



# PKFZ: A NATION'S TRUST BETRAYED

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LEE HWA BENG WITH LEE SIEW LIAN



PERDANA  
LEADERSHIP  
FOUNDATION  
YAYASAN  
KEPIMPINAN  
PERDANA

# PKFZ: A NATION'S TRUST BETRAYED

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# **PKFZ: A Nation's Trust Betrayed**

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## ABOUT THE AUTHORS

**Dato' Lee Hwa Beng**, 57, served three terms as Selangor state assemblyman for Subang Jaya before becoming chairman of the Port Klang Authority in 2008. Born in Malacca, he joined the Malaysian Chinese Association at 18 years of age. He went on to become an accountant but his real work for almost four decades has been in politics. Among politicians, he was an early adopter of technology, communicating and organising through the Internet. He believes in and supports free speech, and still shares his views on everything via Twitter.

**Lee Siew Lian**, 43, covered financial, economic and business news in Malaysia for many years. She started with the Business Times, joined The Edge weekly financial newspaper and later became a news editor at the New Straits Times. After a stint in project management, strategy and corporate planning in the NSTP group, she has now gone back to school.

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## FOREWORD

I AM DELIGHTED that Dato' Lee Hwa Beng has written this book on the Port Klang Free Zone (PKFZ) financial fiasco.

The PKFZ financial fiasco dominated the Malaysian political landscape for the last five years and is still being played out in the courts. I believe this book will be good reading for those who want to find out the truth behind this multi-billion-ringgit financial scandal.

Dato' Lee is the best person to write on this issue as he was the Chairman of the Port Klang Authority during my watch as the Transport Minister and the person appointed by me to head the investigation.

As part of our work to uncover what happened in PKFZ, we implemented key measures such as the Integrity Pact, to uphold transparency and accountability, and the Whistle Blowing Policy, as well as the appointment of independent professionals to the Board. We did this because we must deter corrupt practices, to prevent more fiascos like PKFZ from happening in the future.

Corruption is cancerous to a nation. It will eventually destroy a nation, if left unchecked. This happens when a country's social and economic development agendas are crippled when more and more investors, both local and foreign, shun such a nation.

I hope that all fellow Malaysians will learn from this book and, together, we can make our beloved country a better place for us to live in.

Thank you

Dato' Seri Ong Tee Keat  
Member of Parliament For Pandan

## PREFACE

THE SOLE AIM of writing this book is to put on record what happened in PKFZ before everything that was uncovered is forgotten and the harm that was done is hidden from view.

I have tried to explain in greater detail how the Port Klang Free Zone (PKFZ), a project of great national importance, ended up as a financial disaster and needed to be rescued by the government because PKFZ's operations could only feasibly support RM1 billion of debt. I also attempt to explain why the massive soft loan – RM4.4 billion of taxpayers' money – given to the Port Klang Authority (PKA) has not solved the problem.

Already, PKA has technically defaulted on the soft loan, and does not have the money to repay 2012's installment. The government was warned about this in the independent review of PKFZ by PKA's consultant PricewaterhouseCoopers (PwC). This was confirmed by recent testimony at the trial of Tun Dr Ling Liong Sik, the former Transport Minister who initiated the project.

Dr Ling, who was charged for allegedly cheating the Cabinet in relation to the PKFZ, remains on trial at the time of publication. The wealth of information from the trial has helped to fill in the rough picture which was first outlined in the PwC independent review.

The trial of former PKA general manager OC Phang and five others also began last year, while that of another former Transport Minister Tan Sri Chan Kong Choy is still pending. I expect that more valuable details of the PKFZ fiasco will be revealed in these trials.

As I was chairman of the PKA for three years, I am privy to information which I am unable to share and have to keep confidential. Whatever is not covered by privilege, I have included in this book where relevant.

We have relied on public sources of information, from news reports, both traditional and online; the reports and transcripts of the Public Accounts Committee in 2007 and 2009; stock and bond market announcements and documents; testimony and documents from the on-going trials; and finally, the PwC report and the appendices which were released in May 2009.

I believe we in the PKA uncovered more of the truth than many people believed could be done. I believe we could have done even more if not for numerous obstacles, both existing and new ones placed in our way.

When the PKFZ fiasco first hit the headlines in the weekly Edge newspaper in 2004, I gave it little thought. Sad to say, it was just another scandal among many highlighted in the newspapers and online.

It only really got my attention later in 2007 when the huge amounts were revealed and key Malaysian Chinese Association (MCA) leaders were named for their involvement.

According to the reports, the Port Klang Authority (PKA) had overpaid for a 1,000 acre piece of land, and then piled up huge debts while developing the Port Klang Free Zone. The debts were three times more than the approved cost of the project.

In late March 2008, I received the offer from then-MCA President Tan Sri Ong Ka Ting to become PKA chairman. I decided to accept the job after much soul-searching and prayer, and with the support of my wife Soo Soo and my three children. The investigations, and the people's demand to know the truth, put me on the national stage.

These three years tested me on many fronts and often pushed my endurance to the limit. This period of enormous challenge also demonstrate the great loyalty of my true friends and the fair weather nature of others. For

those holding public office, it is often difficult to distinguish between the two.

I know very well writing this book will thrust me into the limelight again, which may bring controversy and perhaps danger. I have written without fear or favour, and definitely not with the aim of returning to politics.

I wish to acknowledge my co-author, Ms Lee Siew Lian, who listened to many hours of my ramblings, and The Malaysian Insider which agreed to publish this book. My gratitude also goes to the many people who readily came forward to help with the telling of the PKFZ story.

My thanks also to my dearest wife and three daughters who supported me emotionally and spiritually in my journey and in writing this book. Finally my thanks to Almighty God, without Whom I would not have been able to last the long journey or have the courage to write this book.

My sincere hope is that my fellow Malaysians after reading this book will be inspired to complete what I could not. If they succeed in this, then my three years in PKA will not be in vain.

Lee Hwa Beng  
March 2012