



**REPORT ON THE CEO'S DIALOGUE WITH MALAYSIAN
COMMUNICATIONS AND MULTIMEDIA COMMISSION**

MONDAY 31ST JANUARY 2005

MCMC CYBERJAYA

Introduction

1. This industry dialogue follows the first industry dialogue between the industry and the Commission held on the 29th October 2004. The dialogues are aimed at allowing greater interaction between the service providers and the Commission.

Summary of the Chairman's Speech

2. YBhg Dato' V Danapalan, Chairman of the Malaysian Communications and Multimedia Commission welcomed those present and began by making reference to the first industry dialogue and the issues raised then and this dialogue, the first for 2005, allows both the Commission and the Industry to attend to current matters of concern in the industry.
3. The Chairman reminded that the objective of this dialogue is to meet the following:
 - i. To listen to the presentations by the industry – to provide value added information on the industry for effective planning;
 - ii. To inform members of the industry of the initiatives and plans for 2005 and to update the activities of 2004;

- iii. to have a dialogue which enables the industry to raise questions and to explain issues regarding the concerns of the market and matters relating to the Commission; and
 - iv. to foster greater networking spirit.
4. The presentation by the Economic Planning Unit (EPU) is to provide a macro view of Malaysia's economic scene and of the communications and multimedia industry and the contribution the sector makes to the 9th Malaysia Plan. The presentations by the Chairs of the four forums - Consumer Forum, Content Forum, Access Forum and Technical Forum are intended to explain the progress made towards self regulation by the industry as well as highlight issues of membership and awareness of the Forums themselves.
5. The Chairman will then make the final presentation, which is to communicate to the industry, MCMC's plans for 2005.

**Summary of the Presentation of the Economic Planning Unit:
"Role of the Communications and Multimedia Industry for the
9th Malaysia Plan".**

6. Ms Yap of EPU gave a macro perspective of the Malaysian economy by illustrating the performance of the economy in terms of GDP growth over the years and noted the services sector's contribution has been increasing over the same period. The C & M contribution in manufacturing and service industry cuts across the business and non-government sectors.
7. The challenges faced ahead with changing business environment were also briefly discussed. Ms Kaur, the other representative from EPU went on to explain the role of the Communication and Multimedia industry in contributing towards growth and wealth creation. Factors

contributing to growth and wealth creation include productivity drive, knowledge based and high caliber manpower. Amongst the indicators is GDP growth, labour, capital, total factor productivity (TFP).

**Summary of Presentation from the Access Forum Berhad –
Ybhg Dato' Mohd Khir Harun**

8. Malaysian Access Forum is among the first forum initiated by the MCMC under the Act. It was incorporated as a company limited by guarantee on 17 April 2001. Subsequently, it was formally designated as the Access Forum by the MCMC in March 2003.
9. The objective of the Forum is to ensure access to communication services and facilities by the general public and service providers. Acting as an independent forum house promoting effective and healthy environment through self regulation and collaboration, the Access Forum's role is to facilitate the development and growth of the C&M industry.
10. The Forum's basic aim is to recommend to the Commission on including or removing facilities and/or services from the Access List, and to develop and recommend to the Commission the voluntary access code. It was also the speakers hope that the Forum can be a knowledge centre for the industry.
11. Licensees were called upon to join the forum in order to reap the benefits of membership. At present there are 13 members from the NFP, NSP and ASP licensees. To date, their major activities have included industry business dialogues, access codes workshop, industry gatherings, voluntary access codes development to be completed by June 2005, access and interconnect workshop in March 2005 and access and interconnect seminar in June 2005.

Summary of Presentation from the Consumer Forum of Malaysia – Mr. Chelvakumar G. Krishnan

12. Mr. Chelvakumar commenced by explaining that his presentation will be on the principal activities of the CFM for year 2004 and 2005. The activities of CFM generally are:
 - Codes Drafting;
 - Compliance Audit of Service Providers;
 - Complaints Handling; and
 - Rules of the Code.

13. The Internet Access Service Provider Sub-Code has been submitted to MCMC for registration, while the Content Hosting Service Providers Sub-Code is in its final stages of drafting. The Mobile Service Provider and Fixed Line Service Provider sub-codes are in the pipeline.

14. The CFM will be embarking on an exercise to audit General Consumer Code Compliance by Service Providers. It will be a three- stage exercise:
 - Training for Service Providers – First Session in Kota Kinabalu completed 24th January 2005;
 - Circulation of Compliance Questionnaire; and
 - Physical audit of selected Service Providers (newer ASP's and NSP's).

15. He went on to explain the complaints handling process by the CFM and presented the statistics of the complaints received in 2004, which were mainly received online (46.7%); the main topic of complaints were poor Internet connection(32.9%) and billing disputes (29.6%).

Summary of Presentation from the Communications and Multimedia Content Forum of Malaysia – Professor Tony Lee

16. Professor Tony Lee explained the origins of the Content Forum, which was formed and designated in accordance with CMA giving effect to the need for Policy makers, regulators, industry players, consumer organizations to work together.
17. He explained the Content Forum started on the premise that there was a need to protect the interests of the consumers and that the Content Code had been drawn up with guidelines and procedures for good practice and standards of content disseminated by service providers.
18. Content has become more and more important following the development of digital technology and dynamics of the industry which has also led to convergence of devices.
19. Professor Tony Lee also mentioned that since the registration and launch of the Code in late October 2004, the Forum has been in constant discussion in relation to the set up of a Complaints Bureau and a Content Advisory Centre.
20. He concluded by saying that there is still much to be done and that the Forum is currently working towards organizing road shows to educate the general public.

Summary of Presentation from the Malaysian Technical Standards Forum Berhad – Puan Norehan Yahya

21. Pn. Norehan Yahya first introduced the background and origin of the Malaysian Technical Standards Forum. Among the responsibilities of the forum include establishing and maintaining industry standards,

technical codes inclusive of network interoperability and QoS expectations as well as to develop and seek registration of technical codes by MCMC.

22. Currently, the forum has set up 6 working groups which are actively overlooking the IMT-2000 Systems, Digital Powerline Networks, Broadband Multimedia, and Inter-operability Requirements for CPE, Public Mobile Radio and Wireless Access/Local Loops.
23. At the same time, the forum is working on matters relating to the Next Generation Network, cabling & infra and DSB (digital sound broadcasting), which are all led by the different service providers and has targeted to deliver the draft technical code by June 2005. At the end of the session, Pn. Norehan urged the licensees who have not signed up as members to do so and join the forum as there is still a shortage of experts in leading the development of technical codes for Digital Video Broadcasting, Radio Frequency ID and Free Space Optics.

Presentation by the Chairman of the Malaysian Communications and Multimedia Commission, YBhg Dato' V. Danaplan – "MCMC's Focus Area for 2005"

24. YBhg Dato' V Danapalan, Chairman of MCMC, started the presentation by giving a snapshot of the communications and multimedia industry in 2004. There are a total of 398 licensees (190 individual licensees and 208 class licensees). In comparison, Singapore has more than 700 licensees. The total C&M industry contribution of the revenue totals RM24 billion with Telekom Malaysia Bhd having the largest percentage share of revenue of 54%.
25. The Commission has conducted an Impact Study on the Individual Licensees, of which 85.7% responded. Most profitable licensees had

revenues of RM500,000 to RM10mil. Most significantly however was that more licensees were making losses as compared to licensees that made profits.

26. He then mentioned about some of activities conducted in 2004 such as:

- Content Code launched
- Assessment of Dominance
- Time 1 & Time 2 Rollout of network infrastructure
- Enforcement activities
- DTTB (Digital Terrestrial Televisions Broadcasting), DSB
- Technical Forum designated
- Consumer satisfaction surveys, CATI surveys
- Access List expansion
- Study of International settlement arrangements
- Network installation permits
- Standard Radio Standard System Plan (SRSP) for spectrum

Dialogue Session with the Licensees

27. The MCMC Panel for the dialogue comprised Dato V Danapalan (Chairman), En Bistamam Siru Abdul Rahman of the Industry Development Division, Puan Maria Osman of the Management Service Support Division, En Mohd Sharil Tarmizi of the Office of the Chairman, Ms Pushpa Nair of the Legal Advisory Department and En Zamani Zakariah of the Technical Division. The discussions, questions and responses during the dialogue are as follows :

Speedier Government Delivery System

28. **Speaker 1: Professor Tony Lee**
Company: C&M Content Forum of Malaysia

- i. The Malaysian Communications and Multimedia Commission (the Commission) should be seen as a promoter as well as a regulator. This is crucial as the general public is not fully aware of what the Commission does as well as on matters such as the digital divide, number portability and other related matters. The Commission should increase awareness programmes of the industry.
- ii. YBhg Dato' V Danapalan noted the constructive ideas expressed and encouraged the public to visit the Commission's website to get more information.
- iii. Datuk Ghani Abdullah from Asiaspace Dotcom Sdn Bhd, in reference to the Economic Planning Unit (EPU) presentation raised the issue on the stumbling blocks faced by industry players when dealing with Government agencies and the processes involved. He stressed that the C & M business require a lot of investment in bringing in new technologies, however the rollout is slow due to having to deal with the many processes involved thus he urged the Government to improve the delivery system. Furthermore, he added that there is not enough effort at grassroots level to address this issue.
- iv. The representative from the EPU informed that the Government has made a positive improvement in its delivery system. In its effort to improve the system, the EPU had recently organized a seminar on this topic. Chairman added that the Commission is committed to providing better procedures and processes in handling matters. Each department in MCMC has its own performance indicator to ensure that issues are dealt with within the stipulated times. However, areas such as the spectrum

assignment do take time due to specific reasons though when the decision will be given shall be indicated.

- v. The representative from EPU then added that the private sector can work with the public sector in meeting the single object of introducing new technologies.

Capacity for International Connectivity

29 Speaker 2: En Afzal Abdul Rahim

Company: AIMS:

- i. Undersea cables from Malaysia which provides for international routes is running out of capacity especially with the explosive growth of the internet services market. Taking into consideration the national broadband plan, the need to consider driving the international connectivity and our "import" of international content, we may not have enough capacity to cater to this. Singapore on the other hand has anticipated this and has catered for 2 new cables to meet this international connection demand with a size of 20 Terabits.
- ii. The question was, are we ready for domestic demand for international content? Are we ready to open to international carriers? Around the world liberalized industry allows for global carriers to come in, which spells greater revenues for the local players. The time is now to consider these problems especially with three international cable carriers bypassing Malaysia to go to Singapore due to prohibitively high landing fees within Malaysian shores. The solution would be to open up and create better ties with global carriers as we are dependent on their cables for international connectivity.

- iii. YBhg Dato' Mohd Khir Harun from MAFB/Telekom Malaysia Berhad responded that at present TMB is developing international capacity based on their current requirement. According to him the Access Forum would be the best platform to discuss the way forward in attending to this concern.

En Afzal from AIMS stated that TMB is not wholly responsible to ensure international capacity. The issue is whether we, the industry have considered the capacity required for the next 5 – 10 years.

- iv. YBhg Dato' Chairman added that the Commission will look into the matter.

Enforcement Matters

30. **Speaker 3: En Borhanudin Osman**

Company: MACRO (Malaysian Association of Commercial Radio Operators)

He raised three issues:

- i. The Commission should not be too quick to impose fines as a means of enforcement, but instead should work together with the industry.
- ii. There should be a level playing field, which does not exist today because the press can say almost anything but not the radio broadcasters.
- iii. Licences issued should come with allocated spectrum.

YBhg Dato' said that in the past adequate reminders have been given to the non-complying parties before any enforcement action is taken. The Commission listens to the pleas of the licensee but they should be aware of the need to comply.

Migration of ASP (I) to ASP (C)

31. **Speaker 4: Mr. Eddie Lee**

Company: MOBIF Global

- i. He asked on the status of the applicants who apply for the ASP (I) licence: are they aware of the intended migration to ASP (C)? He also asked whether there will be a new licence category after the migration.
- ii. En Bistamam Siru Abdul Rahman of the Industry Development Division stated that the migration from ASP(I) to ASP(C) has been the subject of discussion for a long period of time and is scheduled for implementation on Apr 1 this year. The Commission's licensing staff have provided this notification to all applicants for individual licenses as a standard procedure for more than six months prior to this. Despite being reminded of this possibility, applicants are still keen to pursue their applications for individual licences.
- iii. Ms Pushpa from the Legal Advisory Department added that there will be no new rules for the ASP as per the move from Individual to Class, i.e. the current Licensing Regulation will still apply. However, 2005 will be the year on Regulatory Review which will allow a platform for consultation of all regulations.

Discriminatory Pricing

32. **Speaker 5: Mr. Au Kian Ho**

Company: Xintel Communication Sdn Bhd (licensee – VoIP service provider)

- i. He spoke of high rates imposed by the big service providers, i.e. the telcos, in the provision services to VoIP service providers, specifically caller ID service. YBhg Dato' Khir representing MAFB proposed the use of the Access Forum as a platform for discussion whether this may be included in the Access List.
- ii. Mr. Yap from Maxis commented that there is a need for certain conditions to be imposed on the ASP (I) and if they find it to be non-competitive they can go to other service providers.
- iii. Mr. Au responded that the provision of wholesale minutes should be studied as it does not involve high infra costs and Singapore companies are willing to sell bulk minutes at low prices. The question posed was: is it a commercial arrangement of the local players or a cartel scheme as it excludes 99% of the ASPs in Malaysia. He added that the Commission should step in to address this matter.
- iv. YBhg Dato' Chairman stated that the Commission will look into this as an issue in the expansion of access list. However he observed that if Singapore-based companies can provide such services at competitive prices then the industry should re-look into how they do the business.

Spectrum Refarming

33. **Speaker 6: En. Mohd Zakri bin Hassan**
Company: Telekom Malaysia Berhad

En Mohd Zakri

- a. queried on "spectrum refarming", alluding to whether such refarming will be akin to that done in agriculture, and wanted to know if MCMC will do spectrum refarming

En Zamani explained that spectrum refarming will be implemented as and when it becomes necessary to reuse the spectrum when the circumstances arise, in the way as much as comparing spectrum to a plot of land which can be refarmed when required.

- b. enquired if MCMC will convert the cellular bands for spectrum assignment, from the current apparatus assignment

En Zamani stated that the conversion from apparatus assignment to spectrum assignment will be done when the time comes and when conditions are right, whether for the cellular bands or for any other bands. MCMC has already started with spectrum assignment for the IMT2000 (3G) core band in 2002. The Malaysian National Spectrum Plan, which is awaiting approval of the Government, also has provisions therein for different treatment of spectrum offering or award (fixed pricing, tender and auctioning) and by way of apparatus assignment, spectrum assignment or class assignment.

- c. Possible outcome of rebate incentives

En Bistamam answered that the feedback has been gathered from all affected licensees. All proposals and suggestions will be considered and adopted where suitable. A final decision is expected soon.

In wrapping up this issue, YBhg Dato' Chairman stated that spectrum is a national resource and is currently allocated on a first-come first-served basis. However, going forward, it can be done in many ways, such as a beauty contest, auctions, bidding, tender etc.

USP Rollout

34. **Speaker 7: Mr. Yap**

Company: Maxis Communications Berhad

- i. He asked whether all the sites involved in the tender have been awarded? And will new sites be tendered in the near future?
- ii. En Aisharuddin, Head of the Universal Service Provision Department stated that out of 89 districts 43 has been rolled out and the remaining 46 districts will be dependent on the performance of the first batch of 43. At present there will be no more rollout until further studies.

Content Provision

35. **Speaker 8: Mr. Fred Chong**

Company: Hit Mobile

- i. He asked about localized content and its status i.e. movie, TV, radio etc. Are we doing well in providing localized content? Mobile content is moving fast but what about for other media? Compared to other ASEAN neighbours we are behind. For the mobile market, the revenue sharing model is still in favour of

telcos and it is not progressive enough like in Japan and Korea. Content may also be able to provide the exposure that the Commission requires vis a vis the branding of the Commission itself.

- ii. En Bistamam said content providers have in the past asked the Commission to look into the revenue sharing model practiced in the industry and this has been done. The telcos and the content providers must be developmental and expand the market. They must look beyond certain specific, tried and tested markets, such as the youth market and consider other segments. Volume figures are still generally on the low side and the solution lies in both sides taking positive steps to develop and expand the market. Instead of focusing on the youth market only and transplanting content from Japan, Taiwan and Korea, the content providers should tap into and develop other segments which to date remain relatively untouched. The telcos themselves should support content providers who venture into new market segments by giving promotional terms of revenue sharing for product lines which are aimed at growing new market segments as these will be critical for their future revenues. Efforts must be made to incorporate more local songs, golden oldies and local cartoon characters, like Lat, because these can sell well and will attract more people to become buyers. This is an industry in its infancy which should be allowed to grow naturally. Mandatory intervention at such an early stage is not advisable but will be considered if the situation does not improve.
- iii. YBhg Dato' Chairman added that the responsibility of content is quite dispersed. There is no single source of information on content. Looking at the Commission's charter to support local

content there is a need for a kind of body to look into it in a developmental perspective and not a controlled perspective. As for the issue of the branding of the Commission, YBhg Dato' Chairman said that even though it is an exciting idea, we have to be careful about endorsing specific products.

Equipment Placement / Equal Access

36. **Speaker 9: Mr. Stephen Chia**

Company: BizSurf (M) Sdn Bhd

- i. He raised the issue of equal access as well as physical access. The main concern is the placing of communication equipments in MDF/SDF rooms. The developers of housing projects where the services are to be provided, normally state that the rooms belong to TMB. This is not the case. There is confusion as to who has the right of access to these rooms, as it directly affects the provision of last mile services.
- ii. Mr. Toh Swee Ho of the Monitoring and Enforcement Division stated that the Technical Standards for Infrastructure Requirements (TSIR) which is currently in draft form, will address this matter. Another item is the Network Installation Permit which will similarly address this issue.

Copyright Issue / R&D Promotion

37. **Speaker 10: Mr. Lee Wing Tai**

Company: Unrealmind Interactive Berhad

- i. He stated that with the rise of many content providers, there are also many who do not practice aspects of copyright

concerns, e.g. the piracy element. Does this fall under the purview of the Commission? This is important as the industry's health could be affected by this and some of the content players do not look into the future of the industry.

- ii. Ms Pushpa answered that this matter falls under the purview of the Ministry of Domestic Trade and Consumer Affairs, though the contract signed by the licensee and the content provider will limit the usage of illegal, non-approved pirated contents.
- iii. Mr. Lee also raised the issue of what are the actual elements in the promotion of R&D?
- iv. En Mohd Sharil Tarmizi of the Office of the Chairman stated that for the present, much of the focus of MCMC is still in the delivery of quality network services to the people and therefore the direct promotion of R&D by MCMC has been relegated. However, people should note that industry development rebates have been offered as part of the regulatory framework and this is intended to be a motivator to R&D initiatives. If licencees invested in R&D initiatives, they are entitled to apply for Industry Development rebates. Therefore, for the present, if the industry is looking for direct grants, there are many other government agencies that provide direct R&D grants and the industry is best advised to contact these agencies directly. Notwithstanding, the industry is invited to provide feedback on this matter for the Commission may be able to direct the interested parties to the other government agencies.

Internet Peering

38. **Speaker 11: Mr. Yap**

Company: Maxis Communications Berhad

- i. He stated that the industry must look into internet peering as a matter of urgency.
- ii. En Mohd Sharil Tarmizi asked what action MAFB is going to take with regards to the same, as it has been focusing too much into telco access issues and not IP. He raised the question to what extent should the Commission intervene in this matter?

En Afzal from AIMS added that the solution lies with having a single location of peering point. He informs that he has initiated a non-profit IPX to be introduced on the 15th of February 2005.

- iii. Dato' Rosman from MiTV suggested that the Commission becomes the "stock exchange" to manage the bits and bytes.

Conclusion

39. In wrapping up YBhg Dato' Chairman sought feedback from the floor, as to the usefulness of the dialogue, especially with the proposal to hold it every three months and whether issues should be submitted earlier prior to the dialogue session. There was general agreement for this proposal.
40. In summary the dialogue required the Commission to look into the following matters:

- i. On increasing public awareness of the Commission's existence and purpose, the Commission will take steps to promote itself to the public at large and the industry specifically;
- ii. On cable capacity and international connectivity the Commission will follow up on this to consider Malaysia's capacity requirements for the next 5-10 years;
- iii. On discriminatory pricing for access, the commission will look into it, particularly why Singapore companies are able to offer better terms;
- iv. On mobile content, the Commission has met with all telcos and will now conduct meetings with content providers and aggregators to seek developmental approaches that will benefit local content creators; and
- v. The Commission will look further into improving internet peering arrangements, particularly non-profit models.

The Industry Dialogue ended at 13:00hrs.