

CHAPTER 1 : INTRODUCTION

1.1. Introduction

Telecommunications has long been recognized as an important contributor to economic development. In most developing countries, earlier efforts were concentrated chiefly on physical expansion of telecommunications infrastructure by the public sector. With the advent of widespread privatization in the 1990s, the focus changed from public to private provision of telecommunications infrastructure.

In Malaysia, the telecommunications sector has also undergone significant structural changes following privatization, deregulation and liberalization of the sector in the past decade. In the year 1987, Jabatan Telekom Malaysia (JTM) was privatized into Telekom Malaysia. Subsequently, the government liberalized the sector in response to complaints by business users about JTM's inability to meet the demand for terminal equipment. Regulatory reform is a key component of the structural transformation of the sector. Yet, very few studies have been conducted on this issue.

1.2. Objective of Study

It is the objective of this study to critically examine regulatory reforms that have taken place in telecommunications sector in Malaysia for the past ten years. The main issues that will be examined in this study include:

- (a) Rationale of privatization, deregulation and liberalization in the telecommunications sector;
- (b) Changes in the structure of the sector / industry;
- (c) Changes in the regulatory infrastructure and regime;
- (d) Strength and weaknesses of the current regulatory regime.

1.3. Data and Information

The study will rely mostly on secondary data in the form of legal documentations pertaining to legislative acts in the telecommunications sector. These will be supplemented by Bank Negara's annual reports, Malaysian five-year plans, Treasury's economic reports, annual reports of telecommunications companies, local newspapers and magazines.

1.4. Outline of Study

The structure of this study is as follows. Chapter 2 reviews the theoretical and empirical literature on regulation and competition in telecommunications. It will also look into existing studies on regulatory reforms in Malaysia as well as six other chosen countries such as US, UK, New Zealand, Australia, Mexico and Chile. Chapter 3 discusses the transformation of the telecommunications sector in Malaysia. Chapter 4 examines the regulatory regime in the Malaysian telecommunications sector before and after privatization. This is followed by an evaluation of current regulatory structure in chapter 5. Finally, chapter 6 concludes by summarizing the lessons learned as well as some policy recommendations to improve the regulatory framework in the sector.