

MSC-Malaysia Status – How Can It Benefit ICT Companies?

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The Multimedia Super Corridor (MSC) Malaysia was launched by the Government in 1996 to drive the growth and development of Malaysian information & communication technology (ICT) companies. The first roll-out beyond the central region was to Penang in 2005. Despite its birth fourteen years ago, the MSC-Malaysia is still being promoted aggressively by the Multimedia Development Corporation (MDeC) and the various MSC Cybercity / Cybercentre Managers.

Recently in July, MDeC and investPenang, the MSC-Cybercity Manager for Penang, organised the MSC-Malaysia Industry Dialogue @ Penang with the objective to further edify the industrial and business community on the benefits of MSC-Malaysia status.

The topics discussed include:

- Qualifying criteria & Incentives for MSC-Malaysia status;
- MSC-Malaysia Creative Multimedia Industry;
- Knowledge-workers Development Initiative;
- MSC Facilitation & Services;
- Intellectual Property; and
- MSC R&D Initiatives

Qualifying Criteria & Incentives for MSC-Malaysia Status

The MSC-qualifying activities are categorised under three (3) main clusters, i.e. software & e-solution, shared services & outsourcing and creative multimedia. Manufacturing and trading companies do not qualify for the MSC-Malaysia status. To apply for the MSC-Malaysia status, the company has to do an online pre-application. A business analyst will be assigned to assist the company and the entire application process will take 30 days.

To qualify for MSC-Malaysia Status, companies must meet five (5) qualifying criteria, i.e. the company must

1. Be a provider or heavy user of information technology and multimedia products and services;
2. Employ a substantial number of knowledge-workers;
3. Have a strong value proposition, specifying how its operations can contribute to the development of MSC-Malaysia and the country as a whole;

4. Establish a separate legal entity for its MSC-qualifying activities; and
5. Comply with the country's environmental guidelines.

Companies that are granted the MSC-Malaysia status enjoy the 10 Bill of Guarantees (BoGs), which include:

1. World-class physical and information infrastructure;
2. Unrestricted employment of local and foreign knowledge-workers;
3. Freedom of ownership or no equity restriction;
4. Freedom to source for capital globally;
5. Competitive financial incentives, which include income tax exemption of up to 10 years or investment tax allowance and duty free imports of multimedia equipment;
6. Intellectual property protection;
7. Uncensored Internet;
8. Globally competitive telecommunications tariffs;
9. Ability to tender for MSC-Malaysia infrastructure contracts if use MSC-Malaysia as the company's regional hub; and
10. Has the support of MDeC as an effective one-stop agency.

MSC-Malaysia Creative Multimedia Industry

The Malaysian creative multimedia industry recorded estimated revenue of RM9.4 billion in 2008. This amount accounted for 1.27% of the country's gross domestic product (GDP) for that year. The industry is projected to achieve a compound annual growth rate (CAGR) of 11.4% for the next 5 years, reaching RM16.1 billion in 2013, or 2.8% of the country's GDP.

Today, there are 250 MSC-Malaysia status creative multimedia companies in the country, of which only 7 are in Penang. These companies are involved in six (6) main areas, namely (i) post production; (ii) animation; (iii) game development; (iv) e-learning; (v) mobile content and (vi) interactive content.

The 9th Malaysia Plan allocated RM75 million for the MAC3 (Creative Content Centre) Co-Production Fund, launched in 2009, for the creative multimedia industry. The fund is meant for high quality international co-production of animation and games.

MSC-Malaysia status companies in the creative multimedia cluster with minimum paid-up capital of RM50,000 and at least 50% Malaysian equity are entitled for this fund. Other eligibility criteria include

1. Employ majority Malaysian workers;
2. Employ a minimum of 40 workers in the areas of production / development;
3. Possess track record in development of creative works, either as an outsourced services provider or within the company;
4. Have entered into a written contract or a committed arrangement with a reputable foreign co-production partner; and
5. Are not and have not been a recipient of the fund.

Knowledge-Workers Development Initiative

The K-Workers Development Initiative was established to accelerate the creation of a critical mass of industry-relevant and quality knowledge-workers. There are five training programmes under this initiative, which include:

1. Undergraduate Skills Programme (USP). Undergraduates in their final year of study in ICT, with CGPA of 2.5 and above will be eligible for this programme, which is usually conducted during semester breaks.
2. Undergraduate Apprenticeship and Development Programme (UGRAD). This programme provides opportunities for undergraduates in their final year to undergo 6 months industrial attachment with participating MSC-Malaysia status companies.
3. Skills Training & Enhancement Programme (STEP). Fresh graduates can apply for on-the-job training of up to 12 months at participating MSC-Malaysia status companies. The trainees will be paid RM1,000 or more during the training stint. However, participating companies are not obligated to employ the trainees after their training.
4. MSC-Malaysia Graduate Trainee Programme (GTP). This on-the-job training programme is for duration of 6 months with MSC-Malaysia status companies, which will pay a salary of RM1,500 or more to the trainees. Companies in the creative multimedia cluster will be reimbursed RM1,500 per employee per month whereas companies in other clusters will be reimbursed RM500. At the end of the training stint, the participating company will offer employment to the trainees.
5. Job Camp (JC). Malaysian citizens with a least a diploma and CGPA of 2.5 and above are eligible to apply for the Job Camp. This programme entails 3 weeks to 3 months classroom training in the fields of ICT.

MSC Facilitation & Services

MSC facilitation & services help to expedite processes for MSC-Malaysia status companies to:

1. Hire foreign talents for immediate deployment; and
2. Import equipment free from duty.

1. e-Xpats Centre

e-Xpats is an online system which was introduced to improve the service level and process efficiency. The e-Xpats Centre supports the delivery of BoG2, i.e. unrestricted employment of local and foreign knowledge-workers. The centre also provides the service of endorsement of passes by the Immigration Department. In Penang, the e-Xpats Centre is located at investPenang.

The criteria for employment of foreign knowledge workers in MSC-Malaysia status companies are as follows:

- Minimum age of 22 years old;
- Minimum salary of RM2,500 per month;
- Possess at least a diploma in Multimedia / ICT or specialised ICT certification;
- Possess professional qualification in the areas of IT / IS, Finance / Accounting or Business Administration;
- Are professionals in the areas of management and technical; and
- Minimum 2 years of relevant working experience in the multimedia / ICT or any other field that is a heavy user of ICT.

Presently, there are two types of passes for foreign knowledge workers, i.e.

- Employment pass approved by MDeC; and
- Employment pass recommended by MDeC, which also includes professional visit pass, dependant pass, social visit pass and study permit.

2. e-Dfi System

The Electronic Duty Free Importation (e-Dfi) System improve the application process by providing online submission, real time status checking and it links MSC-Malaysia companies to related ministries and agencies.

The e-Dfi System helps to deliver the BoG5, i.e. tax exemption for the imports of multimedia equipment for direct use in MSC-Malaysia qualified activities. The qualifying criteria for tax exemption are only for ICT / multimedia equipment which not available or manufactured locally. The equipment must be for own consumption and used for MSC-Malaysia approved activities. The MSC-Malaysia company must also comply with the relocation requirement as stated under the Conditions of Grants of MSC-Malaysia status.

Chart 1: Expatriate Position Application Process Flow

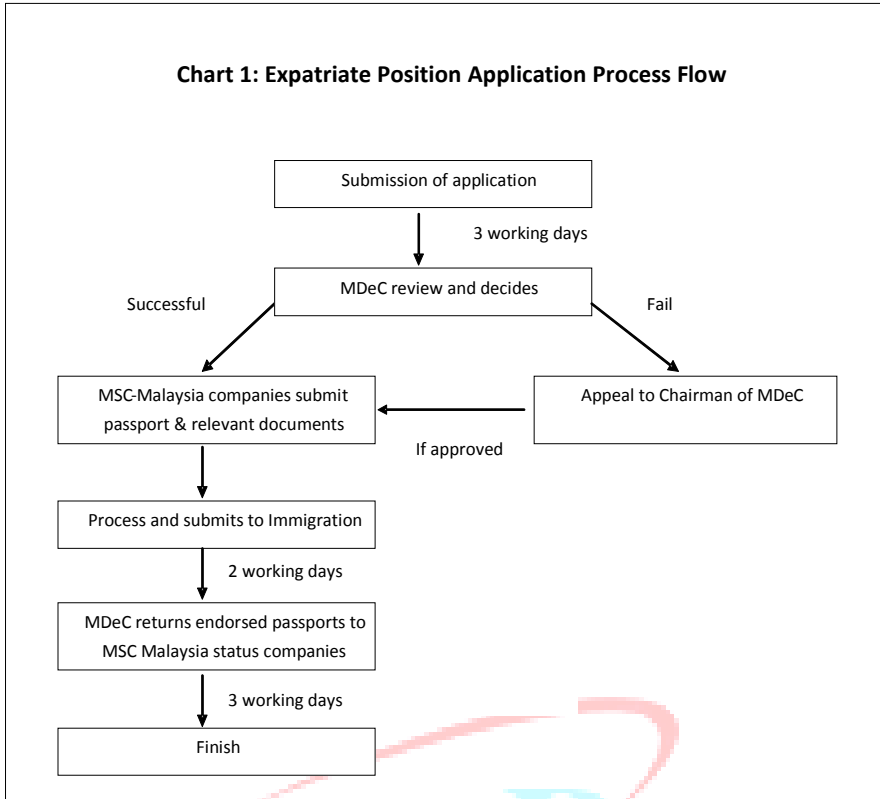
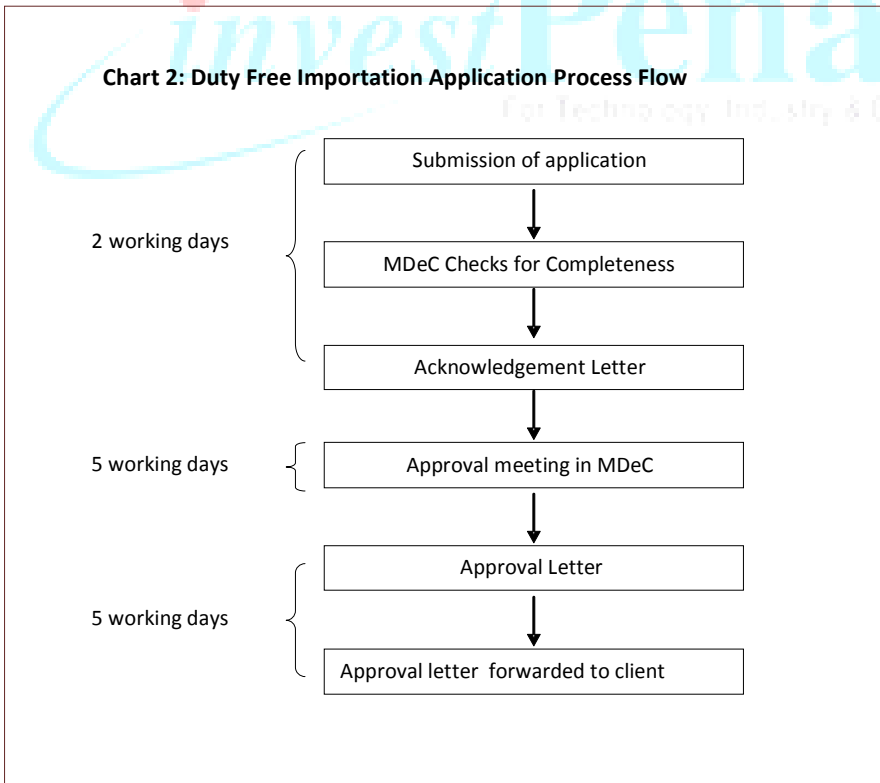


Chart 2: Duty Free Importation Application Process Flow



Intellectual Property

Intellectual property (IP) plays an important role in the context of ICT industry because IP adds value to the business by providing exclusivity and freedom to use without interference, preventing others from unauthorized use, providing competitive edge as well as enhancing image and market value of the business. The Capability Development Department of MDeC provides assistance to companies on understanding and identifying IP, IP protection and maintenance as well as commercialization.

The types of assistance include the following:

Assistance	Details
IP Conference & Seminars	<ul style="list-style-type: none">• A practical guide on essential IP concepts• Assist companies in identifying and protecting their intellectual assets.• Provide MyIPO Mobile IP checklist to assist companies to conduct free patent and trade mark searches & updates on status of patent and trade mark filings.• Provide opportunities for companies to meet with and seek guidance from MyIPO officers• MSC Malaysia Status Companies & other interested ICT Companies are welcomed to participate
IP Clinics	<ul style="list-style-type: none">• A pre-arranged one-on-one 30-minute session with an IP Consultant• Personalised attention and advice in relation to companies' specific IP rights• Currently held at MSC Malaysia Innovation Centre & other venues in Klang Valley.• Free admission
Grant Scheme(1)	<ul style="list-style-type: none">• Financial assistance to qualified MSC-Malaysia Status companies to defray costs in obtaining certain IP protection• Subsidise 50% - 70% of the initial cost of filing IP either locally or abroad• On reimbursement basis: <u>Patents and Utility Innovations</u>: Up to 70% or RM7000 of the drafting fees, whichever is the lower. Up to RM3000 or 50 % of the filing fee, whichever is the lower for applications from overseas and up to RM1000 or 50% of the filing fee, whichever is the lower for applications from within Malaysia. <u>Trade Marks, Service Marks and Industrial Designs</u> : Up to RM500 or 50% of the drafting and filing fee, whichever is the lower for applications from within Malaysia and up to RM 3000 or 50% of the drafting and filing fee, whichever is the lower for applications from overseas.
Grant Scheme(2)	<ul style="list-style-type: none">• The CDP IP Grant Scheme was launched in July 2007.• The eligibility criteria are :<ul style="list-style-type: none">- At least 51% Malaysian-owned, MSC-Malaysia status companies- Application must be submitted within three (3) months from the date

Assistance	Details
	<p>of filing of the relevant IP</p> <ul style="list-style-type: none"> • MDeC has reimbursed over 85 IP rights comprising patents and trade marks
IP Copyright Drive	<ul style="list-style-type: none"> • Assistance in preparing statutory declarations pursuant to the Copyright Act 1987 as proof of copyright subsistence and ownership in copyrighted works. • On the spot affirmation by Commissioner for Oaths • Brief guidelines on the nature of the true copies of the copyrighted works and samples of documents to be attached to the statutory declarations • Eligibility criteria : 51% Malaysian-owned, MSC Malaysia status companies • 2 statutory declarations per company prepared and executed on the spot
IP Assessment	<ul style="list-style-type: none"> • A pilot programme launched in 2010. • Participants can determine the correct IP rights for their products and solutions from a legal perspective. • Clarification on the steps to be taken to protect and leverage on the IP rights is included in the programme.
IP Connect Global	<ul style="list-style-type: none"> • A pilot programme launched in 2010. • 6 local MSC-Malaysia status companies will be selected by MDeC to be “matched” with international partners for commercialization of product or IP.

MSC-Malaysia R&D Initiatives

The MSC-Malaysia R&D initiatives comprise the following:

1. R&D Series

The R&D Series disseminate information on current and emerging technologies to MSC-Malaysia companies as well as encourage networking and knowledge-sharing amongst MSC-Malaysia companies. The R&D Series also promote R&D collaboration between institutes of higher learning (IHL) and MSC-Malaysia status companies.

2. R&D Exchange Forum

The R&D Exchange Forum enables recipients of STAR and MGS (MSC Grant Scheme) to share their research findings, information and ideas with other MSC-Malaysia companies. The aim of the forum is to create synergistic collaboration, generate ideas and resolve technical issues.

3. Researcher-Industry Attachment Programme (RAP)

The Researcher-Industry Attachment Programme aims at establishing working partnerships between academic researchers and MSC-Malaysia status companies to improve R&D competencies. MSC-Malaysia companies with at least 51% Malaysian equity are eligible to participate in this programme. The participating companies are required to pay participation fee of RM4,000 while MDeC will bear the other costs. Under this programme, an academic researcher will be attached with the participating company on a part-time basis for duration of 6 months.

4. IP Connect

The IP Connect provides a platform for research institutions and universities to network with MSC-Malaysia status companies and to foster IP licensing, create and commercialise new products, and enhance technology transfer between institutions of higher learning / research institutions and MSC-Malaysia status companies. MSC-Malaysia companies with at least 51% Malaysian equity are eligible to participate in this programme. Subsidies under this programme include activities to mobilise and train the workers as well as licensing or purchasing of relevant technologies.

Grants

The grants available under the MSC-Malaysia R&D Initiatives include the STAR Grant and the MSC Grant Scheme (MSG). Under the recent 9th Malaysia Plan, 67 projects were funded under the total grant of RM78.96 million. Of the 67 projects, 25 have completed and generated total revenue of RM55.89 million. These 25 projects involved a total investment of RM31.02 million.

Conclusion

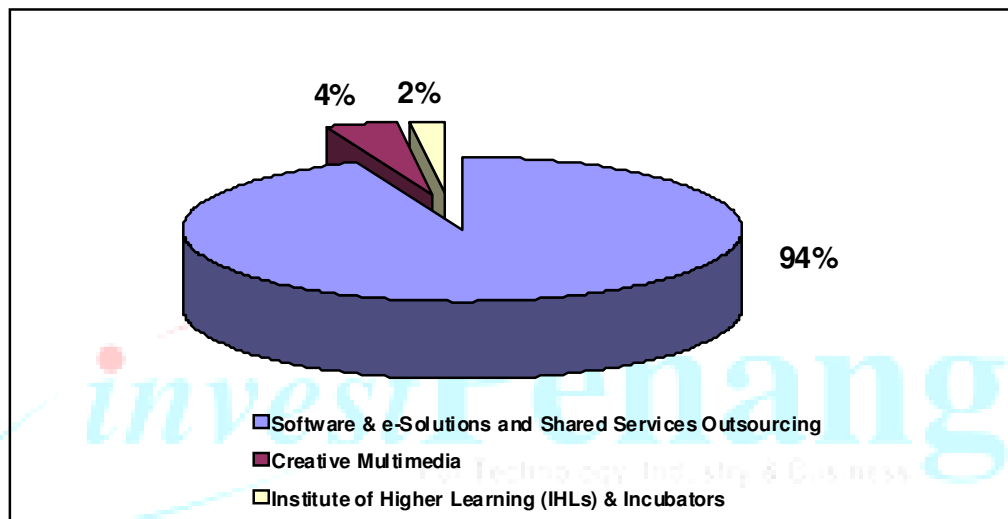
There are numerous benefits for local entrepreneurs and technopreneurs to gain from the various MSC-Malaysia initiatives and grants. Local companies in the ICT related sectors, particularly under the three main clusters of software & e-solution, shared services & outsourcing and creative multimedia should take full advantage of the initiatives and grants to move to their next level of competency.

Percentage of MSC Malaysia Status Companies by State

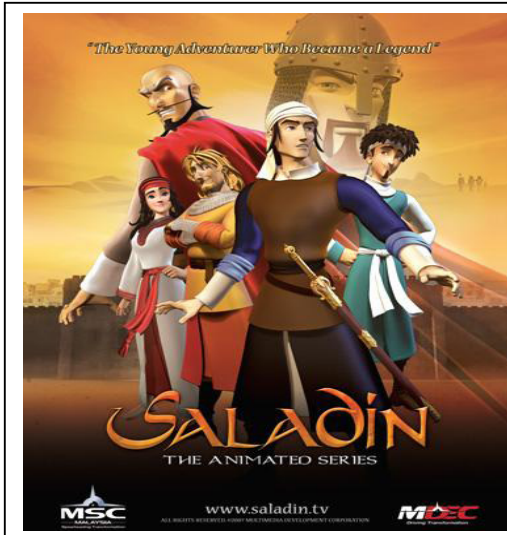
State	Percentage
Selangor	47.55
Kuala Lumpur	38.4
Penang	6.98
Other states	7.07

Source: MDeC

Breakdown of MSC Malaysia Status Companies by in Penang



Source: MDeC



Seoul International
Cartoon and
Animation Festival
2007 –Best
Technology Award,
Tokyo
International
Anime Fair –Tokyo
Big Sight Award.



Malaysian Japanese co
production film project,
“Forget Me Not” by the
late Yasmin Ahmad,
awarded \$20,000 under
Pusan Promotion Plan
(PPP) in Pusan Award