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Port Klang Free Zone

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Loan to Malaysia's main port not a government bailout, says minister

KUALA LUMPUR, Malaysia: A government soft loan to rescue Malaysia's main port authority mired in debts of US\$1 billion (€700 million) is not tantamount to a bailout as it will be repaid in full, a Cabinet minister said Thursday.

The government came under fire over its decision to give a loan to the Port Klang Authority, which fell into debt following massive development cost for the Port Klang Free Zone, or PKFZ. It is a 1,000-acre (400 hectare) industrial and trading hub that opened in November 2006, four years after construction began.

The original cost of 1.845 billion ringgit (US\$527 million; €369 million) ballooned to 4.6 billion ringgit (US\$1.3 billion; €920 million) by the time the PKFZ was completed.

The loan has raised questions about Prime Minister Abdullah Ahmad Badawi's pledges to boost transparency and battle financial mismanagement in mega-projects.

Transport Minister Chan Kong Choy said the Port Klang Authority was still negotiating with the Finance Ministry on the actual amount of the loan and the repayment scheme.

Today in Business

"Of course not. It is a soft loan and we will repay in full," Chan told reporters when asked whether the loan was tantamount to a bailout. "After the repayment, the PKFZ will generate a lot of cash and resources."

Chan said 39 companies involved in manufacturing, trading and logistics have set up shop in PKFZ so far, investing a total 729 million ringgit (US\$208 million; €146 million) and generating 888 jobs.

PKFZ hopes to bring in another 55 companies with potential investment of 610 million ringgit (US\$174 million; €122 million) by the end of 2008, he said.



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"We will be marketing and promoting the PKFZ aggressively. We are confident we can move on as planned to make PKFZ a big success," Chan said.

The port project aims to woo investors from the Middle East, China, Japan and India, officials said.

But Lim Kit Siang, leader of the opposition Democratic Action Party, told The Associated Press that the government hasn't fully explained land deal irregularities and cost overruns that are believed to have triggered the debts.

"What guarantee is there that the loan will be repaid in full? It is definitely a bailout. There must be a public inquiry into this scandal," Lim said.

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.

Government bailout of prominent companies occurred regularly in the 1990s, damaging public confidence in big state projects.

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.