

PKFZ: Waiting for more big fish
Malaysiakini.com
August 03, 2010

The arrest last Friday of veteran politician Dr Ling Liong Sik as the architect of the mismanagement of as much as RM12.45 billion in the botched construction of the Port Klang Free Zone – a year after the scandal first broke – raises about as many questions as it answers.

The 67-year-old Ling is a former transport minister and president of MCA for 17 years until 2003, the second biggest component in the BN ruling coalition. One of the MCA's most prominent leaders, he was named a Tun by the king, the country's highest rank in its odd assortment of royalties, roughly equivalent to a British lord. He is believed to be the first Tun ever to be arrested.

NONEling was released after he posted RM1 million in bail and pleaded not guilty to charges of deceiving the cabinet over the valuation and purchase of the 400 hectares of land under the port project, which was conceived during the reign of former prime minister Dr Mahathir Mohamad as a multi-modal project for an international cargo distribution facility modeled on the port of Dubai in the Middle East.

Unofficially, the government overpaid RM720 million for the land, which was assessed by the Valuations Department at RM25 per square foot exclusive of interest although the department had first valued it as inclusive of interest on deferred payment for 10 years.

The big question is why more top politicians haven't been charged in connection with the scandal, although according to some reports the attorney-general is preparing charges against other officials.

The cabinet itself belatedly issued guarantees for loan overruns without the approval of the Finance Ministry, which Mahathir himself headed at the time as finance minister. It remains to be seen if other politicians are to be charged as well.

Although Ling is the fifth person to be charged in connection with the scandal, the others are relatively small functionaries in a project that appeared to be a smorgasbord of opportunity for political figures to dine at leisure.

According to devastating reports by PriceWaterhouseCoopers and the Parliament's Public Accounts Committee, Kuala Dimensi Sdn Bhd, a company controlled by Tiong King Sing, an influential Sarawak lawmaker and chairman of the parliament's Backbencher's Club, acquired the land for only RM3 per square foot. If the Land Acquisition Act had been used, the land could have been purchased for RM10 per square foot.

The Umno connection

Chan Kong Choy, like Ling a former MCA leader and transport minister and OC Phang, the former general manager of the Port Klang Authority, were found by the Public Accounts Committee earlier to have issued letters of support and undertaking for the project to cover massive loans without the approval of the Finance Ministry, in effect creating the government guarantees for the loans, which resulted in vast cost overruns. Phang was charged several months ago.

A flock of Umno officials were involved in various roles including the party's permanent

chairman, Onn Ismail, his son-in-law Faizal Abdullah, the former party treasurer Azim Zabidi and others.

Others named in the PWC report included Umno officials Abdul Rahman Palil, Abdul Rashad Asari, Omar Latip and Idris Mat Jani, who served in various capacities either with the development cooperative, the supposedly independent surveyor, the law firm advising Kuala Dimensi or as shareholders in allied companies

The fact that only MCA officials have been charged has raised questions in Kuala Lumpur whether Umno is in effect giving up on the most important member of the ruling coalition.

Kuala Dimensi, having acquired the land for the free trade zone, was appointed to develop it as well. That resulted in cost overruns mounting to the hundreds of millions of ringgit. The Dubai-based Jebel Ali Free Zone, originally appointed to manage the port, gave up and pulled out in 2007, allegedly because of interference from politicians and figures with vested interests, deliberate falsification of minutes, attempts at tax evasion by Malaysian negotiators and other issues. It appears that management was so substandard, according to the report, that the port didn't even have revenue or cost projections.

The PAC alleged that although the government had intended the port to be self-financing, Phang, who had headed the port authority since 1997, had issued a letter of undertaking to OSK Securities Bhd stating that the government would remit funds from budget allocations to a special reserve account for the authority.

The port did not have the approval of either the Transport or Finance Ministries. Much of the RM12.45 billion relates to loan obligations rather than the cost overruns. The Public Accounts Committee found a wide range of conflicts of interest involved in decision making.

Perunding BE Sdn Bhd, under the Quantity Surveyor Consortium appointed to determine the port development's actual cost, was also Kuala Dimensi's surveyor. The law firm Rashid Asari & Co, which was involved in two of the four development agreements signed between the authority and Kuala Dimensi, was also involved in the sales and purchase of the original land in 1995.

The port authority in October filed civil charges against Phang, alleging that she had failed to comply with Treasury guidelines and safeguard PKA's interest when entering into agreements for the construction of the PKFZ project. The authority has also filed a RM920 million lawsuit against Kuala Dimensi and other parties.

- Asia Sentinel

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