MSC

The MSC was launched in order to leapfrog Malaysia into the “information age”. Vision 2020 whose chief architect is the Prime Minister of Malaysia Dato' Seri Dr Mahathir Mohamad aims at Malaysia becoming a fully developed and mature society by the year 2020.

The MSC is located in a greenfield corridor stretching 15 kilometres wide and 50 kilometres long, starting from Kuala Lumpur City Centre (KLCC) down to Kuala Lumpur International Airport (KLIA) the region's largest international airport. It aims to attract world-class technology companies and develop local industries by providing a conducive environment, which will include advanced infrastructure, legislation and policies. Seven flagship applications have been launched in order for the MSC to be a test bed for invention, research and development.

A 20-year time frame is projected for the MSC to reach its full potential and objectives.

**Phase 1**

In phase 1, a core group of world class companies are to have set up their companies within the MSC, 6 flagship applications are to have been launched, framework for cyberlaws are to be put in place and Cyberjaya and Putrajaya are to have been established.

**Phase 2**

In phase 2, the MSC will be linked to other cybercities in Malaysia creating a web of corridors and attracting a second cluster of world-class companies. The MSC will also set global standards in flagship applications and be a champion of cyberlaws within the global society.
Phase 3

In this phase, Malaysia is expected to have transformed itself into a predominantly knowledge-based society with a record number of technology companies producing new multimedia and IT products. The MSC will also act as a platform for the establishment of an International Cybercourt of Justice.

In setting up the MSC, an international advisory panel was formed comprising of nearly every major figure in the IT world. Among the most prominent members were Stan Shih (Acer), Michael Bloomberg (Bloomberg), Craig Barrett (Intel), Larry Ellison (Oracle), Scott McNealy (Sun) and Narayana Murthy (Infosys Technologies).

5.1 Infrastructure

The MSC is supported by a high capacity, digital telecommunications infrastructure designed to international standards, highly reliable and competitively priced.

The fibre optic backbone is capable of carrying capacity of between 2.5 and 10 gigabits per second making it fully capable of supporting a full range of voice, video and data applications. The MSC is also connected to other international centres via high capacity links enabling MSC companies to establish communications with their counterparts overseas easily. Performance guarantees have been given by the telco's operating in the MSC, which includes 24 hours telephone installation, 5-day ATM circuit installation and 99.9% availability.

Besides the telecommunications infrastructure, the government is also committed to ensuring that the living environment in the MSC will be world class. Cyberjaya is the first major MSC designated cybertown and was officially opened in 1999. There will be a full range of facilities from various types of accommodation, commercial centres, first class hotels and
business centres. The Multimedia University is also located in Cyberjaya. Putrajaya is the other major MSC designated cybercity, which will be the new seat of government and administrative capital of Malaysia where the concept of electronic government will be introduced.

5.2 Bill of Guarantees

The government of Malaysia is committed to granting companies with MSC status financial and non-financial incentives as follows:

- Provision of world class infrastructure
- Unrestricted employment of local and foreign knowledge workers
- Freedom of ownership with exemptions from local ownership requirements
- Freedom to source capital globally
- Financial incentives which include no income tax for up to 10 years or an investment tax allowance and no duties on import of multimedia equipment
- Become a regional leader in intellectual property protection and cyberlaws
- No internet censorship
- Globally competitive telecommunication tariffs
- Tender key MSC contracts to leading companies willing to use the MSC as their regional hub
- Provide an effective and efficient one stop agency – MDC
5.3 Cyberlaws

In order to facilitate the development of IT and multimedia content industries, the government is committed to providing comprehensive cyberlaws and intellectual property laws under the MSC Bill of Guarantees.

To date, the following laws have been enacted:

_The Digital Signature Act 1997_

This law contributes to the development of e-commerce by legally recognising digital signatures used in secure on-line transactions. The law also provides for the licensing and regulation of Certification Authorities (CAs) of which to date two CAs has been appointed.

_The Copyright (Amendment) Act 1997_

This law aims to provide adequate protection of intellectual property rights for companies investing in the MSC. It amends the existing Copyright Act 1987 making it a copyright infringement should anyone transmit copyright works over the Internet or circumvents technologies aimed at restricting access to works.

_The Computer Crimes Act 1997_

This law aims to curb the misuse of computers by addressing issues such as unauthorized access or modification of computer information with provisions to facilitate investigations for the enforcement of the Act.

_The Telemedicine Act 1997_

This law makes provision for licensed medical practitioners to provide telemedical services using audio, video and data communications.
The Communications and Multimedia Act 1998

This law provides for the formation of a new regulatory body, the Malaysian Commission for Communications and Multimedia, which was appointed on 1st November 1998 which will cater for the convergence of the telecommunications, broadcasting and computing industries.

Other Relevant Laws

The Optical Disc Act was enacted in 2000 to deal with the problem of rampant piracy of optical discs such as VCD, DVD, CDs etc with the law providing regulations for the manufacture of optical discs. The Government is also in the process of drafting the personal data protection law that will regulate the collection, use and disclosure of personal data collected.

5.4 MDC

MDC was established in 1996 with the responsibility to promote the development of the MSC. It is incorporated under the companies act although owned by the Government thereby combining the efficiency and effectiveness of a private company with the authority and decision making power of a high-powered government agency. The MDC acts as a "one stop centre" facilitating multinational and local company's application to relocate within the MSC and gain MSC status thereby qualifying themselves for the various incentives provided by the Government. MDC serves as a partner by helping cut through the bureaucratic red tape and expediting the application process. It also markets the MSC, contributes to the development of cyberlaws, advises the Government on policies and helps ensure a world class infrastructure is in place in the MSC.

The MDC aims to foster the development of local companies and SMEs to become global players by helping to forge successful smart partnerships between Malaysia and international companies. In 2000, MDC managed
to arrange a total of 597 one-to-one business meetings involving 125 foreign companies located in 22 countries and 338 Malaysian companies. A most comprehensive web enabled database of Malaysian ICT/MM companies was formed to help identify potential partners for referrals with 1068 companies registered as at the end of 2000.

5.5 Central Incubator

An incubator was set up in the MSC to encourage entrepreneurship and give rise to a critical mass of IT companies. In order to achieve this, cost effective facilities are provided to start-ups along with advisory services to help them achieve financial viability. The MSC central incubator managed to attract 54 start-ups with another 22 companies being non-resident members. A total of 4 companies graduated from the incubator in 2000 while 4 others were awarded MSC status.

5.6 Research and Development Grant Scheme

A grant scheme was set up to encourage Malaysian majority owned companies to take up R&D efforts in developing multimedia products and services. The maximum grant is up to 70% of the total estimated project cost with each project funded for up to a period of 2 years. Repayment of the grant is not required. Among the important considerations in obtaining a grant is the projects commercialisation potential, financial plan, technical merits and R&D management capabilities.

In 2000 a total of 25 applications were received for grants with RM 22 million granted to 10 MSC status companies. Two grant-funded projects were also successfully completed in the year 2000. The following table provides more details on the grant scheme since its launch in October 1997.
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</table>

Table 2: Grant Scheme Details (Source: MDC)

The grant fund is expected to be increased to RM200 million under the Eight Malaysian Plan (2001-2005).

5.7 MSC Status

Malaysian and international companies are able to obtain MSC status provided they are willing to set up operations within the MSC and are providers or heavy users of Information Communication Technology and multimedia products and services. MDC will act as promoter and facilitator for companies wanting MSC status guaranteeing a 30-day turnaround for applications. Companies will be coached through the application process.
MSC

The desirability of obtaining MSC status is due to the various financial and non-financial incentives provided by the government.

The financial incentives are described below: -

a) Tax Exemption or Investment Tax Allowance

Companies will be eligible for a five-year exemption from tax on their statutory income renewable to 10 years. Alternatively those companies engaged in highly capital incentive activities such as multimedia activities which are treated as cost centres and not revenue-generating businesses, will receive a 100% Investment Tax Allowance on investments made in MSC cybertocities.

b) Duty-Free Importation of Multimedia Equipment

MSC status companies are allowed to import multimedia equipment duty-free provided that the equipment is used in the normal operation of its business. This excludes imports for the purpose of direct sales, trading or for use as components in manufactured items unless the manufactured items are for re-exporting.

The non-financial incentives are: -

a) Unrestricted Employment of Foreign Knowledge Workers

Any number of knowledge workers as defined by set criteria may be employed at MSC status companies. Working Visas will be granted for an initial period of up to 5 years, which permit multiple entries.

b) Freedom of Ownership

MSC status companies can be wholly owned by foreign entities but will still require incorporation in Malaysia.

c) Freedom to Source Capital Globally for MSC Infrastructure and the Right to Borrow Funds Globally
The Controller of Foreign Exchange will grant exemptions from exchange control requirements.

5.8 Flagship Applications

Six flagship applications were identified for development within the MSC. The main objective of the flagship applications was to help accelerate the country towards achieving vision 2020. This was supposed to be achieved by means of providing business opportunities and attracting service providers to participate in developing innovative solutions as well as to increase Malaysian productivity and competitiveness through the implementation of various infrastructure projects. The following are the applications:

Multimedia Development Flagship Applications

1) Electronic Government

Electronic Government seeks to improve internal processes within the Government machinery as well as external delivery of services to the public. Five pilot projects launched and are in various stages of progress.

2) Multipurpose Card

Initially 2 cards will be issued that is the Government Multi Purpose Card (GMPC) and the Payment Multi Purpose Card (PMPC). This is supposed to be eventually merged into a single multipurpose card. At present the GMPC card has been launched however its functionality remains limited.

3) Smart Schools

Ninety rural and suburban schools have been identified and designated as smart schools and been appropriately equipped with the
latest multimedia-teaching learning tools. Testing is due complete latter this year and subsequent nation-wide rollout is to follow.

4) Telehealth

Teleconsultation is now able to take place between 41 healthcare facilities across the country with live cases being forwarded across Malaysia. Teleradiology, teledermatology and telecardiology are among cases being sent. A web portal has also been set up to provide the healthcare information to the public and to medical practitioners.

*Multimedia Environment Flagship Applications*

5) R&D Clusters

The R&D Grant Scheme described earlier falls under this flagship.

6) E-Business

E-Business has the potential to transform the way businesses and the public carries out commercial transactions. No specific project has been launched under this flagship but perhaps no specific project was needed as e-biz seems to have taken off on its own with a lot of business to business and business to consumer transactions taking place without there requiring any Government intervention to spur growth.

The Government is currently on the lookout for potential applications for the 2nd wave of flagship applications to continue spurring the MSC forward.

**5.9 MSC Today**

Currently, there are a total of 676 MSC status companies with 652 being actual companies and the additional 24 being higher education institutions. Fifty companies have so far been identified as being world
class. Last year, companies such as Computer Associates (M) Sdn Bhd, Comptel Communications Sdn Bhd and Tecnomen Sdn Bhd were identified as world class with the hope that these companies will be delivering state of the art technologies and contribute heavily to the growth of the MSC. Chart 1 and 2 show the growth of MSC status companies and their respective breakdowns according to type of company.

**Chart 1: Growth of MSC Status Companies (Source: MDC)**

**Chart 2: Sectoral Breakdown of MSC Status Companies (Source: MDC)**