

Kedah-Kelantan pipeline carrot for Umno men, claims US cable
The Malaysian Insider
September 29 , 2011
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KUALA LUMPUR, Sept 29 — A leaked US diplomatic cable issued in 2007 said that Malaysia's RM21 billion trans-peninsula oil pipeline was likely launched as a means to reward Umno loyalists with lucrative contracts if Kelantan's PAS government fell in Election 2008.

The cable pointed out that no Environmental Impact Assessment (EIA) reports were prepared nor economic viability studies conducted for the project as ecological risks were not a major concern to the then Abdullah administration.

"Domestic politics may be a bigger driver for the project than the potential economic payoff," said the cable, leaked by whistleblower site WikiLeaks and published by the Malaysia Today news portal today.

It said the government viewed the pipeline, which was to run from Kedah to Kelantan, as an opportunity to reward Umno supporters "regardless of whether or not the project makes long-term sense".

"The refinery and pipeline in Bachok would be seen as a potential Umno deliverable and might just tip the balance in a PAS-controlled state shortly before the election," the cable said.

It added that such order of business for major projects in Malaysia was "typical".

"Someone has vision, companies rush in to acquire 'exclusive rights' and only after that are feasibility studies conducted, numbers crunched, and environmental impacts (possibly) assessed," it said.

According to the cable, the proposed 309km pipeline launched in 2007 was to run from Yan in Kedah to Bachok in Kelantan, with a storage facility in Jeli. The first phase of the project, estimated to cost some RM7 billion, was to be operational this year in order to finance phases two and three, it added.

But it claimed numerous oil and gas industry experts had already expressed doubt over the feasibility of the megaproject, which was to be developed by Trans-Peninsula Petroleum Sdn Bhd (TPP), a "small, loss-making company owned by two little-known Malaysian businessmen".

TPP, it said, was not listed on Bursa Malaysia and "parliamentary sources" had characterised the company as a "very small entity" registered in Perak with a listed capital base of RM150,000.

One shipping industry executive reportedly told the US envoy that he was sceptical of the project's economic viability, given the high costs involved in building it and the minimal time and distance saved.

"However, he pointed out that economic viability might not be the driving factor. Rather,

he saw the project as part of a broader attempt by Malaysia's leaders to cosy up to the Islamic world," he said.

The cable added that a local executive working for a large energy company here had also claimed of speculation that TPP was merely a "front company for someone else" and expressed doubt over how a "small, unknown company" could have the capacity to develop the massive, multibillion ringgit project.

"At this stage, deals have been struck on paper, but there appears to have been no solid analysis of the economic viability or the environmental risks of this project.

"However, these might not be the deciding factors. If Malaysian federal and/or state governments step in to assist, construction contracts and other deliverables to favoured parties may become more important than the payoff from the completed project," the cable said.

According to a media report last year, Putrajaya announced on March 31 the cancellation of the pipeline project and the withdrawal of the approval in principle granted to TPP.

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