

**Plan to save 1MDB must haul up those responsible for losses, says Dr M**  
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Putrajaya's restructuring plan for debt-ridden 1Malaysia Development Bhd (1MDB) does not absolve those in charge of the firm from their responsibility of losing money, Tun Dr Mahathir Mohamad said today.

The former prime minister said the rationalisation plan, unveiled by Second Finance Minister Datuk Seri Ahmad Husni Hanadzlah last Friday, would not erase the fact that money had disappeared and that the government would lose billions of ringgit.

"Part of the loan may be redeemed but a very substantial amount will remain. Certainly the restructuring will not result in the lost money being recovered," he said in a blog posting today.

"I hope the restructuring will help but unless the lost money is returned, paying off debts will absolve no one.

"Repayment of the debt does not absolve the borrowers from responsibility for losing the money in the first place.

"The money is not lost through bad businesses but has simply disappeared. Somebody knows how the money disappeared and who has the money now. But that somebody is not telling."

Under the rationalisation plan to reduce its staggering RM42 billion debt, 1MDB's two real estate developments will be separated into stand alone companies.

Husni had said that the Tun Razak Exchange (TRX) financial district project and Bandar Malaysia development will be run as separate entities with full autonomy and accountability for their operational and financial performances.

Besides that, 1MDB had also received US\$1 billion (RM3.71 billion) from Abu Dhabi's International Petroleum Investment Company (Ipic), which the fund said it was neither a loan nor a bailout.

1MDB president and group executive director Arul Kanda Kandasamy said the money was a business transaction between the two companies, and it would not see 1MDB assuming further debt.

"Further to the Ministry of Finance's statement on 29 May, we have noted with concern claims from certain quarters suggesting that the US\$1 billion payment from the Ipic of Abu Dhabi is a loan, or involves 1MDB assuming further debt.

"That is absolutely not the case. This is a business transaction; not a loan, not any kind of debt and not a bail out.

"It is an initial payment as part of a broader agreement to comprehensively address the various financial asset and liability transactions between Ipic, Aabar and 1MDB, further details of which will be announced in due course," Arul Kanda had said in a statement.

The Finance Ministry had said that the funds will be used for early repayment of a US\$975 million syndicated loan led by Deutsche Bank due in September, the Finance Ministry said on Friday.

However, Dr Mahathir questioned what Ipic was getting out of the deal with 1MDB if the US\$1 billion was not a loan.

"Certainly it is not a free gift. What does Ipic get for its US\$1 billion from 1MDB. It must be the assets of 1MDB.

"If Ipic pays US\$4 billion to 1MDB, effectively Ipic become owner of the assets of 1MDB," the statesman said, referring to the additional US\$3 billion Ipic might be channelling to 1MDB.

He said that 1MDB would "get nothing" as the money from Ipic would go towards paying off the interests and loans amassed by the state investment vehicle in order to reduce the RM42 billion in debts.

"On this smaller loan 1MDB would still have to pay interest until money is found to pay off the principal 1MDB would lose control of 1MDB to Ipic and the deal will result Putrajaya losing billions of ringgit for TRX and Bandar Malaysia land.

"1MDB will still have to pay interest on the balance of the loan and eventually billions of ringgit to settle the loans. Having lost the most valuable part of its assets, how does it raise money," he asked.

Despite the funds, Dr Mahathir warned that 1MDB would still have to sell off its power plants, but would not be able to sell it at purchase price as they had paid higher than the market value for these entities.

"It will have to lose at least RM3 billion simply to get rid of the plants," the former prime minister said. – June 4, 2015.

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