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## Press Clipping

Port Klang Free Zone

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### **Malaysian Govt To Assist Port Authority Stuck With \$1B Debt**

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KUALA LUMPUR (AP)--Malaysia will give a soft loan to rescue the country's main port authority from a debt of \$1 billion in a free port project, the government said Thursday.

Port Klang Free Zone, or PKFZ, a much-hyped shipping area opened in western Malaysia last year. Its original cost of MYR1.845 billion ballooned to MYR4.2 billion by the time the project was completed in four years.

However, the total amount committed to the project by its 30 investors is only MYR725 million.

"Because the cost of PKFC is so high, the government has agreed to give a soft loan to (Port Klang Authority). The details are being worked out," a statement by the Transport Ministry said. It did not elaborate.

The problems with the project's finances became apparent after the Dubai-based Jebel Ali Free Trade Zone Authority, or JAFZA, said last month it was pulling out of a pact to manage the zone because of what it called strategic reasons.

In its statement, the Transport Ministry put part of the blame for the debt on JAFZA.

It said the project was initially supposed to be developed in two phases, covering 500 acres at a cost of MYR400 million.

"However, on the advice of JAFZA, the PKFZ was developed in a single phase involving 1,000 acres at a cost of MYR1.845 billion," the statement said.

The development costs, professional fees and escalation of prices raised the figure to MYR4.2 billion, it said without elaborating.

The statement also said that "the government respects JAFZA's decision to pull out, but the move will not have any adverse impact on cooperation between JAFZA and Port Klang Authority."

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