

27/06/2000

PM: Study on royalty payments

PETALING JAYA, Mon. - Oil royalty payments to Terengganu will be studied to determine whether the State holds any rights to it, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He said unlike Sabah and Sarawak, Terengganu was not entitled to get oil royalty payments.

"The State, like others in the Peninsula, is not entitled to be paid oil royalty.

"That's why a study of the law has to be conducted to see whether payment should be made or not," he said when asked to comment on a Utusan Malaysia report today that the Terengganu Pas Government would receive RM810 million in oil royalty this year.

The amount was 75 per cent higher than last year when the then Barisan Nasional Government received RM426 million.

Quoting sources, the report said the increase in royalty was because of a rise in oil prices which now stood at between US\$30 and US\$32 per barrel.

Speaking at a Press conference at the Sultan Salahuddin Abdul Aziz Shah airport in Subang on his return from the G15 summit in Cairo and a private visit to Italy, Dr Mahathir said the Federal Government would also want to study whether oil royalty formed part of a previous agreement with the Terengganu Government.

He said the Federal Government initially agreed to pay because Terengganu was the poorest State then.

The amount was also believed to be small, estimated not exceeding RM50 million.

However, Dr Mahathir said the figure increased due to Petronas' excellent ability which saw it making higher profits.

"We also need to study how Terengganu and the other States spend the money to ensure the funds are not abused ... and the law on oil royalty."

On whether the Government would come up with guidelines to ensure oil royalty was not misused, Dr Mahathir said: "Yes, we will have better auditing as we are not that happy with the management of funds by the States."

To a suggestion that problems could crop up, with the Terengganu people having to face hardship if payments were stopped, Dr Mahathir said the Federal Government was prepared help by way of special grants.

(END)