WHERE DO TELECOMMUNICATION INDUSTRY IN MALAYSIA STAND? AN EVIDENCE FROM SWOT ANALYSIS

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ABSTRACT
Telecommunication industry in Malaysia started from 1946 by the establishment of Jabatan Telekom Malaysia (JTM). In 1984, the name has been changed to Syarikat Telekom Malaysia (STM) and finally in 1990, STM, has been renamed to Telekom Malaysia Berhad (TMB). The National Telecommunications Policy of Malaysia (1994-2020) was released to pursue further liberalization, with emphasis on a competitive competition between players in telecommunication industry in Malaysia. Telecommunication industry in Malaysia is being monitored by Malaysian Communications and Multimedia Commission (MCMC) and Ministry of Information Communications and Culture. When the telecommunication industry developed it will give a positive contribution to the economic growth. The purpose of this article is to analyse the telecommunication industry in Malaysia by discussing the Direct Exchange Line (DEL), broadband and cellular phone penetration in 2000-2012. It will also discuss the strengths, weaknesses, opportunities for improvement and threats (SWOT) analysis of the telecommunications industry in Malaysia.

Keywords: Telecommunication Industry and SWOT Analysis
1.0 Introduction

In certain countries telecommunication industry runs under the monopoly market structure, either fully owned by the private or the government sector. However, in Malaysia the telecommunication industry is characterized under the monopolistic competition market structure where there are many producers or players in the industry providing similar or identical product but differs in certain aspect such as packaging, marketing strategy and among others. The industry witnesses some low level of barriers to entry, with the support from Malaysian government through some introduction of various policies initiative. Among several approaches that have been explicitly adopted to stimulate competition among telecommunication industry players are determining network territory between competitors, provision of licence for new firms and monitoring of performance in sustaining competition in the market. Apart from that, several segments have been formed in industry competition which includes value added product segment application, internationalization and among others. Liberalization process in telecommunication industry introduced by the Malaysian government aims to encourage more participation from private firms in ensuring quality product at a competitive price. The expansion of telecommunication industry progresses out of the various developments taking place in the aspect of regulations, physical, structural and also policies. The growth of regulation activities and policies of telecommunication industry in Malaysia started off way back in 1908 up to present where the industry saw the merging of Jabatan Pos and Telekom. In 2009, telecommunication portfolio was placed under the Ministry of Information, Culture and Communication until today. One of the main policies formed to support the development of this industry is the National Telecommunication Policy (1994-2020). It also supports Wawasan 2020 to ensure its development in national industry as well as technology application. Among the main strategies for this policy includes the initiatives for competition within industry, R&D activities on product and telecommunication technologies.

The monopoly of Syarikat Telekom Malaysia was no longer the structure when it government halted it in 1985 by offering license to private telecommunication company to intensify competition in the industry especially mobile phone industries in line with the advancement of the current state of technology. The move brought opportunities to eleven private telecommunication company that are Celcom (M) Sendirian Berhad, Malaysian Resources Corporations Berhad, Digi Telecommunications Sendirian Berhad, Electronic and Telematique (M) Sendirian Berhad, Maxis Communications Sendirian Berhad, Mobikom Sendirian Berhad Time Dotcom Berhad, Prisma Net (M) Berhad, MIMOS (Malaysian Institute of Microelectronic Systems) Berhad and NTT MSC (Nippon Telegraph and Telephone and Multimedia Super Corridor) Sendirian Berhad. Due to the competition pressure, duplication, inefficient use of resources and 1997-1998 recessions have caused only few firms providing cellular phone service to stay in business. The remaining company includes Celcom (M) Sendirian Berhad, Maxis Communications Berhad and also Digi Telecommunications Sendirian Berhad. The proportion of the three company operation in providing cellular phone service until June 2012 is depicted in the following figure 1:

![Figure 1: Proportion of Market of Cellular Phone Company for 2nd Quarter of 2012](image-url)
2.0 Penetration Rate At A Glance

The growth in the telecommunication industry has led to the expansion of DEL, broadband and cellular phone services as depicted in figure 2 below. Cellular phone service and broadband penetration rate increased significantly throughout 2000-2012. Conversely, DEL penetration rate showed a declining trend compared to other telecommunication services. In 2000, the penetration rate (per 100 households) was 66.4 percent and in 2012 the percentage decreased to 34.4 percent. The reason for this decrease is due to the emphasis on the cellular phone service and VOIP and DSL concept communication service application. In 2000, penetration rate (per 100 inhabitants) for cellular phone was 21.8 percent and mounted up to 141.6 percent in 2012. The upsurge trend is attributable to the technology application such as EDGE, 3G, 4G and other technology that expanded its usage. Broadband penetration rate (per 100 households) began since 2006 with 10.9 percent and showed a rising trend with the increase to 66.0 percent in 2012 owing to the increase in demand from consumers due to technology application and internet facilities.

3.0 Number of Subscription Direct Exchange Line, Broadband and Cellular Phone (2000-2012)

3.1 Direct Exchange Line (DEL)

Figure 3 below shows the number of DEL subscription for the period of 2000-2012. The chart tells us that number of subscription (‘000 household) increased for the first two years but later on declined. In 2000, the number of subscription was 3392000 per household and increased to 3400000 per household in 2001. It further decreases to 2379000 per household in 2012. The decrease is possible as a result of greater emphasis to mobile phone services and VOIP and DSL communication service application.
3.2 Broadband

Figure 4 below shows the number of broadband subscription ('000 household) for the period of 2000-2012. From the chart, there were no broadband subscribers being reported in 2000. Nevertheless in 2006 the number of broadband subscription was 639900 subscribers and increased to 4448450 subscribers in 2012. The upward trend is due to higher demand from consumers coupled by subscription fees that that is affordable to customers, greater mobility and ease.

Source: MCMC, 2013
3.3 Cellular Phone

Figure 5 shows the number of cellular phone subscription for the year 2000-2012. The chart indicates that the number of cellular phone subscription ('000 population) increased every year. In 2000, the number of cellular phone subscribers was 5122000 and it increased to 41074000 in 2012. The rising trend is possible as a result of better technological application such as EDGE, 3G and 4G that have further boosted the usage of cellular phone.

4.0 SWOT Analysis
SWOT analysis is a short form used to explore the particular Strengths, Weaknesses, Opportunities, and Threats that are strategic factors for a specific industry or company. It also can identify the industry or company competencies and the opportunities that the company or industry is not currently able to take advantage because of the limited resources. It also can show how the company and industry can create the opportunities by leveraging its strengths and solve the threats by working on its weaknesses.

4.1 **Strengths**
- Currently, there are three well established mobile operators with the five additional operators licensed to provide 3G and 4G services in Malaysia.
- Most of the consumer tend and likely to use mobile data and Value Added Services (VAS).
- A mature market with penetration excess of more than 100% has been created by strong regulator supportive of competition in the mobile sector.
- In order to create a good broadband access, several operators (mobile and WIMAX) are licensed to provide a broadband services.
- Initiative by the government to improve state of high speed internet infrastructure.

4.2 **Weaknesses**
- The growth process became slower in an overly competitive and increasingly saturated mobile market.
- Despite there is situation of prepaid to postpaid migration, Average Revenue per User (ARPU) rates continuously decline.
- Little progress has been made since 2005 by WIMAX.
- An effective monopoly of domestic telephony and domestic/international leased line markets still happened by Telekom Malaysia.
- The declining growth of Direct Exchange Line (DEL) at hands of mobile, Digital Subscriber Line (DSL) and Voice over Internet Protocol (VoIP).
- Broadband tariffs remain high, where the broadband costs are being passed to the consumer.

4.3 **Opportunities**
- The application of 4G and 3G services provides good business opportunities for content providers and a new market for handset vendors.
- Mobile Number Portability (MNP) launched to bolster competition.
- Upgraded technology and coverage increase the demand for mobile broadband services, helped close the digital divide gap emerging between urban and rural markets.
- There is room to growth for broadband market, with BMI forecasting more than 7.2 million subscribers by the end 2017, increased from 6.1 million in 2012.

4.4 **Threats**
- When the market is matured it could lead to a saturated domestic market same as happened in Singapore.
- China may replace Malaysia as a regional Foreign Direct Investment (FDI) hub, with vendors opting to locate/relocate to neighboring countries.
- Limited of key strategic regional investors, aside from Telenor and Sing Tel.
- High Speed Broadband (HSBB) project that have been awarded by government to Telekom Malaysia has created the operator’s dominance of the fixed broadband market
- Increased competition can reduce market share or revenue in the future.

5.0 **Conclusion**
This research poses several questions regarding the current telecommunication industry in Malaysia. Telecommunication service liberalization process in Malaysia is seen to have a linkage with the country's development policies. It can be seen through the fact that monopoly power granted to Syarikat Telekom Malaysia Berhad in its fixed line services will hinder rigorous competition. The HSBB project grant which was launched on March 2010 in line with the National Broadband Initiatives will give out autonomy to Telekom Malaysia Berhad in its management and expected to give long run effect towards broadband industry in the country. Furthermore, monitoring of provision of operator license to foreign firms may also affect investment and development of infrastructure to a slower pace. As a result, the long run effect of FDI will transfer to China and this might obstruct future economic growth.

As a result, the growth of telecommunication industry in Malaysia in recent years is optimistic. This is partly attributable to the liberalization process by the government in creating competition between telecommunication service providers in Malaysia which further led to the improvement in the telecommunication penetration rate. At the moment, Malaysia stood at the 8th ranking after Japan and South Korea in Asia’s best telecommunication industry. Nevertheless, the monopoly market structure of Syarikat Telekom Malaysia will eventually hamper competition between operators especially in fixed line phones service (for eg DEL). Investment in the industry is quite minimal due to the fact that the monitoring of provision of license by the government may to some extent impede the growth of the industry. The role of government in developing the usage of broadband and mobile phone especially in providing the facilities and infrastructures may expedite the growth of the industry in the near future. Even though the growth in telecommunication services is quite remarkable, yet its contribution of this sector to GDP and employment is still minimal as compared to contribution from other sectors. This is mainly due to the economy instability in the market and effects from policies that is less comprehensive which have led to the slow pace expansion of its development and contribution. Much more far-reaching incentives and fiscal policies as well as monetary policies are needed to raise its contribution to the national economy.
REFERENCES

