ORAL ANSWERS TO QUESTIONS

PETROLEUM PRODUCTS/COOKING GAS – AUTOMATIC PRICING MECHANISM

The Leader of the Opposition (Mr N. Bodha) (By Private Notice) asked the Minister of Industry, Small & Medium Enterprises, Commerce & Co-operatives whether in regard to the automatic pricing mechanism, he will –

(a) for the benefit of the House, obtain from the State Trading Corporation, the figures in respect of the different components which have been taken into account in computing the price of petroleum products at the last three meetings of the Certification Committee of the Corporation, and

(b) state if it is proposed to have recourse to the automatic pricing mechanism in determining the price of cooking gas in the future.

The Minister of Labour, Industrial Relations & Employment (Dr. V. Bunwaree): Mr Speaker, Sir, I wish to inform the House that the Automatic Pricing Mechanism…

(Interruptions)

Mr Speaker: Order!

Dr. Bunwaree:…was set up in 2004…

(Interruptions)

Mr Speaker: Order!

Dr. Bunwaree:…and it was first applied …
Mr Speaker: Order! Order!

Dr. Bunwaree: ... in April 2004 to readjust the prices of two petroleum products, namely mogas and gas oil.

Mr Speaker: I am sorry, hon. Bhagwan, you started it!

Mr Bérenger: He started it!

Mr Speaker: Order! Order! I said order. I am calling both Members. Hon. Bhagwan and hon. Dr. David.

I heard very well. The hon. Member said: “ine alle rode féraye.” And then there was a response from the Minister. I am asking both hon. Members to keep quiet and allow business of the House to proceed normally otherwise I am going to take action.

Dr. Bunwaree: Mr Speaker, Sir, I thought it was an important question. I still think it is.

Mr Speaker: Order!

Dr. Bunwaree: So, let me start over again, Mr Speaker, Sir. I wish to inform the House that the Automatic Pricing Mechanism was set up in 2004 and it was first applied in April 2004 to readjust the prices of two petroleum products, namely mogas and gas oil.

The rationale behind this initiative of the then Government was to adjust prices of both products so that they reflect the trend in prices on the world market.
The first regulations, that is, the Consumer Protection (Control of Price of Petroleum Products) Regulations, made under The Consumer Protection (Price and Supplies Control) Act – section 35 of the Consumer Protection (Price and Supplies Control) Act – was first made in April 2004.

According to the said regulations, the Automatic Pricing Mechanism could only pass on a minimum of 2.5% and a maximum of 15% to the consumers.

In July 2006, two more products, namely fuel oil for local sales and LPG, that is, cooking gas, were included in the APM. Consequently, as at date, the following products: mogas, gas oil, fuel oil for local sales and LPG are under the APM and the prices of same are reviewed on a quarterly basis.

Since April 2004, the certification committee of the APM has met on ten occasions. And the last three price revisions were on 03 April 2006, 03 July 2006 and 03 October 2006, dates on which the new prices became effective.

The House may, however, wish to note that the last Government had postponed the July 2005 APM exercise…

(Interruptions)

This is a fact! I can understand the reason, but it is a fact!

(Interruptions)

Mr Speaker: Order! Order! Order!

(Interruptions)

Dr. Bunwaree: The House may, however, wish to note that the last Government has postponed the July 2005 APM exercise - this has had an effect, let’s listen to the effect - and this has cost the public more than half a billion rupees, to be precise, Rs638 m. Moreover, the deficits of the STC in June 2005 were Rs1.2 billion. As a consequence, the present Government has had to amend the regulations governing the APM to lift the ceiling of increase from 15% to 20% in January 2006.
Mr Speaker: Order, I said. Hon. Minister, please address the Chair!

Dr. Bunwaree: This was intended to allow the STC to absorb its accumulated losses and allow prices of petroleum products to reflect market prices.

As regards the figures and the components asked for in part (a) of the question, I wish to give the following information.

The official price structure in respect of both gas oil and mogas products under Automatic Pricing Mechanism consists of the following nine components -

(i) Basic Value, which is the CIF adjusted to the rate of exchange;
(ii) Expenses incurred by the STC in connection with petroleum products;
(iii) Contribution to Road Development Authority;
(iv) Subsidy given for the transportation and storage of petroleum products in Rodrigues;
(v) Operating and marketing expenses;
(vi) Wholesale margin;
(vii) Value Added Tax;
(viii) Value Added Tax on Retail Margin, and
(ix) Retail Margin.

I will now give the figures which have been asked for. The basic value for mogas for period October to December 2006 is Rs31.6309.

The expenses incurred by the STC in connection with the importation of petroleum products is Rs0.1589.

Contribution to the Road Development Authority is Rs1.5500 and this gives a total cost of Rs33.3398.
Subsidy given for the transportation and storage of petroleum products in Rodrigues is Rs0.0500. This brings the transfer price to Rs33.3898 as compared to Rs33.3398, as I have just mentioned.

The operating and marketing expenses is Rs0.6505. The wholesale margin is Rs0.3700. Value Added Tax is Rs5.1616. The price to non-retailers comes, therefore, to Rs39.5719. The Value Added Tax on retail margin is Rs0.1341. The wholesale price comes to Rs39.7060. Added to it is retail margin Rs0.8940. This gives a retail price of Rs40.6000 per litre. This is as far as mogas is concerned.

The basic value for gas oil for period October to December 2006 is Rs22.7555…

(Interruptions)

The expenses incurred by the STC in connection with the importation of petroleum products is Rs0.1597. Contribution to Road Development Authority is Rs1.4500 and this gives a total cost of Rs24.3652.

Subsidy given for transportation and storage of petroleum products in Rodrigues is Rs0.0500. This brings the transfer price to Rs24.4152. The operating and marketing expenses is Rs0.6477. The wholesale margin is Rs0.3700. Value added tax is Rs3.8149. The price to non-retailers comes to Rs29.2478. The value added tax on retail margin is Rs0.1242. The wholesale price comes to Rs29.3720. Added to it is retail margin Rs0.8280. This gives a retail price of Rs30.2000 per litre. The wholesale margins for both mogas and gas oil were increased by 8 cents per litre as from July 2006 and have since remained constant.

For the other figures, I prefer to circulate them because I have been asked to give figures for the last three revisions. I have taken the basic as December last and, fortunately, it is clear that the Leader of the Opposition did not know that for cooking gas it has already started, otherwise, he would have asked me the figures.

As regards part (b) of the PNQ, I wish to inform the House that the price of cooking gas, that is, gas cylinders of 5 kgs, 6 kgs and 12 kgs is already under the Automatic Pricing Mechanism, as I have just mentioned. However, the regulations provide only for a maximum of 5% and a minimum of 2.5%.
Therefore, the last part of the question as to whether the Automatic Price Mechanism is going to be considered in determining the price of cooking gas in the future, it is already a question of the past.

Mr Bodha: Mr Speaker, Sir, as a matter of explanation, I would like to say that when I drafted the question, I had included the cooking gas in the question under the Automatic Pricing Mechanism and it was the Clerk who advised me that it was not in the mechanism and should not form part of the question as put. That’s how we have drafted the second part of the question as it is.

The answer was that the prices should reflect the world trends. The world trends show that from July 2006 to now, there has been a decrease of 25% in the cost of the oil barrel on the world market. Why is it that in Mauritius we are one of the rarest countries where this has not been applied and implemented to the benefit of the consumer at a time when all prices are flaring and we are putting an additional burden on the consumer?

Dr. Bunwaree: Mr Speaker, Sir, as I mentioned, the Automatic Pricing Mechanism was introduced in 2004 under the then Government, now the Opposition. I feel and I believe that they are fully aware of how the system works. Let me, therefore, mention that we all know that there are fluctuations of prices on the world market. The main factors that are taken into consideration when they sit and decide on the new price structure are first the c.i.f. at the prevailing rate of exchange of all consignments loaded between the three months’ period, for example, from 16 June to 15 September 2006. Once this is taken into account, this gives the basic value and same for all the petroleum products falling under the Automatic Pricing Mechanism. So, when the consignments are loaded, they calculate first the basic value.

(Interruptions)

Well, I’ve not been asked the question for freight rates! I have given and I am circulating all the figures for the three last APM dates, but it is not a question of looking at the price day by day. We follow it like that to know what is the trend, but when the calculation is done, it is taken on the date when the consignments are loaded and they have to come to Mauritius.

(Appendix I)
Mr Bodha: Mr Speaker, Sir, there are three elements: the lifting price, the freight and insurance price and the profit margin. Has there been a substantial difference in the three periods as far as the freight is concerned?

Dr. Bunwaree: Well, each time they sit, they look at the three months which have preceded...

(Interruptions)

I am informed that the c.i.f includes the freight relevant to the consignment.

(Interruptions)

I need notice of the question concerning the freight.

Mr Bodha: My question was whether there has been a substantial difference in the freight? Let me move on, Mr Speaker, Sir, because there are many questions. How can the Minister explain the fact that in April, the price of diesel went up and the price of mogas, that is fuel, went down?

Dr. Bunwaree: Mr Speaker, Sir, the freight is fixed in the c.i.f after review each time.

(Interruptions)

Mr Bodha: How can the Minister explain that in April 2006, the price of diesel went up while the price of fuel oil went down and this was a surprise to all the experts in the matter?

Mr Speaker: Let the Minister answer, please!

Dr. Bunwaree: Well, the price of diesel went up...

(Interruptions)

I can’t answer offhand. I am replacing the Minister, I do not have the detailed figures. I am told that there was a difference in the volume of diesel that was important and this had an effect on the price.
Mr Bodha: Mr Speaker, Sir, the explanation which has been given was that the volume which was consumed between 15 December to 15 March was 28 million forecast, but the actual volume was 47 million. This figure is not correct. I am asking the Minister whether there is a substantial increase in the consumption of diesel and fuel oil over the months.

Dr. Bunwaree: We have to understand that these figures that have been mentioned here need verification and I am going to give them to the substantive Minister and he will have to come with a statement to the House. I can only give you the information that I have with me. Another time, the volume loaded was 75 million litres whereas the forecast was 57 million litres. This must have had an effect on the price.

Mr Bérenger: Let us come back to the freight and insurance rates. Last week when we pointed out that prices have gone down by 25% since July on the world market, the substantive Minister undertook to table details of the price of the freight and insurance rates before, that is, when there was a tendering exercise, and now Government is buying de gré à gré without a tendering exercise. He undertook last week, Mr Speaker, in your presence, to give those figures: the breakdown of prices and freight and insurance rates. Can we know why this has not been done and why the Minister today lumps price and freights and insurance together whereas we want to know if prices have gone down on the world market like they have. How have freight and insurance rates moved since we’ve stopped tendering?

Dr. Bunwaree: Mr Speaker, first of all, I have to repeat that there is an independent committee, which sits down and looks at all these figures. I hope that the Opposition is not throwing mud on that committee. There are competent people working there and I wish to stress upon that. When the substantive Minister comes back - I believe it is later today - he will certainly give a statement to the House and if there are any other questions, they have to be sent to him or if these are put to me, I’ll transmit them to him. I repeat it is an independent committee, which takes into consideration all these figures. I wish to repeat again…

(Interruptions)

I repeat that, in the basic value, the relevant freight is taken into consideration.
Mr Bodha: Mr Speaker, Sir, the substantive Minister in this House said that with the new contract with Mangalore Refinery, there is going to be an economy of Rs350m. May I ask how this economy of Rs350m is going to benefit the consumer at large?

Dr. Bunwaree: Well, this also is taken into consideration, but the consignment was for one year and the calculation has been for only three months. They have taken the part which had to be accommodated. This is a fact. The amount of Rs350m has been a savings on the premium paid. In fact, it is correct.

Mr Bodha: Mr Speaker, Sir, the other issue is how independent is the Automatic Pricing Mechanism. The question is whether the Automatic Pricing Mechanism is not an automatic fleecing mechanism, fleecing the consumer and that the world trends are not being reflected in the prices that the consumer is paying at large.

Dr. Bunwaree: Mr Speaker, Sir, it is as independent as independent can be and there is no people like Mr Desvaux sitting on it.

Mr Bodha: Is he aware that one of the members of the Certification Committee has said that the mechanism is not transparent and that this is being challenged in Court, Mr Speaker, Sir?

Dr. Bunwaree: On the transparency, I can assure the House that it is very transparent.

Mr Bodha: Is the hon. Minister aware that many of the operators are asking the question as to whether the mechanism does not operate in a vacuum and that when they do their own calculation, the book figures of the operators are not being taken into account by the mechanism?

Dr. Bunwaree: The hon. Leader of the Opposition is casting aspersions and I don’t think it is fair. I am not going to follow the hon. Leader of the Opposition on that path.

Mr Bodha: My question is whether the mechanism is not being politically tampered with, Mr Speaker, Sir?

(Interruptions)
Mr Speaker: Order!

Mr Bodha: Let me come back to the LPG gas, Mr Speaker, Sir. Can the hon. Minister confirm that there has been an undertaking by the substantive Minister that there will be an increase in the profit margin of the retailers?

Dr. Bunwaree: I don’t know if my colleague said that, but I am not aware of this, Mr Speaker, Sir.

(Interruptions)

Mr Speaker: Order!

Dr. Hawoldar: Mr Speaker, Sir, may I ask the hon. Minister whether in July 2005, the Automatic Pricing Mechanism was totally transparent when prices were not increased because of the elections?

Dr. Bunwaree: I can only inform my hon. friend that it has been made better.

Mr Bodha: Let me come back to the LPG gas, Mr Speaker, Sir. I repeat the question: is there an undertaking that there will be an increase in the profit margin….

Mr Speaker: The hon. Minister has answered.

Mr Bodha: It was because of this commitment that the retailers have accepted to provide cylinders to the public for the next three months, Mr Speaker, Sir. I want to know whether…

(Interruptions)

Dr. Bunwaree: Mr Speaker, Sir, there are always negotiations in these things. I don’t know what my colleague has already decided, but everything will be transparent. I will ask the hon. Leader of the Opposition not to cast aspersions on the officers who are working there. All the figures are given to me by the STC and I stand by them.

Mr Bodha: Is the Government fooling the retailers, Mr Speaker, Sir?
Dr. Bunwaree: No, that was the habit in the past when they were here.

Mr Bodha: Mr Speaker, Sir, the fact that the retailers are providing the cylinders for the next three months is only because of the undertaking of the substantive Minister. Will the hon. Minister confirm that there is an undertaking?

Dr. Bunwaree: I cannot confirm that there is an undertaking. I know that negotiations are going on.

Mr Bodha: Is the hon. Minister aware that the retailers have requested an increase of Rs7 as profit margin?

Dr. Bunwaree: They can always request, Mr Speaker, Sir, but this is not what is decided.

Mr Bodha: May I ask him what was the outcome of the meeting between the Minister and the retailers at the seventh hour?

Mr Speaker: Which Minister does the Leader of the Opposition mean?

Mr Bodha: The substantive Minister.

Mr Speaker: The hon. Minister cannot answer for the substantive Minister.

(Interruptions)

Order! Hon. Dowarkasing, I don’t think you have the monopoly of the knowledge in this House. I am calling you to order and you keep quiet. When you have to put questions, you stand up and put questions.

Mr Bodha: Mr Speaker, Sir, the officers who attended to that meeting are here in the House. They can inform the Minister.

Dr. Bunwaree: When I receive the information, I’ll give it to the House.
**Mr Bérenger:** Mr Speaker, Sir, since the tendering for the purchase of petroleum products has been stopped by Government, we have had the situation where the price of petroleum products forced by 25% since July, but the price on the local market increases. There must be something wrong. That is why we are asking for the rates, the freight and insurance. Has Government taken the same decision, that is, that tendering for cooking gas is going to be stopped as it has been stopped by Government in the case of petroleum products or are we going to end up with the same kind of result in complete contradiction with world prices?

**Dr. Bunwaree:** Mr Speaker, Sir, concerning petroleum products, we have dealt directly with Mother India and we have got a saving of Rs315m.; that has already been partly transmitted to the consumers. As I mentioned, the committee has taken only one month’s savings in this calculation and the rest is yet to come in later calculations.

(Interruptions)

**Mr Speaker:** Order!

**Dr. Bunwaree:** The order was for one year. We will see what will happen and we’ll continue to do like this.

(Interruptions)

May I also inform the House that all the requests from the retailers will be taken into consideration in the next Automatic Price Mechanism.

(Interruptions)

**Mr Bérenger:** The hon. Minister has not answered my question. I asked whether a decision has been taken to do away with tendering in the case of cooking gas?

**Dr. Bunwaree:** No decision has been taken in that direction.

**Mr Lesjongard:** Mr Speaker, Sir, in the case of diesel oil, can the hon. Minister inform the House what measures have been taken in the case of inland and international trade, namely, that upon the arrival of a tanker, volume allocation is done in total fairness, that is, Mauritian consumers are not subsidising the bunkering trade?
**Dr. Bunwaree:** Well this is taken into consideration, Mr Speaker, Sir. To enlighten the hon. Member, let’s take the case of cooking gas, for example, and each time the main issue is the protection of consumers.

**Mr Lesjongard:** On a point of order, Mr Speaker, Sir. My question is in relation to diesel oil and it concerns inland and international trade. What measures have Government taken in order to prevent the subsidising of international bunkering trade by local suppliers?

**Dr. Bunwaree:** Mr Speaker, Sir, I mentioned that Government is doing everything and in transparency to see to it that the consumers are not unjustly made responsible for whatever is happening. The volume loaded is subject to the control of independent supervisors. This is what I have been informed.

**Mr Dowarkasing:** Mr Speaker, Sir, can the hon. Minister state to the House the reasoning behind increasing the contribution to the Road Development Authority?

**Dr. Bunwaree:** Mr Speaker, Sir, this item was there, they started it in 2004 and it is still there. Concerning the reason for the increase, this question is for the Road Development Authority to answer.

*(Interruptions)*

**Mr Speaker:** Order! Order! Order!

**Mr Ganoo:** Mr Speaker, Sir, the figure of Rs350 m. …

*(Interruptions)*

**Mr Speaker:** Order! Order!

**Mr Ganoo:** The figure of Rs350 m. has been mentioned since a long time now. Can the hon. Minister give to the House a breakdown of how this saving of Rs350 m. has been made and will be realised and where is the money?

**Dr. Bunwaree:** Mr Speaker, Sir, I have mentioned it already that it is not on the basic price, but on the premiums that the savings of Rs350 m. have been made.
Mrs Dookun-Luchoomun:  Mr Speaker, Sir, I will come back to the cooking gas issue. May I ask the Minister, in the advent of the price rise and increase in the dealer’s retail margin, who is going to be made to bear the burden of the increase in price? Will it be the consumers or will it be the State? Does the State propose to give some sort of subsidies?

Dr. Bunwaree:  Mr Speaker, Sir, I think they have to look at it in a global way. We all know the importance of cooking gas for our population. But I must say that, first of all, as I mentioned in my reply, the maximum that has been allowed to protect consumers from soaring prices insofar as LPG is concerned is only 5%. This has been done on purpose to protect the consumers. Although the STC is still accruing losses on this specific product until today, the price of a cylinder of 12 kgs of cooking gas should have been Rs457 and consumers are presently paying only Rs315. and the difference is met by Government.

Mr Naidu:  Mr Speaker, Sir, the Minister said that the contribution to the Road Development Authority is Rs1.55 for gasoline. This amount was 35 cents last October. So, it has gone up a great bit. We want to know from the Minister whether this money is being used to fund the transport gratis promised during the elections. Are we not in a situation where our motorists, our drivers in Mauritius are paying for transport gratis?

Dr. Bunwaree:  Mr Speaker, Sir, this is the contribution made to the RDA.

(Interruptions)

Mr Speaker:  Hon. Dayal, time is running up, put the question!

(Interruptions)

Order!

Mr Dayal:  Mr Speaker, Sir, the hon. Minister said that the automatic price mechanism was not applied once. May I know from him why and was it proper?

Dr. Bunwaree:  It was certainly not improper, Mr Speaker, Sir.
Mrs Hanoomanjee: In October 2004, when the price of cooking gas soared up on the international market, the then Minister of Finance gave an additional subsidy of Rs196 m. to maintain the price of cooking gas to Rs214. Can I ask the Minister whether he can give an undertaking that Government will increase the subsidy so as to maintain the price of cooking gas to its present level?

(Interruptions)

Mr Speaker: Order!

Dr. Bunwaree: Mr Speaker, Sir, since June 2006, the price of cooking gas is under the APM. It was not like that before. The committee is independent, but the Government will always open its eyes. The profit margin is only 5%, as I said. We will see to it that consumers do not pay for what is not due.

Mr Speaker: To round up, does the hon. Leader of the Opposition have any question?

Mr Bodha: To round up, Mr Speaker, Sir, the Prime Minister, when he was Leader of the Opposition, said that …

(Interruptions)

Mr Mohamed: On a point of order, Mr Speaker, Sir, I am referring to Standing Order 22. The question of the hon. Leader of the Opposition contains arguments, Mr Speaker, Sir, and Standing Order 22 …

(Interruptions)

Mr Speaker, Sir, may I be allowed to make my point?

Mr Speaker: What Standing Order is the hon. Member referring to?

Mr Mohamed: Standing Order 22(1) (i).

says –

“a question shall not contain any arguments, expressions of opinion (…).”

The question of the Leader of the Opposition contains an argument and an expression of his opinion. He is not allowed to express his opinion.
Mr Speaker: Order!

Mr Bodha: Mr Speaker, Sir, is the hon. Minister aware …

Mr Mohamed: Mr Speaker, Sir, the hon. Leader of the Opposition should allow you to rule.

Mr Speaker: Order, please! I want to hear the question first.

Mr Bodha: Mr Speaker, Sir, is the hon. Minister aware that the former Leader of the Opposition said that an increase in petroleum prices met en péril la croissance économique ainsi que la paix sociale et la création d'emplois.

Mr Mohamed: Mr Speaker, Sir…

Mr Speaker: Order!

Mr Mohamed: Mr Speaker, Sir, Standing Order 22 states very clearly…

Mr Speaker: Order, please! Does the hon. Member have a point of order?

Mr Mohamed: I am trying to speak…

Mr Speaker: The hon. Member should address the Chair, please! Order! Order! Order I said! What is the point of order?

Mr Mohamed: Mr Speaker, Sir, Standing Order 22 clearly states that

“a question shall not contain any arguments, expressions of opinion, inferences, imputations, quotations and extracts from newspapers and periodicals, epithets or controversial, ironical or offensive expressions (…)”
Mr Speaker: Can the hon. Member say which speech he is quoting?

Mr Mohamed: The hon. Leader of the Opposition is quoting the Prime Minister and he is saying that the Prime Minister stated ….

(Interruptions)

Mr Speaker: Order! I would like the hon. Leader of the Opposition to rephrase the question without creating any problem.

Mr Bodha: I am going to sum up, Mr Speaker, Sir.

(Interruptions)

Mr Speaker: Order, I said!

Mr Bodha: The question is: is this Government aware that outside people are being fleeced …

(Interruptions)

Mr Speaker: Order!

Mr Bodha: Can the Government give an undertaking that prices of petroleum products are going to go down in the next exercise in January 2007?

Dr. Bunwaree: Mr Speaker, Sir, as far as prices are concerned, if the prices continue along this trend that it has been taking for some time, next time the APM will sit, this will be taken into consideration and it will be reflected in the new prices. To end, I want to inform the Leader of the Opposition, that if we are in this mess, it is because when they were in power they mismanaged the whole thing and made STC debt soar high…

(Interruptions)

Mr Speaker: Order!

Dr. Bunwaree: Let us end on a positive note. The debt of the STC was Rs1.7 billion when we took power and it has come down to a bit more than Rs350 m. only.

Mr Speaker: Time is over! The Table has been advised that Parliamentary Questions B/1357 addressed to Dr. the hon. Prime Minister is now going to be answered by the hon. Deputy Prime Minister, Minister of
Finance & Economic Development after PQ B/1413, if time permitting. Questions addressed to the hon. Dr. the Prime Minister, please!