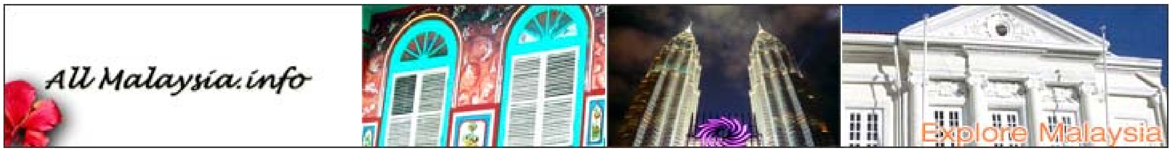

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TM's challenge in domestic market

By JAGDEV SINGH SIDHU

KUALA LUMPUR: Telekom Malaysia Bhd (TM) is putting in place strategies to address the decline in its domestic market, but is confident that the strong growth shown by its overseas operation will continue.

Chief executive officer Datuk Abdul Wahid Omar said: "We have growth from our international operations, especially from Indonesia, Sri Lanka and Bangladesh. But on the domestic side, we have seen a decline on both the fixed and mobile fronts."

TM's results for the first quarter ended March 31 released on Monday showed that the year-on-year net profit growth of 38% was aided by the group's better performing overseas operations and foreign exchange gains.

Its domestic operations – both fixed line and cellular services via unit Celcom (M) Bhd – posted a decline in revenue although subscriber numbers by Celcom continued to expand.

"In the case of the mobile side, we have seen a decline in Celcom's revenue, mainly on the significant churn we experienced among our postpaid customers," Wahid said, adding that the big churn in the postpaid segment in the final quarter of 2005 had a "financial sting" on the first quarter results.

Datuk Abdul Wahid Omar

"We were hit by the Minutes plan introduced in the second quarter of last year. During that period, we also experienced some delays in billings and that exacerbated the situation, thus resulting in massive churn," he said after the company's AGM and EGM yesterday.

Wahid, however, added that Celcom had not only addressed the glitch in its billing system but also reversed the trend of declining postpaid customers by adding 20,000 new customers

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in the first quarter of this year, with the bulk registered in March.

He said Celcom put itself on the recovery track when it maintained that momentum by adding 35,000 new postpaid customers in April, and came out with new postpaid plans.

Wahid also said TM was strengthening its distribution and sales channels.

He said although the number of residential and business fixed line customers remained basically unchanged, TM's average revenue per business customer in the first quarter fell from RM152 to RM124 while that of residential customers dropped to RM38 from RM50.

This was blamed on more calls being made via mobile services, but Wahid said the company was taking steps to address the decline in usage by residential customers.

“You can't stop the decline altogether because it is a global trend whereby calls are migrating from fixed lines to mobile networks, but we have to slow down the decline," he said, adding that TM planned to do that with initiatives in managing credit and offering attractive packages.

He said packages were also being developed to raise the number of broadband customers beyond 600,000.

He also expects TM's overseas operations to contribute a third of its earnings for its 2006 financial year from the current 24.6%, including forex gains.

Wahid added that TM was still interested in strengthening its presence in Asean and Asia.

He said TM was taking “pretty much an opportunistic approach” and admitted that while the company was aware of the possible availability of a big minority stake in Sun Cellular, a mobile operator in the Philippines, it was “not in active discussions".

TM chairman Tan Sri Mohammad Radzi Mansor said the group would be interested to expand to the Philippines if there was an opportunity to do so. TM International CEO Yusof Annuar Yaacob, meanwhile, said TM was not yet engaged in any official process with the shareholders of Sun Cellular to buy a minority stake in the latter.

On overseas expansion, Wahid said capex for its overseas operations in the first quarter accelerated due to the speed of the rollout of base stations by Excelcomindo in Indonesia. About 500 base stations were rolled out in the first quarter; Excelcomindo would be expanding its 3G network in the second half of the year.

TM intends to spend RM6bil on capital expenditure, half of it overseas, with Indonesia accounting for the biggest slice of capex allocated for overseas operations.

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