

**Explain 'fishy' bond deal, Muhyiddin told  
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Opposition parliamentarian Tony Pua demanded an explanation from Deputy Prime Minister Muhyiddin Yassin on a government-supported bond that purportedly defaulted on payments.

NONE Pua was referring to a report in The Edge Financial Daily today on a RM240 million government letter of support-backed bond issued by Malaysian International Tuna Port Sdn Bhd (MITP) that has landed in the courts for defaulting on payments last year.

The Batu Maung port was to be developed into a fully integrated fisheries port specialising in tuna by 2008; and Pua, who is the Petaling Jaya Utara MP, asked Muhyiddin whether he had approved the "fishy deal".

"This is exactly like PKFZ (Port Klang Free Zone). The contractor comes in to get the concession agreement from the government, no money to finance, go to the bank, the bank doesn't want to lend and then appears a letter of support from somebody in the government to the bank to say that don't worry, the government backs this project, you can go ahead and lend money for this project.

deputy prime minister muhyiddin yassin at sekolah menengah sains hulu selangor 020410 02" And now, the bond defaults. Multiple lawsuits. The question then, is the government going to pay for the bondholders? Who was the minister then? Muhyiddin Yassin (left).

"So the question to Muhyiddin is, did you approve this project? Did you approve this fishy deal? A RM240 million bond was issued, but now cannot pay, so who is responsible?" Pua demanded.

The business newspaper had reported that the Agriculture and Agro-Based Industries Ministry which was then under Muhyiddin had issued a letter of support through its statutory body the Fisheries Development Authority of Malaysia (LKIM), that LKIM would ensure MITP is in a position to meet its obligations to repay the bond.

According to Pua, MITP is 60 percent owned by a private company, Blindforce Sdn Bhd, and 40 percent by LKIM.

The letter of support acknowledged by the ministry's deputy secretary-general (development) Mohd Mokhtar Ismail and dated Oct 2, 2006 to OSK Trustees Berhad stated:

NONE "MITP has to incur borrowings in order to implement this important national project. By virtue of this, we confirm the viability of MITP, including its ability to incur borrowings and repay which is critical to ensure the successful implementation and completion of the project as envisaged by the government through the concession agreement (for a 32-year period) dated Dec 16, 2004."

MITP's Bai' Bithaman Islamic Securities (BAIS) facility of up to RM240 million for a tenure of 10 years was assigned a long-term debt rating of A+ID by Malaysian Rating Corporation Bhd (MARC) based on a letter of support issued by the ministry.

Quoting a statement by MARC, Pua said that their valuation of the bond when it was first released was that "this bond has been given an A+ rating incorporating a strong reliance on government support for the highly visible tuna port privatisation project based on a letter of

support issued by the Agriculture and Agro-based Industries Ministry to back the rated obligations”.

Rating agencies 'not responsible for the accreditation'

Therefore, he urged Muhyiddin to take on his “ministerial responsibility” and hoped that the ministry officials will not be blamed for the acknowledgement.

“We believe this project would not have gotten through without the minister's complete involvement and knowledge. At this point in time, thankfully not the entire bond has been disbursed, only RM85 million has been disbursed.

NONE“It's one of those hare-brained schemes LKIM comes up with now and then. (Before it was the) tiger prawn project in Langkawi (and) now (it) is tuna. I don't know what other projects they have in the books,” Pua (right) said mockingly.

He added that rating agencies are not responsible for the accreditation, as if they do not approve the letter of support it is akin to saying that the government is not credible.

“If there are too many letters around, maybe rating agencies will start doing that because they'll say this government (is not effective) whatever letters they issue cannot be regarded as honourable.”

Reiterating that this case was similar to PKFZ, Pua said that the “wording” of the letter of support issued to MITP is “stronger than that of the PKFZ letters”.

“I mean, just for a quick note, they always say in the last paragraphs, just like the PKFZ letters, 'this letter is strictly limited to points raised in 2a, 2a and there is no express or implied guarantee with regards to the borrowings of MITP'. If there's no guarantee then why would you write it in such a way?” he asked.

Citing attorney-general Abdul Gani Patail's statement on the PKFZ case, Pua said “if there is no guarantee then why write it in such a way, when you write it in such a way then the government must honour its obligations”.

“So we call for a complete stop to this sort of nonsense letters especially when it is written for a company with zero financial history, it is not backed by one of those super big public listed companies who are starting a new project. It's a brand new company backed by unknown investors,” said Pua.

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