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We have to review the whole structure of oil royalty payments

Sarban Singh; Chok Suat Ling

KUALA LUMPUR, Thurs. - Prime Minister Datuk Seri Dr Mahathir Mohamad said today the Government would have to relook at the whole structure of petroleum royalty payment to Terengganu.

He said when Terengganu was ruled by the Barisan Nasional, the Federal Government continued paying royalty to the State as it was poor.

"We also thought then that our oil reserves were small and that we will be paying Terengganu at the most RM50 million in royalty. We were not that thorough.

"However, the royalty has now increased to RM800 million and if the trend continues (oil price increases), we will be paying the State RM1 billion in royalty for the year 2000," he said adding that Petronas, which was one of the most profitable companies in the world, had also registered huge profits.

On the threat by Perlis Menteri Besar Datuk Seri Shahidan Kassim to sue Petronas if it decides to pay royalty to Terengganu, Dr Mahathir said the whole episode may be very embarrassing.

"If he takes the matter to court, it can be very embarrassing because if Petronas had disbursed money not according to law, then it will face a lot of trouble," he said.

Meanwhile, Petronas president and chief executive Tan Sri Hassan Marican said the royalty payment to the Terengganu State Government was based under the agreement signed by both parties in 1975.

The agreement was entered between Petronas and Terengganu State Government as a result of vesting the oil and gas resources to Petronas under the Petroleum Development Act 1974, he said.

He said under the agreement, the royalty to be paid to the State Government was five per cent for the production of oil and gas, he said when asked to comment on the issue at a Press conference to announce Petronas' financial results.

Asked on royalty payment due to the State Government, Hassan said: "Royalty amount both accrued and due is RM810 million, which is five per cent of the value of oil and gas produced."

In Malacca, the Finance Ministry's Economic Advisor Datuk Mustapa Mohamed said the Federal Government did not have any formal agreement with Terengganu for the payment of oil royalty.

The Federal Government, however, has established formal agreements with the Sabah and Sarawak Governments, and therefore, has to make the royalty payments to the States.

In the case of Terengganu, he said, there was no formal agreement for the payment of oil royalty and this was acknowledged by former Terengganu Menteri Besar Tan Sri Wan Mokhtar Ahmad.

"The reason why the Federal Government decided to pay royalty to Terengganu when was because Terengganu had the largest number of poor people. The royalty payments were to assist the poor families there to improve their livelihood," he said.

However, Mustapa said since then, Terengganu had prospered.

Mustapa who is Umno information chief was speaking to reporters after briefing all Umno information chiefs from branches and divisions in Malacca at Seri Bendahara last night.

In Kuala Terengganu, Umno vice-president Tan Sri Muhyiddin Yassin described a statement regarding the royalty issue made by a Pas leader as

a "malicious" attempt to cause discontentment among the Terengganu people.
He was referring to a report in Harakah's recent edition which quoted
Pas vice-president Mustafa Ali as saying that Dr Mahathir's decision to
review Terengganu's right to continue receiving oil royalty could be seen
as an act that "Dr Mahathir had declared war with the Terengganu people".

Muhyiddin said Mustafa should not make such a statement as it would only
confuse the people.

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