Why regulator/ regulation and what to regulate in the telecom sector?

Training on competition policy and interconnection in telecommunications market of Mongolia
5 July 2003

Evolution of market structure in Malaysia

<table>
<thead>
<tr>
<th>Year</th>
<th>Fixed line</th>
<th>Cellular</th>
<th>Internet access</th>
<th>Broadcast</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-85</td>
<td>Monopoly</td>
<td>Monopoly</td>
<td>Monopoly</td>
<td>Five players</td>
</tr>
<tr>
<td>1986-90</td>
<td>Monopoly</td>
<td>Two players</td>
<td>Monopoly</td>
<td>Five players</td>
</tr>
<tr>
<td>1990-95</td>
<td>Monopoly</td>
<td>Five players</td>
<td>Monopoly</td>
<td>Eight players</td>
</tr>
<tr>
<td>1996 onward</td>
<td>Monopoly</td>
<td>Five players</td>
<td>Monopoly</td>
<td>Five players</td>
</tr>
</tbody>
</table>

Convergence of the communications and multimedia sector as a national strategy

Vision 2020 – to make Malaysia a developed and industrialized nation
Knowledge is the driver of the New Economy
C&M related activities would be at the core of the new engine of growth.
Global & local trends in 1997

- Technological development in communications moving rapidly with impact of digitisation – convergence of technologies and services already a reality
- Malaysia’s telecommunications, broadcasting and Internet sector was beginning to be more competitive
- Globalisation and commitments to the World Trade Organisation would have an impact on national strategies

THE NATIONAL AGENDA

Agenda: Move Malaysia into the K-Economy

The Malaysian Communications and Multimedia Act 1998 (CMA) was a key legislation to facilitate the growth of convergence activities.

10 National Policy Objectives

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 secure and safe networking

Principles of the CMA 1998

- Transparency
- Technology Neutrality
- Industry Self Regulation
- Consumer Protection
- Competitive Market Environment

NOTE: Abbreviated from Section 3(2) of the Communications and Multimedia Act 1998 (Act 588)
Changes to facilitate convergence

Redefinition of the Ministry’s functions and formation of CMC

Ministry of Energy, Telecommunications & Post

1 Nov 98

Ministry of Energy, Communications & Multimedia

1 Nov 98

Malaysian Communications and Multimedia Commission Act 1998 came into force and MCMC formed

Replacement of sectoral Acts by a convergence Act

Telecommunications Act 1950

Broadcasting Act 1988

Postal Services Act 1991

Digital Signature Act 1997

1 Nov 01

Postal Department

The Powers and Functions of the MCMC – under the MCMCA 1998

1. To advise the Minister on national policy objectives
2. To implement and enforce communications and multimedia laws
3. To regulate matters relating to communications and multimedia activities not related to communications and multimedia laws
4. To consider and recommend reforms to the communications and multimedia laws
5. To supervise and monitor communications and multimedia activities
6. To encourage and promote development of the communications and multimedia industry
7. To encourage and promote self-regulation
8. To promote and maintain the integrity of licensees
9. To render assistance to persons engaged in communications and multimedia
10. To carry out any function as the Minister may prescribe

NOTE: Abbreviated from Section 16 of the Malaysian Communications and Multimedia Commission Act 1998 (Act 589)

MCMC has a dual role in the C&M sector

Regulatory (Conformance) Developmental (Performance)

Present Future

In fulfilling its role, the Commission is guided by the 10 National Policy objectives for communications and multimedia provided in the CMA

MCMC has management independence

• Independent operational management
  - Chairman is also the CEO
    - responsible for overall administration and management of day to day affairs & acts under the general authority of the Commission
  - Commission does its own recruitment & sets its own terms of appointment
    - Payment of employees is subject to terms that the Commission determines
    - Commission has disciplinary authority over employees & can make its own regulations subject to Ministerial approval
    - staff not government servants but public officials
  - Free to interact with public and private sector
    - MCMC has powers to appoint agents & technical advisors & carries out consultancies, public inquiries on competition, access, tariff issues etc.

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MCMC has financial autonomy

- MCMC Fund set up & controlled by Commission
  - Comes from monies from Telecommunications Fund, sums from Parliament, licence fees, charges, levies, investments etc.
  - Spent on paying expenditure of the Commission in carrying out functions, remuneration, purchases, grants of loans etc.
  - Prepares and controls its own budget but is subject to Ministerial approval
  - Annual Financial Report subject to Parliamentary oversight

- Has powers to borrow and invest, subject to approval of Minister & Minister of Finance
- Power to enter into contract but limited up to RM5 million
  - Anything beyond requires approval of Minister & Minister of Finance

MCMC takes only what it needs for the cost of regulation and the balance is spent on industry development.

Roles of the Key Players in the Industry

- **CONSUMERS**: Exercise choice of services and service providers, impose market discipline.
- **ENABLING LAWS**: Sets policies and procedures in legislation, enforces regulatory requirements.
- **COMMISSION**: Monitors & enforces compliance with regulatory requirements, promotes industry self-regulation, allocates public resources.
- **MINISTER**: Sets policies and priorities in legislation, and issues subordinate instruments in accordance with the objects of the legislation.
- **INDUSTRY PLAYERS**: Responsible for service implementation and delivery, directs on matters of general policy & procedures.

The Commission members

- **Tan Sri Nuraizah Abdul Hamid**: Chairman & Chief Executive
- **Tan Sri Kamarul Ariffin**: (Content/Lawyer)
- **Datuk Dr Gan Khuan Poh**: (Economist)
- **Tan Sri Zaki Tun Azmi**: (Lawyer)
- **Datu Dr Sulaiman Mahbob**: (Economist)
- **Raja Dato’ Arshad**: (Accountant)
- **Datuk C. Rajendram**: (Finance)

- Commission members appointed by Minister
  - Tenure is for not less than 2 years but not more than 5 years
  - Commission can further appoint committees to carry out its work
Self-regulation through Industry Forums

As well as suppliers

Industry forums

For the benefit of consumers

Which would guide Industry conduct

To produce Voluntary Industry Codes

Self-regulating mechanism
- Industry Forum Areas of Focus

MCMC's Vision for the Future

A globally competitive, efficient and increasingly self-regulating communications and multimedia industry generating growth to meet the economic and social needs of Malaysia.
The MCMC takes into consideration the needs of various stakeholders

Value for money services
Transparency and fairness. Stable regulatory environment
National interest
Consumer interest
Industry interest
Investor interest
Return on investment

Converting our Vision into Action

A globally competitive, efficient and increasingly self-regulating communications and multimedia industry generating growth to meet the economic and social needs of Malaysia

Consultations
Access
Numbers and spectrum
Consumer choice
Transparent regulatory processes

Upgrading network capabilities
Managing resources efficiently
Improving service quality and choice of services
Regulating effectively
Building capacity

10 National Policy Objectives for communications and multimedia

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Thank you