

**Tuesday September 1, 2009**

## **Budget 2010 – what you can expect**



AS Prime Minister Datuk Seri Najib Tun Razak gets ready to present the annual budget for the forthcoming fiscal year, he will be faced with a daunting task at hand – responding to the downturn in the economy, arresting job losses, reviving demand in the various industries, give special focus to social welfare and much more. He will be doing all this against a backdrop of weak global economic conditions, not knowing how quick the turnaround is likely to be. Even though the declining growth led by a slump in exports and domestic demand warrants some sentiment booster, one should be aware that the Government is sitting on a high fiscal deficit, which is likely to be around 7.6% of gross domestic product (GDP) for 2009. This is on the back of two fiscal stimulus packages introduced over the past nine months. While the prognosis is that a third stimulus package will not be required, it is still too early for this to be altogether discounted.

The Government's budget strategy must clearly be to support the economy now but, at the same time, keep an eye on the fiscal deficit to make sure that it comes back to an acceptable level in the not too distant future. The emphasis of the budget will likely be on social infrastructure (education and health), rural development and agricultural growth and perhaps further measures to aid sectors such as small and medium-scale enterprises (SMEs) and exports. The measures announced to liberalise the services sector, including the removal of the Foreign Investment Committee (FIC) guidelines on equity conditions, must be complemented by longer term initiatives to lift productivity, improve competitiveness and the broad economic performance. It seems clear that with tax collections declining, significant direct tax cuts are not expected although the Second Finance Minister indicated recently that something might be on the cards. However, there would seem to be a case for sector specific or goods specific indirect tax cuts.

This may help alleviate the plight of consumers in the lower income group who have been caught in the economic downturn spiral. The removal of sales tax for the motor industry was bandied about and the case remains valid particularly for commercial vehicles, as this should help businesses. Businesses in general will continue to welcome measures to enhance competitiveness and reduce business costs. Some of the tax measures called for include:

- Active review of the existing tax system. The key challenge is to ensure that the tax system grows in tandem with the aspiration towards achieving developed nation status. Thus, a progressive tax system is one which is responsive, fair and transparent;
- Revamping the current withholding tax system, which is cumbersome and adds to the cost of doing business. A simpler system should be considered to allow businesses to comply in a more cost-efficient manner;
- Deferment of implementation of onerous contemporaneous transfer pricing documentation requirements and thin capitalisation rules. These rules are inappropriate at this point in time when business conditions do not permit added costs;
- Adopt a more broad-based approach to help employers retain Malaysian workers. Thus, cash grants can be given to employers as an alternative to granting double deduction for the cost of employing retrenched Malaysian workers. This will help dissuade employers from retrenching Malaysian workers;
- Allow companies up to 12 instalments to settle their final tax liability. This will help the cashflow of businesses;
- Liberalise the tax deduction and tax incentive rules. Remove the archaic treatment of tax filing fees, secretarial fees, and etc;
- Allow group relief (tax losses) at 100% rather than 70%. Extend this measure to small and medium companies;
- Increase the amount of business losses which can be carried back to enable loss-making firms significant relief;
- Review the restrictions on reinvestment incentive allowance as this discourages capital reinvestment for expansion and modernisation; and
- Expedite the conclusion of bilateral free trade agreements, particularly with those countries seen as Malaysia's future trading partners.

The longer term strategy must extend beyond addressing current shortcomings and plugging leakages. There must be further widening of the tax base as soon as economic conditions permit. Rationalising taxes is an ongoing process which should ultimately lead to the introduction of the goods and services tax. This should come in sooner rather than later in the light of the need to quickly reduce the high fiscal deficit position.

● *Kang Beng Hoe is an executive director of Taxand Malaysia Sdn Bhd. Readers' feedback to this article is welcome. Please [e-mail to starbiz@thestar.com.my](mailto:starbiz@thestar.com.my)*

**Tuesday September 1, 2009**

## **A look at private pension schemes**

By WOON TAI HAI

WE have looked at the Public Pension Model, the Private Occupational Pension Model and the Provident Fund Model in our previous two series. In our concluding series, let us consider the fourth model and gain an appreciation of the “private pension” scheme that Malaysia intends to introduce some time next year. Private personal pensions, or annuities, play a vital role in developed countries by providing a retirement income option for people who are generally not covered by other contributory pension plans, especially those who are self-employed. In some countries, it also plays a supplementary role for those who aim to spread their retirement pension provisions into a number of sources.

Generally, a private pension scheme is based on the concept of contributors who invest their savings to ensure a steady income stream that ends when the person passes on. Based on the personal pension plan of choice, an amount can be paid monthly or yearly to the recipient upon reaching retirement age. Typically, the private pension is managed by a financial institution or a licensed investment house and it is up to the contributor to decide which plan or plans to invest in. Often, this is done in consultation with an independent financial adviser, who would recommend to the contributor the scheme(s) that would best meet the contributor’s retirement plans. On top of that, governments play a role in assuring the public by guaranteeing a contributor’s contribution up to a certain amount. In Britain, should the pension fund face financial ruin, subject to certain criteria, the government will compensate up to £50,000 per person.

Malaysia’s study on the possibility of setting up a Private Pension scheme in the country is well intended. Besides aiming to meet the needs of about two million self-employed Malaysians who are outside the existing pension/retirement schemes, private pensions will hopefully supplement the current schemes that are deemed insufficient to meet the retirement needs of most Malaysians. Nevertheless, for this scheme to work, a cohesive partnership between the public, regulator, private pension scheme operator(s), and the Government is required. First, the public needs to be convinced of the need to save for their latter years. Since the private pension scheme is likely to be voluntary, the public requires sufficient financial acumen to appreciate the need to save while the sun is still shining.

Even those with existing EPF savings or who qualify for pensions need to be convinced to take up additional provisioning for their latter days, as these alone are deemed insufficient to maintain their existing lifestyle in the future. Setting up the private pension scheme will not be an easy task. It would require a competent regulator to oversee the development of the sector and ensure that the investment environment is viable to the public and also for private fund operators to thrive. The role of the regulator is vast and will include ensuring that operators govern themselves accordingly and meet the investment results and boundaries that have been set.

As for the private pension scheme operators, they will likely come from existing financial institutions and investment firms with proven track records. Ideally, they should be able to offer dividends that are above or at least on par with the EPF, with a guarantee that it meets a certain benchmark set by the regulator over a period of time. The number of licences should also be limited to ensure that these funds reach a viable economic scale to operate optimally. As for the Government, the role of promoter and guarantor is key and it can play an important part in educating the public as well as seen to be promoting the pension scheme via tax exemptions for contributors (like in Singapore and Brazil) while offering key incentives to these operators.

To shore up public confidence, the Government could consider offering itself as a guarantor to ensure that the amount contributed to private pension funds are protected adequately, as practised in Chile. Living on pensions may not sound too glamorous but given the social and economic climate of today, many are now looking to pensions as a safe haven and a stable means to have a regular income when one steps out of employment. Increasingly, in some developed countries, pensions are seen as a way not just to eradicate poverty among the aged and reduce reliance on public support, but as a means of ensuring that citizens are able to have a modest, comfortable standard of living upon retirement. Some may term pensions as a means of “financial freedom”, but for most it means that we will alleviate our future generation from being financially burdened to take care of our needs one day.

☐ *Woon Tai Hai is executive director of KPMG Business Advisory Sdn Bhd.*

**Wednesday September 2, 2009**

**Don't forget the real issue**

YUM CHA WITH WONG CHUN WAI

**Twists and turns in the PKFZ saga should not distract us from pursuing transparency and accountability.**

LET'S put the perspective right. The Port Klang Free Trade Zone controversy is about a possible fraud including alleged unsubstantiated claims which could run up to RM1.5bil. The issue has, however, been sidetracked with new twists and new allegations, which has no relevance to the PKFZ issue. It has made for an interesting reading. After all, it's not every day that the president of MCA is accused of taking RM10mil, regardless of whether it was a loan or a party donation. Certainly, it's also extraordinary when the MCA boss slaps a RM500mil suit against a businessman-politician, who is also head of the Barisan Nasional Backbenchers Club.

Malaysians now wait to see the facts in the defence to be filed by Datuk Seri Tiong King Sing. Then there is the leadership tussle between Datuk Seri Ong Tee Keat and his ex-

deputy Datuk Seri Dr Chua Soi Lek, who has been recommended to be sacked by the disciplinary board. A political battle seems to be shaping up with terms like “extraordinary meeting, delegates and motions” now becoming the conversations of political news junkies. But hold it. What about the PKFZ issue. Surely, a failed project which has cost Malaysians a colossal sum of money cannot just be forgotten if we are serious about pursuing transparency and accountability. It has nothing to do with politics and it should not be turned into a political issue as a distraction. Last week, it was reassuring to have the Prime Minister to put on record that he was committed to righting the wrongs in the PKFZ.



**Crux of the matter: If the Government has promised a full probe on the PKFZ, Malaysians expect to see the findings and culprits charged.**

In short, Datuk Seri Najib Tun Razak has shot down any perception that Ong was on a one man crusade and did not enjoy the backing of the PM as his nemesis wanted to portray. Referring to a comment by writer K. Baradan, the statement from the Prime Minister’s Office said: “The claims made by the writer are erroneous and baseless as the Government is committed in the investigations into the PKFZ issue. “This was clearly pointed out by Datuk Seri Ong Tee Keat in his comments which were published in the *Sunday Star* which quoted him as saying that Najib was supportive of Ong’s efforts into the PKFZ issue.

“Datuk Seri Ong Tee Keat had said that the probe would not come this far if the Prime Minister and himself had tolerated or believed in cover-ups,” the statement from Najib’s office read. The statement pointed out that relevant authorities like the police and Malaysian Anti-Corruption Commission and Public Accounts Committee were already conducting investigations into the alleged wrongdoing. The message was clear - the Government is very much committed towards the principle of transparency and accountability.

Najib’s apparent silence over the issue had been mistaken, sometimes deliberately, as a lack of support but the Prime Minister has held fast to the belief that the investigations were already on-going and he should allow the authorities to do so without him having to make any sort of statements. Najib has been consistently saying that fighting corruption is right on top of his list of priority. In fact, fighting corruption, along with reducing street crimes, are the top two items in Najib’s Key Result Areas in his Key Performance Index targets for his own administration. Najib has openly pledged that his administration stands for transparency and accountability and fair service to everyone and not just for a few.

In his blog ([www.1malaysia.com.my](http://www.1malaysia.com.my)), the Prime Minister when discussing the eight values of his 1Malaysia concept stressed that being honest was one of the best ways to get the trust and confidence of the people. "Tell them the truth. If you've done well, tell them the policies are right. If the policies are not working, then you should have the courage to tell them that look, we've made mistakes but we intend to do better, we intend to correct these mistakes. And I think the *rakyat* would appreciate that. "You must tell the truth and trust the people. That the people are intelligent, that the people will appreciate honesty and truthfulness and engage and communicate with the *rakyat*." Without doubt, Malaysians certainly want to see such values restored in Malaysia.

The days of dubious deals being covered up would no longer be accepted in the New Malaysia, where the demands of politics have changed. When things are wrong, they expect it to be fixed right. If the Government has promised a full investigation on the PKFZ, they expect to see the findings and culprits charged. The PKFZ issue is not about the fate of politicians but of larger issues – transparency, accountability and credibility. Certainly, the Prime Minister is also aware that Malaysians are watching.

**Thursday September 3, 2009**

## **Ex-GM was ignorant**

By ZULKIFLI ABD RAHMAN

KUALA LUMPUR: The Public Accounts Committee was taken aback by the poor management skills over the controversial Port Klang Free Zone (PKFZ) when a former general manager admitted that she did not know "what cash flow projection" means. PAC chairman Datuk Seri Azmi Khalid said any business entrepreneur would have known about projection of income, expenditure and cash flow. "You make projections of the best estimates that you can make of your expenditure and income because you can then monitor the project. The Port Klang Authority (PKA) management didn't have this in place. "Even a small business must have this form of projection," he said after the committee questioned former PKA general manager Datin Paduka OC Phang at Parliament House yesterday.

Azmi said although Phang was cooperative, she claimed to not know or remember some facts of the issue. On whether Phang knew the PKFZ project was in trouble during the time she was overseeing it, Azmi said she was PKFZ's non-executive chairman and that she retired last year. Asked if Phang should bear responsibility for the problems affecting the project, Azmi said: "She admits that as the general manager she was responsible." Azmi said while the PKFZ project had been fully completed within the stipulated period, the committee found that there was lack of professionalism in its financial aspect.

The PAC will call in former PKA chairmen Tan Sri Dr Ting Chew Peh and Datuk Yap Pian Hon today. Meanwhile, Bernama reports that Kuala Dimensi Sdn Bhd chief executive officer Datuk Seri Tiong King Sing yesterday confirmed that the Malaysian Anti-Corruption Commission (MACC) had contacted him for their investigation into the PKFZ controversy. Tiong said he was asked by MACC twice to help facilitate their investigation and other witnesses were also called. On the progress of the investigations, Tiong said in an interview with the Chinese media that he respected both the police and MACC's right to carry out the investigation in their own professional way.

## **Friday September 4, 2009**

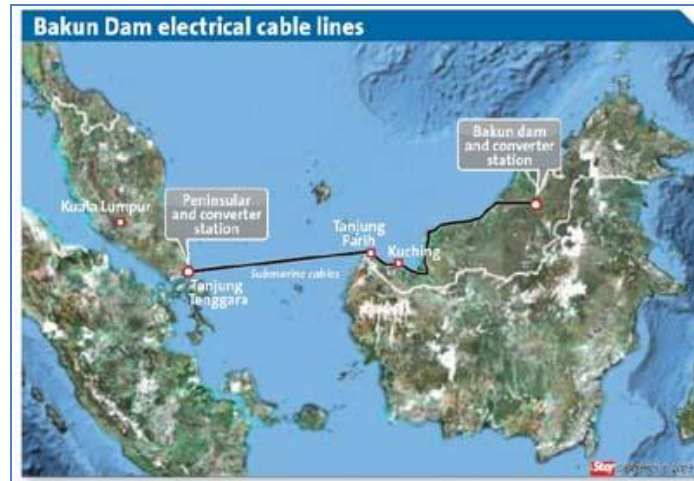
### **Business - RM10b bonds to fund cable project**

By YAP LENG KUEN

#### **First issuance to commence early next year**

PETALING JAYA: Tenaga Nasional Bhd (TNB) and other members of the consortium responsible for the Bakun transmission cable project are likely to raise RM10bil worth of bonds on a staggered basis to fund the eight-year job. *StarBiz* has learnt that the first issuance would commence early next year and the consortium was in discussion with the Government for a potentially higher credit wrap to ensure better investor appeal. "The funding will be sourced domestically as liquidity is still strong. But the bond market is still conservative and investor appetite is still towards the AAA grades," a source said.

In May, RAM Ratings had reaffirmed the long-term ratings of AA1(s) with a stable outlook for TNB's repackaged Tenaga Income Securities represented by two tranches amounting to RM150mil. However, a similar rating would not be good enough for the consortium to raise such a big amount and over the repayment tenure of the bonds which may stretch 20 to 25 years. The consortium – comprising TNB, Sarawak Energy Bhd and the Ministry of Finance (MOF) – is likely to submit its first tranche of bonds for rating some time in the middle of next year.



**No doubt the consortium will get to pay lower interest on a higher investment grade but the major benefit will be the cost savings passed back to consumers via a cheaper landed cost of electricity.**

“This cost that includes generation and transmission is still being worked out,” the source said, adding that jobs for the 1,000km high voltage direct transmission line and 680km undersea cable were likely to be tendered in the first quarter of next year. The shareholding structure is still not finalised, and neither is the actual amount to be raised. “The actual figure has not been finalised but the amount will be raised by the consortium on a project finance basis which includes equity (20% or about RM2.5bil) and debt (80%),” the source said.

The debt portion is in the form of bonds in tranches depending on the funding requirements. It will not be raised in one go but over eight years. On comments that part of the financing should be in US dollars since a lot of imported materials will be used, the source explains that since the project revenue will be in ringgit, raising even a part of the bonds in US dollars will result in a long-term mismatch problem. Moreover, for US dollar procurements, the consortium can take a short-term hedge. “Anyway, the country is still enjoying a positive trade balance. So it will not have a negative impact on the balance of payments,” he added.

The cable project, which upon completion will result in the longest undersea transmission cable in the world, will cater for the 2,400-megawatt (MW) Bakun hydroelectric dam. Electricity will be transferred via transmission towers from the RM6bil dam in the Kapit division in central Sarawak to the Bintulu division along the coastal belt and then southwards to the Kuching division. From the southernmost tip of Kuching, the last transmission tower will join the undersea cable that will transmit electricity across the South China Sea to Johor, and then to the rest of the peninsula. At least 10,000MW will be exported to Peninsular Malaysia.

TNB has been a strong advocate for hydro electricity which is more cost effective in the long run compared with electricity produced by coal-fuelled plants. The fact that hydroelectricity will only be transmitted to the peninsula at the earliest by 2015 (when the first line is ready for take-up of 800 to 1,000MW) poses a challenge for the Sarawak



government and MOF as the Bakun hydro generating plant is expected to be completed about two to three years earlier. A lot of hope is pinned on high energy users such as Rio Tinto Alcan (which is investing in a RM8bil aluminium smelter together with Cahya Mata Sarawak Bhd); Tokuyama Corporation (which recently announced plans to set up a RM2.36bil polycrystalline manufacturing plant in Sarawak) and a potential foreign consortium for a solar panel plant at the Sarawak Corridor of Renewable Energy (SCORE).

In the long term, Sarawak hopes to be an exporter of electricity. Sarawak Energy had projected some time back that the state would have a total capacity of 10,000MW, out of which 75% will come from hydro. The projected peak demand through organic growth is expected to reach 1,500 MW, while smelter and other heavy energy users will take up about 4,000 MW. The rest would be exported from Bakun to the peninsula (2,400 MW) and neighbouring states (1,200 MW).

**Friday September 4, 2009**

## **Property - Tabung Haji sees good opportunities to own properties in Europe**

By ZAZALI MUSA

JOHOR BARU: Lembaga Tabung Haji (LTH) is now looking at Europe as part of a strategic investment plan to further expand its property portfolio via subsidiary TH Properties Sdn Bhd. The fund's chief executive officer Datuk Ismee Ismail said it had explored London and found that the city offered good returns for property buyers. "After London, we are going to other major European cities and we believe there are good opportunities for us to own properties in Europe," he told reporters after giving out Hari Raya Aidilfitri contributions to single mothers here. Ismee said LTH was already known among investors and bankers in Europe as an "Islamic economic powerhouse" due to its large fund size.



**Datuk Ismee Ismail (left) and Johor Tabung Haji director Mohd Sawal Abong giving out the Hari Raya Aidilfitri contributions to single mothers.**

TH Properties has invested about RM2.3bil in properties in Malaysia as well as Makkah and Madinah in Saudi Arabia, according to Ismee. He added that for the last two years, instead of focusing on properties in Kuala Lumpur, the fund had been going to Georgetown, Johor Baru and Kota Kinabalu as these places also offered good investment opportunities. "You

can't go wrong when it comes to (buying) property but you must remember the three words – location, location, location,” he said.

Separately, Ismee said the number of LTH depositors had increased to 4.7 million while its fund had grown to RM23bil. In 2006, there were 4.5 million depositors while its fund stood at RM16bil. He attributed the increase to two main factors – the growing confidence among depositors and a good dividend pay-out compared with other syariah-compliant financial products. LTH paid a 5% dividend to its depositors last year. It hopes to maintain the rate this year despite the current global economic crisis, according to Ismee.

**Friday September 4, 2009**

## **Special Focus - Risks from finance structure, capital policies**

Whose Business Is It Anyway? - By John Zinkin

**There are risks created by decisions boards have control over**



IN my last article, I wrote about financial risks originating outside the organisation and over which boards have little or no control. Today, I deal with two types of financial risk created by decisions over which boards do have control – the capital structure chosen by the board and policies regarding credit and cash management.

Choosing the right capital structure

The decision regarding the appropriate capital structure cannot be taken based on the cost of capital alone, because the chosen structure may have unintended implications on corporate governance – reducing degrees of freedom to operate because of the need to look after shareholder interests.

Debt is cheaper than equity. If the reason for raising capital is for business expansion or new deals that are certain to generate positive returns guaranteed to cover the resulting interest payments, debt is preferable. This is because as long as creditors get paid on time and as long as no covenants are breached, management can do what it likes, which is not the case with shareholders. So debt should appear more attractive than equity.

Yet there are two problems with debt.

First, when a company fails to meet its interest payments, its creditors may foreclose, placing the company into receivership, putting the board out of a job. The equivalent with

equity is for a company to fail to pay its dividend. This may cause the share price to fall, making the company vulnerable to takeover, in which case the board will also be out of a job. However, this does not always happen, creating a bias towards choosing equity even though it is more expensive.

Second, when companies look as though they are heading for trouble because they are in breach of covenants or cannot pay interest, their bankers start intervening in the day-to-day running of the business. Shareholders rarely do this because they do not have the voting power to interfere unless they hold a large enough bloc of shares (sometimes the case with raiders or hedge funds). This too, tilts the argument in favour of equity and public listing.

However, becoming a public-listed company has one major drawback. Once a company is listed, regulation demands that all shareholders be treated equally and managements therefore have to spend time and effort engaging with shareholders in the name of good corporate governance. Often the long-term majority shareholder has to expend time and energy persuading short-term shareholders that long-term time horizons with possibly lower short-term returns are in the interest of the company. This is particularly difficult if the minority's time horizon is 90 days or less. Sometimes boards have to change direction because of shareholder pressure on issues that are not financial, but ethical instead. Such pressures are less likely if boards only have to answer to creditors.

This tilts the balance back in favour of debt. Moreover, high levels of gearing also mean that the ROE is increased, making management look good in the eyes of shareholders. This is fine as long as the board remembers that debt, unlike equity, is unforgiving.

### Managing cash

Cash is the company's lifeblood. Boards recognise this as they regularly look at cashflow projections. A great deal of attention is paid to capital expenditure and its timing. Often less time, however, is spent on defining the most appropriate cash-to-cash cycle. Companies with negative working capital can grow fast as the more business they do, the more cash they generate, whereas companies with positive working capital consume cash as they grow, leading to the apparent paradox of a profitable company going bust. Boards that understand this, ask management to give minimum credit; keep stocks as low as possible and delay paying creditors.

There are risks, however, in adopting this policy. Minimum credit may lead not just to immediate lost business, but to customer defection to competitors who offer better credit terms or bigger limits. The credit decision is therefore too important to be left to finance alone. It is a marketing decision as well. The same is true of stock. Going out of stock is a sure way of creating unhappy customers. Delaying paying creditors can be interpreted as a sign of financial weakness and unhappy creditors will get their own back when their goods are in short supply, preferring to offer them to better paying clients.

Does this mean high levels of debtors and stocks are a good thing as they appear on the balance sheet as assets? No; for as any company faced with a downturn in business knows to its costs, such assets can quickly become liabilities when debtors default and inventory is marked to market. This is even truer for products that have a short shelf-life or become obsolete quickly.

To conclude, boards must also understand the risks posed by the company's finance structure and working capital policies.

*The writer is CEO of Securities Industry Development Corp, the training and development arm of the Securities Commission. Readers' feedback is welcome. Please email starbiz@thestar.com.my*

**Friday September 4, 2009**

### **Forestry dept denies logging on steep slopes**

KOTA KINABALU: State forestry officials have found no logging activities on slopes classified as "steep" in the Kuamut Forest Reserve. The forest reserve comes under Yayasan Sabah's concession area. Sabah Forestry director Datuk Sam Mannan said the slopes (of 25° gradient and above) and riparian reserves had been excluded from the 2,000ha logging area in the Kuamut forest area. "The steep areas or riparian reserves do not belong to the two coupes issued to the contractor and it cannot be logged. If there are new steep areas found, they will be excluded," he said.

Mannan said this in a written reply to *The Star* over allegations by Pakatan Rakyat vice-president Datuk Dr Jeffrey Kitingan, who said logging was being carried out on slopes above 25° at Kuamut. Mannan said logging had yet to begin in the two areas that were a concession under Yayasan Sabah, assigned to its subsidiary company Rakyat Berjaya Sdn Bhd. Referring to when Dr Kitingan was Yayasan Sabah director in the late 1980s and early 1990s, Mannan said the foundation's triple Annual Allowable Cut (AAC) system had massively increased logging beyond the concession's capacity, ignoring the Forest Management Plan. The triple AAC stripped Sabah of much of its virgin forest cover, and what remains might have been due to distance or the areas being uneconomical for timber extraction, he said. Mannan also said that in 1990, Yayasan Sabah illegally logged the Tabin Wildlife Reserve, putting government authorities in a difficult situation in respect of prosecution.

**Friday September 4, 2009**

## **First phase of Govt's KPI move complete**

By DHARMENDER SINGH

**PUTRAJAYA:** The first phase of the Key Performance Index (KPI) initiative by the Government involving planning, development and alignment has already been completed, said Minister in the Prime Minister's Department Tan Sri Dr Koh Tsu Koon. Dr Koh said the completion of the first phase, which saw a concerted effort by all the parties concerned over the last five months, meant that the initiative would now move into the more intensive and challenging phase of execution and implementation. The first phase involved outlining the six national Key Result Areas (KRAs) and the appointment of six lead ministers responsible for implementing them and the formulation of KPI targets and implementation plans. "All 28 ministers have also identified their major ministerial KRAs and sub-national KRAs and ministerial KPIs that will go into full implementation after the first review by the Prime Minister in November and December," he said in a press statement on Friday.

He said the 38 secretaries-general and directors-general from key agencies had also begun aligning or re-aligning their KPIs with the national and ministerial KPIs and KRAs. The over 500 officers from various ministries and agencies exposed to the basics of the KPI methodology through involvement in the process would also be given further training so that they can act as agents of change in their respective places of work, he said.

Koh said the Project Management Team (PMT) that was responsible for formulating the KPI initiative since April this year would now be merged into a new unit under the Prime Minister's Department called the Performance Management and Delivery Unit (Pemandu). Recently appointed Minister to the PM's Department Senator Datuk Seri Idris Jala was also appointed Pemandu CEO, with Dr Koh acting as chairman. Jala, who has been involved with PMT since April, said he was ready to tackle his tasks although driving the performance management through KPIs for the entire government, including ministers, was a massive exercise that was more challenging than what he had experienced at the helm of Malaysia Airlines and Shell.

However, he said he was impressed with the remarkable progress shown by ministers as in the corporate world it would usually take several cycles over two to four years to fine-tune such an exercise. "At the four Cabinet workshops (on the KPI exercise), I was also most impressed with the Prime Minister's focus and firmness and the commitment and active participation from all ministers and top civil servants," he said.

**Friday September 4, 2009**

## **Penang: What happened to our 9MP projects?**

By WINNIE YEOH

**GEORGE TOWN:** The Penang government wants to know what has happened to the state's development projects approved under the Ninth Malaysia Plan (9MP) as only RM1.8bil of them would have been completed by Dec 31, 2010. Chief Minister Lim Guan Eng said he hopes to have a meeting with Minister in the Prime Minister's Department Tan Sri Nor Mohamed Yakcop to discuss the issue over the weekend. "We want to know whether the state can work with the Federal Government to make sure all these projects can be completed as planned.

"Under the 9MP, a total of RM7.6bil worth of projects were approved but only RM1.5bil has been completed while RM300mil are delayed projects which will be completed by the end of next year. "That's a failure rate of 76% and if you get this kind of mark in school, you'll get a big 'F'," he said in a press conference at his office in Komtar Friday. He said Penang contributes about RM4bil worth of tax revenue yearly and the RM7.6bil worth of approved development projects is a small amount -- yet only 24% of it will be completed. "It's a serious matter and the state government looks at it with grave concern," he said.

Lim also responded to Penang Gerakan chairman Datuk Dr Teng Hock Nan's claim that a total of RM15.4bil worth of projects was approved under the 9MP as reported in some Chinese newspapers. "If that is true then it's good news for Penangites. It's a big difference and I wish to know what they are. "He also said the Second Bridge project was delayed by the state government. It is facing delay but this is due to engineering and technical problems," he said.

He also said the bridge's scheduled progress should be 35% but it is currently 25% completed. "The state government is giving full commitment and priority to the project as it is important and critical for Penangites," he said. A total of 1,055 physical development projects were planned under the 9MP and 496 of them have been completed while 22 were behind schedule. The remaining 537 were at various levels of implementation. It was reported last week that Nor Mohamed said the Federal Government had assessed the different reasons for the 22 delayed projects, the majority of which were less than a year late, and was taking steps to bring the projects back on track.

**Friday September 4, 2009**

## **PKFZ can be a success, says PKA general manager**

By BEH YUEN HUI

PORT KLANG: The Port Klang Authority (PKA) will come up with strategic plans within two months to turn the Port Klang Free Zone (PKFZ) around to make it commercially viable, said newly-appointed PKA general manager Kee Lian Yong. Kee, who took over two months ago, said the plans would be announced after the authority had obtained the support and approval of stakeholders. He said the authority had initiated a financial restructuring plan and a revamped business model for PKFZ. "I strongly believe that there are ways to reposition and transform this project," he said.



**Kee answering questions at the press conference**

**Kee said they were also considering the One Stop Centre system to ensure the ease of doing business and to create a competitive environment to attract investors to PKFZ.**

Notwithstanding the setbacks faced by PKFZ during its development stage, Kee said the Government's aspiration on the project was to provide an attractive investment environment to help develop Port Klang and PKFZ into the region's preferred port. Kee was speaking at a press conference on the authority's proactive plan to boost business at Port Klang at his office here yesterday. He said a four-point plan had been put in place to ensure efficiency and competitiveness of the port. Among them was the upgrading of the security system. Kee said the port's south entrance would also be deepened to 16.5m and its channel widened to 500m.

"When the project is completed by December, even the largest superpost panamax container vessels of drafts exceeding 15m can pass one another safely." "We are monitoring the performance and activities of the port terminals to ensure that the compliance and consistency are on par with international standards." The other strategies include registering all logistics services providers at the port, shortening the free storage period from five days to three days, and licensing all direct port activities and ancillary services.

**Friday September 4, 2009**

## **MACC records Ong's statement over RM10mil donation**

By LOURDES CHARLES

PUTRAJAYA: MCA president Datuk Seri Ong Tee Keat has given his statement to the Malaysian Anti Corruption Commission (MACC) over allegations that he received RM10mil in donations. The Transport Minister walked to the commission's office located in the same block in Precinct One at about 10.50am and left at 1.30pm. His statement was recorded by a senior officer of the commission. Kuala Dimensi Sdn Bhd chief executive officer Datuk Seri Tiong King Sing has alleged that Ong received the money from him.



**No secrets: Ong fielding questions from reporters outside the MACC office in Putrajaya.**

Ong is expected to continue giving his statement today regarding allegations he had used a private jet belonging to Kuala Dimensi on several occasions. The commission's director of investigations, Datuk Mohd Shukri Abdull, said Ong left in the midst of giving his statement due to a prior appointment. "We have asked him to come back today so we can continue recording his statement," said Mohd Shukri.

Ong has denied the allegations and has filed a RM500mil defamation suit against Tiong. Meanwhile, Ong said: "We had a lengthy talk on the PKFZ (Port Klang Free Zone) issue and on allegations by the Kuala Dimensi Sdn Bhd CEO. "Questions mostly touched on personality, background, chronology of events and other related questions. " Asked whether he was accompanied by lawyers, Ong said: "No, (there was) no need." Ong said he had stressed from the beginning that he was willing to offer any information the commission wanted on matters relating to PKFZ and allegations against him.

**Friday September 4, 2009**

## **PKFZ: Police freeze Kuala Dimensi bank account**

PUTRAJAYA: Police have frozen the bank account of Kuala Dimensi Sdn Bhd, the turnkey developer of the Port Klang Free Zone, now mired in controversy. Inspector-General of Police Tan Sri Musa Hassan briefed Prime Minister Najib Tun Razak on Friday that the account with more than RM140mil was frozen on Thursday. Najib was briefed by a special



task force on PKFZ on Friday. Transport Minister Ong Tee Keat was present at the hour-long briefing.

The task force is headed by senior lawyer Vinayak Pradhan from legal firm Skrine and is assisted by Skrine partner Lim Chee Wee, Pricewaterhouse Coopers Advisory Services (PwCAS) managing director Chin Kwai Fatt and PwCAS senior executive director Lim San Peen. Earlier reports quoted Port Klang Authority chairman Datuk Lee Hwa Beng as saying that there was possible conspiracy among five parties over the PKFZ scandal and that various parties had made disputed claims amounted to about RM1.5bil from the project. He had named the five as Kuala Dimensi Sdn Bhd, its CEO Datuk Seri Tiong King Sing, former PKA general manager Datin Paduka O.C. Phang, BTA Architect and the consultant for development work Bernard Tan Seng Swee.

## **Friday September 4, 2009**

### **PAC: Payments made to PKFZ contractor without approval**

By ZULKIFLI ABD RAHMAN

KUALA LUMPUR: Payments worth millions of ringgit were made to the main turnkey project contractor of Port Klang Free Zone (PKFZ) without the prior approval and knowledge of the Port Klang Authority's (PKA) board, the Public Accounts Committee (PAC) found. PAC chairman Datuk Seri Azmi Khalid said the board of directors did not give PKA the green light to make payments to the contractor for its expenditure and claims. However, Azmi said, this anomaly might be due to some form of delegation of powers by the board to the PKA management, which was then headed by Datin Paduka OC Phang.

"There were many decisions made involving contracts and agreements that had been signed first by the management before the board was informed. "The board was unaware of a lot of things, and did not receive the information it was supposed to receive or was only told about PKA's management decision after it had been taken. "The board did ask for additional information, but it either received them late or not at all," he told reporters after chairing the PAC meeting on the PKFZ at the Parliament House yesterday.

The PAC interviewed former PKA chairmen Tan Sri Dr Ting Chew Peh and Datuk Yap Pian Hon yesterday. The two were the last people to be interviewed, and the PAC is expected to file its report to Parliament next month. Dr Ting had served as PKA chairman from 2001 to 2004, while Yap was chairman from 2004 to early 2007. Azmi said Yap had told the PAC it was untrue that the government representatives in the PKA board had been silent. "Yap said that during his tenure there, the board members were active in raising many questions on the PKFZ project and the PKA management had responded well to them."

Azmi said that during Dr Ting's chairmanship of PKA, the board did not discuss matters that were not brought up by the management. When met by reporters later, Dr Ting said

that about 20% to 30% of the PKFZ project was under way when he took over the PKA chairmanship. "Former Prime Minister Tun Dr Mahathir Mohamad had mooted the PKFZ project, and we worked hard to make Port Klang one of the top 10 ports in the world," he added.

Yap told reporters that he and the board members had done "national service" to ensure the success of the PKFZ project, saying his chairmanship allowance was RM2,259.95 per month, while the board members received RM500.

**Saturday September 5, 2009**

## **Task force and Ong brief Najib on PKFZ problems**

By MAZWIN NIK ANIS

**PUTRAJAYA: The task force on the Port Klang Free Zone (PKFZ) briefed Prime Minister Datuk Seri Najib Tun Razak on issues arising from the scandal-hit project.**

The task force members, together with Transport Minister Datuk Seri Ong Tee Keat, spent about an hour briefing Najib. As he left the Prime Minister's Office, Ong waved at reporters from inside his car but declined to speak to them. Minutes later, cars believed to be ferrying several task force members left the complex. It is learnt the task force members briefed Najib on the alleged wrongdoings including the status of the bonds issued by Kuala Dimensi Sdn Bhd and not by Port Klang Authority. They also briefed the Prime Minister on the way forward to salvaging the PKFZ. "The Prime Minister is on top of things and asked very pertinent questions on several matters related to the probe," a source said.

It is believed that Najib would rein in more qualified people to assist the authority and the Transport Ministry in the financial restructuring of the project. Earlier, Ong attended the second interview with the Malaysian Anti Corruption Commission over allegations he received RM10mil in donations from Kuala Dimensi CEO Datuk Seri Tiong King Sing. Ong, when met outside the commission's office in Putrajaya yesterday morning, said he had kept his word that he would attend a second interview to allow the commission to continue questioning him over the case. He revealed that the interview had proceeded smoothly.

Ong said that he did not have any reservations about giving the commission his statement as he had nothing to hide. Recently, Port Klang Authority chairman Datuk Lee Hwa Beng had said there was a possibility of a conspiracy among five parties over the PKFZ scandal and that various parties had made disputed claims from the project. He named the five as Kuala Dimensi Sdn Bhd, Tiong, former PKA general manager Datin Paduka O.C. Phang, BTA Architect and the consultant for development work Bernard Tan Seng Swee.

**Saturday September 5, 2009**

## **Freeze on bank account**

By LOURDES CHARLES

KUALA LUMPUR: Police have ordered a bank to freeze about RM140mil in the account of Kuala Dimensi Sdn Bhd, the turnkey developer of the controversial Port Klang Free Zone project. It is learnt that Commercial Crimes Investigations Department (CCID) officers have asked the bank to freeze the account as the money is believed to have been derived from the Port Klang Free Zone project. Sources said the CCID officers were also believed to have traced several hundreds of millions more in another account and were making arrangements to freeze that account too. It is learnt that the CCID officers invoked Section 44 of the Anti-Money Laundering Act to freeze the account pending investigations.

Inspector-General of Police Tan Sri Musa Hassan also briefed Prime Minister Datuk Seri Najib Tun Razak on the PKFZ investigations yesterday. Police investigations were initiated following a report lodged by Port Klang Authority (PKA) chairman Datuk Lee Hwa Beng. "We are going through all documents pertaining to the project to ascertain if there are any shoddy dealings or misappropriation of funds or any other criminal offence. "A special task force has been set up specifically to investigate the matter, and we need time to go through every document," he said.

Musa said his officers would be calling up the parties involved. He urged those to be called up to cooperate to ensure a speedy investigation as it was of public interest. Meanwhile, Deputy CEO of Kuala Dimensi Sdn Bhd Datuk Faizal Haji Abdullah said in a statement: "KDSB (Kuala Dimensi Sdn Bhd ) confirms that several of its accounts have been frozen. The accounts were frozen late yesterday afternoon. "We regard this as part of the investigation process and we are giving our fullest cooperation to the police. In the meantime, KDSB is taking advice on the legality of the freezing orders."

A task force, set up by the Transport Ministry had on June 10, found possible fraud, including overcharging and unsubstantiated claims running into hundreds of millions of ringgit by Kuala Dimensi. The eventual amount in dispute could run up to as much as RM1bil. Kuala Dimensi chief executive officer is Bintulu MP Datuk Seri Tiong King Sing, is treasurer-general of the Sarawak Progressive Democratic Party. Kuala Dimensi's deputy chief executive officer is Datuk Faisal Abdullah.

The task force comprised Skrine partner Lim Chee Wee and PricewaterhouseCoopers Advisory Services' managing director Chin Kwai Fatt, and senior executive director Lim San Peen. PKA chairman Lee Hwa Beng lodged two reports – one with the police and the other with the Malaysian Anti-Corruption Commission (MACC) – upon receiving the 370-page report with 2,500 appendices from the task force.

Lee in his report said the task force had found that Kuala Dimensi had:

- > POSSIBLY made fraudulent claims on electrical infrastructure worth RM55.8mil, which had yet to be carried out on the site, and 33kv supply works and civil infrastructure works worth RM83mil, as TNB had rejected the proposal for Kuala Dimensi to undertake the work;
- > NOT provided any document to support its claim of at least RM231mil as preliminaries under the development agreements, besides making claims for items it was not contractually entitled to, such as procurement of a performance bond and payment for insurance premiums totalling RM5mil;
- > NOT justified its claim for variation works of RM62mil under Additional Development Works and New Additional Development Works agreements;
- > APPEARED to have made an “over claim” for hotel works for which Kuala Dimensi had claimed RM69.6mil compared to the quantity surveyor’s valuation of RM44.7mil.
- > NOT produced any invoice or payment voucher for the RM61mil which the company claimed was professional fees and expenses incurred; and
- > CLAIMED RM254.9mil as extra work done even though the purported revised works fell within the scope of the original works envisaged in the main development agreement.

**Saturday September 5, 2009**

### **KRAs the focus of next year’s Budget and Malaysia Plan**

PUTRAJAYA: The planning for next year’s Budget and the formulation of the 10th Malaysia Plan (2011-2015) will give priority to the national Key Result Areas (KRAs) and ministerial KRAs. In outlining the achievements under Phase 1 of the Government’s KPI Initiative, Ministers in the Prime Minister’s Department Tan Sri Dr Koh Tsu Koon and Datuk Seri Idris Jala said in a joint statement that the first phase of the performance management initiative had been completed. “The planning, development and alignment phase saw a concerted effort by all concerned over nearly five months,” Dr Koh said.

This meant that the initiative would now move into the more intensive and challenging phase of execution and implementation, he said. He added that the first phase involved the outlining of the six national KRAs and appointment of six lead ministers responsible for implementing them as well as the formulation of KPI targets and implementation plans. “All 28 ministers have also identified their major ministerial KRAs and sub-national KRAs and ministerial KPIs that will go into full implementation after the first review by the Prime Minister in November and December,” Dr Koh said in the statement.

The 38 secretaries-general and directors-general from key agencies had also begun aligning or re-aligning their KPIs with the national and ministerial KPIs and KRAs. The 500

officers from various ministries and agencies exposed to the basics of the KPI methodology would also be given further training to enable them to act as agents of change in their respective workplaces, he said. Koh said the Project Management Team (PMT) that had been responsible for formulating the KPI initiative since April would now merge into a new unit under the Prime Minister's Department called the Performance Management and Delivery Unit (Pemandu), led by Idris as CEO. Idris has been involved with PMT since April. "Driving the performance management through KPIs for all ministers and the entire government is a massive exercise, much more complex and challenging than what I experienced in Shell and MAS," he said.

In the corporate world, such an exercise would take a few cycles spanning two to four years, he said. "But the Cabinet members have made remarkable progress in just five months," he added. In Butterworth, Minister in the Prime Minister's Department Tan Sri Nor Mohamed Yakcop said the Cabinet had given the Economic Planning Unit the nod to begin preliminary work to seek input from the ground in preparation for the 10th Malaysia Plan. He would start by obtaining feedback from all state governments so that the plan would reflect the people's aspirations, he said yesterday.

## **Sunday September 6, 2009**

### **Cabinet to discuss PKFZ**

KUALA LUMPUR: The Cabinet will discuss on Wednesday the report prepared by the task force on the Port Klang Free Zone (PKFZ). "We are looking at the ongoing investigations by the task force and our decisions will be based on reports given by them and the police and what we are going to do for PKFZ's future," Prime Minister Datuk Seri Najib Tun Razak said. The report by the special task force was presented to him in Putrajaya on Friday.



**Site visit: Najib pointing at the old JKR quarters in Cheras yesterday. He was accompanied by Works Minister Datuk Shaziman Abu Mansor (in blue shirt).**

At that meeting, Transport Minister Datuk Seri Ong Tee Keat, together with members of the task force including its head, lawyer Vinayak Pradhan, briefed Najib for an hour. Speaking to reporters after a 45-minute walkabout at the Public Works Department (JKR) quarters at Batu 2.5 Cheras here yesterday, Najib said he would report what was discussed in the briefing to the Cabinet. On the 120 families at the JKR quarters at Batu 2.5 Cheras who would soon get to live in bigger new homes, Najib said the apartments costing RM28mil

would be built for the families at Batu 4.5 on Jalan Sungai Besi. "Immediate action will be taken to develop the new quarters," he said.

Najib said the current quarters were too small and dilapidated for the residents. He said it was ironic that JKR staff, who were in the business of building for the public, were "a little left behind" in their own apartments. Najib said he would also continue with his walkabouts to observe for himself the needs of government staff. Each apartment for the new quarters, which is to be completed in 30 months, will measure 110sq m and have three bedrooms, three bathrooms, a living room and kitchen.

The entire quarters complex, comprising two eight-storey blocks, will also feature 200 parking bays, a field, kindergarten, playground, *surau* and two futsal courts. On the proposed amendments to Umno's party constitution, he gave an assurance that any such move was to make the party more democratic and promote integrity. "We are getting detailed feedback on suggestions to improve Umno. I'm open-minded in this sense," he said, adding that its aim was not only to bring confidence back to its members but to allow the *rakyat* to see that Umno had their best interests at heart. However, Najib declined any further comment on the proposed amendments, saying any decision would have to be made by the party supreme council. On the by-election in Bagan Pinang, Najib said Barisan Nasional, as the "defending champion" there, would do everything it could to keep the state assembly seat. Bagan Pinang state assemblyman Azman Mohammad Noor died on Friday.

## **Monday September 7, 2009**

### **Move to discuss PKFZ issue in Cabinet lauded**

PETALING JAYA: Gerakan president Tan Sri Dr Koh Tsu Koon has lauded the Prime Minister's suggestion to discuss the Port Klang Free Zone (PKFZ) task force report during the Cabinet meeting on Wednesday. Dr Koh who is also a Minister in the Prime Minister's Department said the Cabinet was fully aware that the PKFZ issue was a major concern for the people and they would look into the matter with a "great sense of urgency". He told a press conference after opening the Selangor Gerakan annual general meeting yesterday that a suggestion to have a royal commission of inquiry was worth considering to reassure the people that the Government is committed to accountability and transparency.

The report by the special task force was presented to Datuk Seri Najib Tun Razak in Putrajaya on Friday. Dr Koh said it would be up to Najib and the minister of the relevant portfolio to take the relevant action when the time comes. "As a party, we have reflected the view of the people, where they are asking for the true picture of what is going on and waiting for the next course of action by the Government." "It is only fair for the people to expect that and we must be fully aware of the people's expectations."

**Tuesday September 8, 2009**

**Hainan group supports PKFZ probe**

KUALA LUMPUR: The Federation of Hainan Associations Malaysia has pledged its support for Transport Minister Datuk Seri Ong Tee Keat's action to investigate the Port Klang Free Zone (PKFZ) scandal. Its president, Datuk Foo Sae Heng, said it was the right thing to do as it would lead to transparency.

However, Foo said the federation was not siding with anyone or any party when it made such a decision. "We simply support whatever action that is right," he told reporters at a dinner recently. On the dispute between Ong and Datuk Seri Dr Chua Soi Lek, Foo said only one EGM should be convened to settle the crisis.

**Tuesday September 8, 2009**

**Felda, Felcra and Risda finalising consortium plan**

KOTA KINABALU: Felda, Felcra and Risda are finalising plans to combine their resources and expertise by setting up a consortium to carry out high-impact downstream processing industries. Risda chairman Datuk Tajuddin Abdul Rahman said officials of the three agencies were in the final stages of discussions for the establishment of the consortium. "We will have specific proposals on projects that we can jointly work on after Hari Raya. "We hope to meet the Prime Minister after that to seek his guidance and approval," he said here yesterday.

Datuk Seri Najib Tun Razak had recently said that the three agencies should set up a consortium to go into industries that would ensure better returns for them apart from tackling poverty more effectively. He said among the proposals being considered for the consortium to carry out were research and development on higher yield seedlings as well as direct importation of fertiliser. "We are taking a cautious approach because we do not want any of these ventures ending up as losses," Tajuddin added.