Jointly-owned submarine cable to reduce cost in the offing

By B.K. SIDHU
bksidhu@thestar.com.my

PETALING JAYA: A consortium is being set up to buy international bandwidth for Internet traffic in bulk in a bid to reduce Internet protocol (IP) transit cost.

But that is an interim measure. For the long term, the consortium may build and own an undersea cable network or partner other cable networks for capacity in a private-public partnership to address the problem of high IP transit cost.

Bulk buying will help players, especially the smaller ones, achieve economies of scale and hopefully translates into better Internet packages for consumers.

The reduction of IP transit cost is part of the "extend the regional reach" initiative under the Economic Transformation Plan. It was mooted by the industry whereby Labs were conducted in June-July last year.

Sources said a soft loan of up to RM600mil might be given by the Government to the consortia and this would be used as capital to fund initial wholesale purchases of bandwidth, a portion of which would be used to build the infrastructure eventually, thus the private-public partnership talks.

For the past few months, about 24 telecom players had come together to discuss how transit cost could be reduced. IP transit cost is the cost players pay to carry Internet traffic around the world but because most sites are hosted in the United States, traffic volumes to the US are high. Transit prices in Asia remain higher than in the United States and Europe even though there has been an increase in undersea cables across the Pacific Ocean.

Both Telekom Malaysia Bhd (TM) and Time dotCom Bhd (TDC) are partners of some of the global cable companies.

Thus far, the 24 companies have provided RM10,000 each as initial start-up capital for the consortium. The 24 include TM, TDC, Maxis Bhd, Celcom Axiata Bhd, DiGi.Com Bhd, U Mobile Sdn Bhd, Green Packet, YTL Communications Sdn Bhd, RedTone International Bhd, OCE, Fibrerail, Jaring, Sacofa, Sarawak Information Systems, Fibrecom, and V Telecoms.

"The consortium will officially be

> TURN TO B3

Consortium on lookout for CEO

> FROM B1

formed when all parties sign the agreement, which is targeted for end of April this year," a Pemandu spokesperson said.

The spokesperson would not comment on the RM600mil soft loan the industry is buzzing about, but he did say the "Government is committed to providing a soft loan to the industry to realise this objective of reducing bandwidth cost for the industry. The quantum of the loan is subject to the feasibility study. To date no amount is being firmed as yet."

Besides setting the rules of the game, the consortium is also on the lookout for a CEO to manage the company, and its shareholders will be responsible for the investment of the consortium and the bandwidth buying and distribution.

The Pemandu spokesperson said the consortium had the right to purchase bandwidth from the best offering entity and is not limited to TM or TDC as the idea is to attain the best deal that can then be extended to its members.

While the pricing depends on volume, the average cost is said to be US$55 a month for a 1GB line and US$70 for a 200Mb line ex-Malaysia. But ex-Singapore the cost is lower at US$50 and US$20 respectively.

"It makes sense to re-route traffic via Singapore, however, as the small stretch from Singapore to Malaysia is very costly and if we do not group together we will not have the power to leverage," said a source.

Pemandu said the Government would also provide an initial development fund for the consortium to undertake the feasibility study on the best method of capacity build-up. The study will consider bulk buying, building of a new network and the best route to the United States, or the need to partner other cable companies.