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Govt to review T'ganu's right to oil royalties

Hamisah Hamid

THE Government will go through the accounts of the Terengganu State Government to ensure that the money received from oil royalties is not misused, says Prime Minister Datuk Seri Dr Mahathir Mohamad.

At the same time, Dr Mahathir said the Government will review Terengganu's right to oil royalties and study whether or not it forms part of a previous agreement with the Terengganu State Government.

Unlike Sabah and Sarawak, he said Terengganu is not entitled to receive oil royalties.

"Sabah and Sarawak have been entitled to royalties from the beginning but Terengganu and other states do not have such an entitlement.

"That is why we have to study whether we have to pay or not," he told a news conference at the Sultan Abdul Aziz Shah Airport in Subang yesterday. The Prime Minister returned from Egypt after attending the G-15 summit.

Dr Mahathir was asked to comment on a newsreport which quoted sources saying that Terengganu will be paid RM810 million in oil royalty this year, up 75 per cent from last year's RM426 million.

The report stated that the amount - attributed to the increase in the global oil price of between US\$30 and US\$32 per barrel (US\$1 = RM3.80) - represents 5 per cent of Petronas' oil revenue paid to the state as agreed earlier.

The Prime Minister acknowledged the increase in Petronas' oil revenue, but added that the Government has to review Terengganu's right to oil royalties.

According to the Land Code (Chapter 138) which was enforced since 1928 in Peninsular Malaysia, a state-owned land covers the foreshore and bed of sea within the territorial waters of the state.

International law says that the state's territorial waters cover the areas within 3 nautical miles from the low water mark.

Under this definition, the Terengganu State Government is actually not entitled to any oil royalties as the petroleum is obtained from an area located 100km from the state's territorial waters.

Dr Mahathir said the Government had previously agreed to pay oil royalties to Terengganu based on the consideration that the state was at that time the poorest in the country and the Government believed that the amount received by Terengganu would not exceed RM50 million.

However, due to Petronas' excellent management, he said the amount has increased.

He also said that the Government is "not very satisfied" with the utilisation of oil royalties by the states and feels that they have to undergo thorough auditing.

"We have to study in detail the expenditure by Terengganu and other states because we have to know that the money will not be misused," he added.

Asked whether the RM810 million will be paid to Terengganu or not, the Prime Minister said the Government has to study the state's right to oil royalties.

On whether problems on social development will be created should the Government discontinue the royalty payment to the state, he said: "The law is the law.

"We will provide the money... even though it is not in the form of royalty, we can provide assistance through special allocation or other

means. "

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