

PR MPs To Meet Zahid
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Pakatan Rakyat Member of Parliaments, Saifuddin Nasution, Dr Dzulkefli Ahmad and myself will meet with Zahid Hamidi tomorrow 19th January 2012 (Thursday) at 3 pm at the Ministry of Defence after receiving his invitation to discuss the recent controversies with regards to defence procurement.

Among the issues which we will raise with the Minister is the contract signed by the Ministry of Defence with Boustead Naval Shipyards "to design, construct, equip, install, commission, integrate, test and trials, and deliver six Littoral Combatant Ships (Frigate Class)" for the amount of RM9 billion last month.

The RM9 billion contract was signed despite the Minister of Defence having told the Parliament twice in March last year that the ceiling price set for the acquisition of these ships was set at RM6 billion. This represents a huge increase of RM3 billion or 50% of the original budget.

Malaysians are even more concerned when Boustead announced that the ships will be built by scandal-ridden French warships manufacturer, DCNS. While the ship-building history and capabilities of DCNS are not in doubt – DCNS has been found guilty of bribing government officials in Taiwan and has been fined by the Courts €630 million (approximately RM2.5 billion).

The Taiwanese government has continued its litigation against DCNS by filing another NT\$ 3.0 billion (RM310 million) in additional compensation from DCNS, above and beyond the sum above, for prohibited commissions and kickbacks at the International Court of Arbitration.

Malaysians are of course well aware of the €115 million (~RM500 million) paid to Perimekar Sdn Bhd for "coordination and support services" in the Malaysia's purchase of 2 Scorpene submarines from DCNS which cost €1.34 billion (~RM6.5 billion). Perimekar was owned by the Prime Minister and the then Defence Minister Najib Razak's close associate, Abdul Razak Baginda. It was also a newly set up company with no prior experience in providing defence support and coordination services.

The Ministry of Defence must also provide clarity over the RM7.55 billion purchase of 257 armoured personnel carriers at RM29.4 million each. It has been publicised widely that Deftech Sdn Bhd, a subsidiary of DRB-Hicom Bhd owned by Syed Mokhtar Al Bukhary which was awarded the contract, has purchased the "base system" from Turkish defence company, FNSS Defence Systems for approximately US\$559 million (~RM1.7 billion or RM6.7 million each).

The Minister must provide transparency over the above procurement, especially since it was conducted without any open tender. The Government must provide details of equipment and services which makes the difference between the acquisition cost of RM7.55 billion relative to the "base system" of only RM1.7 billion.

Most importantly, given the size, specialisation and sensitivity of defence procurement, we would like to repeat our call for the Malaysian government to set up the Parliamentary Oversight Committee on Defence Procurement modelled after the United States House Oversight Subcommittee on National Security, Homeland Defense and Foreign Operations which looks after defence policies as well as the US Defense Budget Appropriation Committees which review and approve detailed defence expenditure.

The set up of the Parliamentary Oversight Committee on Defence Procurement will lead to greater accountability and transparency to ensure that the rakyat's wealth will not be frittered away, especially in the light of the warning by Idris Jala that Malaysia might be bankrupt by 2019 if Government expenditure is not curtailed.

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