Debate No. 17 of 17.06.04

ORAL ANSWER TO QUESTION

IRON BARS - PRICES

The Leader of the Opposition (Dr. N. Ramgoolam) (By Private Notice) asked the Minister of Commerce and Co-operatives whether, in regard to the 6, 8, 10 and 12 millimetre iron bars, he will state -

(a) their respective prices before and after the recent price increases and subsequent to the duty remission on the 6mm bar announced in the Budget Speech;

(b) the estimated quantity of each used in building a 1500 sq ft house and the total costs of such bars -

(i) before and after the price increases;
(ii) after duty remission on the 6 mm bar, and

(c) the resulting financial impact in value and in percentage of costs.

Mr Koonjoo: Mr Speaker, Sir, prices of iron bars were revised early this month following increases in the import price of billets from 270 USD per metric ton to 430 USD per metric ton, that is, an increase of 60%. This is due to increase of prices at source and increase in freight. In fact abnormal increase in demand from China, the middle-east countries and the south-east Asian countries has caused world prices of billets and iron bars to rise substantially. Mauritius is a price taker and not a price maker and cannot affect world prices when buying iron bars.

The local steel millers were not happy with the recent price increase. Their contention is that factory costs have to be revised. Consequently, the whole issue of price increase on iron bars has been referred to the Management Audit Bureau by Government. Management Audit Bureau will study and report accordingly.

In fact, in our communiqué, on the last price increase, the public has been informed about it.

We should not forget that the grant for casting of slaps has increased from Rs40,000 to Rs50,000 per unit, that is, an increase of 25%. The scheme is meant for poor people earning an income of Rs7500 per month or
less and constructing a house for the first time. The 25% increase in the grant is meant for the increase in price of other types of iron bars.

Mr Speaker, Sir, I am pleased to inform that some importers intend to import from Egypt which is a part of common market for eastern and southern Africa. There is no duty for imports for the common market for eastern and southern Africa.

As for SADC of which South Africa is a member and from which most of our steel is imported will remove all Customs duties latest by 2012. We shall definitely benefit from this measure.

Mr Speaker, as regards part (a) of the question the information sought is as follows -

(a)  
(i) The prices of 6, 8, 10 and 12 mm iron bars were before the price increase, that is, with effect from August 2003 as follows -

<table>
<thead>
<tr>
<th>Diameter</th>
<th>Length 5.5 metres</th>
<th>Wholesale Price Rs17.50 per bar</th>
<th>Retail Price Rs19.40 per bar</th>
</tr>
</thead>
<tbody>
<tr>
<td>6mm</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8mm</td>
<td>16,701.00 per metric ton i.e 61.90 per bar</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10mm</td>
<td>15,921.80 per metric ton i.e 93.15 per bar</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12mm</td>
<td>15,921.80 per metric ton i.e 134.15 per bar</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16mm</td>
<td>15,921.80 per metric ton i.e 239.60 per bar</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20mm</td>
<td>15,921.80 per metric ton i.e 372.70 per bar</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25mm</td>
<td>15,921.80 per metric ton i.e 578.30 per bar</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(iii) The prices of 6, 8, 10 and 12 mm iron bars are, after the recent price increase, that is, with effect from 04 June 2004 are as follows -

<table>
<thead>
<tr>
<th>Diameter</th>
<th>Length 6 metres</th>
<th>Wholesale Price Rs19.10 per bar</th>
<th>Retail Price Rs21.15 per bar</th>
</tr>
</thead>
<tbody>
<tr>
<td>6mm</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Diameter 6mm
**Length 5.5 metres**

<table>
<thead>
<tr>
<th>Diameter</th>
<th>8mm</th>
<th>Wholesale Price from Rs17.50 to Rs24.20 per bar (38.28 % increase)</th>
<th>Retail Price Rs19.40 to Rs26.70 per bar (37.63 % increase)</th>
</tr>
</thead>
</table>

**Length 6 metres**

<table>
<thead>
<tr>
<th>Diameter</th>
<th>Wholesale Price Rs19.10 to Rs26.40 per bar (38.22 % increase)</th>
<th>Retail Price from Rs21.15 to Rs29.15 per bar (37.82 % increase)</th>
</tr>
</thead>
</table>

For the length of 5.5 metres, the wholesale price has decreased from Rs24.20 to Rs18.20 per bar. Retail price has decreased from Rs26.70 to Rs20.15 per bar.

For the length of 6 metres, the wholesale price from Rs26.40 to Rs19.85 per bar. The retail price from Rs29.15 to Rs22.00 per bar.

Mr Speaker, Sir, as regards part (b) of the question, the estimated quantity of each type of iron bars in a building of 1,500 square feet house, the cost are as follows -

The number of 6 mm bars used are 870 and the total cost before the price increase was Rs18,400. The cost after the price increase, that is, on the 04 June 2004, was Rs25,360 and after the duty remission it is Rs19,140.
For 8 mm bars, the number of bars used is 550. The total cost before the price increase was Rs34,045. The cost after the price increase, that is, on the 04 June 2004, was Rs46,612 and after the duty remission it is Rs46,612.

The number of 10 mm bars used is 25. The total cost before the price increase was Rs2,328. The cost after the price increase was Rs3,230 and it is the same price after duty remission.

As regards 12 mm, the number of bars used is 122. The total cost before the price increase was Rs16,366. The cost after the price increase was Rs22,704 and it has remained the same after duty remission.

The total cost of a house and the cost of the 6 mm, 8 mm, 10 mm and 12 mm bars is Rs71,139. The cost after the price increase, that is, on 04 June, is Rs97,906, and after duty remission it came to Rs91,686.

As regards part (c) of the question, the resulting financial impact has been as follows –

(a) a decrease of 6.3% following the duty remission on 6 mm iron bars;
(b) an increase of 7.31% after the price increase on 04 June 2004.

Dr. Ramgoolam: That is why we said there was an effet d'annonce.

(Interruptions)

It hurts! In spite of the fact that the Minister has said that there was remission of 1.6% on one of the bars, that is, the 6 mm bar, the cost has gone up by 29%. Can he confirm that?

Mr Koonjoo: I have just explained, Sir. There was no effet d'annonce with this measure!

(Interruptions)

Mr Speaker: Order!

Mr Koonjoo: The problem with the Opposition is that they know that the Government has scored on this issue. The consumers, especially the low-income group, are satisfied. Today, there is an article in one paper
where Consumers Protection Associations have praised and congratulated the Minister of Finance and the Government for the measures we have taken. It is the first time in the history of Mauritius that in the Budget the consumers are taken on board. I do not believe that it is only effets d'annonces; I believe that it is a very good measure that we have taken.

After three years of budget rigueur, budget relance, budget disciplinaire, it is high time that the population, especially the low-income people, should benefit from the work that they have done.

**Dr. Ramgoolam:** It is all bla-bla-bla! The Minister forgets to mention that, when they came in power in 2000, the overall increase had been 72%. I am sure they know it. The Minister was repeating the prices over and over, but it is only the price of 6 mm bar which has been reduced. The other bars have continued to increase. This has created an increase of Rs24,545 on an average house of 1500 square feet. I am using the Minister's own figures. Where is the decrease that he is talking about?

**Mr Koonjoo:** Mr Speaker, Sir, the 6 mm iron bars are very important in the construction of houses. The Leader of the Opposition should know that for étriers, we need 6 mm iron bars. I said in my answer that the price of billets has gone up from US$270 to US$467 - an increase of 60%. The price has gone up by 37% and not 60%. I have said that the importers, Desbro and other companies, are not satisfied. That is why we have referred the matter to the Management Audit Bureau for them to make an in-depth inquiry and submit us their report. But when the Opposition was in power for four and half years, how many times did they decrease the price of iron bars?

**Dr. Ramgoolam:** We have actually decreased the price, and the Minister does not know! The Minister should go and check! The other day, I said that we use the 6 mm iron bars for étriers and everybody was saying 'no'. Now, the Minister is saying that it is used for étriers. The construction of an average house of 1,500 square feet is going to increase by the figure that the Minister has given himself, that is, Rs24,545, in spite of the remission. That is why I say it is an effet d'annonce.

**Mr Koonjoo:** Mr Speaker, Sir, we are a caring Government. I just said in my answer that there is an increase of 25% for those people who are casting slabs, that is, from Rs40,000 to Rs50,000. Naturally, the Opposition cannot digest it, because it is a measure in favour of the low-income group. I said in my answer in the light of the MAB report, we will study the recommendations. I said also that by 2012, South Africa from where we
import most of our billets, is going to remove all duties and we will definitely benefit from that measure.

**Dr. Ramgoolam:** The Minister is saying that this is a caring Government. I am going to show that he is trying to fool people. In fact, if this is a caring Government, why did it not abolish customs duty on the ones that are more expensive? I quote the prices that the Minister has stated: the price of 6 mm irons has gone down to Rs20.15, but the others have gone up from Rs61.40 to Rs84.75, Rs93.15 to Rs129.20 for 10 mm, Rs134.15 to Rs186.10 for 12 mm and as regards the 16 mm, 20 mm and 25 mm iron bars, it is all the same. It is going up and up. If you are a caring Government, why did you bring it down on just the cheapest one and not on the most expensive ones?

**Mr Koonjoo:** Mr Speaker, Sir, I believe that the Leader of the Opposition has, at least, some logic to understand what I said. In my reply, I stated that there is a huge increase in the world prices. China, especially, is importing millions of tonnes of iron bars. The prices have gone up on the world market. As I said, we, in Mauritius, are price takers and not price makers. We cannot influence the world market price. There is a substantial increase in the price of imports. Anybody importing materials cannot sell the goods at a low price and make loss. Nobody would do that. No trader will launch an enterprise, where he is importing at high prices and selling at low prices. They cannot do that. Let me remind the Leader of the Opposition that they did the opposite thing when they were in power. When the time came to increase the price of petroleum products, the STC kept the price low, despite the fact that they were importing at high prices, just to please the people, and not be unpopular. That resulted in deficits of billions of rupees, be it at the STC, the CWA and so many other institutions. We are a responsible Government, we do everything in transparency, and the public knows that. Just like the automatic price mechanism for petroleum products, the STC has come up with this measure. Everybody knows about it. It is transparent. International tenders are opened before the public. Everybody knows what we are doing, and we are doing a marvellous job, especially at the STC.

**Dr. Ramgoolam:** The Minister mentioned importation from China.

(Interruptions)

Can the Minister tell us how much we are importing from China, India and South Africa?
Mr Koonjoo: Most of our billets are imported from South Africa. Nothing is imported from India or Ukraine or from other countries. Almost all our imports come from South Africa.

Dr. Ramgoolam: Why was it mentioned in the Budget Speech that duty is coming down to 30% when, in fact, in South Africa, which is in SADC, the duty is 18%?

Mr Koonjoo: The duty actually is 40% on iron bars. I said that, in this case, the Government, the Minister of Finance has made a special effort, because the world is recovering from its economic depression. There are huge constructions everywhere, be it India, where they are constructing roads connecting Delhi to Calcutta, Calcutta to Chennai, Chennai to Bombay and Bombay back to Delhi. They are using iron bars on the roads for construction. This is being done in the South East Asian countries, especially China and India. Let me tell the Leader of the Opposition one thing. Lately, we went for tender for rice. China is a country which exports two to three millions tonnes of rice every year. This year...

(Interruptions)

Mr Speaker: The Minister should better answer about iron bars.

Mr Koonjoo: I am talking about China. If the Opposition does not know, they better go and read! China is affecting the prices of all commodities, be it cement, rice, etc.

Mr Duval: Mr Speaker, Sir, in November 2003, the hon. Minister made a statement in the House, blaming one importer for hoarding these iron bars and not putting them on the market. Does the Minister have any figures on any windfall gain, probably massive, that has been made with this hoarding, with the sudden 38% increase in the price of iron bars?

Mr Koonjoo: No, Sir, there has not been any hoarding, any black-marketing. Before and after the increase, the officers of the Consumer Protection Unit have been watching all importers, all retailers, all quincailleries, and there has not been a single place where there has been overpricing or black-marketing.

Mr Abdoola: Mr Speaker, Sir, are 6 mm iron bars locally manufactured? As far as the 8 mm, 10 mm and 12 mm iron bars are concerned, do we import them or are they locally manufactured as well?
Mr Koonjoo: So far the 6 mm iron bars are concerned, we don’t manufacture them locally. We import them in coils and then we sell them to the wholesalers and retailers. So far as the 8, 10 and 12 mm iron bars are concerned, they are locally manufactured by companies in Mauritius. You have to think about the people who are employed in those companies. There are about 250 people employed in this sector. Especially in the present circumstances, I don’t think that we can play with the jobs of these people, be it in Desbro or in other companies.

Mr Duval: Mr Speaker, Sir, the Minister says that there is no hoarding. If I may quote from his statement of November, he said –

“I, once again, appeal to the importers to comply and to put an end to this artificial shortage”.

We all know that, a few weeks before the rise in the price of bars, there was none on the market.

Mr Koonjoo: It’s not true that there was shortage of 6 mm iron bars on the market, Mr Speaker, Sir. There was a shortage, because importers were not able to meet their cost, and they were selling at a loss. This was the problem. The hon. Member should know that. We had problems in November, December, January and February. Let me inform the House that Desbro had already bought iron bars, but they were lying in the docks. The cargoes were refusing to bring them to Mauritius, because they were having better freights from other countries.

Mr Duval: Mr Speaker, Sir, the Minister has quoted the supposedly high increase in iron bars in billets. I would like to know what the Ministry has done to verify these figures. I presume that these figures have been submitted by the importers, and the Minister says that, now, there is going to be an MAB inquiry. I would like to know what independent expertise the Ministry obtained to verify the cost, because we know that now, with no exchange control, anybody can give any import costs as he likes.

Mr Koonjoo: It is not true, Mr Speaker, Sir. Anybody cannot give any price. The hon. Member who was the former Minister of Industry should know that, whenever a company submits a request for any increase, it has to give all the papers, which are checked by officers of my Ministry. We just don’t give blind increases in prices.

Mr Duval: Mr Speaker, Sir, my question was clear. It is also clear that the Minister has used whatever information is provided by the importers. Before giving an unprecedented increase of nearly 40% in the
price of iron bars, the population and this House would like to know what independent information the Ministry of Commerce obtained, from what source. I think that, as Minister, he should have looked at the files and known what independent information, instead of just taking information submitted by the importers themselves, which is obviously a conflict of interest.

**Mr Koonjoo:** Mr Speaker, Sir, we checked and cross-checked. There is an accountant at the Ministry, and we have…

*(Interruptions)*

**Mr Speaker:** Order! Order, please!

**Mr Koonjoo:** Everybody knows! Mr Speaker, Sir, I have just explained that the world is undergoing profound changes; recovery everywhere, construction everywhere. This is no secret to anybody. The world prices are going up. If there is an increase, we check it; we double check. There are so many ways of checking. You can go on the internet and check it.

**Mr Duval:** Mr Speaker, Sir, the Minister seems to say everybody knows that the price has gone up, therefore he approves the increase. It is not what we are asking? We are asking concretely and precisely what was done before submitting this huge increase to the population? What was done in practice and in detail, please?

**Mr Koonjoo:** Mr Speaker, Sir, it is crystal clear. I repeat again, at Government level, at my Ministry's level, any documents which are submitted for anything are checked and cross-checked before we issue any increase.

**Mr Duval:** The question is clear: how was it checked? To what independent information was it checked before the increase was granted? How was the check done? What information did the Minister check? Do not tell me that it is on the internet as everyone will laugh! The Minister should tell us what his Ministry did to verify that.

**Mr Koonjoo:** Mr Speaker, Sir, as a Minister I have got officers and we have confidence in them as they are doing a good job in all Ministries. Whenever they submit an information, they check and I trust them. We believe in their honesty.
**Dr. Ramgoolam:** Mr Speaker, Sir, clearly the Minister cannot answer this question as to how he checked that. Never mind! I want to ask him two things. First of all when we import from SADC countries is it 40%? Can he confirm that?

**Mr Koonjoo:** Sir, I don't have the information, but I know that in Mauritius the duty is 40%. Hon. Duval was the former Minister of Commerce and Industry, I believe that he was also checking and he had confidence in the officers.

**Mr Duval:** Perhaps the Minister would like to check that when I was Minister of Commerce the price of 6 mm bars fell twice at a total of 10% in that one year. Maybe he should check it. Maybe he can tell us also why the increase has been granted and it is only now that the MAB is going to have an inquiry, après la mort, la tisane!

**Mr Koonjoo:** Mr Speaker, Sir, I explained in the beginning how …

*(Interruptions)*

**Mr Speaker:** Order, please!

**Mr Koonjoo:** I said in the beginning in my reply, Mr Speaker, Sir, that the world is undergoing profound changes, especially in the construction sector. I said that the circumstances when they were in Government and the circumstances now are totally different.

**Dr. Ramgoolam:** Sir, I am sure that the Minister knows that VAT is an *ad valorem* tax. Once the c.i.f. prices go up, he collects more in VAT as he will do on petroleum very soon, I am sure. Can he say how much more he is collecting on the VAT now that the prices have gone up?

**Mr Koonjoo:** I do not have the information, Sir.

**Mr Speaker:** Next item.