

Debate No. 4

Private Notice Questions - 08 April 2003

NEW CO-OPERATIVE BANK LTD/POST OFFICE SAVINGS BANK - MERGER

The Leader of the Opposition (Dr. N. Ramgoolam) (*By Private Notice*) asked the Deputy Prime Minister and Minister of Finance whether, in regard to the merger between the New Co-operative Bank Ltd (NCB) and the Post Office Savings Bank, he will state –

detailed business plan was undertaken before the setting up of the NCB and, if so, by whom;

resources sustained by the NCB to date, and table its latest audited financial statements;

dates on which their respective Boards approved the merger, and

feasibility study for the merger was undertaken and, if so, when and by whom.

The Deputy Prime Minister: Mr Speaker, Sir, as the House is aware, when the ex-MCCB was put into liquidation by the then Government, the then Minister of Finance stated on 19 April 1996 that a new co-operative bank would be set up within 72 hours, but nothing was done...

(Interruptions)

Mr Speaker: Order! Order!

The Deputy Prime Minister: When the 1998/1999 Budget was presented on 08 June 1998 by the then Minister of Finance, it was this time announced that a National Entrepreneurs Bank would be set up to meet, among others, the needs of the co-operative sector. Again, nothing was done much to the dismay of co-operators in particular and small entrepreneurs in general.

In contrast to the above, and conscious of the problems being faced by the co-operative sector in the aftermath of the closure of the ex-MCCB, the present Government, after assuming office, undertook to satisfy the demand of the co-operative sector and to set up a bank to cater to their particular needs. In spite of the tight budgetary situation, a sum of Rs100 m. was voted in the 2001/2002 Budget for equity participation by Government in a new bank. It was Government's stated intention then to withdraw eventually from the shareholding, to make place for co-operative societies and federations. All required precautions were taken when setting up the bank to make the new enterprise a success. Thus, the New Co-operative Bank was incorporated in October 2001 with Government, the Development Bank of Mauritius, the Sugar Investment Trust, and co-operative societies and federations as shareholders. The Board is chaired by Mrs Jeetun, Chief Executive of SIT and comprises eight members from the co-operative movement, one from the Development Bank of Mauritius, one from the Ministry of Finance and one independent member. It is to be noted that although Government is by far the largest shareholder, it has only one member on the Board and has not at all interfered in the management of the Bank.

The staff was recruited by a committee strictly on the basis of qualifications and merits. The ex-MCCB building was purchased and renovated after strict tender procedures. Mr Speaker, I wish to place on record here, my appreciation for the efforts put in by the Board and Management to make the Bank a success. Unfortunately, despite efforts by the Board and Management, the performance of the Bank has not been up to expectations due mainly to its location and lack of accessibility. Its target market is in

rural areas, while the seat of the Bank is in Port Louis. Several initiatives have been taken by Management to expand its client base and encourage the co-operatives to make use of the Bank's services. Many potential customers, however, find it inconvenient to travel to Port Louis for banking transactions. Besides, as we all know, nearly every village now has a bank within a few kilometres. The challenge for the New Co-operative Bank was to attract not only the 341 co-operative societies operational in Mauritius but also individual members of each society. The Bank also held a series of meetings with members of co-operatives, in order to motivate them to make use of the Bank.

However, Mr Speaker, to date only six co-operative federations are shareholders of the Bank; and they hold only 2% of the equity. Three of the federations, which are represented on the Board, are not even shareholders. Out of 341 co-operative societies operating in Mauritius, only 124 have opened an account and only 58 of these have, in fact, conducted business with the Bank. The result of the above is that the Bank has recorded losses of Rs1.2 m. for its first six months of operation. Accounts for these six months ending 31 December 2002 are still being audited.

As the Bank was looking into ways for improving its financial situation, it came to its knowledge that, for its part, Mauritius Post Ltd had applied for a full banking licence from the Bank of Mauritius and intended to use its 100 or so outlets in towns and villages to be in close contact with potential clients. The Management of the New Co-operative Bank had also looked into various options, namely the opening of branches, roving branches and the introduction of mobile banking services and ATMs. Unfortunately, Mr Speaker, the operating costs and the investment required for implementation of these options were found to be too onerous for the Bank to support. Unless a core level of business was established, it would not have been feasible for the Bank to decentralise its activities.

Both sides came to the conclusion that a win-win situation would be a merger of the New Co-operative Bank and the Post Office Savings Bank. Both sides studied fully the feasibility of the merger before a final decision was taken. It has been finally decided to increase the share capital of the new bank from Rs143 m. to Rs280 m. Mauritius Post would contribute Rs124 m. to the share capital, whereas the contribution of the SIT would rise from Rs15 m. to Rs28 m., to maintain its shareholding at 10%. This would give Mauritius Post Ltd 44% of equity of the new Bank. In spite of the fact that the co-operatives would hold 1% of the equity, they will have three members on the Board. The Bank of Mauritius is being approached for a change of name from New Co-operative Bank to Mauritius Post and Co-operative Bank and on the new shareholding. The merger was approved by the Board of the New Co-operative Bank on 25 March, this year.

The merger was welcomed and approved with great enthusiasm by the co-operative societies and federations...

(Interruptions)

Mr Speaker: Order! Order, please.

The Deputy Prime Minister: I repeat the merger was approved with great enthusiasm by the co-operative societies and federations at a meeting my colleagues the Minister of Agriculture, Food Technology and Natural Resources, the Minister of Fisheries, the Minister of Commerce and Co-operatives and the Minister of Information Technology & Telecommunications and myself had with them on 28 March, this year. Some apprehension expressed by the trade unions representing employees of Mauritius Post Ltd was addressed at the meeting and set to rest. It was restated at the meeting, Mr Speaker, that the intention of Government is to withdraw from the Bank as a shareholder and sell its shares to co-operatives. Like the representatives of the New Co-operative Bank and of the Mauritius Post Ltd, I am convinced that the required synergy will take place because of the 100 or so outlets and the fact that both institutions target the same

market. Mr Speaker, this is why I have spoken of a win-win situation. The potential is there for the new bank to become in a few years time the fourth bank of the country. For its part, Government will continue to give its full support to the co-operative sector, in particular to small cane planters, vegetable growers, small breeders, pig breeders, fishermen, individual bus operators, consumer co-operatives and credit unions as well as to the Sugar Investment Trust.

Thank you, Mr Speaker, Sir.

Dr. Ramgoolam: Mr Speaker, Sir, some of the details have not been answered and I'll ask them again. But it is clear today, from what the Minister of Finance has been saying, that there was no economic rationale for opening the bank as it was only for cheap political gains and public funds were used just to get political gains. This is what happened and it has exploded in his face!

(Interruptions)

The question is there. The Deputy Prime Minister has spoken for ten minutes and I am allowed to say what I want to say.

(Interruptions)

I do not take orders from him!

Mr Speaker: Take your seat. Order! Order! I am on my feet...

(Interruptions)

Dr. Ramgoolam: I do not take orders from him!

Mr Speaker: It is not an order. You should not take order from anybody except from the Chair. When the Speaker is on his feet, you have to take your seat immediately.

Dr. Ramgoolam: Having shown his failure, masking his total failure as the Minister of Finance.

Mr Speaker: The hon. Leader of the Opposition has said what he has to say, now I want questions if he has any!

Dr. Ramgoolam: Now that we have seen the failure, can he say whether it was not known about the location and the accessibility when the feasibility for the NCB was done? Was that not discussed then?

The Deputy Prime Minister: Of course, Sir. But when the Bank found itself into what we could call a vicious circle, what we could describe

as a chicken and egg situation...

(Interruptions)

Mr Speaker: Order! Order!

The Deputy Prime Minister: ...to open branches, you had to have a core business, a minimum financial basis to go and open branches and without opening branches, the core business did not come. So, this is not the time to do any co-operative bashing, Mr Speaker, Sir ...

(Interruptions)

Mr Speaker: Order, please!

The Deputy Prime Minister: ... I have given the facts, we have done our best. The Management and the Board in total independence from Government have done their

best. The results have been what they have been. When the Opposition speaks of failure, they are insulting the Board and the Management of the Bank...

(Interruptions)

Mr Speaker: Dr. Beebeejaun, I do not want any comment from you!

The Deputy Prime Minister: They are insulting the Board chaired by Mrs Jeetun and the management. This is what they are doing...

(Interruptions)

Mr Speaker: Order! If the hon. Member has a point of order, he can take it. This is my first warning to you, hon. David. Believe me!

The Deputy Prime Minister: Mr Speaker, Sir, we, for our part, as I said, are going to continue to give our full support to the co-operative sector. I am tempted to use the same expression that the Prime Minister used in the case of the Illovo deal. From my point of view, this is also godsend, Sir. The coincidence is that at a time when the New Co-operative Bank was having difficulties to take off, this happened at the same time when the Post Office Savings Bank wanted to convert itself into a full-fledged bank. This coincidence has created a win-win situation and I have no doubt that both financial institutions will benefit from the merger; and as I said, I have no doubt that in a few years time, this New Bank will be the fourth Bank of the country.

Dr. Ramgoolam: The Minister of Finance will recall that when the MCB was opened, he said the same thing that he had no doubt that this would be a total success and we've seen what the total success has been! I was surprised that he says that even though the feasibility study showed the weaknesses of the location and the accessibility this was not taken on board. They went ahead and opened the bank and put public funds in it.

The Deputy Prime Minister: I have just replied to that, Mr Speaker, Sir.

Dr. Ramgoolam: No, he has not, Mr Speaker, Sir. He was just trying to spin and mask his failure. Can I ask the Minister, therefore, what were the expectations that were not reached by the Bank as far as loans and deposits were concerned?

The Deputy Prime Minister: Honestly, Mr Speaker, I have made that clear. We put in a Rs100 m and the intention was for the co-operative federations and societies to buy us out and to become the majority shareholder. As I said, I am not interested in doing any kind of bashing, but for different reasons, the co-operative sector as a whole, managed to become a shareholder to the level of 2% only of the shareholding. This is a fact and, secondly, being given the number of banks and so on in the villages I have given the facts how many societies did business. I repeat it is most unfair to target either the Board where you have eight representatives of the co-operative sector on the Board, they operated in total independence. They did their very best and I again congratulate them, but things are what they are, we are where we are and a win-win situation is going to be utilised to the full for the success of the new bank.

Dr. Ramgoolam: The hon. Minister is congratulating the Board, but he forgets that he has been ordering the Board and that is why they have failed. Can I ask him to what extent has the NCB met the specific needs of the co-operative sector in terms of loans, advances, profitability etc?

The Deputy Prime Minister: Sir, there has been no interference at all from me or the Minister of Co-operatives or from any Member of Government. None at all and I challenge anybody to give any evidence of that. There has been no interference at all.

(Interruptions)

Dr. Boolell: I take up the challenge.

Mr Speaker: Order! You are not in a market place. Take your seat. Hon. Dr. Boolell, please! Take your seat.

(Interruptions)

Hon. Dr. Boolell, where do you think you are?

Dr. Boolell: In Parliament.

Mr Speaker: No, this is not the way to behave in Parliament.

(Interruptions)

The Deputy Prime Minister: As I said, there has been no....

(Interruptions)

Mr Speaker: Hon. Dr. Boolell, this is also a first warning to you!

The Deputy Prime Minister: Mr Speaker, Sir, can I plead not to have to stand up and sit down too often, it is very tiring!

Mr Speaker: Order! Order!

The Deputy Prime Minister: I repeat, Mr Speaker, Sir, there has been absolutely no interference from myself, my colleague, the Minister of Co-operatives or any Member of Government. The Board where eight representatives of the co-operative movement are in a large majority and this has been and will probably be the only bank in the world chaired by a lady; and we are proud of it instead of their giggling. Mrs Jyoti Jeetun has done a great job as Chief Executive of the SIT and as Chairperson of this Bank. They are insulting the Board members, the co-operative members and Mrs Jeetun. Shame on them!

(Interruptions)

Dr. Ramgoolam: Can I ask the Deputy Prime Minister whether it is not a fact that he chaired a meeting on 17 February, as he said last Tuesday, to decide on the fate of the bank?

The Deputy Prime Minister: At the request of all those concerned, we had a meeting with the New Co-operative Bank to see what were the possibilities. They came with their suggestions and the final decision was, as I said, to take the opportunity of a win-win situation with the merger. The Board of the New Co-operative Bank, where the co-operative members are in a large majority, eight of them, have approved that merger enthusiastically, Mr Speaker, Sir.

Dr. Ramgoolam: Now, we have the confirmation that the meeting was chaired by the Deputy Prime Minister on 17 February and the Board approved on 25 March, as he has just said. So, we can see the pattern, how he ordered everybody around and forced the Board to accept. He has said that there was a new feasibility study and he had talked about the common target. Can I ask him whether this commonality of target was found in the feasibility study on the merger?

The Deputy Prime Minister: Of course, Mr Speaker. We studied very carefully at both ends as to whether the merger would be in the interest of both financial institutions. They keep on insulting everybody. Professionals like Mrs Jeetun ...

(Interruptions)

Shame on them! Shame!

(Interruptions)

Mr Speaker: Order, please!

The Deputy Prime Minister: Professionals like Kris Lutchmeenaraidoo at Mauritius Post Ltd., they are good professionals, independent minds.

(Interruptions)

Mr Speaker: Order!

The Deputy Prime Minister: They have examined the advantages of a merger at both ends. I repeat, Mr Speaker, there has been no interference at all from either me, the Minister responsible for Co-operatives, or any member of Government. I chair ten meetings everyday. The meeting which I chaired was to look at different options.

(Interruptions)

So what? Unfortunately, we are still the main shareholder with 70% of the shares. Unfortunately!

(Interruptions)

Mr Speaker: Hon. Dulloo, please!

The Deputy Prime Minister: So, of course as the main shareholder, it was our duty to sit down and look at the options. This, we did and I am fully satisfied that we took the right decision which has been ratified by the Board of the New Co-operative Bank to make use of the merger to have a win-win situation.

Dr. Ramgoolam: Can I then ask the Deputy Prime Minister and Minister of Finance whether he will accept to table a copy of the feasibility study on the merger?

The Deputy Prime Minister: The Leader of the Opposition seems to think that there is a magic thing called the feasibility study. You have pre-feasibility studies; you have different studies...

(Interruptions)

Mr Speaker: Order!

The Deputy Prime Minister: ...on financial dimension of it, on different dimensions of the merger. The feasibility of the merger has been studied fully at both ends before a final decision was taken.

Dr. Ramgoolam: Because it is public money that is why I want to ask him whether he will table the feasibility study.

(Interruptions)

The Deputy Prime Minister: I have replied, Sir.

Dr. Ramgoolam: He is not replying, because there is no feasibility study as far as we know. Can I ask him, therefore, whether he accepts that the Post Office Savings Bank is a deposit-taking bank? The NCB has been proved to have been a failed bank. So, does he not think that it is a case of throwing good money after bad money?

The Deputy Prime Minister: Mr Speaker, Sir, as I said, the New Co-operative has not been a failure. It had problems to take off. But, as I said, it is godsend in a way. Instead of going and looking for other possibilities which we might have found to get the New Co-operative Bank to take off, an opportunity arose that the Post Office Savings Bank was asking the Bank of Mauritius for a full-fledged banking licence. They have not yet obtained it. We don't know what would have been the reaction of the Bank of

Mauritius. Instead of that, we felt that it was a win-win situation for Mauritius Post Ltd. to become a shareholder in the New Co-operative Bank and the name, as I said earlier, to be changed into that of the Mauritius Post and Co-operative Bank. This is what I described, Mr Speaker, as a win-win situation. You know, in life, Mr Speaker, when an opportunity arises, instead of sleeping over it, you have to jump at the opportunity and this is what has happened in this case. In a few years' time, we'll see who was right and who wasn't, Mr Speaker. I maintain that in a few years' time with somebody like Mrs Jyoti Jeetun in the Chair...

(Interruptions)

...and professionals like Kris Lutchmeenaraidoo and others, I have no doubt that we will be in the presence, in a few years' time, of the fourth bank of the country.

Dr. Ramgoolam: Does the hon. Deputy Prime Minister and Minister of Finance think that it is fair to ask thousands of people who trusted the Post Office Savings Bank and put their money there to agree now to entrust their money to an institution which has a history of highly politicised management?

The Deputy Prime Minister: As far as we are concerned, it was politicised under the previous Labour Government, Mr Speaker!

(Interruptions)

This is right in saying. There was gross interference. As we know, Mr Speaker, in the Labour days...

(Interruptions)

Mr Speaker: Order! You have put a question, hon. Leader of the Opposition. I understand that you would like to listen to the reply. Why are you interrupting?

(Interruptions)

The Deputy Prime Minister: I am replying. In the Labour days, Mr Speaker, Sir,...

(Interruptions)

I was replying, Mr Speaker, Sir,...

(Interruptions)

I was in the process of replying.

(Interruptions)

Mr Speaker: He is replying to the question.

(Interruptions)

Can the hon. Leader of the Opposition take his seat? Leader of the Opposition, please! The hon. Leader of the Opposition will not sit down?

(Interruptions)

Can the hon. Leader of the Opposition take his seat?

(Interruptions)

Order! Hon. Leader of the Opposition, let me remind you that this is ...

(Interruptions)

No, when I am on my feet, the hon. Leader of the Opposition has to take his seat. I am not taking order from anybody. The Standing Order is very clear that whenever the Speaker is on his feet...

(Interruptions)

Order! I would like to make it clear once for all.

(Interruptions)

Order, please! I am addressing myself to the Leader of the Opposition and this is not the first time that when I am on my feet, the Leader of the Opposition just keeps standing and does not listen to what I am saying. This is my first warning to him. If he insists, he will have to bear the consequences.

The Deputy Prime Minister: Under the Labour Government, there was gross interference in the affairs of even the Bank of Mauritius, Mr Speaker, Sir. Are we to forget that the then Labour Party Minister of Finance stood up in Parliament to decide on interest rates set by the Bank of Mauritius?

(Interruptions)

Mr Speaker: Order, please!

The Deputy Prime Minister: Let me repeat, Mr Speaker, since the last General Election, there has been absolutely no interference from this Government in the affairs of the Bank of Mauritius, of the New Co-operative Bank or of any bank, Mr Speaker, Sir.

(Interruptions)

Mr Speaker: Order!

Mr Duval: Mr Speaker, Sir, given that the Post Office Savings Bank is not a bank at all and does not hold a banking licence, can the Deputy Prime Minister tell us why the Bank of Mauritius has, so far, refused to grant a banking licence to the ex-Post Office Savings Bank and why has it become necessary to use a subterfuge of purchasing the New Co-operative Bank so that a banking licence is obtained for this new venture?

The Deputy Prime Minister: I never said that and this is falsehood Mr Speaker, Sir. *Totalement faux!* The Bank of Mauritius has not to date, as far as I am informed, refused to grant a banking licence to Mauritius Post Ltd. Mauritius Post Ltd. had put in a request which, as far as I know, was being processed by the Bank of Mauritius in total independence once again. The opportunity that arose was for Mauritius Post Ltd. to make use with the required authority from the Bank of Mauritius of an already in operation banking licence held by the New Co-operative Bank. This was an opportunity which they decided to make use of.

Mr Duval: Mr Speaker, Sir, given that the First City Bank obtained its licence overnight, doesn't the Deputy Prime Minister find it very, very odd that this new Government sponsored Bank has to wait so long before the Bank of Mauritius decides on what to do?

The Deputy Prime Minister: I don't find anything odd, Mr Speaker, Sir, and I leave the Bank of Mauritius to do its work in total independence. Mr Speaker, Sir, we respect the independence of the Bank of Mauritius. I am fully satisfied as far as the Bank of Mauritius is concerned that they are performing beautifully.

Mr Dulloo: The fact that it has been revealed that the NCB has been a shocking failure - which was launched under his patronage and he indicated that it was launched with enthusiasm - will the Deputy Prime Minister confirm that right from the outset the facts revealed that the co-operators didn't have any trust in the Bank at all, nor had they any trust in the Government? Because up to now there is only 2% of equity shareholding

from the co-operators in this Bank; they never trusted at all the whole operation under the patronage of the Minister of Finance.

The Deputy Prime Minister: Mr Speaker, Sir, all those who are not hysterical know that any new bank, or any new enterprise for the matter, normally starts for the first six months one first financial year and that sometimes it is for two, three financial years before it finds its feet.

(Interruptions)

Mr Speaker: Order!

The Deputy Prime Minister: Banks or enterprises....

(Interruptions)

Mr Speaker: Can the hon. Deputy Prime Minister take his seat? I am calling each and every Member of this House to take his or her responsibility. It is unacceptable that whenever the Chair is trying to enforce the Standing Orders, Members from both sides, especially from the Opposition side, I am sorry to say so, are not prepared to obey the Orders or to heed what I am saying.

Mr Hurnam: Mr Speaker, Sir, will the Deputy Prime Minister inform the House that quite apart from the bluff that the then Government made regarding the re-opening of the New Co-operative Bank within 72 hours, were there any feasibility study made, until the population threw them out?

(Interruptions)

The Deputy Prime Minister: Well, Mr Speaker, Sir, as I was saying, going back to the previous question, it is very unfair to talk of the failure of the New Co-operative Bank. In fact, as I was saying, it is normal for any new enterprise or a new bank to find its feet over a period of one, two/three years. So, the New Co-operative Bank has not been a failure and those who say so are irresponsible and insulting the co-operative sector and the members of the Board. What I said happened is that, a godsend opportunity has presented itself and we are making use of that opportunity to create a win-win situation. This is the fact and, in the case of the other opportunities that this Government has been so good at jumping at, their mouths will be shut by events in the months to come, Mr Speaker, Sir - their Parliamentary mouths.

Dr. Ramgoolam: We bow to your ruling, Mr Speaker, Sir. The Deputy Prime Minister, himself, has admitted that the NCB has not fulfilled its objectives - he has said it himself. Therefore, it has failed in attaining its objectives. I don't know why he is playing on words. It has failed to attain its objectives. Doesn't the Deputy Prime Minister believe, now, that the way that the merger of these two institutions is being carried out...

The Deputy Prime Minister: Which institutions?

Dr. Ramgoolam: The Post Office Savings Bank and the NCB Ltd. The way they are being merged now, is it not a cynical ploy to fool the Co-operative Movement, once again, and is it not a smokescreen as if to hide the failure of the NCB?

The Deputy Prime Minister: Not at all, Mr Speaker, Sir. I repeat, with professionals at the head of both Mauritius Post Ltd. and the New Co-operative Bank, both sides have studied the feasibility of the merger very carefully, and both sides are satisfied that this is a win-win situation. We'll be around, Mr Speaker, Sir, except those who go back to London or to Agalega, but we'll be around, Mr Speaker, in a few years' time to see who has been proved right by events. I am convinced that both institutions have jumped at a godsend opportunity, that a win-win situation has been created and that we'll see in a few years' time the fourth Bank of the country.

Dr. Ramgoolam: These are just empty words, Mr Speaker, Sir. Promises, promises! It has failed as a Bank and now what we are saying is that we'll see in a few years' time, whether the depositors of the Post Office Savings Bank will not fear now that their money is being merged with a Bank that has failed in its objectives. Would the Deputy Prime Minister, therefore, give a guarantee to this House that there has been no interference and that there will be no interference, especially to force the Bank of Mauritius to give a banking licence?

The Deputy Prime Minister: Mr Speaker, Sir, I repeat that there has been no failure of the New Co-operative Bank. I have put all the facts before the population, Mr Speaker, Sir...

(Interruptions)

A godsend opportunity is being made use of. I repeat - and I give the guarantee - that there has been no interference from myself, the Minister of Co-operatives or any other Minister in the affairs of the New Co-operative Bank. I repeat, and I give the guarantee - and I have no problem in giving the guarantee - that there will be no political interference in the operations of the new Bank that is called upon to have a bright future, Mr Speaker, Sir.

Mr Speaker: Time is up.

Dr. Ramgoolam: Mr Speaker, will you allow me one more question?

Mr Speaker: No, no, time is up. Hon. Baloomoody, your question, please.