

# All Systems Go for Fiberail

Communications infrastructure company Fiberail Sdn Bhd gets a new CEO to replace N Balasingham who retires this month. The new head honcho is Rossman Omar, formerly Fiberail's chief technical officer. The duo tells *Malaysian Business* what the company has achieved and its plans.



Passing the baton: N Balasingham (right) is confident that under Rossman, the company is in good hands

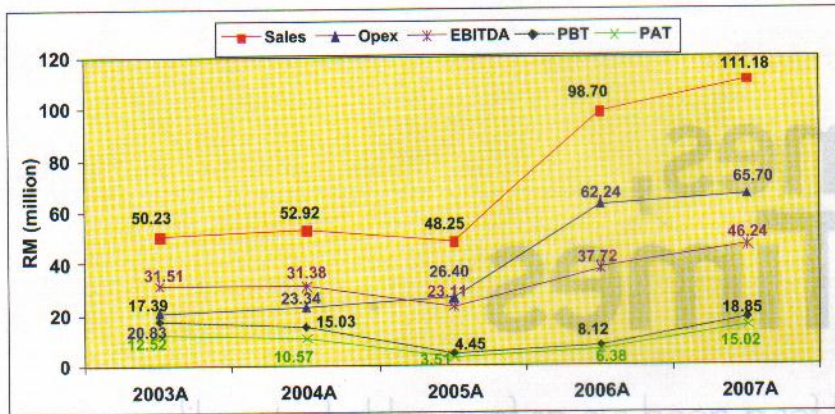
**WHEN N BALASINGHAM AND** a team of handpicked managers joined Fiberail Sdn Bhd in 2004, they immediately set out to introduce reforms in the communications infrastructure company.

Since then, Fiberail has achieved many milestones including the acquisition of Petrofibre Network (M) Sdn Bhd, which significantly increased Fiberail's capacity and grew its customer base from six to about 60 currently.

Most importantly, sales surged 130%, from RM48.25 million in 2005 to RM111.18 million in 2007, while net profit more than quadrupled from RM3.51 million to RM15.02 million.

"Profit, sales – everything – was dipping. We had to relook at the whole thing. We started expanding the network; resolving quality issues; ensuring better customer service; making sure the staff had the necessary skills, making sure our prices were competitive, etc. There

## FIBERAIL'S PERFORMANCE TREND (2003-2007)



were a lot of quick fixes,' Balasingham recounts.

As expected from all the tweaking, the company hit rock bottom in 2005. A temporary bad patch it would seem as from then onwards, it was growth all the way. 'We're heading towards very exciting times,' says Balasingham.

He is upbeat that growth will continue under the new leadership of Rossman Omar. Rossman was among the pioneering team seconded from parent company Telekom Malaysia Bhd (TM) in 1993 to set up Fiberail but subsequently reabsorbed by TM.

He returned to Fiberail in 2004 as part of Balasingham's team.

'Fiberail's prospects are bright. Good groundwork has been laid. Rossman was very instrumental in the success over the last five years. There will definitely be continuity,' he says.

Going forward, Fiberail is seeking to reinvent itself further.

'For the last 15 years, we had been selling fibre and bandwidth. We want to move up the value chain and introduce new products and services. We need to look at today's requirements. Besides the network capacity, we want to capitalise on our manpower and expertise,' says Rossman.

With the Government's High Speed Broadband (HSBB) initiative rolling out, the environment has to change, notes Balasingham.

'We are waiting to see what evolves. HSBB offers so much potential. The issue over the next few years would be in executing projects and being able to meet customer demand; not just for us but for all the infrastructure providers,' he says.

Rossman reveals that Fiberail is looking at offering layer two and layer three services. Fibre leasing and bandwidth is currently its core

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products and it aims to develop more cash cows.

Fiberail is also likely to expand through acquisitions. 'If we cannot beat them, we buy them out,' quips Rossman. He says Fiberail is interested in acquiring any company that will provide synergy to it, including application service providers and content providers.

Concerning Fiberail's acquisition of Petrofibre in 2006, which was criticised as causing duplication of asset and network capacity, Balasingham proclaims that the purchase had paid off 'tremendously'.

'A lot of the capacity was in areas

we did not have. We were restricted to the railway corridor. Acquiring Petrofibre gave us another corridor – the gas pipeline corridor. It also gave us immediate access to the East Coast, and places like Cyberjaya and Putrajaya,' he says.

According to Balasingham, the acquisition added some RM30 million to Fiberail's annual revenue.

Rossman does not expect Fiberail to make any huge capital expenditure in the near future. The biggest investment for the company, he says, is in infrastructure and what it currently has in Peninsular Malaysia is enough and needs only minor expansions.

The company has over the years spent RM500 million on its infrastructure, which today spans over 150,000km of fibre optics. Its total bandwidth capacity is 160 Gigabyte spanning the northern border to the Singapore border. Currently, about 60% of it is utilised.

However, capacity and utilisation are very dynamic and they change due to frequent upgrades, Rossman says.

The most recent major investment was some RM20 million to upgrade the company's network to dense wavelength division multiplexing (DWDM) standard, which quadrupled the existing capacity. The upgrading started late last year and was completed last month.

According to Rossman, the upgrade enables the network to be easily and rapidly moved to a full Internet Protocol (IP)-based system. Upgrading the entire network, which would be done in phases as and when customers require it, would cost under RM3 million.

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The upgrade to DWDM was in anticipation of the requirements of new and potential customers in the WiMax space. Fiberail and TM had earlier this year signed up with WiMax operator Asiaspace and are waiting for them to firm up their plans. It is also in talks with other WiMax operators.

'We're ready for Wimax even before the operators were set up,' says Balasingham, 'Hopefully something will happen by the end of this year.'

As for the TM-Government's HSBB initiative, Rossman maintains that the backbone for it is already there. The bottleneck is at the access side – the last mile. 'How much speed can you put through copper?'

An explosion of network traffic is expected once the issue is addressed via HSBB. This will open up two potential revenue streams for Fiberail – additional capacity to the operators and provision of services that complement TM.

'We are eminently suited. We have the background, the experience and the planning skills. We can take any packages TM is prepared to offer us; even on the access side, which is not exactly an area we are interested in but one we don't mind going into – providing last mile as outsourced contractors. We are at TM's disposal for anything,' Balasingham says.

According to Rossman, Fiberail started offering outsource contract services in 1997 – with DiGi as its first major customer. Fiberail provided DiGi full turnkey contract services for its backbone requirement.

During Balasingham's tenure, Fiberail had introduced new products and services, such as Metro-Ethernet, which came with the Petrofibre acquisition. It also ventured into consultancy and project management – an area it believes will be a core business in the future.

One of the ongoing jobs is for the Gamuda-MMC double-tracking project from Ipoh to Padang Besar – with regard to the relocation of fibre optic lines which started in October

last year and will be completed in the next two months.

Fiberail is also eyeing a piece of the Seremban-Gemas electrified double-tracking project and is currently in talks with project contractor India's Ireon International Ltd.

## Sabah and Sarawak

Fiberail is not present in Sabah and Sarawak but expresses a high possibility it will expand there in the next five years.

Balasingham says the volume is not there yet to justify expansion but Fiberail is watching developments in the Sabah and Sarawak economic corridors.

'At this point, the providers are doing enough. There is no room for us yet. But it is something we are reviewing constantly. We hope the corridors will be the impetus for us to move in. The volume has to go up. If not for the corridors, then through HSBB,' Balasingham says.

How would the rollout be?

In areas where it does not have its own capacity, Fiberail would lease from or swap with other infrastructure providers. But if the pie is big enough and justifies the capital investment, Fiberail may lay down its own network, says Rossman.

The exercise would require going across the ocean. Fiberail is already talking to TM and Sacofa, two of the three infrastructure providers, on the possibility of carrying its traffic across through their underwater pipes.

According to Rossman, many existing and potential customers have expressed interest in dealing with Fiberail for their network requirements in Sabah and Sarawak but for the moment, 'we are just talking'.

Fiberail, incorporated in 1992, is a joint venture between TM, Keretapi Tanah Melayu Bhd (KTMB) and Petrofibre Network, with a share ratio of 54:36:10. It currently has 200 staff nationwide, about 60 of which are based at the headquarters in Kuala Lumpur. It has 15 operation centres in Peninsular Malaysia. 