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Quantum leap into cyber space

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BILLED by Prime Minister Datuk Seri Dr Mahathir Mohamad as a project without which Malaysia cannot really achieve industrialised nation status by year 2020, the Multimedia Super Corridor (MSC) takes off this month with the launching of the Multimedia University and the research and development centre of Nippon Telegraph and Telephone Corporation (NTT), a Japanese telecommunications giant.

The MSC has captured the imagination of the world, with the Prime Minister's promotional trips to the United States and Japan in January succeeding in securing the support of chief executive officers of information technology (IT) and multimedia companies there, some of whom are in the International Advisory Panel (IAP) that will help guide the building of this corridor to industrialised nation status for the country.

A great deal of interest in the MSC was also generated at the fourth annual National Trade and Investment Outlook Conference in Melbourne last December. And since the concept of the corridor as a world-class business location was first introduced in 1995, many developments have taken place to give definite shape to this enterprise which has no parallel anywhere else in the world.

Certainly, it is not another Silicon Valley because the government's objective is not to attract international and local companies to manufacture or assemble computer products in the 15km wide by 50km long corridor running south of the Kuala Lumpur City Centre (KLCC) to the Kuala Lumpur International Airport (KLIA) in Sepang and the nearby new Federal administrative capital of Putrajaya.

Instead, the intention is that with the excellent telecommunications and multimedia infrastructure to be laid out in the corridor, information technology (IT) and multimedia companies would be induced to locate there to engage in remote manufacturing and to introduce high value-added IT goods and services to enable Malaysia to become a regional IT hub.

Says Dr Mohamed Arif Nun, Chief Operating Officer (COO) of the Multimedia Development Corporation Sdn Bhd (MDC) in an interview with Investors Digest, 'We want IT and multimedia companies to undertake their content development, software development, to develop technologies for the network, to develop Internet products, to conduct electronic commerce and lots of other things.

'There are a lot of activities under the eight flagship applications of electronic government, telemedicine, research and development (R&D) cluster, multipurpose smart card, smart schools, worldwide manufacturing web, borderless marketing centre and multimedia funds haven,' he adds (see chart A).

'A lot of these activities are in the area of improving efficiency and productivity - that means using IT to make the government more efficient and deliver better services to the people and so on.

'The other area is to build the actual IT and multimedia businesses in the MSC - more of encouraging businesses that use a bit more of brainwork such as design work, software development as well as actual development of products and services.'

Therefore, says the COO of the MDC which was set up to oversee the development of the MSC, retail manufacturing activities are not encouraged in the corridor.

'Assemblers and vendors are not encouraged because there is no value-

added and any country can engage in these activities so we will not have any competitive advantage - we have to go into value-added products.'

Arif Nun points out it is advisable that the value-added products developed in the MSC tie in with the eight flagship applications because these are encouraged as the first broadfront-kind of attempt to get the nation to really utilise IT and multimedia to improve its productivity.

'You can undertake other high-value added activities but it does not make sense if everybody is going this way and you are doing something else unless it is related in some related manner to the eight flagship applications,' he says.

In August last year, the government came out with a detailed package to lure leading IT and multimedia companies to set up operations in the MSC. The 10-point Bill of Guarantees touched on protection investors could expect to receive, investment incentives, and the kinds of services and applications that will be available in the MSC.

With regard to this package of incentives, Arif Nun says the MDC has come up with the final draft. And fairly soon during this month, according to him, it will be finalising the incentives.

'The Prime Minister has instructed us that there should be no distinction between local and foreign companies so whatever we give to the locals will also be given to the foreign companies and vice-versa.'

According to him, response to the MSC investment opportunities from US, Japanese and other international as well as local companies so far is overwhelming.

'There are 400 proposals now and the number is increasing so we are very encouraged by the numbers. But we are processing and assessing them because we want them to be long-term partners in the MSC initiative,' he adds.

'Surprisingly, a significant number of the applicants are Malaysian companies, which is very encouraging since they are credible companies and it is good news for us,' he says.

'This is because attracting the big companies, the leading players in the IT and multimedia industry is the first stage of our three-stage plan to transform the country into one which is a knowledge-based society and one where the industry is IT and information-driven - that is the bottomline of this whole initiative,' he adds.

'The first objective of the MSC is actually to enable the country to reach the target of Vision 2020 through productivity-driven growth. This is because if we look at the trends, we are getting competition from countries where there is lower labour cost so we cannot compete with them - the objective is to enable Malaysia to reach the target of quadrupling our per capita output by 2020.'

The second objective is to speedily transform the country to become the leader in synergising foreign and Malaysian companies to become global players in IT and multimedia in the next 10 to 20 years to come.

And the third objective is actually to form smart communities, to interlink with other intelligent cities around the world like Singapore and some areas in Japan and places like Bangalore in India where there are good software activities.

'But before that, the MSC itself will be cloned to other parts of the country such as Penang, Selangor, Johor, Sabah and Sarawak so the whole of Malaysia will be a supercorridor between the year 2000 and 2010 - it is a long term process,' says Arif Nun.

'This is because we see the world according to our Prime Minister's philosophy of mutual enrichment, the philosophy of prosper thy neighbour - I make you rich, you buy more of my products, you make me rich I buy more of your products,' he adds.

`The world out there is very big. For the telecommunications industry alone in the coming years, by the year 2000, it is expected that there will be RM3.4 trillion worth of business. It is a big cake and we see that the way of doing things is actually countries and regions working together.'

Is the government starting from scratch in building this MSC? Not so, says Arif Nun, because Malaysia already has about 20 years' experience with foreign companies with Japanese and US companies establishing their semi-conductor operations, going from mere assembly and now to sophisticated testing.

Now they are experimenting on setting up R&D centres in this country so the government has the experience in dealing with how to maximise the contribution of foreign companies.

Even without the MSC, it is already building the KLCC, Putrajaya as the new administrative capital and the KLIA.

`So the Prime Minister has this brilliant idea - since these are all coming up, a lot of businesses and demand will emerge because we need the telecommunications line, the software, IT and other products to service the KLCC, Putrajaya and KLIA,' he adds.

`So you put all these together and synergise the whole thing and throw in Cyberjaya as a smart IT city, put these people working in the business of IT and multimedia products and services to service the growing demand in this part of the world,' he says.

`You will then have a very attractive package for international companies to actually resettle in the MSC, in the beginning to service immediate demand, working with local companies.

`We hope more local companies will exploit the presence of these international companies and deliver their products together.

Then, use the MSC and Malaysia as a jumping point to Singapore, Thailand, India, China and other countries in the region. We are right in the heart of Asia, after all that was why Melaka was successful in the 13th century.'

On this note, Alan Fung, Executive Director of the Association of the Computer Industry Malaysia (Pikom) says the association believes the MSC will be successful in fostering tie-ups because foreign investing firms re-locating to the corridor will need local and regional staff as they cannot afford to hire an all-expatriate staff.

Says Fung, `In addition, the foreign companies will need local expertise in the local and regional markets and they will need to partner with local companies as some of the flagship applications like electronic government are just too big for a small number of companies to handle.

`Also the emerging trend worldwide is towards technology alliances and partnerships between small and big companies as such arrangements have great synergies,' he adds.

Apart from the investment opportunities in the MSC for international and local companies, the task of setting up the infrastructure for the corridor itself already presents ample investment opportunities for companies collaborating with the lead organisations for the MSC's eight flagship applications.

Although the actual investment figures haven't been drawn up yet, many local and international IT and multimedia firms are already involved or have submitted their proposals to be in the MSC project.

Ramesh Nava, Sun Microsystems Pte Ltd's Country Director for Malaysia, says his company, which is the first to participate in the MSC, expects to go full steam in the corridor by 1999.

Work on one of the multimedia flagship applications - the smart schools - kicked off recently under a joint working committee comprising Sun

Microsystems' technology officers and senior officers from the Education Ministry.

'We expect the smart schools multimedia application to be fully introduced in 1998. And we are also working on the other flagship multimedia applications such as telemedicine, electronic government and multipurpose smart card.'

Sun Microsystems is also setting up a technology competency centre called Java Competency Centre with Mimos Bhd. The centre which he hopes will be ready by middle of this year will be located in Mimos' new campus in the Malaysia Technology Park in Sungei Besi.

Another US-based IT company, NCR Corporation, is drawing up strategies for its proposed involvement in the MSC, in line with its plans to expand its role from an information technology solutions supplier to an IT investor in Malaysia.

Khairun Zainal Mokhtar, NCR (Malaysia) Sdn Bhd's General Manager, says one of the possible areas his company is considering venturing into is the setting up of a centre of expertise for multimedia software development in the MSC.

This form of investment, he adds, which ties in well with NCR's current research and development work on multimedia software for data warehouse solutions, will also be aligned with the focus of the MSC to develop local multimedia industries.

Mark V Hurd, NCR Computer Systems Group Vice-President for Marketing, says it certainly seems there are ample investment opportunities in the MSC, judging from the discussions he had with some parties here on some very specific opportunities within the corridor.

'Some data warehousing opportunities seem very feasible so from everything that I am aware of, it sounds like a very exciting project, a great project for Malaysia and the opportunity to bring some really exciting technology and so forth to this country,' he adds.

Victor Ang, NCR Managing Director for Southeast Asia, says his company is working on the panel with Bank Negara on the payments and the multipurpose card system as well as with the Malaysian Administrative and Manpower Planning Unit (Mampu) on the electronic government flagship

On the type of local partners the NCR is looking for in putting in place the technology for the MSC project, he says: 'I think we have to look for partners who are already part of the MSC project such as Telekom Malaysia Bhd but that shouldn't preclude us from looking at other companies as well.'

'The series of projects in the MSC is large and complex enough for NCR to say we have some very good technologies but the main party that could run with them may well be a systems integrator, software company or another hardware company. So we are very open to partnering with a number of people on a project-by-project basis,' he adds.

'Although NCR is not at the point of being awarded a contract to help establish the electronic government infrastructure, the company certainly hopes that by participating in the MSC, one or more of these flagship application projects will involve NCR.'

Malaysia's MSC project, according to Ang, is very advanced in terms of content, scope and ambition so several of the things Malaysia is doing in the supercorridor will be very leading edge with the rest of the region.

On whether NCR will use the MSC as a marketing platform, Ang says, 'Where we can demonstrate success and prove our concept and its value to our clients and the government here, we hope we can take that and replicate that across the rest of the region as well.'

German-based SAP AG headquartered in Dusseldorf has set up a team in its Malaysian office to draft the framework for its involvement in the

supercorridor project.

SAP Asia-Pacific's President and CEO Les Hayman says the company is likely to participate in areas such as providing education and training within the MSC community.

Raising the understanding of the business community on IT, according to him, will be the most relevant area for a software company such as SAP to participate in the MSC. This ties in well with the move by companies such as IBM and Hewlett-Packard, which are SAP's customers, to be involved in the MSC initiative.

'These companies use our products as the underlying technology in a lot of their activities, and we want to ensure we provide a full understanding of the products and technology,' says Hayman.

'The company will focus on industry-specific education and training which are relevant to the activities in the MSC. We want to make sure our involvement in the corridor will offer significant returns on investment.'

Meanwhile, Tengku Mohd Azzam Shariffaddeen, the Malaysian Institute of Microelectronic Systems (Mimos) Director-General, is of the opinion the MSC 'will change the way we live, work and interact with the rest of the world.'

'Computer, broadcasting and communications as well as multimedia industries will emerge along this corridor. There will be a shift in focus from manufacturing to the services sector, particularly value-added services,' he says.

'The idea behind the corridor is basically to nurture IT and multimedia-related industries in a restricted area that will provide for better manageability, cost control and understanding of issues,' he adds.

Two of the main features of the project - the Petronas Twin Towers in the KLCC and the KLIA - are scheduled for completion this year. And the first landmark - Menara Kuala Lumpur - is already operational.

At Putrajaya, where the heart of electronic government will be located, work has only recently begun and the master plan for the MSC envisions that the first tenants within the project area proper to be located at the IT City west of Putrajaya will move in by middle of this year.

'We expect the first batch to be made up of 50 foreign institutions and 150 local firms in an area covering 400 hectares,' says Arif Nun.

'Since a major part of the 15km by 50km MSC area that will be criss-crossed by high-speed fibre optic lines was formerly rubber and oil palm plantation land, there is more than enough room for expansion to accommodate more tenants later.'

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