Budget 2003: No ICT-focus, but still OK

LABS IN EVERY SCHOOL ... Dr Mahathir said that the first and second phases of the computer lab initiative, which involves the construction of 4,400 labs, were well under way with 1,058 completed, while the third phase was kicked off recently. – AFP Photo
PETALING JAYA: There were few measures directly impacting and specifically targeted at the information and communications technology (ICT) sector in Budget 2003, but industry players said the sector would still benefit significantly from some of the broader incentives announced last week.

Prime Minister Datuk Seri Dr Mahathir Mohamad tabled in Parliament what was generally regarded as a caring budget that focussed greatly on the poor, small businesses and the civil service.

However, there were no measures for the ICT sector on the scale of past incentives like tax rebates for PC purchases, the Employee Provident Fund (EPF) Computer Withdrawal scheme, or the RM500mil venture capital fund.

Expectations were high that Budget 2003 would continue in the tradition of previous budgets, which were well stocked with ICT-related incentives and drew high praise from local and multinational ICT companies, as well as consumers of their products and services.

In line with those expectations, the industry had expressed its hopefulness of a repeat performance and confidence that the Government would provide more of the same.

The Association of the Computer and Multimedia Industry of Malaysia (Pikom) had submitted what it said was a shorter, more targeted and better-argued wish-list during its annual pre-Budget dialogue session with the Finance Ministry, due to the good successes it has had with longer ones in previous years.

Pikom had asked for larger tax rebates for consumer PC purchases, tax-deductible Internet access, more public sector use of locally-made ICT products and services, exemption of service tax on Open Source software-related services, and the abolition of duties and taxes on multimedia output devices.

Intel Malaysia – a 30-year veteran of Malaysia’s industrialisation drive – came out in support of some of Pikom’s recommendations earlier this month, saying that incentives such as the proposed PC purchase rebate and tax-deductible Internet access would encourage business and home users to subscribe to broadband Internet.

The company said this was an important step towards the development of a knowledge-based society.

None of Pikom’s recommendations made it to Budget 2003.

Consulting giant PricewaterhouseCoopers Malaysia spoke of industry expectations of an ICT-friendly budget “yet again” in a
new release last month, relating that industry observers felt that the budget would "reflect continued efforts in streamlining the country towards a knowledge-based economy."

But then again

Some measures announced in Budget 2003 did reflect those efforts to a certain extent, but most would only have indirect impact on the ICT industry.

"Although there aren't many 'new' incentives this time round specifically for ICT, this situation is quite understandable given the prior Government incentives which have been put in place in previous budgets," said Hewlett-Packard Sales Malaysia managing director T.F. Chong.

"The existing ones are already substantial for consumers and businesses."

Pikom chairman Looi Kien Loong said: "There are many areas that needed immediate attention but were not addressed."

"As the current ICT industry is facing a soft market, the Budget should have emphasised efforts on stimulating the industry by increasing immediate public expenditure on Government ICT projects," he added.

Frost and Sullivan research analyst Siew Kam Soon said that "despite the Government's realisation of increasing liberalisation and deregulation, such issues have not been addressed."

"Local industries need to be more resilient in the face of these forces, especially in a competitive environment ... the life and death of the ICT industry hinges on how the Malaysian ICT industry positions itself," he said.

However, industry players generally regarded it as a budget that was good for the industry, although they noted that the goodies were on the low side.

Educating Malaysians

Most lauded the measures to enhance ICT use in education. Budget 2003 calls for the implementation of Internet connectivity programmes in Sabah and Sarawak, beginning with 250 schools. It also reiterated the Government's announced plans to eventually provide computer labs in every school.

Dr Mahathir said that the first and second phases of the computer lab initiative, which involves the construction of 4,400 labs, were well under way with 1,058 com-
Big push for MyKad

completed, while the third phase was kicked off recently.

He also proposed an allocation RM978mil to equip teachers with notebook computers, LCD projectors and related equipment to be used for the teaching of Science and Mathematics in English.

The allocation is part of a larger proposed sum of RM5bil to be spent within the next seven years on procuring equipment, training, and constructing facilities for teachers to do so.

"The Government has emphasised a long-term strategy by providing ICT in the education sector, particularly in setting up computer labs in schools," said Pikom’s Looi.

However, he added that the "Internet penetration (issue) should be addressed for the whole nation, instead of only to Sabah and Sarawak."

Intel Malaysia managing director Gulsher Grewal said that "the focus on achieving excellence in knowledge-based education is a move in the right direction," while Intel Electronics (M) Sdn Bhd country manager Richard Teo added that the Internet connectivity programmes for Sabah and Sarawak "helps pave the way for building a knowledge-society."

WELCOME NEWS ... Budget 2003 calls for the implementation of Internet connectivity programmes in Sabah and Sarawak, beginning with 250 schools.
Intel has been an active proponent of training teachers in ICT with its Teach To The Future programme, which trains teachers to incorporate technology into their teaching methods.

The company said it has trained more than 10,000 teachers in Malaysia to date.

With more computer labs in place, the country can “accelerate the adoption of web-based learning systems ... this will allow teachers to use technology to help them do what they do best – help students learn,” said Sun Microsystems Malaysia managing director Govinathan Pillai.

“The Education Ministry would also be able to use multimedia-based learning and teaching approaches to check the declining interest in science and mathematics in schools and universities,” he added.

Veritas Software regional director Eric Hoh said that “the plan to develop ICT infrastructure in Malaysia’s rural areas will inculcate an affinity for ICT culture in our future generation, expanding the pool of talent in Malaysia, and raising standards in Malaysia as a whole.”

Added Cisco Systems Malaysia managing director Johnson Khoo: “They are very important initiatives which will empower teachers and students with the tools and resources that they will require to be competitive with the rest of the world.”

Besides the proposed measures for education, Budget 2003 also calls for the setting up of a RM100mil grant for the private sector to train personnel in R&D.

IBM Malaysia managing director Voon Seng Chuan praised the move and said the Budget focused on developing the ICT’s “soft” side, namely education and human resources.

“Technology is not just about hardware and software,” he said.

MyKad is yours

On more core ICT-related matters, Dr Mahathir announced plans to roll out the Multimedia Super Corridor Government Multipurpose Card Flagship application – now known as MyKad – to the entire nation, and proposed several measures to achieve that goal.

They include doing away with the current RM20 ringgit fee for new MyKad applications, and enabling the National Registration Department with sufficient staff, equipment and mobile units to register people for MyKad in rural areas.

This would be part of efforts to have the card in the hands of all Malaysians by 2005, he said.

Dr Mahathir also said that the marital status and voting constituency details would be incorporated into the information stored by MyKad.

All newborns would also have their own MyKad, along with lifelong identification and personal database features from Jan 1 next year.

MyKad is by far the MSC’s most successful flagship application and currently has over two million holders, who can use the card for a variety of applications, including its Automated Teller Machine (ATM) function, Touch ‘n Go payment and MEPS cash features.

Pikom’s Looi said the move to not charge a fee for new MyKad applications was “certainly welcome.”

“This will in turn encourage the development of more applications for smartcards and provide more business opportunities for local software developers,” he said.

Multimedia Development Corporation (MDC) CEO Datuk Dr Arif Nun said: “The national roll-
out of the MyKad into the mainstream of Malaysian life will further spur the transformation of Malaysia into a knowledge-based society.”

Frost and Sullivan’s Siew Soon said MyKad’s nationwide rollout would provide “an effective and efficient platform for the implementation of ICT applications, both in private and public sectors.”

“By and large, it would facilitate the development of e-commerce, applications and electronic government,” he said. “The potential efficiency and optimisation gained via the use of integrated smartcards with multiple functions is immense.”

**Indirect Incentives**

Other measures aimed more broadly at the overall economy would also have an impact on the ICT sector, several industry players said.

The proposal to exempt the 5% service tax on delivery services for overseas destinations was expected to reduce such delivery costs for locally manufactured ICT products for the global market.

“As a local PC manufacturer, we welcome the move, and plan to take advantage of the relief by channelling some of the gains into domestic promotion and business development activities,” said HP’s Chong.

Others praised the measure to reduce corporate income tax from 28% to 20% on chargeable income of up to RM100,000 for small-to-medium sized industries (SMIs) with a paid-up capital of less than RM2.5mil.

MDC estimates that there were about 2,000 SMIs in the ICT sector.

Frost and Sullivan’s Siew described it as an “indirect incentive, as most ICT companies are SMIs.”

“We are bullish on how this will translate into our own business performance in the SME space,” said Chong.

said Cisco Malaysia’s Khoo: “This a good opportunity for SMIs to use some of those savings to upgrade their IT and networking infrastructure and to deploy an e-business strategy, which is an essential in the business world today.”

**Knowledge transfer**

Budget 2003 also proposed that locally-owned companies acquiring a foreign-owned company abroad be given an annual allowance of 20% for five years to stimulate local participation in high-tech industries.

“It is an excellent idea that will increase our high-tech capabilities,” said IBM’s Voon. “We must own intellectual property to advance.”

Frost and Sullivan’s Siew said it was a great incentive to spur local ICT growth, “provided there is clear stipulation on knowledge and technology transfer.”

Veritas Malaysia lauded measures to attract more operational headquarters (OHQs), companies and representative offices to operate in Malaysia.

The Budget proposed that OHQs be exempted for income tax for 10 years, a move that the company said would attract foreign ICT companies to Malaysia.

“The opportunities for knowledge transfer from world-class multinational companies – crucial to gaining a competitive advantage in Malaysia’s ICT sector – are greatly increased with the establishment of operational headquarters in the country,” said Veritas’ Hoh.

Dr Mahathir also reported on the progress of the E-Government MSC Flagship applications’ ePerolehan electronic procurement component.

Saying that it was going to be completed soon, he added that this would make Malaysia the first country in the world with a fully-functional and comprehensive e-procurement system.

This also drew widespread praise. Sun’s Govinathan said that it would be another “first for Malaysia in its efforts to showcase leadership in using ICT to make government more efficient and effective.”