

## INFORMATION & COMMUNICATIONS TECHNOLOGY

# NETWORKING THE ARCHIPELAGO

Telecommunications is one of Indonesia’s growth industries.

Indonesia’s telecommunications industry is in good shape. That may seem like an optimistic statement, given that only 4% of the population has fixed-line telephones, but the rapid growth in mobile telephony and the emergence of new technologies is rendering that statistic increasingly irrelevant.

### FIXED WIRELESS

Indonesia’s archipelagic geography makes the provision of new fixed-line infrastructure very costly (a hefty US\$500 to set up each subscriber). In this environment, the country’s carriers are embracing ‘fixed wireless’ as a more feasible solution (at around 10% of the cost). This involves a traditional phone being provided via a wireless local hub.

The total number of mobile subscribers is predicted to rise to around 140 million by 2011, from 60 million in 2007. Mobile call costs are falling sharply and service levels are respectable across the board.

### BENEFITS OF DEREGULATION

The healthy state of Indonesia’s telecommunications industry is in one sense a case study on the benefits of deregulation. In 2001, the Indonesian Government opened up the sector to competition and now there are ten mobile players—compared to just three in China and India—although Telkomsel (the majority of whose shares are held by the Government) still dominates this market.

### NEW NICHES

Whether there is room for any more mobile operators, or indeed whether greater foreign ownership of the existing ones is desirable, is presently the subject of hot debate in Indonesia. In such a crowded market, the country’s legacy carrier, Telkom Indonesia (TI), needs to find new niches in order to continue delivering satisfactory returns to its shareholders (the Indonesian Government still holds 51%). Accordingly, it is introducing value-added services to its loyal and high-end customer base, as well as diversifying into new activities such as broadcasting and online content.

### OPPORTUNITIES IN ICT

Although there are some notable exceptions (see box), Indonesia’s relative lack of know-how and development in the area of ICT means that there are a wide array of opportunities for foreign companies to provide services in this area, ranging from training, consulting and software development to engineering, maintenance and systems integration.

At present, the best opportunities are generally in the public sector, although lead times can be long, and a local presence is sometimes vital. ■

### OUTSOURCING TO INDONESIA

Indonesia is often compared unfavourably with India, in the light of the latter’s rapid rate of industrialisation. However, an Indonesian company is showing it can match one of India’s strongest suits—outsourcing.



Mitrais is a software developer founded as a joint venture by Australian company Mincom in 1992. Although Mincom has now sold its equity, the company’s management is made up of both Indonesians and Australians.

Mitrais provides software development solutions to both local and foreign companies, especially to Australian IT companies, drawing upon the collective know-how of 150 software developers at its Bali site.

‘Costs are rising in India, and we find that we are competitive or even cheaper. Our Australian clients also like the fact that we are located so close to them’, says Mike Page, Vice President, Software Development.

To enable it to continue expanding, the company is now developing plans for its own ‘campus’ for its programmers in Bali.