

MAURITIUS

Fifth National Assembly

FIRST SESSION

Debate No. 12 of 2011

Sitting of Tuesday 14 June 2011

The Assembly met in the Assembly House, Port Louis,

at 11.30 a.m

ORAL ANSWERS TO QUESTIONS

STC - PETROLEUM PRODUCTS

The Leader of the Opposition (Mr P. Bérenger) (*By Private Notice*) asked the Minister of Business, Enterprise, Commerce and Consumer Protection whether, in regard to the State Trading Corporation, he will, for the benefit of the House, obtain from the Corporation, information as to -

- (a) in relation to petroleum products -
 - (i) if the hedging surcharge will be removed and, if so, when;
 - (ii) the losses due to contamination and sediment content therein, since 2005 to date;

- (iii) if a report has been received, following the Red Eagle's first trip, and
- (iv) where matters stand concerning the setting up of a refinery therefor and increasing the storage capacity thereof;
- (b) the actions taken, if any, following the report submitted by Insight Forensics Services Ltd., and
- (c) if the Corporation is being restructured.

Mr Yeung Sik Yuen: Mr Speaker, Sir, as regards part (a) (i) of the question, I am informed by the STC that hedging surcharge will be removed when all hedging losses amounting to Rs4.7 billion, with accrued interest of about Rs250 m., would have been recovered. This was originally expected to terminate in April 2012, when the hedging surcharge applied to the price of mogas and gasoil was Rs3.00 per litre. However, in March 2011, this surcharge has been temporarily reduced to Rs1.25 per litre on mogas and Rs1.00 per litre on gasoil as a measure to contain inflationary pressure caused by general increase in prices of basic commodities worldwide. Therefore, the period of losses recovery has accordingly been extended. In the event of a significant drop in petroleum prices intervening, the recoupment of hedging loss at the rate of Rs3.00 per litre will resume.

As regards part (a) (ii) of the question, I am informed that there were in 2009 three cases of contamination on fuel oil products, which amounts to about Rs110 m. It took place as follows

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	Quantity Contaminated (metric tons)
February 2009	9,751
March 2009	10,762
July 2009	15,745

I am informed by the STC that the loss recovery has been referred to the London Court of International Arbitration, and has yet to be thrashed out. Contamination of 954 MT of jet A1 in the slop tank on board and MT Wawasan Celeste was detected by STC's surveyors, and the cargo was not allowed to be unloaded. The rest of the consignment of 14,900 MT was, however, not contaminated. A claim for the amount insured is being processed by STC's insurer.

With regard to part (a) (iii) of the question, I am informed that a preliminary report by the Société Générale de Surveillance (SGS), (inspectors appointed by STC for petroleum products) was received on 03 June 2011 by the STC, following the Red Eagle's first trip which arrived in Port Louis on 27 May 2011.

The report pertains to the quality of the product received at Port Louis. The bottom line of the report is -

‘(...)that the product is still within specifications. For future loadings, this should be closely monitored for product quality and safety as well.’

A team of four persons, led by the General Manager of STC, effected from last Friday to Sunday a mission to Mangalore to look at issues pertaining to the vessel. A report thereon by STC's consultant, Captain Eric Perrier, is being awaited.

As regards part (a) (iv) of the question, there is a Government decision dating mid-March 2011 to the effect that STC would engage in the construction and operation of the following tanks -

- two storage tanks for Mogas of capacity 7,500 MT each, and
- one storage tank of 10,000 MT capacity for Gas oil.

Government has further agreed to the following -

- the installation would comprise the building of control rooms, administrative offices, loading bays for delivery to trucks etc;
- the estimated cost of the project is Rs750 m., exclusive of one or more dedicated pipelines;
- the project realisation will take 18 to 24 months.

Instead of adopting a piecemeal approach with segregated projects for storage tanks and pipelines and LPG, I am informed that STC has decided to opt for a holistic approach, with the implementation of an integrated strategy for the next 30 years.

An international tendering exercise will be resorted to select a consultancy firm, whose Terms of Reference would be to -

- i. carry out a detailed feasibility study for the development of National Strategic Operational Petroleum Reserves;
- ii. develop a Master Plan that will cater for the country's requirement (including re-exports) for energy products over the next 30 years, and

- iii. supervise the implementation of the recommendations of the Master Plan, which should be completed over a period of 18-24 months.

In respect of the setting up of a refinery, I wish to inform the House that, in August 2010, a project for the same, along with construction of storage tanks, was received. However, no action has been taken in respect of the refinery, which is part of the proposed project.

As regards parts (b) and (c) of the question, I have set up a Committee to look into the report. The findings will be studied, and any restructuring of the Corporation will be carried out in the light of the recommendations of the Committee.

Mr Bérenger: Mr Speaker, Sir, if I can start with the hedging saga. We know that we have lost Rs4.7 billion paid to Morgan Stanley and Mitsui of Japan. That has already been paid, and we had to borrow Rs4.7 billion. Can I know from the hon. Minister when the Rs4.7 billion borrowed from certain banks will have been repaid *in toto*, and how much interest do we expect will have been paid?

Mr Yeung Sik Yuen: The interest expected is Rs250 m.

Mr Bérenger: I heard the hon. Minister say that, as at now, Rs250 m. have been paid. I want to know what will be the figure when the whole of the loans and overdrafts would have been paid.

Mr Yeung Sik Yuen: Can the hon. Leader of Opposition repeat the question, please?

Mr Bérenger: No, I am not in the habit of allowing *des 'ti papiers'* to come your way. I move on to the next question, Mr Speaker, Sir. The people expected, the impression that was created was that with time going by the surcharge of Rs3 is brought down to Rs1.25 and it was understood that this would go in due course. Now, the country learns that it was a temporary decrease and that the Rs3 surcharge remains to come back. Can the hon. Minister tell us when that idea came up?

Mr Yeung Sik Yuen: In fact, the hedging was done in good faith, Mr Speaker, Sir, and as I have just said, an interest of about Rs250 m. will have to be paid. It will have to be paid by somebody and the consumers, of course, will have to pay for this amount.

(Interruptions)

Mr Speaker: Order! Well, let the hon. Minister answer!

Mr Bérenger: May I ask the hon. Minister if I can move on to the report from the Red Eagle's episode, Mr Speaker, Sir? I understand from what the hon. Minister has said that we have received this report from *Société Générale de Surveillance* which relates to quality of the products only, whereas the former Minister clearly told us in the House, on 24th May, I quote –

“I expect a complete report after the arrival of the vessel by end of this week and the uploading of products carried in the first trip.

I also view with much concern other risks that have been identified by Mr Nielsen, including the logistics of the vessel.”

Are we to understand that there is a report only on the quality and not on the risks involve at Mangalore and here in the harbour?

Mr Yeung Sik Yuen: Mr Speaker, Sir, I have the report and it says as I have just read it: “The product is still within specifications and for further loadings this should be closely monitored for product quality and safety as well.”

Mr Bérenger: The hon. Minister didn't even understand the question. Therefore, am I to understand that the report relates to the quality of the products only and not to the risks involved both at Mangalore and here?

Mr Yeung Sik Yuen: I have just been informed that a complete report will be ready after at least three shipments.

Mr Bérenger: Can I know whether it is a fact that Mangalore for its part has expressed serious concern concerning the loading of both white and black oils at Mangalore Refinery?

Mr Yeung Sik Yuen: Mr Speaker, Sir, I don't think there is any concern because I have done a lot of research and under my hand I have a report from a Marine Manager from a very well-known oil company. It states -

“Carrying black and white products on the same vessel is not a big deal. Obviously extra care and attention is required when carrying black and white oils on the same ship at the same time and it is not as I said a big deal. In Australia where I cut my teeth on this stuff, we always carry black and white on all the coastal vessels.”

(Interruptions)

Mr Speaker: The Minister is answering.

Mr Bérenger: Obviously, the expert concerned is worth the kind of language which we are hearing, 'No big deal'! My question is: has Mangalore expressed serious concerns concerning the loading of black and white oils at Mangalore Refinery?

Mr Yeung Sik Yuen: Mr Speaker, Sir, Mangalore simply is not familiar with the ship and usually they don't do black and white on the same ship.

Mr Bérenger: This is my point! This is confirming without confirming that Mangalore has expressed deep concerns concerning the loading.

Mr Speaker: No, I think the hon. Minister has said that Mangalore is not equipped to make an assessment on the board. This is what I understood.

Mr Bérenger: You heard him said that?

Mr Speaker: I think, so! He said it is not equipped!

(Interruptions)

Mr Bérenger: I have not heard him say that anyway. I don't think he said that.

(Interruptions)

Mr Yeung Sik Yuen: Mr Speaker, Sir, may I add something?

Mr Speaker: Yes!

Mr Yeung Sik Yuen: On 1996, 1997 and 1998, a vessel named 'British Adventure' traded in Port Louis. They carried white and black oils simultaneously at that time.

Mr Speaker: No, the question of the hon. Leader of Opposition is – I don't know whether you have heard it correctly - why has Mangalore expressed any concern about carrying this?

Mr Yeung Sik Yuen: No, Mr Speaker, Sir.

Mr Bérenger: We understand that because of carrying, the former hon. Minister told us that because of this carrying of both, black and white oils, the STC and not just the owner of the vessel, also has taken an insurance. Can we know the cost thereof?

Mr Yeung Sik Yuen: The cost of the insurance is less than 1 cent per litre.

Mr Bérenger: Per litre! The total cost therefore?

(Interruptions)

Mr Yeung Sik Yuen: Wait, I have it.

Mr Speaker: Let the Minister answer, it is the first time that he is answering a PNQ!

Mr Yeung Sik Yuen: The premium is 0.034%.

Mr Bérenger: Is it a fact, Mr Speaker, Sir, that it has been found out that this vessel cannot carry the monthly requirements of CEB and that therefore, for bringing in hand heavy oil for the CEB, STC will have to resort to other vessels and what the cost thereof will be?

Mr Yeung Sik Yuen: Mr Speaker, Sir, I don't think so. I don't know where the hon. Leader of the Opposition got this information.

Mr Bérenger: It was said here, in the House, by the former hon. Minister and it was published in the press with no correction from State Trading Corporation. "*Le Matinal*", which is very close to Government : *Le Red Eagle 'est incapable de satisfaire le quota du CEB' - à la page une*. I have seen no *mise au point* from the State Trading Corporation, Mr Speaker, Sir. Can I move on to the point of the refinery? I heard the hon. Minister said that "the matter was not pursued further". But, we were informed by the former hon. Minister that discussions were on with Mangalore to set up a refinery here. Can the hon. Minister tell us whether there have been any discussions with Mangalore to set up a *Petroleum Products Refinery* in Mauritius?

Mr Yeung Sik Yuen: In fact, there has been a proposition; right now we are studying the matter.

Mr Bérenger: My question again is" has there been any discussion between Mangalore and STC?

(Interruptions)

Mr Speaker: Order! Let the hon. Minister answer; he is new in the job. We have to understand this. Order!

Mr Yeung Sik Yuen: As I have just said, we are studying the proposal and then thereafter we will decide whether to talk to them or not.

Mr Bérenger: If we can move from the report from Insight Forensic Limited of Mr Roshni Badain, Mr Speaker, Sir. I hope the hon. Minister has read the report. I have a copy if he needs one. There are clearly criminal actions detailed in that report. Can I know from the hon. Minister whether that report has been referred to the Police?

Mr Yeung Sik Yuen: Mr Speaker, Sir, I have set up a Committee which will study on the report and I will inform the House of the representatives of the Committee. There will be a representative from the Ministry of Finance and Economic Development, a representative from the Prime Minister's Office, a representative from the Ministry Public Infrastructure, National Development, Land Transport and Shipping and it will be chaired by my Permanent Secretary.

Mr Bérenger: Just to take one example, in the report it is stated that what STC did was a colourable device by setting up STCM Ltd to get round, not to go through ordinary tender procedures. Can I know whether that has been referred to the Police?

Mr Yeung Sik Yuen: Mr Speaker, Sir, I have just answered the question. There is a committee. Let the committee work. Mr Speaker, Sir, it is only one week since I am in that Ministry. Give me some time!

(Interruptions)

Mr Bérenger: Later on there is a question on the bad debts written off as a result of the setting up of this STCM Ltd. Can I know from the hon. Minister whether he has the figure for the total losses incurred by STC through this fraudulent operation of STCM Ltd?

Mr Speaker: As the hon. Leader of the Opposition rightly pointed out, there is a written question specifically on this issue of the amount of losses that have been incurred by this particular company.

Mr Bérenger: The question relates to bad debts written off. This is why I am putting my question on total losses made by STC through the fraudulent operation of STCM Ltd.

Mr Yeung Sik Yuen: Mr Speaker, Sir, there is a Parliamentary Question on this matter.

Mr Speaker: I think the hon. Leader of the Opposition is right; the question is about the debts thereof that have been written off. Now, the question is about the total loss. If the hon. Minister doesn't have the answer, he doesn't have the answer. What is the total loss incurred by that company?

Mr Yeung Sik Yuen: I need notice of this question.

Mr Bérenger: The report also recommends strongly that action be taken and can be and should be taken to cancel the writing off of these bad debts and to recover all these so-called bad debts. Has action started at STC to do what is recommended?

Mr Yeung Sik Yuen: The committee is working on it.

Mr Bérenger: The report also hits strongly at some very strange transactions which STC, through STCM Ltd, carried out. Maybe the hon. Prime Minister will be surprised to hear that. They acted as an *intermédiaire* to get sugar from Brazil and sell to India. Is the hon. Minister aware of that and can we know how many millions of rupees STC lost through this transaction that aborted.

Mr Yeung Sik Yuen: Mr Speaker, Sir, on the Private Notice Question, there is no question of STCM. I know it is in the report, but we must let the committee work on it.

Mr Bérenger: The question, in case the hon. Minister does not understand plain English, relates to the report submitted by Insight Forensics Services Ltd.

Mr Speaker: The question is about the report.

(Interruptions)

Mr Bérenger: If I can move to the last part. I understand that, again, a committee has been set up to do this and that. The former Minister told us that ‘*La STC sera réinventée*’, and he even informed us that a firm of consultants was being recruited to advise on ‘*La réinvention de la STC*’. Can we know whether consultants have been recruited and what parts of the business of STC, it is envisaged, will be done away with?

Mr Yeung Sik Yuen: Mr Speaker, Sir, I am presently working on the restructure and I can add that the past is the past, let’s look towards us.

(Interruptions)

Mr Speaker: Hon. Bhagwan!

Mr Bhagwan: Mr Speaker, Sir, I’ll come back to the STCM Ltd.

Mr Speaker: No, the hon. Member should go to the report.

Mr Bhagwan: This is in the report.

Mr Speaker: The hon. Member should quote from the report.

Mr Bhagwan: In the report, it has been criticised that one of the assignments of the STC Ltd was to import diamonds. Can the hon. Minister inform the House whether he has gone through the report and see whether diamonds, in fact, have been imported and if so, in what quantity and at what price?

Mr Speaker: No, to be fair to the hon. Minister, the hon. Leader of the Opposition has been putting general questions on the Insight Forensics Services Ltd. report. The hon. Minister has answered that the matter is being looked into. Now, if the hon. Member wants to come to details, he must let the hon. Minister look into the matter and a couple of weeks later can come back with questions on the issue.

Mr Bhagwan: My question pertains to that paragraph of the report where it is mentioned 'Importation of Diamonds'.

Mr Speaker: Yes, the hon. Minister has stated that there is a committee which has been appointed looking into all these issues and we should not lose the time of the House by putting questions that the hon. Minister has no answer. Let us wait for the study to be carried out!

(Interruptions)

No, I will not allow. I have given my ruling. Yes, hon. Barbier!

(Interruptions)

Order!

Mr Barbier: With regard to the contaminated oils, may I know from the hon. Minister...

(Interruptions)

Mr Speaker: Order!

Mr Barbier: ...what is the mechanism set, whether it is treated, whether we'll get rid of and whether any mechanism is set up to look at what happens when we have the situation of contaminated oils?

Mr Yeung Sik Yuen: Mr Speaker, Sir, we are fully insured and if there is any contamination, the insurance will take over the stock.

Mr Barbier: Mr Speaker, Sir, I am not talking of the insurance; I am talking of contaminated oils. We cannot put it on the market. I would like to know what happens to it? Is it re-exported?

Mr Speaker: There was a question on 17 May 2011 concerning contaminated oils and what has happened thereto, and the answer was given as to what happens to the contaminated oils.

Mr Bhagwan: The hon. Minister has just stated in Parliament that the past is the past, but for the taxpayers, the past cannot remain the past. Can the hon. Minister, at least, inform the House what immediate action he will take for the consumer *qui a été épluché par des millions de roupies*? Will he, at least, be given some relief by the STC?

Mr Yeung Sik Yuen: Mr Speaker, Sir, in one week we have set up a committee to look into this report and Mr Speaker, Sir, we will take appropriate action and this Government means business.

(Interruptions)

Mr Lesjongard: Mr Speaker, Sir, can the hon. Minister confirm whether his Ministry has received a letter from the Central Electricity Board stating their concern with regard to their requirement of petroleum products being used as fuel?

Mr Yeung Sik Yuen: No.

Mr Li Kwong Wing: Will the hon. Minister confirm to the House that the STC has not taken any insurance cover against contamination of the oils carried by the vessels and in that circumstance what arbitration is taking place in London and to whom is STC having recourse to refund that money?

Mr Yeung Sik Yuen: In fact, since 2010, we have taken insurance on all risks, including contamination.

Dr. Sorefan: Regarding the insurance, Mr Speaker, Sir, the hon. Minister has mentioned in 2009 that three cases have been filed to an insurance company. This is surely on CIF basis

and the ex-Minister mentioned that we are taking a second insurance on contaminated oils. May we know why a second insurance?

(Interruptions)

Mr Speaker: Order! Order! Order!

Mr Yeung Sik Yuen: Mr Speaker, Sir, STC is buying the product on FOB, so, we need to add insurance.

Mr Uteem: Mr Speaker, Sir, is the hon. Minister aware that as a result of the bad quality of petroleum products, the STC had to pay damages to the CEB and to the other companies out of its pocket? I would like to know what STC has done to recover this money which it has had to fork out to these companies as a result of the bad quality of petroleum products.

Mr Yeung Sik Yuen: I am not aware of this.

Mr Ganoo: I would like to ask one question to the new Minister responsible for commerce. The hedging exercise done by the STC has remained a mystery. Will the hon. Minister conduct an inquiry into the circumstances in which this hedging exercise was effected a few years ago and will he inform the House whether, at that time, the Minister of Finance or Cabinet was appraised before this hedging exercise was entered into?

Mr Yeung Sik Yuen: Mr Speaker, Sir, there is a Parliamentary Question on this; it is Parliamentary Question B/509.

Mr Speaker: Last question, and then the hon. Leader of the Opposition.

Mr Li Kwong Wing: Mr Speaker, Sir, allow me to come back to this question of losses on contamination. If there has been an insurance to cover all risks, why is it that the insurer is not refunding us for the loss of Rs110 m. and why should there be recourse to arbitration in London, against whom, and why is it that the shipping company which carried the contaminated oils is now being asked to refund to the STC?

Mr Yeung Sik Yuen: In fact, before 2010, we were insured, but not on contamination.

Mr Bérenger: My last question is: the Minister is in presence of the damning Roshi Badhain Report which he is examining. He set up different committees and he tells us that he is

reviewing all the activities. Today, we discuss only petroleum products and being a fresh Minister, he asked for time. Can I know from him whether, in this general review, other operations, apart from petroleum products, will also be looked into, that is, tender procedures and purchase of ration rice, tender procedures and purchase of cooking gas, and where do we stand as far as cement is concerned and finally, are tendering arrangements for the purchase of flour being reviewed?

Mr Yeung Sik Yuen: It is being noted and it will be taken into consideration, of course.

Mr Speaker: Questions addressed to the hon. Prime Minister!