

PRESS STATEMENT

IMPLEMENTATION STRATEGIES TO WIDEN BROADBAND PENETRATION IN MALAYSIA

I would like to announce the Government's decision to increase broadband services to the whole country.

This is necessary given that Malaysia's broadband penetration rate, at 18% is very low as compared to other more developed nations in Asia like Singapore (at 78%), Hong Kong (80%) and Korea (93%).

The implementation of nationwide broadband services will significantly contribute to the development of the country's social-economic development. In the past, water supply and electricity were important factors in attracting foreign investment and today, broadband connectivity has become a basic necessity.

To fulfil this requirement, the Cabinet Committee has developed a plan to chart the direction of broadband implementation in the country. The plan covers **implementation strategies for broadband both from the supply and demand aspects.**

Realising the importance of broadband as the backbone of a k-economy, the Plan has targeted a 50% household broadband penetration in 2010.

The country, the Government, industries and the people will benefit from broadband services. We can look forward to a new lifestyle with services such as e-Government, e-Education, e-Commerce, e-Health, Internet Protocol TV (IPTV), teleworking and e-Payment.

As an example, we will only need a few seconds to download a 10 MB document as compared to 5 minutes today, while e-Health services will enable patients to consult the medical specialists online without having to schedule a face-to-face session. Farmers and fishermen can check the market price for their produce directly without having to go through middlemen.

The increase in broadband penetration is a catalyst to a more robust economy, thus contributes towards increasing our Gross Domestic Product (GDP). Based on initial assessment, contribution to GDP is estimated at RM6.68 billion or 1% by 2010. At the same time, 135,000 new jobs are expected to be created.

To achieve this aspiration, efforts need to be directed towards making broadband ubiquitous for the masses and identifying high impact areas for HSBB implementation.

Since the cost of implementing HSBB nationwide could reach up to RM56 billion, efforts will be focused on two categories of broadband:

- **Broadband for General Population (BBGP)** with speed of up to 2Mbps; and
- **High Speed Broadband (HSBB)** for selected high impact areas with usage of between 10 Mbps and 1 Gbps.

To achieve this objective and national target, the country will be classified into three zones:

- Zone 1 will be covered by HSBB and BBGP. This involves high impact or major economic areas such as Kuala Lumpur, Johor Bahru and northern east of Penang.
- Zone 2 will be covered by BBGP.
- Zone 3 refers to the rural areas where the digital divide needs to be addressed with financing from the Universal Service Provision (USP) fund under the Malaysian Communications and Multimedia Commission (MCMC).

The Government will be partnering with TM in a Public-Private Partnership (PPP) arrangement to implement HSBB in Zone 1.

The Government has taken this PPP approach as it recognises that it requires large-scale infrastructure roll-out involving last mile access, core and the international network, and this may not be viable for a single or entirely private sector implementer. TM is chosen because the Government wants HSBB to be rolled out quickly in a cost-efficient manner.

TM currently owns 95% of the existing fixed line infrastructure, and therefore is the best natural choice to upgrade the existing network for HSBB roll-out. This will expedite HSBB implementation, enabling the people and our economy to benefit from HSBB sooner.

The HSBB infrastructure will be developed at an estimated cost of RM15.2 billion over a period of 10 years.

Initially, the Government planned to invest RM4.8 billion of the total amount.

The project will be carried out in phases of which Phase 1 will amount to RM 11.3 billion covering 1.3 million premises passed of which the Government will co-invest RM 2.4 billion for a period of 3 years.

To ensure TM's network openness, the regulatory framework will be developed on an **open network** concept to ensure that other industry players will have an opportunity to access the HSBB network at the application and network service levels.

As for **Zone 2** of broadband access for the general public, the major initiatives to widen coverage of broadband will continue under the current strategies which include encouraging competition among the wireless technologies (3G/HSDPA, WIMAX) and fixed line.

While for **Zone 3**, the focus will be on the initiatives to bridge the country's digital divide.

In order to achieve household penetration of 50%, an emphasis on supply alone is insufficient. There must be an **effective strategy to encourage demand** for broadband. Therefore, emphasis is given on developing on-line Government applications to ensure that direct service can be given to the people at the district, local authority, state and federal levels.

In addition, there will also be emphasis on on-line content and application development to offer services similar to Maybank-2-u, e-ticketing among others.

For that purpose, a special Task Force will be formed to drive a more integrated content development.

Awareness campaign and broadband promotion on a large scale is necessary to ensure that the Government's objectives are achieved.

Minister Energy, Water and Communications

Ministry of Energy, Water and Communications

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