

**Mauritius**

**Fifth National Assembly**

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**FIRST SESSION**

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**Debate No. 16 of 2011**

**Sitting of Tuesday 12 July 2011**

**The Assembly met in the Assembly House, Port Louis,**

**at 11.30 a.m**

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**ORAL ANSWERS TO QUESTIONS**

**SUGAR INDUSTRY - GLOBAL CESS**

**The Leader of the Opposition (Mr P. Bérenger)** (*by Private Notice*) asked the Minister of Agro-Industry and Food Security whether, in regard to the reduction of the Global Cess, he will state the -

- (a) amount of cess money received yearly since 2005 by the -
  - (i) Mauritius Sugar Authority;
  - (ii) Mauritius Sugar Terminal Corporation;
  - (iii) Mauritius Sugar Industry Research Institute;
  - (iv) Farmers Service Corporation;
  - (v) Cane Planters and Millers Arbitration and Control Board;

- (vi) Sugar Planters Mechanical Pool Corporation;
- (b) if the Joint Government/Mauritius Chamber of Agriculture Committee has submitted its report, and
- (c) if the time-frame agreed upon with the European Union is being adhered to.

**Mr Faugoo:** Mr Speaker, Sir, with your permission, I will reply to the PNQ and also to PQ No. B/693 together as they refer to the same issue.

Let me at the very outset stress that reduction of global cess is but one element of the reform programme as indicated in the Multi Annual Adaptation Strategy (MAAS) Action Plan 2006-2015 and hence should not be looked at in isolation. The Plan comprises several other major components. The MAAS also has a social pro poor agenda as reflected by the consideration given to the social dimension in the MAAS and also the commitment of Government towards workers, small planters and *metayers* and other stakeholders of the sugar industry. This also displayed by the personal intervention of the Prime Minister in the historic deal of December 2007 between Government and the Mauritius Sugar Producers Association whereby he insisted that all the stakeholders should benefit from the reform, in particular the workers, small planters and *metayers*.

Mr Speaker, Sir, with regard to part (a) of the question, I am tabling the information requested as it comprises a lot of statistical data. Cess money has been decreasing from Rs601 m. in 2005 to Rs519 m. in 2010 with an exception for 2008 when cess went up to Rs650 m. because of PRB commitment.

Mr Speaker, Sir, cess reduction and restructuring of the cess funded service providing institutions (SPIs in short) is a long-standing issue which dates back to the year 2000 or even before 2000. Several committees have been working on this issue and several reports have since then been submitted, but with no real breakthrough.

In 2005, new problems and challenges emerged following the dismantling of the sugar Protocol and the reform of the EU sugar regime, more specifically the huge 36% cut in the price of sugar. The subject has once again assumed importance and has been addressed in the Multi Annual Adaptation Strategy (MAAS) Action Plan 2006-2015 which I just mentioned. The reform of the cess funded institutions is considered as an important component of the MAAS given that the amount of cess funding the operations of the SPIs weighs heavily on the revenue of planters, especially the small planters and the *metayers* consequent to the drastic cut in the price of sugar exported to the European Union.

Furthermore, with the Euro zone crisis, the challenges of the sugar industry worsened and further triggered the necessity for cess reduction and restructuring of the cess funded institutions. It is pertinent and relevant, maybe, to quote an excerpt from the ERCP. I quote, Mr Speaker, Sir -

“Government shares the confidence of other stakeholders that the industry has a viable future, but we must shore up that viability by creating the environment that fosters innovations, and new trade initiatives. Government will do this by putting at the disposal of small and medium planters new means of procuring and applying inputs, by supporting the industry through the crisis that is curtailing its revenue. At the same time, we need to enable employees who have accepted offers under the VRS 2, the ERS and the Blue Print to receive their land entitlements with the least delay. To these ends, Government is taking the following actions.”

Accordingly, Government, in its Economic Restructuring and Competitiveness Programme 2010 (ERCP), agreed that the global cess be substantially reduced.

Mr Speaker, Sir, with regard to part (b), following the ERCP, Government set up a joint Public/Private Sector Committee under the aegis of my Ministry to work out the details of the restructuring of the cess financed institutions.

For the year 2011, the EU has agreed to disburse funds under the “Sustainable and Equitable Development Programme” (SEDP) - General Budget Support, subject to Government satisfying two specific conditions, one of which pertains to global cess reduction, including the restructuring of the cess financed institutions.

The specific Key Performance Indicators associated with the condition pertaining to cess reduction are as follows -

- (i) The global cess for the 2011 crop (for the period July 2011-June 2012) should not exceed Rs287 m.;
- (ii) cess-financed SPIs, will be restructured until 31 March 2012 to adapt to the new situation, and
- (iii) restructuring programme with the implementation plan for the six cess-financed SPIs endorsed by Government by end June 2011.

Mr Speaker, Sir, the Public/Private Sector Joint Committee, to which I referred to earlier, submitted its report in early June this year. The main recommendations relate to, namely -

- (a) the merging of the six SPIs;
- (b) the reduction of the number of employees, and
- (c) the offer of a social package to employees.

At its meeting of 17 June 2011, Cabinet approved the proposals and the implementation plan, which would ensure that the restructuring is completed by March 2012 and that cess for crop 2011 does not exceed Rs287m.

As far as part (c) is concerned, the time frame agreed upon with the European Union is being adhered to. In fact, I have already set up three committees to ensure that our commitment taken will be respected.

For this purpose, I have set up three committees, namely -

- (a) a committee to review all existing legislations of the six SPIs and to come up with a new institution to service as an Apex body;
- (b) a Steering Committee to monitor progress, and
- (c) an implementation team.

Mr Speaker, Sir, in our attempt to implement the Reform Programme on Cess Reduction where the Mauritius Sugar Syndicate which is not a cess funded SPI has been also invited to adopt the same line of expenditure reduction. In fact, they have already started their reform and I am informed that they have closed their London Office so as to reduce their costs of operation.

Mr Speaker, Sir, it is relevant to state that we have satisfied all the Key Performance Indicators and Mauritius is often cited as an example for ACP and even non-ACP countries. We are conscious of the importance of maintaining the sugar cane industry in view of its multi-functional role. It is a crop *par excellence* for carbon sequestration and for maintaining the quality of the environment.

The sugar industry has over the years played a pivotal role in supporting the development of the national economy and social fabric of the country. With the ongoing reform measures to transform the sugar industry into a sugar cane industry, we need the

support and collaboration of all stakeholders to succeed and we have to succeed, Mr Speaker, Sir.

**Mr Bérenger:** If I heard the hon. Minister correctly, he said that for 2010 total cess money received by the institutions concerned amounted to Rs590 m. and he said that this needs to be brought down to Rs287 m. by sugar crop 2011. Will he agree that this means, in fact, cutting the budget of these institutions by half over a one year period? Does he think that this is reasonable?

**Mr Faugoo:** I have gone through the plan which has been the output of the Joint Committee and this is what has been proposed. We have put a cap, a ceiling, we will be taking only Rs287 m. from the cess, but that won't be sufficient to run the six SPIs. What will happen? They will have to reduce their cost of operation and this is what has been recommended in the report, Mr Speaker, Sir. They will also have to review their role, they will have to see how to reengineer the functioning, they have to focus on the demands of the industry and also see how they are going to increase their revenue. They have revenue as at now, but they have to see how to reinforce whatever revenue they are getting, Mr Speaker, Sir. This is doable but, as I said, we need the collaboration of one and all; we need the understanding of one and all. It is a report which says that these things can be done. I have put in place all the different committees to see to it that this is done in a timely manner.

**Mr Bérenger:** Can I ask the hon. Minister whether this idea of cutting the cess money received by those institutions by half, from Rs590 m. to Rs287 m., was a condition set by the European Union?

**Mr Faugoo:** This has become a condition now, Mr Speaker, Sir. As I said, we should not look at cess in isolation. Reduction of cess is one among all the other measures that Government has been taking since 2005. It is not something which started yesterday with the Joint Committee or with the ERCP. Of course, ERCP came at an opportune time when the small planters were facing real difficulty in real terms due to the euro crisis. Can one imagine that the price of sugar going down from Rs18,500 back in 2007 to Rs13,000 last year and to break even one needs to put in Rs15,000. So, Mr Speaker, Sir, there was reason to see how to come to help the small planters. As I said, this can be done, this is what has been recommended in the report.

**Mr Bérenger:** The Minister has tabled figures for the cess money received yearly since 2005 by the different institutions. It amounts, therefore, in total to Rs590 m. Can we have the breakdown for each of these institutions for 2011?

**Mr Faugoo:** I can table it without any problem, Mr Speaker, Sir. I don't have it on hand.

**Mr Bérenger:** If the hon. Minister does not have it, can he at least inform us from which of these institutions will the greatest effort be required from?

**Mr Faugoo:** I cannot single out one institution, Mr Speaker, Sir. It is a report which has studied the concept itself of service providing institutions. There are certain institutions, the function has to be retained and, in some cases, it has to be reviewed all the same, but I cannot say as at now the manner in which this is proposed to be done. As I said, I will table a copy of the budget required by the SPIs for the year 2011 and the figures will speak for themselves.

**Mr Bérenger:** The hon. Minister has informed us that the Joint Government/Private Sector Committee submitted its report, if I heard correctly, in June, last month. Can I, therefore, know whether Government is prepared to table a copy of that report?

**Mr Faugoo:** It is premature, Mr Speaker, Sir. This is a working tool; this is going to help the Ministry to bring the restructuration of the SPIs. We have started the process. I have just set up the committees. They are going to work with the institutions, the Unions and the employees, but it will be premature and inappropriate for me to come in the House today and table the copy when we have not yet proposed or offered what has been recommended in the report to the employees, Mr Speaker, Sir.

**Mr Bérenger:** The hon. Minister has confirmed, nevertheless, that the report recommends and Government has approved a merger of the six institutions concerned. Can I know what is the logic thereof? Why merge a research institute of international repute or a control board with *quasi* judicial responsibilities, why merge these two with four other institutions that provide services, caterpillars and such technical things? What is the logic of merging these six together instead of having a standalone institute of international repute, a *quasi* judicial control Board and then merge the four others?

**Mr Faugoo:** In fact, the logic is in the merging for so many reasons, Mr Speaker, Sir. This is the logic. We cannot say we have to reduce cess from Rs600 m. or so to Rs287 m. without bringing some form of reform, in-depth reform, Mr Speaker, Sir. How do you do

that? Maybe there is confusion. I must clear if there is any confusion. We are not doing away with any of those SPIs - if we take, for example, the research institution which is the MSIRI, we are doing away neither with the historic institution nor with the functioning. They are going to keep their autonomy. They are going to keep their operational autonomy, their work. But what we are trying to do is reducing cost. How do we reduce cost? One way is reducing the number of employees, but we must also see to it that the operational cost is reduced and the new structure is framed in such a manner that we can give, for example, administrative services, joint financial services, HR services. This can come under one roof. For example, governing bodies, Mr Speaker, Sir, we have six bodies today, six chairmen, we can reduce that also. We are reducing cost in the interests of the industry, in the interests of the stakeholders, we reduce to make it more workable, to make it more efficient, Mr Speaker, Sir. This is what we are doing.

**Mr Bérenger:** Mr Speaker, Sir, after the capping, is the hon. Minister aware that only this week, the spokesperson for the small planters proposed exactly what I am suggesting. On radio, the spokesman for the small planters, this very week, proposed exactly what I am proposing. Is he aware of that?

**Mr Faugoo:** Mr Speaker, Sir, I don't know which radio, there are so many. I don't listen to any of them. I don't know which spokesperson, there are so many associations. The hon. Leader of the Opposition must come and tell me which radio, put a copy if he has, I will study and see. We have a report ...

*(Interruptions)*

**Mr Speaker:** Order!

**Mr Faugoo:** ...we have consulted all the SPIs, we have consulted the unions working with the SPIs and what we are doing is in the interest of the planters and the smallholders, Mr Speaker, Sir. What the hon. Leader of the Opposition is saying, without saying what was paid and by whom? I would not be able to comment.

**Mr Bérenger:** Therefore, it is a fact that the small planters came up in favour of that restructuring which I have just mentioned. Can I know whether the European Union proposed that merger of the six institutions? Was it a condition set by them or is it a Mauritian proposal?

**Mr Faugoo:** We don't run according to the whims and caprices of the European Union, Mr Speaker, Sir. We are a Government, we mean business, we have a programme,

we were elected on the basis of a programme, Mr Speaker, Sir. This is an industry which was phasing out. There are so many ACP countries in the world which have done away with the industry. Mr Speaker, Sir, with all the difficulties and challenges, we have managed somehow - of course, with the collaboration of one and all concerned in the industry - to come where we have come. Today, Mauritius is a window for the ACP, for the EU. I don't follow the point of the hon. Leader of the Opposition.

**Mr Bérenger:** I asked a question whether the European Union had set it as a condition.

**Mr Faugoo:** I said in my main answer, they have set a condition that these institutions have to be reorganised, this is the condition, that cess has to be reduced. These are the two parameters. Now, how do we reduce? How do we reorganise? They can't come and dictate to us, Mr Speaker, Sir. The process of achieving our target and the condition is open to us. I know what business we have to do and how to go about it. We are not going to learn from the EU. We have managed in the past, we have set examples, we have done it in the past, we will do it again and I am sure we will succeed.

**Mr Bérenger:** Mr Speaker, Sir, I heard the hon. Minister say that there is going to be a reduction in the labour force in the different institutions concerned. Is it a fact that we are going to come down from some 900 employees to less than 500? And can we have from the hon. Minister - if he does not have the information he can table it - the number of employees that will stay in each of those six institutions?

**Mr Faugoo:** In fact, it is a bit more than 900. It is 908 to be precise. It is a bit more than 500, not less; it is 400 that has been proposed to be reduced, Mr Speaker, Sir. But this is only a proposal in the report. 908 is the actual number of employees and it has to be reduced by some 400, Mr Speaker, Sir. It will come to a bit over 500, I will say, and not less than 500, 508, in fact, when we reduce 400. This is what I am saying and at this stage, I cannot say, it is premature because there are different options. We have also to look at redeployment, there are social packages which are going to be offered to them. As I said, we will also have to work out possible redeployment. This is a bit premature, we will have to cross the bridge when we reach it.

**Mr Bérenger:** Can the hon. Minister give the guarantee to the planters' community that such a drastic reduction in employment amongst places, the Sugar Planters Mechanical

Pool, the Farmers Service Corporation that such a drastic decrease in employment will not affect the services provided to the small planters?

**Mr Faugoo:** This is the very essence of commissioning the report and this is exactly what Government aims at doing, that is, securing the small planters. Because there is a fact which we should not forget, people are driving away from cane cultivation. There are so many of them who had to pull out, Mr Speaker, Sir. We want to maintain the industry and the activities of the small planters. This is going to give an extra mile to the planters. I don't see in which way this is going to be an impediment. The services are going to be the same, revised maybe, more efficient, more cost effective and better services, in fact.

**Mr Bérenger:** Mr Speaker, Sir, when we moved to bulk loading of sugar years past, the Sugar Terminal Corporation was set up by legislation and the harbour workers made redundant were guaranteed a pension for life and other conditions. Can I ask the hon. Minister to confirm that with the merge of these institutions, those responsibilities which Mauritius has taken as far as the redundant harbour workers are concerned will be taken over and guaranteed by the merged entity?

**Mr Faugoo:** Mr Speaker, Sir, the pension of these workers is already being paid and, in fact, we have managed somehow some years back to pay the pensions without having recourse to cess. The money which is being paid to these ex-workers doesn't come from cess money any more. This was already a first action which was taken by Government which came to help the small planters to keep in business, Mr Speaker, Sir. And the guarantee is there. This is their acquired right. From where they are going to be continued to be paid is a different issue and, as I said, they are not being paid by the cess money, but I can give a guarantee that they are going to continue to get their pension, Mr Speaker, Sir.

**Mr Bérenger:** Before I leave the floor to others, on 19 May, the hon. Minister said that the reduction of cess has recently been incorporated as one of the key performance indicators under the accompanying measures for the sugar protocol which involves the disbursement of around Rs2.5 billion under the General Budget Support Programme from the European Union. This idea of incorporating fully as one of the key performance indicators, what we are talking about, did that come from our side or was it a key condition put by the European Union?

**Mr Faugoo:** Mr Speaker, Sir, this was something which was jointly worked out by the Ministry of Finance and the EU. I don't deal with this aspect precisely, but if there is a

specific question, it should be addressed to the hon. Minister of Finance and Economic Development.

**Mr Ganoo:** Since the hon. Minister has now confirmed that in the process of the reform of the cess funded institutions, there will be a downsizing of some 408 employees, will he indicate to the House whether the Joint Committee has made any proposal as to who will finance the cost of the reduction of this workforce? Whether it will be the sugar industry...

**Mr Speaker:** The hon. Member must let the hon. Minister answer. He has put the question as to who will finance.

**Mr Ganoo:** I just wanted to refer the hon. Minister...

**Mr Speaker:** Who will finance?

**Mr Faugoo:** In fact, it was clearly stipulated in the ERCP that the cost of whatever reform that we are going to bring in the SPIs is going to be borne by the sugar industry. It has also been said that there will be some kind of line of credit which will be open to them with the terms and conditions which have to be worked out with the Ministry of Finance and Economic Development, Mr Speaker, Sir.

**Mr Fakeemeeah:** Mr Speaker, Sir, I would like to know from the hon. Minister that although all these measures announced to the House have been taken before and are ongoing, there is still an ongoing crying to the effect that the hon. Minister never pays any attention to them and their suffering. Perhaps...

**Mr Speaker:** I am sorry. This is Question time, this is not Statement time, this is not debate time. The hon. Member has to put his question.

**Mr Fakeemeeah:** The question is: why to that effect, they are still feeling that the hon. Minister never pays attention to them and to their suffering? Perhaps through my answer, they would have a word of relief.

*(Interruptions)*

**Mr Faugoo:** I don't know in which world the hon. Member lives, Mr Speaker, Sir. EU and all the international organisations are recognising what we are doing for the small planters. I refuse to answer to the hon. Member's question, Mr Speaker, Sir.

*(Interruptions)*

**Mr Speaker:** Order!

**Mr Speaker:** Order! I have said order!

**Mr Guimbeau:** Mr Speaker, Sir, can the hon. Minister...

*(Interruptions)*

**Mr Speaker:** I have said order!

**Mr Guimbeau:** ... table the fees, allowances and benefits paid to each Board member of those institutions?

**Mr Faugoo:** The hon. Member should come with a Parliamentary Question, Mr Speaker, Sir, because it has nothing to do with the PNQ.

**Mr Bérenger:** Mr Speaker, Sir, the hon. Minister has found that it would be premature to table a copy of the report of the Joint Committee. But he confirmed that, before the end of June, Cabinet agreed to the restructuring plan and to the principle of reducing cess money to Rs287 m. for the 2011 sugar crop. I am sure that government must have written to the European Union confirming this, setting in stone the conditions which government is agreeing to. Can we have a copy of that last communication from government to the European Union on the matter discussed here? Can a copy of that latest correspondence be laid on the Table of the Assembly?

**Mr Faugoo:** All I can say, Mr Speaker, Sir, is that this was done; but, again, this was done by the Ministry of Finance. I understand that this was communicated in a correspondence, which dates back to 26 June 2011 by the Ministry of Finance and Economic Development, because it is that Ministry which is responsible and liaise with the EU. The question should ideally be addressed to the Ministry of Finance, Mr Speaker, Sir.

**Mr Speaker:** Questions addressed to Dr. the hon. Prime Minister. The Table has been informed that PQ B/671 has been withdrawn. Hon. Ms Deerpalsing!