

ORAL ANSWERS TO QUESTIONS

COMMODITIES – PRICE INCREASE

The Leader of the Opposition (Mr N. Bodha) (*By Private Notice*) asked the Minister of Industry, Small & Medium Enterprises, Commerce and Co-operatives whether, following the recent price increase, since 01 July 2006 to date, of the commodities which are subject to price control, he will state –

- (a) the reasons therefor in each case;
- (b) if it is proposed to review the prices thereof in the near future, and
- (c) if Government proposes to review its price control policy in regard to maximum price and maximum mark-up.

Dr. Jeetah: Mr Deputy Speaker, Sir, the decisions taken regarding prices of diverse products have a background history. As the PNQ of the hon. Leader of the Opposition relates to issues of utmost national importance, the House and the population at large would agree that these decisions should be viewed in their proper context.

In July 2005, when this Government assumed responsibility to manage public affairs, the state of the economy was worse than what we had expected...

(Interruptions)

The Deputy Speaker: Order!

(Interruptions)

I said order! Let the hon. Minister reply, please!

Dr. Jeetah: Thank you, Mr Deputy Speaker, Sir. As we analysed the situation, facts and figures revealed the poor state of the economy, most particularly, regarding the management of public funds and the financial

situation of a number of parastatal bodies. It is not my intention to lay the blame on the ex-regime or to play politics on such issues. But, the House may wish to note that I cannot afford not to inform the population about what was left to us as economic and financial heritage.

(Interruptions)

The Deputy Speaker: Please, carry on, hon. Minister!

Dr. Jeetah: Facts and figures, Mr Deputy Speaker, Sir, motivated bold decisions taken by this Government.

The Deputy Speaker: Order! I said order, please! Order, please!

Dr. Jeetah: In July 2005, public debts stood at Rs120 billion...

(Interruptions)

..... which amount to an increase of Rs1 billion every month....

(Interruptions)

Commercial deficits amounted to Rs30 billion. Foreign direct investments and local investments were below expectations. Growth stood at 2.7% in 2005 and budget deficit was about 6%.

Additionally, the Central Electricity Board had accumulated debts to the tune of Rs2 billion. The accounts of BPML showed a deficit of around Rs1.8 billion....

(Interruptions)

Works undertaken at the site for the construction of the Swami Vivekananda International Conference Centre....

(Interruptions)

The Deputy Speaker: Order, please!

Dr. Jeetah: Mr Deputy Speaker, Sir, the construction of the Swami Vivekananda International Conference Centre cost an additional Rs180 m.

(Interruptions)

The Deputy Speaker: The hon. Minister should come back to the Question itself.

(Interruptions)

I said order! Mr Speaker has said it on so many times that the Chair does not have control on the answer of the Minister, but I'll tell the Minister to come back to the question itself.

Dr. Jeetah: Mr Deputy Speaker, Sir, it directly relates to the Question. The postponement of an APM (Automatic Price Mechanism) exercise in June/July 2005...

(Interruptions)

The Deputy Speaker: Hon. Minister of Labour, please!

Dr. Jeetah: cost Government R658 m. I do not wish to make any comments as to why they postponed the APM. Moreover, the Mauritius Post and the Development Works Corporation ...

(Interruptions)

...had deficits to the amount of Rs329 m. and Rs500 m. respectively . The organisation of the SIDS Meeting...

(Interruptions)

... cost public funds in terms of tax exemptions around Rs700 m.

(Interruptions)

The Deputy Speaker: Hon. Members, is this the level that we want our Parliament to be? Hon. Dowarkasing! The hon. Leader of the Opposition will have the time to rebut what the hon. Minister has to say.

Dr. Jeetah: Entertainments alone, Mr Deputy Speaker, Sir, cost public funds Rs32 m....

(Interruptions)

In July 2005, our country still owed over Rs50 m. to the United Nations. Mr Deputy Speaker, Sir, it is against this background that the new social Alliance Government had to decide on its policies and priorities....

(Interruptions)

To put national interest and the country first, what options were left to us? The only option – this situation which I just spoke about required from us to take decisions...

(Interruptions)

...to take bold and courageous decisions to redress public finance. And, more importantly, Mr Deputy Speaker, Sir, without departing at all from this Government's philosophy to protect the vulnerable section of our population.

(Interruptions)

These are not just mere words, Mr Deputy Speaker, Sir.

The Deputy Speaker: Order!

Dr. Jeetah: ... We did it since July 2005. We are doing it right now and we will keep on doing it in the future. In the interest of the country and future generations, we have to take these difficult decisions.

The House has already taken note that since coming to power, this Government has shown its political commitment to take harsh decisions whenever the interest of the country so dictates. And we will not falter.

Regarding the reorientation of the policy of subsidies, this Government has designed means to protect the under-privileged section of our population. The income support which they will receive, will allow them to meet the full extra cost on bread, flour and rice and 15% over and above the full compensation, Mr Deputy Speaker, Sir.

(Interruptions)

The Deputy Speaker: This is Parliament; this is not a school playground. Order! Hon. Soodhun, I am on my feet!

Dr. Jeetah: Mr Deputy Speaker, Sir, with reference to the first part of the question, the commodities for which there has been price increase recently, are as follows -

- (i) ration rice ;
- (ii) flour;
- (iii) bread;
- (iv) cement;
- (v) LPG, that is, Liquified Petroleum Gas;
- (vi) fuel oil;
- (vii) MOGAS;
- (viii) GAS oil;
- (ix) DPK, that is, Duel Purpose Kerosene

For rice and flour, previously Government was subsidising the price of ration rice and flour to the tune of Rs500 m., including Rs100 m. by the State Trading Corporation, that is, STC. As it has been mentioned in the Budget Speech, two-third of wealthiest Mauritians absorb over Rs200 m. of the subsidy. Mr Deputy Speaker, Sir, under conditions of scarcity of resources, we cannot think of extending subsidy to the 800,000 or so tourists that visit Mauritius annually. Subsidies have to go...

(Interruptions)

The Deputy Speaker: I can let hon. Members carry on like this, but they are losing precious question time.

(Interruptions)

Order! Order!

Dr. Jeetah: Mr Deputy Speaker, Sir, in this Budget we are focussing our approach. We are giving these subsidies to those who really need them. Hence, the need to reorient the subsidy.

With the reorientation of the subsidies on rice and flour, Government is aiming at using the resources towards the Empowerment Programme for the financing of seven critical activities, namely -

- (1) land for social housing;
- (2) land for small entrepreneurs;

(Interruptions)

The Deputy Speaker: Why doesn't the hon. Minister come back to the question?

Dr. Jeetah:

- (3) a workfare programme emphasising training and reskilling for 4,000 persons annually will be trained with a stipend of Rs3,000 per month making a total of 20,000 persons over five years;
- (4) special programmes for unemployed women;
- (5) creation of five tourist villages;
- (6) assistance for outsourcing, and
- (7) support for development of new entrepreneurs and SMEs

I would like to point out that the new price of bread reflects the last increase in the price of flour, the increase in price of diesel (20% in April 2006) and the increase in labour costs, i.e. the salary compensation of Rs135 effective as from 01 July 2006.

Mr Deputy Speaker, Sir, an increase in the price of cement has been necessary due to the fact that -

- (i) there has been an increase in the CIF value in rupees term from Rs1,808.64 per ton to Rs1,881.07. This itself represents an increase of Rs4.20 (VAT inclusive) per bag of 50 kg.
- (ii) Apart from the increase in CIF value in rupee term, provision has been made to recoup past losses amounting to around Rs100 m. The creation of an Exchange Loss Recovery Account of Rs49.84 per metric ton will help STC and the two cement companies to recoup past losses over a period of four years;
- (iii) In addition, provision has been made to cater for future losses on account of exchange rate as this has a tendency of increasing. For the three reasons I have just mentioned, the price of cement has had to be increased;
- (iv) increase in the Companies Gross Margin which has not been revised since 2002 from Rs506.13 to Rs562.86 per metric ton.

The price of 12 kg cylinder before the increase was fixed at Rs275, while its real price should have been Rs350.89. The annual loss being incurred by the State Trading Corporation (STC) on this product, at this subsidised price, would turn around Rs252 m., this will further exacerbate the financial situation of the Corporation if no corrective measures are taken.

Though the price has been increased to Rs300 (i.e. by Rs25) per cylinder of 12 kg, Government is still subsidising the price of this commodity at the rate of Rs50.89 per 12 kg cylinder.

The price of fuel oil was under the price fixing regime up to June 2006. It has now been brought under the Automatic Price Mechanism for the following reasons -

- (i) to standardise the system of pricing of all petroleum products;
- (ii) to reflect the real price in a transparent manner, and
- (iii) to have a good management of all petroleum products

The price increase from Rs9.70 to Rs11.50 is primarily due to an increase in the international price of the commodity and also because of an increase in the exchange rate of the US\$ vis-à-vis the Mauritian Rupee.

The increase in the price of Mogas and Gas Oil is due to soaring prices at international level and the continuous depreciation of the Mauritian rupee vis-à-vis the USD. The two products have since April 2004 been based on the Automatic Price Mechanism (APM). The policy of which is to pass on the retail price to the consumers in a transparent manner.

The CIF for Mogas and Gas Oil from January 2006 to July 2006 has moved as follows -

	Dec 05 to Jan 06	Jan 06 to March 06	April 06 to June 06
Mogas (Rs/Litre)	13.2943	13.4846	16.8011
Gas Oil (Rs/Litre)	13.5485	13.8225	16.8504

The recent increase in the price of DPK has been motivated by the following reasons -

- (1) Increase in the prices on the international market
- (2) The parity of Mauritius vis-à-vis the American dollar

Mr Deputy Speaker, Sir, another reason for the increase in the price of DPK is the fact that Government has had to intervene to check adulteration tendencies which were reaching an alarming proportion. Unscrupulous people were just mixing DPK (kerosene) with *essence*, MOGAS as we know it) or gas oil (diesel). It has been observed that after an upward price adjustment in the price of DPK, a 50% reduction in sale volume has been noted.

Mr Deputy Speaker, Sir, with regard to part (b) of the question, I have to put price control in two categories, i.e., (i) those falling under APM and (ii) those outside APM. The products under APM are petroleum products

which have for the principle to ensure that the real prices are, as far as possible, passed on to the consumers and that any increase or decrease is decided in a rational and transparent manner. Further, the APM is an independent exercise to ensure that prices reflect price tendencies. The exercise also takes into account the CIF and exchange rate.

It is important to point out that the prices can also be revised downwards, depending upon the tendencies.

Price fixing falls under two categories, that is, those under APM and those outside. For those under APM, the prices are revised on a quarterly basis and, as already outlined, take care of price and exchange rates tendencies.

For those not under APM, such as ration rice, flour and cement, the prices are revised on an annual basis based on the tender prices. The prices of ration rice, flour and cement are decided for period January to December. The price of bread is tagged to the price of flour and so it is subject to review if the price of flour changes.

With regard to part (c) of the question, allow me to explain the two regimes, that is -

- (i) Maximum Price Regulation
- (ii) Maximum Mark-up Regulation

Here, Mr Deputy Speaker, I have got a list, falling under maximum price, which I can circulate (Appendix I).

With regard to maximum mark-up, this is resorted to in respect of commodities where there is some competition but commodities are still considered as basic necessities;

Mr Deputy Speaker Sir, Government policy with regard to price control is to promote competition and to reduce price control. To this effect, Government is working on a legal framework towards controlling unfair competition and providing an appropriate framework for sound competition. Government is also working on a White Paper for price control, not necessarily in the direction of increasing price control but more towards a self-regulatory system with the participation of all stakeholders.

Mr Bodha: M. le président, c'est une réponse qui est complètement à côté de la plaque chauffante, sur laquelle est assise la population de l'île Maurice! N'est-ce pas la plus grande trahison de l'Alliance Sociale? Un gouvernement qui avait promis que les prix n'allaient pas augmenter? Je pose la question au ministre: n'est-ce pas la plus grande trahison de ce gouvernement que d'imposer cinq augmentations en une seule journée?

Dr. Jeetah: Mr Deputy Speaker, Sir, the hon. Leader of the Opposition asked me a series of questions, and the reasons for each case. I have given exactly what he asked. I also put in perspective that we inherited an economy, where we have a debt of...

(Interruptions)

These are real facts. We have inherited of a debt of Rs120 billion.

The Deputy Speaker: The hon. Minister does not have to come back on that issue.

Dr. Jeetah: I have already answered the question.

Mr Bodha: Mr Deputy Speaker, Sir, will the hon. Minister agree that, in 2000, the debt had doubled by 100%? That's what the Deputy Prime Minister & Minister of Finance said. It doubled from Rs37 billion to Rs74 billion. Will he agree that the deficit at the STC was Rs2 billion, and that when we left it was Rs1 billion? Will he agree, Mr Deputy Speaker, Sir, that Rs7 billion from the privatisation of Mauritius Telecom was used by the Government? That was their legacy. Will he agree to all this?

Dr. Jeetah: Mr Deputy Speaker, Sir, the Rs120 billion of debt that we inherited was despite the fact that they increased VAT by 50%. I have got the figures here. An income of Rs5.9 billion in 2000/2001 was increased to Rs10 billion in 2002/2003, and still we have a debt of Rs120 billion. Besides, Mr Deputy Speaker, Sir, let me inform the hon. Leader of the Opposition that when we took office in July 2005, the deficit of the STC had increased.

(Interruptions)

The Deputy Speaker: Order, please!

Dr. Jeetah: Mr Deputy Speaker, Sir, when this Government took office, we had a debt of Rs1.2 billion...

(Interruptions)

The Deputy Speaker: Hon. Mrs Labelle, please!

Dr. Jeetah: In July 2005, the STC had a debt of Rs1.2 billion. In those days, we were losing Rs9.2 m. every day, and no action was taken, Mr Deputy Speaker, Sir. On that trend, we would have had a debt of Rs5 billion today. We have taken the decisions that needed to be taken.

Mr Bodha: Government said that they would put people first. There, is the *trahison*.

(Interruptions)

The Deputy Speaker: Order!

Mr Bodha: May I ask the hon. Minister...

(Interruptions)

The Deputy Speaker: I said order!

Mr Bodha: May I ask the hon. Minister whether he is aware of the hardship of the population, who has to face the increase of five commodities which have been fixed, the increase in prices of all the other commodities plus Rs2 on the plastic bag every day? Does he realise the hardship caused to the population today?

Dr. Jeetah: Let me state it again. The hon. Leader of the Opposition seems to pick and choose where he would like to...

(Interruptions)

The Deputy Speaker: Listen to the answer, please!

Dr. Jeetah: The hon. Leader of the Opposition seems to forget that this Government has not increased VAT!

(Interruptions)

Secondly, Mr Deputy Speaker, Sir, the philosophy of this Budget was to give to people, who are actually in need. Not a single cent of this reorientation will go into *manger, boire*, like they did. We are going to re-orientate towards the people who actually need it.

Mr Bodha: *Bientôt, il y aura des squelettes qui vont marcher dans les rues de Port Louis, M. le président.* I will ask a few specific questions, Mr Deputy Speaker, Sir. May I ask the hon. Minister whether the price of cooking gas is going to increase in the coming months?

(Interruptions)

The Deputy Speaker: Order!

Dr. Jeetah: I have already answered that question, Mr Deputy Speaker, Sir.

(Interruptions)

The Deputy Speaker: I have to tell you that I have not heard the question.

Mr Bodha: Mr Deputy Speaker, Sir, may I ask the hon. Minister whether the price of cooking gas is going up in the months to come?

Dr. Jeetah: Mr Deputy Speaker, Sir, I did mention the reasons of the increase in prices. Let me give the exact figure. The price differential is Rs50.89. I did also mention that these prices depend on world prices and all the elements, that is, CIF, freight, etc. I think it is very irresponsible on the part of the hon. Leader of the Opposition to start speculating now.

Mr Bodha: Mr Deputy Speaker, Sir, there has been a request for an increase in the price of sugar on the local market. May I know what is the policy of Government as far as sugar on the domestic market is concerned?

Dr. Jeetah: Mr Deputy Speaker, Sir, there is a question with regard to that.

The Deputy Speaker: But the question is with regard to the recent price increase.

Mr Jhugroo: M. le président, puis-je demander au ministre le nombre de touristes qui consomment le riz ration?

(Interruptions)

The Deputy Speaker: Hon. Jhugroo, I request you to keep quiet.

Mr Dayal: Mr Deputy Speaker, Sir, can I ask the hon. Minister when was the automatic price mechanism introduced, why it was introduced, and by whom?

(Interruptions)

Dr. Jeetah: Mr Deputy Speaker, Sir, first, I would like to reply to what the hon. Member said. Everybody who consumes bread in Mauritius is buying it at a subsidised rate. The hon. Member is well aware of that. If he wishes to know, out of the sum of Rs500 m., nearly Rs400 go to the subsidy of flour. That answers his question.

With regard to the question of hon. Dayal, I have got the regulations here, namely the Consumer Protection (Price and Supplies Control) Act, which was passed in 2004. If my memory serves me right, they have...

(Interruptions)

The Deputy Speaker: Hon. Dowarkasing?

Mr Dowarkasing: Mr Deputy Speaker, Sir, the hon. Minister has just replied that the APM came into force in 2004. Can I know whether the present Government has increased the percentage from 15% to 20% and when?

Dr. Jeetah: I would like to draw the attention of the hon. Member that he is well aware that ...

The Deputy Speaker: This is a specific question, hon. Minister.

Dr. Jeetah: Yes, Mr Deputy Speaker, Sir.

(Interruptions)

They missed the APM last year...

(Interruptions)

The Deputy Speaker: Order, please!

Mrs Dookun-Luchoomun: Mr Deputy Speaker, Sir, may I ask the hon. Minister to confirm whether when prices rise in general, the revenue from VAT automatically rises?

The Deputy Speaker: This is a question for the hon. Deputy Prime Minister and Minister of Finance.

(Interruptions)

Dr. Jeetah: I am sorry, can the hon. Member repeat the question?

Mrs Dookun-Luchoomun: Mr Deputy Speaker, Sir, let me ask the hon. Minister whether he is aware that the previous Government had increased subsidies on rice and flour up to a value of around Rs500 m. in order to prevent people out there to suffer and that the former Government ...

The Deputy Speaker: This is not the question that the hon. Minister has put before.

Mrs Dookun-Luchoomun: I am asking the hon. Minister whether he is aware...

The Deputy Speaker: Do you agree with me?

Mrs Dookun-Luchoomun: Ok, I rephrase my question, Mr Deputy Speaker, Sir. Is the hon. Minister aware that in order to 'Put People First'

and to prevent people from crumbling under the pressure of prices, the former Government had put subsidies up to a value of Rs500 m.?

Dr. Jeetah: Once again, Mr Deputy Speaker, Sir, I think the question referred to has something to do with VAT.

(Interruptions)

The hon. Member has to repeat. I cannot hear what she is saying.

The Deputy Speaker: Hon. Lesjongard!

Mr Lesjongard: M. le président, pourrais-je demander au ministre pourquoi le choix spécifique des jours: le lendemain des élections municipales, le lendemain d'un congrès du parti travailliste pour l'augmentation massive des commodités?

The Deputy Speaker: No, that is not a question. Hon. Jhugroo!

Mr Jhugroo: M. le président, est-ce je peux demander au ministre de quelle façon la vie des consommateurs a changé depuis une année?

Dr. Jeetah: That's a fair question. If the hon. Member will take care of reading ...

(Interruptions)

The Deputy Speaker: Time is over! The other questions are addressed to the hon. Prime Minister.

(Interruptions)

Dr. Jeetah: We have more than.....

The Deputy Speaker: Time is over. Ok, I'll allow one last question.

(Interruptions)

Dr. Jeetah: Mr Deputy Speaker, Sir, allow me to answer hon. Lesjongard. I would like to refer the hon. Member to the Consumer Protection (Price & Supplies Control) Act which says that -

“The Corporation shall determine the price of petroleum products on a quarterly basis on the second working day of the first month in accordance to the price structure.”

(Interruptions)

The first working day was a Saturday, second working day, if you do a single calculation, is a Monday.

The Deputy Speaker: Last question!

Mr Bodha: Mr Deputy Speaker, Sir, when we were in Government we never imposed a burden which the population cannot bear.

(Interruptions)

The Deputy Speaker: This is not a question!

(Interruptions)

Mr Bodha: My question is: whether the hon. Minister will agree that with only Rs135, how can a family bear all these increases in prices?

The Deputy Speaker: Order! Order, please!

Dr. Jeetah: The Leader of the Opposition is not in a position to give lessons given what they did when they were in Government. They increased VAT by 50%, they doubled the debt...

(Interruptions)

and now he is giving lessons. We have got no lessons to take from him.

(Interruptions)

The Deputy Speaker: Time is over! Questions addressed to the hon. Prime Minister.