

Thursday May 28, 2009

PKFZ report to be released when 'everything is in order'

PUTRAJAYA: The Cabinet, which discussed the controversial Port Klang Free Zone (PKFZ) project yesterday, is seeking additional information on what had occurred, Prime Minister Datuk Seri Najib Tun Razak said. "Yes, we did discuss and we are collecting additional information on several matters that had happened," he told reporters here yesterday. Transport Minister Datuk Seri Ong Tee Keat said in his blog that after deliberating on the issue for the third time, the Cabinet finally gave the green light for the PKFZ report to be released in its entirety. Ong said that the Cabinet, at its weekly meeting yesterday, agreed that the Government needed to be transparent on the issue. He said the Port Klang Authority (PKA) was directed to release the report "as soon as everything is in order". It is believed his Ministry has to come up with certain additional information before a full report can be released.

The PKFZ issue, Ong said, had been played up and used by the Opposition as their political tool since a few years ago. "I am glad that the Prime Minister and my Cabinet colleagues share my aspirations that our Government should be transparent and deal with the issues of the day. Sweeping problems under the carpet is not an option," he wrote in his blog www.ongteekeat.net. He said that with the release of the report, the Government has proven that it has nothing to hide and that the new administration was prepared to reveal the truth as well as take appropriate action to correct any wrong.

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Green code for new buildings

By LAI PEI YEE

IN today's world, it is no longer sufficient for contractors and architects to build buildings that are profitable, as more emphasis is being placed on creating green or environmentally friendly buildings. This point was made by Green Building Index (GBI) Accreditation panel member Serena Hijjas at a forum to mark the launch of the green rating system at the Kuala Lumpur Convention Centre recently. Works Minister Datuk Shaziman Abu Mansor, who officiated at the launch, said that he hoped that the GBI would be realised and not turned into another marketing plan. He also hoped the GBI would serve as a wake-up call for those involved in the construction industry in Malaysia and would encourage them to make changes in terms of design and construction, among others.



Starting right: Shaziman (left) launching the effort as ACGEM president Dr Abdul Majid Abu Kassim (centre) and PAM president Lee Chor Wah look on.

Mansor said that Malaysia, as a developing nation, still needed to build buildings for the sake of development but this did not mean that the environment would be neglected or sacrificed. The GBI is the brainchild of the Pertubuhan Arkitek Malaysia (PAM) and the Association of Consulting Engineers Malaysia (ACGEM) and acts as the main green rating tool for both residential and non-residential buildings. Its main role is to assist architects, designers, builders, government bodies and end-users understand the impact of each design choice and solution.

Under this system, buildings will be rated based on six key criteria including energy efficiency, indoor environment quality and sustainable site planning and management. Currently, Malaysia's GBI is designed to fit its tropical climate and socio-economic position. However, implementation and evaluation would also be based on the World Green Building Council standards. Other well-known green rating tools found in different countries are Britain's Breeam, USA's Leed, Japan's Casbee, Australia's Greenstar and the most recent one from Singapore, called Greenmark.

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Ong: Take legal action on PKFZ

THE PKFZ REPORT

ETALING JAYA: The Port Klang Authority has been ordered to seek legal recourse for any contractual shortcomings or irregularities revealed by the report on the Port Klang Free Zone which has been made public. Transport Minister Datuk Seri Ong Tee Keat also directed authority chairman Datuk Lee Hwa Beng to submit a copy of the report to the Malaysian Anti-Corruption Commission and the Public Accounts Committee.



The report, which was drawn up by accounting firm PricewaterhouseCoopers, was made public during a press conference by Lee in Port Klang yesterday. In his blog posting yesterday, Ong said he had directed the authority to carry out the following:

- > SEEK professional advice on the restructuring of financial obligations of the authority;
- > IMPROVE and tighten governance issues at management and board levels of the authority; and
- > FURTHER beef up the day-to-day management of the zone to strengthen operations and improve its financial returns.

Ong said the release of the report was only a small part of the job that needed to be accomplished. “We need 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 said.



He added that his ministry was not only committed to have the report released but it was also determined to ensure that all possible remedies that were within its jurisdiction were explored. In his blog posting on Wednesday, Ong had said he was a strong advocate for the report to be made public. “I have advocated since April last year that the public should know the truth. It has been a long journey for me personally. It is one that is fraught with challenges and hurdles from both within and without,” he said.

Meanwhile, the Transport Ministry said in a statement yesterday that Government was confident that the facts and issues presented in the report would finally put to an end to speculations. It said the Government also shared the deep concern of Malaysians about the costs of the project as well as its weak governance and project management as revealed in the report.

The ministry said the action to commission a position review into zone and the subsequent release of the results demonstrated the Government’s commitment to be transparent and to act on the findings in a firm manner to lessen the public’s burden. “The Government has, through today’s action, shown that it really means to change from the old ways of governing. It demonstrates the openness and transparency espoused by Prime Minister Datuk Seri Najib Tun Razak’s People First, Performance Now administration,” it added.

The ministry would ensure that the zone became a viable project in the long term in line with the original intent of turning Port Klang into a regional transshipment hub. It is understood that the authority is working with legal advisers and financial consultants to define the scope and parameters of the necessary actions based on the directives given by Ong. The report is available on www.pka-report.com

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Report reveals weak project management

KLANG: The report on the Port Klang Free Zone highlighted 20 issues concerning the project's management and governance by the Port Klang Authority. Among the issues which were revealed by the points were weak project management, cost overruns and conflicts of interests. Among the issues were:

- > PKA's failure to alert the Cabinet in a timely manner of its inability to finance the project from its internal funds following an audit report by the Auditor-General in 2004 that noted that PKA did not have sufficient funds to finance the project;
- > PKA's failure to seek the advice of the Attorney-General while not complying with certain Finance Ministry regulations;
- > Potential conflicts of interests arising from the involvement of parties who had prior association with either the land used to develop PKFZ or the turnkey developer, Kuala Dimensi Sdn Bhd (KDSB);
- > Awarding of the PKFZ development contract to KDSB before a project masterplan was finalised;
- > PKA's projections that it would be in a cumulative cash deficit position in 2012 and would not be able to repay the Finance Ministry soft loan instalments on time;
- > PKFZ having a low occupancy rate of 14% which is not generating sufficient revenue to cover its operating expenses.
- > PKFZ Sdn Bhd incurring losses since its incorporation and having negative shareholder's funds as at Sept 30 last year.
- > The possible breach of Treasury regulations when the Transport Ministry issued letters of support which could be construed as a guarantee that PKA would meet its obligations on a full and timely basis. Such letters should have been approved by the Finance Ministry.

The report was made public at a press conference by PKA chairman Datuk Lee Hwa Beng at his office in Port Klang yesterday. Lee however refused to field any questions on the details of the report and repeatedly asked reporters to view Transport Minister Datuk Seri Ong Tee Keat's blog for further information. He said the report would be available online at www.pka-report.com for a period of two weeks while the appendices to the report would be available for public viewing during office hours at PKA at Jalan Pelabuhan, Port Klang until June 10. "The appendices could not be released like the report due to its voluminous nature," he said.

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Report names four politicians

KLANG: Four politicians are among those named in the report on the Port Klang Free Zone, including two for possibly having conflict of interest in their dealings with the project. The four were Deputy Finance Minister Datuk Chor Chee Heung, Sementa assemblyman Datuk Abdul Rahman Palil, Backbenchers Club president Datuk Seri Tiong King Sing and Federal Territory Umno treasurer Datuk Seri Azim Zabidi. Chor was the Port Klang Authority (PKA) chairman from April 2007 to March 2008 while Abdul Rahman was a board member of the authority from 1997 to 2003.

The report by PricewaterhouseCoopers (PWC) raised the question whether there was a possibility of a conflict of interests because Chor had also served as Wijaya Baru Global Berhad (WBGB) non-executive deputy chairman from April 2004 till July 2007. WBGB is the parent company of Wijaya Baru Sdn Bhd (WBSB), the main contractor for PKFZ turnkey developer Kuala Dimensi Sdn Bhd. "Minutes of the (PKA) board did not indicate that Chor either declared his previous involvement in WBGB to the (PKA) board nor withdrew himself from deliberations," the PWC report said.

Chor is currently Alor Setar MP and was deputy home minister until April this year before he was moved to the Finance Ministry. On Abdul Rahman, the report noted that he was also the president of Koperasi Pembangunan Pulau Lumut Bhd, the original landowners of PKFZ project site. "At one Port Klang Authority board meeting, Abdul Rahman declared his position as the president of the co-operative and queried the proposal for compulsory acquisition of the land over direct purchase. "Given that compulsory acquisition would have benefited PKA, the rationale for Abdul Rahman raising the query is unclear," the report stated.

Abdul Rahman was a Selangor state executive council member under the Barisan Nasional government. Both Chor and Abdul Rahman could not be contacted for comment. As for Tiong, the PWC report named him as a 32% shareholder of WBGB, which in turn has a 45% stake in WBSB, the main contractor to the turnkey developer, Kuala Dimensi. Tiong is also 70% shareholder of Wijaya Baru Holdings Sdn Bhd, which is the sole proprietor of Kuala Dimensi. Azim, the former Umno treasurer-general, was only named once in the report. He was identified as a director of Kuala Dimensi. He was appointed on July 18, 2003.

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PAC to call up witnesses on free zone issue

PETALING JAYA: The Public Accounts Committee is ready to call up witnesses over the Port Klang Free Zone issue, committee chairman Datuk Seri Azmi Khaled said. "We are

scheduled to hold the next meeting on the PKFZ issue early next month. The PAC is to call up officials from the Transport Ministry and related agencies for the meeting in June. We will go ahead with the meeting,”. Azmi said he had yet to read the full report on the PKFZ by accounting firm PricewaterhouseCoopers.



Interesting read: Port Klang Authority chairman Datuk Lee Hwa Beng looking through the PKFZ audit report while (left) Lim San Peen, partner in charge of the audit from PricewaterhouseCoopers and Chin Kwai Fatt, a managing partner in PricewaterhouseCoopers, look on.

The PKFZ issue was first discussed by the PAC on Sept 6, 2007. Then chairman Datuk Shahrir Abdul Samad and committee members had also made on-site visits to the PKFZ site in Port Klang. DAP adviser Lim Kit Siang welcomed the public release of the report and commended Prime Minister Datuk Seri Najib Tun Razak and Transport Minister Datuk Seri Ong Tee Keat for their efforts in publishing it. However, he had yet to read the full report on the PKFZ issue, he said yesterday afternoon.

Lim said he was studying the report at the PKA office in Port Klang. He said he would comment after he has finished reading the report. Centre of Public Policy Studies (ASLI) chairman Tan Sri Ramon Navaratnam said the Government's move to make public the report and send a copy to the Malaysian Anti-Corruption Commission (MACC) shows that it was transparent. He hoped the MACC would “pursue justice to the very end”. “You cannot blame the little Napoleons as the big Napoleons are at play. The authorities must nab the big fish and hopefully, this can improve Malaysia's standing in the Corruption Perception Index,” he said.

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PricewaterhouseCoopers reveals wide-ranging critique of how the PKFZ project was mismanaged

Rising costs, checks lacking

The cost of the Port Klang Free Zone (PKFZ) escalated from RM1.9bil to RM3.5bil, and including interest costs, total project outlay would total RM7.5bil, according to a study by PricewaterhouseCoopers Advisory Services Sdn Bhd (PwC). The interest costs include interest on deferred payments to Kuala Dimensi Sdn Bhd (KDSB), the turnkey developer for

PKFZ, and interest on a 20-year soft loan from the Ministry of Finance (MOF). Cashflow projections prepared by the Port Klang Authority (PKA) showed it would be in a cash deficit position from 2012. If repayments to the MOF are rescheduled to match PKA's projected cashflow, the latter would incur additional interest costs of about RM5bil. That would further increase the project outlay to RM12.5bil, PwC said.

PwC was engaged to provide a "position review" of PKFZ and Port Klang Free Zone Sdn Bhd, with its scope of work limited to a review of authority to enter into agreements pertaining to the PKFZ project, the financial implications and PKA's ability to pay KDSB and the MOF. Its terms of reference do not include advising on strategy or valuation, and it did not investigate to detect any wrongdoing. The report is a wide-ranging critique of a project that was implemented with disregard to governmental procedure, excessive costs, lack of masterplanning, governance and open tenders. PwC observed "PKA's approach to the project was that being a turnkey development, the onus was on KDSB to deliver the completed works to PKA, with minimal supervision."



Port Klang Free Zone (PKFZ)

The proposal to purchase the land was approved by the Cabinet. However, subsequent development proposals were not tabled to the Cabinet for approval even though the total development costs of RM1.8bil, excluding interest, exceeded the cost of the land of RM1.088bil, excluding interest. That, together with variation orders, additional development works and professional fees, added up to a total project outlay of RM3.5bil, excluding interest. PwC noted that a development agreement was entered into on an estimated sum of RM1bil without any detailed plans. Further "development contracts totalling RM1.8bil were all awarded to KDSB without competitive bids," it said.

Tracing the course of events, PwC said that in 2002, following the endorsement by the PKA board to buy the land from KDSB for RM1.088bil, the proposal was tabled to the Cabinet by the Transport Minister. "The Cabinet approved the proposal on condition that PKA was able to finance the purchase from its own funds," PwC said. PKA subsequently entered into several agreements with KDSB for the latter to develop 1,000 acres for RM1bil (2004), additional development works for RM510mil (2005) and new additional development works for RM335mil. PwC noted the auditor-general pointed out in its 2003 audit report that PKA did not have sufficient funds to finance the project.

PKA should have alerted the Cabinet of this. Instead, PKA entered into other very significant development agreements after that. The masterplan prepared by Jebel Ali Free Zone International (Jafzi) and The Services Group Inc (TSG) recommended multiple phases over eight years for light industrial units. However, PKA entered into a single phase RM1bil

development contract with KDSB in March 2004, nine months before the Jafzi/TSG masterplan was finalised.

The entire project was completed within 24 months, resulting in an excess capacity of light industrial units. The occupancy rate of the light industrial units was only 15% at the end of last year. "Significant financing cost could have been avoided had PKA adhered to the Jafzi/TSG masterplan and its recommendation for phases development," PwC said.

PwC also noted that PKA agreed to accept higher interest rates than those originally contracted. The interest rate of 7% a year in the first development agreement increased to 7.5%. Further, the interest rate of 5% in the first additional development works increased to 7.5% in the second additional development works. This was higher than the rates of 5.25% to 6.15% in the bonds issued by KDSB.

Chronology of key events

1999

March 24: Cabinet approves the project on condition that agreement from Finance Ministry is obtained on the funding structure.

2000

Transport Ministry, Finance Ministry and Port Klang Authority discuss acquisition mode, land valuation and funding structure.

2001

June 12: Finance Ministry directs that the land be compulsorily acquired and recommends development cost be funded by Port Klang Authority issuing government guaranteed bonds.

June 27: MoU signed between Jebel Ali Free Zone International (Jafzi) and Port Klang Authority.

2002

Oct/Nov: Cabinet considers options of compulsory acquisition and direct purchase for acquiring land. Approves direct purchase on deferred payment terms.

Nov 12: Port Klang Authority purchases the land from Kuala Dimensi Sdn Bhd for RM1.088bil repayable by 2017 at 7.5% a year interest. It also commits to engage Kuala Dimensi as developer for first 400 acres for RM350mil to RM400mil.

2003

Jan: Kuala Dimensi commences infrastructure works on the land.

May 28: Transport Ministry issues letter of support relating to land agreement (LA).

July 30: Kuala Dimensi, through Special Port Vehicle Bhd, issues RM1.31bil private debt securities secured against payments from LA.

Oct 24: Port Klang Authority appoints Jafzi to manage Port Klang Free Zone.

2004

March 27: Supplemental agreements expand commitment to engage Kuala Dimensi to develop the project from RM350mil to RM400mil for 400 acres to 1,000 acres for RM1bil, repayable by 2012 at 7.5% a year interest.

April 23: Transport Ministry issues letter of support relating to development agreement.

May 27: Auditor-General states that Port Klang Authority did not have sufficient financial resources to meet its obligations.

Nov 3: Kuala Dimensi, through Transshipment Megahub Bhd, issues RM 1.4bil of private debt securities.

2005

Nov 30: Port Klang Authority awards additional development works package for RM510mil, repayable by 2011 at 5% a year interest.

Dec 8: Transport Ministry issues letter of support relating to additional development works.

2006

March 30: Kuala Dimensi, through Valid Venture Bhd, issues RM545mil private debt securities secured against additional development works.

April 26: Port Klang Authority awards new additional development works to Kuala Dimensi for RM336mil, repayable by 2010 at 7.5% a year interest.

April 26: Revises interest rate for first additional development works from 5% a year to 7.5%.

May 23: Transport Ministry issues letter of support relating to new additional development works.

Sept 26: Kuala Dimensi, through Free Zone Capital Bhd, issues RM410mil private debt securities secured against new additional development works.

Nov: Port Klang Free Zone is launched.

2007

June: Government ratifies development cost of RM1.8bil.

July: Port Klang Authority terminates services of Jafzi. Finance Ministry approves RM4.6bil soft loan to Port Klang Authority.

2008

June 30: Port Klang Authority signs loan agreement for RM920mil with the Government.

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Cabinet, board not aware of decisions

PRICEWATERHOUSECOOPERS Advisory Services Sdn Bhd (PwC) has identified several issues that warrant the attention of the board of Port Klang Authority (PKA) on the Port Klang Free Zone project (PKFZ). The issues in PwC's report *Position Review of Port Klang Free Zone Project and Port Klang Free Zone Sdn Bhd* (PKFZSB) dated Feb 3 talks about the authority to enter into agreements, financial implications of the agreements, project management and status, ability to meet financial obligations and the financial position of PKFZSB. One of the issues highlighted comprise several development proposals which were not tabled to the Cabinet for approval despite having obtained prior Cabinet approval to purchase the land for PKFZ.



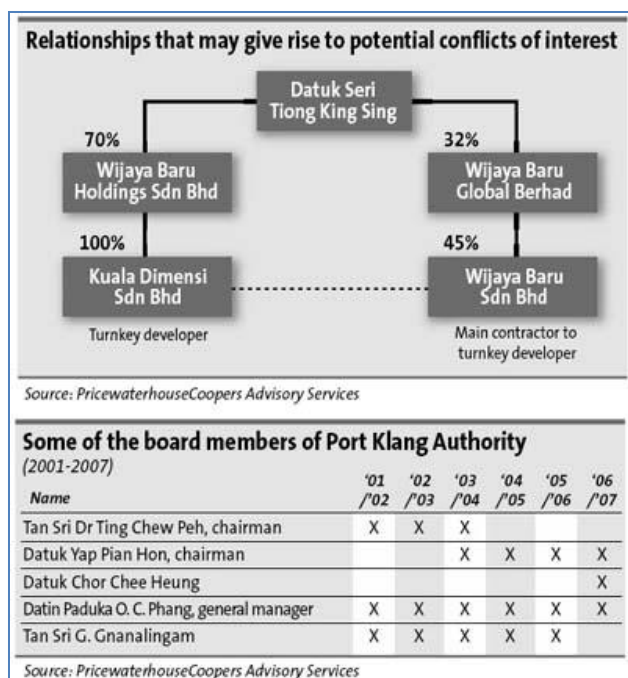
Port Klang Free Zone (PKFZ)

PwC is of the view that as prior Cabinet approval had been obtained for the land purchase, subsequent proposals to develop the land should also be tabled to the Cabinet by the Ministry of Transport (MOT)/PKA. "The total value of the development agreements of RM1.846bil is more than the land purchase price of RM1bil and would warrant deliberation by the Cabinet," it said.

Lack of supervision

The report said that key matters were not tabled to the PKA board for approval. For example, board approval was not sought when PKA's common seal was affixed to certain agreements and when delivery of land was accepted without contractor Kuala Dimensi Sdn Bhd (KDSB) completing the infrastructure works specified. PwC noted that some agreements were also not submitted to the board for prior approval and this conflicted with good corporate governance. In addition, the steering committee, which together with the general manager led the implementation of the project, was not established by the board or subject to its supervision. "The general manager and the steering committee did not have formal terms of reference or specified limits of authority. Roles, responsibilities and accountability were not defined," it added.

Another issue was that there could be potential conflicts of interest due to the involvement of parties who had prior association with either the land or KDSB. It cited the example of Datuk Abdul Rahman Palil, who was a PKA board member from 1997 to 2003.



He was also president of Koperasi Pembangunan Pulau Lumut Bhd (which he declared in a board meeting), the original owner of part of the land. Also noted was that Datuk Wira Chor Chee Heung was non-executive deputy chairman of Wijaya Baru Global Bhd (WBGB) from April 2004 to July 2007 and chairman of PKA from April 2007 to March 2008. WBGB and the parent company of KDSB, Wijaya Baru Holdings Sdn Bhd, share a common shareholder and director Datuk Seri Tiong King Sing. KDSB carried out construction works when Chor was the non-executive deputy chairman of WBGB.

The report also highlighted that the interest on the soft loan from the Ministry of Finance (MOF) would increase the project outlay from RM4.947bil to RM7.453bil. The project outlay of RM7.453bil has not taken into account potential additional interest which might arise if PKA was unable to meet the scheduled instalments on the soft loan. PwC said potential additional interest could amount to RM5bil if loan repayments are deferred to match PKA's projected cashflows. "If this were to happen, the project outlay would increase from RM7.453bil to RM12.453bil," it added.

The report brought up the fact that the land was acquired at RM25 per sq ft which exceeded market value because it was of "special value" to PKA, and that PKA would also enjoy deferred payment terms. PwC said according to the Hansard (the official record of the proceedings of Parliament), there were two view points on the mode of land acquisition – compulsory acquisition according to the Attorney-General and MOF and that compulsory acquisition was not suitable according to the Selangor State Government.

It was further mentioned in the Hansard that compulsory acquisition was not possible because PKFZ was not a public interest project and the land had been issued with a development order in 1995. The Cabinet had deliberated and concluded that in the best interest of the country and to avoid complications, the land be purchased outright. Jabatan

Penilaian dan Perkhidmatan Harta, Kementerian Kewangan had placed a value of RM10.16 per sq ft for compulsory acquisition with land partly reclaimed and no infrastructure works. "Compulsory acquisition, had it been possible, would have cost RM442mil compared with the purchase price of RM1.088bil," PwC said.

Interest overcharged

It noted that KDSB might have overcharged PKA for interest in connection with the purchase of the land. Based on a set of computations provided to PKA by KDSB, interest had been compounded on a six-monthly basis instead of non-compounded yearly basis on the balance consideration price of RM979,610,400. "Depending on whether the yearly repayment is applied against interest or principal, interest has been potentially overcharged by between RM51mil and RM309mil. "KDSB disagrees with this interpretation of interest computation. We have informed PKA management to refer the matter for legal advice," PwC said.

Another issue highlighted was that letters of support issued by the MOT could be construed as a guarantee that PKA would meet its obligations on a full and timely basis. "If this is the case, MOT has breached Treasury regulations which require such letters be approved by the MOF. "Because of the potential significance of the letters of support, PKA would not have the option to default on its obligation to KDSB," PwC said.

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Three main areas for PKA board's immediate focus

PRICEWATERHOUSECOOPERS Advisory Services Sdn Bhd (PwC) has stressed three main areas of immediate focus for the board of Port Klang Authority (PKA) going forward. According to PwC's report *Position Review of Port Klang Free Zone (PKFZ) Project and Port Klang Free Zone Sdn Bhd* dated Feb 3, the board must look at governance and project management, financing structure and making the PKFZ viable. Under governance and project management, PwC said PKA should strengthen its board oversight and governance over significant projects of such nature. In addition, PKA should take immediate steps to address issues arising from the land purchase and the development agreements with Kuala Dimensi Sdn Bhd (KDSB).

The issues include the non deduction for value of infrastructure works not done and other potential adjustments and the potential interest overcharge of between RM51mil to RM309mil related to the land purchase. PKA must also adjust the final account of the supplemental agreement signed between PKA and KDSB dated March 27, 2004 for value of work (and associated interest charge) not carried out on three infrastructure components stated in the land purchase agreement. These charges were included in the land purchase price. PwC said PKA must also address the delay in issuance of certificate of fitness and outstanding defect rectification works. "PKA should ensure that outstanding construction

works are completed to its expectations and that the final accounts are reflective of work done," it said.

On the financing structure, PwC said PKA must restructure the Finance Ministry's soft loan to avoid a potential default in 2012. "Some of the restructuring options it may consider could involve a combination of loan rescheduling, Government grant and privatisation," it added.

PwC said the Government would need concerted effort involving a number of agencies to turn the PKFZ into a financially viable venture. "The projects's actual occupancy of 14% is low and not generating sufficient revenue to cover its operating expenses. "The project faces many commercial challenges to achieving viability including marketing, current economic climate, domestic and regional competition and a multi-agency approval environment," it added.

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PKA's duty to transform Port Klang into major hub

THE Port Klang Authority (PKA), which now holds the roles of trade facilitator, regulator and landlord aims to turn Port Klang into a hub for national and regional traffic. PKA, established as a statutory corporation in 1963, was the port operator before the privatisation of port services which started in 1986. With the divestment of the operational facilities and services of the port to three distinct entities under three separate privatisation exercises, PKA's core functions under the re-shaped role are trade facilitation, port planning and development, regulatory overview of privatised facilities and services, free zone authority and asset management.

PKA is also involved in port promotion to turn Port Klang into a major regional transshipment hub and to develop facilities to meet the objectives. Among PKA's initiatives were the development of the country's first inland port, the Ipoh Cargo Terminal and the first distripark, the Port Klang Distribution Park (now known as Northport Distripark). PKA is also the free commercial zone authority and overseer of the port's Vessel Traffic Management System.

In line with its objective of developing Port Klang as a regional hub, it has also set up a one-stop agency to facilitate the establishment of businesses that will generate cargo for the port. PKA is the owner and developer of the Port Klang Free Zone (PKFZ), which is located on a 1,000 acre site in Pulau Indah. PKFZ is the first free zone in the country to integrate industrial and commercial activities within the same area and is designed to facilitate the growth of regional distribution or international procurement centres. PKA also has jurisdiction over the Port of Malacca at Tanjung Bruas. Its functions, powers, duties and jurisdiction was extended to Malacca Port in July 1983. PKA board members consist of a chairman appointed by the King and ten directors (including the general manager), appointed by the Transport Minister.

Saturday May 30, 2009

Chor: Decisions made before I became PKA chairman

PETALING JAYA: Former Port Klang Authority (PKA) chairman Datuk Chor Chee Heung says he was not aware of any transaction on the sale, purchase and development of the Port Klang Free Zone project. Chor, who is Deputy Finance Minister, said the decisions were made before he became non-executive chairman between June 2007 and March last year. "During the short nine months at the PKA as non-executive chairman, other than visiting the PKFZ and receiving reports pertaining to the development of the PKFZ from the then general manager at every board meeting, I was never involved in any other activities on the PKFZ. The purchase of the land in the PKFZ together with the massive development taking place therein were already approved way back in 2002 and 2004.

"Whatever terms and conditions between the Government and vendor/developer on the sale/purchase and subsequent development were already decided a long, long time before I even stepped into PKA as non-executive chairman, and I was not aware of the transactions at all," he said in a statement. He said that during his tenure as chairman decisions arrived were made by the entire board of PKA, which comprised government appointees from the Finance Ministry, Transport Ministry, Selangor Government, Economic Planning Unit and Workers Union. Chor, who was a non-executive director of Wijaya Baru Global Bhd (WBGB) from 2004, said he resigned from his directorship in early 2007 after being appointed PKA non-executive chairman.

When chairing his first PKA board meeting in mid-June 2007, Chor said he informed members about his career path including his directorship in WBGB. In February last year, he said the board had to deliberate on the payments due to developer Kuala Dimensi Sdn Bhd amounting to RM1.216bil. "I did not declare again to the board as an ex-director of WBGB since I had done it when I chaired the first board meeting and also the developer Kuala Dimensi was at all material times never a subsidiary of WBGB," he said.

Chor said he was puzzled by PricewaterhouseCoopers Advisory Services, the firm who drew up the report, for emphasising on the technicality of him not declaring at the last board meeting on the recommendation to the Transport Ministry in respect of the final conclusion payments due to the developers.

Saturday May 30, 2009

Groups hail move by government to release PKFZ findings in entirety

Reports by LOURDES CHARLES, SHAILA KOSHY, DHARMENDER SINGH, LEE YUK PENG, WANI MUTHIAH, ROYCE CHEAH, TEH ENG HOCK, FARIK ZOKEPLI, ELAINE

PETALING JAYA: Saying it is a fresh direction, non-governmental groups and political parties have lauded the decision to release the Port Klang Free Zone report in full. They commended Prime Minister Datuk Seri Najib Tun Razak and Transport Minister Datuk Seri

Ong Tee Keat on the move in the interest of transparency, accountability and openness. Penang Chinese Chamber of Commerce president Tan Sri Tan Kok Ping said the full disclosure of the report would discourage corruption and bribery. "Now, investors can save more money and invest in more projects," he said.

Penang Freight Forwarders Association (PFFA) adviser Joachim Loo said the next step would be to stop the outflow of money and prevent further losses. Datuk Jerry Chan, the Penang head of the Real Estate and Housing Developers Association (Rehda), said: "Real accountability means bringing the responsible party to justice and having them answer and face the consequences to whatever wrongdoings that have occurred."

It was reported yesterday that the cost of the PKFZ escalated from RM1.9bil to RM3.5bil, and including interest costs, the total project outlay would hit RM7.5bil. This was according to a study by PricewaterhouseCoopers Advisory Services Sdn Bhd (PwC). MCA welcomed the full release of the PKFZ report but urged all government departments to be more stringent in their operations, management and approvals to ensure the viability and integrity of any project.

MCA information and communication bureau chairman Lee Wei Kiat said the release of the report is in line with the public's wish for more transparency in the PKFZ debacle. He said the Prime Minister's call for transparency and openness had evidently been demonstrated in that irregularities involved in the issue were duly reported by the media and subject to public scrutiny. "Even names of public and corporate figures were not withheld but published in the newspapers," he said.

MCA, Lee said, supported the call by Ong in directing the Port Klang Authority to submit a copy of the report to the Malaysian Anti-Corruption Commission (MACC) and the Public Accounts Committee (PAC). "The PKFZ controversy is a wake-up call to Malaysians on upholding integrity, transparency and accountability, particularly when such weaknesses contained therein involve enormous amounts of taxpayer funds."

Selangor DAP vice-chairman Charles Santiago also welcomed the release of the report and its submission to the MACC. Johor Baru Chinese Chamber of Commerce and Industry president Datuk Soh Poh Sheng said justice must be served should there be any evidence of corruption. "Everything must be done to get to the bottom of this matter," he said.

Malaysian Malay Chamber of Commerce president Datuk Syed Ali Alattas also said that corruption should not be tolerated. The Bar Council proposed a Commission of Inquiry be set up to investigate the issue with the objective of mounting prosecutions and preventing future circumventions of Finance Ministry regulations. Its chairman, Ragunath Kesavan, said Malaysians wanted to know how these regulations were circumvented and how to prevent it from happening again.

Saturday May 30, 2009

PM: Ask Ong about PKFZ

KUALA LUMPUR: Datuk Seri Najib Tun Razak has asked Transport Minister Datuk Seri Ong Tee Keat to explain each issue that was raised in the Port Klang Free Zone (PKFZ) audit report. The Prime Minister said this when asked to comment on the PKFZ report after he chaired the Umno supreme council meeting yesterday. "Refer to him (Ong). He will give the Government's explanation,". When asked to speak in his capacity as Finance Minister, Najib reiterated that the press was to refer to Ong for clarification.

Saturday May 30, 2009

Developer to sue over 'negative' report

PETALING JAYA: Port Klang Free Zone turnkey developer Kuala Dimensi Sdn Bhd will sue the Port Klang Authority (PKA) or audit firm PricewaterhouseCoopers, or both, over the PKFZ report. Its group deputy CEO Datuk Faizal Abdullah said the report which was made public on Thursday was "not done in good faith" and Kuala Dimensi had no choice but to defend itself.

"I have told the legal team to proceed. They are drafting the lawsuit, but I do not know who it will be directed at yet. We have just finished reading the report, so the lawsuit will be either against the PKA or PwC, or even both," he said yesterday.

Saturday May 30, 2009

Tee Keat: 'Decision on PKFZ will be in people's interest'

SHAH ALAM: Any decision on the Port Klang Free Trade Zone (PKFZ) project will be made in the interest of the people, Transport Minister Datuk Seri Ong Tee Keat said. "Whatever that we do will be for the people," Ong told a press conference yesterday during his visit to Kumpulan Karangkrak Sdn Bhd. On DAP chairman Lim Kit Siang's statement that the Government must consider liquidating the Port Klang Authority (PKA) to cut losses, Ong said: "He is entitled to his views. "As far as I am concerned, we have gone through months of brainstorming not just on the report (the PricewaterhouseCoopers audit report) alone but we have been brainstorming on the way forward." He said the relevant strategies based on the findings of the report have also been identified.

"The report has been forwarded to the Malaysian Anti-Corruption Commission and the Public Accounts Committee and the PKA is engaging financial and legal consultants to address the shortcomings and irregularities,". He said he was "cautiously optimistic" and

studies have indicated that the PKFZ project was viable. Ong said the project must work out as the soft loans obtained for its development came from the people's coffers.

Saturday May 30, 2009

Expert: Possible to prevent PKFZ costs from ballooning

PETALING JAYA: It is possible that the Port Klang Authority (PKA) may be able to prevent costs for the Port Klang Free Zone (PKFZ) from ballooning from an estimated RM7.453bil to RM12.5bil mainly due to interest costs. An industry expert said it was possible that the answer could be found by restructuring its loan obligations and turning the PKFZ around.

A study by Pricewaterhouse-Coopers Advisory Services Sdn Bhd (PwC) stated that some of the restructuring options PKA may consider could involve a combination of loan rescheduling, government grant and privatisation. "A pro-active thing to do would be to try to restructure the 20-year soft loan from the Finance Ministry to reduce finance costs. "Interest rates are at a low and even consumers are refinancing their homes to take advantage of them. Some are even varying their instalment payments and loan tenure with banks," the expert said.

Despite the economic downturn, the PKA should also try to increase the occupancy rate of the PKFZ to generate higher revenue, he added.

"It may not be easy but if everyone works together, it is a possibility. It would be good to attract more foreign companies to set up operations at the PKFZ, thus boosting occupancy and promoting the zone as an international hub," he said.

Saturday May 30, 2009

Umno to suspend those charged in court

By ROYCE CHEAH and FLORENCE A. SAMY

 [Umno General Assembly from October 13 to 16](#)

KUALA LUMPUR: Umno will suspend the position of members who have been charged in court, Datuk Seri Najib Tun Razak said. However, the suspension would be lifted and the position restored once the member succeeded in fighting the court charges, said the Prime Minister, who is also Umno president. "We have agreed in principle with the management committee's suggestion to suspend a member's position if he is charged in court," he said after chairing a supreme council meeting yesterday. Najib also announced that Umno would hold its annual general assembly from Oct 13 to 16, which would begin with an emergency general assembly to amend the party's constitution. He said the draft proposal

for the amended constitution was almost ready and would be handed to the state liaison committees for feedback. "The supreme council will then decide on what is to be amended," he said.

Najib said that once this matter was concluded at the emergency general assembly, the party would resume with the AGM. "It has also been decided that only one motion will be discussed at the AGM and this will be the motion of thanks to the president. Any issue can be brought up during this time," he said.

Najib also named five people who would be added to the party's disciplinary board to beef up its strength. They are former Youth and Sports Ministry parliamentary secretary Datuk Ismail Said, lawyer Datuk Zuraidah Atan, retired senior ACA enforcement official Wahab Wahid, retired police inspector Nordin Saidin and retired police enforcement officer Mohd Zain Ismail. The council also endorsed the return to the party of former party president and prime minister Tun Dr Mahathir Mohamad, his wife Tun Dr Siti Hasmah Ali and their son Datuk Mokzani Mahathir. On the Manek Urai by-election, Najib said Kelantan Umno liaison chief Datuk Mustapa Mohamed would be the election director while Umno deputy president Tan Sri Muhyiddin Yassin would oversee the operations. He said they had not decided on the candidate as they were waiting for recommendations from the Kelantan Umno liaison committee. "There is still time," he said.

Najib, however, declined to comment on talk of a change in the Petronas management. Supreme council members, when met after the meeting, said they did not discuss details of the draft proposal of amendments to the party

Saturday May 30, 2009

MACC to compare its probe report with that of audit team

KUALA LUMPUR: The Malaysian Anti-Corruption Commission has completed its initial investigations into the Port Klang Free Zone project and handed over the papers to its Legal and Prosecution Division for further action. MACC director of investigations Datuk Mohd Shukri Abdull said the commission would compare its findings with that of the audit team to see if there was any new lead. "If there is a need for us to call up certain people named in the report, we will do so," he said in an interview yesterday.

Port Klang Authority (PKA) chairman Datuk Lee Hwa Beng yesterday handed over the audit report to the MACC to allow investigations to be carried out. Mohd Shukri said the MACC investigated the matter based on information received from the public. On May 21, *The Star* frontpaged a report that MACC was investigating the PKFZ. The report said a team from the Putrajaya MACC would intensify its probe once it obtained a copy of the report by PricewaterhouseCoopers Advisory Services.

Lee, who arrived at the MACC office in Putrajaya just before 8am yesterday, said he had a 10-minute meeting with MACC deputy commissioner Datuk Abu Kassim Mohammad before handing over the report to the commission. "During the meeting, I told him that he will have the full co-operation of the PKA and also PricewaterhouseCoopers as we feel that they are the best people to assist the MACC since the report was prepared by them," he told reporters.

"I will instruct all our staff to co-operate with the MACC and to make available any document that investigators from the commission might need," he said, adding that his visit to the MACC office to hand over the report was in compliance with a directive from Transport Minister Datuk Seri Ong Tee Keat.

Ong had on Thursday ordered PKA to seek legal remedies based on the findings of the PKFZ report and to submit copies of the report to the MACC and the Public Accounts Committee (PAC). On whether PKA would take disciplinary action against those named in the report or any of its staff who might have been involved, he said the port authority would wait until the MACC concluded its investigations before deciding on any action. "We cannot conduct investigations on our own because it might involve looking into things outside of PKA. So, it is best for us to just leave the investigations to MACC for now," he said.

On the move to seek legal remedies, he said he would assemble a team of lawyers and accountants from outside PKA who would look into recovering some of its money through civil suits.

Sunday May 31, 2009

Ong: Let experts find better solution for PKFZ project

KUALA LUMPUR: Financial consultants and management experts should be allowed to work out a more viable solution for the Port Klang Free Zone (PKFZ) project. Transport Minister Datuk Seri Ong Tee Keat said an in-depth study should be carried out before a more structured approach and plan was implemented. He said this in his blog when dismissing the proposal by some opposition members for the Government to cut its losses and close down the port. "This is a premature statement by politicians who think they can make well-informed financial decisions based on a few hours of looking through the report."

On the opposition's claim that the terms of reference for Pricewaterhouse Coopers had been intentionally restrictive, Ong replied: "I had no role in working out the exact terms of reference because it was mutually agreed upon by the Port Klang Authority and the company. "Besides, an accounting firm is not a competent body to do an audit on the legal implications of the project. "The opposition should know that professional firms have their limitations and restrictions and they cannot be expected to play the role of prosecutor,

judge and jury," Ong wrote. He explained that the RM12.5bil outlay on the project would only arise when the debt was staggered over a longer period.

Accusing the opposition of trying to gain political mileage, he reminded his readers that he "was the person who commissioned the report, advocated for its release and directed it to be handed over to the Malaysian Anti-Corruption Commission." He said that handling the matter was not easy but he took it seriously because it involved the people's money and interests.

Ong thanked Prime Minister Datuk Seri Najib Tun Razak who had entrusted him with the responsibility of answering questions pertaining to the port. "I am thankful for his confidence and support. This reflects the mutual understanding we have in handling the issue."

Sunday May 31, 2009

PKFZ project should continue, says Muhyiddin

KUALA LUMPUR: The Port Klang Free Zone (PKFZ) project should continue as it is part of the expansion of the port, Deputy Prime Minister Tan Sri Muhyiddin Yassin said yesterday. However, the matter about the cost and other issues which had been raised in the PricewaterhouseCoopers audit report would need to be addressed, he said when asked to comment on a statement by Transport Minister Datuk Seri Ong Tee Keat on Friday that the PKFZ development would continue through a soft loan as it involved public money. Ong had given his assurance that decisions on the project would be made in the people's interest.

Muhyiddin said that as Port Klang had become one of the most important and busiest ports in the country, expansion was important. "I think it is fair (to let it continue) as the project is already on and is part of the expansion of the existing port. "There is a lot of interest in Malaysia with regards to trade that goes to this port. This is one of the reasons why plans to expand the port were made previously. "The cost is a separate issue. There must be some way to manage the situation," he told reporters after attending Victoria Institution's carnival day yesterday.

Ong had directed the Port Klang Authority to submit the audit report to the Malaysian Anti-Corruption Commission (MACC) and the Public Accounts Committee. It was reported yesterday that the MACC had completed its initial investigations and had handed over the papers to its Legal and Prosecution Division for further action. Muhyiddin declined to comment on calls by certain groups to suspend politicians named in the audit report pending investigations. "I have no view about that. As the Prime Minister said, let it be handled by the parties concerned. Ong has been given that responsibility. "It is not fair for me to make any comments which may have repercussions. "We have to handle this matter very carefully," Muhyiddin added.