

Debate No. 14

Private Notice Questions - 12 June 2003

CYBER TOWER, EBENE - PRIVATE SECTOR - FINANCING

The Leader of the Opposition (Dr. N. Ramgoolam) (*by Private Notice*) asked the Minister of Information Technology and Telecommunications whether, in regard to the ICT development at Ebène, he will state -

whether the private sector is participating in the financing of the Cyber Tower as such and, if not, why not;

the amount invested by the NPF/NSF in equity and loan therein, and whether a risk/reward analysis was carried out and, if so, by whom, and

how many firms, which have already leased fully serviced plots in the Business Zone, have started construction to set up their business and in which area of activities.

Mr Jeeha: Sir, I am informed that the ICT development at Ebène relates mainly to the Ebène Cybercity project.

The Ebène Cybercity is a project spearheaded by Business Parks of Mauritius Ltd. It is situated on about 172 acres of land in the "Ebène Triangle" on the outskirts of Rose-Hill.

The Master Plan for the Cybercity including the landscape development is context-sensitive and, ever reminds residents, users and visitors that they are in one of the most beautiful yet modern locations, of the world.

Ebène Cybercity is designed to be a state of art knowledge park, which will be the centre for living and working for many people in the next five to six years.

Sir, I am informed that the Ebene Cybercity project comprises the following components -

Cyber Tower and a Multimedia zone

A Business Zone for private companies to set up their own related businesses

A Knowledge Zone for ICT education and training

A Commercial Centre

An Administrative Block for offices

A business hotel of high standard

A residential and recreational complex

The 11.66 acres Cyber Tower and Multimedia Zone, which will have as its focus the 12-floor Cyber Tower, containing up to 440,000 sq. ft of serviced IT work space, including facilities for Multimedia conferences, exhibitions on a 24- hour seven days a week basis. There will be a Network Operating Centre to provide satellite based International bandwidth on tap for the Cybercity. In the Cyber Tower, built up and fully utilities serviced office space will be offered at an estimated USD 1 per sq ft for economically furnished space and USD 2 per sq. ft for fully furnished deluxe space.

A 42.47 acres Business Zone space for enabling big IT companies to set up their own business office. For convenience, this zone has been divided into areas of one acre each for interested companies.

Furthermore, there is a Knowledge Centre of 11.12 acres for integrated education and training complex for world-class facilities in ICT education at all levels.

Moreover, there is a commercial centre in about 8 acres for giving the facilities of a large hypermarket and providing commercial services, trade and related activities for the Cybercity.

Furthermore, there is an ultra-modern business class hotel with the attendant ambience for gourmet dining and short stays in style in an area of nine acres. This is to provide on the spot comfort and entertainment to the visiting business professionals and other guests in the Cybercity.

There is also an Administrative Block set up on 7.43 acres for housing the offices of Government and the parastatal bodies.

There will be a Cyber Village on about 20 acres for medium and long-term accommodation close to the Cybercity.

The Business Park of Mauritius Ltd. (BPML) was set up and incorporated in March 2001 to spearhead the Ebène Cybercity project. In that context, BPML has acquired 172 acres of land at Ebène under the Illovo deal. A line of credit of USD 100 million was obtained from the Government of India to finance ICT projects, following the visit of the Rt hon Prime Minister in India in January 2001. Under this line of credit, STPI was appointed as a nodal agency to assist in the implementation of the Cybercity project. A feasibility study of the project was carried out by Engineers India Ltd. under the supervision of STPI. Right from the start, the private sector has expressed a keen interest for the project and has participated in the conceptualisation and strategic orientation of the project. Besides the Director of JEC is a member of the Board of BPML.

Mr Speaker, Sir, I am informed that from the very start, it has been the intention of Government to enlist the participation of the private sector in the project. In that connection Cyber Properties Investment Ltd. (CPIL) was incorporated in July 2002 to finance the construction of the Cyber Tower as well as the Administrative Block at Ebène. The total cost of the project is estimated at Rs1.5 billion to be financed as follows -

Rs 600 m. from the Indian line of credit

Rs400 m. equity from the issue of ordinary share capital;

Rs500 m. in convertible preference shares.

Out of the Rs400 m. equity, BPML would contribute Rs100 m. and the remaining Rs300 m. would be offered to public sector agencies, like NPF, SIC, SICOM and SIT.

As regards the Rs500 m. convertible preference shares, these would be offered by way of private placement to financial institutions in the private sector. Placement documents for the issue of ordinary and convertible shares are being finalised. The reporting accountants for these documents are Kemp Chatteris, Deloitte and Touche.

As per the projects liquidity requirements forecast, the ordinary share capital will need to be raised in July 2003, while the convertible preference shares in September 2003

NPF and NSF have shown an interest to invest Rs100 m. in the ordinary shares and are awaiting the finalised placement documents before committing themselves.

The Business Zone comprises 54 acres, out of which 43 acres have already been allocated to 24 companies. These companies have already paid a down payment for the

land and are finalising the lease agreement with BPML and will thereafter have to obtain the necessary permits from the relevant authorities to start construction. The areas of activities to be carried out by the 24 companies are: call centres, software services, business process outsourcing, computerised customer services and corporate head quarters. In addition to the 54 acres a project for the construction of a hypermarket on an extent of 8 acres of land is currently being implemented. A business hotel project of about 150 rooms on 4 acres of land is also being finalised.

Dr. Ramgoolam: Mr Speaker, Sir, I don't know whether the hon. Minister follows his leader and, instead of answering the question, bla-bla-bla. The question was precise...

(Interruptions)

The question was about Cyber Tower and the Business Zone! That shows his weakness as a Minister! All that he has talked yesterday, today we see an answer devoid of any meaning. Nothing in it!

(Interruptions)

I ask him the question again. Can he say, precisely, how much the private sector has invested in the Cyber Tower itself?

Mr Jeeha: Mr Speaker, Sir, I would not try to adopt the same style and attitude of the hon. Leader of the Opposition.

Dr. Ramgoolam: You will never be able to adopt my style - so don't try!

(Interruptions)

Mr Speaker: Order!

Mr Jeeha: But, I would like to tell him one thing. I am very proud to follow my leader, but I shall never follow him - at any cost. To come back to what he is saying, I think I said, in very clear terms, and all the Members of the House have heard it, and I'll repeat it for his information.

The project financing model, the Cyber Tower and the Administrative Block is Rs1.5 billion, out of which, the Indian line of credit is providing Rs600 m.

(Interruptions)

Rs400 m. are being provided in the form of equity and Rs500 m.....

(Interruptions)

If you listen, then you will be able to understand. Rs500 m. are being offered in private placement to the private sector in the form of convertible preference shares, to be converted in 7 years' time.

Dr. Ramgoolam: It is clear, Mr Speaker, Sir, from the answer that the hon. Minister has just given he cannot say how much exactly the private sector has invested in the Cyber Tower. Can I ask the hon. Minister...

(Interruptions)

We are talking about the construction of the Cyber Tower and all the investment, not just the shares. He is trying to divert to the shares, I can note that. Can I ask him if the private sector has not invested, why is it that the NPF/NSF are finding it interesting to invest?

Mr Jeeha: Mr Speaker, Sir, I just said that, at the level of the BPML and the CPIL, there is an information note. I think the hon. Member seated next to the Leader of the Opposition should explain to him what is an information note and a placement document.

(Interruptions)

Mr Speaker: Order, please!

Mr Jeeha: The company is preparing an information note/placement document to raise the equity. The Leader of the Opposition, himself, in his question, refers to whether any study or analysis was carried out before issuing the shares. This is what the company is doing. The company has prepared an information note, a placement document for the equity shares to be offered to public sector agencies where NPF and NSF will contribute in the equity if they want; and there is another placement document that is being prepared for a private placement among financial banking and non-banking institutions of the country. I cannot be more clearer than that, Sir.

Dr. Ramgoolam: I just want to ask him for a clarification. First of all, I want to tell him that he made a mistake when he was answering, I suppose a genuine mistake. I must correct his mistake. He said, it was 440,000 square feet. It is, in fact, 440,000 square metres, I suppose he meant to say. Can I ask him whether he can table in this House the business plan or the report that recommended that the NPF and NSF could take the risk and invest there?

Mr Jeeha: Let me, Mr Speaker, Sir, correct the correction of the Leader of the Opposition. When I said that the building would be 440,000 square feet, I was right and I am right. 440,000 square metres come up to 4.4 millions square feet and we don't have that much finance in this country for such a building. The second thing is with regard to the decision to be made by the NPF. NPF has its own management committee, its own advisers.

(Interruptions)

Mr Speaker: Order! Order, please!

Mr Jeeha: After the placement document is offered to them, they will, in their own judgement, decide on the basis of the information provided, whether they are going to invest and if they are going to invest, how much and when. We cannot, at the moment, preempt this decision of the NPF.

Dr. Ramgoolam: The size of the whole cyber site should be corrected. Anyway, can I ask him, therefore, whether he is saying that the NPF/NSF has not actually approved that they should invest?

Mr Jeeha: Mr Speaker, Sir, I cannot reply for the NPF and NSF. The question that is being set to me is to say about the amount invested by the NPF and the NSF. I have been saying right from the beginning that for them to come to this decision of investing or not will rest on them receiving the placement document, the information note, which right now is being finalised. Unless and until they receive this document, they cannot take a decision.

Dr. Ramgoolam: May I remind the Minister that last year, in the budget speech, the Minister of Finance talked about all these projects being financed, that they are nearly ready, that the private sector is investing, etc. So, nothing is ready after one year. I want to confirm this from the hon. Minister.

Mr Jeeha: The Leader of the Opposition is not right, he is wrong again. I just replied that projects are of such a magnitude; a sum of Rs1.5 billion is the cost of the Cyber Tower and of the Administrative Block. You cannot take all the money and keep it lying in a bank account; there is a cost to money. You have to use the money only and

when the need arises; and this is what I said in reply to the question. I will repeat it for the benefit of the Leader of the Opposition.

(Interruptions)

Mr Speaker: Order, please! Order!

Mr Jeeha: Mr Speaker, Sir, as for the project, I would like to repeat since the hon. Leader of the Opposition is saying after one year nothing has happened. You draw your liquidity for a project financing only when the requirement is felt, I repeat -

'As per the projects liquidity requirements forecast, the ordinary share capital will need to be raised in July 2003 (that is next month) and the convertible preference share will be required in September 2003'

so, I don't see any problem there.

Dr. Ramgoolam: So, it takes a whole year to prepare the document, now they are going to decide! Can I ask him whether he can say who is the Chairman of the Investment Committee of the NPF/NSF?

Mr Jeeha: I don't have this information right now with me, Mr Speaker, Sir, because the question does not relate to the Investment Committee. I'll have to check the information. The question can be asked to the substantive Minister. The information is public as well.

Dr. Ramgoolam: The Minister is in charge of it and he does not know who is the Chairman of the Investment Committee! Unbelievable! Can I ask the hon. Minister - perhaps he might know - who is the Chairman of BPML?

Mr Jeeha: Mr Speaker, Sir, right now Mr Nakhuda, the Financial Secretary, is occupying the post of the Chairman of the BPML.

Dr. Ramgoolam: Would he be surprised if I tell him it is the same and one person.

Mr Jeeha: Mr Speaker, Sir, I am not here to reply for the NPF. This is not my job. I am not responsible for the NPF; that is not in my portfolio, if the hon. Leader of the Opposition does not know.

Dr. Ramgoolam: Does the hon. Minister find it proper that the one person, who will decide whether to invest, will also approve the loan? Does he find this normal?

Mr Speaker: Well, this is asking the opinion of the hon. Minister.

Mr Jeeha: It is a question of appreciation.

The Deputy Prime Minister: Shame!

Dr. Ramgoolam: How does the hon. Minister react? It is proof and I hope that papers will note this flagrant and scandalous conflict of interest!

(Interruptions)

Mr Speaker: I am calling the House to order. Hon. David, please. I don't want any comments either from this side or that side of the House. I want only questions and answers.

Dr. Ramgoolam: Is it not clear proof that there is a direct conflict of interest and it is nothing short of scandalous if the same person is going to decide on the loan and approve the loan?

Mr Speaker: Hon. Leader of the Opposition, this is hypothetical. You are saying 'if' the same person is going to decide. It is still 'if' it is hypothetical, I am sorry.

(Interruptions)

Order! Hon. Leader of the Opposition, please you have put a Private Notice Question, I have called you to put your questions and not to make comments.

(Interruptions)

Order! I am also calling to order the hon. Deputy Prime Minister. You do not have the floor.

Mr Jeeha: Mr Speaker, Sir, I leave the Leader of the Opposition with the remark that he made about a very competent financial secretary and especially, I hope he will one day have to answer for a remark that he has made on somebody who does not have a right of reply in this House. Again I would like to come with the investment making decision of the NPF. With regard to the decision making process at the NPF, this is left at the NPF and, of course, there are technicians, investment committees there.

Mr Speaker: Order!

(Interruptions)

Mr Jeeha: This is not a one-man show like the Labour Party.

Dr. Ramgoolam: The one-man show is with you, hon. Paul Bérenger!

(Interruptions)

Mr Speaker: Hon. Leader of the Opposition, when I call the House to order everybody must keep quiet. Now the hon. Minister is giving the reply and you are commenting. This is not correct.

Mr Jeeha: So, whatever decision the NPF will make, it will make it in its own deliberate judgement. Whatever CPIL and Business Parks of Mauritius are doing is in front of us. They are finalising a placement document that will be offered to the eventual equity subscribers and to the eventual convertible preference shares subscribers.

Dr. Ramgoolam: It is nothing short of scandalous, because the hon. Minister is trying to *noyer le poisson*. The hon. Minister of Finance talks of good corporate governance in his speech and this is the result of good corporate governance! The same person who decides on the loan he himself approves the loan. May I remind him that there are 550,000 employees whose money is in the NPF/NSF and they should not be made to pay for the incompetence of this Government ...

(Interruptions)

... and the corruption of this Government!

Mr Jeeha: What is the question, Sir?

Dr. Ramgoolam: Can I ask him if he knows - perhaps he won't know - whether there would not have been a better return if the NPF/NSF had put their money somewhere else in a more viable project?

Mr Jeeha: Mr Speaker, Sir, I am again telling the hon. Leader of the Opposition that NPF/NSF, just like other public sector agencies, that will be offered the placement offer, will have the complete autonomy, independence, liberty of taking their own decision whether to invest or not into the equity of the company.

(Interruptions)

Mr Speaker: Order!

Dr. Boolell: Mr Speaker, will the Minister state whether a subsidiary company has been set up for the management and upkeep of the Cyber Tower? And I would like to know who are the directors of the subsidiary company.

Mr Jeeha: Mr Speaker, Sir, the structure is like this: CPIL has been created to take care of the property and it is BPML that is going to do all the management of the whole of the Cybercity project.

Dr. Boolell: I would like to know whether a subsidiary company has been set up and who are the directors of this subsidiary company. I want a reply to my question, please; the hon. Minister knows who are the directors.

Mr Jeeha: I have already replied.

(Interruptions)

Dr. Boolell: The Minister does not know! Can he inform the House ...

Mr **Speaker:** Let us listen to the reply.

Mr Jeeha: I have already replied, Sir.

Dr. Boolell: I will tell him to inform the House whether an Adviser to the Prime Minister's Office is not one of the directors of this company.

Mr Jeeha: Mr Speaker, Sir, I would like to tell the Member that BPML is a registered company. Of course, information about its directors are public at the Registrar of Companies. He can have it and there is no problem to read the name of the directors there and if it happens that an Adviser to the Prime Minister is a member of that Board, so, where is the problem?

Dr. Boolell: The problem lies with you! We are talking of contribution of workers and they are funding this subsidiary company. We would like to have the reply. And can we have a copy of the reply on the Table of the Assembly, please?

Mr Speaker: I understand that the NPF/NSF is under the responsibility of the Ministry of the Social Security, it is not fair to ask questions on an organisation which is not under the responsibility of this Minister.

Mr Duval: Mr Speaker, Sir, we are talking here of a commercial building being constructed and let for commercial purposes. If this was such a good investment, the private sector should be queuing up to invest. Why, then, is he having recourse to private sector agencies such as NPF where there exists this very real conflict of interest situation, to finance a building, which is basically a commercial building?

Mr Jeeha: Mr Speaker, Sir, yesterday the hon. Leader of the Opposition said in his speech that the building is only a commercial building and today the hon. Member is also referring to that. First of all, this building is laying the foundation for what Mauritius is going to be in the years to come and the Members will be here to see!

The second thing, Mr Speaker, Sir, is that the placement offer is being made on two counts - firstly, equity for Rs300 m, not only to the NPF - I do not know why the Opposition is only harping at the NPF - but to all public sector agencies, that have the capacity, the ability, the willingness to invest in the equity share of the CPIL; and secondly, a private placement where specialised private sector institutions are being invited to invest; and that is why you need to prepare a proper document - the hon. Member is an accountant and he will understand - where you provide the risks, return, opportunities, threats, analysis, to the investors for them to make their decision. We are not forcing any decision on anybody. The decision rests with the institutions and the public sector agencies.

(Interruptions)

Mr Duval: The Minister of Finance has stated quite clearly in his budget speech that funds are tight, people have to pay tax, therefore, public money which is presumably tight is being invested, I repeat, in a commercial building which could itself obtain revenue. Why, therefore, is he having recourse to public funds in such a supposedly tight budgetary situation?

Mr Jeeha: Mr Speaker, Sir, I think now that Member is digressing from the main question. They want to find a way out of it. But there is no such question. Whatever is happening today was planned right from the year 2000 and it is only now that we are completing each and every phase of the project. Since the Member is speaking about tightness and judicious use of funds, let me tell him and the Opposition what they did when they were in Government with Net Mauritius.Com?

(Interruptions)

The hon. Member has got to listen to that!

(Interruptions)

Mr Speaker: Order, please!

Mr Jeeha: Mr Speaker, Sir, Net Mauritius.Com was set up by the previous Government precisely to do what we are doing here and they wasted and lost about Rs40 m. of tax payers' money in that project!

(Interruptions)

Mr Duval: Can I remind the Minister that he is talking about the person who was recently recruited and offered a juicy job at the Prime Minister's Office? May I ask the hon. Minister whether he could tell us when the funds are going to be required for the finishing of this construction?

Mr Jeeha: I re-repeat, Sir! As far as the equity is concerned: July 2003 and as far as the convertible share is concerned: September 2003.

Mr Hurnam: Mr Speaker, Sir, would the hon. Minister confirm whether the operational date of the Cybercity has been finalised? Because during the recent visit of the Indian Minister of ICT, he suggested to the Government that in recognition of the financial help the Indian Government has given, and more particularly, in view of the hon. Prime Minister Vajpayee's birthday on 25 December, whether the Government has decided that this date would be the operational date?

Mr Jeeha: First of all, the construction of the building will have to be completed and according to the company all the schedules are on time and if the building is completed within the budgeted time limit, the inauguration will be accordingly done and Government will take the necessary decision.

Mr Duval: Mr Speaker, may I ask the hon. Minister - obviously there must have been a planning exercise; July is coming up - why has the Government waited till the last moment, mid-June, and the placement document is not ready and the Minister has not indicated either when it is going to be ready?

Mr Jeeha: I thank the hon. Member for this question. In fact, he is a consultant and he knows that consultants also need time to work!

For the information of the House, I have been informed that the information note for both the equity and the convertible preferences will be ready next week.

Dr. Ramgoolam: Mr Speaker, Sir, I have just looked at the Budget speech of last year. It was mentioned that fully-serviced plots of lands have been allocated. The

Minister of Finance has mentioned it again. Last year, he said they have put a downpayment of Rs2 m. Why, since two years ago, they have still not started the construction?

Mr Jeeha: Mr Speaker, Sir, it is because lease documents have to be finalised before vesting the lands in those companies which have got to settle their dues and, of course, their projects need to be approved at the level of the Board of Investment and they need to obtain all necessary permits and clearances before any construction can start.

Dr. Ramgoolam: Likely it is for speculation purposes that they have taken the land, because it is so cheap, it is easy money and this is the reason why after two years they have not started any construction at all.

Mr Jeeha: This is the opinion of the Leader of the Opposition, Sir.

Mr Speaker: Next item, please!

MOTION

SUSPENSION OF STANDING ORDER 10(2)

The Prime Minister: Sir, I beg to move that all the business on today's Order Paper be exempted from the provisions of paragraph (2) of Standing Order 10.

The Deputy Prime Minister rose and seconded.

Question put and agreed to.