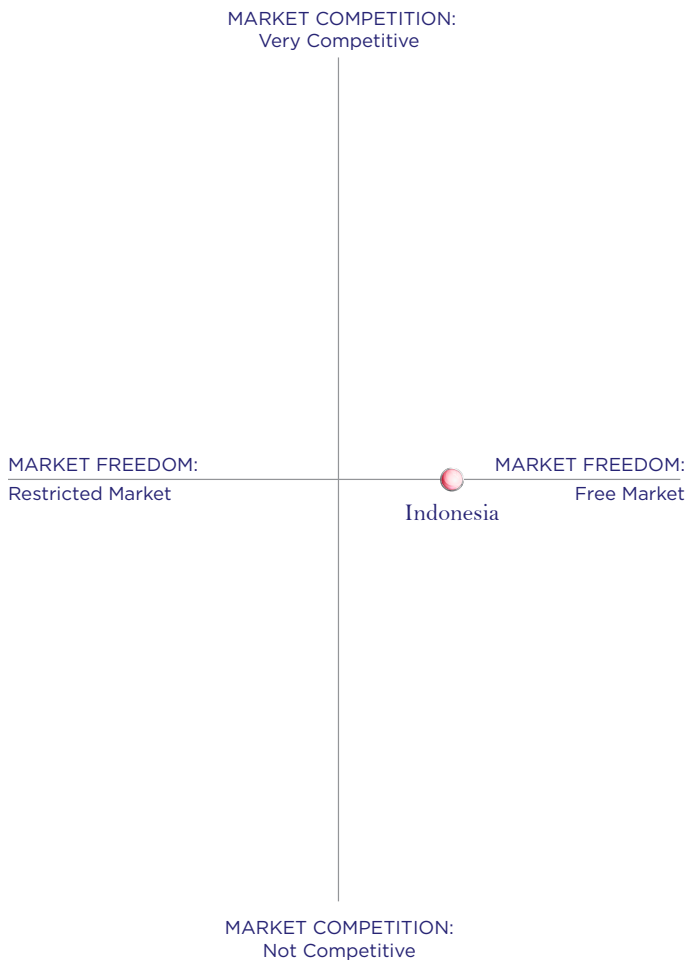


# INDONESIA





## OVERVIEW

In August 1746, Indonesia's first postal service was established by Governor-General G.W. Baron, the country's Dutch colonial ruler, in the capital city Batavia (modern-day Jakarta). In 1906, post and telegraph services were brought under the auspices of a new agency within the colonial government -- Posts, Telegraphs and Telephones (PTT). After Indonesia declared independence in 1945, the new government seized control of the postal service. In 1961, PTT was converted from an official government agency into a state-owned company.

The public postal operator of today -- PT Pos Indonesia -- came about in 1965, when postal services were separated from telecommunications services. Pos Indonesia is still state-owned and is the official carrier for Indonesia's 230 million people.

Today, Pos Indonesia employs about 26,000 workers in nearly 20,000 permanent post offices. Traditionally, the company has provided letter post and financial services. But in recent years, Pos Indonesia has expressed a desire to participate in the development of Indonesia's information infrastructure.

Pos Indonesia's growth has paralleled that of the Indonesian economy in general. At the height of the Asian economic crisis in the late 1990s, mail volume was just 3.38 pieces per capita each year. By 2007, as Indonesia and other emerging markets in Asia recovered, per-capita mail volume reached 3.989 pieces annually -- an increase of about 18 percent. In November 2009, Pos reported having Rp 6.62 trillion (US\$715 million) in assets.

## STRUCTURE

As of 2007, Pos Indonesia operated about 20,000 permanent post offices that each served an average of about 11,600 people. Employees of Pos Indonesia unionized in 2000. Because Pos serves more than 17,000 islands throughout the country, the company relies on both private and government train, bus, airplane, and ship operators to aid in the transportation of mail.

Mail has been collected on average once per work day (Monday through Friday) from boxes in urban areas and twice per week in rural areas. Deliveries were made an average of three times per working day in urban areas and two times per week in rural areas.

## STRUCTURE (CONTINUED)

Pos Indonesia offers standard letter mail as well as some express services. The post also offers some direct mail services, whereby it receives letters electronically and then prints and delivers physical copies.

The Indonesian government has granted fuel subsidies to Pos Indonesia in order to offset the cost of transportation.

Pos shares the revenue from terminal dues with the state treasury.

Business reforms begun in the late 1990s continue today. Priorities in Pos's transformation include:

- Investment in training and coaching tools for employees.
- Implementation of new technology.
- Revamped service processes with an eye toward improving efficiency.

Pos Indonesia has established the electronic "Wasantara Network" to address the challenges posed by its vast coverage area. Wasantara serves as Pos Indonesia's "Intranet" for operational purposes and as a support for commercial activities in the field. The network links all of Indonesia's main post offices with the Ministry of Communications.

Indonesian consumers may also access the Wasantara Network from their own computers or from Warung Pos Internet access points at post offices and other places throughout the country.

## LIBERALIZATION

Although nominally an independent company since 1995, Pos Indonesia remains state-owned. Before 1995, when it was officially a government agency, Pos enjoyed the exclusive right to collect, transmit, and deliver all letters and post cards. That monopoly has often been ignored. Pos Indonesia consistently sought stronger monopoly protection on letters weighing less than 500 grams, particularly during a 2006 debate over draft postal legislation. But in September 2009, the Indonesian House of Representatives bucked that pressure and put an end to Pos's nominal monopoly as the country's lone postal operator.

## COMPETITION

In the market for letter mail, more than 600 licensed independent "postal" companies also operate in big cities and towns throughout the country. These companies offered quasi-postal services and the delivery of letters even before the official liberalization of the Indonesian postal market in 2009.

Many cargo and freight companies also handle letters and packages. In the express mail market, the world's largest international shipping titans offer substantial competition to Pos Indonesia.

Given the low postal volumes following the financial crisis of the late 1990s and the demands of universal service (20,000 retail units over two million square miles), Pos Indonesia has faced pressure to "add value to the basic postal network," as a recent World Bank report put it. Pos hopes to achieve such an objective by leveraging its Wasantara Network to offer consumers hybrid mail (electronic mail printed remotely) and other Internet-based services.

## REGULATION

Before 1995, the Indonesian government served as both operator and regulator of the postal marketplace. A restructuring effort was begun in that year that granted Pos Indonesia greater managerial and decision-making autonomy.

Currently, the Directorate General of Posts and Telecommunications (DG Postel) is the regulatory body responsible for developing, implementing, and maintaining postal policy in Indonesia. In a supervisory role, the Ministry of Communications ensures that Pos Indonesia's policies are in line with established national guidelines. Delivery time and transportation connectivity standards for Pos Indonesia's mail delivery system are set according to standards outlined by the Universal Postal Union (UPU).

With a new focus on "business culture," Pos Indonesia has set up five service divisions -- transportation, stamp-collecting, technology and information systems, parcels, and property -- to serve as "profit centers," with the intention of granting greater autonomy to regional directorates. Since the 1995 reforms, Pos Indonesia has reported steady increases in total revenues -- even with the deduction of interest paid on assorted government loans.

## UNIVERSAL SERVICE & PRICING

Pos Indonesia's universal service obligation includes reception, transport, and delivery of mail throughout the Indonesian archipelago's two million square kilometers of territory. As a result, the company enumerates seven different categories of mail with delivery speeds that range from several hours to several days.

The 2009 law providing for liberalization of the Indonesian postal market re-affirmed Pos Indonesia's universal service obligation, including "cooperation with local and international postal service operators," according to Mohammad Nuh, Indonesia's Communication and Information Technology Minister.

The Indonesian government must approve of all basic postal rates for letters and postcards.

## FUTURE

Hoping to bounce back from losses of Rp 40 billion (US\$4.32 million) in 2008, Pos Indonesia is set to invest US\$64 million in new infrastructure. The bulk of this investment, which represents a six-fold increase in capital expenditures relative to their 2009 level, will be devoted to electronic applications, as opposed to paper ones.

With the new infrastructure, Pos Indonesia hopes to expand its breadth of services. The company projects a 50-percent increase in profitability in 2010 thanks to planned initiatives in microfinance, money transfer services, electronic bill payment, and business logistics. Pos expects to profit Rp 90 billion (US\$9.5 million) on revenue of Rp 3.7 trillion (US\$399.6 million).

The Indonesian government sees the expansion of Pos Indonesia's network as crucial to building the nation's economy. Aided by its existing electronic capabilities -- like the Wasantara Network -- Pos Indonesia hopes to make the transition from national post to major player in the information economy.