

Implementing LRIC on Interconnect Charges Calculation

Experience of Indonesian Telecommunication
Regulatory Body - Ministry of Communications

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Telecommunications Regulation Body of Indonesia
Ministry of Communications and Information

Objectives of LRIC regulation

- ❑ Transform interconnect regime from revenue sharing regime to cost based regime;
- ❑ As a part competition regulation in providing basic services (voice/sms/origination);
- ❑ As a basis for market mechanism regulation on tariff competition;



Facts

- ❑ 5 GSM/DCS-1800/3G operators with 110 million subscribers;
- ❑ 5 CDMA operators with 25 million subscribers;
- ❑ 4 Fixed operator/ADSL with 20 million subscribers;
- ❑ All region covered by optical fiber cable transmission system and FTTB services in 5 major cities;

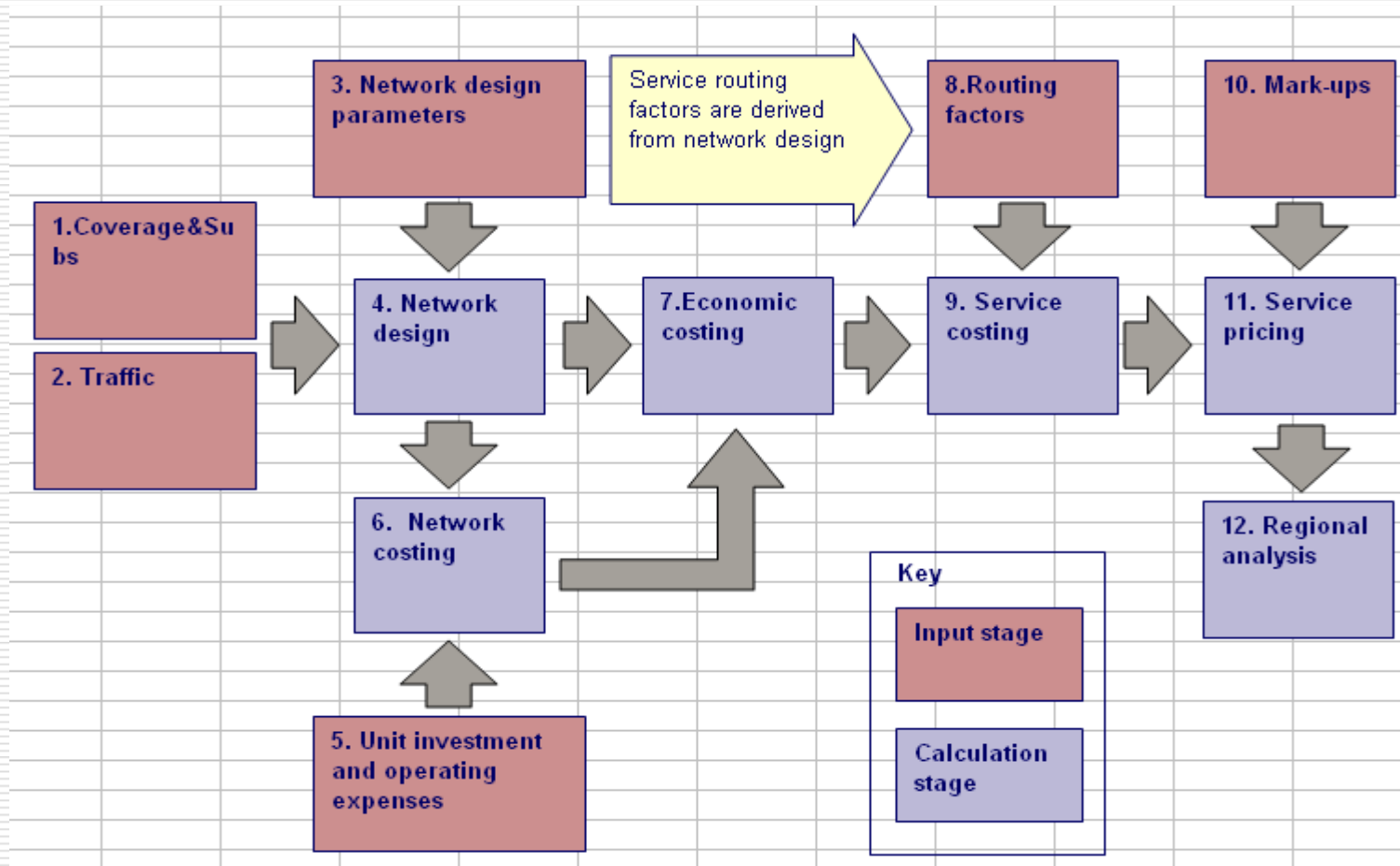


Historical of LRIC Regulation

- ❑ Introduced in year of 2006 with assistance from OVUM Consultant (UK) as part of interconnect regulation (interconnect procedure, accounting separation, essential facility for interconnect, RIO and dispute mechanism);
- ❑ Revised in year of 2007 in order to use accurate data from industry;
- ❑ Revised in year of 2008 in order to introduce new interconnect services (3G services and data services);



LRIC Bottom Up Model



Confirmation Test

- ❑ the result compared to revenue sharing charges and set a maximum decreasing from the revenue sharing charges in order to prevent revenue loss of operator;
- ❑ Compared with LRIC Top Down Model calculated by each operator (Model prepared by regulator);
- ❑ Benchmarking analysis;



Market Mechanism

- ❑ LRIC charges used a confirmation price in tariff competition;
- ❑ Additional explanation should be attached to tariff filing, if operator will have retail tariff below LRIC Charges;
- ❑ Any predatory pricing report/claim from operator to other operator's tariff, only investigated if tariff below LRIC Charges;



Impact of regulation

- ❑ Retail tariff decreased until to 45%;
- ❑ Traffic increased until to 30% both for fixed and mobile;
- ❑ Operator launched new product and services package;
- ❑ Encourage operator more efficient, ex. Reduced Overhead cost, Infrastructure sharing, join operation etc.



Next Issues

- ❑ Input data from industry is not up to date (one year behind – using operator book value);
- ❑ Network design should be covered national, while some operator only covered certain area.
- ❑ Minimize NE cost by provide national manufacturer (all NE are imported);



Thank you! (Terima Kasih)



Gunawan Hutagalung, MT
hutagalung@postel.go.id
hutagalung@hotmail.com



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