

ITU Regional Workshop on IMT

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Licensing and Pricing for IMT 2000 and beyond in Malaysia

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AGENDA

- Quick Facts and Stats
- Our Licensing Regime
- Spectrum Pricing
- IMT bands: Licensing and Pricing

BRIEF FACTS ON MALAYSIA

Malaysia

- **Total Area:** 330,252 sq km
- **Population:** 28.6 million (4Q '09)
- **Population Density:** 86 persons per sq km (Population Reference Bureau 2009)
- **Urban Population:** 62% of Total (2009)
- **Households:** 6.22 million (4Q '09)

Economy

- **Gross Domestic Product (GDP):** US\$160 billion
- **GDP growth 2010:** 4.5-5.5%*

Quality of Life

- **GNI per Capita (PPP):** RM23,567
- **Literacy rate:** 91.9% (Human Development Report 2009, UNDP) of labour force
- **Unemployment rate :** 3.7%

*BNM Forecast



MCMC – Regulator & Promoter of C&M Industry

A statutory corporation

- Established by the Malaysian Communications and Multimedia Commission Act 1998 (MCMCA)
- Effective from 1 November 1998

10 National Policy Objectives

Fundamental Principles of CMA 1998

- National Policy Objectives
- Transparency
- Principle of Self Regulation
- Technology neutrality
- Consumer protection



Main Parts under the CMA

- Licensing
- Economic Regulation
- Technical Regulation
- Consumer Protection
- Social Regulation

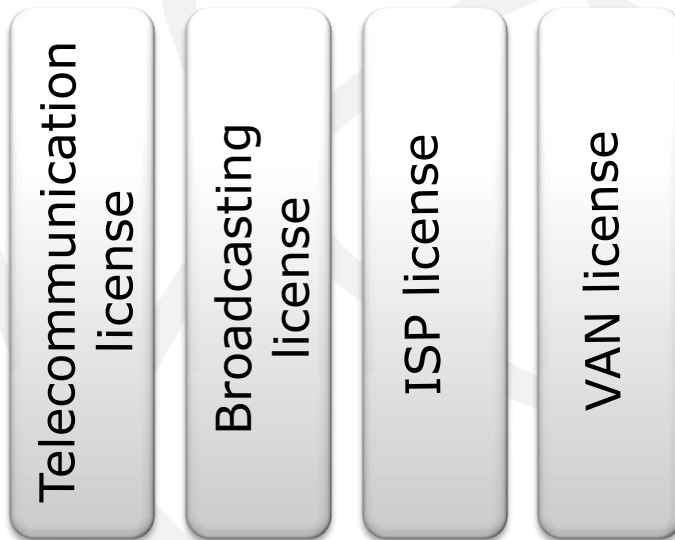
1. Creating a global hub
2. Building a civil society
3. Nurturing local content and culture
4. Ensuring long-term benefits for end-users
5. Nurturing user confidence
6. Promoting access and equity
7. Creating a robust applications environment
8. Facilitating efficient allocation of resources
9. Developing industry capabilities
10. Promoting safe & secure network

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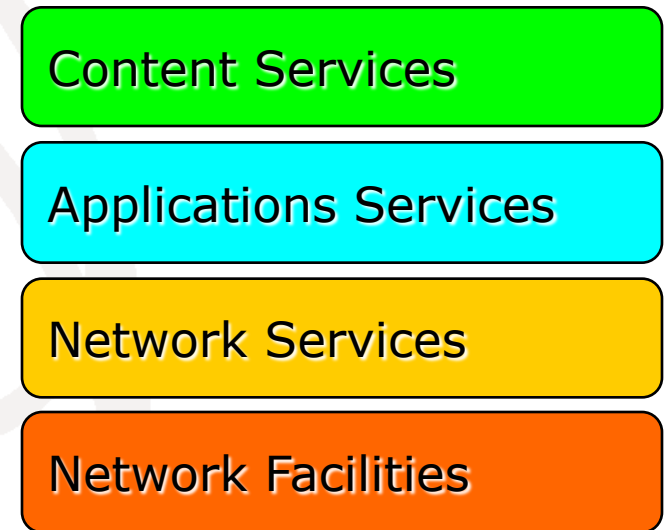
Licensing for Convergence

- The old licenses based on specific technologies, and specific services



- All activities related to the provision of a particular service are vertically integrated for the provision of that service

- Licenses issued under CMA98 are technology-neutral and service-neutral



- The new licensing framework promotes vertical separation between facilities, network, applications, and content

CMA Licensing Regime – Four Horizontal Markets in Three Categories

Individual	Class	Exempt
NFP	NFP	NFP
NSP	NSP	NSP
-	ASP	ASP
CASP	CASP (Coming up)	CASP

Less regulation 

- Only activities with significant economic or social impact are individually licensed.
- The long term objective is to move to less regulation.

Types of Assignment for the use of radio spectrum

Spectrum Assignment (SA)

Rights on a person to use a specified band/s for a period up to 20 years

Issued either via tender/auction/fixed price.

Related SA Fees:-

- Spectrum Price Component
- Annual Maintenance Fee

Example - IMT2000 (3G) Spectrum assignment

Apparatus Assignment (AA)

Rights on **a person** to use a specified spectrum to operate **a specified kind of network facility up to 5 years**

Fixed price – application basis

Related AA Fees:-

- Application fee
- Apparatus fee (Station fee + Bandwidth fee)

Example – Radio Base Station, Microwave Station etc.

Class Assignment (CA)

Rights to **any person** to use any frequency/bands for a specified purpose

No fee and no application to use

Notification of issuance of Class Assignment 2010 has been issued (Replacement for NCA 2004).

Example – remote control, Wireless Microphone, hand phone etc.

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Economics of spectrum pricing and management

“Many countries **fund their spectrum management programmes** in whole or in part through the use of **fees** and many also operate some form of **cost recovery system**. The purpose of the cost recovery system is **to recover the spectrum management costs** incurred by the administration but with the **aim to avoid overcharging the licensee** and to **avoid using the national budget to subsidise spectrum management**. From the point of view of licensees, cost recovery can be a fairer system in that it apportions the costs of managing the spectrum to those that are using it and the **charging is transparent.**”

ITU Spectrum Management Handbook

Current Spectrum Pricing

Pricing of spectrum :

Fees and charges are set based on the assignment method used:

- Generally to recover cost of operations and have funds for development
- Affect spectrum user/service provider decision making

- Class Assignment (CA)
 - No fee charge
- Apparatus Assignment (AA)
 - Fixed administrative fee as set out in CMA (Spectrum) Regulation 2000
- Spectrum Assignment (SA)
 - Spectrum price set based on fixed price set administratively or market price based on tender or auction.

Key principles and methods setting fees/charges

Spectrum pricing is used as a tool to manage the demand and supply of spectrum.

For spectrum that is sufficient to meet the demand of the market, the price is set administratively.

For spectrum that demand exceeds supply, the price is set by the market (tender/auction).

Price that is set administratively are usually based on cost recovery, usage of spectrum and with incentive to ensure efficient usage of spectrum.

Price that is set by the market could be estimated through simulations of auction/tender results of other countries.

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How IMT bands were allocated in the past?

2100MHz band

- Via SA through 'beauty contest', 2 rounds (2002 & 2005)
- 4 sets of blocks awarded (2 x 15MHz + 5MHz per set)
- Spectrum price elements -> Fixed price RM50 million + annual maintenance fee
- Irrevocable Bank Guarantee to guarantee performance RM50 million

2300MHz bands

- Via AA through 'beauty contest' in 2006, geographic area basis
- Awarded initially to 3 players in West Malaysia + 1 in East Malaysia (30MHz each)
- Fixed AA fee – based on Spectrum Regulation
- Irrevocable Bank Guarantee to guarantee performance RM12 million

How IMT bands can be allocated in the future?

Licensing

- Current licensing framework is sufficient
- SA is favoured
- Commitments (coverage, service etc may be required)

Spectrum Pricing

- Global trends is towards market based approach
- Bidders decide the value of the spectrum

Thank you

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