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Rais: Wrong to see Petronas' 1975 agreement as legally-binding right

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KUALA LUMPUR, Thurs. - Petronas' agreement in 1975 to issue annual special payments to State Governments in Peninsular Malaysia based on a percentage of petroleum revenues is a gesture of "goodwill".

Minister in the Prime Minister's Department Datuk Dr Rais Yatim said that the agreement could not be considered a legally-binding right to royalty payments by the peninsular States.

"The term 'royalty' is inaccurate. There is nothing contained in the 1975 agreement with the States which can be construed as royalty payments," he said today after launching the *Rasuah Dihina, Maruah Dibina* docudrama produced by the Anti-Corruption Agency, at the Eastin Hotel in Petaling Jaya near here.

Prime Minister Datuk Seri Dr Mahathir Mohamad meanwhile said the Federal Government would determine the quantum of the special payment to Terengganu under its new arrangement to channel the funds directly to the people.

Speaking to reporters at the Kuala Lumpur International Airport in Sepang on arrival from London today, he said this was because the funds that Terengganu had been receiving all this while was only a special payment and not oil royalty. (See report on Page 2).

The question regarding the Terengganu Government's legal right to a portion of oil revenues from platforms located off the State's shores gained prominence following reports that the Federal Government had supposedly agreed to pay RM810 million to the State this year.

The amount is almost twice the RM426 million paid to the State Government last year.

It is understood that the agreement in 1975, based on the Petroleum Development Act 1974, stated that five per cent from revenues be paid to the State.

On Tuesday, the Finance Ministry issued a statement on the implementation of a new method of disbursing the special payment, which was to channel the funds directly into development projects.

The statement said that despite releasing a payment of RM432 million to the Terengganu State Government in February, it had received no statement or information on the expenditure of the funds.

Rais said that only Sabah and Sarawak had binding rights to oil revenue percentages, based on two laws - the Petroleum Mining Act 1966 and the Continental Shelf Act 1968.

The two States' right to revenue from platforms located off their coastlines was extended in 1969, while similar rights for peninsular States were limited to platforms located within three nautical miles from shore, at low tide.

"For areas beyond the limit, it is up to the Federal Government to determine," said Rais.

He was also asked on the continued insistence of the Pas Terengganu State Government that they have a right to a share of the revenues, based on Section Four of the Petroleum Development Act.

The Section reads that in return for granting the petroleum related rights to Petronas, it should make cash payments to the Federal or State Governments as agreed by the parties involved.

Rais said despite the section there was no legal compulsion (to issue the payment to the State Government) as it needed to be understood from an

overall legal perspective.

"But of course, the Terengganu State Government will feel otherwise," he said.

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