take about two months.

## From Page 1

Indonesia also be in the down position in terms of individuals using the internet. Indonesia is in position 117 of 177 countries or position 72 of 132 developing countries. The individuals who use the Internet in Indonesia reported only 18%, far below Singapore (27) with 75%, Malaysia at No. 43 with 61%, followed by Brunei Darussalam at No. 49, Viet Nam ranked 87th, Philippines ranked 100th and Thailand ranked 106th. Iceland held the top ranking with 95%.

A somewhat decent from what has been done in the case of Indonesia is defecate broadband penetration (mobile broadband). Indonesia perched at position-41. Although Singapore is in the other countries in the world with 110.9%, other ASEAN countries their position still under Indonesia, such as the Viet Nam at position 53 with 53%, as Malaysia (66), Brunei Darussalam (81) and the Philippines (96). China (71) and the United Arab Emirates (42) also under Indonesia.

World Broadband Commission seems to agree that the development of broadband is needed to guide the development and achievement of the Millennium Development Goals (MDG's). That's because broadband offers the opportunity to improve the socio-economic development, education and health-issues that have been targeted in the achievement of the MDG's in 2015, which has been agreed internationally.

Order directional broadband development in achieving the MDG's, the Broadband Commission also issued 12 recommendations to be made by all countries. The recommendations include: elaborating new approaches to spectrum management, implement the policy of extractive infrastructure cabling along with right of way and permits easy, utilizing USO funds for broadband development, consider to evaluate and update the ICT policy, takes into account the unified licensing regime, then also consider a convergent regulation, reduce taxes and import duties ICT devices and services, the creation of local content local language, increasing the need for broadband service development initiatives in electronic government (e-government), monitor the progress of ICT appropriate indicators set, put forward the principle sustainable ICT policy and regulation, and promote the skills and talents needed in the development of broadband.

Broadband Commission concern as well on how the benefits of broadband can be extended to the world's population with policy leadership. Action and investment to boost access to broadband are more likely when we are based on clear policy leadership, comprising a national broadband plan with clear statement of policy objectives and targets.



## Business Potensial *E-Commerce*

Electronic commerce (e-commerce) business is excited. According the Directorate of E-Business Ministry of Communications and Information Technology, a business has the potential turnover of Rp. 330 trillion. Fantastic. Not surprisingly, dozens of players who are now plunged into this business. Call it Plasa.com, Kaskus.us, Multiply.com, Tokobagus.com, Blibli.com and Rakuten.

Users online shopping sites in Indonesia is not small. As Multiply.com, has reached three million users with 80,000 merchant. While Blibli.com has 300 merchant partner with average 200-300 transactions per day. In Kaskus brighter, occurred 38 million transactions per month.

Although the market is wide open, Indonesia ICT Institute see three main challenges in online business in Indonesia. First, change the culture that had been bought at the store with a direct view of goods, changing online. Second, clarity of rules that umbrella and protect business transactions online. And third, the number of sales of goods through online business that turned out to deceive



## Should Reformulation Frequency Spectrum Fee?

Non-tax state income (non-tax revenues) of the fee (BHP) frequency is very significant. In 2011, obtained Rp. 8.79 trillion from the use of the radio spectrum. In 2010, revenues greater, reaching Rp 10.69 trillion.

If there is no significant obstacles that make an additional selection of 3G blocks in blocks 11 and 12 aborted, then the estimated state through the Ministry of Communication and Information will be an additional income of Rp. 1.13 trillion this year. That's because, based on the draft Ministerial Regulation Selection Procedures 3G, up front fee and BHP year for each additional block of frequencies spanned 3G is Rp. 256.876 billion.

When linked with the recommendations of the Broadband World on the frequency spectrum where affordable broadband access can only be realized with specific policies and approaches. Including of course, is the cost of a frequency spectrum or factors make it difficult to access affordable broadband. Especially for Indonesia, where mobile broadband access is much larger than fixed broadband access due to geographic reason and Indonesian users habit that they want to connect or call anywhere, anytime.

Based Comparative Analysis of Spectrum Fees made Ovum in June 2010 acquired spectrum fee scale for G7 and G20 per population in U.S. dollars for each MHz. From the calculations carried out Indonesia ICT Institute, scale fee for 3G spectrum in Indonesia by calculating the average frequency comprising BHP Up Front Fees and Annual Fees, figures obtained \$ 0.01716 / MHz / Population. This means that the cost of spectrum Indonesia is above the G7 countries such as France, Germany, Japan, Britain and the United States.

In Radio Frequency Spectrum Management, there are several approaches to determine the value of the radio spectrum: the traditional approach, through the spectrum through spectrum licensing and pricing.

For pricing spectrum using spectrum licensing is a First Come First Served methods, Beauty Contest or Lotteries. While tariff frequency spectrum using spectrum pricing is a method based on gross revenue income of frequency users.

Besides sharing system, which is now also widely used approach is the method of cost recovery. Cost Recovery many consider today as it aims to cover the cost of managing the radio frequency spectrum by holding the principle of not too high in tariffs to the holder of the license and avoid the use of the state budget to subsidize the frequency spectrum management.

Cost Recovery For there are three kinds, namely partial cost recovery, cost recovery is full and more than full cost recovery. For the last type of cost recovery, it was based on the goal to encourage more efficient use of spectrum while also not be excessive.

Any reformulation of the method used, Indonesia ICT Institute considers that do not burden the cost of spectrum licensees who in turn burdening users. Even if expensive, revenue should be returned to the development of the ICT sector. So far, unfortunately, it is difficult to do because it is considered as income countries which include the USO fund.

However, we still need to consider how the impact of the cost spectrum for broadband users, which is expected to further develop in accordance the target from the MP3EI with the key factor is affordable rates. It's hard to be affordable tariff if its expensive cost component spectrum.

# Indonesia ICT Institute *E-Newsletter*

*This electronic newsletter (E-Newsletter) will attend regularly every month. However, for specific issues or specific research summaries will be submitted via a separate newsletter including update of information.*

*In support of the "Go Green" for a sustainable earth, it is not advisable to print this e-newsletter. Each sheet of paper and ink every drop we save, it would be beneficial to the survival of our planet in the present and future.*

Thank you.

HERU SUTADI  
Executive Director



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