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On the beat Wong Chun Wai

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AT a time when some of our institutions have been tainted with suspicion, if not investigated for discrepancies, there is still a hero that can be counted upon to deliver – not once, but over and again.

We must rely on Petrolim Nasional Bhd's reserves to settle some of our government's outstanding tax refunds amounting to RM37bil via a special dividend next year.

It would be a one-off payment from Petronas to nullify the debt to improve cash flow of businesses and households, thus helping stimulate economic activities.

However, it's important to note that while Petronas is subjected to such periodic financial SOS calls as part of its national service, it's also a reflection of its solid financial position. This simply re-emphasises the need for ownership control by the government.

In many ways, despite the pessimism for the country's economic outlook for the next two years, Malaysia is lucky.

Just four years ago, the nation was grappling with the declining price of oil, but now, we are expecting higher prices.

In 2016, when Datuk Seri Najib Tun Razak was tabling the Budget, he shared that crude oil prices had fallen more than 50% from US\$100 per barrel in 2014.

Justifying the need to implement GST, he said Petronas contributed to part of the dividend to Treasury each year, the amount depending on global crude oil prices.

For example, when crude oil averaged US\$100 per barrel, revenue from Petronas dividends and petroleum tax totalled RM61.5bil.

However, the scenario changed when crude dipped to around US\$50 per barrel. The contribution from Petronas and oil-related sectors was RM41.9bil in 2015.

As oil prices were expected to remain low in 2016, oil-related revenue was estimated at RM29.4bil.

Fast forward 2018 – the price of oil has gone up, with Tun Dr

Beaming bright star

If there's one brand that has kept Malaysia gleaming in the spotlight, then it must surely be Petronas.



Eye on oil revenue: Petronas has proven it is world class because it has adopted global standards.— AFP

Mahathir Mohamad, in explaining the support given by Petronas, saying, "You must remember the price of oil has gone up quite high.

"Of course, if it is at US\$40 per barrel, it is not possible to give that kind of money, but now, it is almost US\$80," he told reporters after the tabling of Pakatan Harapan's first budget in the Dewan Rakyat recently.

While a bulk of us don't expect the price to hit US\$100, it could well shoot for the skies if the embargo on Iran by the United States is fully enforced soon, with no waiver for selected oil importing countries. Political events in the Middle East have serious implications on the price of oil.

While the RM30bil amount is banded, the precise figure Petronas must fork out next year

to cover the acute shortage in the Government's revenue is RM54bil. These are big bucks, but without them, Malaysia could risk its current credit rating because of the national debt and insufficient revenue collection to finance the Government's operations.

The dividends from Petronas were surely a better option than an earlier proposal for the government to issue the RM2bil Treasury bills to provide additional liquidity with financing costs higher.

Ratings agency S&P said it is maintaining Malaysia's credit risk ratings at A, given the country's stable outlook based on steady economic growth and the new government's emphasis on strengthening its fiscal position.

It also commended Petronas for how its "solid balance sheet,

sizeable net cash position and ample liquidity provided ample buffer against the payment."

"The financial impact of a one-off dividend of this size is moderate for Petronas' cash position and balance sheet quality, in our view," the agency reported.

It's a welcome change, really. By now, Malaysians have become immune to reading embarrassing news articles about the 1MDB.

We have become international fodder for the wrong reasons. So, trickles of good news, like this, help lift our confidence when we go abroad.

I was in Hong Kong last week to attend a media conference, and when an Australian journalist began querying me about Malaysia, I was prepared to shoot from the hip with my views on the two trending issues – 1MDB and the new government.

Instead, though, I was asked about Petronas, as he proceeded to commend the national oil and gas company for being an efficiently run institution.

Indeed, as Finance Minister Lim Guan Eng rightly pointed out in his Budget 2019 speech,

"Petronas, as a company, has been run in an extremely prudent fashion and has been able to accumulate the reserves which can be shared with the Government, without jeopardising its ability to invest for its future growth."

Credit must go to its president and chief executive officer Tan Sri Wan Zulkiflee Wan Ariffin and his leadership team.

Wan Zulkiflee's is not a household name here. The chemical engineering graduate is unassum-

ing and keeps a low profile, but he gets the job done efficiently.

Through his stewardship and prudent management, the company can contribute to the Government's efforts in managing the nation's budget.

He took over Petronas' reins in 2015 following a severe downturn in the oil and gas industry caused by the collapse in crude oil prices.

It wasn't the best time to take over the top job, but he dared to do it. I remember having lunch with him and speaking about the volatile oil price.

But he then instituted successful measures to achieve better cost efficiency in a harsh operating landscape. His transformation efforts led to the company's strong fundamentals and liquidity position. It rallied staff in the areas of operational excellence, cost reduction and portfolio optimisation, all of which will secure the company's ability to service its debts, fund its ongoing operations and invest in future growth.

The Petronas CEO's job has always been tough with having to ensure results to keep a tight control of finances as the custodian of Malaysia's wealth, while at the same time, be expected to play the rescue role.

In 2011, Petronas was requested to even shoulder part of Tenaga Nasional Bhd's (TNB) higher operational costs caused by gas shortage. Petronas, TNB and the government had to evenly share the reported sum of RM3.07bil the utility company incurred in cost overruns from Jan 1, 2010 to Oct 31, 2011.

A lifeline was cast to TNB, which posted a net loss of RM453.9mil for 4QFY11 ending Aug 31. If there is a lesson to be learnt here, it's that Petronas is listed among the top 500 companies in the world, and it has worked well because it adopts global standards.

Politicians like to use phrases like world class and world standards to a point it becomes meaningless, but Petronas has proven it is and has remained in the global rankings for good reason.