

INDONESIA TELECOMMUNICATION UNIVERSAL SERVICE ACCESS FUND

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ABSTRACT. This paper is looking on the issue of Universal Service Access Fund in Indonesia particularly on the performance of the telecommunication company to contribute based on the Act No. 36 of 1999 on Telecommunication. The material presented in this paper is only based on literature available. Toward the end, this paper will help to establish the surrounding scenario on the overall performance of USAF in Indonesia.

Keywords: universal service access fund, telecommunication

INTRODUCTION

Over the last decade, the telecommunications sector has experienced rapid growth in almost every sector, ranging from cellular phone to broadband Internet, e-commerce, e-government, e-education and e-medicine. At the same time, the method of financing and type of financial resources used for the development has shifted radically especially for the rural area, where business model for investment cannot be applied. An analysis of return on investment will not make sense when the level of investment required is high; whereas, the potential return is almost does not exist.

Traditionally, any kind of investment that has this kind of nature is usually come from government. For example, investment for ICT infrastructure for rural area or more well known as underserved area usually will be carried out by government through public fund. The Universal Access Service Fund (USAF) can come from several resources such as government allocation or donations from International Financial Institutions (IFIs). However, lately, this financial source has changed to private based generation. The resources have been derived from certain percentage of telecommunication company income each year. The obligation to contribute can be created through the establishment of legal instruments (eg, communication law). The advantage of USAF with funds derived from the private contribution is not burdening the government funding especially low income countries.

Therefore this paper is intended to look at USAF issues closely especially on how the fund can be raised and managed. Towards the end, a special attention will be given on the USAF development in Indonesia. In addition a brief comparison study between Malaysian USAF and Indonesian USAF will also be included.

BACKGROUND

Basically, the source of USAF funds is generated from one or more of the following methods:

1. Government Budget (in a few cases, including one source of initial funding, Chile Fondo de Desarrollo de las Telecomunicaciones);

2. Industry levies, the percentage of annual income to the licensed operator;
3. Various other sources are arranged like the competition license and frequency spectrum auction costs, and
4. Initial contribution from the government, subsequently financed by loans or grants from international donors such as the World Bank, this contribution as a source of initial funding to help UASF in the early years.

In Indonesia, since the Act No. 36 of 1999 on Telecommunication was set, there were some climate changes in the spirit of the telecommunications operation from monopoly climate to the competitive climate. The Government of Indonesia through the Minister of Communications, Agum Gumelar has launched a program with a target to deploy telecommunications facilities to all villages that have not been served until 2005. The construction of telecommunication facilities to rural areas has been initiated by building access to basic telephone service in 3010 villages across the country in which was inaugurated in Jakarta on December 18, 2003 (Satriya, 2004). However, the rollout of Universal Service Obligation (USO) which was being implemented by the local fixed network operator was not running on schedule. The Indonesian government decided to take over the project. Subsequently, the government has developed an initiative to pioneer the USO program in 2003/2004 financed through APBN with the intention of finding an alternative source in the future. (BTIP, 2008). USO target areas are lagging regions, remote areas and border regions. While the classification of the territory covers the area of mature (commercially ready), the semi-mature (high needs but not yet qualified commercially) and non-mature region (needs are unseen). In year 2003 (with state budget funds amounting to Rp. 45 billion) the government has built as many as 3051 units Telephone in 3013 villages spread over the area of Sumatra, Java, Kalimantan and Eastern Indonesia Region. Later in year 2004 (with state budget funds amounting to Rp. 43.5 billion) the construction continues with 2635 units Telephone in 2341 villages spread across Indonesia.

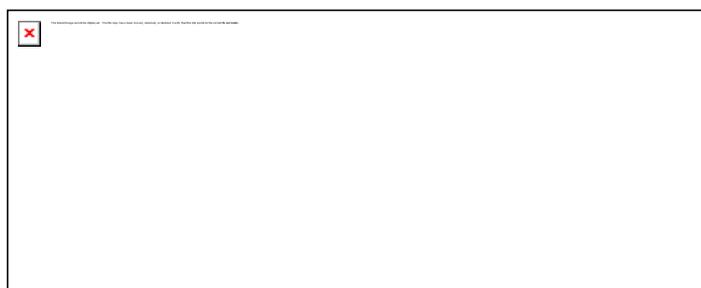


Figure 1. Indonesian Archipelago

Indonesia is an archipelagic nation with a total area of 9.8 million km², 81.0% is ocean, consisting of 33 provinces, 268 districts, 73 municipalities, 4044 sub-districts and 69,065 villages (ITU, 2002) as shown in Figure 1. With a very large area and spacious, the telecommunication service can not be reached by all levels of society particularly those living in rural areas. As a result of the 250 million population of Indonesia, telecommunications subscribers are estimated to reach 8 million people (3%) for fixed line, 30 million (13%) for mobile, as well as tens of thousands (0.04%) for the satellite. Around 43,000 villages of the 67,000 unreached telephones access (Lang, 2006).

Through an agreement between the government and telecommunications operators, USAF in Indonesia is generated by the telecommunication operators at the rate of 0.75% over their gross revenue. This rate is established by the issuance of Government Regulation No. 28 of 2005 on the Maximum Tariffs of the State Non-Tax Revenue (non-tax revenues) by the Ministry of Communications and Information Technology (BTIP, 2008). Table 1 tabulates the

type of telecommunication services and their corresponding number of operator. In addition, Table 1 also shows the total percentage of contribution of the sectors to the total USAF.

Table 1: Telecommunications Operator USO Contributors

No	Telecommunication Service	Total Operator	% Contribution
1	PSTN	4	25.0
2	Fixed Wireless	4	1.3
3	Cellular	8	60.0
4	Data Communication	6	13.2
5	Network	20	
6	Network Access Provide	32	
7	Internet Service Provide	154	
8	Voice Over IP	24	
Total		252	100

According to BTIP Annual Report (2008), 252 service providers will contribute to the fund to finance the USO rollout project targeted in lagging regions, remote areas and border areas. But, this is far short of expectations because based on the BTIP 2008 Annual Report, out of 252 service providers that were suppose to contribute, many of them failed to do so. The following describes the situation.

- 66 companies did not contribute in 2005, 2006, 2007, 2008 Quarter I – III
- 129 companies did not contribute in 2008 Quarter II – III
- 52 companies did not contribute in 2007, 2008 Quarter I-III
- 5 companies did not contribute in 2006, 2007, 2008 Quarter II – III

Among the stated reasons for the failure to oblige to this the rule are as follows:

- Failure to provide correct and updated address (71 Companies)
- Unclear status of payment (30 companies responded via a letter stating they had made payment)
- USAF unable to track payments made by the contributors (80 companies made the deposit obligation directly to the account of USO)
- 71 companies had not declared their status on their deposit obligation

The above situations indicate that there are some of the challenges faced in managing USAF in Indonesia. The challenges are:

1. To obtain latest and correct addresses of telecommunication companies. This problem might be contributed by the inadequate enforcement of company registration rules.
2. To control the enforcement of the contribution. This could due to the lack of control by the government on these companies which may result in the lack of commitment by the companies.
3. To estimate the whole cost of USF rollout. This cannot be anticipated as the amount of the contribution cannot be predicted due to the lack of commitment from the telecommunication companies as well as changes in telecommunication industries.

As a result, it is not surprising if Indonesia is always left behind from several ASEAN countries in terms of telecommunications development. Based on a research conducted by Wategama et al. (2008), Indonesia was ranked fifth after Singapore, Malaysia, Thailand and Philippines in terms of mobile penetration in 2007. In terms of telephone and computer usage, Indonesia was again positioned after Philippines and Thailand.

DISCUSSION AND RECOMMENDATIONS

In order to address the above mentioned problems, the Indonesian government needs to strategize her enforcement of the Act No. 36 of 1999. Article 16 paragraph (1) states that each

telecommunication and network provider or telecommunication carrier is required to contribute to the USAF. This is further emphasized in Article 45 that states "anyone who violates the provisions of Article 16 paragraph (1) is subject to administrative sanctions" which can lead to its' license being revoked. The government firmness in guarding the Law (No. 36) can lead the telecommunication companies to consistently contribute to USAF. Having a large number of potential contributors, the Indonesian government cannot guarantee that they will have bigger pool of USAF compared to her ASEAN counterparts such as Malaysia. With only 44 companies contributing to the fund per year, Malaysia managed to maintain her position not only as the second in the development of telecommunications in ASEAN (Pustral UGM, 2007), but also ranked 17th of 52 countries in terms availability of USA fund management. On the other hand, Indonesia is ranked 33rd after Nigeria and Paraguay (ITU-InfoDev ICT Regulation Toolkit Module, 2010).

In addressing the issues of governing body who manage the USAF, the Indonesian government need to assign an agency that is responsible for it. Such practice is being implemented by the Malaysian government and its effectiveness is proven by her ability to properly manage the fund. In the case of Malaysia, the assignment is made through the issuance of telecommunications law, called Act 588 of 1998. The act has clearly specified the establishment of a council named Suruhanjaya Komunikasi dan Multimedia Malaysia (SKMM) under the responsibility of the Ministry of Information, Communications and Culture.

There are some legitimate and understanding about UASFs implementation that does not succeed because it is not in accordance with the plan, but with strict monitoring showed that most cases like this happens due to the lack of proper implementation and is not according to the principles of UASF management. To develop UASF there are some things that must be considered, namely: the management and staff, accountability and transparency, approach of the principles efficiency, capacity management, accountability, fairness and transparency.

Being a large country with a total of 33 provinces, 268 districts, 73 municipalities, 4044 sub-districts and 69,065 villages (ITU, 2002), the Indonesian government receives a comparatively small amount of contribution to fund her telecommunication development. Table 2 shows and compares the percentages of contribution received by Indonesia and some of her ASEAN counterparts. It clearly shown that the contribution of providers and telecommunications services in Indonesia is very small compared to other ASEAN countries. So it is not surprising that Indonesia ranks fifth among the ASEAN countries in the development of telecommunications. Limited and insufficient financial support hinders the development of the Indonesian telecommunications sectors. Therefore, the Indonesian government needs to address this issue for the development of telecommunication facilities especially in the rural area.

Table 2. Funding Source of Neighboring Countries

Country	Funding Source
Indonesia	0.75%
Malaysia	6%
Thailand	4%
Vietnam	3%

Source: Intelecon Research (2001)

CONCLUSION

Indonesian law No. 36 of 1999 is very important law for telecommunication sector in Indonesia. The law has provides the government a mean to establish USAF which address directly the issues of providing the underserved area with equal opportunity to access the telecommunication technology. The law has specified the responsible parties who should contribute to the USAF as well as specifying the rate of their contribution. However the

enforcement of the law is a little bit loose. There are companies who should contribute but do not pay their portions. As a result, the projected USAF is not being reached which in turn will affect the overall planning and rollout of USA in Indonesia. Compared to her counterparts, Malaysia manages to collect sufficient amount to finance the USA program due to her strong enforcement of the corresponding law and effective monitoring mechanisms. It is also important for Indonesia to find further strategy to increase the size of USAF to support future USA rollout program. More innovative method of mechanism in determining the percentage of contribution based on the service demand can increase the amount of fund available in the future.

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