

MAURITIUS

Fifth National Assembly

FIRST SESSION

Debate No. 07 of 2011

Sitting of Tuesday 10 May 2011

ORAL ANSWERS TO QUESTIONS

LES SALINES WATERFRONT DEVELOPMENT PROJECT

The Leader of the Opposition (Mr P. Bérenger) (*By Private Notice*) asked the Minister of Housing and Lands whether, in regard to the Les Salines Waterfront Development Project ('Neotown' Project), he will -

- (a) table copy of the 2008 letter of reservation issued by the Mauritius Ports Authority, and
- (b) state -
 - (i) why same was not subject to a bidding process;
 - (ii) the market value of the land, after provision by Government of offsite infrastructure, indicating the cost thereof;
 - (iii) the rental that would be charged as per a standard industrial lease;
 - (iv) if any building restriction applies;
 - (v) if an Environment Impact Assessment Report has been approved, and
 - (vi) the amount of Foreign Direct Investment that the project will attract.

Dr. Kasenally: Mr Speaker, Sir, allow me in the first instance to refer the hon. Leader of the Opposition to my reply to PQ No. B/82 of 26 June 2010 and to PQ No. A/43 of 29 March 2011, together with related documents, including the Lease Agreement between my Ministry and the MPA and to the sub-lease Agreement between my Ministry and Les Salines Development Limited.

May I emphasise that the Neotown project is to be implemented on a site of an extent of 58 arpents and 33 perches on reclaimed land in the Port Area. This site forms part of a larger extent of some 66 arpents 33 perches. I am informed by the Mauritius Ports Authority (the MPA) that as far back as in 2002 Messrs Stauch Vorster Architects, a South African Consultancy firm, was commissioned to produce a Master Plan for the development of the site.

The main findings are -

- (a) the site should be seen as a catalytic initiative that can kick start a regeneration of a wider city, port and natural economy;
- (b) the site offered a lot of potential for the development of world class waterfront facilities;
- (c) the harbour is fundamental to the economic well-being of the entire Mauritian economy and must strive to be internationally competitive.

I am further informed by the MPA that publicity was given to the Master Plan and a presentation was made in the presence of the then Deputy Prime Minister, hon. Paul Bérenger.

(Interruptions)

Mr Speaker: Order! Order!

(Interruptions)

Order now!

(Interruptions)

Order I said! Hon. Bhagwan!

Dr. Kasenally: It is only subsequently that proposals were received from different interested parties, numbering 9, Messrs Patel Engineering Ltd. being one of them. It is to be noted that Messrs Patel Engineering...

(Interruptions)

Mr Speaker: Order! If this continues, I will suspend the sitting.

Dr. Kasenally: It is to be noted that Messrs Patel Engineering Ltd. were already then engaged in Mauritius in partnership with a local firm on a sewerage project at Baie du

Tombeau. Whilst eight of the promoters requested land for specific projects such as construction of hotels and commercial units on relatively small plot sizes, Messrs Patel Engineering Ltd. proposed to develop the whole site as an integrated project which is in line with the guidelines of the Les Salines Master Plan prepared by Messrs Stauch Vorster Architects (SVA). Messrs Patel Engineering Ltd. also proposed to develop the infrastructural works at Les Salines site such as road network and public areas at its own cost. It should be noted that Messrs Patel Engineering Ltd. reckons long experience in infrastructural development, construction and real estate since 1969. It is in February 2008 that my Ministry was assigned the responsibility to handle the proposal for the grant of a lease to Messrs Patel Engineering Ltd. for a major project on reclaimed land in Les Salines, for which it already had a letter of reservation.

Regarding part (a) of the question, I am tabling the said letter of reservation dated 21 February 2008 from the MPA addressed to Messrs Patel Engineering Ltd.

Regarding part (b)(i) of the question, I am informed by the MPA that there is an established procedure thereat for allocation of land within the Port area and in respect of which the Authority has overall superintendence and administration of all land in the Port and is responsible for its proper allocation. It has never had recourse to any bidding process for allocation of land.

Mr Speaker, Sir, as a matter of fact, during the period 2000 to 2005, no less than 17 companies have been allocated prime land without bidding process whatsoever being resorted to. I am, Mr Speaker, Sir, tabling a copy of the 17 lessees. It is precisely in line with this practice that the letter of reservation in favour of Messrs Patel Engineering Ltd., which I have just tabled, has been issued.

The procedures for allocation of land in the Port area are as follows –

- (1) the request for allocation of land in the Port area for Port related projects received at the MPA are submitted to the Engineering/Finance/Administration Departments for a preliminary assessment;
- (2) a letter acknowledging the receipt of the project proposal is issued to the promoter;
- (3) the project is submitted to the Port Development Committee for consideration where the proposal is examined in the light of the following main criteria –
 - (i) whether the project is a Port related project and is vital to be in the Port;

- (ii) whether the site selected for the project is in line with the Master Plan (Land Use Plan);
- (iii) the benefit to the Port and the economy;
- (iv) job creation, and
- (v) any negative impact on the Port activities/operation.

The views of all the departments on the project are discussed at the Port Development Committee level.

If a decision could not be reached due to lack of information, the promoter may be requested either to submit the missing information or make a presentation of the project to the Port Development Committee.

If allocation of land is approved by the Port Development Committee, a Paper is submitted to the Lease Committee. Otherwise the promoter is informed accordingly.

Once the project is approved by the Lease Committee, a Board Paper is prepared for approval by the Board and the parent Ministry.

As regards part b(ii) of the question, the market value of the land was assessed by the Valuation Office, at Rs3.9 billion for an extent of (66 arpents 33 perches) on an “as is” basis, giving a value of Rs3.5 billion for the extent of 58 arpents 33 perches).

The rental has been assessed by Valuation Office at Rs975,000 per hectare per annum.

Furthermore, Article 4 of the Lease Agreement between the Government of Mauritius and the lessee i.e. Les Salines Development Ltd. of Patel Engineering provides for the annual rental to be assessed by the Valuation Office to reflect the market rental value, I repeat the market rental value at the 11th year. It is therefore premature at this stage to assess the future value of the land.

Nevertheless, it is estimated at this point in time that the market value of the land after provision of both on-site and off-site infrastructure, will by far exceed the present assessed value of the land of Rs3.5 billion on an “as is” basis.

I wish to point out that in accordance with Article 4 (L) of the Lease Agreement, the promoter is responsible to carry out all on-site infrastructure, whereas off-site infrastructure i.e. road and communication facilities are available.

As regards the provision of electricity, water and waste disposal, the promoter in accordance with Article 4(o) of the Lease Agreement is responsible to liaise directly with the Utility providers, given that the CEB, the CWA and the WMA already have established mechanism and procedures to provide such services. Government, in practice, will not incur any expenditure in this respect.

At any rate, there is a Joint Monitoring Committee which comprises, *inter alia*, of Ministries of Finance, Public Utilities, Public Infrastructure, Environment, my Ministry and the promoter to ensure that the project is implemented in strict accordance of the Lease Agreement provision of off-site service for major projects is a standard practice.

In any event if the cost is prohibitive or unreasonable, the matter will be referred back to the Joint Monitoring Committee.

As regards part b(iii) of the question, a standard industrial lease, in accordance with the provisions of the State Land Act, as amended by the Finance Act 2008, provides that rental shall be charged at 4% of the market value of the land with a reduction of 75% for the first year; 50% for the second year; 25% for the third year and full rental as from the fourth year.

This is an established practice in regard to Industrial Site Lease which enables the promoter to pay full rental only after the fourth year as it is expected that the business would then generate revenue.

As the Neotown Project is specific in nature and magnitude, and not comparable to standard industrial projects, in this specific case a similar principle has also been applied, where the promoter (Les Salines Development Ltd) will pay full rental, as assessed by the Valuation Office, as from the 11th year. The rental will be adjusted every three years in line with Cumulative Price Index (CPI). The project is to be implemented on a phased basis.

Mr Speaker, Sir, while annual rental has been estimated at approximately Rs411,000 per *Arpent* for the Neotown Project, the average annual rent on land leased to other promoters is in the region of Rs200,000, that is, Rs411,000 compared to Rs200,000 per *Arpent* on land which is provided with all basic infrastructure unlike the site at Les Salines which is bare land devoid of any onsite infrastructure. For example, Le Suffren is currently paying a rental of Rs300,000 per *Arpent*.

In reply to part (b) of the question, Les Salines Development Company Ltd proposes the Neotown development as a new modern self-contained project for financial, social and cultural functions with iconic building rising up to 40 storeys and overlooking the harbour.

Les Salines Development Company Ltd has submitted its proposed Master Plan which has been approved by my Ministry. Based on the Master Plan submitted by the promoter, the maximum height allowable is 40 floors or up to 120 metres. Clearances will be granted on submission and determination of detailed plans by the Planning Division of my Ministry.

Mr Speaker Sir, in respect of part (v) of the question, I am informed that an EIA application has been submitted on 30 March 2011 and is still under consideration.

Mr Speaker Sir, in respect of part (vi) of the question, according to documents and correspondence submitted by the promoter, it is expected that over Rs16 billion will be invested by the promoter.

Mr Bérenger: What the MPA did, they did. I am interested in what took place as from 2008 when Government took over that land. Once the decision had been taken to go for the so-called integrated project - leave the MPA to the past - why did not the Government go for international and national request for proposals for the sake of transparency and getting the best operators, especially that Mr Patel has boasted that it was an international request for proposals where a couple of people from the western world also participated and in one line?

Dr. Kasenally: Mr Speaker, Sir, I have already answered that question. By the time my Ministry got it, the MPA which had examined all the proposals, as it has always been doing, had already granted a letter of reservation. We are in *un état de droit*. Once we have signed a commitment, we cannot just discard it and go against what is the established principle. I reiterate that this has been done for many projects, for example, Le Suffren. There was a lot of containers...

(Interruptions)

Mr Speaker: Carry on!

Dr. Kasenally: ...three projects by IBL.

Mr Speaker: Let the hon. Minister answer the question. There are 15 persons who are answering the question there. Why?

Mr Bérenger: Mr Speaker, Sir, Patel was chosen without an international request for proposal. Was an enquiry carried out on Patel Engineering and Patel Realty? I will table three documents: one, showing that Patel Engineering's share has gone down by 80% over the last year. Second, that 25 places were raided by Indian income tax officials in December last for tax evasion and thirdly, that Patel Engineering got a contract for road building which it could not deliver and lost its deposit because it decided not to go for that tender. I table the three documents.

Dr. Kasenally: I will start from the last one. In fact, it is a project of Rs130 m. Indian rupees. In fact, Patel postulated for that, but they were wrong in their accounting and they realised that they were going to lose a lot of money. So, they withdrew. Because they withdrew after the deadline, the Rs130 m. were forfeited. However, there are two other major projects on road with the same company, the NHII, which have been retained. These are projects over Rs600 m.

Mr Bérenger: I did not know the Minister held the brief for Patel Engineering, but I am glad to see that, Mr Speaker, Sir.

(Interruptions)

Mr Speaker: Order!

Mr Bérenger: Can I ask how much will be spent on water, electricity, sewerage and roads? The Minister said: no Government funds. But CEB, CWA, RDA and so on are public bodies. Is the Minister prepared to confirm that just in the case of water, the Central Water Authority has requested, in a letter dated 12 October, Rs120 m. to provide water to that site? Is the hon. Minister aware that in the case of CEB, the request is for 58 MW additional to be produced by the CEB, which means billions of rupees – not millions? So, is the Minister in presence of, at least, guestimates at this stage?

Dr. Kasenally: Mr Speaker, Sir, first, I will reply to the innuendoes of the Leader of the Opposition that I hold a brief for Patel. As a Minister of this Government, I make it a point to be informed through the internet and everywhere. I do not hold any brief for anybody. I think it is a matter of regret that this remark was thrown at me.

(Interruptions)

Mr Speaker: Let the Minister answer!

Dr. Kasenally: However, as far as utilities are concerned, I have already said that there is a mechanism. But anyway, for all these projects, the promoters pay electricity which is going to bring revenue.

(Interruptions)

Mr Speaker: Order!

Dr. Kasenally: As far as the CEB is concerned, I am informed that this has been taken into their expansion plan and they will be paying commercial rate which will bring a tremendous amount of revenue to the CEB. This has been the practice. For example, in the region of Bel Ombre...

(Interruptions)

... a road was diverted and it costs the *modique* sum of Rs128 m. It is the same for CWA. It has been the practice everywhere, but I have replied in my answer that we will come to that bridge, because there is a Joint Monitoring Committee which is looking into that.

Mr Bérenger: As far as the value of the land is concerned, the Minister has admitted that Rs3.5 m. is basis, that is, without the roads, electricity, sewerage and everything else, and that this value will climb tremendously as we go along. Will the Minister agree that it will be three/four times that value and how did he react when Patel boasted that he had got for a steal, for peanuts, land worth Rs15 billion according to him?

Dr. Kasenally: Mr Speaker, Sir, I am not going to comment on the marketing strategy of Mr Patel.

(Interruptions)

Mr Speaker: Let me listen to the answer of the hon. Minister, please!

(Interruptions)

Order, please!

Dr. Kasenally: When Mr Patel is facing the world media or whatever it is...

Mr Speaker: I don't think the hon. Minister is trying to – are you concerned with what Mr Patel said?

(Interruptions)

That's the point.

Dr. Kasenally: I am not going to comment on his teleconference exuberance.

Mr Speaker: A Minister is not answerable for what somebody else has said in the press or elsewhere.

(Interruptions)

Mr Bérenger: Mr Speaker, Sir, as far as the lease itself is concerned, the Minister gave a document in which year by year, over the first ten years, the rental value is given. It starts zero for the first year with a deposit of Rs25 m. and it builds up to, on year ten, Rs14 m. The Minister has confirmed that the standard lease is 4% of market value of the land with concessions for the first three years and then, fourth year, full market value plus adjustment every three years as per inflation. According to the document tabled by the Minister, the special lease for this project for Patel Ltd builds up over 10 years to Rs96.2 m., let's say Rs100 m., according to his figures. I have had an expert to work out as per an ordinary lease - I am going to table that - what it would amount to. It amounts to Rs1,324,000,000.

(Interruptions)

Mr Speaker: Order! Let the hon. Leader of the Opposition make his point.

Mr Bérenger: Rounding figures, therefore, it is a hundred million rupees that they are going to pay over 10 years. They should have paid, according to a normal lease, Rs1,300,000,000. Why this *cadeau* of Rs1,200,000,000 to Patel Ltd?

Dr. Kasenally: Mr Speaker, Sir, there is no *cadeau*. If they could only have looked at all the documents that I have deposited two weeks ago, they would see that I have mentioned that the development will be in a phased manner and will be on developable land. I have already mentioned the magnitude of this project which is perhaps unique in the Indian Ocean and is expected to be completed after 10 years. There has been a committee of the Valuation Department, the MPA and my Ministry which had worked out on this rental value, which is a normal practice. It is not the usual industrial lease and besides, I must say that this land is private land of the MPA. At the end of the 10 years, probably it will not be Rs3.5 billion, nobody knows, it may be even over Rs15 billion. It is then that we are going to get the full commercial values. They are just building hotels in a phased manner and therefore we have to give some incentives. In fact, a similar procedure was used in the Cape Town Waterfront when the Government of South Africa got directly Dubai World to do it and the same principle was applied over a period of similar time. Their rental is reduced now, but we will get the full commercial rate where we will be, in fact, recouping everything.

Mr Bérenger: Mr Speaker, Sir, as far as building restrictions are concerned, is the hon. Minister aware of the post from Mr Patel, if I can quote –

“Another concession we asked for is no height restriction, no FSR restriction - that is, a concentration of building on the land - no zoning restriction. We will build what we want, including commercial centres - and he adds, making fools of Government - the only thing that we are not permitted to build is places of worship.”

I have gone through the lease. Can the hon. Minister point out in what section of the lease agreement are any restrictions put on building of this project?

Dr. Kasenally: Mr Speaker, Sir, again, I am not going to take into consideration what Mr Patel says in his teleconference exuberance. What I am sticking to is the lease agreement and it is mentioned in it that all projects will be monitored and approved by my Ministry. I have already said it. This question is creeping up day and night. But I have already mentioned it. They have got only to look at the lease agreement, but they should not take things out of context and use it otherwise.

Mr Bérenger: As far as the EIA is concerned, is the hon. Minister aware that the possibility for public comments has been restricted to two weeks? The public has been given two weeks to react to the laying in the Ministry concerned; two weeks for that kind of project. Is the hon. Minister aware that when I, through his office, tried to get a copy – I did not want to go there and look at it, I want to get a copy - I was refused, as Leader of the Opposition, a copy? When I requested also, through his office, that the public comments be made available to the Leader of the Opposition, I was informed that public comments are private, confidential and cannot be communicated. Is the hon. Minister aware of that?

(Interruptions)

Mr Speaker: Order! Order! Order!

Mr Bérenger: Is the hon. Minister aware that even on the website they stopped downloading. They took measures so that we could not download.

(Interruptions)

Mr Speaker: Order!

Dr. Kasenally: Mr Speaker, Sir, this falls within the purview of the Ministry of Environment and I have been told that it was on the website.

(Interruptions)

Mr Speaker: Order!

Dr. Kasenally: I will also say that there has been a request to extend it by two weeks and I understand the Ministry of Environment will consider it favourably.

Mr Bérenger: As far as the amount of Foreign Direct Investment which will come in is concerned, we are given the impression that Patel is going to come in with Rs16 billion. Is the Minister aware that, in fact - he has said publicly again - all he means to bring in is less 20 crores, that is, less than Rs200 m. for the infrastructure and then he is going to sublease land - left, right and centre - hotel and this site? So, others are supposed to come in. Is he aware that he has outlined his plan? Instead of Patel bringing in FDI, what he intends to do is to go for residential first. He says: "as I did in Bangalore in India, go for residential, get money and use that money mostly from Mauritians to develop the other stages of this project."

Dr. Kasenally: Mr Speaker, Sir, I have got now a document from Patel where he clearly puts in what form of investment he will bring. I am laying it on the Table. I am not going to stretch my imagination of what Patel has said again. I stand guided by your ruling, Mr Speaker, Sir, and I'll stick to it and sit down now.

Mr Speaker: There is a Monitoring Committee where all the matters have to be approved by the Ministry.

Mr Virahsawmy: Sir, on a point of order, I would like to intervene to say that the ...

Mr Speaker: The hon. Minister should raise his point of order at the end of the Question Time.

(Interruptions)

No, please! The hon. Minister must raise the point of order at the end of the Question Time.

Mr Bérenger: Is the Minister aware that again Mr Patel has boasted that through this deal he expects around 4,000 to 6,000 crores over time of additional revenue from that project for Patel Industries Ltd, that is, he expects over time more than Rs70 billion of revenue to Patel Industries Ltd.

Dr. Kasenally: Mr Speaker, Sir, again, these are things which Mr Patel has been saying in his conference. I don't think I will indulge myself in it, but one thing I must say is that this major project is going to bring a lot of pluses to the economy and will percolate

through the various strata of society, bringing up to 10,000 of direct employment compared to what has been done so far by the private sector, just investing into real estate which brings four or five jobs per project.

(Interruptions)

Mr Speaker: Hon. Bhagwan and then the last question from the Leader of the Opposition.

Mr Bhagwan: Would the hon. Minister confirm to the House, the country and the nation whether one Indian national under the name of R.B. who, apparently, does not have to ring the bell to seek appointment with Ministers, acted as *intermédiaire* and *courtier* in this mega scandal project at Les Salines? Can the Minister inform the House...

(Interruptions)

Mr Speaker: Order! Order! Has the hon. Member finished?

(Interruptions)

Order! Minister, please sit down!

Mr Speaker: Order! Order! Minister, please sit down!

Mr Bhagwan: Can the Minister inform the House whether he or his colleagues of the Government have met that person, Mr. R. B. at any time in connection with that project?

Mr Speaker: May I intervene at this stage, in question No.1B/82 this question was put by hon. Bhagwan and answered by the Minister.

Mr Bhagwan: He did not reply.

Mr Speaker: He replied. Last question from the Leader of the Opposition.

Mr Bérenger: Mr Speaker, Sir, being given that Mr Patel has boasted that he got all this for a steal, *du pain du beurre* and being given the *cadeau*, one billion and two hundred million rupees and that, in fact, Mr Patel had made fools not only of Government, but the way that he has commented on Government and on Mauritius, being given all this, will the Minister advise Government to cancel that deal and go for open bidding...

(Interruptions)

Or at least review the terms of the lease agreement....

(Interruptions)

Mr Speaker: Order! Order!

(Interruptions)

I said order!

Mr Bérenger: ... or at least review the terms of the lease agreement which contain one billion two hundred million rupees *cadeau* to Patel Ltd ?

(Interruptions)

Dr. Kasenally: Mr Speaker, Sir, I do not want to hurt....

(Interruptions)

Mr Speaker: There is no need. Please carry on!

Dr. Kasenally: I do not want to hurt, but there are certain *verités* ...

Mr Speaker: Answer the question!

Dr. Kasenally: There are *certaines verités* which are cruel. Take the *du pain du beurre* that we are mentioning, what did we do with the Illovo deal?

(Interruptions)

Mr Speaker: Order!

(Interruptions)

Order! Order!

(Interruptions)

Order! Can the Minister please answer the question? There is a question, answer the question.

Dr. Kasenally: Yes, I am answering the question. There is no question of cancelling the project. We are determined because it is a mega project, maybe we will review certain things ...

(Interruptions)

...but there is going to be no retreat, no surrender on this project.

(Interruptions)

Mr Speaker: Time is over!

(Interruptions)

Can I carry on with the proceedings? The Minister has a point of order? Yes!

Mr Virahsawmy: Mr Speaker, Sir, on a point of order, I would like to correct one statement which is not ...

Mr Speaker: No, the Minister cannot correct.

Mr Virahsawmy: I would like to point out....

(Interruptions)

Mr Speaker: Order, order! Can the Minister please sit down? He cannot raise a point of order on a matter of explanation. If he has some explanation to give, he should please rise up and state what he has got to say. It cannot be a point of order.

Mr Virahsawmy: On a point of personal explanation, Mr Speaker, Sir, I would like to point out that the EIA was published on the website of the Ministry, it is still on the website of the Ministry and it has never been blocked. If the Leader of the Opposition does not know how to download a document, I cannot be held responsible for that.

(Interruptions)

Mr Speaker: Order!

(Interruptions)

Questions addressed to Dr. the hon. Prime Minister! The Table has been advised that PQ Nos. B/272 and B/276 have been withdrawn. Hon. Khamajeet!