

Gov't under pressure to scrap PKFZ bond payment
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Pressure is mounting on the Transport Ministry to justify the need to compel Port Klang Authority to fulfill its apparent RM228 million obligation in taxpayer funds to Port Klang Free Zone bondholders.

Questions were raised following news reports by theSun on the existence of letters of undertaking by PKFZ turnkey contractor Kuala Dimensi Sdn Bhd (KDSB), which issued the bonds.

NONEAccording to DAP publicity secretary Tony Pua, the letters promised the construction and completion of PKFZ on a turnkey basis and also to cover any shortfall in PKA's payment obligation to bondholders.

Pua (right) argued that since PKA has taken up a suit against KDSB for over-claiming monies and non-completion of work, it is therefore self-contradictory for the government to insist on paying the company before the matter is decided by the court.

"It makes absolutely no sense for the government to insist on making the payment when the government itself (claims) that work has not been carried out," he said.

According to a report by The Edge Financial Daily, the PKA board was reluctant to honour the payment because of this, but yesterday Transport Minister Kong Cho Ha issued a statement stating that the government was obligated to do so.

Protecting the 'BN ATM'?

Kong's brief statement merely stated that the government had considered "all relevant factors", which Pua said interprets as an attempt to protect the interest of government cronies.

"The only possible reason for Kong to insist on making the payment, while overriding the decision of the PKA board of directors who had received the appropriate legal advice, is to protect KDSB.

port klang free zone pkfz audit" This is to ensure that KDSB does not get into financial troubles with the bondholders," said Pua.

However, should the government accede to PKA's wishes to withhold payment, and should PKA win its suit against KDSB, the company - owned by BN backbenchers club chairperson Tiong King Sing - would sustain substantial losses.

Within the BN political circle, Tiong is often referred to as the "automated-teller machine" because of his ability to help many political personalities with his seemingly deep pockets.

"Hence, to avoid the above outcome, Kong has chosen to instruct PKA to make the payments which are 'due' despite the ongoing dispute and litigation, to ensure that one of the biggest beneficiaries of BN patronage projects remains an ongoing concern.

"What is perhaps most disappointing is that this decision comes at a time when the government has preached prudence in expenditure, called for the rakyat to accept substantially reduced subsidies, and yet, when it comes to one of their own like Syabas or KDSB, the BN government will not hesitate to extend hundreds of millions to assist them."

Tee Keat: Letters not implicit guarantees

In the same vein, Selayang MP William Leong stressed that former transport minister Ong Tee Keat had once told Parliament that letters of support for the issuance of the bonds signed by his predecessor Chan

Kong Choy, were not implicit government guarantees.

"It means that they were mere statements of intent that the government will ensure PKFZ shall have sufficient funds to meet its contractual obligations.

pkf weekly pc 310108 william leong "If this statement given in the Parliament were true, then there is no legal requirement for PKFZ to pay KDSB when the company has not complied with, or breached, its contractual obligations," said Leong, who is a practising lawyer.

Leong said that if the government were to now treat the letters of support as implicit guarantees, then Chan would have violated Section 14 of the Financial Procedure Act 1957, for providing government financial guarantees without the permission of the treasury.

"In such circumstances, the failure to act according to the Public Accounts Committee's recommendation to investigate and charge Chan and all those involved for criminal breach of trust and other offences sends a signal that there is a shocking lack of political will to enforce the laws," he said.

The letters of support were subject to much debate, with the attorney-general Abdul Gani Patail himself telling the PAC hearing on PKFZ that he was of the opinion that the letters were implicit government guarantees to the bondholders.

But when Chan testified before the PAC, he maintained his innocence and said that he had sought the advice of an unnamed Queen's Counsel, who concurred with him.

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