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Telekom to institute full investigation

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TELEKOM Malaysia Bhd will institute a full investigation into allegations of discrepancies in the award of a contract to Swedish company Ericsson for the supply of equipment.

Its chief executive Datuk Mohamed Said Mohamed Ali said in a statement from the US, where he is accompanying Prime Minister Datuk Seri Dr Mahathir Mohamed on a tour to promote the Multimedia Super Corridor, that he had been informed of the matter before leaving for the tour by Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim.

"This is a serious allegation and Telekom Malaysia will do everything in its power to get to the truth. As far as Telekom Malaysia is concerned, we have always adhered to our established procedures on receiving, considering and awarding of tenders."

He said on being alerted by Anwar, Telekom began a thorough enquiry into the allegations.

"We cannot give a specific timeframe for the report since we do not at this stage have sufficient facts on the matter, but it will be a top priority for Telekom Malaysia to resolve this issue as soon as we can," he said.

A Telekom source contacted by Business Times said the company is puzzled by the allegations especially since all Telekom contracts have to go through a tender board which is chaired by the Treasury's contract and procurement division secretary, Datuk Dr Abdul Aziz Muhamad.

He speculated that the contract in question is most probably the US\$140 million (US\$1 = RM2.48) contract for the supply of AXE switching equipment to Telekom, which was a supplementary agreement to the 800,000 AXE lines contract worth some RM400 million signed with Telekom.

In 1992, five companies were selected to undertake the country's largest digital exchange supply contract to Telekom worth RM2 billion. Perwira Ericsson, Pernas NEC Telecommunications, Nokia, Alcatel and Fujitsu were each contracted to supply 800,000 lines.

He said what happened was that Telekom used up its quota from Ericsson at a faster rate than the others because Ericsson had been one of the original suppliers and it was cheaper to expand it using the old supplier than to contract a new supplier.

In 1982, two companies - Perwira Ericsson and Pernas NEC - were awarded the contract for the supply of exchanges valued at RM1 billion. The contract expired in 1992.

He said the other suppliers had to use Ericsson and NEC as hubbing switches and, in the process, exhausted Ericsson's quota. As a result, Telekom Malaysia had to go back to Ericsson and extend the contract.

But he added: "I believe in this case, Telekom has already justified to the Treasury why it was more economical for us to do so. I do not know why this matter has come up now."

"This is not a new contract but an extension of an old one," he said.

He added that working with five suppliers had been a major problem and led to many complications.

"We divided it up into areas so that all five suppliers would not be working together in the same place."

Meanwhile, Ericsson said in a statement it has not been officially informed and has not received any indication as to the nature of the allegations nor does it have any information that tender procedures have

been overlooked.

"However, we still wish to reaffirm that Ericsson is committed to maintaining a high standard of business ethics and this has always been maintained in our long relationship with Telekom Malaysia," its country manager and managing director Olle Ulvenholm said.

He added: "In Malaysia, Ericsson has been providing telecommunications infrastructure and facilities since 1965.

It began with a contract to supply, instal, test and commission the first crossbar exchange to Jabatan Telekom Malaysia.

"Ericsson has since developed a long-term relationship with Telekom Malaysia as a supplier of public telecommunications equipment and has been a major contributor to the current state-of-the-art telephone network."

Telekom's share price fell 40 sen yesterday to close at RM20.60, but equity analysts said it has been falling for quite some time as the counter is seen as overvalued.

They added that since Telekom is a blue-chip with mostly institutional investors, it is not affected by rumours.

On Wednesday, Anwar said the Government had ordered an investigation into alleged discrepancies in the award of a contract by Telekom to Ericsson for the supply of equipment.

Preliminary information was submitted to him two weeks ago.

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