

Mahathir: Why is 1MDB so stupid?

MalaysiaKini.com

Jun 12, 2015

Former prime minister Dr Mahathir Mohamad has detailed several deals made by 1MDB to illustrate the firm's "stupidity".

This was after he admitted that, despite his attacks against Prime Minister Najib Abdul Razak, the people are still unclear about what exactly has gone wrong with 1MDB.

"From the comments on my blog and the questions I have been asked by people while shopping, it is clear that many do not know much about 1MDB.

"They know enough that Najib has done something wrong with the RM42 billion borrowed money, but are not clear about what is so wrong that I should call upon him to resign.

"So I think I need to explain why 1MDB is wrong in stages," he said in a blog posting today.

Significantly overpaid

Zooming in on 1MDB's investments, Mahathir pointed out 1MDB had significantly overpaid to purchase power assets, even though their licences were about to expire.

"Why 1MDB did not wait until the expiry of the licences is a mystery. Genting (Bhd) and T Ananda (Krishnan) clearly made more money than they were entitled to.

"Specifically, 1MDB spent RM18 billion to buy Ananda's Tanjong Energy, Genting Sanyen and Jimah Energy, on top of inheriting a RM6 billion loan.

"One estimate is that the high prices netted the sellers an extra RM3 billion. Besides, they are relieved of the loan of RM6 billion.

"So, not only is the borrowing costly but the high cost of investments would mean low returns. Why is 1MDB so stupid?" he asked.

"As stated above 1MDB is unable to get the IPP listed again. Who would want to own overpriced and obviously unprofitable power plant?" he added.

Land sold for a song

On the purchase of land, Mahathir said the plot along Jalan Tun Razak was actually meant for an agency to build shops and so forth for bumiputeras.

However, he said the government sold the 70 acres to 1MDB for RM320 million i.e. at RM 60psf whereas land close by had been sold at RM7000psf.

Based on this, Mahathir argued that 1MDB should have paid at least RM3,000 to RM4,000psf.

"The government lost a huge amount of money from the sales. The question is why did the government sell at such a low price. One cannot help think it is because the PM ordered the sale.

"If so it is wrong and it constitutes abuse of authority. The full value should be paid to the government now," he added.

Following this, he said 1MDB decided to sell a small part of the land at the price it bought the whole 70 acres for.

"Payment was made by Tabung Haji even before the transfer of ownership was completed. Apparently 1MDB needed the money immediately.

"The directors of 1MDB and Tabung Haji are the same people. They claim that they abstained from voting. But obviously it was not an arms-length deal," he added.

Mahathir said if the government could sell the land to 1MDB at RM60 psf, then it should have also sold at the same price to TH.

"But effectively it has used money saved by intending pilgrims to give enormous profit to 1MDB," he added.

He said a similar scenario unraveled with regard to the Sungai Besi airport land.

"1MDB acquired it at a ridiculously low price of RM90 psf. The value of the land is at least RM2,000 psf," he added.

On the contrary, Mahathir noted that 1MDB bought private land in Penang at a much higher price.

"Yet the land is not at the centre of the city, has more than 1,000 squatters and has not obtained the Penang government's approval for development.

"Seems like 1MDB had overpaid the seller for useless land. Why?" he asked.

Mahathir also pointed out 1MDB claims that it has assets worth RM52 billion.

"So far no explanation has been given as to how these assets are valued. How much is the value of all the power plants. And how much are the prices of land worth?

"Future values after development may be big but billions of ringgit must be invested before the property can be sold. After deducting cost, the return cannot be very big. The power plants and the land cannot be worth RM52 billion.

"Even if this money is used to repay debts, the disappearance of billions must be recovered, or 1MDB should be charged for the loss," he added.

Copyright © 1999-2012 Mkini Dotcom Sdn. Bhd

Source : <http://www.malaysiakini.com/news/301580>