Is 25% the final cut or will it be reduced to 50%?

Gobind wants broadband ‘pricing to be halved and speed doubled’

By B.K. SIDHU

ABOUT two weeks ago, Telekom Malaysia Bhd (TM), the main Internet access provider, published a pricing structure for access on its website that seemed different from what the regulator had suggested earlier this year.

That made obvious TM did not agree with the Malaysian Communications, Multimedia Commission’s (MCMC) proposal on mandatory standard on access pricing (MSAP). Bearing some industry players baffled by the access pricing being reduced, it would be tough to push Internet access prices down. That may be history now since Gobind touched Base, the new Communications & Multimedia minister said this week that the MCMC by the MCMC will come into force.

He has promised a 25% cut in retail broadband prices by year end with the reduction in the access pricing.

“But he has to stand firm to make sure the players really bring down prices and don’t drag their feet,” says an industry observer.

Gobind on his first day in office said he wanted broadband ‘pricing to be halved and speed doubled’ but has only managed to get 20% reduction for now with implementation by year end.

For the full 50% cut in prices, users may have to wait another year, said the observer.

“If access pricing is kept at a certain range, how can players bring down prices... there is little room to manoeuvre,” says another industry observer.

Having said that, he also cautioned that players may have only agreed to a 25% reduction to safeguard their income and may have given reasons “that it was tough to reduce further.”

“In reality the MSAP allows for a 30%-60% reduction in pricing from current levels so there should be no reasons why the retail price of fast broadband cannot be cut by 50%,” says a source.

To be fair, some drop in broadband pricing has been seen over the years but the pricing is still steep.

Broadband is still seen as a necessity or a utility like water and electricity. Given the rise in digitalisation across the globe, every household should have access to the Internet and Gobind wants it to be cheaper.

TM in the biggest access provider of fast broadband and companies like Celcom Axiata Bhd, Digi.Com Bhd, Maxis Bhd, U Mobile and others the access seekers. All have access to the high speed broadband (HBB) network. TM is also in the retail game with its “smell” broadband services, competing with the likes of Time DotCom, Maxis, Celcom and Digi.

TM in a statement yesterday said it has had several engagements in an ongoing dialogue with the ministry and MCMC, to reiterated its support of the government’s aspiration regarding affordable broadband services at higher speed for the nation to increase in competitiveness and on TM’s proposed initiatives to implement the same.

Further details on the initiatives will be announced by TM within the next quarter.

Bringing down prices is only one part of the total equation to provide access in the rakyat. Equally important is the need to ensure users have decent Internet experience.

In trying to bring prices down, Gobind has to make sure that “they are no compromises to quality of broadband services and he needs a vigilant team to do constant checks.”

Perhaps the dashing out of the 700Mhz bandwidth will help Internet services reach the wider population but it should be done in a transparent manner and only to the deserving ones, leaving the element of favouritism and political patronage out.

Another solution that can help for wider reach is to use Tenaga Nasional Bhd’s (TNB) network to generate more households across the nation.

“By allowing another player to offer broadband services will end the monopoly of having one player to be access provider and it opens room for competition which is seriously needed in the fast broadband space,” says an observer.

New packages should make their way into the market later this year with lower pricing. But analysts believe that some players will retain prices but offer more speed. In doing so, they can cushion any impact on loss of earnings from the 25% reduction.

A 25% reduction will have an impact on TM’s earnings in the future, says analysts.

But IF Apex Securities points out that “the announcement could be viewed positively as the reduction of 25% is lower than the expected 50% stated earlier... TM could roll out more affordable packages to attract new subscribers as well as up-selling to current Streamyx subscribers.

“Higher subscribers could help cushion the drop in average revenue per user (ARPU). TM’s total broadband subscribers stands at 2.5 million with small subscribers at 1.18 million and Streamyx at 1.13 million.

MIDF Research says it is “negative” on the 25% reduction as that would mean TM’s ARPU will reduce toward the end of 2018.

“This will negatively impact the groups revenue.

“While TM may expedite on its cost savings initiative, we doubt the group may reduce its operating costs to make up for the reduction in broadband prices,” it says.

It is not that TM cannot offer speed and capacity at better prices, what could help is network optimisation to meet its assets to fight the competition.

Since the access pricing will be backdated as beginning of the year, can users expect rebates for payments made since the beginning of the year?