

# Malaysia's Port Storm

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## **The Malaysian Anti-Corruption Commission dances gingerly around a huge scandal**

Malaysia's Anti-Corruption Commission has been tireless in the pursuit of wrongdoers, particularly those from the opposition Pakatan Rakyat coalition that controls Selangor, Malaysia's richest state. But somehow – perhaps just an oversight – the MACC has been dawdling for five years on a case that appears to be one of the biggest scandals ever to hit a country that has generated some spectacular ones.

That is the RM7.45 billion (US\$2.12 billion) cost to turn Port Klang, the seaport 70 km. west of the capital of Kuala Lumpur, into a national transshipment hub to rival the Jebel Ali Free Zone in Dubai. Its directors say it is likely to default on billions of ringgit in loans, with the possibility, according to an auditor's report, that accumulated interest could drive the cost to a whopping RM12.45 billion.

Conceived in 1999, the Port Klang Free Zone was yet another massive development scheme put forward by former Prime Minister Mahathir Mohamad although he had left office before the real carnival began. The project appears to have ignited a virtual feeding frenzy for politicians from the Barisan Nasional, or ruling national coalition.

The port development was awarded as a turnkey project without competitive bid to well-connected political cronies of the United Malays National Organisation and the Malaysian Chinese Association, the two biggest components of the Barisan Nasional. Project outlays, originally projected at RM1.95 billion, ballooned to RM3.52 billion, with interest accounting for another RM3.9 billion by 2012. The parties to the contract have fallen on each other, describing illicit payments and filing lawsuits. The squabble appears set to wreck what is left of the MCA, already in disastrous shape after the electoral drubbing it took in March 2008 elections.

The case stands in vivid contrast to the MACC's zeal in prosecuting opposition politicians from the Selangor state government. As many as six or seven have had their office records dealing with constituency expenditures taken away for investigation. The most publicized of those was State Executive Councilor Ean Yong Hian Wah, whose aide, Teoh Beng Kock, died on July 16, either by suicide or other means, after undergoing a marathon questioning session in the MACC offices over RM2,400 worth of flags the lawmaker handed out to his constituents during a Merdeka (Freedom) Day celebration.

An anonymous letter written on MACC stationery was released to the press last week, accusing Hishamuddin Hashim, an MACC deputy director for Selangor state, of conspiring with Mohammad Khir Toyo, a leading United Malays National Organization politician and former chief minister in Selangor state, to start corruption probes into opposition politicians. Khir Toyo has denied the charge. Opposition Democratic Action Party officials have been accused of fabricating the letter. Its origin is currently under investigation by police.

Certainly, there appears to be plenty about the Port Klang development for the MACC to investigate. The project is mired in controversy and name-calling, with Tiong King Sing, the head of Kuala Dimensi Sdn Bhd, the company given the turnkey contract to build the massive facility, saying he

had paid RM10 million in three installments to Ong Tee Keat, the head of the MCA, "for activities related to the MCA. Tiong is a leader of the Sarawak Progressive Democratic Party and head of the influential Backbenchers Club in the Dewan Rakyat, or parliament. Ong, also the transport minister, is offering to sue Tiong for his assertion that he had channeled money to Ong. Other MCA stalwarts are seeking to oust Ong from his leadership position, further fracturing the party.

Kuala Dimensi in turn is wholly owned by Wijaya Baru Sdn Bhd, which is the main contractor to Kuala Dimensi. Wijaya Baru is controlled by Wijaya Baru Holdings Sdn. Bhd. Azim Mohd Zabidi, the former UMNO treasurer, is chairman of Wijaya Baru Global Bhd. Chor Chee Heung, former deputy was former deputy home minister under Mahathir, who was home minister and finance minister at the time. Chor was the Wijaya Baru Global non-executive deputy chairman from April 2004 till July 2007.

"This Port Klang FreeTrade zone is a colossal mess, with billions upon billions gone missing. It was earmarked for the MCA and the Chinese community," said a lawyer with links to the United Malays National Organization. "Many MCA/Chinese contractors benefitted from the deal. It has been an issue for the last six years, but only now has it become explosive."

Opposition member Ronnie Liu, a DAP official, lodged a police report with the MACC on the scandal as early as 2004. The DAP has lodged a series of other reports in the intervening years, said a spokesman for the Pakatan Rakyat, the opposition coalition headed by Anwar Ibrahim. None of the requests, the spokesman said, elicited any response from the authorities. Recently Ahmad Said Hamdan, the chief commissioner for MACC, declined to answer questions in a parliamentary accounts selective committee hearing into the Port Klang scandal, saying the case is still under investigation.

The story was broken wide open, however, with the recent publication of a 51-page confidential report into the port's finances by the international accounting firm PriceWaterhouseCoopers. The report, dated Feb. 3, was "not intended for general circulation or publication. It must not be reproduced, republished, copied, distributed, excerpted, disclosed, quoted, alluded or referred to, whether in whole or in part, to any other party in any way without prior written consent of PricewaterhouseCoopers Advisory Services Sdn Bhd (PwCAS)." However, selected parts were indeed excerpted, disclosed, quoted, alluded or referred to by the opposition, and since been given wide distribution.

Among other things, according to the report, which was obtained by Asia Sentinel, "...significant project costs, weak governance and weak project management have severely undermined the viability of the project. It is imperative that (the Port Klang authority) take immediate actions to restructure the (ministry of finance) soft loan of RM4.632 billion to avoid a potential default in 2012. The Government of Malaysia would need to make a concerted effort to turn the Port Klang Free Zone into a viable venture."

The report names a veritable rogue's gallery of MCA and other officials involved in the development of the project including two former transport ministers, Ling Liong Sik, the former MCA head, and Chan Kong Choy; three former Port Authority chairmen, the former UMNO treasurer Azim Mohd Zabidi, the first woman general manager of the authority, O.C.Phang and the project executor, Tiong King Sing.

In addition to awarding the contract to Kuala Dimensi without competitive bid, the land purchase was never vetted by the Malaysian cabinet, although it cost RM1.088 billion against a market value of the land of only RM442 million. Kuala Dimensi "may have overcharged PKA for interest by between RM51 million and RM309 million in connection with the purchase of the land," the report

said.

According to another report, The 1,000 acres for the port were purchased by the government from Kuala Dimensi at RM 25 per square foot, or RM 1.8 billion inclusive of interest, giving Kuala Dimensi a capital gain of RM 993 million because it in turn had purchased the land from the Pulau Lumut Development Cooperative for only RM 95 million — RM 3 per square foot. An UMNO assemblyman, Abdul Rahman Palil, was both the Pulau Lumut Development Co-operative chairman and a port director in 2002 when the land for the free zone was sold to the port authority. The then-transport minister rejected an assertion by the Malaysian Attorney General that the land could be acquired for “public purpose” under the Land Acquisition Act at RM 10 per square foot.

As a result, the report said, interest on a soft loan from the Ministry of Finance “will increase the project outlay from RM4.947 billion to RM7.453 billion. Unless the MOF soft loan is restructured, total outlay for the project will increase to RM12.453 billion.

And, five years into the project, it remains only 14 percent occupied and “revenue generated is inadequate to cover its operating expenses.” The zone is expected to be in cash deficit from 2012.

The MACC said recently that it had formed a 30- member panel to investigate further.

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