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Oil `royalty' not a right

CONTRACTS warm the hearts of lawyers. Interpreting the letter, spirit and intent of agreements are grist to the rhetorical skills of legal minds. Such briefs passed on by solicitors to advocates only enrich the combating legal practitioners, not the disputing parties even if one or the other eventually obtains the courts' final and abiding ruling. The latter are often beggared by the long and taxing judicial process.

One such legal dispute looms up for the nonce. The Terengganu Government is at odds with the Federal authority over the agreement the State signed with Petronas in 1975. Mentri Besar Abdul Hadi Awang, a lawyer himself, exerts the conviction that funds channelled to the State under that agreement were, and still are, royalty payments. Not so says the Federal Government. The Treasury in a statement issued on Tuesday pronounced that the annual handouts were special payments, not oil royalties. The Centre would continue to furnish funds but henceforth it would be through a Goodwill Fund Programme.

Prime Minister Datuk Seri Dr Mahathir Mohamad expatiated on Thursday that the monies granted to Terengganu all these years were special payments. He said the payment was previously referred to as "royalty" although the law does not give the State the right to the funds. The State had no legal right to the oil that discovered beyond three nautical miles offshore. The resources below the seas belong to the Federal Government and by an Act of Parliament to Petronas, the custodian of all revenues derieved from oil and gas. And the funds, which accrued to the national heritage trust that the national petroleum company is, were and still are dispensed at the will and pleasure of the Federal Government.

So it was dispensed in 1975. The 1970s were bad times for Terengganu. It was the poorest among the States that formed the Federation, lacking in infrastructure and lagging in development. The then Prime Minister, Tun Abdul Razak, decided that the people in the State should benefit from the revenue harvested from the discovery of oil offshore. That goodwill was the template of the covenant between Terengganu and Petronas. The five per cent payment was a figure decided to be fair and equitable. For the Centre had to focus on national development while attending to the varying needs of individual States. And RM50 million was deemed sufficient then to build infrastructure in and bring development to Terengganu.

Because the Federal Government was committed to dispense five per cent of revenues from oil and gas, the actual quantum has spiralled over the years thanks to the finding of more fields and increasing price of both fuels. As Dr Mahathir said, if the peg is maintained, Terengganu should receive almost a billion ringgit this year. The amount is big by any measure. The question that follows is whether it would be managed prudently and invested to ameliorate the lives of the people of the State.

This is the doubt that the Federal Government has about the Pas-governance of Terengganu. Which is why the equation of channelling funds to the State has been changed. The change however would not be a detriment to the people. Indeed, the new mechanism would be managed by a Federal committee to implement development projects. Abdul Hadi should realise that revenue from the resources of the country belong to the people, not to State Governments. They are the sole heirs to the heritage.

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