Debate No. 19 of 21.06.04

ORAL ANSWER TO QUESTION
EWF – FIXED ASSETS, LOAN, SECURITIES, ETC

The Leader of the Opposition (Dr. N. Ramgoolam) (By Private Notice) asked the Deputy Prime Minister, Minister of Finance and Economic Development whether, in regard to the Employees Welfare Fund’s Rs350 m. investment into a trust, he will state –

(a) what are EWF’s assets in terms of fixed assets, loans to members and investment in securities;
(b) if a detailed risk/reward analysis was carried out and, if so, by whom and what were its recommendations;
(c) the project’s financial returns compared to alternative investment opportunities;
(d) the number of meetings held with employees’ and employers’ representatives on this issue before 11 June 2004 and their response, and
(e) when the Board approved the decision.

The Deputy Prime Minister: Mr Speaker, Sir, the assets of the Employee Welfare Fund (EWF) in terms of fixed assets, loans to members and investment in securities as at 31 May 2004 amounted to Rs1,455 m. as follows -

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Fixed Assets</td>
<td>Rs240 m.</td>
</tr>
<tr>
<td>Loans to Members</td>
<td>Rs540 m.</td>
</tr>
<tr>
<td>Securities</td>
<td>Rs675 m.</td>
</tr>
<tr>
<td>TOTAL</td>
<td>Rs1,455 m.</td>
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The fixed assets comprise mainly of Calodyne Sur Mer, valued at Rs200 m., office premises in Moorgate House amounting to Rs17 m. and office equipment and furniture.

Loans to members comprise mainly of educational loans.

Securities comprise investment in Treasury Bills amounting to Rs519 m., shares in companies of an amount of Rs51 m., and bank deposits of Rs143 m.

As regards the other parts of the question, I would like to point out to the House that the setting up of the Real Estate Investment Trust is a policy decision of Government to democratise ownership of the Fund and not an
investment decision of the EWF. Appropriate amendment will be made to the EWF Act. Implementation details are being worked out.

However, I would like to mention that there are two components in the decision of Government to set up the Real Estate Investment Trust. First, we are creating the Trust to democratise ownership of the Fund to some 325,000 employees.

Currently, employees are not owners of the EWF but only benefit through schemes, such as educational loans and leisure facilities at Calodyne sur Mer. By setting up the REIT and giving a unit of the Trust to eligible employees, we are making them owners of the Fund with direct participation in the capital and profits of the Trust.

The second component of our decision is to provide the Trust with an initial highly profitable investment opportunity by selling to it 500 acres of land at agricultural prices. By giving the Trust a specified entity status, it will be exempted from land conversion taxes, duties, capital gains tax and mortellement tax, amounting to some Rs1 billion. In other words, the Rs350 m. transferred to the Trust will have an immediate value of Rs1.35 billion. And this does not include the future growth in value that will be generated through the development of the land.

It is obvious that Government is forgoing some Rs1 billion of taxes and duties. Furthermore, the specified entity status entitles the Trust to participate in all land transactions, such as the one to two and one to three schemes and to benefit from other exemptions and facilities when the land is further developed.

Dr. Ramgoolam: Mr Speaker, Sir, I am sure the Deputy Prime Minister knows that this Fund was set up in 1991 and operated from a seed capital of 2.5% that was contributed, and ended in June 1994. Now that this fund has closed and the 2.5% was transferred to the National Savings Fund, how can he, therefore, take what was contributed for a specific number of persons and make all people on the list of the NSF benefit from this scheme?

The Deputy Prime Minister: Mr Speaker, Sir, this is a policy decision that was taken, in order that not only those who are part of the EWF as at the date the NSF came into operation, but also those who could not be members of the EWF but became members of the NSF, could benefit. So, I think it is only fair that other people also should benefit from this policy of democratisation of land.
Dr. Ramgoolam: I beg to differ with the Minister of Finance as we feel it is neither fair nor right. People have contributed during that period between 1991-1994. These are people who had their contributions in lieu of salary increase of 2.5%. Their compensation was put in the Fund. Now, how can you feel it is right that those who have not contributed - it is their money - who are in the National Savings Fund will now benefit from this?

The Deputy Prime Minister: Mr Speaker, Sir, the Leader of the Opposition is wrong. It is not their contribution, it is not their money. If the Leader of the Opposition would have a look at the Finance and Audit Act of 1991 at Section 5 sub paragraph 1 (a), he will see that "The Fund shall consist of monthly contributions by employers representing either the basic wage (...)"and it is the same thing for the NSF. So, he is totally wrong when he says that those employees have contributed.

Dr. Ramgoolam: I do not know whether on purpose the Deputy Prime Minister is not trying to understand. This money is for the employees who have been paid an incremental salary compensation of 2.5% between 1991 to 1994. Other people who came after 1994 or before 1991 are not on the same list. How can the Deputy Prime Minister think it is fair and right that everybody should benefit….

(Interruptions)

It is not their money, it is not yours either. That is why I am saying…

The Deputy Prime Minister: Let me say again that the Leader of the Opposition is wrong. Let me read it again for the benefit of all Members of the House. The Finance and Audit Act of 1991, Section 5 (1) (a) says -

"The Fund shall consist of monthly contributions by employers representing either the amount specified in the schedule or 2.5 % of the basic wage".

And again the Leader of the Opposition is wrong when he says that it is on the incremental increase in salary.

"… on the basic wage or salary of every employee beginning 01 July 1991".

If we have a look at the National Savings Fund, again at Section (5) it says -
"Every employer shall, in respect of every month and in respect of every employee who works during that month, pay (...) an amount equivalent to 2.5% of the basic wage or salary of the employee".

So, it is in the same spirit that we are opening up this democratisation process to more than 325,000 of men and women of this country.

Dr. Ramgoolam: I do not know whether we are just keeping going round, it is the incremental salary compensation. But what I think the Minister of Finance is not realising, it is not either Government's money or the money of the NSF, it is the money of the Employees Welfare Fund; and these workers have had this contribution of 2.5% put in that Fund for their benefit. How can you take all this money and share it with everybody else? That is what I am asking.

The Deputy Prime Minister: The Leader of the Opposition is, unfortunately, again wrong. We are not taking all money, we are not taking any money. I have stated that this is a policy decision, we are creating an Investment Trust whereby trustees will be nominated and they will be, of course, managing these Rs350 m. I have just mentioned in my answer as an initial measure one winner is that agricultural land is being offered to the Trust and I have no doubt that any sensible, logical trustee will see that it is an overnight gain to so many members of that Trust.

Mr Duval: Surely the Deputy Prime Minister will agree that each employer over the last three or four years that the Fund was in activity contributed monthly, individually on the name of each employee working for him, a certain amount of money to this Fund. There should be a list which exists at the Employees Welfare Fund to show exactly who were the workers in Mauritius who have contributed to and owned that Fund. Among the 325,000 people who, in fact, are going to benefit from the Fund, some may have started work only in May or June 2004 and, therefore, have not contributed one cent to this Employees Welfare Fund and are going to benefit to the same amount as someone who may have given many thousands of rupees and contributed three or four years of hard work to this Fund. That is the question: does he not think that it is totally unfair to do it in this manner?

(Interruptions)

Mr Speaker: Order!
The Deputy Prime Minister: Again, Mr Speaker, Sir, this is the philosophy of this Government. We are taking actions concretely to democratise the economy and we want to make sure that as many citizens of this country, men and women, benefit from this measure and we will continue.

Mr Dulloo: I have just listened to the hon. Minister referring to the legislation, the National Savings Fund. May I ask him whether "employees" either for the National Savings Fund or for the Employees Welfare Fund, does not mean as per paragraph 2 of the Employees Welfare Fund, that is, an employee means "any person in employment, aged 18 and above, who contributes to the National Savings Fund and is a public officer etc.?

Therefore as such, every contribution being made whether to this National Savings Fund or to the Employees Welfare Fund, it is by or on behalf of the employees concerned.

The Deputy Prime Minister: I have just quoted the relevant section, Sir. It is the employer who makes contribution and I do not need to go back again on that.

Mr Dulloo: Employees are defined as those who contribute to the National Savings Fund. The employees are contributing to the National Savings Fund whether through the employer or otherwise. This is the legal situation.

The Deputy Prime Minister: I have already replied, Sir.

Mr Dulloo: Will the Deputy Prime Minister say whether there has been an actuarial study of the Fund and also whether there has been any projection of what would happen in case there is such an investment? I have not heard the first part, I don't know whether he has covered it.

The Deputy Prime Minister: I have already replied to this question. It is unfortunate that the Member was not present when I replied.

Mr Dulloo: Well, I am told that there has been no reference to an actuarial study as such.

The Deputy Prime Minister: I have already replied, Sir.

Dr. Ramgoolam: Can he say what actual study was done and, if yes, by whom? And can he lay it on the Table of the Assembly?
**The Deputy Prime Minister:** Sir, let me refresh the memory of the Leader of the Opposition. Probably Mr Rama Sithanen has not told him about what happened in the 1994-1995 Budget which was presented by Mr Sithanen. Government at that time came up with a measure to create the Sugar Investment Trust. It was announced in the 1994-1995 Budget Speech; and in the summing up, this is what the then Minister of Finance, hon. Rama Sithanen, had to say -

"We have started negotiations immediately after the Budget (…)"

So, probably the adviser on economic matters should also advise the Opposition that when a policy decision is taken, it is then and there that we start working out the details about the implementation and so on. So, I would refer the hon. Leader of the Opposition to the Budget Speech of 1994-1995 and the summing up that was made at that time by the then Minister of Finance.

**Dr. Ramgoolam:** Mr Speaker, Sir, it is a new convention in Government now that they will announce in the Budget and then think about and decide.

(Interruptions)

It is a new convention that the Government is just inventing. Can I ask the Deputy Prime Minister whether he knows that there is a sub-committee for investment in the EWF?

**The Deputy Prime Minister:** Again, the Leader of the Opposition is getting confused. I have said that this is not an investment decision by the EWF. It is a policy decision of Government that will be implemented soon.

**Dr. Ramgoolam:** In other words, the Deputy Prime Minister is going to take other people's money and he is going to use it without any feasibility study, without the sub-committee on investment looking at it, and yet he himself mentioned at one point that it is a very good investment. Is that not so?

**The Deputy Prime Minister:** M. le président, l'histoire…

(Interruptions)

**Mr Speaker:** Order, please!
The Deputy Prime Minister: M. le président, je crois que l'histoire se répète parce que je me souviens qu'en 1994, avec la création du SIT, c'est cette même campagne qui avait été menée par l'Opposition travailliste pour dire that we are fooling the planters of the sugar industry when they are being invited to invest. And what did they say? Investir dans vié fèraye. This is what they said and time has proved them wrong; and this is the same campaign that is being orchestrated today and I will tell the Opposition that time will prove them wrong again.

Mr Dulloo: Concerning the policy decision that was announced in the Budget, may I ask the Deputy Prime Minister when, if ever, did he have any consultation with the Boards of both the National Savings Fund and the Employees Welfare Fund? And would he specify the dates of such meetings and when any direction, if so ever, was issued to both boards?

The Deputy Prime Minister: Again, it is unfortunate that the hon. Member has come to the question time at a late stage, but I have already replied.

Mr Duval: May I ask the hon. Minister what, in fact, he meant when he said, in his Budget Speech, that Government will arrange for the "sale at cost" of the 500 acres to the public? What does he mean by "sale at cost"? Cost to whom?

The Deputy Prime Minister: Well, it is so evident that I need not say more than that.

Mr Duval: I am sorry about this. Is it sale at cost to the Trust, sale at cost to Rose Belle Sugar Estate which is a different cost because it was a hundred years ago or sale at cost to State Land Development? He should be able to tell us what is "sale at cost" - that bit which came out of his mouth.

The Deputy Prime Minister: I again say, Mr Speaker, Sir, if the hon. Member does not understand what it means by sale at cost, well, he will have to wait and see.

(Interruptions)

Mr Speaker: Order! Hon. Dulloo, order! Order, please!
Mr Dulloo: The hon. Minister said just now that he has already replied to the question.  

(Interruptions)

Mr Speaker: I want to listen to the question, please!

Mr Dulloo: The hon. Minister just said that he has already replied concerning consultation, etc. So, may I ask him whether these two Funds are not two independent Funds? Because it is the question of management of workers' money and, therefore, how is it that a decision is taken now and then the details will be worked out and then directives would be given to those Funds for them to comply. Therefore, are we not putting the cart before the ox are we not interfering directly with the independence of those two Funds?

The Deputy Prime Minister: I do not know which two independent Funds the hon. Member is referring to.

Mr Duval: Let us forget about the "sale at cost" if he does not know. Let us go to something else!

(Interruptions)

Mr Speaker: Order!

Mr Duval: Is the Minister aware that last year the Loans Committee of the Employees Welfare Fund asked that the amount of money to be loaned to persons whose children are studying be increased from Rs300,000 to Rs700,000 per student and that the chance also be given for a second student of each family to obtain this loan? Is he aware of this?

The Deputy Prime Minister: The hon. Member is wrong, Mr Speaker, Sir.

Mr Duval: Can the Minister check? Because according to my information the Loans Committee met in 2003 and noted that this amount of Rs300,000 was insufficient per family, that the conditions were very harsh and asked also for a second student to be given the chance. Now, that the substantial Funds from this Employees Welfare Fund is going to be transferred into land speculation…
Mr Speaker: The hon. Member has asked the Deputy Prime Minister to check. He should let the Deputy Prime Minister say whether he is prepared to check or not and then he should come with a second question.

The Deputy Prime Minister: Again, the information that the hon. Member is giving to the House is incorrect.

Mr Duval: Mr Speaker, Sir, will the Deputy Prime Minister now check - whether the use of this Fund going now into land purchase at cost which we don't know what - and tell us now whether whatever is left is going to be sufficient to carry on with the very important project of giving loans to needy families who need to send their children for tertiary education?

The Deputy Prime Minister: Mr Speaker, Sir, I not only have checked; I have double checked and there is no problem as far as giving loans to any family or any member who would request such loans. But let me again say that the hon. Member is wrong about the figures that he has quoted in terms of additional or raising the ceiling of request for loan is concerned.

Mr Duval: Mr Speaker, Sir, I maintain what I said and I think the hon. Minister would be well advised to check, because otherwise it may be embarrassing for him.

(Interruptions)

Mr Dulloo: The hon. Minister just now asked me to which independent Funds I am referring. We know that we are referring to the Employees Welfare Fund and the National Savings Fund; and as per the law, these are two independent Funds and the Minister cannot give any directives and cannot decide about the use of that money - Rs350 m. that would be used from the Fund - unless and until there have been consultations. May I ask the Minister again whether there have been clear guidelines given before this policy decision was announced to those two Funds, especially the Employees Welfare Fund as to the Rs350 m. that would be earmarked and how this would be used and that there were consultations and that it was not a unilateral decision taken by Government and being imposed now on the Funds?

The Deputy Prime Minister: The hon. Member is, unfortunately, again wrong. It seems to me that he has not paid attention enough to the Budget Speech. If he looks carefully at page 12, last sentence "to implement
this project, the EWF Act and the SIE Act will be amended." It is so clear
and simple and I hope he understands what it means.

**Mr Dulloo:** This is not at all what I am asking. My question is about
consultation. The Act will be amended is another matter. The Board of
Trustees will be appointed after consultation with workers is another matter.
My question is whether the decision to earmark Rs350 m. of workers' money
from the Fund for the purpose of this policy decision, whether there has been
consultation and full details given to the Fund before the decision was taken.

**The Deputy Prime Minister:** I have already replied to that question,
Mr Speaker, Sir. It is unfortunate again that the hon. Member came late to
the House.

**Dr. Jeetah:** Did the hon. Deputy Prime Minister and Minister of
Finance have a chance to talk to the Trade Unions before this policy decision
was made?

**The Deputy Prime Minister:** I have already replied to that question.

**Dr. Jeetah:** Would the Deputy Prime Minister just clarify the answer?
Was it 'yes' or 'no'?

*(Interruptions)*

**Mr Dulloo:** Mr Speaker, Sir, what is happening is not acceptable at
all! May I ask the Deputy Prime Minister whether after what has happened
to the National Pension Fund and other workers' money, specially after what
has been done to the Post Office Savings Fund, whether he can give a
guarantee to the workers concerned, that their money would be safe and,
whether this would not be another *main basse* on workers', planters' or even
old pensioners' money?

**The Deputy Prime Minister:** Mr Speaker, Sir, I can understand that
this proposal is not acceptable to the hon. Member.

Again, l'histoire se répète. Peut-être ce serait bien de faire rappeler à
l'honorable membre que, depuis 1994, la création du *SIT* a fait son chemin
et a prouvé que, ceux qui faisaient campagne, qui faisaient de la démagogie
sont venus au pouvoir par la suite. Au contraire, ils avaient commencé à
vanter la création du *SIT*.

*(Interruptions)*
M. le président, je dis que l'histoire se répète parce que ce que nous sommes en train de créer, ce Investment Trust, le temps va prouver que ce sera a winning measure for all those people. Ce que j'ai dit dans ma réponse, M. le président, il est évident.....

(Interruptions)

Mr Speaker: Order!

The Deputy Prime Minister: Il est évident que, du jour au lendemain, au moment que le Trust va acquérir les 500 arpents du terre, la valeur va augmenter.

(Interruptions)

Il faut faire le compte. N'importe qui peut voir que cela va augmenter par beaucoup plus.

Mr Dulloo: Mr Speaker, Sir, I won't waste the time of the House with these baseless, political and controversial comments!

Mr Speaker: The hon. Member won't have enough time for questions.

Mr Dulloo: I am just asking one question from the hon. Deputy Prime Minister and Minister of Finance. In the light of the policy declaration in the Budget Speech and in the light of the reply that he has made, I am asking him about guarantees that he could give to the employees concerned - let alone SIT, we will come to that - regarding the Rs350 m. of their money that is being forked out now for the purpose of this project.

The Deputy Prime Minister: The hon. Member does not understand again; it is a pity. Mr Speaker, Sir, I have already replied to that question.

Dr. Ramgoolam: Mr Speaker, Sir, can I ask the Deputy Prime Minister and Minister of Finance if he agrees that the members of the Board and of the Committee have a fiduciary duty to ensure that they look at everything that this Fund is going to invest?

(Interruptions)

Does he agree?
The Deputy Prime Minister: From what I understand from the question of the hon. Leader of the Opposition, if any measure that is being taken will bring massive benefits....

(Interruptions)

The first measure is a windfall gain. Any sensible person will, in fact, praise this Government for that kind of measure that is going to bring windfall gain overnight to all the members of that Trust.

Dr. Ramgoolam: May I ask one last question, Mr Speaker, Sir? Do I take it, therefore, that the hon. Deputy Prime Minister and Minister of Finance is directing the EWF to invest a bit more than 50% of its surplus fund without any feasibility study? He has already decided that it is going to make a fantastic investment and this without any rewards and risks analysis. Mr Speaker, Sir, they have a duty to judiciously use the money and invest it after looking at all the risks analysis. The hon. Deputy Prime Minister and Minister of Finance is going to direct them to do that, where there are people who are known, the Accountant-General and people from the private sector, too. Still he is going to bypass them, ask them to invest that money; he has a very strange definition of democratisation of the economy, where he takes land that belongs to them, sells their land with their own money and gives it to all the people who did not even invest. That is what I want to ask the Deputy Prime Minister and Minister of Finance.

The Deputy Prime Minister: Probably as an example that will enlighten the hon. Leader of the Opposition, let me just cite what happened when SIT bought 35% of BBHM; they paid Rs175 m. and they have already received dividends of Rs245.9 m.

(Interruptions)

Already that is making a profit of Rs70.9 m. for the benefit of planters, artisans, workers, etc.

NPF had bought 10% of Mon Trésor Mon Désert - Rs214 m. for the purchase of shares and they have already received dividends of Rs280 m. This is just as an example.

(Interruptions)

Mr Speaker: Next item, please!