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Mimos under pressure to sell Jaring

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RESEARCH and development (R and D) body Mimos Bhd appears to be under mounting pressure to sell its loss-making Internet Service Provider (ISP) Jaring, despite continuing efforts within the Government to put the statutory body on a more efficient footing.

With 500,000 subscribers and the ability to generate RM100 million cash flow every year, the country's first and largest ISP is a potentially lucrative business and private investors may have been lobbying to buy it, sources close to Mimos said.

That Jaring is losing money has exposed Mimos to accusations of incompetence, particularly as the Government's plans to restructure the R and D agency and address its weaknesses have yet to be approved, they said.

And selling Jaring would raise the question of what would happen to its development role to provide Internet services to unprofitable rural areas, they said. Moreover, it is this development role that has caused some of its losses, they added.

Recent reports said strategic consultants McKinsey & Co recommended that Jaring be sold off in a study which the Government commissioned, and that the sale had been put before the Cabinet and approved.

However, sources close to Mimos denied that the Government had reached any decision on the agency's future. They also said McKinsey is expected to recommend that Mimos split its functions into three, namely for-profit businesses, R and D and policymaking.

"The matter has not passed through the Cabinet yet. The McKinsey report... was (before) the Cabinet for discussion (last) Wednesday, but the matter did not come up as it had been superceded by other matters," said a source.

"When Prime Minister Datuk Seri Dr Mahathir Mohammad was asked about the matter, he denied it and said that Mimos was doing a good job," he said.

"(The recent speculation) had become a means to create public acceptance of a move to (sell Jaring)," he said.

Separately, sources close to the National Economic Action Council said there are plans to turn Mimos' various divisions into companies run along commercial lines. Mimos would be looking for strategic partners to team up with in each division's industry.

Sources said Jaring's poor performance is due largely to two factors. The first is its development role and the second, the stranglehold that former monopoly Telekom Malaysia Bhd has over its business.

"At the moment, (Jaring) may be losing money because of its development role, which involves things like investments in rural areas.

"But if a private party were to take over, they may be tempted to forego this developmental role, as RM100 million (cash flow) is no mean sum," said the source close to Mimos.

Also, private sector proposals to turn Jaring around support Mimos' long-time concern over Telekom's conflicting interest as an infrastructure provider. Telekom has a competing ISP, and, four years ago, proposed to merge its ISP with Jaring. And Telekom, like Mimos, is Government-owned, they pointed out.

Industry sources said a consortium led by Asiaspace DotCom Sdn Bhd has proposed to turn Jaring around by using an alternative infrastructure provider to Telekom's.

That way, rural and urban subscribers can get broadband services at a fraction of current costs, they said. Asiaspace, best known for building cellular base stations for lease, made the proposal to Minister of Science, Technology and the Environment Datuk Law Hieng Ding, they added.

Asiaspace, owned by lawyer-cum-businessman Abdul Ghani Abdullah, is the only non-telecommunications company to obtain a licence to build telecommunications infrastructure.