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O/ref: 085/NKI/HM.350/99

Jakarta, 16 July 1999

Office of the Secretary
Federal Communication Commission
1919 M Street, N.W. Room 222
Washington, D.C. 20554
U.S.A.

RECEIVED
JUL 29 1999
FCC MAIL ROOM

Subject: FCC's Report and Order (R&O)
On International Settlement Rate
(IB Docket No. 96-261)

Dear Sir,

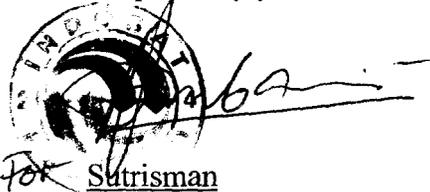
With regard to the letter submitted by our President, Mr. Tjahjono Soerjodibroto, Ref. 015/GLN/HM.350/99 dated June 1, 1999 regarding the above mentioned subject, we kindly request your comment to our proposal, which in principle is as follows:

In order to be consistent with the FCC R&O, we urge FCC to review Indonesia's settlement rate figure based on the current GNP. Hence, Indonesia shall be categorized as a lower income country, with settlement rate to be applied is US\$0.23, effective January 1, 2002.

Please find attached a copy of the said message for your reference.

Thank you for your attention and look forward to your earliest reply.

Respectfully yours,



Sutrisman
General Manager, International Relations



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File 06

O/ref: 015 /GLN/HM.350/99

Jakarta, 1 June 1999

Office of the Secretary
Federal Communication Commission
1919 M Street, N.W. Room 222
Washington, D.C. 20554
U.S.A.

Subject: FCC's Report and Order (R&O)
On International Settlement Rate
(IB Docket No. 96-261)

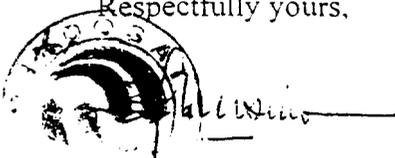
Dear Sir,

We hereby submit our additional response to the FCC's Order dated August 7, 1997 to apply benchmarks on the accounting rate between USA and other countries in the provision of international telecommunication service, which has taken effect since January 1, 1998.

1. We are again highly concerned of the FCC's approach by proposing foreign countries to adopt mandatory settlement rates benchmarks as governed by the FCC. The mechanism for such process should be conducted in a proper multilateral forum such as the ITU, and settlement rates are to be agreed upon bilaterally between relevant parties, not unilaterally determined and imposed by any singular party as is the case with the subject FCC Benchmark Order. In short, the policy is not in spirit of the ITU's ITR (International Telecommunication Regulation - Melbourne-1988).
2. We are in principle in support of your view that the telecommunications industries should adopt cost-based accounting rates with respect to achieving efficiencies in telecommunications services provision. The fact that we have continuously lowered our accounting rate within the last few years has to be appreciated as an interim step toward cost based accounting rate.
3. International Telecommunication Union, as a multilateral forum, has also set out guidelines for the settlement rate to be applied between countries. It is our intention to make use of ITU's recommendation as guidelines in dealing with our counterparts.
4. In the proposed Annex D of Recommendation D.140, it is stated that settlement rate benchmark should be based on the level of telephone density of that country. Indonesia is currently categorized into country with a tele density between 1 to 5 per 100 inhabitants, and the benchmark settlement rate figure is **SDR 0.251/min** (US\$ 0.34/min).

5. It is also stated in the proposed Annex D above, that the transition period for the implementation of the benchmark is determined according to the level of dependency of that country on the net settlement payment. In the case of Indonesia, in which the net settlement payment contributes to less than 10% of total telecommunication revenue, the benchmark figure should be achieved by **year end 2001**.
6. European Commission has also produced a report on Indonesia, to be submitted as a contribution to the InfoDev programme of the World Bank, which indicates that the termination rate for Indonesia is **US 32.4 cents/min**.
7. While we remain in our view that FCC's unilateral action is unacceptable and inappropriate, we are very keen to discuss the possibility of continuously lowering our accounting rate with USA carriers to a level of benchmark figure, as set out in the FCC R&O.
8. The FCC R&O clearly states that the accounting rate figure shall be based on the level of specific country's GNP, based on figures published by the World Bank. FCC R&O, which was adopted on August 7, 1997, categorized Indonesia in the lower middle income country (i.e. settlement rate US\$ 0.19, effective January 1, 2001)
9. The current economic turmoil in Indonesia has significantly lowered the level of Indonesia's GNP to approximately US\$ 575 (source: Indonesian Bureau of Statistics, as attached), which according to World Bank criteria, is categorized into lower income country.
10. In order to be consistent with the FCC R&O, we urge FCC to review Indonesia's settlement rate figure based on the current GNP. Hence, Indonesia shall be categorized as a lower income country, with settlement rate to be applied is US\$0.23, effective January 1, 2002.
11. The decision to apply settlement rate of US\$0.23 has to be appreciated as a progressive move in our negotiation of settlement rate. It should also be noted that this figure is much lower than what has been prescribed by the ITU.

Respectfully yours,



Tjahjono Soerjodibroto
President

GDP/GNP of Indonesia
 (source: Indonesian Bureau of Statistics)

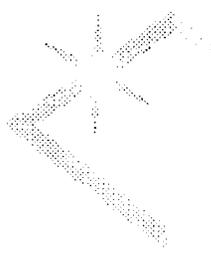
Description	1997		1998	
	Rupiah	US\$	Rupiah	US\$
GDP per capita, current price	3,130,100.00	673.14	4,877,400.00	607.78
GNP per capita, current price	3,038,200.00	653.38	4,612,100.00	574.72
GDP per capita, constant price, 1993	2,172,200.00	467.14	1,847,100.00	230.17
GNP per capita, constant price, 1993	2,094,900.00	450.52	1,757,500.00	219.00

Note:

Conversion rate:

31-Dec-97 1 US\$ = 4,650 rupiah
 31-Dec-98 1 US\$ = 8,025 rupiah

(source: Indonesian Central Bank)



Konfigurasi "Virtual Transit"

