



**27 May 2009 (Wednesday)**

## **Port Klang Free Zone audit report out today**

**KUALA LUMPUR: The audit report on the controversial Port Klang Free Zone project will be released today.**

Transport Minister Datuk Seri Ong Tee Keat said the PKFZ audit report would be released in its entirety. Ong said on his blog the cabinet discussed the matter yesterday and agreed on the release. "The cabinet has deliberated on the PKFZ report for the third time. I have obtained the green light for the report to be released in its entirety," he wrote on [www.ongteekeat.net](http://www.ongteekeat.net).

In an immediate reaction, Port Klang Authority chairman Datuk Lee Hwa Beng announced that he would hold a press conference this afternoon to release the audit report. Ong added on his blog that "that journey does not end with the release of the report... We have a lot of work to do to make sure that the findings of the report are acted upon and the interests of the people are protected.

"Sweeping problems under the carpet is not an option. The PKFZ issue has been played up by the opposition for a few years and they have used it as their political capital. "We now have to disappoint them by proving to the public that the new administration under our prime minister has nothing to hide and is prepared to reveal the truth, as well as to take appropriate action should there be any wrongdoing," he said.

**28 May 2009 (Thursday)**

## **PKFZ AUDIT REPORT: After the wait, it was over in 15 minutes**

**KLANG: Port Klang Authority chairman Datuk Lee Hwa Beng was mobbed by press photographers even before he could sit down for a press conference at the PKA office yesterday.**

The former Subang Jaya assemblyman, who arrived 10 minutes late for the 3.30pm conference, was surprised when photographers demanded that he pose with a copy of the Port Klang Free Zone (PKFZ) report. "This is the first time I have seen so many pressmen. Luckily this is not about me," he said, drawing laughter from the packed room. With him were PriceWaterhouseCoopers (PWC) managing director Chin Kwai Fatt and partner Lim San Peen, who did not speak during the conference. After the weeks of suspense building up to the report's release yesterday, it was over in 15 minutes.

Lee declined to answer most of the questions posed to him. "I don't think we have time for a question and answer session," he said, adding that the report would "speak for itself". Despite the report's release, you are not authorised to use or rely on the report to arrive at any conclusions."

Lee said he had been instructed by Transport Minister Datuk Seri Ong Tee Keat to only announce the release of the report. He said he was not in a position to elaborate on the details of the report. The full report is viewable online without appendices until June 10. As for the report's eight-volume appendices, which contain copies of every agreement and letter connected with the project, Lee said that they could only be viewed at the PKA office library. "If you want to look at it, you are welcome to our office, weekdays, 8am to 5pm."

After the press conference, reporters rushed to queue up for copies of the report, which were kept in another room. They were let in one at a time. Each journalist was asked to sign a terms and conditions document, which warned against drawing conclusions based on the report, not to make copies of it and agreeing to indemnify PwC.

## **28 May 2009 (Thursday)**

### **PKFZ AUDIT REPORT: I asked for co-op, says state rep**

**PORT KLANG: Datuk Abdul Rahman Palil, the state assemblyman cited for possible conflict of interest in the Port Klang Free Zone audit report, defended his actions as a Port Klang Authority board member.**

Rahman is the president of Koperasi Pembangunan Pulau Lumut Bhd (KPPLB) and was a board member of the PKA from 1997 to 2003. KPPLB was the original owner of the land on which the free zone was built. Rahman confirmed that he had objected to a proposal for compulsory acquisition of the land as a direct purchase meant a higher price.

Compulsory acquisition would have benefited PKA but he admitted to acting on the side of KPPLB. "PKA is rich enough. Let the people also have some money. The cooperative has 2,500 members and it's not mine alone. I have to see to the interests of both sides,". "Let the MACC investigate. Those who became rich are not named. I can't say more as I have not seen the report."

## **28 May 2009 (Thursday)**

### **PKFZ AUDIT REPORT: PKA bungled the project, says report**

By : David Yeow

**KUALA LUMPUR: The audit report on the Port Klang Free Zone (PKFZ) released yesterday concluded that weak governance and project management by the Port Klang Authority (PKA) were the two major factors that severely undermined the viability of the project.**

One example of weak governance stated in the report was when PKA failed to alert the cabinet about its inability to finance the project. The government was only alerted in 2007. According to the report by PricewaterhouseCoopers (PwC), PKA had realised since May 2004 that it would be unable to meet the cabinet's condition of self-financing. Compounding the issue, PKA entered other significant development agreements thereafter.

Other weaknesses in governance included:

- Key agreements were not submitted to the board for approval. The agreements were signed under common seal without prior authorisation.
- Variation orders (approved changes in the specifications of a project) totalling RM62.5 million had been accepted to date by PKA management without referring to the board.
- Appointment of key project consultants were made by PKA management without the approval of the board.
- The board was not consulted on the acceptance of the land without the main contractor Kuala Dimensi Sdn Bhd (KDSB) completing infrastructure works and on how the price adjustment was to be effected.

Other oversights by PKA include the bypassing of various government checks and balances. These include:

- Agreements were not vetted by the Attorney-General's Chamber despite the significant cost.
- Treasury guidelines on vetting agreements by the attorney-general and approval of variation orders by the Finance Ministry were not adhered to.
- Letters of support, which could be construed as guarantees, were issued by the transport minister without Finance Ministry approval.
- PKA did not adhere to Finance Ministry stipulations when issuing government guaranteed bonds for the development of the project.

On the issue of weak project management, the report stated that the key lapses were:

- Entering contracts on the basis of estimated amounts and without detailed building plans.

- Development contracts totalling RM1.8 billion were awarded to the main developer KDSB without competitive bids.
- The appointment of a quantity surveyor nine months after construction commenced.

**28 May 2009 (Thursday)**

### **PKFZ AUDIT REPORT: Possible conflict of interest**



**Datuk Abdul Rahman Palil (left) and Datuk Chor Chee Heung were named in the report to be possibly in a conflict of interest.**

**KUALA LUMPUR: A Barisan Nasional deputy minister and assemblyman were found by auditors to be possibly in a conflict of interest over their involvement in the Port Klang Free Zone (PKFZ) project.**



**Datuk Chor Chee Heung**

The PricewaterhouseCoopers audit report on the PKFZ yesterday revealed that Deputy Finance Minister Datuk Chor Chee Heung was both non-executive deputy chairman of Wijaya Baru Global Berhad (WBGB) and chairman of Port Klang Authority (PKA) in 2007. WBGB is linked to PKFZ's main developer Kuala Dimensi Sdn Bhd (KDSB) via a common shareholder and director -BN Backbenchers' Club chairman Datuk Seri Tiong King Sing. The report said when the final account for the RM1.2 billion construction work carried out by KDSB between 2004 and 2006 was approved by the PKA board, Chor neither declared his previous involvement in WBGB nor withdrew himself from deliberations. Also named in the report was Sementa assemblyman Datuk Abdul Rahman Palil, who was Pulau Lumut Development Cooperative (KPPL) president and a PKA director in 2002. That was the year KPPL sold land to PKA for the project.

The report said Rahman, although he declared his position as KPPL president, opposed the compulsory acquisition of the land over direct purchase. PKA would have benefited from a

compulsory acquisition as the land could be purchased at RM10 per square foot instead of RM25 per square foot via direct purchase. Also found to have acted in a position of conflict of interest was the law firm Rashid Asari & Co, retained by PKA who also oversaw the sale and purchase agreement for part of the land between KPPL and KDSB in 1995.

The report said good practices would require this earlier involvement to be declared to the PKA board prior to the firm's appointment as PKA's legal adviser. The report also found that Perunding BE Sdn Bhd, the consortium appointed by PKA as the independent quantity surveyor for PKFZ, was also a quantity surveyor for KDSB.

**28 May 2009 (Thursday)**

## **PKFZ AUDIT REPORT: Deputy Minister, assemblyman in conflict of interest**

By : David Yeow & Shuhada Elis

**A deputy minister and assemblyman were found by auditors to be possibly in a conflict of interest over their involvement in the Port Klang Free Zone (PKFZ) project. The PricewaterhouseCoopers audit report on the PKFZ today revealed that Deputy Finance Minister Datuk Chor Chee Heung was both non-executive deputy chairman of Wijaya Baru Global Berhad (WBGB) and chairman of Port Klang Authority (PKA) in 2007.**

WBGB is linked to PKFZ's main developer Kuala Dimensi Sdn Bhd (KDSB) via a common shareholder and director — BN Backbenchers' Club chairman Datuk Seri Tiong King Sing. The report said when the final account for the RM1.2 billion construction work carried out by KDSB between 2004 and 2006 was approved by the PKA board, Chor neither declared his previous involvement in WBGB nor withdrew himself from deliberations. Also named in the report was Sementa assemblyman Datuk Abdul Rahman Palil, who was both the Pulau Lumut Development Cooperative (KPPL) president and a PKA director in 2002 when the land for PKFZ was sold by KPPL to PKA.

The report said Rahman, although he declared his position as KPPL president, opposed a proposal for compulsory acquisition of the land over direct purchase. Given that PKA would benefit from a compulsory acquisition causing the land to be purchased at RM10 per square foot instead of RM25 per square foot via direct purchase, the rationale of Rahman's objection seemed dubious. Also found by the report to have acted in a position of conflict of interest was Rashid Asari & Co. The law firm retained by PKA also oversaw the sale and purchase agreement for part of the land between KPPL and KDSB in 1995.

The report said good practice would require this earlier involvement to be declared to the PKA board prior to the firm's appointment as PKA's legal adviser. The report also found that Perunding BE Sdn Bhd, the consortium appointed by PKA as the independent quantity surveyor for PKFZ, was also a quantity surveyor for KDSB. In an immediate response, Rahman defended his actions as a PKA board member, **V. Shankar Ganesh reports.**

Rahman is the president of Koperasi Pembangunan Pulau Lumut Bhd (KPPLB) and was a board member of the PKA from 1997 to 2003. KPPLB was the original owner of the land on which the free zone was built.

Abdul Rahman confirmed that he had objected to a proposal for compulsory acquisition of the land as a direct purchase meant a higher price. Compulsory acquisition would have benefited PKA but he admitted to acting on the side of KPPLB. "PKA is rich enough. Let the people also have some money. The cooperative has 2,500 members and it's not mine alone. I have to see to the interests of both sides," . "Let the MACC investigate this. Those who became rich are not named. I cannot speak further as I have not seen the report."

**28 May 2009 (Thursday)**

## **PKFZ AUDIT REPORT: Significant costs, weak governance & management revealed**

By : NST Newsdesk

**The much-awaited Port Klang Free Zone audit report stated that "significant project costs, weak governance and weak management" have severely undermined the viability of the project. It is imperative that PKA takes immediate actions to restructure the Ministry of Finance soft loan of RM4.632 billion to avoid potential default in 2012, the report further stated.**

The Government, the report stated, would need to make a concerted effort to turn the PKFZ into a viable venture. In the report's executive summary's main conclusion, the new cost of the zone had inflated from the original RM1.957 billion to RM4.6 billion in 2007. The report stated that PKFZ Sdn Bhd would be insolvent without continuous support from the Port Klang Authority. It has been in liabilities position since 2006, according to the report prepared by PriceWaterhouseCoopers.

The strategic aim of the project was to transform Port Klang into a national load centre and regional transshipment hub. Meanwhile, PKA chairman Datuk Lee Hwa Beng refused to name the people responsible for cost inflation but he gave these conditions in a prepared media statement:

1. the media was not authorised to use or rely on the report to arrive at any conclusion;
2. PwC has prepared this report for PKA. Their duty of care is only to PKA and PwC does not owe a duty of care to any other party; and
3. PwC is not obliged to respond to any queries. Lee claimed that the report "speaks for itself" while declining to directly commenting on the PKFZ report .

Nevertheless, he urged reporters to check with MCA president Datuk Seri Ong Tee Keat's blog. DAP leader Lim Kit Siang and other Opposition representatives, after examining the

report, urged the Government to do something to prevent the PKFZ from becoming a “white elephant”. “It will lose money from now to 2022,” he claimed.

Commending Ong and the Prime Minister for making the report public, Lim nevertheless questioned why no action was taken against two previous Transport Ministers for unlawfully issuing four letters of support for the project. The report can be viewed at a website [www.pka-report.com](http://www.pka-report.com), which hosts the 45-page document. Ong, in his blog, wrote that the released report was only a small part of the job done. “We need now to seriously act on the findings of the report to make sure that the interest of the people are fully protected and that this Government walks the talk,” he wrote.

Ong also wrote that he had directed PKA to act on these four fronts:

1. To seek legal recourse for contractual shortcomings or irregularities.
2. To seek professional advice on the restructuring of financial obligations of PKA.
3. To improve and tighten governance issues at management and board levels of PKA, and,
4. To further beef up the day to day management of PKFZ to strengthen operations and improve its financial returns.

Ong said he also Lee to submit a copy of the report to the Malaysian Anti-Corruption Commission and the Public Accounts Committee. “My Ministry is not only committed to have the report released but is also determined to ensure that we seek all possible remedies that are within our jurisdiction,” he wrote. An example of the PKA's weak governance and weak project management was when the authority failed to alert the cabinet in a timely manner about its inability to pay for the project from its own funds.

PKA had realised since May 2004 that it would be unable to meet the cabinet’s condition of self-financing. Compounding the issue, PKA entered into other significant development agreements thereafter. The government was only alerted in 2007.

Other general deficiencies of governance by the board over the project include:

- :: Key agreements were not submitted to the board for approval. The agreements were signed under common seal without prior authorisation.
- :: Variation orders (approved changes in the specifications of a project) totalling RM62.5 million had been accepted to date by PKA management without reference to the board.
- :: Appointment of key project consultants were made by PKA management without the prior approval of the board.
- :: The board was not consulted on the acceptance of the land without the main contractor Kuala Dimensi Sdn Bhd completing infrastructure works and on how the price adjustment was to be effected.



Other oversights by PKA include the bypassing of various government checks and balances. These include:

- :: Agreements were not vetted by the Attorney-General's Office despite the significant cost involved.

- :: Treasury guidelines on vetting agreements by the Attorney-General and approval of variation orders by the Finance Ministry were not adhered to.

- : Letters of support, which could be construed as guarantees, were issued by the transport minister without Finance Ministry approval.

- :: PKA did not adhere to the Finance Ministry's stipulations when issuing government guaranteed bonds for the development of the project.

On the issue of weak project management, the PwC report stated that the key lapses by PKA were:

- :: The entering of contracts on the basis of estimated amounts and without detailed building plans.

- :: Development contracts totaling RM1.8 billion were awarded to the main developer Kuala Dimensi Sdn Bhd without competitive bids.

- : The appointment of a quantity surveyor nine months after construction work commenced.

## **29 May 2009 (Friday)**

### **Purchase of PKFZ land was not discussed in exco meeting, says Khir**

**The purchase of the exorbitantly priced land for the Port Klang Free Zone project was not the fault of the Barisan Nasional government.**

Former Selangor Menteri Besar Datuk Seri Dr Khir Toyo said Sementa assemblyman Datuk Rahman Palil, who was chairman of Pulau Lumut Development Cooperative which sold the land to Kuala Dimensi, was not appointed in his capacity as state exco at the time but was elected by members. The land purchase, said Khir, was never discussed at the exco meeting.

## **29 May 2009 (Friday)**

### **PKFZ AUDIT REPORT: Port authority told to take legal action**





**Port Klang Authority chairman Datuk Lee Hwa Beng being mobbed by the press yesterday. At left is PricewaterhouseCoopers partner Lim San Peen. — NST picture by Che Rani Che Din**

**KUALA LUMPUR: The Port Klang Authority has been directed to take legal action over shortcomings or irregularities related to the Port Klang Free Zone project.**

PKA has also been told to submit the PricewaterhouseCoopers audit report on the project to the Malaysian Anti-Corruption Commission and the Public Accounts Committee. "My ministry is not only committed to have the report released but is also determined to ensure that we seek all possible remedies that are within our jurisdiction," Transport Minister Datuk Seri Ong Tee Keat wrote on his blog yesterday. "We need now to seriously act on the findings of the report to make sure that the interests of the people are fully protected and that this government walks the talk," he wrote in a posting at 4pm, five minutes after PKA chairman Datuk Lee Hwa Beng finished his press conference.

PKA yesterday released the audit report on the PKFZ project, which became controversial over huge cost overruns. Ong said the port authority has also been told to seek professional advice on the restructuring of financial obligations and to improve and tighten governance issues at management and board levels. "Finally, to further beef up the day-to-day management of PKFZ, to strengthen operations and improve its financial returns," he said.

**30 May 2009 (Saturday)**

**Port Klang Free Zone Scandal: 'Police fail to act on reports'**

**MACC for its alleged failure to act on his four police reports since 2004 on the PKFZ project.**

"If the MACC had taken action, the problem could have been nipped in the bud," said Liu outside the MACC office in Putrajaya yesterday. He was accompanied by DAP adviser Lim Kit Siang. Liu had lodged three police reports in 2007 and one at the then Anti-Corruption Commission (ACA). Liu said he was advised by Selangor MACC director Moh Samsudin Yusof to submit written reports to the commission's Complaints Committee and its Corruption Prevention Advisory Board. Moh said the investigations had been completed and the findings sent to the attorney-general for decision, but declined to elaborate on the matter.

**30 May 2009 (Saturday)**

### **Port Klang Free Zone Scandal: Najib tells Ong to provide the answers**

**KUALA LUMPUR: Prime Minister Datuk Seri Najib Razak has directed Transport Minister Datuk Seri Ong Tee Keat to respond to queries involving the audit report on the Port Klang Free Zone (PKFZ).**

He said Ong would provide the necessary information on the report by PricewaterhouseCoopers (PwC) that was released on Thursday. "I have asked Datuk Seri Ong Tee Keat to provide answers on every question raised by any party on the audit report. You can refer to him. "He will provide the explanation," Najib said after chairing the Umno supreme council meeting here yesterday.

The PwC report was made available on the Port Klang Authority website on Thursday. The audit report, entitled "Position Review of Port Klang Free Zone Project and Port Klang Free Zone Sdn Bhd", noted that the cost of the project excluding interest was at RM3.522 billion. Investigations into the 405ha PKFZ transshipment hub was initiated after it was revealed that its development cost jumped from under RM2.5 billion to RM4.6 billion.

**30 May 2009 (Saturday)**

### **Port Klang Free Zone Scandal: It is now all up to MACC**



**Malaysian Anti-Corruption Commission officer Haryazi Baharom (right) receiving the audit report on the Port Klang Free Zone project from Port Klang Authority chairman Datuk Lee Hwa Beng at the MACC headquarters in Putrajaya yesterday.**

**PUTRAJAYA: It's now over to the Malaysian Anti-Corruption Commission on the Port Klang Free Zone debacle.**

Port Klang Authority chairman Datuk Lee Hwa Beng handed over the audit report by PriceWaterhouseCoopers (PwC) to the commission at the MACC headquarters here yesterday. "We have no investigative power, only access to the books. So now, we are leaving it to the MACC and the Public Accounts Committee. "We cannot prejudge anything. We can only wait for the outcome of the MACC investigations before deciding if there are any wrongdoings," Lee said when asked if PKA had the power to exercise any internal disciplinary action.

Lee also said PKA would assist the commission in their investigations. "We will open up our books to them. We will include the services of PwC. They're the best people to assist the commission." Lee, who was here at 8am, said he was acting on the orders of Transport Minister Datuk Seri Ong Tee Keat and met MACC deputy commissioner Datuk Abu Kassim Mohammad for about 10 minutes. He said he would hand over a copy of the report to PAC chairman Datuk Seri Azmi Khalid.

The much-awaited report was made public on Thursday and is now available online at [www.pka-report.com](http://www.pka-report.com) for two weeks. The appendices to the report will be available for public viewing during office hours at PKA in Jalan Pelabuhan, Port Klang, until June 10. MACC director of investigations Datuk Shukri Abdull said it was still early to take any action on the PKFC scandal. "Give the MACC some time to look through the audit." PAC said it would start its investigations next month.

Azmi said he personally received the audit report at noon yesterday and had instructed the committee to request in writing for the report. "PAC will have a meeting next month and call on the parties mentioned in the report to help with our investigations."

## **30 May 2009 (Saturday)**

### **Port Klang Free Zone Scandal: Tee Keat puts job on the line**

By : Mazlinda Mahmood

**SHAH ALAM: Datuk Seri Ong Tee Keat said yesterday any future decisions made on the Port Klang Authority and the Port Klang Free Zone project would be in the interests of the people, even if it cost him his political career.**

The transport minister said he would put his political career on the line, but there was no way PKA could be liquidated and PKFZ assets sold to recover losses as it would not benefit the people. Ong was responding to a suggestion by DAP adviser Lim Kit Siang that PKA be declared bankrupt and PKFZ assets sold to recover losses. "The Transport Ministry will continue PKFZ development as the project involves the people's money through a soft loan. "It is my personal opinion, through observation and research done by certain parties, including potential investors, that it (PKFZ) is a viable project."

Speaking after visiting a publishing company here, Ong said the project must be made to work as the soft loan obtained for the development came from the people's money. At a function earlier, former Selangor menteri besar Datuk Seri Dr Mohd Khir Toyo said the former Barisan Nasional state government had no connection with the sale of the 405ha land in Pulau Indah for the PKFZ project. He said the appointment of Sementa assemblyman Datuk Abdul Rahman Palil, the previous owner of the PKFZ project site, as Pulau Lumut Development Cooperative chairman was not made in his capacity as a state executive councillor at the time.

Rahman, said Dr Khir, was elected by some 2,500 members of the cooperative who were mostly fishermen. "The takeover and sale of land for the PKFZ site has nothing to do with the state government and the matter was never discussed at the exco meeting then," he said.

## **30 May 2009 (Saturday)**

### **Comment: A mammoth task awaits port authority**

Kang Siew Li

**FOR nearly seven years, the government has been dogged by the Port Klang Free Zone (PKFZ) scandal, and this situation is unlikely to change any time soon.**

Indeed, opposition parties have been having a field day with PKFZ's woes because here was a project that got out of hand from the word go. The project grabbed public attention when the government gave its nod to its agency, namely the Port Klang Authority (PKA), to buy land in Pulau Indah to build a free zone for RM1.09 billion or RM25 per sq ft in 2002. Eyebrows were raised about the huge discrepancy between the original price paid by owner and seller Kuala Dimensi Sdn Bhd for the land and that by PKA, and the government agency's move from a regulator into property development and free zone operations. Concerns were also raised over the government body's decision to appoint Kuala Dimensi as a turnkey developer for the PKFZ, the viability of the project and how the project cost had ballooned to nearly three times the original cost in 2001.

Then, there was the government's RM4.63 billion soft loan given to PKA to fund the project. In a bid to head off a growing backlash, the government on Thursday made public a 45-page report conducted by auditing firm PricewaterhouseCoopers (PwC), revealing the weaknesses of PKA in governing and managing the project. It also detailed how the project cost had ballooned to RM7.45 billion, including interest cost, from just RM1.96 billion in 2001, and the potential conflicts of interest involving individuals in the project.

What now?

While much focus has been placed on the release date of the PwC report, it remains unclear how PKA will pull the free zone out of its current crisis and take it to another level. During Thursday's press meet, PKA chairman Datuk Lee Hwa Beng didn't shed much light on the authority's plans for PKFZ or whether it would continue to run it. Some quarters in the industry say privatisation is the only way to fix the free zone, as attempts by PKA to overhaul and run it have failed so far. They said it would be a mammoth task for PKA to pull the free zone out of the doldrums as the agency itself is facing mounting losses and dwindling cash reserves. The authority's main source of income is lease payments from Westport and Northport, which reportedly amount to some RM150 million per year.

Putting aside the money to pay the project costs, PKA would still need more money to maintain and keep the PKFZ facility running right, and do promotions to attract investors.

Would the Federal government pump more money into the loss-making outfit and risk another possible backlash from the public and opposition parties?

The PwC report indicated that it has not yet been ascertained whether PKA has received value for money for the amount spent on the PKFZ project. But today, there is a good road network into PKFZ, which is strategically located next to Westport. There are 298.4ha of open land for long-term lease, 512 pre-built light industrial units, four blocks of office complexes, a 100,000 sq ft exhibition centre and a four-star hotel, which is slated to open in December, now readily available to investors.

Indeed, investors, both local and foreign, operating out of PKFZ, said they had chosen PKFZ as their regional manufacturing hub due to factors like good infrastructure, less red tape, low costs, English-speaking workers, and the best investment incentives. They remain unperturbed by the ongoing scandal surrounding the project. For them it's business as usual as long as the national investment policies stay intact. The onus is now on the government, through PKA, to prove PKFZ is a viable project. Hopefully, PKA will act swiftly to seek professional advice to restructure its RM4.63 billion soft loan, and beef up the day-to-day management of PKFZ to strengthen operations and improve its financial returns. Or else, the scandal will continue to dog the government.

**30 May 2009 (Saturday)**

## **Port Klang Free Zone Scandal: Chor denies any conflict of interest**

By : Farrah Naz Karim



**Datuk Chor Chee Heung says he was never involved in any activities on PKFZ**

**PUTRAJAYA: Deputy Finance Minister Datuk Chor Chee Heung has denied any conflict of interest involving his role in the Port Klang Free Zone (PKFZ) project.**

Chor, auditors had said, could have possibly been in a conflict on interest as he was both non-executive deputy chairman of Wijaya Baru Global Bhd (WBGB) and chairman of Port Klang Authority (PKA) in 2007. WBGB is linked to PKFZ's main developer Kuala Dimensi Sdn Bhd (KDSB).

Chor, in his defence, said while he was never a shareholder of WBGB, he was invited to be a non-executive director of WBGB in 2004 only to take charge of a medical centre to be set up. He said when he was asked by the then transport minister to take over as PKA's non-executive chairman, he had immediately informed the WBGB board of his wish to tender

his resignation and attended his last board meeting with the company in April 2007. "During my tenure as WBGB board member, there was no discussion on the role of the company's work in PKFZ and I was mostly dealing with matters in the medical centre."

Chor, in a statement, said he did not move into PKA until June 2007 and only chaired the first board meeting in the middle of that month. He explained that in that meeting, he made clear his portfolio, including as a WBGB director. "Effectively, I was the non-executive chairman of PKA for a period of less than nine months (June 2001 to March 2008). During that period, other than visiting PKFZ, I received reports pertaining to the developments of PKFZ from the then general manager at every board meeting.

"I was never involved in any activities on PKFZ, as the purchase of the land in PKFZ together with the massive developments taking place was already approved way back in 2002 and 2004." Chor reiterated that all the terms and conditions between the government and vendors as well as developer on the sale and purchases were decided on before he assumed the chairman's post. He said during his time in PKA, all decisions reached were made by the entire PKA board with members including representatives from the finance and transport ministries, the Selangor government, the Economic Planning Unit and workers union. "At no time was the board involved in awarding contracts to any party involved in the PKFZ development during my tenure. "I was asked to help out in PKA as a non-executive chairman and I verily believe that I had undertaken the task to the best of my ability and with full accountability," he said.

Chor also pointed out that payments due to KDSB for works amounting to RM1.2 billion were forwarded to the board for deliberations and recommendations. "I did not declare again to the board that I was ex-director of WBGB, as I had done so at the first board meeting I chaired," he said adding that KDSB was also never a subsidiary of WBGB. He said the board then after lengthy deliberations by technical experts and assessors, made a recommendation to the Transport Ministry to enable the payment to the developer.

Chor also expressed his bewilderment that the audit report stressed on his "failure" to declare at the last board meeting the recommendations to the Transport Ministry in respect of final conclusion payments due to the developers. "Be that as it may, I reserve the right to take legal action against any party in respect of matters arising out of the report which tends to distort the entire picture of the PKFZ issue. "I am willing to cooperate with authorities tasked with the investigations regarding the entire PKFZ issue." Meanwhile, Sementa state assemblyman Datuk Abdul Rahman Palil who has been cited for a possible conflict of interest in the PKFZ audit report said he would leave the matter to the Malaysian Anti-Corruption Commission (MACC). "Let MACC investigate. I don't want to elaborate further," said the Kapar Umno chief when asked to comment on PKA chairman Datuk Lee Hwa Beng lodging a report at the MACC office here yesterday.

**31 May 2009 (Sunday)**

**PKFZ Scandal: Tee Keat slams opposition for 'shutdown' call**



**KUALA LUMPUR: Transport Minister Datuk Seri Ong Tee Keat yesterday expressed his disappointment over suggestions by some opposition members that the government should close down the Port Klang Free Zone (PKFZ) to cut its losses.**

These, he said, were premature statements by politicians who thought they could make well-informed financial decisions based on a few hours of looking through the PKFZ report. "Let the financial consultants and management experts work out a more viable solution based on further in-depth studies first," he said in his blog at [www.ongteekeat.net](http://www.ongteekeat.net) here.

The minister was also surprised by the opposition's claim that the terms of reference for PricewaterhouseCoopers (PwC) was intentionally restrictive. "I have no role to play in working out the exact terms of reference as it was mutually agreed upon by Port Klang Authority (PKA) and PwC. "However, it must be noted that accounting firms such as PwC have no investigative powers and neither can the PKA board allow it to check on matters outside the board's own scope of authority. "For instance, PwC would not be the competent body to do an audit on legal implications of the project even if it was asked to."

Ong said the opposition should know that professional firms had their limitations and restrictions and they could not be expected to play the role of prosecutor, judge, and jury. "I am also surprised at the opposition's obvious lack of understanding of the financials involved. "It is clear from the report that the RM12.5 billion figure only arises when the debt is staggered over a longer period as a result of the projected inability to service the loan instalment between 2012 and 2041.

"The projected cumulative cost will only be determined in the year 2051. Many of us may not be around by then. "The claim that the cost of the project has 'mushroomed to an astronomical RM12.5 billion scandal under my watch' is akin to heaping debts due in 2051 on me now. "Let me remind them that I was the one who commissioned the report, advocated strongly for its release, directed the report to be made available to MACC and to put in place mechanisms on the way forward." – Bernama.

**31 May 2009 (Sunday)**

**Chor to meet PM over PKFZ issues**

**KUALA LUMPUR: Deputy Finance Minister Datuk Chor Chee Heung will meet Prime Minister Datuk Seri Najib Razak soon to explain his position in relation to the Port Klang Free Zone (PKFZ) issue.**

In the PKFZ report released on Thursday, the auditors said there could have been a conflict of interest as Chor was both non-executive deputy chairman of Wijaya Baru Global Bhd (WBGB) and chairman of Port Klang Authority (PKA) in 2007. "I will explain to the prime minister, especially when it concerns the Finance Ministry," he said after officiating the Fifth Public and Business Financial Expo 2009, here yesterday.



Chor said he would meet Transport Minister Datuk Seri Ong Tee Keat to discuss the matter. He also confirmed that he briefed Second Finance Minister Datuk Seri Ahmad Husni Mohamad Hanadzlah on Friday. Chor had issued a press statement denying that there was a conflict of interest regarding his role in the PKFZ project.

WBGB is linked to PKFZ's main developer, Kuala Dimensi Sdn Bhd (KDSB). Asked whether he would take legal action, he said: "For now, there is no necessity." KDSB said yesterday it would consider legal action against Pricewaterhouse Coopers (PwC) as the report could damage the image and business of KDSB. PwC had sought and received an indemnity before its report on PKFZ was made public by the government on Thursday. The report, among others, revealed the weaknesses of PKA in governing and managing the PKFZ project. It also detailed how the project cost had jumped to RM7.45 billion, including interest cost, from just RM1.96 billion in 2001. – Bernama.