

Debate No. 25

Answer to Oral Questions - 08 April 2003

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CEMENT – SUPPLY OF 160,000 TONNES TO STC

The Leader of the Opposition (Dr. N. Ramgoolam) (*By Private Notice*) asked the Minister of Commerce & Co-operatives whether, in regard to the supply of 160,000 tonnes of cement of the STC, he will state if –

re were unsolicited offers and, if so, by whom, when, at what prices, and if the STC engaged in discussions with offerers and their outcome;

re was an official tender exercise and, if so, when, who made submissions, and their prices; and

re were any negotiations at any time between the STC and any tenderer, and whether the tender exercise was cancelled and, if so, by whom, when and why.

Mr Koonjoo: Mr Speaker Sir, I hope that this is not a cash question. Last time, it was Samlo, this time it is ETA.

Mr Speaker: Come to the point. Don't start on a wrong footing.

Mr Koonjoo: As the House is aware, Mr Speaker Sir, the State Trading Corporation imports 50% of our total annual requirements of cement, that is, 300,000 m/tonnes out of total 600,000 m/tonnes. A tender was launched in October, last year, for the supply of 300,000 m/tonnes for the year 2003. Three tenders were received, and the lowest tender was USD37.10 per metric tonne.

Unfortunately, all the three tenderers backed out, and Government was left with no alternative than to negotiate with other suppliers to ensure security of supply. Government was able to secure 150,000 m/tonnes at USD37.00 from Seament Co. Ltd for the period of January to June 2003.

Further negotiations were held with Seament Co. Ltd for supply for the period July to December 2003.

The supplier agreed to supply to the second half of the year, but subject to conditions unacceptable to the State Trading Corporation. In these circumstances, STC had no alternative than to source from other suppliers.

All throughout, our concern was to ensure security of supply and to maintain the retail price of Rs95/per bag of 50 kg.

As regards part (a) of the question, only one unsolicited offer has been received from Emirates Trading Agency in a letter dated 22 May 2003. The firm made the following offers -

(i) Price: USD38.50 per metric tonne CIF Port Louis.

Quantity: four shipments of 40,000 m/tonnes each between July 2003 and December 2003 to be discharged by shore unloader.

I am informed that the State Trading Corporation has not engaged in any discussion with the offerer, that is, Emirates Trading Agency, except that routine information on the

company was sought. The financial background of the company was eventually sent to STC. No further action was taken.

Concerning part (b) of the question, for the supply of 160,000 m/tonnes for the period July to December 2003, a selective tender was launched on 03 June 2003. Nine tenderers, including the Emirates Trading Agency, were invited to submit bids.

The tenderers had participated in tender exercises in the past or had expressed interest to supply.

The tender was launched on the following basis -

(i) Quantity: 160,000 m/tonnes

Assignment quantity – 40,000 m/tonnes per vessel

Discharging mode: by onshore unloader belonging to COIL

Closing date for offer: Friday 20 June 2003

Vessel capacity of 40,000 m/tonnes was requested to be able to get better prices per m/tonne. The onshore mode of discharging was retained, again, to get a better price.

No submission was received on 18 June 2003 when STC decided to annul the tender. Only one tender bond was received at that date.

With regard to part (c), on 18 June, on the recommendation of the STC, Government decided to annul the tender exercise.

After the tender was launched on the conditions mentioned earlier, one of the local cement operator, COIL, came up with two conditions namely -

(i) that the discharging costs for the use of its onshore unloader be increased from USD4.25 per m/tonne to USD5.00 per m/tonne;

that it was unable to take cement from STC without canceling its own import schedule. It added that, in case it was compelled to do so, a dead freight amounting to USD1.8 m., that is, approximately Rs50 m., would be claimed.

It is to be noted that COIL had not raised any objection before the tender was launched and was, in fact, prepared to accept cement out of the volume tendered.

During the first six months, the total volume of cement purchased by STC was supplied to COIL. Therefore, the consignments to be purchased after June 2003, had to be supplied to Lafarge (Mauritius).

Lafarge, one of the two local cement operators, does not own an onshore unloader, and the maximum volume it can take is limited to around 27,000 m/tonnes. In these circumstances, vessels of 40,000 m/tonnes were not appropriate.

STC was therefore left with two options, namely -

(i) accept to pay a dead freight of USD1.8 m. to COIL and maintain the tender exercise; or

request tenderers to submit quotation on consignments of 25,000 m/tonnes, on self-discharging mode.

Requesting supply on vessels of 25,000 m/tons would result into higher prices. STC concluded that import by vessels of 25,000 m/tons would be in favour of the local cement companies as the high prices would cause the retail price to be increased accordingly. This would have led to windfall gains to local cement companies.

No negotiations were held by STC with any potential bidder.

As local cement companies had earlier expressed the wish to import their own requirements, STC explored this possibility to ensure security of supply.

As Lafarge (Mauritius) was to be the recipient of the cement imported by the STC, it was requested to ensure supply up to December 2003 subject to the following conditions -

- (i) that they would not request for the retail price to be increased;
- ensure that there is no shortage of supply at any time on the local market;
- keep STC informed of the level of stock and arrival of vessels;
- that STC does not relinquish its right to launch tenders for 2004 and after.

Lafarge agreed to these conditions, except that -

- (i) Government would not devalue the rupee;
- that the rupee would not depreciate by more than 10%; and
- there would not be any change in legislation affecting prices beyond their control.

It should be pointed out that **if** STC had accepted the unsolicited offer of E.T.A (Emirate Trading Agency), the retail price would have to be increased from Rs95/per bag to Rs99/per bag.

Keeping the retail price at Rs95/per bag, and at current exchange rate of the USD, cement had to be purchased at USD36.95 per m/ton, that is, five cents less than USD37. This is the price at which Lafarge (Mauritius) is supplying today. This price is lower than the lowest price quoted in the last tender exercise in October 2002.

Dr. Ramgoolam: Mr Speaker, Sir, I hope the Minister does not make it a habit of speaking for 15 minutes like a statement. The question was very simple, that is, when, why and by whom? First of all, I want to ask the Minister whether he can say who took the decision to cancel the official tendering exercise?

Mr Koonjoo: I have already replied to this question. Government decided after we got it confirmed from the STC. They took the decision, they came to see Government and we executed the decision.

Dr. Ramgoolam: So, Government decided to cancel the tendering exercise two days before it was actually due to end. Can the Minister confirm it?

Mr Koonjoo: Yes, Sir.

Dr. Ramgoolam: A tendering exercise is launched, the dates are set, from 03 June to 20 June at 2.00 p.m. on a Friday, then why should Government suddenly decide to stop it? Is it not logical to wait until 20 June?

Mr Koonjoo: Mr Speaker, Sir, I said that the decision was taken by the STC. Upon the recommendation of the STC, Government decided to annul the tender. In the tendering exercise mention was made that STC could annul the tender at any time. I am sure the STC got the legal advice before going ahead with this exercise.

Dr. Ramgoolam: Does not that stink that a tender exercise is launched and the date for the end of the tendering exercise is 20 June at 2.00 p.m. on a Friday, then Government - it has the ultimate say - decides that it should stop the tendering exercise and cancel it on 18 June, that is, two days before. Does it not stink?

Mr Koonjoo: There is nothing stinking, Sir, unless the Leader of the Opposition has got a long nose! The decision of annulling the tender exercise was already taken by the STC Board; and it was upon the recommendation of the STC that Government went with the decision to annul it.

Dr. Ramgoolam: I can smell it from here! The ultimate decision is taken by Government. So, here we have a Government which speaks of good governance, of transparency, launches a tender and it does not deem it unusual to cancel the tender two days earlier!

(Interruptions)

The problem is not about the price which is not increasing, but Government decides to stop the tender. Can he tell us why?

Mr Koonjoo: Mr Speaker, Sir, as a caring Government, we are looking at the welfare of the consumer, the public, especially at the local context of the country where so many massive investments are being done in all sectors. I believe the Leader of the Opposition can see these investments. Cement has become almost a very important commodity and we want to protect the consumers' welfare. If the Leader of the Opposition can supply to this country at less than \$36.95, the STC is ready to accept the offer.

Dr. Ramgoolam: This is ridiculous, Mr Speaker, Sir! It has become an institution where money, corruption can be made and the Minister is well aware of what I am saying. This is the allegation I am making.

The Deputy Prime Minister: On a point of order, I take it that this kind of very serious allegation cannot be made in this way and in contradiction with your ruling already, Mr Speaker, Sir.

Mr Speaker: When the Minister started, I think he was starting on the wrong footing, but then he came back to his senses, I think the hon. Deputy Prime Minister is right, let us be serious and responsible.

Dr. Ramgoolam: I heard him say that there were nine offers at the beginning. Did the nine offers disappear?

Mr Koonjoo: When the tender exercise was annulled on 18 June, there was not a single bidder, tenderer, there was nothing in the tender box, except one tender bond. Nobody has tendered so far. I said in my reply that the tender exercise was annulled, because COIL refused to take 40,000 tonnes and had to come with new conditions, that is, they claimed US\$1.8 m, Rs50 m - that is for the dead freight; and the cost of discharging per m/tonne from 4.25 to 5 dollars. This would naturally have resulted in an increase in price on the local market.

Mr Duval: I am sure that the Minister knows fully well that tenders by tenderers are submitted usually on the last day and at the last minute because the tenderer does not want the possibility that the tender documents that he is submitting is divulged to other people. Usually people will submit tenders on the last day at the last hour, often at the last minute. Why did Government not wait till the last minute, the last day to see what tenders were, in fact, being received?

Mr Koonjoo: Mr Speaker, Sir, we got a better offer. I said in my reply that the last year the lowest tender was US\$37.10 cents per m/tonne. When all the tenderers backed out, we were able to negotiate at 37 dollars per m/tonne, that is, 10 cents less; and this time we are getting five cents lower than 35 dollars. Naturally, we would not let such an occasion go out.

Mr Duval: Mr Speaker, Sir, there are two matters leading to confusion, one is COIL and why they are not accepting the situation and the other one is the price. How can the

Minister say that he got a better offer since he did not wait till the end of the tender exercise to see what offers were being received?

Mr Koonjoo: Mr Speaker, Sir, actually we know we had offers up to 42 to 45 dollars. Actually the bag of cement of 50 kg is lowest in the region; our concern is to protect the consumer; we do not want the price to go up. And it is a very fair and lucky coincidence that even after the Iraq war has been over, people were afraid that during the war prices of petrol, cement and so many prices would go up, but not a single price of petrol, of cement or rice or anything imported by the STC was affected or raised though the war is over now.

Mr Duval: The point that we are making is that Government did not wait to see whether or not prices obtained from the tenderers would be lower or not. But may I ask the hon. Minister...

(Interruptions)

It could still be cancelled afterwards.

May I ask the hon. Minister why Government proceeded with the tender in the first place for the six months? What was the point of the tender? For whom was the tender made? Government does not sell cement to the public; it goes through intermediaries. What was the point of launching the tender for the 160,000 tonnes?

Mr Koonjoo: I have replied, Mr Speaker, Sir. COIL was asking for an increase in the price of discharging the cement. I said it from USD4.25 to USD5.00 and on top of that, a dead freight of Rs50 m. We can't afford it. STC found that the best thing was to accept this offer of USD36.95 per metric tonne.

Mr Duval: The hon. Minister is misunderstanding my question. I asked what was the point of launching the original tender. Why did Government launch the original tender and for whom did it launch it, to supply whom?

Mr Koonjoo: I replied to that.

(Interruptions)

Mr Duval: I asked the Minister whether the STC was buying the cement to supply COIL or was it to supply Portland Cement. What was the point of launching the tender? That is the question.

Mr Koonjoo: I said that COIL was asking for an increase in the price of discharging per metric tonne. I said that on top of that there was a dead freight of USD1.8 m. We can't afford that.

Dr. Ramgoolam: Mr Speaker, Sir, it is very confusing what the Minister is trying to hide. First of all, whatever the reason, the price, the dead freight or whatever he is talking about, the fact is that Government launched a bid on 03 June - note the date well, 03 June!

Mr Koonjoo: It was a better offer.

Dr. Ramgoolam: The Minister can't say it was a better offer until the date of the closure of the bid. You can't! You should not! This is interference.

(Interruptions)

Mr Speaker: Order!

Dr. Ramgoolam: The Minister himself said that there was only one tenderer.

Mr Koonjoo: No, I said tender bond.

Dr. Ramgoolam: Bond or whatever, there was only one. So, Lafarge Ltd. is interested, but does not tender; it waits for the Government to stop the tendering procedure and then negotiations take place. How can you say this is transparent and does not stink? How can you say that?

Mr Koonjoo: Mr Speaker, Sir, on 18 June, there was only one tender bond and not tender bid.

Dr. Ramgoolam: Is the Minister saying yes or no that two days before, that is, on 18 June, there was one tender bond? And how many tenderers were there?

Mr Koonjoo: I said there was no tender. There was only a tender bond.

Dr. Ramgoolam: So, there were no tenderers up to 18 June. That is what I was saying. There were no tenderers. They did not wait until 20 June and they closed the tender; they stopped the tendering procedure and they negotiated directly. If that does not stink, what is called stinking then?

(Interruptions)

Mr Koonjoo: I am not stinking this...

Dr. Ramgoolam: What was the point of actually launching the tender exercise?

Mr Koonjoo: I said, Mr Speaker, Sir, we got an offer lower than USD37. And USD37 was even lower than the lowest tenderer last year, USD37.10.

Mr Duval: Mr Speaker, Sir, there is a tender going on. Somebody approached the STC or the Ministry and said he wanted to supply cement to the Ministry or to the Government, why didn't the Government ask him to submit his tender? There is an open tender. Lafarge Ltd., whoever it is, can take a tender bond and submit its tender like everybody else.

(Interruptions)

Why didn't the STC or the Government ask ...

(Interruptions)

Mr Speaker: Order!

Mr Duval: ...Lafarge Ltd. should tender like everybody else? Why was it not done?

Mr Koonjoo: I did not get the question.

Mr Duval: Why didn't the Minister ask the successful supplier to tender like everybody else?

Mr Koonjoo: When a tender exercise is carried out, potential tenderers send their tenders. We can't ask or force people to send their tenders.

Dr. Ramgoolam: The hon. Minister seems not to know that there are safeguards in the tendering exercise. One company does not tender and then negotiates with Government and he finds that it is fine. Well, let him stink in what he is saying! But can I ask him whether this kind of procedures will not damage, give a signal to the others abroad, or even in this country, that Government had already decided and it was just a masquerade about launching the tender?

Mr Koonjoo: There was no masquerade, Mr Speaker, Sir. I said that STC got a better offer and the offer was in the advantage of the public, of the consumers. The price is not increasing.

Mr Duval: Mr Speaker, Sir, may I ask the Minister whether he does not agree that tender procedures are carried out so that there is transparency, that there is a system which is

fair and transparent, tenders are opened in public, and every participant knows what is happening in the tender exercise, and finally the list of tenders is published? When somebody negotiates or goes directly without going through the tendering exercise, then the whole point of putting transparency and fairness in Government procurement is short-circuited. That is the point that is being made.

Mr Koonjoo: I have already replied to this question, Sir.

Dr. Ramgoolam: Can I ask a couple of more questions? Can I ask the hon. Minister whether this kind of procedure is not going to affect our relationship with other countries, including the Emirates?

(Interruptions)

They are one of the major companies in the Middle East, I understand. Is it not a case that they feel that this is a country where tendering is asked, an exercise is made and before the exercise is terminated, the Government actually stops two days before? What was preventing the Minister from waiting for two days? I can't imagine!

Mr Koonjoo: On the contrary, Mr Speaker, Sir, if we do what the hon. Leader of the Opposition is saying, we are just giving preference to countries with whom we have got diplomatic relations; and this is unfair.

Dr. Ramgoolam: It is not a question of being unfair. That is what is dangerous. It is giving the idea that the decision was already taken, the tendering exercise was a masquerade! There was only two days to wait. Can the Minister tell us what was the big problem in waiting for two days?

Mr Koonjoo: I said so many times, Mr Speaker, Sir. The decision was taken for the benefit of the consumers, of the public, and that's the point.

Dr. Ramgoolam: Then why didn't the Minister, in that case, cancel all the tendering procedures? Why do we have tendering procedures then?

(Interruptions)

Mr Koonjoo: I'll make an appeal to the hon. Leader of the Opposition. If he can offer to the country a lower price than what we are getting now, I am sure the STC will agree with his offer.

Dr. Ramgoolam: Can I ask the Minister why should people tender at all then?

Mr Koonjoo: Any exercise for tendering is done naturally for transparency, but I say again that it is for the public's welfare that we wanted to keep the price of cement at Rs95.00 per bag, not more not less.

Dr. Ramgoolam: Mr Speaker, Sir, how can the Minister talk of transparency, public welfare and consumer protection when, in fact, he stopped the procedure itself only two days before. The Minister can't say what eventual offer he would have got. How can he say that, tell me?

Mr Duval: Mr Speaker, Sir, may I ask the Minister whether STC is adopting new procedures now for the supply of petrol, whether it will do the same thing, launch a tender and then negotiate? Will it be the same for rice and everything else? Is this what the Minister is proposing now as good governance?

Mr Koonjoo: For petrol, it has already been done, Sir, and the exercise is carried out every year.

Mr Speaker: One last question!

Dr. Ramgoolam: Can the Minister say whether the contract has been awarded and, if so, by whom and at what price?

Mr Koonjoo: I said, Mr Speaker, Sir, the conditions from COIL were unacceptable.

Dr. Ramgoolam: The question is: has the contract been awarded and, if so, by whom and at what price?

Mr Koonjoo: I have already answered this question in my reply.

Dr. Ramgoolam: My understanding is that the hon. Minister has made an agreement with Lafarge Ltd., which is represented by Rogers. But, at what price is the hon. Minister going to buy from them and has it been awarded? Has he actually accepted their offer?

Mr Koonjoo: USD36.95 per m/tonne, Mr Speaker, Sir.

Dr. Ramgoolam: One last question. So, the hon. Minister is confirming that the whole tendering procedure was a masquerade! There was no need for a tender procedure! He is confirming that!

Mr Koonjoo: No, there was no masquerade, Mr Speaker, Sir.

Mr Speaker: Time is up! Next item!

MOTION

SUSPENSION OF S.O. 10(2)

The Prime Minister: Mr Speaker, 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.