



# Persatuan Pengguna Pulau Pinang Consumers Association of Penang

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Letter to the Editor / Press Statement

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## **Corruption Undermines Malaysia's National Security: An urgent call to establish a RCI to investigate institutional weaknesses in the Ministry of Defence that enable corruption and threaten our security and sovereignty**

The Consumers' Association of Penang (CAP) calls upon the government to urgently establish a Royal Commission of Inquiry (RCI) to investigate the Ministry of Defence (MOD) arms procurement scandals stretching over a period of 40 years. The RCI should make recommendations for effective governance and oversight mechanisms to eliminate corruption and abuse of power in the Ministry and related government agencies. The serious weaknesses in the Ministry have adverse effects on our national security and poses an internal threat to our sovereignty. This issue has taken an added urgency given security tensions in the South China Sea and the reconfigurations of political power in the region.

We welcome the recent announcement by our Prime Minister to declassify secret reports on military and security procurement to enable law enforcement authorities to prosecute those involved in corrupt practices. The Malaysian Anti-Corruption Commission (SPRM) has submitted its investigation papers to the Attorney General on the littoral combat ship (LCS) procurement scandal. The AG must act promptly to bring those involved in corrupt practices, regardless of their status and ranks, to justice, and thereby strengthen our people's confidence in the judicial process.

Since the 1980s the MOD has been plunged in procurement scandals which is still continuing. In 1981 Malaysia purchased 26 units of the British Alvis Scorpion tanks. The recommended Rolls-Royce gasoline engines were replaced with slower diesel ones, and the guns with heavier ones. The modifications made the tanks heavier and slower, a sitting duck in any military encounter. They were scrapped in 2018 with the change of government. The 186 SIBMAS armoured personal carriers purchased by Malaysia in 1983 were found to lack combat effectiveness.

Malaysia bought 18 Russian Sukhoi Su-30MKM Air Superiority Fighters, taking delivery of three in 2007 and the remainder in 2009. The deal, worth RM3.2 billion, was made through a Russian state company whose local agent was a company headed by a former Federal Minister and Chief Minister of Melaka. The local company was paid 12 per cent of the purchase price amounting to RM380 million. By 2018, most of them had become unserviceable. Former Defence Minister Mohamad Sabu revealed that only four of the 28 Russian fighter jets were able to fly. The rest were under repair and the MOD had terminated the contractor apparently for failing to maintain the jets in airworthy condition.

In 2002, the MOD negotiated through a Kuala Lumpur-based local company Perimekar Sdn Bhd to buy two Scorpene submarines and a used Agosta submarine produced by the French government at the price of RM4.5 billion. Perimekar, owned by a close associate of the Defence Minister then, was paid a whopping commission of RM510 million, eleven percent of the purchase price of the submarines. News reports have highlighted how these submarines have been plagued by performance issues that raise doubts about their military effectiveness.

In 2004, PSC-Naval Dockyard, owned by a minister's crony, was contracted to deliver six patrol boats for the Malaysian Navy. Two boats were delivered in 2006 which were not fully operational. By 2007, the original cost of RM5.35 billion escalated to RM6.75 billion, a 26% increase. The auditor general reported that the ministry had paid RM4.26 billion although only RM2.87 billion of work has been completed, an overpayment of 48%. Also, the cabinet waived late penalties of RM214 million, raising suspicions of a cover-up. The debt-ridden private company was finally taken over by Boustead Holdings. Another bailout of politically connected cronies.

Last month another scandal exploded with the publication of the Public Accounts Committee report, after two years of investigation, on the purchase of six littoral combat ships (LCS). The Committee found that the Royal Malaysian Navy (RMN) recommended purchasing six Dutch-made Sigma LCS but the MOD chose the French-made Govind LCS - without consulting the ultimate user, our Royal Malaysian Navy.

In 2014, a contract was signed with Boustead Naval Shipyard Sdn Bhd (BNS) to build the French-made LCS at the cost of RM9 billion. The first ship was to be delivered by April 2015 and the remaining five at six-month intervals until 2023. Although over RM6 billion has been disbursed for the project not a single ship has been delivered. A misleading launching ceremony was held for the ship named Maharaja Lela even though the ship has still not been completed. This deception has caused grave embarrassment to the Sultan of Perak who had graciously officiated the launch ceremony.

All the scandals highlighted above indicate that the corruption and abuse in the procurement of security hardware and systems is not simply a case of 'bad apples' but a systemic problem within the ministry and related government agencies. It calls into question the institutional integrity of the whole procurement and security management process. And it seriously jeopardizes the efficacy and battle-readiness of our security forces to be able to protect our nation.

Following the Public Accounts Committee report on the LCS there have been several calls for a RCI of the LCS scandal. The inquiry should not be confined to the abuses in this one particular scandal but must probe the institutional weaknesses in the MOD which enables repeated corrupt practices and abuse of power over the last decades. We have spent and are spending billions of Ringgit of public money to purchase sophisticated weaponry and security equipment but with poor outcomes to protect the security of our nation.

The incestuous relationship between politically connected local agents of foreign arms manufacturers and MOD must be ended. An article in Foreign Policy in Focus revealed "many foreign arms manufacturers generally used well-connected Malaysians as their lobbyists for contracts. The commission paid to such representatives is estimated to range from 10 to 20 percent." These commissions amounting to hundreds of millions of Ringgit could be used to build more hospitals, schools and infrastructure for our people. These commissions act as an incentive for corrupt officials and politicians to design nefarious schemes to steal public funds.

The Public Accounts Committee must be congratulated for its excellent report on the LCS scandal. The Parliament's active role to prevent abuses by government officials and politicians is exactly what the public has been calling for. The next important step now is to establish the Royal Commission of Inquiry to begin the urgent process of cutting out the cancer of corruption that is destroying our nation.

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