

ORAL ANSWERS TO QUESTIONS**STC - DIESEL & GASOLINE - PRICE**

The Leader of the Opposition (Mr P. Bérenger) (*by Private Notice*) asked the Minister of Industry, Commerce and Consumer Protection whether, in regard to the State Trading Corporation, he will, for the benefit of the House, obtain therefrom, information as to

-

(a) in regard to diesel and gasoline -

(i) the amount of money contributed into the Build Mauritius Fund in 2014 and estimated to be contributed thereinto for 2015, and

(ii) if the local price thereof will be lowered by 10 rupees per litre being given that world oil prices have collapsed by 60% since June 2014 and resulted in price reductions worldwide, and

(b) its surplus for the year 2014 and for the period January-June 2015 respectively, indicating its accumulated reserves.

Mr Gungah: Madam Speaker, with your permission, I shall reply to the PNQ and PQ B/491 together as they relate to the same subject matter.

Madam Speaker, as regards part (a)(i) of the PNQ, I am informed by the State Trading Corporation that the total amount of money contributed into the Build Mauritius Fund in 2014 was Rs339,550,030. The estimated contribution into the Build Mauritius Fund for January to December 2015 is Rs1,363,615,334.

As regards part (b) of PQ B/491, I am informed that the total amount of money collected for the Build Mauritius Fund for the period January 2014 to August 2015 was Rs1,121,165,364.

As regards part (a)(ii) of the PNQ, since June 2014 to date, the Platts price of mogas has decreased from 1,021.32 US\$ per metric tonne to 519.22 US\$, that is, a decrease of 502.10 US\$, representing 49.16%.

Regarding gas oil, the Platts price has decreased from 118.76 US\$ per barrel to 59.05 US\$, that is, a decrease of 59.71 US\$, representing 50.28%.

From August 2014 to December 2014, there have been three decreases in the retail price of mogas and gas oil amounting to a total of Rs6.30 and Rs6.15 per litre respectively.

In January 2015, the item “Contribution to the Build Mauritius Fund” in the price structure of both mogas and gas oil was increased from Re1 to Rs4 per litre in order to cater for the financing of works related to the water distribution network so as to provide a more regular water supply to the population. The item “Contribution to Rodrigues transportation and storage” was also increased from 5 cents to 16 cents per litre so as to subsidise the increasing cost of freight and other related costs to maintain the price of petroleum products, LPG, cement, ‘ration’ rice and flour at par with those prevailing in Mauritius.

Had the contribution to the Build Mauritius Fund remained at Re1 per litre on both mogas and gas oil, and the contribution to Rodrigues Transportation and Storage not been increased by 11 cents, there would have been a decrease of Rs3.40 and Rs3.45 per litre for mogas and gas oil respectively. Accordingly, the total decreases in the prices of mogas and gas oil would have amounted to Rs9.70 and Rs9.60 respectively.

Madam Speaker, as regards part (a)(ii) of PQ B/491, the different components of the price of mogas and gas oil comprise, *inter alia* -

- Platts Reference price;
- Insurance;
- Freight;
- Excise duty;
- *Maurice Ile Durable* levy;
- Contribution to Road Development Authority;
- Contribution to Rodrigues transportation and storage;
- Contribution to the Build Mauritius Fund;
- Contribution to subsidy on LPG, Flour and Rice;
- STC’s operational expenses;
- Oil Companies’ operational expenses and wholesale margin;
- Retail margin (Filling station’s margin) and
- Value Added Tax.

I am tabling a copy of the price structure listing down the quantum of its different components per litre, as they stood at 05 September 2015.

Madam Speaker, I would have wished that the price of mogas and gas oil to have decreased further for the benefit of one and all. However, the Consumer Protection (Control of Price of Petroleum Products) Regulations 2011 regulate the functioning of the Petroleum Pricing Committee and has set up thresholds to be observed for any revision in the prices, be it for increase or decrease purposes.

In January 2014, only the thresholds of the petroleum pricing mechanism were reviewed to calculate increase or decrease in prices. They were changed from a range of 5% to 15% for an increase to 4% to 10% - the range - and for a decrease from the range of 7% to 10% to the range of 4% to 10%.

Moreover, the Reference price is calculated based on a twelve-month average Platts price comprising of six months actual and six months future prices.

I have, therefore, set up a Technical Committee to review the current petroleum pricing mechanism. The Committee comprises representatives of my Ministry, the Ministry of Finance and Economic Development and the State Trading Corporation, and has already started its workings.

I have requested the Technical Committee to review that element of threshold as well as others of the Petroleum Pricing Mechanism. I am confident that the new mechanism that will be worked out by the Technical Committee will allow the decrease in prices of petroleum products to be passed on to consumers while at the same time be able to contain rise in prices when this situation crops up, the more so that the price of petroleum products is volatile and fluctuates daily.

Madam Speaker, as a responsible Government, we should not only look at the current situation but we should also plan for the future and not be taken by surprise.

I want to achieve a win-win situation, that is, decrease in prices is passed on reasonably to the consumer while not putting at stake or jeopardising the finance of the STC. The supply and pricing of petroleum products is one of national interest. To open “a *parenthèse*”, this is the very basis which prompted the new Government to take amongst its

first decisions, the doing away of the services of Betamax Ltd. for the transport of our petroleum products.

Madam Speaker, regarding part (b) of the PNQ, I am informed by the STC that its surplus for the year 2014 was Rs442 m., and the surplus for the period January to June 2015 is Rs428 m. The accumulated reserves of the STC as at 30 June 2015 stood at Rs2.05 billion. An amount of Rs1.45 billion has been earmarked by the STC for remittance as dividends to the Consolidated Fund in financial year 2015-2016 for Government to implement projects in its Public Sector Investment Programme.

I wish to inform the House that with the decrease in world prices of LPG, the amount of subsidy required has decreased for the period January to June 2015 compared to the year 2014. Consequently, the amount required to maintain prices of LPG on the local market has decreased. Hence, the increase in accumulated reserves for the STC for the six months' period.

Mr Bérenger: If I heard the hon. Minister rightly, I think, the figure into the Build Mauritius Fund is Rs1,350,000,000, but, here, in the House on 10 February 2015, he, himself, said that it would be Rs1,800,000,000. Now, we are told that it will be Rs1,350,000,000, which is a lot of money, but can I be made to understand why this change?

Mr Gungah: The change is due to the fact that when the retailers, that is, the filling stations sell their products, it is not a fixed figure that is being sold in terms of litres and it varies daily.

Mr Bérenger: As far as accumulated reserves are concerned, we have been told that the STC has accumulated reserves of more than Rs2 billion. Now, I take it that the profit that the STC is making is - apart from Rs1,350,000,000 that will be taken out of consumers' pockets - millions of profit on trade in diesel and *essence* generally. Can we know whether any sum from the STC - because we have been told that there is an earmarked sum that will be transferred to the Consolidated Fund - has today been transferred since the beginning of the year to the Consolidated Fund or to any other funds Government-controlled?

Mr Gungah: According to information I have, Madam Speaker, there is no profit on sale of mogas and gas oil. Concerning the amount that is to be transferred, it has not yet been transferred. It is going to be transferred, that is, the amount of some Rs1.5 billion.

Mr Bérenger: Are we being told that with the drop in the price of oil products, the STC is not making any profit on diesel and *essence*? Is that the correct answer?

Mr Gungah: It should not be labelled as ‘profit’ because the amount is used to fund projects and other developments.

Mr Bérenger: Then, Madam Speaker, by whatever name called surplus, profit or what have you ...

(Interruptions)

...has millions been transferred to other funds, either the Consolidated Fund or other funds apart, of course, from the Build Mauritius Fund - any other fund?

Mr Gungah: In fact, the sum that has been accumulated, it is the surplus for several years, Madam Speaker, which has amounted to Rs2.05 billion. It is not the surplus of the last eight months; it is a surplus that has been accumulated since several years.

Mr Bérenger: So, I want to get that clear. So, what is being taken out of the pocket of consumers is not only the more than Rs1 billion contributed to the Build Mauritius Fund, but also millions that are being called profits or surplus or what have you and that are being transferred to the Consolidated Fund.

Mr Gungah: The STC sells petroleum products and this generates fund for the Government, revenues for the Government, and these revenues are at the service of the Government to implement projects and we have a list of priorities...

(Interruptions)

...like among others the Water Supply Project.

Mr Bérenger: Madam Speaker, now, reference has been made to Betamax and only last week, the hon. Minister told us that STC has saved Rs2 billion, R 2 *milliards*, over the period of the agreement that has been ended. Can I know the impact - since the beginning of the year, since January, when Betamax has been done away with – on the price, that is, has the hon. Minister who has worked out that over the period of the agreement, Rs2 billion have been saved, since February has it been worked out how much per litre the STC is paying less for freight?

Mr Gungah: The STC is definitely paying less on freight and the Rs2 billion which I mentioned is for the period of 15 years, Madam Speaker.

Mr Bérenger: I said that the period of the agreement - different papers, *les petits papiers*. I put my question again: Has it been worked out how much that saving – if we call it that – by STC, how much it translates in terms of rupees per litre and should not at least the price of diesel and essence been brought down by that amount? At least!

Mr Gungah: I said, Madam Speaker, in fact, there is the Consumer Protection (Control of Prices of Petroleum Products) that regulates the functioning of the Petroleum Pricing Committee and now that I have set up a technical committee to review the structure, as I just mentioned, the range for the calculation of the petroleum products and also, the twelve months average Platts reference price, we are going to take into consideration all these factors.

(Interruptions)

It is only eight months, Madam Speaker, that we are in Government and we have started making savings and these savings will be definitely *répercutés* on the population in general in different ways.

(Interruptions)

Mr Bérenger: I referred to June because June 2014 was the peak. Is the hon. Minister aware that the price has gone down since that peak from USD115 to less than USD50, it has just gone below USD45 and since the last increase – because he gave figures about the increases under the former Government – in December, is the hon. Minister aware that prices have gone down by 30%? And, therefore, Madam Speaker, that justified why the then coalition, hon. Xavier Duval promised Rs10 of decrease per litre. It was made an electoral promise. With figures like that, why has not the price of diesel and *l'essence* gone down by Rs10 as promised?

(Interruptions)

Madam Speaker: Hon. Shakeel Mohamed, please!

(Interruptions)

Mr Gungah: Madam Speaker, I clearly explained that we are bound by the Petroleum Pricing Committee, the mechanism that is in place right now. That is the reason why we could not bring any reduction in the price of petroleum products, be it diesel or *essence* and now that the new committee is working to review the price structure, the formula will be different and I am sure with the new formula, that is going to come out very soon, the price fluctuation, be it increase or decrease, will be clearly *répercuté* on the population and everything will be done in the interest of the population.

(Interruptions)

Madam Speaker: Hon. Jhugroo, please!

Mr Bérenger: I am sure I can ask the hon. Minister, he must be aware that that formula...

(Interruptions)

Shame! I am sure the hon. Minister is aware that that formula worked out by the previous Government was designed so that when there are increases, it does not reflect in any decrease because it has no *effet rétroactif*. It worked out on a given period of time, one after the other, but not looking onto the past, that is, it is accumulated money out of the pockets of the consumers. So, can I ask the hon. Minister now that he has discovered *l'Amérique* – it is not Godsend that formula; it was worked out by the previous Government to deprive consumers of their due.

(Interruptions)

Can I know whether...

(Interruptions)

Of course, everybody knows that! Except you apparently until now...

(Interruptions)

Madam Speaker: Order, please!

Mr Bérenger: ... you set up a committee! Everybody knows that!

(Interruptions)

Madam Speaker: Order! Hon. Jhugroo, please!

Mr Bérenger: Can I know whether the formula will be backdated, because all this money has been coming out of the pockets of the consumers?

Mr Gungah: Madam Speaker, the existing formula...

(Interruptions)

Madam Speaker: Hon. Rutnah, please!

Mr Gungah: The existing formula, up to now, has saved consumers a lot of money because there was a period which lasted for almost 23 months where prices were increasing in the world market. Here, we managed to stabilise it without any increase and there was another period for 17 months in which we were in the same situation.

(Interruptions)

Madam Speaker: Order, please!

Mr Gungah: This new formula on which we are working...

(Interruptions)

Madam Speaker: Would you allow the hon. Minister to reply, please!

(Interruptions)

Some order!

Mr Gungah: This new formula on which we are working will take into consideration what the Petroleum Pricing Committee has been doing, that is, keep the price stable as far as we can, but, at the same time, when there is a decrease like we are having right now on the world market, it is repercutated on the consumers.

Mr Bérenger: Can we have a time frame within which....

(Interruptions)

Madam Speaker: No cross-talking, please!

Mr Bérenger: Can we have a time frame within which that new formula will be worked out? Is he aware that formula or no formula, all around us, since the 01 September - India, Reunion Island next door, last Monday Seychelles - prices of diesel and *l'essence* have been going down regularly except here because of a formula that is discovered now to be

inadequate? Therefore, can I know within which time frame that formula is going to be worked out and whether it will have *effet rétroactif*?

Mr Gungah: The time frame will be approximately one month, Madam Speaker, but it won't be *rétroactif*. My reply is to the other part of the question that the hon. Leader of the Opposition asked, that is, comparison with other countries, I think, we should take note that Mauritius is one of the few countries where the prices of gasoline and gasoil are low compared to many other countries. I can give examples, Madam Speaker. For example, the price of gasoline in Mauritius is 1.23 USD per litre compared to Seychelles where it is 1.25 USD, Zambia: 1.25 USD, Comoros: 1.42 USD, France: 1.50 USD, Malawi: 1.48 USD, United Kingdom: 1.72 USD.

(Interruptions)

Madam Speaker: Order, please!

Mr Gungah: The list is long; I can go on, Madam Speaker. It is the same for the price of gas oil which, in Mauritius, is 0.95 USD per litre compared to Seychelles which is 1.09 USD, compared to France where it is 1.22 USD. And in France, we all know, they have got a stockage capacity, they have got a refinery. Here, in Mauritius, we have neither stockage capacity nor refinery. We have to import the product. That's why we are working to make Mauritius a petroleum hub in order to have capacity of storage so that even if there is price fluctuation, the price at which we have bought the product, will be sold to the consumers.

Mr Bérenger: The hon. Minister has quoted a number of countries. Can he tell me how many times prices have gone down in those countries since January of this year? Can he give us this information?

Mr Gungah: Madam Speaker, even if there have been several decreases or I don't know how many decreases, the price is still higher than in Mauritius.

Mr Mahomed: I do know the hon. Minister has tabled a paper regarding the structure. My question is as follows: under Maurice Ile Durable, may I know from the hon. Minister, what has been the amount that has been collected in 2014 and forecasted to be collected in 2015 and whether the sum that is being collected is being consolidated or channelled to sustainable development projects as originally designed?

Mr Gungah: Madam Speaker, the amount that has been collected in the MID Levy for the year 2014 is Rs123 m. and for the year 2015, it is the same amount, that is, Rs123 m.

As far as how this amount has been spent, unfortunately, Madam Speaker, the MID Levy does not fall under the purview of my Ministry and it will be presumptuous for me to give more details on that.

Mr Uteem: The hon. Minister is saying that now he is going to review the structure, but, as far back as 10 February 2015, in this very House, when I asked him to do the same thing, this is what he replied –

“I propose to consult my colleague, the hon. Minister of Finance and Economic Development on the possibility of reviewing the price structure for Mogas and Gas Oil.”

That was as far back as February. So, may I know from the hon. Minister why after 7 months, he still has not done any structures?

Mr Gungah: Madam Speaker, I had several consultations with the Vice-Prime Minister and Minister of Finance and Economic Development, but we should not forget that the price of petroleum products is very volatile. We have been studying the case since that period and we have achieved results as they are now and that is why a decision has been taken. It is true, I do not deny the fact that prices have been decreasing, but, because of the mechanism that is in place right now, we are not being able to pass it on to the consumers. But now, that the Committee has been set up, and it is a Committee that is working very seriously on that, it is going to come with recommendations, that will be discussed in the Government and I am sure that any change, be it increase or reduction – and I prefer it is reduction always – will be passed on to the consumers.

Mr Mohamed: The hon. Leader of the Opposition has asked a very important question, I would like to recap from there. The hon. Minister says there has been a lot of savings made following the Betamax cancellation of their contract. The question is, not what is the price of freight, because this is one element of the equation - the price of freight. The question is: what is the reduction or the saving made per litre? This is a question that the hon. Minister has been avoiding, not the freight, but per litre.

Mr Gungah: Madam Speaker, let me, first of all, say one thing. At least, in this Government, STC is making profits whereas in the previous Government, we all know the losses that were accumulated with hedging and others.

(Interruptions)

To reply...

Madam Speaker: Order, please!

(Interruptions)

Order! Hon. Jhugroo, please!

Mr Gungah: To reply to the hon. Member...

(Interruptions)

Madam Speaker: Hon. Jhugroo, please!

Mr Gungah: To reply to the hon. Member who is talking about freight that we are paying less, I wish to inform the House that the freight on Mogas, for example, represents 1.5% of the retail price and for Gas Oil, it is 2% of the retail price. Now...

Madam Speaker: Hon. Mohamed, you have asked the question; allow the hon. Minister to reply, please!

(Interruptions)

Allow him to reply!

Mr Gungah: Now, Madam Speaker, I just said that since we took Government, the STC is making profit, we don't deny about that.

(Interruptions)

Madam Speaker: Hon. Mohamed, please!

Mr Gungah: STC is making profit and we are in the process of distributing this profit...

(Interruptions)

But the Committee that is going to be set up will take all these factors into consideration to get the price per litre.

(Interruptions)

Madam Speaker: Hon. Mohamed, I am drawing your attention once more. If you have a question to ask, you will stand up; I will give you the opportunity, you will stand up and ask the question.

(Interruptions)

No, not now!

(Interruptions)

Hon. Mohamed, last time! Last time I am drawing your attention to it.

(Interruptions)

Yes, Hon. Bhagwan!

Mr Bhagwan: Madam Speaker, can the hon. Minister confirm to the consumers, the country and the nation that duty, levies and taxes on the importation price represent 177% that the consumers are being asked to pay and no other country in the world has such a heavy rate of taxes. Can the hon. Minister, at least, honestly inform the House that this Government has been fleecing the consumers?

(Interruptions)

Honestly!

(Interruptions)

Ine coquin consommateurs!

Mr Gungah: This percentage of tax had already been existing for years and years. I repeat and repeat and repeat again!

(Interruptions)

The Committee that has been set up is going to look into all these elements!

(Interruptions)

Madam Speaker: Order, please!

(Interruptions)

Would you allow the Minister to reply or you don't want him to reply?

Mr Gungah: Maybe the hon. Member wants to eat some pizza!

(Interruptions)

Madam Speaker: Hon. Bhagwan!

(Interruptions)

Hon. Bhagwan!

(Interruptions)

Hon. Bhagwan, I am on my feet!

(Interruptions)

Can I have some order in the House!

(Interruptions)

I am on my feet, please!

(Interruptions)

Hon. Bhagwan! Please, Minister!

(Interruptions)

You can't imply me in any debate or any discussion, you are a seasoned politician and you know that!

(Interruptions)

Hon. Jhugroo!

Mr Gungah: Madam Speaker, this tax has been existing for years and I said it, with the new mechanism that is going to come very soon all these will be taken into consideration, if need be. But, we have to be responsible. We are a responsible Government. We have to take decisions in the interest of the public and I am sure, once the Committee has given its recommendations and once the Government has taken the decision that should be taken, everything will be done in the interest of the population.

(Interruptions)

Madam Speaker: Hon. Ganoo!

Mr Ganoo: In view of the CIF price of one litre of mogas which is above Rs16.20 and the amount finally sold to the consumers which is about Rs46.00, representing about

175%, in view of the specific price structure prevailing in the country, can I ask the hon. Minister whether isn't it time for members of the consumer organisation to form part of the Price Mechanism Committee or the Technical Committee which is going to be set up to review the structure and the mechanism?

Mr Gungah: Madam Speaker, right now, the Committee comprises of members from my Ministry, from the Ministry of Finance and Economic Development and the State Trading Corporation. I will welcome anybody who has got brilliant ideas, be it from the civil society or from the Opposition, to send me their recommendations and, if need be, I am ready to meet them to discuss about this and, if their proposals are correct, we will take them on board.

Madam Speaker: Hon. Leader of the Opposition!

(Interruptions)

No! Time will be over! The last question is for the hon. Leader of the Opposition!

(Interruptions)

Please, sit down!

(Interruptions)

Sit down! I have given the floor to the hon. Leader of the Opposition for his last question!

(Interruptions)

Time permitting! No! I decide! You don't decide for me!

(Interruptions)

Hon. Leader of the Opposition!

(Interruptions)

Mr Bérenger: Well, of course, we know that the Minister has chosen to reply to the Private Notice Question and the Parliamentary Question at the same time and there is no limit as far as the Parliamentary Question time is concerned. Therefore, can I appeal to the Chair to allow a last supplementary question?

Madam Speaker: Hon. Leader of the Opposition, I have given additional time so that the Parliamentary Question also may be replied at the same time. So, I have already given additional time and time permitting, I give the opportunity to everybody to ask questions and I have given everybody in turn. The floor is yours, hon. Leader of the Opposition for the last question!

(Interruptions)

Mr Bérenger: My last question will, therefore, unfortunately have to be, being given the crash in prices, not volatility, from US\$115 to today US\$45, being given secondly, the billions of profits made by the STC, and thirdly, being given the promise of a Rs10 decrease during the electoral campaign - rightly promised - being given all this, will the Minister agree with me that bringing down the price of diesel by a meager Rs2 and keeping the price of *l'essence* as it is, is nothing but a provocation and that, therefore, consumers can be expected to benefit from that new formula as soon as possible?

Mr Gungah: Madam Speaker, when the hon. Leader of the Opposition is talking about crash in prices, I don't know whether he is referring to crude oil or to the Brent or the Platts price. Because, from the crude there is a procedure for refinery and transport and the price that is quoted by Platts is not the same as crude.

As far as the second part of the question of the hon. Leader of the Opposition is concerned, I said that the Committee is working and is going to come out with recommendations and I welcome all hon. Members of the National Assembly. If they want to share their ideas they can meet me personally. I say it loud and clear, Madam Speaker, with the new formula that is going to be worked out, any reduction that is going to occur on the world market will be passed on to the consumers because right now, with the system that is prevailing, unfortunately, we can't do that. With the system that exists at present, two factors mainly affect consumers. But there are also advantages of the present system because as I said, for almost 23 months while there was an increase on the world market, the price was stable in Mauritius and even for a period of 17 months - I don't remember the date exactly, it was, I think, in 2013. But with the new system, I can assure the House, the hon. Members and the population in general that any reduction will be passed on to the consumers.

Madam Speaker: Time is over! Hon. Members, the Table has been advised that Parliament Question No. B/482, in regard to the setting up of a Land and Monitoring

Research Unit, addressed to the Rt. hon. Prime Minister, will now be replied by the hon. Deputy Prime Minister, Minister of Tourism and External Communications. Parliamentary Question No. B/478 has been withdrawn. Yes, hon. Bhagwan!