



Indonesia: Telecommunications and Broadcasting

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Summary

In the past few years Indonesia's telecommunications sector underwent major regulatory restructuring. The previously exclusive domain of PT Telkom began to open up with the entry of Indosat, and Telkom starting to have a major impact on the international call business. At present Indonesia has around 9 million fixed-lines telephones, representing a teledensity of only 4.0 lines per 100 people. To stimulate development of country's teledensity rate, PT Telkom, PT Indosat and PT Bakerie Telecom deployed CDMA fixed-wireless service.

The Indonesian cellular market is heating up and potentially lucrative as demand for mobile phones continues to increase. With around 100 million subscribers (cellular and fixed-wireless) in early 2008, a penetration of 45% indicates there is still a room for growth. The number of subscribers is forecasted to add around 30 million in 2008. The shape of the market is expected to undergo change as a number of new operators, with foreign partners, like Singapore Telecommunications Limited (Singtel), SingaporeTechnologies Telemedia (STT), Telecom Malaysia, Maxis, and Hutchinson, enter the market.

The television broadcasting industry in Indonesia has grown significantly in the last ten years until the end of 2005, with the number of stations increasing to 86 in more than 50 cities and almost all the provinces in Indonesia. The number will continue to increase as 218 TV station operators have applied for operational licenses. Indonesian TV stations require the involvement of foreign investors for financial support and expertise in the industry.

Market Demand

Indonesian cellular operators are planning to invest over \$3 to \$4 billion in 2008 to expand their networks to meet the surge in demand. The three largest industry players PT Telekomunikasi Selular (Telkomsel), PT Indonesia Satellite Corporation Tbk. (Indosat), and Excelcomindo Pratama Tbk. (XL) are set to invest heavily to build and upgrade their infrastructure. CAPEX for nine operators (GSM and CDMA) is expected to reach \$7 billion in 2008.

A number of Indonesian broadcasters are drawing foreign players in a bid to strengthen their business base. The latest to make the move is private TV network Cakrawala Andalas Televisi (ANTV) which is partnering with Hong Kong-based cable and satellite operator Star TV. The partnership, signed in Jakarta in September 2005, is expected to strengthen ANTV's position in the Indonesian broadcasting industry, while Star TV acquired a 20 percent stake in one of Asia's fastest-growing TV and advertising markets.

The Indonesian advertising industry spent on TV and print media spots grew 19 percent in the first quarter of 2007, reaching \$798.75 million, according to ACNielsen Indonesia. Of the amount spent, 66 percent went to 19 surveyed television stations, 30 percent to 82 newspapers and 4 percent to 127 surveyed magazines and tabloids. Television stations benefited most from advertising by hair care producers who spent a total of \$36.47 million.

Market Data

Driven by the vibrant demand for telecommunications and information technology for new technological applications and systems, Indonesia has deployed several types of cable telecommunication networks. These network services play a significant role in developing business activities and fostering cultural and other non-commercial activities in Indonesian society. The network services that are available in Indonesia are:

1. Wire line: ADSL (Asymmetric Digital Subscriber Line), ATM (Asynchronous Transfer Mode), broadband, frame relay, HFC (Hybrid Fiber Coax), ISDN (Integrated Services Digital Network), VOIP (Voice Over Internet Protocol) and VPN (Virtual Private Network).
2. Wireless: GPRS (General Packet Radio Service) and EDGE (Enhance Data for Global Evolution).

PT Telkom controls over 90 percent of telecommunication wire lines in Indonesia. However, there are several local companies including AT&T Global, CBN, Centrin, Idola, Lintas Arta, Radnet that provide similar services, using PT Telkom's network facilities.

Major Telecom Indicators

	FIXED-LINE		CELLULAR PHONE		INTERNET		BROADBAND INTERNET	
	# of SS	P Rate (%)	# of SS	P Rate (%)	# of SS	P Rate (%)	# of SS	P Rate (%)
Population/ Households	9 million	4.0	100 million	45	2 million	0.9	300,000	0.1

Notes: M - Millions, SS - Subscribers, P - Penetration, and HH - Households

Pay TV

The Indonesian pay TV market is in its infancy compared to Indonesian Free to Air TV. Currently, there are ten privately owned national and one government owned Free to Air TV stations each reaching some 80-185 million people throughout Indonesia. Currently, there are over 280,000 pay TV subscribers. However, the Indonesian pay TV sector is changing fast and many new developments are expected in the coming years to compete for the Pay TV market. In 2006 Lippo Group's Kablevision, a pay TV leader in Indonesian, signed a joint venture agreement with Malaysian-based Astro All Asia Networks. The alliance has shaken up the pay TV sector bringing more awareness about pay TV and driving subscriber numbers higher. Indovision, Kabelvision, Astro and Telkomvision are the main players in the pay TV sector accounting for more than 95% of the market.

IPTV

Currently no operators are offering IPTV services in Indonesia. The government has not decided which technology to adopt. Telkomvision is researching the possibility of utilizing its parent company's, PT Telkom IP backbone to provide cable TV direct to homes.

Mobile TV

Several cellular operators – Telkomsel, Indosat, Excelcomindo, and Mobile-8 Telecom have started offering mobile TV. Three operators that hold 3G license are competing to attract customers to subscribers to their services such as video call, music, movie, games, news on demand and high speed internet. Currently there are over one million 3G subscribers for the three operators in total.

New Technology

The Indonesian government is currently conducting trials to adopt digital broadcasting and will announce the most suitable digital broadcast standard for its terrestrial DTV broadcast. Indonesia is currently testing the following standards: Digital video broadcasting-terrestrial (DVB-T) and digital multimedia broadcasting –terrestrial (DMB-T) and DVB-H and DMB for mobile TV. Indonesia is also considering the US-developed Advanced Television Systems Committee (ATSC) standard as well. The national digital team is also conducting trials on DVB-IP services.

Major Broadcasting Indicators

	FREE TO AIR TV	PAID TV	CABLE/ SATELLITE TV	PARABOLA
Households	P Rate (%)	P Rate (%)	P Rate (%)	P Rate (%)
53.5 million	75	0.6	1.2	9

TV Broadcasting Stations in Indonesia

NATIONAL SCALE	LOCAL/REGIONAL SCALE
Anteve	Bali TV
Global TV	Bandung TV
Indosiar	Batam TV
Lativi	Bengkulu TV
Metro TV	Deli TV
RCTI	Jaktv
SCTV	JTV
TPI	Kaltim TV
Trans TV	Lampung TV
TV 7	Lombok TV
TVRI	Makasar TV
	Megaswara
	NLN TV
	O Channel
	Palu TV
	Papua TV
	Riau TV
	Semarang TV
	Others

Source: Director General of POTS and Telecommunications

Broadcast Reaches Indonesian Population

TV STATION	REACH		
	Province	Towns	Population (million)
TVRI	30	389	195.2
Indosiar	22	176	170.0
RCTI	33	390	169.9
SCTV	25	260	167.8
ANTV	17	126	147.9
Trans TV	16	141	138.8
TPI	19	138	129.7
Metro TV	24	279	118.0
Global TV	18	148	110.4
TV7	15	97	101.9

Lativi	9	84	94.9
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Source: industry sources

Best Prospects

Indonesia's telecommunication infrastructure market has good potential for wireless equipment, services and content provider companies. The rapid expansion of the country's cellular and fixed-wireless networks has driven increased spending for telecom infrastructure.

Key Suppliers

In the telecommunications market, European manufacturers dominate GSM mobile network infrastructure equipment and handsets. Huawei and ZTE have been very aggressive in supplying CDMA infrastructure equipment including mobile switching centers base transceiver stations, and base system controllers. However, U.S. suppliers will still find tremendous opportunities supplying telecommunications equipment such as soft switches and equipment for multimedia services to PT Telkom.

Prospective Buyers

Indonesia's major telecommunications and broadcast companies are listed below.

Major Telecom Companies in Indonesia

OPERATOR	NETWORK
Telkom	Landline and CDMA Fixed Wireless
Indosat	GSM and CDMA Fixed Wireless
Telkomsel	GSM
Excelcomindo	GSM
Mobile-8	CDMA
Bakrie Telecom	CDMA Fixed Wireless

Major Broadcast Networks

TV STATION
Anteve
Global TV
Indosiar
Lativi
Metro TV
RCTI
SCTV
TPI
Trans TV
TV 7
TVRI

Market Entry

Asian telecommunication vendors supported by their respective governments have become major competitors for the US-based manufacturers in Indonesian market. Very often Asian vendors offer financing packages that are backed by their respective export credit agencies. Meanwhile, some US-based infrastructure vendors have encountered difficulties in securing long-term financing facilities for Indonesian customers due to the Eximbank's limited coverage for Indonesia.

For sales to the Government, Indonesian agents must be used, and the agents are encouraged to have a direct relationship with the foreign supplier rather than be a sub-agent of a Singapore (or similar outside) regional firm. Traditionally, Indonesian importers do not specialize in particular product lines, but instead handle a wide range of products.

Asian telecommunication vendors supported by their respective governments have become a barrier of entry to the US based manufacturers. Very often Asian vendors bring in financing packages that are backed by their respective export credit agencies while US based infrastructure vendors are facing difficulties in raising funds for Indonesian customers as Indonesia's country risk is deemed high by the US government.

PT Telkom, the largest consumer of telecommunications equipment in the country, procures its equipment through both direct imports from the manufacturer and through local agents. Large-scale orders or the purchase of high-tech systems, which usually come as package deals, are directly imported. Local agents are used only for small orders or for the procurement of accessories and peripherals. In the latter case, suppliers are selected through open-competitive bids. For each of its projects, PT Telkom has a policy to use a minimum of two brands.

All telecommunications equipment to be marketed in Indonesia has to meet the technical standards of and be approved by the Indonesian Ministry of Post and Telecommunications. However, in addition to the above requirement, the equipment to be marketed to PT Telkom is required to meet the technical standards that are set by Telkom's Calibration and Quality Assurance Laboratory of the Research and Information Technology Support Division in Bandung, West Java. This is the only official institution in the country that issues Type Approval Test Certificates and Quality Assurance Test Certificates for all telecommunications systems and equipment. This lab, besides being a member of the National Calibration Network, operates in accordance with the special ISO prerequisite for calibration. International standards, such as ITU-T, CCITT, IEC, ASTM, JIS, etc. are used as references in formulating the local standards.

Market Issues & Obstacles

There are no major market barriers for telecommunications products. Tariffs range from 0 to 15 percent. Effective January 1, 2002, Indonesia, along with its regional partners, fully implemented the ASEAN Free Trade Agreement (AFTA). Indonesia has now reduced tariffs for all products included on its original commitment (7,206 tariff lines) to five percent or less for products of at least 65 percent ASEAN origin. The government will reduce rates on 66 remaining tariff lines, mostly in the chemicals and plastics sectors, to the 5 percent AFTA ceiling in 2003.

Protection of intellectual property rights (IPR) in Indonesia is hampered by inadequate enforcement of the relevant laws and regulations. Problems in IPR protection raised by industry include: rampant software (90%), audio, and video disk piracy; pharmaceutical patent infringement; apparel trademark counterfeiting; an inconsistent and corrupt law enforcement regime, and an ineffective judicial system. The lack of effective IPR protection and enforcement serves as a considerable disincentive to foreign investment in high technology projects in Indonesia. The Indonesian court system can be frustrating and unpredictable, and effective punishment of pirates of intellectual property is rare. Foreign companies therefore must be vigilant and creative in building strategies to protect their products from infringement.

Foreign rightsholders often work with local law firms and security consultants to arrange for police raids on counterfeiters. Others conduct periodic seminars on the adverse effects of IPR infringement on the Indonesian economy, one of which is reduced investment by foreign companies.

Ultimately, the course taken by companies to protect intellectual property rights will depend on the product. As an example, one U.S. company decided to identify first the counterfeiters of its products and then proceeded to work with them and sign them as legal licensees of its products. Some computer software companies provide free training and/or sell their software at competitive prices, while warning that copies of their product may contain damaging viruses. Also, companies with well-known trademarks seek to defend themselves by registering them early or seeking a cancellation of an unauthorized registration through the Ministry of Justice. In general, acquiring a strong local partner or agent can help in defending trademarks and intellectual property, as long as the arrangement remains amicable.

There are two key laws covering the telecommunications and broadcasting sectors:

- Telecommunication Law – Undang Undang No 36/199 (Law No 36/1999)
- Broadcasting Law – Undang Undang No 32/202 (Law No 32/2002)

Both these laws are administered within the Department of Communications and Information Technology (Depkominfo), with the provision that the Broadcasting Law also gave birth to a new independent body, the Indonesian Broadcasting Commission (KPI), that also has a regulatory role. These two bodies do not have the same view of each others jurisdiction.

Trade Events

ICT 2008

Venue: Jakarta International Expo

Date: May 20-22, 2008

www.ict-indo.com

Resources & Key Contacts

Indonesian State Ministry of Communication and Information: www.kominfo.go.id

Cable & Satellite Broadcasting Association of Asia: www.casbaa.com

For More Information

The U.S. Commercial Service in Jakarta, Indonesia can be contacted via e-mail at: Email: kalung.riang@mail.doc.gov; Phone: (62-21) 526-2850; Fax: (62-21) 526-2859 or visit our website: www.buyusa.gov/indonesia/en.

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