

Memorandum regarding a proposal to increase the electricity
tariff

The Agreement with the International Bank for Reconstruction and Development stipulates that the Malta Electricity Board should maintain an operating ratio of not more than 67% on a three year working average.

2. In March 1965, a Project Supervision Mission of the I.B.R.D. anticipated that in view of proposed new capital expenditure, by the end of 1965/66, there would be a cash deficit of £74,000 and by the end of 1967/68 this would rise to £420,000. The Bank considered that a 12.5% increase in revenues from sale of power after 1st October, 1965, would be adequate for the Board to maintain a satisfactory financial position, provided an adequate amount would be borrowed. However, since some of the Board's customers are covered by long term contracts, involving lower rates, this increase in revenues would require a 15% increase in the remaining rates.

3. Meanwhile, Hon. Ministers are advised to keep in mind that failure to implement the increase would mean a suspension of advances from the Bank. Moreover, the Bank has already pointed out that under the present financial circumstances of the Board it would not consider financing subsequent stages of the Project. It is not difficult to appreciate the harmful effects this would have both in international circles and in the economic development of the Country.

4. The Board has already directed its Consultants to prepare a revised tariff structure and the report is expected to be available in two months' time.

5. In view of recent pressure from the Bank the Board has advised me to approve a surcharge of 10% on all accounts as from 1st January, 1966, except where there are long term agreements. By April, 1966, the Board would require a further increase of 5% so as to enable the revenues as from 1st April, 1966, to be increased by 12½%.

6. I have maintained all along that the increase should not be brought into force before the next Budget and have informed a World Bank representative accordingly. In anticipation of obtaining the Bank's concurrence to this course of action it is suggested that Hon. Ministers agree to a tariff revision or a surcharge to bring in 12½% on the Board's revenues with effect from the 1st April, 1966, and to discard the advice of the Board stated at paragraph 5 above. The increase need not burden unduly the household consumer. It is anticipated that this course of action will satisfy the International Bank for Reconstruction and Development.

20th December, 1965.

000000000000000000000000000000000000