



**MALAYSIAN COMMUNICATIONS AND MULTIMEDIA  
COMMISSION**

**REPORT ON A PUBLIC INQUIRY UNDER SECTION 55 OF THE  
COMMUNICATIONS AND MULTIMEDIA ACT, 1998 ON A  
SYSTEM  
OF UNIVERSAL SERVICE PROVISION**

**12 MARCH 2001**

**PIR/USP/1/01**

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## GLOSSARY

the Act	The <i>Communications and Multimedia Act 1998</i> .
applications service	A service provided by means of, but not solely by means of, one or more network services.
basic telephony service	A service for the purpose of voice telephony which enables an end user using the service to communicate, by means of that service, with other end users who are supplied with the same service (or equivalent service) for the same purpose. More recent is the proposal that basic telephony should include the capability to support internet services.
collective access	The notion that certain services should be reasonably available to a collective group of target end users. Traditionally, collective access is achieved (at least in part) by establishing a reasonable number of public payphones in the target communities so that basic telephony services are available to these communities. More recently, it is argued that collective access should be extended to include internet services.
the Commission	The Malaysian Communications and Multimedia Commission.
Licensee	A person who holds an individual license or undertakes activities, which are subject to a class license granted under the Act, and includes a registered licensed network operator.
individual access	The notion that certain services should be reasonably available to individual end users (usually thought of as households) in the target area. Traditionally, individual access is achieved (at least in part) by making basic telephony services (usually through fixed line services) available to every household in the target area. More recently, it is argued that individual access should be extended to include internet services.
national policy objectives	The national policy objectives for the communications and multimedia industry as set out in subsection 3(2) of the Act.
net universal service cost	The loss incurred by a universal service provider from supplying services to a universal service area in the course of fulfilling the universal service obligation.
network facilities	Any element or combination of elements of physical infrastructure used principally for, or in connection with, the provision of network services, but does not include customer equipment.
network service	A service for carrying communications by means of guided and/or unguided electromagnetic radiation.
service improvement plan	A plan that sets out how the universal service provider intends to progressively fulfill the universal service obligation in so far as the obligation relates to the universal service area for which the

provider has been designated as the universal service provider.

system of universal service provision (USP)	A system to promote the widespread availability and usage of network services and/or applications services throughout Malaysia by encouraging the installation of network facilities and the provision for network services and/or applications services in underserved areas or for underserved groups within the community.
universal service obligation	The obligation to ensure that the universal service objectives in respect of an area are eventually fulfilled.
universal service plan	A plan for achieving widespread collective access in a universal service area or a plan for achieving widespread individual access in a universal service area.
universal service provider	A provider designated as a universal service provider in respect of an area by the Commission and having the responsibility to take all reasonable steps to fulfill the universal service obligation so far as it relates to that area.
Universal Service Provision Fund or USP Fund	A fund established under section 204 of the Act.

## SECTION 1 : INTRODUCTION

1.1 Under the Act, the Commission may determine a system to promote the widespread availability and usage of network services and/or applications services throughout Malaysia by encouraging the installation of network facilities and the provision for network services and/or applications services in underserved areas or for underserved groups within the community. In order to determine the system, the Commission may conduct an inquiry pursuant to Chapter 3 of the Act.

### 1.2 Public Inquiry Process

1.2.1 The Commission embarked on a public inquiry on 21 December 2000 and released three documents as part of the public inquiry process. These documents were:

- (a) USP Consultation Paper;
- (b) Draft USP Determination; and
- (c) The Regulatory Framework

1.2.2 The deadline for submission was 12 Noon, 9 February 2001.

1.2.3 In the consultation paper the Commission proposed a system of USP in detail which would assist participants to this inquiry in addressing specific issues relevant to the inquiry. Nevertheless, participants were invited to comment on any matter they considered relevant to the inquiry, including proposing a different system of universal service provision, or suggesting amendments or variations to the system of USP proposed in the paper.

1.2.4 Participants were encouraged to support their comments with reasons and, where appropriate, provide or refer to evidence or other relevant information in support of the comments.

1.2.5 This consultation paper was structured in the following manner and identified a number of issues namely objectives, delivery, costing and funding of universal services that participants wished to address in their submissions to the Commission :

- (a) background material on the provision of universal services in Malaysia at present.
- (b) the legal context for a determination by the Commission of a system of universal service provision under the Act.

1.2.6 At the close of inquiry, the Commission received submissions from the following:-

- (a) Mr Lance M T Lai
- (b) Mr Jason Lee
- (c) TIME Reach Sdn Bhd ("TIME Reach")

1.2.7 The Commission also received a few delayed submissions, namely from:-

- (a) A joint submission from TIME Reach, TT dotCom Sdn Bhd, Celcom (M) Sdn Bhd, Celcom Transmission Sdn Bhd, DiGi Telecommunications Sdn Bhd, Maxis Communications Bhd and TIME Wireless Sdn Bhd
- (b) An initial submission from Telekom Malaysia Berhad (“Telekom Malaysia”)
- (c) A second submission from Telekom Malaysia

1.2.8 Given the fact that the above delayed submissions in paragraph 1.2.7 above did not meet the deadline, the Commission has adopted the view that it is not obliged to consider these submissions. As such, any amendments made in this Report and to be duly reflected in the USP determination, emanate from the submissions received on time and the Commission's own reassessment of various positions hitherto adopted.

## SECTION 2 : BACKGROUND

### 2.1 Current Universal Service Arrangements

2.1.1 Telekom Malaysia has been, and currently is, the sole provider of universal services in Malaysia. Prior to 1999, Telekom Malaysia had been responsible for USP without receiving any contributions from other licensed network operators.

2.1.2 The previous regulator, Jabatan Telekomunikasi Malaysia had issued a regulatory determination, that (amongst others) provided for contributions by licensed network operators to the cost of providing universal service. These licensed network operators are:

- (a) Telekom Malaysia
- (b) Celcom (M) Sdn.Bhd.
- (c) Maxis Communications Bhd.
- (d) DiGi Telecommunications Sdn.Bhd
- (e) TT dotCom Sdn.Bhd. (formerly known as TIME Telecommunications Sdn.Bhd). and
- (f) TIME Wireless Sdn.Bhd.

2.1.3 Contributions to the cost of universal service is proportional to network revenues (net of payments to other Malaysian licensed network operators) weighted by services. The relative weight applied to different sources of income is related to the margins achieved on those revenues.

2.1.4 The formula for calculating the relative share of different operators is:

$$\begin{aligned} & \text{Operator payment weight} \\ & = A \times \text{total local revenue} \\ & + B \times \text{long-distance and international revenues} \\ & + C \times \text{mobile revenues} \\ & + D \times \text{other revenues} \end{aligned}$$

$$\text{where } A = 0; B = 1; C = 0.5; D = 1$$

2.1.5 This formula reflects the lack of profit on local services, and the high margin on long-distance and international calls.

2.1.6 Local revenues include both rental and local call revenues, and mobile revenues include both rental and call revenues. Other revenues include all other revenues derived from telecoms services, and ancillary services related to those telecoms services such as data, leased lines, value added service but excludes sale of equipment and related services.

2.1.7 Jabatan Telekomunikasi Malaysia determined the cost of universal services for 1999 to be RM 300 million (inclusive of RM32 million for the provision of

improved emergency service). The cost of universal services for 2000 is in the process of being ascertained.

- 2.1.8 Universal service costs are calculated based on the costs that would be avoided (avoidable costs) and revenues that would be foregone (revenues foregone) if Telekom Malaysia did not have the obligation to keep providing service to areas and subscribers which are uneconomic to serve.
- 2.1.9 In theory, this definition implies that any indirect costs and financial benefits of universal service provision are recognized in the costing. Such indirect costs might include, for example, the cost of maintaining plant installed in advance of subscriber demand so as to provide service on demand, which would not be required if the obligation did not exist. Indirect financial benefits of universal service might include, for example, the lower level of advertising expenditure required because the service is necessarily ubiquitous.
- 2.1.10 These indirect costs and financial benefits include the additional costs and revenues associated with demand from economic areas and subscribers (for example, calls from areas and subscribers that are economic to serve to areas and subscribers that are uneconomic to serve).
- 2.1.11 Activities which are regarded as forming part of Telekom Malaysia's universal service obligation are:
- (a) Provision of basic (voice) telephone services to all unprofitable areas;
  - (b) Provision of basic (voice) telephone service to unprofitable low-spending customers, in areas which are profitable overall;
  - (c) Provision of emergency call services; and
  - (d) Provision of public payphones in rural areas
- 2.1.12 An 'area' refers to the area covered by a particular exchange or remote switch. An area is identified as uneconomic to serve when *the avoidable costs of service (including an acceptable return on assets employed) are greater than the revenues that would be foregone if it were not served.*<sup>1</sup>
- 2.1.13 Individual customers are identified as being uneconomic to serve when *the avoidable costs of serving that customer (including an acceptable return on assets employed) are greater than the revenues that would be foregone if they were not served.*<sup>2</sup> In practice, the residential subscriber base is split into 20 classes, based on average monthly expenditure of the subscribers.<sup>3</sup>

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<sup>1</sup> Revenues generated as a result of serving an area include revenues from customers outside the area that would be lost if the area were not served. Costs that would be avoided by not serving an area include the avoidable costs of transporting the calls in and out of that area as well as the costs of providing access to customers in that area.

<sup>2</sup> Revenues generated as a result of serving a subscriber include incoming call revenues. The costs, and assets employed, are calculated on the basis of those

2.1.14 This arrangement was for an interim period of two (2) years from 1 January 1999 pending the issuance of a USP determination under the Act. The Commission has decided this arrangement will continue.

## 2.2 New USP System

2.2.1 On 1 June 2000, pursuant to section 202(1) of the Act, the Minister directed the Commission to determine a system to promote the widespread availability and usage of network services and/or applications services throughout Malaysia by encouraging the installation of network facilities and the provision for network services and/or applications services in underserved areas or for underserved groups within the community.

2.2.2 According to the Minister's direction, the system for USP should address the following matters:

- a) The scope of universal services including the types of services which should be subject to USP obligations;
- b) Definitions of 'underserved areas' and 'underserved groups within the community' including the criteria for identifying specific areas as 'underserved areas' and specific groups as 'underserved groups within the community';
- c) The control and operation of the USP Fund;
- d) Contributions to the USP Fund including who should contribute to the USP Fund and how the contributions should be determined;
- e) The delivery of USP services including, where appropriate, competitive delivery mechanisms;
- f) Monitoring and compliance mechanisms;
- g) Determination of the cost of USP including, where appropriate, market-based mechanisms for determining the cost of USP.

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which would be avoided in the long run, as a result of not serving that individual customer (or rather the entire group of such customers).

<sup>3</sup> The average expenditure on calls of different types for each customer class is calculated to determine the avoidable call costs, the avoidable access costs and also an estimate of the incoming call revenue per subscriber.

## SECTION 3 : UNIVERSAL SERVICE MATTERS

3.1 The consultation paper identifies two key problems which needs to be addressed in the Malaysian environment:- (i) the need to provide services in areas which are currently underserved or have no service at all, and (ii) the need to ensure that for areas which are already served, the universal service provider is fairly compensated for the cost of providing any uneconomic services to these areas. The consultation paper also notes that these problems should be addressed in a manner which minimizes the overall economic cost to the nation.

### 3.2 Universal Service Objectives

3.2.1 The consultation paper proposes two forms of access to services – collective access and individual access. The level of access should be ‘reasonable’, taking into account considerations of equity and economic efficiency (including the commercial viability of installing network facilities or providing network services in particular areas or places). Whether access is ‘reasonable’ needs to be assessed on a case by case basis, having regard to the particular circumstances of each case. Basic telephony services (having the capability of supporting internet services) should be provided on collective and individual bases. Collective access should have priority over individual access; voice telephony should have priority over internet services.

3.2.2 The Commission supports the Government's policy in increasing national telephone penetration rate. In achieving this and in ensuring fair and equitable development, the Commission is of the view that basic telephony service and access to Internet services are the services that should be subjected to universal service obligations.

3.2.3 In providing the universal services, collective access should have priority over individual access and voice telephony should have priority over internet service.

3.2.4 The Commission intends to adopt the following universal service objectives:

#### (a) Collective Access:

##### Objective 1:

All communities in Malaysia should have reasonable collective access to basic telephony services. Reasonable collective access to basic telephony services shall be achieved by ensuring that each community has reasonable access to a public payphone at which a basic telephony service is available.

##### Objective 2:

All communities in Malaysia should have reasonable collective access to internet service. Reasonable collective access to internet service shall be achieved by ensuring that community centers (such as libraries and schools) receive (upon request within a reasonable time frame) a telephone connection capable of supporting Internet service.

**(b) Individual Access:**

Objective 3:

All households (including businesses) in Malaysia should have reasonable individual access to basic telephony services. Reasonable individual access to basic telephony services shall be achieved by ensuring that each household (or business) receives (upon request within a reasonable time frame) a basic telephony service.

Objective 4:

All households (including businesses) in Malaysia should have reasonable individual access to internet service. Reasonable individual access to internet service shall be achieved by ensuring that each household (or business) receives (upon request within a reasonable time frame) a telephone connection which has the capability to support internet service.

- 3.2.5 In general collective access (objectives 1 and 2 above) shall have priority over individual access (objectives 3 and 4 above) particularly in areas or for groups within the community which do not yet have any basic telephony services. In general, access to basic telephony services (objectives 1 and 3) will have priority over access to internet service (objectives 2 and 4). In general, objectives 1 and 2 should be achieved before objectives 3 and 4.
- 3.2.6 Basic telephony service refers to a service for the purpose of voice telephony including access to emergency and directory services, which enables an end user using the service to communicate, by means of that service, with other end users who are supplied with the same service (or equivalent service) for the same purpose.
- 3.2.7 Internet service means a service that allows the end user utilizing a telephony service, for the purposes of data transmission, the capability to access the Internet via a dial-up modem.
- 3.2.8 So as not to discriminate the disabled group, special discount schemes as currently offered by the licensees shall be continued under the new USP system.
- 3.2.9 The Commission intends to adopt the following definitions of 'underserved areas' and 'underserved groups within the community' as:

- (a) '**Underserved areas**' means areas in Malaysia where Universal Service Objectives (as defined from time to time) have not yet been achieved. For instance, areas with communities which do not yet have reasonable access to basic telephony services or Internet service would be underserved areas. Similarly, areas with households which do not yet have reasonable access to basic telephony services or Internet service would be underserved areas. An 'area' refers to a geographic area and may be identified by reference to political

boundaries – for instance, state, district, division, jajahan, and/or mukim.

- (b) ***Underserved groups within the community*** means groups within the community in Malaysia for which Universal Service Objectives (as defined from time to time) have not yet been achieved. For instance, groups within the community which do not yet have reasonable access to basic telephony services or internet service (whether in the form of collective access or individual access as the case may be) would be underserved groups within the community. A 'group within the community' may be geographic or non-geographic.

3.2.10 TIME Reach in their submission indicated their willingness to be designated as universal service provider for collective access with payphone services provided:

- (a) the infrastructure be made available by Telekom Malaysia or the other licensed network operators to the nearest point of presence
- (b) a special commercial consideration be extended by the network operators e.g. no line rental charges, cost-based interconnection etc.
- (c) mechanism for recovery of shortfall in the net cost of providing public payphone services cost is in place.

3.2.11 The Commission considers that the provisioning of the infrastructure by Telekom Malaysia or the other licensed network operators to the nearest point of presence as a likely possibility. The request for no line rental is not acceptable to the Commission as exemption implies introducing cross subsidies between licensees. The cost based interconnect prices and the mechanism for recovery of shortfall in the net cost will be considered when the costing methodology is reviewed by the Commission.

3.2.12 TIME Reach also proposed that the payphones be located at secure locations to reduce vandalism. The Commission supports this proposal from TIME Reach.

### **3.3 Delivery of Universal Services**

3.3.1 The consultation paper envisages that more than one universal service provider may be designated to provide universal services. However, universal service providers would in general be designated in respect of mutually exclusive geographic areas.

3.3.2 The consultation paper proposes to designate Telekom Malaysia as the universal service provider for areas where Telekom Malaysia is in the best position to deliver universal services. For areas where other licensees are equally well-placed to deliver universal services, the consultation paper proposes to invite expressions of interest from interested licensees to be designated as the universal service provider for those areas. Such

expressions of interest must be accompanied by a draft service improvement plan, and may include proposals for a grant from the USP Fund.

- 3.3.3 Under the proposed system of USP, a universal service provider is under an obligation to take reasonable steps to ensure that the universal service objectives are eventually fulfilled in areas for which the provider is designated as a universal service provider. The universal service provider must also lodge universal service plans to the Commission for approval. A universal service plan must, amongst others, include a statement of the provider's policy for collective access or individual access, and indicate for which areas the policy applies to. The universal service provider must consult the public in developing its universal service plan. An approved universal service plan must be published by the provider. The universal service provider must take all reasonable steps to comply with its approved universal service plan.
- 3.3.4 The proposed system of universal service provision also require the universal service provider to lodge service improvement plans with the Commission for approval. The universal service provider must take all reasonable steps to comply with its approved service improvement plan.
- 3.3.5 The consultation paper envisages that TIME Reach may be designated as a universal service provider for collective access.
- 3.3.6 The Commission distinguishes two types of areas in which universal services are to delivered:
- (a) Areas in which the incumbent licensee is in the best position to deliver basic telephony services (including providing access to internet services). In general, these are likely to be areas where Telekom Malaysia already has infrastructure to provide basic telephony services to these areas, or is in a position to readily install infrastructure to provide such services to communities in these areas.
  - (b) Areas in which all licensees are equally well placed to provide basic telephony services (including providing access to internet services). In general, these are likely to be areas in which Telekom Malaysia does not have infrastructure to provide basic telephony services or is not in a position to readily install infrastructure to provide such services to communities in these areas.
- 3.3.7 In areas where the incumbent licensee is in the best position to provide basic telephony services, the Commission proposes to designate the incumbent licensee as the universal service provider for these areas.
- 3.3.8 The views from the written submissions were that the licensees (other than Telekom Malaysia) can also provide universal services given the cellular technology and coverage and that there should be no monopoly in USP.
- 3.3.8 The Commission agrees with the views to open up the delivery of universal services to the other network operators as well, if deemed appropriate.

### 3.4 Costing of Universal Services

- 3.4.1 Under the proposed system of USP, a universal service provider who incurs a loss from supplying services in the course of fulfilling the universal service obligation may be entitled to a payment to recoup the loss.
- 3.4.2 To receive payment, a universal service provider must lodge a claim in respect of its loss from providing uneconomic services within 180 days after the end of the calendar year in which the loss is incurred. A claim must be supported by an auditor's report or a qualified expert's report. If a claim overstates the provider's entitlement, the provider may be liable to a penalty up to three times the amount by which the claim is overstated.
- 3.4.3 The proposed system of USP will include a methodology for ascertaining the losses from providing uneconomic services. However, the Commission may approve variations to this methodology, or may approve the use of an alternative methodology.
- 3.4.4 Unless an alternative methodology has been approved by the Commission, a universal service provider's net universal service cost is proposed as follows:
- (a) The net cost of providing universal services (including public payphone services) to uneconomic areas in the relevant calendar year;
  - (b) *plus*: The net cost of providing public payphone services in economic areas in the relevant calendar year;
  - (c) *less*: The estimated value of indirect benefits, if any, which the universal service provider derives in the relevant calendar year from its designation as the universal service provider<sup>4</sup>;
  - (d) *equals*: The net cost of providing universal services in the relevant calendar year.
- 3.4.5 The universal service provider's net universal service cost shall be based on the approved methodology. For this purpose, the Commission will on a consultative basis, conduct a study to determine the most appropriate costing methodology to be applied under the USP determination.
- 3.4.6 The proposed system of USP will exclude compensation in respect of uneconomic customers on the basis that the priority of the system of universal service provision should be on underserved areas.

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<sup>4</sup> However, the Commission has not, at this stage, formed a view on whether there are in fact material indirect benefits flowing from an operator's designation as a universal service provider. The Commission is also conscious that no objective methodology for measuring the monetary value of such benefits appears to have been developed to date. The Commission proposes to consult with interested parties on (i) whether material indirect benefits in fact exist; and (ii) what methodologies are available to estimate the monetary value of such benefits. Pending such consultations, the Commission is minded to assume that there are no material indirect benefits.

- 3.4.7 TIME Reach indicated that the costing should include asset, installation and operational cost after deducting interconnection and rental cost. In addition the payphone providers should also be offered cost based interconnect prices and exempted from line rental charges.
- 3.4.8 The 'compensation' for the operational and rental cost would be in line with what the Commission has planned for. The Commission will take on board the cost based interconnect prices when the costing methodology is reviewed. The exemption from line rental is not acceptable to the Commission as exemption implies introducing cross subsidies between licensees.

### **3.5 Funding Universal Service Objectives**

- 3.5.1 The Act envisages that the total cost of providing universal services will be funded, either in part or in full, by contributions from licensees to a USP Fund. The consultation paper proposes that the USP Fund should consist of an Uneconomic Services Component relating to payments to universal service providers for losses in providing uneconomic services.
- 3.5.2 Contributions to the total net cost of providing uneconomic services are to be based on each contributing licensee's weighted net revenues from designated services.
- 3.5.3 In general, all licensees are required to file returns in respect of their weighted net revenues from designated services. Licensees whose annual turnover for a year does not exceed a threshold amount are exempted from lodging returns. Licensees who have lodged returns, but whose weighted net revenues for a year does not exceed a threshold amount are deemed not to have any weighted net revenues for the year. The Commission may also exempt specific licensees from the requirement to lodge returns.
- 3.5.4 Returns must be supported by an auditor's report. If a licensee's return understates the licensee's weighted net revenues for a year, the licensee may be liable to a penalty not exceeding the amount of the understatement.
- 3.5.5 In their written submission, TIME Reach sought exemption from contributing towards the USP Fund on the following justifications: -
- (a) The existing payphone service is in a way contributing towards increasing the telephone penetration rate as well as offering basic telephony service to the rural or uneconomic areas which are either unserved or underserved.
  - (b) TIME Reach has been contributing towards achieving the national objectives by providing telephony services to the underprivileged and poor citizens
  - (c) Payphone operators are not granted with the "Cost based Interconnect Prices Regime" which place the company financially at a disadvantage. On the average, all network operators pay between 25% to 30% as their interconnection cost under cost based regime but TIME reach is currently paying 46% as interconnection cost under the existing revenue share regime which is

subjected to negotiation. The incumbent always has the upper hand in revenue share price negotiation.

- (d) Payphone tariff is 30% cheaper than PSTN tariff (long distance calls) and there were no tariff re-balancing since 1975 except for timed local calls in 1997

3.5.6 The Commission disagrees with this exemption. Licensees will be subject to the two threshold filtering process<sup>5</sup>. If the two levels were to be exceeded, the licensee will have to contribute to the USP Fund.

3.5.7 The Commission is conscious of the fact that industry funding is effectively an additional cost levied on industry, and that this inevitably has distortionary effects on investment and consumption decisions. Uncapped USP Funding by industry could add significantly to the service providers' operating cost and can create uncertainty. To address this, the Commission believe that the industry USP Fund contributions be capped at 6% of industry weighted revenue.

3.5.8 Economic efficiency considerations suggest that the base for funding universal service objectives should be as broad as possible so that the effective additional cost levied on industry revenues is kept as low as possible. Consequently the Commission takes the view that all licensees should be required to contribute to the USP Fund in respect of revenues derived from services excluding content applications services. For administrative purposes, the Commission will determine a list of designated services and contributions to the USP Fund will be based on revenues derived from the designated services.

3.5.9 The list of the designated services will initially comprise of the following classes of services:

Class of Service	Weightage
Local call services	0

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<sup>5</sup> Licensees will be exempted from submitting a return if the total overall revenue does not exceed a threshold level (the return threshold). If the return threshold is exceeded but the revenue from the designated services itself is less than the second threshold (the liability threshold), the licensee would be exempted from being designated as a contributor to the USP fund. Returns must be supported by an auditor's report.

National long distance call services	1
International call services	1
Call termination services provided in Malaysia to overseas operators	1
Toll free services	1
Operator assisted call services	1
ISDN services	1
Information services	1
Mobile services	0.5
International roaming services provided to subscribers of overseas operators roaming in Malaysia	0.5
Leased lines	1
Other services which are close substitutes to any of the above services (regardless of the technologies used)	1

- 3.5.10 The Commission will review the list of designated services and its weightage factor from time to time with a view to including other services in the list as appropriate.
- 3.5.11 All licensees (unless exempted) will be required to submit to the Commission a return of the licensee's revenues derived from designated services during each calendar year, beginning with the calendar year 2002. With a view to minimizing the administrative burden, a licensee will be exempted from submitting a return if the licensee's total audited revenues (including revenues derived from services which are not designated services) for the licensee's last financial year (which need not end on 31 December) does not exceed a threshold level (the **return threshold**) as determined by the Commission from time to time. The return threshold level is initially set at RM 500,000 a financial year.
- 3.5.12 Again with a view to minimizing the administrative burden, a licensee who has submitted a return to the Commission will nevertheless be deemed not to have derived any revenues from designated services if the licensee's total revenues derived from designated services during a calendar year does not exceed a threshold level (the **liability threshold**) as set by the Commission from time to time. The liability threshold is initially set at RM 500,000 a calendar year until such a time as may be determined by the Commission.

**SECTION 4 : CLOSING**

- 4.1 The Commission wishes to thank all those who took part in this important public inquiry. Their written submissions have greatly assisted the Commission in preparing this report.

Chairman

Malaysian Communications and Multimedia Commission

12 March 2001