

Come Clean With West Coast Expressway Deal
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The Malay Mail cover an exclusive story on the fact that the Attorney-General "is of the opinion the terms of agreement for the project, which has seen its cost balloon, are not in the public interest" on Monday, 27 February 2012.

According to the report, "Government sources tell The Malay Mail Abdul Gani had expressed reservations over the terms, which seem to heavily favour the highway concessionaire, WCE Sdn Bhd, a 64.2 per cent subsidiary of Kumpulan Europlus Bhd... Abdul Gani has put the Economic Planning Unit (EPU) and the relevant agencies and ministries such as the Malaysian Highway Authority, the Finance Ministry and the Works Ministry on notice over his reservations on the 316km-long highway that will link Banting in Selangor to Taiping, Perak, where 224km will be tolled."

Allegedly, according to their source, "despite immense pressure to sign the legal documents, the A-G has informed the stakeholders he wants to review the terms of the agreement."

Assuming that the Malay Mail front-page report is spot on, then the Prime Minister must immediately answer as to why the Government is insistent on awarding the new WCE concession to Kumpulan Europlus via direct negotiation which has seen the cost of the project inflate excessively.

The cost of the expressway was RM3.0 billion when it was first awarded without tender in 2007 but further "negotiations" between the Government and the concessionaire has increased the cost to RM7.1 billion when it was re-awarded last month. In addition, the concession period has been increased from 33 years originally to 60 years, a record for highway privatisation projects in Malaysia.

What is perhaps unacceptable is the fact that despite such attractive terms, the Government still have to provide RM2.24 billion of soft loans to the concessionaire, as well as up to 3% interest-subsidy for commercial loans secured. The Government will also bear the cost of all land-acquisition, estimated at RM1 billion.

If the Malay Mail report is indeed true, then we call upon the A-G to do all necessary within his powers to ensure that the Government receives a fair bargain, and to avoid a repeat of many costly mistakes made by the Government in privatisation projects such as the RM12.5 billion Port Klang Free Zone scandal, toll highways which generates astronomical profits for the concessionaires such as the RM5.9 billion PLUS and the RM1.3 billion LDP.

What is shocking is the fact that the project is being awarded to a company with very poor financial record over the past few years. Kumpulan Europlus earned revenues of RM50 million and RM28 million in the last 2 financial years of 2010 and 2011 respective. Besides the small revenue base compared with the RM7.1 billion project, the company also made losses of RM35 million and RM46 million in the past 2 years.

Najib Razak must walk the talk of "economic transformation" by implementing all the reforms on transparency and accountability that his administration has been preaching over the past 3 years. He must not "over-rule" the opinions of the A-G to ensure that the people's interest comes first and the tax-payers' are not excessively burdened. Instead, the Prime Minister must disclose in full the basis of the award of WCE to Kumpulan Europlus, as well as the financial justifications for the soft-loan, interest-subsidy, 4.1 billion increase in the cost of the highway as well as the 27-year extension of the concession. Most importantly, the Government, in the interest of transparency, must disclose the proposed toll rates which will be imposed on motorists to justify such lucrative terms to the concessionaire.

Otherwise, all the talk of “economic transformation” which Najib has been “selling” to both local and foreign investors will be seen as just political rhetoric, and the Prime Minister will soon be branded by businessmen all over the world as the one who just could not deliver the promised changes.

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