

Telekom banks on higher demand for broadband

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TELEKOM Malaysia Bhd hopes a surge in Internet usage will mitigate any loss of revenue when rates for broadband Internet access are reduced.

Telekom chairman Tan Sri Muhammad Radzi Mansor told *StarBiz* in an interview it could take one to two months to effect the reductions as there was a need to examine existing network capacity and the impact on the company's bottom line.

TMNet officials are expected to meet Energy, Communications and Multimedia Minister today and it is believed that a date for the new rates to be effective would be discussed.

"Our Internet and multimedia services revenue will be affected and it is also pointless to offer discounts only if it creates congestion from

increased usage. That is why we need to study the implications since we would have to cope with new applications," he said.

For the financial year ended Dec 31, 2002, Internet and multimedia services revenue grew by 32.9% compared to 2001, and its contribution towards group revenue was 4% or RM395mil versus RM297mil in 2001.

Prime Minister Datuk Seri Dr Mahathir Mohamad in his Budget 2004 speech last Friday announced a 50% discount on Internet access charges for industrial and corporate packages and 30% reduction on consumer broadband Internet charges.

Telekom has 1.9 million Internet users and 65,000 TMNet Streamyx connections.

On the proposal to merge Jaring with TMNet, Radzi said efforts would be made in the coming weeks to meet up with officials from

Mimos. Mimos operates Jaring, which has over 700,000 users.

He said Telekom was in a position to pay cash for Jaring although it had just acquired Celcom (M) Bhd for over RM4bil. He declined to put a value on Jaring as he felt a due diligence was needed to evaluate its worth.

"There are ample funding options available locally and we have our own financial resources to tap into," he said.

"The (real) issue is not funding but whether the investment we make is viable. Any deal would have to be on a commercial basis (although both companies have a common shareholder, i.e. Finance Ministry)."

He expects TMNet and Jaring to conclude major parts of the negotiations before the end of the year.

Telekom failed in its bid to buy Jaring two years ago over disagreement on terms and pricing. Industry

experts have often said Jaring has been denied last mile access by Telekom and such a merger would create a monopoly.

Radzi does not think so. To him, it is about more Malaysians getting connected and more businesses and e-commerce conducted online.

"Now the die has been cast, the rest has to follow. If we go in with an intention to merge, I am sure it would work (out well). We have to be positive on the merger," he said.

"People may say we are creating a monopoly but I do not think so as there are several other Internet service providers in the country.

"Too much competition is not good although there must be a choice. What differentiates one player from another is the quality of service they provide and the various products and applications people can benefit from," he added.