

# Corporate mess clean-up

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## PM: Wrongdoers at Perwaja Steel and MAS will face court action

From Carolyn Hong in London

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PRIME Minister Datuk Seri Dr Mahathir Mohamad said it is believed that there could have been misappropriation of funds and mismanagement at Perwaja Steel and Malaysia Airlines, both of which had recorded hefty losses.

He said the authorities were investigating both companies, and those responsible for any wrongdoing would face the consequences in court.

"We can't tolerate any deliberate misappropriation of funds or mismanagement, (be it by a) 'crony' or otherwise," he said in response to a question at a dialogue with Malaysian students in Britain on Sunday.

More than 600 turned up at the dialogue held at Imperial College, on the second day of Dr Mahathir's five-day working visit.

Touching on Perwaja, Dr Mahathir said a businessman brought in to run the company might have mismanaged it and taken money from the company, and

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### ● Excerpts of the dialogue: P10 & 12

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investigations had run into a stonewall.

He did not name the businessman, but said he was brought in following the Government's failure to manage the company.

He added that investigations revealed that some of the missing money was in a Swiss bank account but the Swiss authorities, while admitting to holding some money, refused to reveal the identities of the account-holders.

The Swiss authorities have also refused to give evidence in court.

He said Perwaja dealings had also involved cross-border transactions and authorities in these countries were also not willing to co-operate.

Nevertheless, he said, the Anti-Corruption Agency would continue its investigation, and if adequate evidence was obtained, those responsible would be hauled to court.

The ACA began investigating Perwaja Steel in 1996 on the Government's instructions. It has so far called more than 50 people, including its chairman Tan Sri Eric Chia, to assist in the investigation.

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The probe reportedly hit a snag due to several reasons, including the involvement of foreign institutions and individuals and also following the discovery of the RM76.4 million belonging to the company in a Swiss bank.

Perwaja Steel Sdn Bhd is saddled with RM10 billion debts and losses, involving current liabilities of RM926 million, long-term liabilities totalling RM6.013 billion and losses amounting to RM2.985 billion.

Following the investigation, the debt-ridden steel miller was taken over by Maju Holdings Group following the company's privatisation about four years ago. The current management is aggressively expanding the steel giant's role from a manufacturer of steel products to an industrial reference centre.

Dr Mahathir admitted that Perwaja had lost a lot of money but said the Government was prepared to pay the price as the steel industry was vital to the country's industrialisation process.

However, the experience of other countries, including Japan, showed that it was difficult to make the steel industry profitable.

"We went into Perwaja with our eyes wide open. We were prepared to lose money but we made too many mistakes. At first, we thought that civil servants should run the company but they had no idea about running a steel mill."

On Malaysia Airlines which was in the news recently when investigations into its cargo operations came to light, Dr Mahathir said the company's new management had discovered misappropriation of funds and certain activities that were not sanctioned by the board of directors.

"A report was made to the police, even though the previous owner is said to be a crony of the Government. It doesn't prevent us from acting."

He said the matter came to light after the Government paid a 'handsome price' to acquire the beleaguered company and began to look closely at its dealings.

He, however, pointed out that MAS had been doing well until it was hit by the 1997 economic crisis.

To another question on corporate restructuring, Dr Mahathir said the Government took over public utility companies to ensure that services were not disrupted.

He said unlike bailouts in Western countries, it was not to save the shareholders of the companies.

"We have never done anything like that," he said, adding that Malaysia's method had been so successful that it was now acting as consultant to several countries.

Nevertheless, he said, the Government was still learning and it was not adverse to admitting its mistakes.

To another question, he said the Government had no time for those who made wild allegations which were not constructive.