

Day 2 Session 2 Discussion

Arif Wismadi:

In Papar, since there is a principle of No Gain No Loss, so there is no careful consideration on the implementation of the project. Because it's a very hilly area, in Papar, but they implement the technology that really need light offside, that is why from 500 capacity, only 40 that can be deployed.

Maybe this technology will be more appropriate for village like Bau.

Malaysia:

Let me clarify, because it's relate to the CSR.

Upon the bidding of the service provider to our service provider. And some expect a subscription of project of forecast. We being technology neutral, we do not impose any technology, but we must if possible take care of the sustainability of the project. Hence, a clause in the policy to include punitive measures should it be imposed to any noncompliance.

Arif Wismadi:

Related to the definition of fixed telephony, I think now, Malaysia has a problem with the definition. talking about PSTN, statistically speaking, there is no improvement of USO penetration. Because mostly use wireless tech so there is no additional penetration in fixed line, PSTN, because 20% is PSTN right?

Statistically speaking there is no improvement of indicator, but in actual performance, yes, there is an improvement. There are lots of improvement in rural areas. But statistically speaking, there is not improvement. So, I think there should be an amendment that you should impose concerning the penetration.

Malaysia:

In what context, is that 20%.

Arif Wismadi:

When I visited Malaysia, the criteria for defining the green area, is underserved, which is 20% below the national penetration rate based on fixed line. So even if there is new deployment with GSM technology, statistically speaking, there is no additional penetration and I heard that there is a some initiatives to change the indicators not only based on PSTN.

Malaysia:

In terms of your perception of fixed line. I'm not questioning your source of statistics, but the type of statistics that you are referring to. For Malaysia, the fixed line indicator relates to DEL – Direct Exchange Line, so it's not fixed line or fixed service per se, so being incumbent operator on DEL fixed line services, Telcom Malaysia do have certain territorial coverage in Malaysia. so when we find that 20% below the national fixed line services, we are referring to, fixed line are made available through DEL. because otherwise, the discussion on fixed line would not have a basis. then, when you add in

other indicator with fixed line, so you are going to confuse yourself with the variance of the fixed services, in particular, the fixed cellular services, which is in fact not one fixed wired, but using on interface wireless medium transmission. as for our underserved area, they are solely based on the 20% below national penetration rate on DEL.

Indonesia:

One village one phone is the minimum and subsidized and also perhaps in the area where there is no coverage of cellular that perhaps it's not profitable, but for the area, that has the coverage of cellular for example, because the biggest operators has claimed that their coverage has been 95 % of the population. So I think so of them get, although not very strong signal, but using very small efforts, they can extend, their cellular network.

LEN:

I will invite you for comment of suggestion related to the presentation of Pak Arif and Pak Sunyoto

Asean Secretariat:

Can we go back to Pak Arif presentation, slide number 3, please, at the background?

Yes. I think we'd like to suggest that after the declaration Asean Concord 2, and then we put Vian Can action plan or VAP 2004-2010. and then, the next Asean ICT focus of 2005-2010 and another thing is the important meeting when the project is endorsed is the forth working group on Universal Access and Digital Divide and e-government which was held on 21 September 2005.

And for the input, the recommendation for Asean framework agreement, i think we can just delete that, because I think the recommendation for priority sector will not include the recommendation from the project because there are several measures already mentioned there in the priority sectors. And for bullet point 4, we can also delete that, because the standard is more related with the mutual recognition arrangement. That's the input from us.

Thank you.

LEN:

Any suggestion? Cambodia?

Cambodia:

I'm quite agree with the presentation, about no gain no loss, but we cant have perception that even no gain and no loss for the operator, but the perception only, related to the operator who are implement the USO/USP, they will have the advantage concerning the coverage, especially network expansion.

So, if we win the bidding, and the operator who implement the USO/USP more or less in terms of the network expansion, the gain the financial position for operating OPEX they maybe suffer some time. in the case of Cambodia, we would like to have that kind of USO/USP, we have maintained for a quite number of period, and we agree that we agree with Malaysia, in this application, there should also punitive measure to them, but in the case of Cambodia, we also have some measure as well, we call it, a payment measure, if they execute the USO, we have to pay them all. we whole up some amount, so maybe later we pay their imbursement.

LEN:

Other?

Indonesia:

In the past experience or also the present plan? What do you mean by gross cost, is it gross investment cost? And the other one, is it operational cost?

Arif Wismadi:

Gross cost meaning that all of the production cost is covered by the fund. All the production cost in implementing the service will be covered by the fund, or the authority. Therefore, the revenue should be goes to the authority.

Like I think in Malaysia, all the cost can be claimed, so therefore the revenue goes to the authority with the reduction to the claim. is it right?

Malaysia:

I don't know how to pose that gross and operational cost... Because in the major costing template when you design a project and you talk about only CAPEX and OPEX, it has to be clear.

Gross cost in terms of USP Malaysia, there's none.

Because we only talk about a single cost, that is the net USP cost equals to affordable cost minus the revenue for gone (?) and then we talk about the claim,.. the service operator can come back to us with a claim, declaring the affordable cost that they have to incur so on the revenue that they have acquired. and so we return the revenue.

So probably some example of affordable cost is the incremental cost of capital over the lifetime of the equipment for providing service, example of this equipments are the switching, CPE, links, interface for link connection, building cabin, towers, other capex, and the revenue for gone will be in terms of their service revenue; from the connection fee they imposed on others, their revenue; if they operate they asian line and they give rental on the asian line, it is also the source of revenue, for revenue for gone; call charges from the rural users, also for revenue for gone; interconnection cost received from other provider; call revenue from rural users, and revenue for public payphone.

So when we talk about net revenue cost, it is actually the difference between that affordable cost and this revenue for gone. So, it is actually an indicator to qualify whether a USP area is relevant or not. If the affordable cost supersede this revenue for gone, it means that USP target remain relevant. in the case it became more economic, the cost will be lower than the revenue for gone submitted by the service operator. Therefore, the government will stop USP in this kind of cases.

The term ***no gain no loss*** is not a plain term on its own, but it has direct implication on the cost.

So, unless you want to retain that as a generic term, I suggest to remove them. For us is clear, it is relate to the cost, the net USP cost, and for areas, being the USP target, this concept will be applicable because the net USP cost will be in such a way positive, when the affordable cost is higher than the revenue for gone. It is in the context of cost.

It is not something applicable. The problem if you say yes to the term of no gain no loss, the understanding will be the government in the different countries will impose regulation to retain revenue. It could be that one of the option. In Malaysia, that's what we are doing. But you have to be consistent across the countries. Unless we are very sure about the term, we'd better remove it. USP and USO has the same platform but had different methodology of approach.

DPR:

Just a quick response.

It is important for us to understand what happened in other country. I think what my suggestion is maybe Pak Arif and Pak Rusli could sit together and formulate what is actually we mean by no gain no loss principles. And I believe in the final report, the

term no gain no loss, pay or play schemes would deserve a certain boxes to define clearly in terms of cost and revenue.

What implication does it give to both the operator and the government? If I suggest, we remained it over there, it think the definition of that terminology should not give misleading information to others.

Malaysia:

I do agree with that.

This is actually the response to the Cambodian delegates. In wish that the approach that may represent the principle of no gain no loss but on operational aspect of it, the costing structure implemented in Cambodia might not reflect the principles. So, it has to across the board, it cannot be me and Pak Arif alone.

If possible among, AMC.

DPR:

What I'm trying to say is that during this workshop it is very important for both of you to sit together and formulate and then present it again to the forum. It doesn't mean that if a country implemented it, then other country must do the same. It can give ideas how to better the implementation in each country.

Prof. Sunyoto:

It seems to me that the problem is not to formulate of no-gain-no-loss. But on the derivation of that principles into action that can be implemented in local levels.

Because that maybe a good idea at the central level of the government in order to encourage private sectors to be involved in the telecommunication project. It is not only the normative things, but also the operational one in order to implement it in the local level.

Malaysia:

No gain no loss policy impose certain requirement from the service providers. The word no gain means like scare them off, because it is almost inapplicable.

And in the current USO scheme service provider must look in the area where it is economically viable for them to roll out with best measure to reduce cost. We have to understand the economic scale, in country having underserved area; it should be target even if in the urban area itself. whereby, the USO scheme may work as a direct solution to that, but when you go into the scheme which favor the most remote part of the population, you have to stick them go there, and impose your authority and be clear to them that there is no gain to be expected.

Then if USO scheme in other country still apply to reduce the gap between urban and non-urban, you can go deeper. So maybe this no gain no loss, will not be attractive to your service providers. Don't stuck in between. If you are relying on local operator, then they have to be very strong to appreciate this approach. It depends. In certain countries, with no incentives to roll out service even in the semi-urban area, you will face difficulties.

Koizumi:

I'd like to ask Prof Sunyoto, is there relationship between ICT agenda and the social acceptance?

For example, for empowering rural women.

Prof. Sunyoto:

I found that problem of maintenance to maintain the equipment is the rely problem of the local level because that's the higher tech and not many people take the equipment if they got something wrong and how to maximize the equipment. It's the process of

implementation. it is part of the management system. We could educate people, educate women to do with IT. We have group that supposed to take care or maintain the equipment.

Arif Wismadi:

I'd like to add. Gross cost contract means that the risk is not in the operator side, but in the government side, so if there's any loss the government will cover it. In net cost contract, the risk is on the operator.

There is uncertainty in revenue, while in gross contract, all the production cost in providing service will be covered by the government. While in net cost contract, since all the revenue goes to the operator, it means they have to reduce the claim with the predicted revenue. In Indonesia it is difficult to collect the revenue, the option is net contract. In Malaysia, all the revenue goes to MCMC, so it goes to gross contract.

Philippines:

Mine is a question: during the formulation of the USO, did you consult the local official, and what's the level of participation and did you find difficulties from the local officials in implementing the project? The national government plans the scheme, but the carrier must request for the permit.

Arif Wismadi:

In Sabah and Sarawak they have the policy for improving the role of the local govt like providing the land and tower.

From the perspective of the operator, they did not complain, but they with the new scheme, the deployment will be a bit slowly. With the previous system they can put tower anywhere. But they believe that in the future it will be easier and also to avoid vandalism.

Prof. Sunyoto:

What we need is the commitment of the local government to develop good telecom government in local level; how to provide human resources running the project. Otherwise, we will invite vandalism or conflict because of the equity of capability to control is non.

In Kampong Beliung, there are three ethnic: Malay, Chinese and indigenous people and they able to develop social solidarity among them. I think the equipment has able to help them facilitate the social solidarity, so it requires the commitment from local government and educate women in taking care of the equipment. not only maintain the equipment but also develop a system to make it work.

Arif Wismadi:

In some other village, the head of the village keep the equipment in his house that the usage of the equipment decreases. In places combined with economy activities or youth organization, they can manage it properly.

Vietnam:

It is important to develop the USO project for both the city and rural areas, thus the policy for rural area is important. the content is very important.

Arif Wismadi:

USO is currently for infrastructure, but it should be for the content also.

Indonesia:

The content is very important especially customized for local use.