

**Committee To Study Issue On Special Payment From Petroleum Revenue – Najib
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KUALA LUMPUR, Aug 4 (Bernama) -- The government has agreed to set up a special committee to study in a fair and transparent manner on the issue of cash payment from petroleum revenue to the states in the east coast of Peninsular Malaysia.

Prime Minister Datuk Seri Najib Tun Razak said the Special Committee would be chaired by former chief justice, Tun Abdul Hamid Mohamad, and members of the committee would comprise legal experts from within and outside the country, and representatives from the Pahang, Kelantan and Terengganu state governments consented to by the Sultan of the respective states.

"The Special Committee will carry out a comprehensive study within a period of six months from the date of its establishment, taking into account all aspects of the claims and will make appropriate recommendations to the federal government," Najib said in a statement, here today.

He said the Special Committee would make a study to identify the states that would be eligible to receive the cash payment from petroleum revenue in the East Coast of Peninsular Malaysia.

"The Special Committee will also determine the method and quantum of the cash payment to the states concerned," he said, adding that over the past six months, several internal discussions were held on the issue of the cash payment and in this context, the government had agreed to set up the Special Committee.

Najib said that with the establishment of the Special Committee, the federal government hoped issues raised by the state governments in the East Coast of Peninsular Malaysia could be resolved in a fair, transparent and equitable manner.

He said that based on the agreement between the Kelantan state government and Petronas on the payment under Section 4 of the Petroleum Development Act 1974 signed on May 9, 1975, Petronas must pay in cash annually to the state government that is equivalent to five per cent of the value of petroleum found and extracted in Kelantan.

"The Federal Government takes the stand that in terms of the law, Kelantan merely has the right to demand cash payment from the petroleum revenue extracted from the state's

waters, that is an area located not exceeding three nautical miles from the state's coast line.

"Currently, no petroleum production is carried out within the Kelantan territorial waters. As such, in terms of the law, the Kelantan state government is not eligible to demand cash payment from the petroleum revenue," he said.

Najib said the Federal Government always placed priority on the aspirations of the people by opening the doors to negotiations, but at the same time, it could not ignore the country's legislation.

Najib said although the legal provisions were clear, however in November 2009, he had announced in Parliament on the granting of the cash payment to Kelantan although petroleum extraction currently was located beyond the state's territorial waters.

"This decision was made based on the need to continue to develop the state of Kelantan and to boost the people's prosperity. The allocation was channeled through the Federal Development Department (JPP) Kelantan," he said.

The Prime Minister said a major portion of the allocation would be utilised to assist school students in the state as well Kelantan students entering first year at the Public Institutions of Higher Learning (IPTA).

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