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A project dogged by controversies

CONTROVERSY seemed to dog the steps of the Pergau Dam.

The project was awarded to consortium Balfour Beatty Cementation and Kerjaya Binaan group in 1991 and work began the same year.

In 1992, a dispute arose between the State and Federal governments over compensation and revenue from the use of the water from Sungai Pergau.

The Kelantan State Government barricaded the roads leading to the construction site twice that year to stall work and push their demands in negotiations over the final agreement.

The dispute was finally settled when the parties agreed on the amount of payment for land, loss of timber revenue, quit rent, temporary occupation licence and water storage licence.

The barricades were lifted and work continued.

The second and more serious controversy involved the financing of the dam. In 1993, the British National Audit Office issued a report criticising the project.

The British media carried articles alleging that STG234 million (RM959 million) soft loan from the British Overseas Development Administration (at 0.809 per cent interest) was a sweetener for arms sales to Malaysia. The deal included 28 Hawk trainer-fighters, two frigates, radar and training facilities, costing STG1.3 billion.

The British High Court had ruled that the then British Foreign Secretary Douglas Hurd had acted unlawfully in authorising the aid for the dam. However, Britain had promised to honour the agreement.

Subsequently, the British media alleged that Prime Minister Datuk Seri Dr Mahathir Mohamad had received part of a bribe to support an unrelated project.

The Sunday Times of London said George Wimpey Co, a British construction company, had negotiated "special payments" to Malaysian leaders "at the highest level" in pursuing a contract to build an aluminium smelter.

As a result, the Cabinet decided not to enter into new contracts with British companies, creating a diplomatic row.

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