

10/07/2000

KL has right to review oil royalties to States

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THERE is nothing wrong or sinister in reviewing oil royalties and other disbursements to the States at any time. In fact, to do so indicates prudent fiscal management on the part of Petronas, which is wholly owned by the Federal Government.

The Government is entitled to dictate the operations and policies of its oil company. Such funding should not be regarded by the recipients as a tap that is never closed. It may also be reviewed in circumstances where there is reason to believe that the money might not be fully utilised for the benefit of the people.

Prime Minister Datuk Seri Dr Mahathir Mohamad is also quite correct in saying that Terengganu is not really in the same category as Sabah and Sarawak, where royalty payments were specifically addressed at the time of the formation of Malaysia. The proximity of petroleum resources to the territory in question will also have to be taken into account.

It is incumbent upon a Federal Government to ascertain that such funds are truly employed for purposes of development, particularly the eradication of poverty. Caution is to be exercised so that the resources are not diverted to politics and the propagation of political ideology.

The Terengganu Government could be asked to submit a detailed proposal as to how it intends to spend royalty funds. The Finance Ministry should then study its report, and if warranted, direct Petronas to disburse the money in stages. Even more crucial would be to monitor its utilisation.

Herein lies one of the reasons for a developing country like Malaysia to have compatible State and central Governments.

The Federal Government will be more at ease with a friendly administration at the State level, and more willing to trust it in the utilisation of finances.

Royalties from strategic commodities should not necessarily be a right, but rather something that has to be mutually agreed upon by successive administrations.