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## Press Clipping

Port Klang Free Zone

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### **Malaysian government grapples with financial scandal at port ahead of expected elections - International Herald Tribune**

The Associated Press,, Published: August 21, 2007

**KUALA LUMPUR, Malaysia:** Malaysian authorities are facing a scandal over debts allegedly exceeding US\$1 billion (€750 million) incurred by the country's main port authority, sparking concerns about a possible government bailout, politicians said Tuesday.

The issue is politically sensitive for Prime Minister Abdullah Ahmad Badawi — who is widely expected to call for general elections before mid-2008 — because he has repeatedly pledged to boost transparency and battle the financial mismanagement that has plagued high-profile Malaysian projects in the past.

Abdullah said last week he needs more details and refused to comment on media reports saying the Port Klang Authority has racked up debts totaling about 4.6 billion ringgit (US\$1.3 billion; €960 million) because of problems with the Port Klang Free Zone, a much-hyped shipping area that opened in western Malaysia last year.

Fears mounted that troubles with the 1,000-acre (400-hectare) PKFZ could hurt investor sentiment after the Dubai-based Jebel Ali Free Trade Zone Authority said last month it was pulling out of a pact to manage the zone because of what it called strategic reasons.

"The PKFZ scandal has affected the confidence of both foreign and local investors. They are watching the matter very closely," said Ronnie Liu, an official in the opposition Democratic Action Party. He has filed a police complaint seeking an investigation into land deal irregularities and cost overruns that are believed to have triggered the debts.

Transport Minister Chan Kong Choy or another government leader is expected to issue a statement soon to explain the issue after the Cabinet discusses potential solutions, a ministry official said on condition of anonymity.

Port Klang Authority Chairman Chor Chee Heung said Tuesday he was busy with meetings and declined to comment.

Shahrir Samad, the chairman of a parliamentary committee that looks into government accounting and fund allocations, said his panel is likely to look into the issue because it might involve public accountability concerns.



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"Is there (going to be) a bailout? If it involves government funds, we just want to find out what has happened," Shahrir, a parliamentarian in Abdullah's ruling coalition, told Associated Press.

Several government bailouts of prominent companies, including a bank and a steel firm, damaged public confidence in the 1990s. Opposition leaders blamed the bailouts on corruption as well as undisciplined spending by former Prime Minister Mahathir Mohamad, whose 22 years in power were marked by expensive modernization initiatives.

Abdullah succeeded Mahathir in 2003 and said he would not follow on Mahathir's path of costly projects.

Industry observers have been alarmed by the port scandal because the government apparently ignored early warning signs. Malaysia's National Audit Department, in a 2004 analysis on its Web site, said the Port Klang Authority had liabilities of 1.7 billion ringgit (US\$500 million; €380 million) because of the purchase of the free zone land.