

MAURITIUS

Fifth National Assembly

FIRST SESSION

Debate No. 3 of 2011

Sitting of Tuesday 05 April 2011

**The Assembly met in the Assembly House, Port Louis,
at 11.30 a.m**

ORAL ANSWERS TO QUESTIONS

INFINITY BPO LTD - ACQUISITION

The Leader of the Opposition (Mr P. Bérenger) (*By Private Notice*) asked the vice-Prime Minister, Minister of Finance and Economic Development whether, in regard to Infinity BPO Ltd., he will state -

- (a) if the company has complied with all the conditions attached to the -
 - (i) granting of Rs135 m. under the Stimulus Package, and
 - (ii) acquisition of Infinity Tower;
- (b) if, prior to the evaluation by the Chief Government Valuer of the Infinity Tower, experts valued same at Rs300 m.;
- (c) the details of its outstanding debts;
- (d) if the Mechanism for Transitional Support to the Private Sector and the Economic Restructuring and Competitiveness Programme Committees exercised regular control thereon, and
- (e) if there has been siphoning off overseas of payments from foreign clients.

The vice-Prime Minister, Minister of Finance & Economic Development (Mr P. Jugnauth): Mr Speaker, Sir, beneficiaries under the MTSP, under which Infinity BPO Ltd. was given support, had to adhere to strict conditions until they have repaid the investment by Government. These include the following main elements -

- Dividends cannot be paid until Government has redeemed its investment;
- Management may be subject to cuts in pay and benefits;

- The firm has to hire at its cost an Independent Financial Analyst to monitor the implementation of the restructuring plan.
- In some cases, the main shareholder relinquishes decisions on financial matters.
- The implementation of the restructuring plan is subject to monthly reporting by the company to the MTSP via the financial analyst.

Infinity has been in compliance with the conditions that were agreed.

- No dividends were paid.
- The management took a 50 percent pay cut.
- BDO was appointed by Infinity as the independent financial analyst to monitor the implementation of the restructuring plan.
- BDO was given a mandate by the MTSP to advise on financial matters.
- BDO provided monthly reports until April 2010 when the obligations to Government ended via the sale and leaseback of Infinity Tower.
- Moreover, in the case of Infinity, the agreement clearly stated that no Government funds could be used to pay for charges associated with motor vehicles and other items for personal use.

Infinity initially received support under an agreement in November 2009. This envisaged an injection in the company of Rs102 m. as follows: Rs45 m. from Government, Rs45 m. from Barclays Bank and Rs12 m. from the shareholder.

However, the shareholder only injected Rs3 m. In view of his failure to respect the agreement, to protect the Rs45 m. of public funds and ensure that the restructuring plan could proceed, Government entered into a new agreement with Infinity in April 2010 for a purchase and leaseback scheme of the Infinity Tower.

The Infinity Tower was valued at Rs340 m. by the Government Valuer, taking into account that another Rs19.7 m. would be required to complete the building under Government ownership.

Government, therefore, entered into a sale and leaseback arrangement whereby it bought the Infinity Tower for Rs340 m.

Mr Speaker, Sir, at one point Government was considering purchasing only selected floors and the valuation from the Government Valuer was Rs110 m. for floors 4 to 6. In a subsequent exercise, the Government Valuer determined a price of Rs225 m. for floors 3 to 8 or Rs340 m. for the whole building and its outside amenities including car parks.

The MTSP Committee determined that public funds would be better protected by purchasing the whole building and completing its construction rather than purchase of individual floors.

Mr Speaker, Sir, in my answer to PQ 1B/41 at the sitting of 22 March, I explained how the funds from Government were disbursed. Public funds were only utilised for settling outstanding debts related to the business with no amounts used for personal items like cars.

Government not only protected public money but provided sufficient injection for the company to complete its restructuring on its own.

A new IFA, Lancaster CA, was appointed with effect from May 2010, immediately after the sale and leaseback arrangement, to monitor proper use of funds injected. Monthly reports were issued by him until September 2010. The IFA resigned in October 2010 as his fees were not being paid by Infinity and because the company was no longer cooperating.

Upon being alerted, the ERCP Committee impressed upon Infinity the importance of appointing another IFA under the terms of the agreement. Infinity submitted four names to the ERCP Committee which agreed to any of the four being appointed by Infinity.

Infinity instead appointed Pricewaterhouse to carry out a full audit. Pricewaterhouse discovered a fraud in the accounts and in January 2011 wrote to the Financial Reporting Council.

As the House is aware, there have also been other allegations of fraud and mismanagement which are being inquired into. In any case, failures at Infinity resulted in the eventual closure of the firm in February 2011.

Mr Speaker, Sir, regarding part (c) of the question, we have no information on its current debt situation. However, I am given to understand that the Provisional Liquidator is, in fact, in the process of compiling the accounts including the current debt situation.

Mr Speaker, Sir, concerning part (d) of the question, the examination and determination of the financial rescue packages is done by the Mechanism for Transitional Support to Private Sector (MTSP) Committee. The MTSP Committee is made up of the Chairperson of Enterprise Mauritius, the Chairperson of SIC, the Permanent Secretary of the Ministry of Industry, a representative of the Bank of Mauritius and the Director of the JEC. The Committee is supported by staff from the Ministry of Finance and Enterprise Mauritius

and a team of independent financial analysts. It was initially co-chaired by the Chairperson of Enterprise Mauritius and the Director of the JEC. With the shift in emphasis under the ERCP from saving jobs to supporting deleveraging, the co-chairpersonship shifted to the Chairperson of SIC and the Director of the JEC.

Mr Speaker, Sir, clearly the Committee has exercised regular control.

Mr Speaker, Sir, as regards part (e) of the question, following referrals from several agencies, there is an ongoing inquiry by ICAC which started in the second week of February this year. This inquiry covers the use of the Stimulus Package funds, siphoning off of funds from the company and corruption. It would, therefore, not be proper for me to comment further on the matter as this may prejudice the inquiry.

Mr Bérenger: Mr Speaker, Sir, can I start with the Rs135 m. under the Stimulus Package? I heard the hon. Minister saying that the owner had agreed to inject Rs12 m., but had injected only Rs3 m. Is it not a fact that, in fact, what the owner agreed is to inject Rs45 m. - Rs12 m. fresh injection of his own funds and Rs33 m. in the form of inter-company receivables from related companies? This was given as information in the House itself. Therefore, instead of only Rs12 m., he should have subscribed Rs45 m.

Mr Jugnauth: No, Mr Speaker, Sir. That is not correct. The condition was that he should have to inject Rs12 m. and I understand that he has injected only Rs3 m. instead of the Rs12 m., therefore, a shortfall of Rs9 m.

With regard to Rs33.2 m., the company was supposed to collect from inter-company receivables up to that amount and this, in fact, did not occur as well.

Mr Bérenger: He should have provided the information. Amongst the points agreed, was that there would be a management cost saving of Rs1 m. per month? Did that take place? Is the hon. vice-Prime Minister aware that, in the meantime, what has come out is that the owner was paying for babysitters, employees in his household and so on? Has this been inquired into and did that form part of the conditions?

Mr Jugnauth: Well, again, Mr Speaker, Sir, if there were funds which have been misappropriated, of course, there is an inquiry which is underway and we will find out. But,

as far as I am informed, the funds, with regard to the first term sheet, that is, the Rs102 m., have been applied. In fact, I can give the details to the House.

There have been fresh working capital and payment to various creditors, including Mauritius Telecom, BPML and Municipality of Quatre Bornes, for up to Rs34 m.

Completion of Infinity Tower: Rs48 m. which were put aside for that purpose and repayment of overdue of working capital with Barclays: Rs20 m., and that comes to Rs102 m.

With regard to this first term sheet, the Rs102 m. have been used, as I have informed the House.

Mr Bérenger: Who is going to pay for babysitters? The hon. vice-Prime Minister himself has said that amongst the conditions for the Rs135 m. from the Stimulus Package were completing – he has just said it - the Infinity Tower, but also repaying debts, starting with Business Parks of Mauritius Ltd. Will he agree that these two conditions, again, were not fulfilled?

Mr Jugnauth: Mr Speaker, Sir, let me, again, come back to the comment that was made. Paying for babysitting, I am not aware of it. I must stress to the House that if there is any evidence of that, the hon. Leader of the Opposition can communicate not only to us, but to...

Mr Bérenger: It is public knowledge!

(Interruptions)

Mr Jugnauth: To me, it's not public knowledge! I must be aware! I must have evidence! I must be in presence of information that is credible. I can't act on what people are talking generally. True it is that the amount of money was earmarked for completion. It was not completed at that time, but I can say to this House that, as at to date, the building is nearly completed.

(Interruptions)

I said nearly completed!

Mr Bérenger: The vice-Prime Minister seems not to be aware of statements made by those babysitters, by those employees of the Labour Office and other public statements which they have made to the effect that they were paid by Infinity whilst working at his house, Mr Speaker, Sir.

If I can move on to the second part, that is, the acquisition of Infinity Tower. Again, the vice-Prime Minister will agree with me that the two main conditions were completion of the Tower - in fact, Rs16 m. were set aside for completion of the Tower and payment of all outstanding debts. The vice-Prime Minister will agree with me, as he has just admitted, as at

to date, the Tower is not completed. Therefore, these two principal conditions have not been abided by.

Mr Jugnauth: I have just replied, Mr Speaker, Sir. I am informed that the building is practically completed. There are just a few more adjustments to be made.

Mr Bérenger: Mr Speaker, Sir, if I can remind the vice-Prime Minister, a question was put to him: why was the buyer, SIC, paid for Land Transfer Tax, whereas it should have been the seller, Infinity, which would have paid Rs17 m. as Land Transfer Tax? He undertook to check and come back. Can we have the answer?

Mr Jugnauth: Yes, that was part of the conditions, Mr Speaker, Sir, because otherwise, the whole purpose was to inject money – this is what I am informed – to allow the company to be able to restructure. Now, that amount was needed at that time and, therefore, the condition that was put was that eventually when the company would have been in a position to buy back, it would have bought back the building on a 5% return annually up to the time of the transaction.

Mr Bérenger: Mr Speaker, Sir, on part (b) of the question: “if, prior to the evaluation by the Chief Government Valuer of the Infinity Tower, experts valued same at Rs300 m.”, the hon. vice-Prime Minister has not replied to that part of my question. He only again referred to the few Rs340 m. Is he aware that the former Minister of Finance, replying to a PNQ from me on 30 November 2009, said the following, I quote –

“(…) concerning the building, the experts have ascertained that they require approximately Rs40 m. to complete the building and then the building will be worth Rs200 m.”

(Interruptions)

Therefore, it was said in this House that the experts having evaluated the building, evaluated it at Rs300 m. Can I ask the vice-Prime Minister whether he was aware of it, whether he has checked and whether he will lay on the Table of the Assembly copy of the reports from the experts, which the previous Minister of Finance referred to?

Mr Jugnauth: I can only provide information to the House from what I have been provided myself, Mr Speaker, Sir. I can say that I am not aware about this statement that was made...

(Interruptions)

Mr Speaker: Let the hon. vice-Prime Minister answer!

Mr Jugnauth: I must be able to reply, Mr Speaker, Sir.

Mr Speaker: Yes, please!

Mr Jugnauth: If I am not aware, how can I say that I am? I am not aware about this.

(Interruptions)

Mr Speaker: Order, now!

Mr Jugnauth: What I have been provided with is two reports. In fact, the valuer was requested on 16 February 2010 to carry out an evaluation and he has submitted the report on 05 March 2010 with regard to two options, which I am going to table to this House.

(Interruptions)

But I must be able to answer! The hon. Leader of the Opposition has asked....

(Interruptions)

Mr Bérenger: Come to the point!

(Interruptions)

Mr Speaker: Order! Order!

Mr Jugnauth: The hon. Leader of the Opposition ...

(Interruptions)

Mr Speaker: No! Let the vice-Prime Minister answer the question. A question has been put, he has to clarify his position, otherwise he would be taken to task elsewhere. Please!

(Interruptions)

Mr Bérenger: I am referring to 2009.

Mr Speaker: Now, he is answering to what is in front...

(Interruptions)

Mr Jugnauth: He does not know! He said that I am not answering to that part of the question. I am answering. The other report, in fact, is dated 23 February. Probably, that is the confusion that the hon. Leader of the Opposition is making. That report is with regard to three floors. He was requested to assess three floors and he gave his report.

Mr Speaker: The hon. vice-Prime Minister is laying it on the Table.

Mr Jugnauth: I am tabling both reports to the House.

Mr Bérenger: My point is: in 2009, the then Minister of Finance said experts have evaluated the building and, when completed, the building will be worth Rs300 m. If the vice-Prime Minister is not aware, will he look into it and lay a copy of reports to which the hon. Minister referred to?

Mr Jugnauth: Of course, I will look into it. I consider it as important information for me to carry out an inquiry and find out whether there has been, at that time, any evaluation. Of course, I'll do so.

Mr Bérenger: On details of outstanding debts, I am really surprised to what I heard. He said that he is not in presence. But he, himself, replying to a Parliamentary Question on 29 March, gave us information. I am quoting him –

“I am informed that they owe an amount of Rs52 m. to BPML Mauritius, Rs6.5 m. to the Municipality of Quatre Bornes, and Rs9.5 m. to Mauritius Telecom.”

And I asked him about the University of Mauritius, because my information is that Infinity owes Rs5 m. to the University of Mauritius and also to SIC. There has been a statement last week from SIC saying that Infinity owes money to SIC also. Can I know whether Infinity owes money to the MRA and to the Registrar General also?

Mr Jugnauth: Mr Speaker, Sir, I have replied. In fact, I have given some information, but I am not able to provide all the outstanding debts that are owed by Infinity as at to date.

Mr Speaker: I must make a point. I remember the Minister saying that the provisional liquidator is now making a list of all outstanding debts and once he gets it, he will communicate it to the House.

Mr Bérenger: How can he? On 22 March, he stood up in the House, and I will quote him replying to a question. He said that Infinity does not owe any money to Government. Well, SIC is Government; Mauritius Revenue Authority is Government. So, he can't stand up and tell us that they don't owe any money and today he says: 'I am not aware; I don't know'!

Mr Jugnauth: Mr Speaker, Sir, I maintain the information that I have given to the House in a reply to the question that the hon. Leader of the Opposition has just mentioned. Let me point out again! The question that has been asked is: the details of its outstanding debts. I am not able to provide all the details of the outstanding debts today.

(Interruptions)

Mr Speaker: Order!

Mr Bérenger: Mr Speaker, if I can, I move to this very serious point: if there has been siphoning off overseas of payments from foreign clients. According to my information, *c'est le coeur du problème*. A lot of payments, services given to foreigners outside, they paid into accounts in France and in Luxembourg. This is how Infinity has reached - public money has been spent - this stage. Can I ask the hon. Minister whether he is aware of two very serious allegations which were made in this House - *précédent* - on 30 November? The

then Minister undertook to inquire and report back. He never did. Can I know whether the present Minister of Finance has taken the trouble of inquiring into that? I referred, Mr Speaker, Sir, to two illegal routing of international calls. The then Minister replied –

“I am not aware of this, Mr Speaker, Sir. I will find out and I will inform the House.”

Has the present Minister bothered to look into that? There was even more serious; on 09 December 2008, he informed the House that it had recently been brought to his attention that the gentleman concerned, the Chief Executive Officer of Infinity BPO, has two previous convictions in France. He added –

“I propose to look into the legal implication of the judgment of the Tribunal and take appropriate action accordingly.”

Before we grant financial assistance to the same gentleman, can I ask the hon. Minister what were the results of his investigation? Again, he never came back. Has the present Minister of Finance taken the trouble to look into the very serious allegations which were *précédent*, which pointed to the situation in which we are landed today?

Mr Jugnauth: Mr Speaker, Sir, I cannot answer for the former Minister of Finance, but I can say that there is today itself a question which, if I am not mistaken, is addressed to the hon. Prime Minister. It is Parliamentary Question No. B/107 and it concerns allegations or any cases in relation to Police enquiry with regard to one Mr Suzanne. In fact, the hon. Leader of the Opposition will see that when we received information from Pricewaterhouse that there were certain probably wrongdoings at the level of the company, as from February, an inquiry has been started by ICAC due to a number of complaints that have been made by different agencies and individuals. These are being part of this inquiry. Therefore, I cannot myself pronounce or pass any judgment with regard to the substance that ICAC is inquiring into.

Mr Bérenger: It has been going on for years, Mr Speaker, Sir, and it seems that the present Minister of Finance is satisfied with the MTSP and ERCP Committees. How come they didn't ring the alarm bell on such issues? Finally, the independent Financial Analyst resigned. Can I know when he resigned and how long it took for the committees to react?

Mr Jugnauth: When the first independent Financial Analyst resigned, another Financial Analyst was appointed, namely the firm Lancaster CA, in May 2010. If my memory serves me right, he resigned in September 2010 after which the committee, in fact, impressed upon Infinity BPO that they should eliminate another independent Financial

Analyst in replacement. In fact, they had submitted names of four firms and the committee was agreeable to nominating any one of the four. Pricewaterhouse was finally chosen by the company and, in fact, they carried out a full audit with respect to a number of financial transactions. This is what led to us knowing that there were certain wrongdoings at the level of the company. Therefore, you will see the sequence of events - ICAC came into it and started another inquiry.

Mr Bérenger: The whole point was supposedly to save jobs as the former Minister of Finance used to say. The end result: no job left! *Faillite! Liquidation!* I gave some of the outstanding debts that I am in presence of. The worst outstanding debt is salaries owed by Infinity BPO to the wage earners of that company. Will the hon. Minister and the Prime Minister urgently take the decision that Government - whatever revenue Government is owed by Infinity and the Municipality of Quatre Bornes - will give priority in terms of liquidation for payment to the employees? Will that guarantee be given to the employees?

Mr Jugnauth: Mr Speaker, Sir, with regard to priority and with regard to the ranking of workers, it is guided by the law. The law does...

(Interruptions)

Mr Speaker: Order!

Mr Jugnauth: The law does not date back from yesterday. The law dates back from the time when the hon. Leader of the Opposition was also Prime Minister. He, in fact, did not deem it fit to amend the law to give a better ranking for the workers. I must say that in 2009, the ranking for the workers was improved and it was under the leadership of the hon. Prime Minister.

Mr Bérenger: Can I ask the hon. Prime Minister whether he is aware that there has been *précédent*, for example, Manupan, nothing prevents an employer, an owner from waiving. There has been a *précédent*.

(Interruptions)

Mr Speaker: There has been a *précédent*.

(Interruptions)

The hon. Minister will look into it.

Ms Deerpalsing: Mr Speaker, Sir, the hon. vice-Prime Minister and Minister of Finance, in his answer to part (d) regarding the control that the committee was supposed to exercise, has said that the committee has exercised control. Now, we, in this Parliament, voted this Stimulus Package on the premise – I know the present Minister of Finance was not there, it was the previous Minister of Finance – that there was a committee that was supposed to control all these things. May I ask the hon. vice-Prime Minister and Minister of Finance whether that committee has submitted regular reports to his Ministry even when he was not there and whether those reports could be laid in the Assembly because we have the right to know in this Parliament?

Mr Speaker: There is no need to make comment. Let the hon. Minister answer!

Mr Jugnauth: I understand that the independent Financial Analyst, that is, the last one who was in post, had submitted monthly reports to the committee until, of course, he resigned and therefore there was the issue of Pricewaterhouse.

With regard to the reports, I will seek advice before I can commit myself to laying on the Table of the Assembly.

Mr Speaker: Hon. Bhagwan!

Mr Bhagwan: The hon. Minister has informed us that one of the committees is jointly presided by the Chairperson of the SIC and somebody from the JEC. Can the hon. Minister inform how, we, Members of this House and the public, in general, can trust the Chairman of the SIC who has been involved in the mismanagement of the hedging affair of Air Mauritius?

Mr Speaker: No! Hon. Bhagwan, please!

(Interruptions)

Don't put names across!

Mr Jugnauth: These are allegations, Mr Speaker, Sir. If the hon. Member has information, he should communicate it to me!

Mr Speaker: Send him the information! Hon. Leader of the Opposition!

Mr Bérenger: Mr Speaker, Sir, the whole point, as I said, was to save jobs. Total failure! And I take it that the point was also to save the reputation of Mauritius! That reputation through Infinity BPO is in tatters. As in the case of Med Point, we are being told to wait for the inquiry by ICAC. Will the hon. Prime Minister let the country know whether ICAC is carrying out both inquiries at the same time or supposedly it will finish with Med

Point, then it will start with ICAC? I appeal, again, whether the priority in terms of payment of debts will be waived by Government and the Municipality of Quatre Bornes for the wage earners to get priority?

Mr Jugnauth: Mr Speaker, Sir, this is a Private Notice Question addressed to me; now the Leader of the Opposition is questioning the hon. Prime Minister!

(Interruptions)

Questions should be put to the hon. Prime Minister!

(Interruptions)

Mr Speaker: Time is over! Order! Order! Questions addressed to Dr. the hon. Prime Minister! Hon. Mrs Radegonde!