

ORAL ANSWERS TO QUESTIONS

PETROLEUM PRODUCTS, FLOUR, RICE & CEMENT - PRICE

**The Leader of the Opposition (Mr P. Bérenger)** (*By Private Notice*) asked the Minister of Business, Enterprise and Co-operatives whether, in regard to the fall in the prices of petroleum products, wheat, rice and cement and of the reduction in maritime freight rates on the international markets, he will, for the benefit of the House, obtain from the State Trading Corporation, information as to –

- (a) the measures that are being taken to bring down the prices of diesel, petrol, Liquefied Petroleum Gas, fertilizers, flour, rice and cement on the local market, and
- (b) if the tenders launched by the Corporation this year for petroleum products, flour, rice and cement reflected the above fall and, if not, why not.

**The Minister of Business, Enterprise and Co-operatives (Mr M. Gowressoo):** Mr Speaker, Sir, I am happily welcoming the opportunity to respond to the PNQ that comes at a time when prices are falling. Normally, we understand that when the prices increase there are questions but, today, Mr Speaker, Sir, the reality of falling prices where consumers are benefiting should be appreciated by all Mauritians.

Concerning Petroleum products, Mr Speaker, Sir, we have an APM exercise since 2004 which was conducted quarterly. Under this system, the price reflected the average paid over the preceding 3 months. If we had maintained this system inherited from the past, consumers would not have benefited from the falling prices of petroleum products.

Mr Speaker, Sir, the House may recall that at the start of October the APM exercise resulted in an increase of 20 percent in the retail price of diesel at a time when oil prices were rapidly falling on the world market.

That is why, Mr Speaker, Sir, Government decided to reform the system to allow consumers to benefit immediately from lower international prices. Starting on 01 November this year, we have changed the mechanism to adjust prices on a monthly basis for all petroleum products under the APM. Moreover, expectations are for international prices to continue being weak and consumers should continue to benefit from the new system.

Already in November, the new system has resulted in a price decrease from Rs51.20 per litre to Rs41 for Gasoil, a 20 percent reduction. For Mogas the price fell from Rs46.80 per litre to Rs39.80, a 15 percent reduction. Fuel oil prices were reduced from Rs18.97 to Rs16.12 per litre, a reduction of 15 percent.

Moreover, the Government has brought forward and spread the backlog accumulated before the change in the system over the coming year, allowing consumers to get a larger immediate relief.

Concerning freight on petroleum products, we have been able to negotiate very favourable terms with the shipping companies that have provided us with prices well below market due to the long-term contract. The current market price for freight remains above the good price we have negotiated.

Mr Speaker, Sir, regarding LPG, the House is aware that Government has been heavily subsidising this product. In fact, the current subsidy amounts to about Rs700 m. per annum. The international price has been about Rs515 to Rs550 per cylinder of 12 kg before the recent price declines. Meanwhile, the domestic price has been fixed at Rs315 per cylinder due to the extensive subsidies provided by Government. Even the recent price drops on the international market, the price in Mauritius remains below thanks to the efforts of Government to protect consumers in this area.

For LPG purchased for non-domestic purposes, including auto-gas, Government is following the market developments and will shortly be taking appropriate action.

Mr Speaker, Sir, concerning fertilisers, I am given to understand that manufacturers have stopped producing complex fertilisers which are controlled items and have shifted to the production of blended fertilisers whose prices are determined by the market. I am further informed that importers have revised downwards the prices of blended fertilisers up to 20 percent. STC is also considering the possibility of importing fertilisers and tapping world market price in order to obtain a favourable deal.

Mr Speaker, Sir, Government is heavily subsidising rice and flour to the tune of Rs700 m. per year. As is the case with LPG, the subsidy is so expensive that even with falling international prices, domestic prices protecting consumer purchasing power remain below the prices on the world market.

STC is procuring its ration rice (25% broken) from India through a special derogation made by the Government of India. The price obtained from Government of India was USD560 per metric tonne on a CIF basis. The quantum of 9,000 tonnes which is actually being received will last till March 2009 and STC will be launching a fresh tender. If prices continue to fall we will certainly benefit from this.

With regard to flour, STC launched its annual tender in September 2008, and LMLC was the most competitive bidder at the price of USD410 per metric ton for flour of type A and B. The other four bidders quoted within the range of USD493.80 to USD600 per metric ton.

Thus, in the absence of any objection from other bidders, the award will be made to LMLC at the price of USD410 per metric ton. This price will still require subsidy for the year 2009 because our current protection to the consumer against high international prices will still be required despite the fall in international prices, which remain above what the consumer in Mauritius is paying.

STC launched its cement tender on 19 September 2008 through the Central Procurement Board for supply of 300,000 metric tons in 2009. The result of the tender exercise was as follows –

Name of Bidders	CIF per metric ton in conventional vessels USD	CIF per metric ton in self discharging vessels USD
Marine Cement Ltd	93.25	105.75
Prosperity Cement (Asia) Limited	108	No quote
Orientrans FZC-UAE AJMAN	122	115

It is to be pointed out that the bids of Orientrans FZC-UAE AJMAN and Prosperity Cement (Asia) Limited are not responsive, as they have not submitted their bid bonds.

On the basis of this exercise, Marine Cement International has been the only fully responsive bidder. As the price obtained is still high, this may result in an increase in retail prices of cement. Therefore, Government has decided that STC should launch a fresh tender.

Mr Speaker, Sir, as regards part (b), there has been no tender launched for petroleum products, as STC has the contract for the supply of the whole requirements of the country up to July 2010 with Mangalore Refinery Petrochemicals Ltd. However, the contract with Mangalore Refinery makes provision for us to benefit automatically from international prices.

The contract for the supply of LPG had been awarded to Geogas Ltd after a tender exercise carried out by the Central Procurement Board in April 2008. The contract which has been awarded to Geogas at a premium of USD115 per metric ton will expire on 30 June 2009.

Tender for the supply of *ration* rice will be launched in December 2008, as there is sufficient stock up to March 2009.

Tender for the supply of cement was launched in September 2008 through the Central Procurement Board. Marine Cement International has been the only responsive bidder. As the price obtained is still judged as high and which may result in an increase in retail price of cement, Government had decided that STC should launch a fresh tender.

**Mr Bérenger:** Mr Speaker, Sir, before I go into the individual items, as the hon. Minister has done, may I put a general question? Since July last,

international maritime freight rates have crashed by 90%, prices of petroleum products have gone down by more than 60% by now and other commodities have gone down by, at least, 50%. With those figures in mind, will the hon. Minister agree that the fall in prices on the local market has been minimal and does not reflect at all the crash of freight rates and products on the international market?

**Mr Gowressoo:** Mr Speaker, Sir, I agree with the hon. Leader of the Opposition that freight rates have decreased. Initially, when we negotiated with Mangalore and the Indian shipping company, the freight per metric tonne for white oil was USD21, and now the market price is about USD27 per metric tonne. For black oil, the freight is USD805,000 per voyage of 25 to 30,000 metric tonnes compared with a market price of over USD1 m.

**Mr Bérenger:** Mr Speaker, Sir, my question was of a general nature, and the fact is that there have been minimal drops on the local market compared to the massive coming down of freight rates and prices on the international market. But, since the hon. Minister has started with petroleum products, let me put the question on that subject.

Petroleum products prices on the international market have gone from \$147 per barrel to around \$50 these days, that is, more than 60%, plus the freight decrease, in spite of what the Minister says is in the contract with our foreign suppliers. Is the hon. Minister prepared to table a copy of that agreement between our foreign supplier and us? According to my information, it is because of that long term agreement that Mauritius is not benefiting from that fall in freight rates and from the crash in the price of petroleum products on the world market.

**Mr Gowressoo:** Mr Speaker, Sir, I understand that the reduction is reflected in the APM exercise.

**Mr Bérenger:** Mr Speaker, Sir, is the hon. Minister prepared to table a copy of the agreement?

**Mr Gowressoo:** Mr Speaker, Sir, I will look into it.

**Mr Bérenger:** Mr Speaker, Sir, is the hon. Minister aware that, from July to 01 October, prices crashed by more than 50%? And, yet, on 01 October, the price of diesel was increased by 20% instead of going down.

One month later, it is brought back where it was. And the hon. Minister of Finance and others say that prices have gone down! Is this a way of managing the affairs of this country?

*(Interruptions)*

**Mr Speaker:** Order! Order, now!

**Mr Gowressoo:** Mr Speaker, Sir, I understand that APM is an independent body. As the hon. Leader of the Opposition said, there has been an increase since July, and then this was changed in October. But, it is the system! There was a backlog of 23% on diesel.

**Mr Bérenger:** Mr Speaker, Sir, the prices of diesel and *essence* on the local market go down massively. If I move to fertilizers, the two main components are petroleum products and freight. Petroleum products have gone down by more than 60% by now, freight by more than 90%, and the price of fertilizers on the local market has gone down by 15% to 20% only. Will the hon. Minister agree that this is unacceptable?

**Mr Speaker:** Insofar as the price of fertilizers is concerned, I will request the hon. Minister to answer only on commodities that the STC is concerned with and not about all commodities. Otherwise, it will concern the Minister of Consumer Protection.

**Mr Gowressoo:** Mr Speaker, Sir, maybe the House is aware that, in January, when there was a rise in prices, the price of petroleum products decreased on the local market.

**Mr Bérenger:** Mr Speaker, Sir, as far as rough rice and wheat are concerned, the price of wheat on the international market has gone down by 50% and the price of rough rice by 25%. Can I know from the Minister when will the price of flour and, therefore, bread, as well as the price of *ration* rice go down on the local market?

**Mr Gowressoo:** Mr Speaker, Sir, as I mentioned in my answer the tender is on a yearly basis and not on a monthly basis. The price I got through this tender exercise is USD 410 to Moulin de la Concorde for flour. So, we awarded it and for ration rice tender will be launched very soon.

**Mr Bérenger:** The price of soybean oil, which is cooking oil, has gone down by 50% on the world market. Can I ask the hon. Minister whether he has liaised with his colleague, the Minister of Consumer Protection...

*(Interruptions)*

**Mr Speaker:** I am sorry! I am on my feet! I have said this morning that this item cannot be included, because the STC is not in charge of importing that commodity.

**Mr Bérenger:** My question is whether the hon. Minister - if you had listened to me, Mr Speaker - has liaised with the Minister responsible for consumer affairs to see to it that the price of cooking oil goes down on the local market?

**Mr Speaker:** This question will have to be addressed to the Minister of Consumer Protection.

**Mr Bérenger:** As far as cement is concerned, when you go to the international price in India and elsewhere, the price has gone down by 70%. Will the hon. Minister agree with me that it is urgent to bring down the price of cement on the local market through the STC?

**Mr Gowressoo:** Mr Speaker, Sir, in my reply I have said that we had launched a tender and the Government is not happy with the price. We are launching a fresh tender for cement for the benefit of the consumers.

**Mr Bérenger:** As far as cement is concerned, I have just heard the hon. Minister said that in that case there is re-tendering. Will he agree with me that prices are not going down largely because of the wrong timing in issuing tenders by the STC?

**Mr Gowressoo:** Mr Speaker, Sir, this is the procedure. In September, we launched tender for cement. I think there is no wrong timing for re-tendering

**Mr Bérenger:** The hon. Minister himself has just said that in the case of cement they are re-tendering. Re-tendering is always opened on the different items which I am mentioning. Is the Minister prepared to consider re-tendering on other items as well?

**Mr Gowressoo:** Mr Speaker, Sir, if need be, I will do it.

**Mr Bérenger:** Mr Speaker, Sir, I think the whole country will agree with me that the consumers are paying the price of the *incompétence et amateurisme* of the STC. Now that he has just taken his responsibilities, will the Minister agree to the setting-up of a Select Committee of the House on the STC?

**Mr Gowressoo:** Mr Speaker, Sir, the STC has not just been opened, it was there with the previous Government when they left Rs2 billion as debt.

**Mr Lesjongard:** Mr Speaker, Sir, I heard the Minister talking about the independence of the APM and he also mentioned a new system that is being put into place. Can the hon. Minister inform the House who announced the new system and the frequency at which the APM shall be meeting henceforth and who also announced the decrease in the petroleum products during the month of November?

**Mr Gowressoo:** Mr Speaker, Sir, there was a revolution in announcing the new system on a monthly basis and the rise will depend according to the APM exercise.

**Mr Bodha:** Mr Speaker, Sir, in view of the fact that when petroleum products was 50 dollars a barrel - that was about three years back - the price of diesel was Rs17 a litre and the price of petroleum was Rs22 a litre. Now the price on the international market is about 50 dollars a barrel, the price of diesel is Rs41 and the price of petrol is Rs39. May I ask the hon. Minister, when we come to the barrel at 50 dollars three years back and at 50 dollars today, how long will it take for the consumers in Mauritius to benefit from that fall in prices?

**Mr Gowressoo:** Mr Speaker, Sir, as I have informed the House APM is an independent body and it is meeting every month. The hon. Member should wait and be patient for the price to decrease.

**Mr Ganoo:** I come back on the agreement with Mangalore Refineries. Since the hon. Minister is not willing to lay on the Table a copy of the agreement...

**Mr Speaker:** The Minister has said he will look into the matter.

**Mr Ganoo:** ...or disclose the terms...



**Mr Speaker:** The hon. Member should not put words in the mouth of the hon. Minister. He has said that he will look into the matter.

**Mr Ganoo:** Government in the past has refused repeatedly to lay on the Table a copy of the agreement and the hon. Minister today has said that he will give consideration to that possibility. Is it possible for Government to revisit the terms of the agreement in view of the drastic fall in the price of petroleum products?

**Mr Gowressoo:** Mr Speaker, Sir, there is no problem, I can revisit this agreement.

**Mr Dayal:** Mr Speaker, Sir, can the House know from the hon. Minister what would have been the impact on the finances of the STC with regard to the postponement in 2005...

**Mr Speaker:** This question is not allowed.

**Mr Von Mally:** Can I ask the hon. Minister whether he will arrange with the other Ministers in order that the consumers in Rodrigues may enjoy the same prices as those in Mauritius?

**Mr Gowressoo:** Mr Speaker, Sir, I will look into it.

**Mr Bérenger:** One last question on this item. STC imports petroleum products, prices have crashed more than 60%, freight rates have crashed by more than 90%, electricity is produced through petroleum products imported. Has a decrease in the CEB electricity rates been discussed?

**Mr Speaker:** I am sorry! This question will have to be addressed to the Minister of Energy.

**Mr Bérenger:** My last question, therefore, Mr Speaker, Sir, is: being given the figures which have been put forward and which have not been challenged, because they are facts – crash in maritime freight rates by more than 90%, all prices crashing, petroleum products, rice, name it - will the Minister take up with the hon. Prime Minister the issue of taking urgent measures so that consumers in general, the travelling public, small planters,

taxi owners, lorries and buses owners, fishermen should benefit from this massive crash in prices, including our friends in Rodrigues?

**Mr Gowressoo:** Mr Speaker, Sir, as everybody in the House is aware, we give free transport to senior citizens, students and, as to the question of the hon. Leader of the Opposition, I will look into all the measures.

**Mr Speaker:** Questions addressed to the hon. Prime Minister! I have to inform the House that Parliamentary Question No. B/1324 addressed to the Vice-Prime Minister, Minister of Tourism, Leisure and External Communications would be answered by the hon. Prime Minister, time allowing!