Debate No. 20 of 22.06.04

ORAL ANSWERS TO QUESTIONS

ENTERPRISES - EMPLOYEE PARTICIPATION SCHEMES

The Leader of the Opposition (Dr. N. Ramgoolam) (By Private Notice) asked the Deputy Prime Minister, Minister of Finance and Economic Development whether having regard to the declared national policy of Government since the 2001-02 budget to encourage employee participation in the share capital and management of their enterprises, he will state -

(a) the number of enterprises in the corporate sector where employees are participating in -

(i) share ownership schemes and the percentage of share capital owned by them;

(ii) the management of their enterprises, and

(b) the number of employees concerned in paragraph (a)(i) and (ii) above.

The Deputy Prime Minister: Mr Speaker Sir, it is the declared policy of Government to encourage enterprises to set up Employee Participation schemes. This has been stated clearly in the 2001/02 and 2002/03 Budgets and again in the 2004/05 Budget.

However, we have noted that the response of enterprises has not been positive enough. And that goes back to 1997 when the then Government issued a White Paper on Privatisation and Workers’ Participation. The same policy was stated in the 1999/2000 Budget Speech. As far as I know, the response has not been satisfactory.

In 2002, Government held consultations on the code of practice on Employees Participation with employers and trade unions. The code was conceived as a voluntary initiative between employers and employees. A consensus was reached and the Code was referred to the National Economic and Social Council for its views. The Council submitted its views in 2003. Various issues including fiscal incentives had to be examined.

As I have said in the Budget Speech, a key constraint has been the lack of appropriate fiscal incentives to set up a well-structured vehicle to facilitate employee share ownership. The measure announced in the 2004/05 Budget addresses this issue.

As regard parts (a) and (b) of the question, I understand that a few enterprises have implemented some forms of employee participation plans.
Since there is no requirement for official registration of such employee plans, we have no way of knowing the exact details on the number of enterprises and employees involved.

As employees avail themselves of the tax incentives I have announced in the Budget, we shall be able to monitor more closely the response of enterprises in the private sector.

And as I have announced in the Budget, Government will encourage public sector companies also to set up Employee Share Schemes.

**Dr. Ramgoolam:** Mr Speaker, Sir, the Minister of Finance says that he identified - to use his own words - constraints. Can he say why did it take three years to identify those constraints?

**The Deputy Prime Minister:** Mr Speaker, Sir, the Employee Share Scheme is designed and must be accepted and implemented on a voluntary basis by enterprises. It is not mandatory; so this Government has not only announced in the different Budgets I have mentioned earlier in my answer, but we have also appealed to companies in general as an incentive to the employees to come up with Employee Share Scheme. It is unfortunate that only a few companies have come up with a sort of employee share participation.

**Dr. Ramgoolam:** Can I ask the Deputy Prime Minister, therefore, when in 2001-2002 Budget at page 44 paragraph 204 the then Minister of Finance says –

"Government will also promote employee participation in the share capital of their enterprises as well as the setting up of profit-sharing schemes to foster a greater sense of belonging. Trade Unions and employers will have the opportunity to discuss viable options at the monthly tripartite meeting".

Can the Minister say how many such meetings have taken place?

**The Deputy Prime Minister:** True it is that this has been mentioned in the 2001-2002 Budget Speech and, in fact, we have gone quite some way. There have been discussions at the level of the Ministry of Labour involving employees, trade unions and employers. I must say that a lot of progress has been made because we have already come up with a code of practice on employees' participation. This code of practice is on a voluntary initiative encouraged by Government of course, but involving employers and trade unions. They have agreed to a code of practice which has been, as rightly mentioned, in fact, in the Budget Speech of 2002-2003 that -

"For its part, the National Economic and Social Council will be invited to examine options for employee participation schemes."
The National Economic & Social Council has considered this document and a consensus has been obtained. So, now Government is looking very closely at this code of practice. But, as I said, the code of practice also recommends that fiscal incentives be given; and this is why precisely, in the light of experience, in the light of what we have seen, this Government has come up with a number of measures as a package in the 2004/2005 Budget.

**Dr. Ramgoolam:** I would just like to ask the Minister of Finance if he could tell us exactly how many such tripartite meetings had taken place.

**The Deputy Prime Minister:** Well, Mr Speaker, Sir, there have been a lot of meetings, but just to remind the Leader of the Opposition because what he wants to show to the House is that there have been meetings and that nothing has been happening. In fact, this code of practice has already been agreed upon by trade unions and by employers. And, as I said, we have come up with a package of fiscal incentives in order to facilitate and in order to attract particularly private enterprises to come up with employee share schemes.

But let me remind the Leader of the Opposition - probably he has forgotten - that during his tenure of office as Prime Minister, one former Minister of Finance, Dr. Bunwaree came up in 1997, quite some time ago, with a brainstorming session, a White Paper on Privatisation and Workers' Participation. It is really a White Paper! And a lot has been said in the White Paper. Just for the information of this House, the proposed action plan for Privatisation and Workers' Participation.

(Interruptions)

**Mr Speaker:** Order!

**The Deputy Prime Minister:** Not only that. Workers' Participation and Protection of Employees, Methods of Privatisation and managing the process of privatisation Institutional and Legal Support. The intention is very good; I am not criticising. There has been brainstorming. They have come up with definition, what should be done and conclusion. Fantastic work, Mr Speaker, Sir!

But, unfortunately, as is the habit of the Labour Government, what they have done is that in his Budget Speech of 1999/2000, the former Minister of Finance, Dr. Bunwaree, after having produced this White Paper came up with this -

"Regulations will be made to provide for contributions to employee share schemes, including share options plans to be an allowable deduction for income tax purposes."

Why am I quoting this, Mr Speaker, Sir? Let me explain.

(Interruptions)
Mr Speaker: Order! No cross-talking!

The Deputy Prime Minister: True it is that we have mentioned in different Budget Speeches that we encourage, we make an appeal to the private enterprise to come up with employee share scheme and whatever needed to be done like coming up with a code of practice on employees participation, having it discussed between employees and employers, having the views of the National Economic and Social Council, all this has been done. And now we have come up with a package of incentives. But when we go back to what the Labour Party has done. They have come up with the White Paper in 1997. In the Budget Speech, former Minister Bunwaree made mention of regulations. But, as it is the habit of the Labour Party, no regulations have been made at all. So, it is, in fact, a plan for disaster. No chance has been given for this to succeed.

Dr. Ramgoolam: The Minister of Finance does not know. I do not know whether he was in active politics then, but perhaps he should have known that employees of Air Mauritius actually share in the profits of Air Mauritius. This has happened and there are some other enterprises which do it. Is it not again cynicism? Not a single monthly meeting of the tripartite has taken place to discuss these options as was said in the 2001 Budget. Again l'effet d'annonce! Not a single meeting has taken place. He should be able to say that no meeting has taken place. Can he confirm this?

The Deputy Prime Minister: Mr Speaker, Sir, the Labour Party has the habit…

(Interruptions)

If the hon. Member wants to speak, he can speak. If he does not want to listen to my answer, he can talk. They should have the decency. When they ask questions, I sit down and I listen. They should have the decency of listening to my answer.

(Interruptions)

Mr Speaker: Order! Order!

The Deputy Prime Minister: The Labour Party - let me say this Opposition because it includes also one "wheel" that keeps on turning.

(Interruptions)

Mr Speaker: Order!

(Interruptions)

Mr Dulloo: On a point of order!

(Interruptions)

Mr Speaker: Order! Let's listen to the point of order!
Mr Dulloo: The Deputy Prime Minister raised controversial political matters at question time. He is attacking politically the Labour Party and other parties forming part of the Opposition. This is purely controversial political matters which are not relevant to question time.

Mr Speaker: I don't see what is controversial. I think this has been the practice from both sides. When it comes to Government and Opposition, as an entity, it has been allowed. Had he been attacking, casting aspersions or trying to impute motives to a Member in person, then I would have intervened.

The Deputy Prime Minister: Mr Speaker, Sir, I did not know that the la roue fou was the one who identified himself, but anyway. Since the Member has risen to raise a point, probably he wants to be included in that. So, the Opposition has the habit of déclare piti lézotte.

Talking about Air Mauritius, let me remind the Opposition that at the time of its privatisation in December 1994, Air Mauritius offered 1,666,600 shares out of a total public shares of 10,230,500 shares to its employees and pensioners.

(Interruptions)

It was in December 1994.

(Interruptions)

Mr Speaker: Order, please!

The Deputy Prime Minister: In fact, the employees and pensioners benefited from a discount of 25%.

(Interruptions)

Mr Speaker: Order, please!

The Deputy Prime Minister: Mr Speaker, Sir, apart from discount on the price, there was an additional concession to employees and pensioners to allow them to make the payment for the allotted shares in 36 equal monthly instalments. This is what happened during the days, not the previous Government, but the previous Government in December 1994, and they are claiming now paternity….

(Interruptions)

To the second part of the question, again, I confirm to the House that a number of meetings have been held. In fact, I wish to thank my colleague, the hon. Minister of Labour, for having, himself, been closely involved in coming up with this code of practice on employees' participation, which I say, again, is being looked at. As there are
recommendations about fiscal incentives also, that is why in this Budget we have come up with them. Of course, one cannot guarantee that it will be a success. But again, I seize this opportunity to appeal to private enterprises that with this incentive that is being given, I think it is in the interest of one and all. Inasmuch as a lot is being said about corporate governance, I think it is within that framework and that mindset that private enterprises should also come with such a Scheme. As for Government, I have already stated in the Budget Speech that we will, of course, have to set the good example.

**Dr. Ramgoolam:** The hon. Deputy Prime Minister and Minister of Finance should have said what Air Mauritius did when Mr Nash Mallam Hasham was at the Head of Air of Mauritius. That is what I was referring to. Instead of referring to 1994, he should have referred to what was done then! It is as if nothing was done then!

*(Interruptions)*

The Prime Minister does not even know! He started laughing! The Deputy Prime Minister and Minister of Finance should have referred to what was done then. Mr Speaker, Sir, he said 'a voluntary code of practice'. May I know what percentage of share capital he has in mind? Is it 5%, 10%? What percentage?

**The Deputy Prime Minister:** Before answering this question, I wish to put it on record. Probably, the hon. Leader of the Opposition is confused. For Air Mauritius, the Employee Participation Scheme was made in December 1994. As far as percentage of share is concerned, Mr Speaker, Sir, this has to be discussed. As I said, it is not mandatory. We are not passing any law to compel enterprises to come up with Employee Share Scheme. We are appealing to them. As I have stated, in the world that we are living now, where we want to have *un sens d'appartenance*, that we want to have more efficiency also, not only amongst the employees/management, but for the company, I think it is only fair that consideration be given to allow employees to participate in the affairs of the company. But, as far as percentage and so on is concerned, this will have to be discussed with the employees, the employers and the management of the company.

**Dr. Ramgoolam:** The Minister of Finance talks of 'voluntary code and we'll persuade, etc.' Can he say why, therefore, the one per cent share that was promised to the employees of Mauritius Telecom, when France Telecom acquired shares in Mauritius Telecom, has not been done up to now?

*(Interruptions)*

This can't be voluntary, this is Government! This is your Government!

**The Deputy Prime Minister:** Let me, with all seriousness, confirm to this House that it is taking some time.

*(Interruptions)*
I agree that this is taking some time, but it is going to be done in the very near future.

**Mr Duval:** Mr Speaker, Sir, may I ask the hon. Deputy Prime Minister and Minister of Finance why Government has chosen the vehicle of a Trust for putting into practice this project? Why, in fact, is he not encouraging direct ownership of employees' shares in these companies?

**The Deputy Prime Minister:** Because we believe that this would be the most appropriate vehicle in order to motivate enterprises to come forward with such a Scheme.

**Mr Duval:** People will be motivated for if they own it directly. I am sure the hon. Deputy Prime Minister will agree. Concerning the Trust, employees will be given shares in the Trust. May we know what is the mechanism thereby? Can they then sell the shares to other people? What will happen to the Rs200,000 maximum that they will receive? Can they sell it to other employees only? Or sell it back to the management, or outside of the company? Is that particular transaction going to be exempt from registration duty?

**The Deputy Prime Minister:** Mr Speaker, Sir, I have already announced the measures that we are proposing in the Budget Speech. Let just refresh the memory of the hon. Member that, first of all, we are exempting all share transactions undertaken by the Trust from registration duty. Secondly, shares received from the Trust, up to an amount of Rs200,000 will not be taxed as a benefit in kind, if accompanied by a lock in period of three years. Therefore, the beneficiary will not be able to dispose of the shares within a period of three years.

**Mr Duval:** Maybe my question was not clear enough. I'll come back to the question. What the Budget Speech says is that the Trust is going to be exempt from registration duty. I am asking about the employees transactions, not by the Trust, but in the Trust. When the shareholders hold a Unit Trust and that is sold, will it be exempt from any tax whatsoever. That's the first question. And the second question is: after the three years, how marketable are these Unit Trusts going to be? Are they going to be able to market it to other employees only, to the management only or to the public at large? Obviously, it is important. If you give a benefit to someone, the piece of paper itself may not be worth that much, but being to onsell it to somebody else is what may be important.

**The Deputy Prime Minister:** Let me again remind the hon. Member that it is a practice to announce policy decisions in the Budget Speech. Right now, we are working the details of how we are going to implement this measure. In fact, the hon. Member would not have to wait for long.

*(Interruptions)*

**Mr Speaker:** Order! Hon. David, it seems that you take much pleasure in making comments from a sitting position.
The Deputy Prime Minister: I was just saying, Mr Speaker, Sir, that the hon. Member would not have to wait for long, because in fact we are coming up with appropriate amendments; and the Finance Bill will contain the necessary amendments that have to be made in order to ensure that this measure that has been taken is given a chance of being implemented.

Mr Duval: If I may remind the hon. Deputy Prime Minister and Minister of Finance that all through the week we have had these non-answers. May I remind him also that a little knowledge is a very dangerous thing.

Mr Speaker: Hon. Dr. David! Order! You are just ignoring my ruling. Every time I am asking you to keep quiet, you just take the liberty…

Mr Duval: We are not here to debate his person, but Mr Speaker, Sir, the hon. Minister has just confirmed that for the period 2001/2002, nothing has been done concerning employees participation in share capital. He has said that there has only been this code of practice, which could be downloaded from internets, copy, cut and paste and which is given to us, which is mere theory. May I ask the hon. Minister of Finance whether, before announcing this policy measure of Employee Share Ownership Trust, there has been an audit made of the various share ownership of workers and whether the options were given to the trade unions, to the body of employees of this country, between direct share ownership and ownership through a Trust. Has there been such a study thereof and, if so, by whom?

The Deputy Prime Minister: Again, I think that the hon. Member does not understand what I said earlier. He likes to interpret in his own way.

The Deputy Prime Minister: I have explained lengthily that since the announcement in the Budget of 2001/2002 and the Budget Speech of 2002/2003, a lot has
been done. I have talked about the code of practice, the work that is being done; at the level of the Ministry of Labour, they have completed this code of practice; they have come with recommendations, including fiscal incentives. That is why we are moving one step further with announcing the measures as far as fiscal incentives are concerned. As far as the other part of the question is concerned, I again would recommend the hon. Member to be patient and the necessary will be done for implementation process.

**Dr. Jeetah:** Mr Speaker, Sir, could I ask the hon. Minister to name just one company where there has been some share ownership on the part of the employees during the last four years?

**The Deputy Prime Minister:** I have already mentioned, Mr Speaker, Sir, but let us come a bit closer to our time. The hon. Member wants me to announce one - Air Mauritius; I will announce a few - Les Moulins de la Concorde, Food & Allied Limited, Mauritius Oil Refineries Limited, State Bank of Mauritius and Jumbo.

*(Interruptions)*

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

**Dr. Ramgoolam:** Mr Speaker, Sir, the Minister of Finance, himself, has said that he had agreed that there have been difficulties, it has taken more time about the one per cent share that was promised to the employees of Mauritius Telecom. *La charité commence chez soi*. If this has not been done, does he think really that the big sharks - he knows whom I am talking about - will agree on a voluntary code to give a significant percentage of the share, capital, profits scheme and all that was mentioned? Does he really believe this when Government, itself, has failed to give the one per cent share to the employees of Mauritius Telecom?

**The Deputy Prime Minister:** I am a bit puzzled because it is only now that the hon. Leader of the Opposition is discovering about the big sharks. Let me....

*(Interruptions)*

**Mr Speaker:** Order! I want to listen to the reply of the hon. Minister.

**The Deputy Prime Minister:** If everybody had followed my example, the House would be quieter. Let me come back to Mauritius Telecom, because he said that charity starts at home. As far as Mauritius Telecom is concerned - there have been PQs on that - I want just to remind the House that PriceWaterhouse Coopers has completed a study and they have, in fact, looked into the modalities and the mechanism for implementing the Employee Participation Scheme. In fact, I have just received - it is a matter probably of coincidence - a report from Mauritius Telecom, which has looked into the study of PriceWaterhouse Coopers and I am pleased to inform the House that a joint committee comprising Mauritius Telecom management and Government officials will be set up to study the report before making recommendations to Government.
Dr. Ramgoolam: The hon. Minister did not answer the second part. Does he think that big companies such as IBL, which has been given Agalega, people who are protected by this Government, will follow a voluntary code? That is my question.

The Deputy Prime Minister: Again, it must be placed in context. This is a voluntary scheme; it is not mandatory and the same question that is being asked now by the Leader of the Opposition: why didn't he think since 1997 that all these big sharks would not come forward voluntarily to come up with an Employee Share Scheme? So, now Government is looking very closely at this code of practice. But, as I said, the code of practice also recommends that fiscal incentives be given; and this is why precisely, in the light of experience, in the light of what we have seen, this Government has come up with a number of measures as a package in the 2004/2005 Budget.

Dr. Ramgoolam: I would just like to ask the Minister of Finance if he could tell us exactly how many such tripartite meetings had taken place.

The Deputy Prime Minister: Well, Mr Speaker, Sir, there have been a lot of meetings, but just to remind the Leader of the Opposition because what he wants to show to the House is that there have been meetings and that nothing has been happening. In fact, this code of practice has already been agreed upon by trade unions and by employers. And, as I said, we have come up with a package of fiscal incentives in order to facilitate and in order to attract particularly private enterprises to come up with employee share schemes.

But let me remind the Leader of the Opposition - probably he has forgotten - that during his tenure of office as Prime Minister, one former Minister of Finance, Dr. Bunwaree came up in 1997, quite some time ago, with a brainstorming session, a White Paper on Privatisation and Workers' Participation. It is really a White Paper! And a lot has been said in the White Paper. Just for the information of this House, the proposed action plan for Privatisation and Workers' Participation.

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The Deputy Prime Minister: The Labour Party - let me say this Opposition because it includes also one "wheel" that keeps on turning.

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Mr Speaker: Order!

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Mr Dulloo: On a point of order!

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Mr Speaker: Order! Let's listen to the point of order!

Mr Dulloo: The Deputy Prime Minister raised controversial political matters at question time. He is attacking politically the Labour Party and other parties forming part of the Opposition. This is purely controversial political matters which are not relevant to question time.

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The Prime Minister does not even know! He started laughing! The Deputy Prime Minister and Minister of Finance should have referred to what was done then. Mr Speaker, Sir, he said 'a voluntary code of practice'. May I know what percentage of share capital he has in mind? Is it 5%, 10%? What percentage?

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The Deputy Prime Minister: Let me, with all seriousness, confirm to this House that it is taking some time.

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I agree that this is taking some time, but it is going to be done in the very near future.

Mr Duval: Mr Speaker, Sir, may I ask the hon. Deputy Prime Minister and Minister of Finance why Government has chosen the vehicle of a Trust for putting into practice this project? Why, in fact, is he not encouraging direct ownership of employees' shares in these companies?

The Deputy Prime Minister: Because we believe that this would be the most appropriate vehicle in order to motivate enterprises to come forward with such a Scheme.

Mr Duval: People will be motivated for if they own it directly. I am sure the hon. Deputy Prime Minister will agree. Concerning the Trust, employees will be given shares in the Trust. May we know what is the mechanism thereby? Can they then sell the shares to other people? What will happen to the Rs200,000 maximum that they will receive? Can they sell it to other employees only? Or sell it back to the management, or outside of the company? Is that particular transaction going to be exempt from registration duty?

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The Deputy Prime Minister: Let me again remind the hon. Member that it is a practice to announce policy decisions in the Budget Speech. Right now, we are working the details of how we are going to implement this measure. In fact, the hon. Member would not have to wait for long.
Mr Speaker: Order! Hon. David, it seems that you take much pleasure in making comments from a sitting position.

Mr Duval: If I may remind the hon. Deputy Prime Minister and Minister of Finance that all through the week we have had these non-answers. May I remind him also that a little knowledge is a very dangerous thing.

Mr Speaker: Hon. Dr. David! Order! You are just ignoring my ruling. Every time I am asking you to keep quiet, you just take the liberty…

Yes, I know! I have been calling them to order. Hon. Dr. David's comments are very frequent and he just doesn't care about what I am saying. Yes, Mr Deputy Prime Minister, carry on!

The Deputy Prime Minister: Mr Speaker, Sir, further to the comment made by the hon. Member, at least, I am proud to have a little knowledge. I am very proud of that little knowledge I have. I don't know how much knowledge, but I am trying to put it at the service of my country, for my people.

Mr Dulloo: We are not here to debate his person, but Mr Speaker, Sir, the hon. Minister has just confirmed that for the period 2001/2002, nothing has been done concerning employees participation in share capital. He has said that there has only been this code of practice, which could be downloaded from internets, copy, cut and paste and which is given to us, which is mere theory. May I ask the hon. Minister of Finance whether, before announcing this policy measure of Employee Share Ownership Trust, there has been an audit made of the various share ownership of workers and whether the options were given to the trade unions, to the body of employees of this country, between direct share ownership and ownership through a Trust. Has there been such a study thereof and, if so, by whom?

The Deputy Prime Minister: Again, I think that the hon. Member does not understand what I said earlier. He likes to interpret in his own way.
The Deputy Prime Minister: I have explained lengthily that since the announcement in the Budget of 2001/2002 and the Budget Speech of 2002/2003, a lot has been done. I have talked about the code of practice, the work that is being done; at the level of the Ministry of Labour, they have completed this code of practice; they have come with recommendations, including fiscal incentives. That is why we are moving one step further with announcing the measures as far as fiscal incentives are concerned. As far as the other part of the question is concerned, I again would recommend the hon. Member to be patient and the necessary will be done for implementation process.

Dr. Jeetah: Mr Speaker, Sir, could I ask the hon. Minister to name just one company where there has been some share ownership on the part of the employees during the last four years?

The Deputy Prime Minister: I have already mentioned, Mr Speaker, Sir, but let us come a bit closer to our time. The hon. Member wants me to announce one - Air Mauritius; I will announce a few - Les Moulins de la Concorde, Food & Allied Limited, Mauritius Oil Refineries Limited, State Bank of Mauritius and Jumbo.

Mr Speaker: Order please! Order!

Dr. Ramgoolam: Mr Speaker, Sir, the Minister of Finance, himself, has said that he had agreed that there have been difficulties, it has taken more time about the one per cent share that was promised to the employees of Mauritius Telecom. La charité commence chez soi. If this has not been done, does he think really that the big sharks - he knows whom I am talking about - will agree on a voluntary code to give a significant percentage of the share, capital, profits scheme and all that was mentioned? Does he really believe this when Government, itself, has failed to give the one per cent share to the employees of Mauritius Telecom?

The Deputy Prime Minister: I am a bit puzzled because it is only now that the hon. Leader of the Opposition is discovering about the big sharks. Let me....

Mr Speaker: Order! I want to listen to the reply of the hon. Minister.

The Deputy Prime Minister: If everybody had followed my example, the House would be quieter. Let me come back to Mauritius Telecom, because he said that charity starts at home. As far as Mauritius Telecom is concerned - there have been PQs on that - I want just to remind the House that PriceWaterhouse Coopers has completed a study and they have, in fact, looked into the modalities and the mechanism for implementing the Employee Participation Scheme. In fact, I have just received - it is a matter probably of
coincidence - a report from Mauritius Telecom, which has looked into the study of PriceWaterhouse Coopers and I am pleased to inform the House that a joint committee comprising Mauritius Telecom management and Government officials will be set up to study the report before making recommendations to Government.

**Dr. Ramgoolam:** The hon. Minister did not answer the second part. Does he think that big companies such as IBL, which has been given Agalega, people who are protected by this Government, will follow a voluntary code. That is my question.

**The Deputy Prime Minister:** Again, it must be placed in context. This is a voluntary scheme; it is not mandatory and the same question that is being asked now by the Leader of the Opposition: why didn't he think since 1997 that all these big sharks would not come forward voluntarily to come up with an Employee Share Scheme?