

Tajudin settlement: Dr M's legacy of losses lives on
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MP SPEAKS Recently, the past has fast cascaded into the present - or to be more specific, the Mahathir Mohamad past has cascaded into the Najib Abdul Razak present.

Today the High Court in Kuala Lumpur fixed March 5 to decide whether to end the multi-billion ringgit legal battle between Malaysian Airlines (MAS) and Tajudin Ramli, by striking out MAS' mega claims against Tajudin as well as his RM500 million counter-claim against the government and the national carrier.

Tajudin has been entangled in a complicated series of expensive suits, countersuits and appeals with various parties arising from his failure to service a billion ringgit loan he took to purchase a major stake in MAS in 1994.

Tajudin was the executive chairperson of the airline from 1994 to 2001.

tajudin ramli mas 070910In 2002, MAS lodged its first police report against Tajuddin, accusing him of allegedly causing the flag carrier to suffer losses in excess of RM8 billion.

According to a report to the Anti-Corruption Agency, a major contributor to the record losses under Tajudin was the relocation of MAS's cargo operation in Amsterdam and Frankfurt to a single hub in Hahn, Germany, where the airline was forced to enter into a disadvantageous aircraft lease contract with a company, which was later linked to Tajudin's family.

The new cargo hub operation had caused MAS to suffer losses of between RM10 million and RM16 million a month before the project was terminated after the government regained control of MAS in 2001.

The termination resulted in a RM300 million arbitration claim against MAS by the company.

MAS has had a turbulent past decade after the government bought back the airline from the former corporate high-flyer at RM8 per share or about double the market price at the time. The airline was at the time saddled with a debt reported to be RM9.5 billion.

In 2009, Danaharta and two of its subsidiaries won a RM589.143 million suit against Tajudin. The case arose after the tycoon borrowed RM1.792 billion from a group of syndicated lenders in 1994 to purchase a 32 per cent stake in MAS.

However, from 1994 to 1998 he failed to service the original loan, causing it to become a non-performing loan (NPL).

In 1998, Danaharta acquired the NPL from the lenders but Tajudin also failed to settle his debts to Danaharta until it was in default of RM1.41 billion as at October 8, 2001.

As part of a settlement agreement, Tajudin was to pay RM942 million in four instalments over three years and that he was permitted to redeem his charged shares at a minimum price per share.

Settlement agreement was terminated

Tajudin, however, defaulted in the payment of the quarterly interest payable under the settlement agreement and on April 27, 2002, the plaintiffs terminated the settlement agreement and demanded RM1.61 billion from him.

On April 29, 2002, Danaharta, together with its subsidiaries Danaharta Urus Sdn Bhd and Danaharta Managers Sdn Bhd, sold part of the charged shares consisting entirely of Technology Resources Industries (TRI) shares at RM2.75 per share, resulting in total proceeds of RM717.39 million.

As at Dec 31, 2005, the amount outstanding was RM589.14 million and on May 11, 2006, Danaharta and the subsidiaries commenced action to recover the money. The national asset management company won its case against Tajudin in 2009.

But the ex-MAS chief filed a counter suit claiming RM13.46 billion from some 22 parties and individuals.

Tajudin alleged, in his affidavit, that he was directed by former prime minister Mahathir and former finance minister Daim Zainudin in 1994 to buy a controlling stake in MAS to bail out the government.

Tajudin had claimed that former premier Mahathir had made him buy MAS to help bail out Bank Negara after the central bank suffered massive foreign exchange losses due partly to speculation in foreign currency markets as a "national service" with an "Overriding Agreement" to indemnify him against any losses suffered.

Although Tajudin's claim has been denied by Mahathir, the former prime minister's rebuttal has little credibility.

Last August, Putrajaya intervened and commenced action to put an end to the controversial legal battle by ordering all suits against Tajudin to be dropped.

On Feb 14, Danaharta and Tajudin reached "out-of-court settlement", the terms of which remain confidential between the two parties, where all suits pertaining to the RM589.14 million that Tajudin was ordered to pay to the firm in 2009, would be dropped and Tajudin agreed to withdraw a total of 27 appeals, 11 against Danaharta.

The question, whether the RM580 million out-of-court "renunciation" of Tajudin's debts is proof that Malaysians today are still paying for the RM100 billion financial scandals perpetrated in the 22 years of Mahathir premiership, has been asked but not answered.

There is now the second question - whether a settlement of the multi-billion ringgit litigation between MAS and Tajudin, with the striking out of their mutual claims against each other, would also be in consequence of the same factors and forces resulting in the government "surrender" of the RM580 million court judgment against Tajudin?

Revisiting the 'black hole'

It is indeed time to revisit the RM100 billion "black hole" created by Mahathir's financial scandals in his 22 years of premiership, especially if the present generation of Malaysians are to pay for the sins of Mahathir's past premiership.

There can be no better start to revisit Mahathir's financial scandals in his 22 year as prime minister than to refer to Chapter 6 "Scandal, What Scandal?" of Barry Wain's "Malaysian Maverick - Mahathir Mohamad in Turbulent Times", which started with the following paragraphs:

"Dr Mahathir's administration took office in 1981 with the slogan bersih, cekap amanah - clean, efficient, trustworthy. Almost immediately, however, it became embroiled in financial scandals that exploded with startling regularity, some of them truly spectacular. A few were of an order of magnitude that could have bankrupted most developing countries.

"But tropical Malaysia was generously endowed with natural resources, notably offshore hydrocarbon deposits, and commanded by a leader committed to rapid development. The expanding economy absorbed the shock of much of the dissipated wealth, and where necessary, the gaps left by the missing

billions were plugged with the proceeds of oil and gas exports.

“Almost all the scandals involved the government directly, or senior officials and businessmen closely connected to UMNO. In some cases, impropriety - whether illegal or merely ill-advised – was officially authorised or condoned for an allegedly higher purpose. Public funds were stolen in various ways, or simply poured into a big black hole in the name of ventures that bordered on the reckless, improbable or criminal.

“The extent of the losses - and in some cases the way the money disappeared - was never fully documented. Dr Mahathir’s administration generally did not hold Malaysians accountable for the financial disasters, and often laid the blame on others. By the early 1990s cynics remarked that it had been a good decade for bad behaviour, or a bad decade for good behaviour.”

In this chapter, Barry Wain estimated that Mahathir’s financial scandals would have created “a big black hole” of RM100 billion.

With the Mahathir past fast cascading into the Najib present, whether because of the MAS “double bail-outs” triggered by the 1992/3 RM30 billion Bank Negara forex scandal, they are all powerful reasons demanding full accounting for the RM100 billion “black hole” caused by Mahathir’s financial scandals of 22 years.

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