

MEMORANDUM FOR CABINET BY THE HON. MINISTER OF TRADE,
INDUSTRY AND AGRICULTURE

Rigg Welts Factory at Mrieħel

In 1962 a project by Rigg Welts for the setting up of a textile mill was approved. This project had attracted the following assistance under the Aids to Industries Scheme:-

- (i) a Financial grant of £185,000;
- (ii) a Loan of £50,000 at 6% interest;
- (iii) a Factory of 133,000 sq. ft to be let at a subsidized rent;
- (iv) Exemption of Customs duty on machinery and equipment;
- (v) Exemption of Income Tax on profits for a period of 10 years;
- (vi) A monopoly for the production of grey cloth (xoqqa samra);
and
- (vii) A promise for the imposition of a protective Customs duty on certain textiles, pillow cases, sheets and towels.

In anticipation of the completion of the factory of 133,000 sq. ft. mentioned at (iii) above the Company started operating in a factory of 12,500 sq. ft. at the Marsa Industrial Estate and in part of Fort Ricasoli (where the bleaching of cloth was started). When the construction of the factory of 133,000 sq. ft. was sufficiently advanced the factory of 12,500 sq. ft. at the Marsa Industrial Estate was relinquished, with the approval of the then Director of Industrial Development, and the machinery installed therein was transferred to the new factory, in which the Company had already stored other machinery and equipment for the project and which had, in the meantime, been received. Some old patterned looms were actually installed and operations on a very small scale had started. All the machinery and equipment then available was, however, second-hand (some of it bore the date 18....) and in such a sorry state, as to give an indication even to the laymen that it could never be in production economically. This position kept the then Department of Industrial Development on the guard, and the payment of grant instalments on this new machinery and on other which was coming in was viewed with more than the usual caution. The Company was aware of this position and production rather than increasing dwindled to a standstill. This constituted the red light to the Department and a clause in the deed of grant was invoked in March 1964 for the payment of the balance of the grant money, entailing 'inter alia' the eventual refund of the

money already paid as "the Company had failed to complete to the satisfaction of the Government the project in respect of which the grant was approved".

The factory of 133,000 sq. ft. was, however, never given to the Company either by agreement or by deed of lease. In the meantime production had ceased and as such a large factory - for which no rent was being paid by the Company nor for that matter being collected on the advice of the Crown Advocate General - could not be allowed to remain unutilized, efforts were made to obtain its return for eventual re-allocation to other industrialists. The Company then instituted a case in Court but a preliminary objection raised by the Government Law Officers was upheld. There was then a long interregnum during which several take-over bids by U.K. firms were studied and discussed with the Company, the latest one being that of the James North Group which had made arrangements with the Company for the complete take-over, under certain conditions involving the approval by Government of a new grant. After approval of the Ministry of Overseas Development had been obtained and conveyed to the Company and to the James North Group, the latter reluctantly backed out, and the stalemate position was restored to the original state when the grant was revoked. The large influx of applications for aid, and the consequential dearth of available factories, made it still more impellent than hitherto for this large factory to be returned to Government for re-allocation. Legal action was instituted by Government against the Company for the vacation of the factory but the Commercial Court upheld the plea of the Company to suspend proceedings until such time as another Court case which it (the Company) was instituting against the Government for the revocation of Government's cancellation of the grants under the Aids to Industries Ordinance had been decided upon. Government appealed against the judgement of the Commercial Court and this appeal was heard for the first time on the 11th December, 1967.

The reason which induced Government to revoke the payment of the balance of grants (£65,000) need not be entered into here, but on the strength of the actual position at the time it was obvious there were several breaches of the contract.

Although the matter is "sub-judice" it has been deemed advisable to submit this memorandum to Cabinet for information and for any eventual action which it may be advisable to take for the return, as early as possible, of this factory which has now been lying idle for at least three years and for which no rent has been paid.

HTIA/N/59/66

21st December, 1967

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