

Zahid Must Explain 50% Cost Increase Of Patrol Vessels
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On February 5th this year, Defence Minister Zahid Hamidi announced that the Government has approved RM6 billion for the Royal Malaysian Navy to acquire 6 second generation patrol vessels to be built by Boustead Naval Shipyards.

In defending the RM6 billion deal in parliament, the Minister had claimed that these patrol vessels were no ordinary ships but were advanced warships known as "littoral combatant ships" (LCS).

Zahid had in March claimed that the LCS is "bigger and faster" and "it is also equipped with three-dimensional warfare equipment like cannons, missiles and torpedoes" which are able to take on jets, ships and submarines respectively.

He argued that "with the rapid development of technology, the RMN would need an LCS with state-of-the-art equipment like the sonar system for submarine detection and anti-submarine torpedoes, which would help in the operation of the two RMN submarines to safeguard the sovereignty of national maritime areas."

The LCS is indeed a technologically advanced patrol vessel currently only acquired and deployed by the United States (US) in the world. The US owns 2 of these ships - USS Independence and USS Freedom while Malaysia is seeking to acquire 6 of these LCS.

While the price of the ships was not "final" in February, it has come as a shock when Boustead announced on Bursa Malaysia that the contract which was just signed last week is now valued at RM9 billion or 50% higher than what was approved earlier this year by the Government.

The Minister must explain why has the price for each ship increased by RM500 million or RM3 billion in total for the 6 ships suddenly, well above the original approved budget. For example, has the specification for the ships been "improved" further since Zahid's reply in Parliament - which was then already the most technologically advanced patrol vessel - which justified the whopping increase in price?

Boustead Naval Shipyard, previously known as PSC Naval Dockyards which delivered the previous 6 naval patrol vessels at RM6.75 billion or 26.2% above the original contract price of RM5.35 billion. The ships were also delivered only after a 2 year delay and hundreds of defects.

In the 2006 Auditor-General Report, the Ministry of Defence was faulted for the dubious award of contract to an obviously unqualified contractor, the failure of technical and financial management, hefty illegitimate contract price increases, undocumented and overpayment, unjustifiable waiver of penalties, and a complete failure of ministry oversight. The Defence Ministry was then headed by Najib Razak.

Such a track record does not give Malaysians any amount of confidence that history will not repeat itself. With such a rapid increase in budget by RM3 billion before even the start of construction of these ships, can the current Defence Minister assure Malaysians that these ships will not suffer the same disgraceful fate as the earlier ships?

As Defence expenditure in Malaysia remains highly opaque, with Malaysia ranked "medium to low" in transparency by Transparency International, we continue to call for a Parliamentary Oversight Committee to review and approve defence expenditure as practiced in all developed countries. The expenditure involved billions of ringgit in acquisitions annually, hence the sheer lack of transparency leads only to poor accountability, and more often than not, massive leakages and over-spending. These leakages must be plugged to ensure that the country doesn't become bankrupt by 2019 as speculated by Minister in

Prime Minister's Department, Idris Jala.

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