

PKFZ: Ex-finance minister says only Treasury issues bond support letters

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By Melissa Chi

KUALA LUMPUR, Nov 14 — Tan Sri Nor Mohamed Yakcop stressed only the Finance Ministry can issue a letter of support with the Cabinet's approval, he told the cheating trial of former transport minister Tun Dr Ling Liong Sik today.

"Every time a letter of support is issued, every time there is contingent liability to the government," the former Second Finance Minister said, adding that the government would have to bear the responsibility if there are problems with an endorsement.

The High Court was told last week that a letter of support from Dr Ling helped secure a top-tier rating for bonds raised for the construction of the scandal-hit Port Klang Free Zone (PKFZ) and sold for RM40 million in profit.

Mohd Izzuddin Yusof, 52, the 18th witness for the trial, had said that without the letter of support, it is possible that the rating given by the Malaysian Rating Corporation (MARC) Berhad would be lower than AAA because the letter carries a certain amount of weight in determining the rating of the bond.

"Although it is called a letter of support, the truth is, it is actually a guarantee letter.

"But the letter of support (from the Transport Ministry) did not get approval from the Finance Ministry or the Cabinet," Nor said today.

When questioned further by lead prosecutor DPP Datuk Tun Abd Majid Hamzah, the minister in the Prime Minister's Department explained that he had presented a memorandum to the Cabinet in 2002 and it was not about making the decision to buy the land.

"The issue about the purchase of the land is seen as something that has already been approved (at the time)," he said.

The memorandum was about the increase of the project cost from RM1.088 billion to RM4.6 billion, and that the Transport Ministry had issued the letter of support without Cabinet and the Finance Ministry's approval.

"According to government policy then and presently, letters of support can only be issued by the Finance Ministry after Cabinet approval," Nor said.

Putrajaya had earlier proposed that the Port Klang Authority (PKA) issue bonds with a six per cent yield to pay for 1,000 acres of Pulau Indah land for the PKFZ.

Critics allege that the letter of support penned by the then-transport minister on May 28, 2003 — which coincided with his last day in office — and three others by his successor, Tan Sri Chan Kong Choy, were seen by the market as government guarantees to fulfil PKA's obligations to landowner Kuala Dimensi Sdn Bhd (KDSB).

Dr Ling was charged in July last year with knowingly deceiving the Cabinet into approving

the land purchase for the PKFZ, which resulted in wrongful losses for the government.

The prosecution has argued that the additional interest of 7.5 per cent per annum, amounting to some RM720 million, had pushed Port Klang Authority's (PKA) land purchase from RM1.09 billion to RM1.88 billion for the port project.

The former MCA president also faces two alternative charges of deceiving the Cabinet into believing that the purchase at RM25 psf and the 7.5 per cent interest rate were acknowledged and agreed to by the government's Valuation and Property Services Department (JPPH) despite knowing that there was no such agreement.

Dr Ling faces up to seven years' jail and a fine if convicted of the principal charge under Section 418 of the Penal Code.

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