

**No cut in Petronas payouts to government, Najib says**  
**Malaysian Insider**  
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**By Ida Lim**

KUALA LUMPUR, March 28 — Petronas will likely maintain its yearly cash infusion to the federal government, despite the national oil firm recently proposing a lower dividend of RM27 billion amid lower profits last year.

Petronas is the largest taxpayer in Malaysia and is widely-considered as the country's "piggy bank", reportedly funding a third of the government's budget even as the country runs on heavy deficits.

In an interview, Prime Minister Datuk Seri Najib Razak said that he wanted to increase the country's sources of revenue, but did not indicate that there would be changes in the RM30 billion dividend that Petronas has been paying the government over the past four years.

"It's a balance between leaving enough revenue for Petronas to do their investment and re-investment, because some of their equipment does need to be replaced, because it's getting old.

"So we've got to ensure that Petronas is financially strong but at the same time will continue to provide a reasonable amount of revenue to the government," Najib told the Financial Times in a report published yesterday

But there may be changes in the future.

"We are quite happy at the present level but what happens in the future has to be taken in a bigger context of the total [revenue]... the government can expect," Najib said.

The business paper said that Petronas was looking to cut the dividend to free up more of its funds for capital expenditure as operating costs continue to rise.

Early this month, Petronas's board of directors reportedly proposed to pay out RM27 billion for the financial year of 2012, an amount which must be approved by the government — its sole shareholder — at the firm's annual general meeting.

On March 7, Petronas CEO Tan Sri Shamsul Azhar Abbas said the firm will talk with the government about its dividend policy.

"We will sit down and discuss this at the end of this month. We will work it out," he was quoted as saying by the Business Times.

Business newswire Bloomberg previously reported that Shamsul had last September said the firm should change its current model of paying RM30 billion annually to Putrajaya and pay 30 per cent of its profits instead.

The Financial Times yesterday noted that the ruling Barisan Nasional (BN) coalition headed by Najib has been spending heavily ahead of Election 2013, giving out monetary aid to different groups of voters such as low-income households, plantation workers, civil servants and taxi drivers.

But the paper also said that BN's rival, Pakatan Rakyat (PR) is looking at spending big if it manages to wrest power, with the opposition pact promising to provide free tertiary education, provide cheaper fuel and abolish tolls for highways.

FT pointed out that Malaysia runs one of the highest government debts in Asia, with a debt-to-GDP ratio

of 51 per cent, quoting HSBC's Su Sian Lim.

Su also wrote in a note that the government debt could possibly touch 55 per cent this year if no major reforms are done, but also said Najib is committed to cutting the government's debt to 50 per cent and the budget deficit to 3 per cent by 2015.

This will be achieved through both expenditure and revenue reforms, Su said, with subsidy cuts possible as early as this year and a goods and services tax (GST) in the following year.

Najib had previously promised to balance the budget by 2020 from more than 4 per cent of the GDP last year, but had also continued to promise more cash handouts to Malaysians and even dropped plans to cut subsidies and introduce the GST.

Earlier this week, economists polled by Bloomberg also indicated that Malaysia's budget deficit will continue to be strained regardless of who wins the election.

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