

Memorandum to Cabinet by the Hon. Prime Minister

Distiller No. 1 (Gozo)

Hon. Ministers will recall that when the question of Mgarr Harbour was discussed in Cabinet, the occasion was taken to agree on the procedure to be followed in other urgent cases where commencement of project work was being held up on account of the impasse in the negotiations arising out of the financial Agreement. The sense of agreement in Cabinet was "that urgent works should be permitted to go ahead on specific Cabinet authority in anticipation of financial approval whenever delay is deemed to be prejudicial to development".

2. The question of the Gozo distiller has been the subject of correspondence with O.D.N. In March, 1965 the U.K. Government had approved the project which at the time was costed by Messrs. Italconult at £578,000. Subsequently a British firm of consultants Messrs. Froese, Carlow and Rider were retained to study the project in all its detail. These Consultants established that the cost of the project would be between £880,000 and £975,000. The U.K. Government stated that as the cost was nearly double the original estimate, it was clear that the character of the project had changed. In the circumstances fresh project approval was required.

3. This ruling was contested by the Malta Government. It was argued that once a project is approved the only limitation imposed on the Government of Malta by the Financial Agreement is that the aggregate of expenditure in any one year would not exceed the annual ceilings agreed upon. The British Government did not accept this and still felt that they should reappraise the project.

4. Apparently one reason for the O.D.N.'s attitude was their feeling that we had not taken sufficient account of the possibility of other technical alternatives in the solution of Gozo's water problem. At any rate they insisted on sending their experts to Malta to assess alternatives. We agreed to the visit of two experts on the understanding that this visit would be without prejudice to Malta's contention that the

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distiller was an approved project. Despite the two visits no project approval has been forthcoming. It is true that project approval routine has been suspended for other reasons but it is pertinent to point out that O.D.S. were never keen to finance the Gozo distiller anyway.

5. The position reached so far is that tenders were issued between December, 1968 and May, 1969 and we are now in a position to award contracts. If no tender is accepted within the tendering period, we may have later on to issue fresh tenders and perhaps lose some 5 months after project approval is obtained. The possibility of having to pay more, because of rising prices, cannot be excluded. The Manager, Water Works, supported by the Hon. Minister of Trade, Industry and Agriculture, states that unless we carry on with our original time table for the Gozo distiller the water position in Gozo may become critical.

6. Because of this, it is submitted that Hon. Ministers may wish to authorise award of contracts in respect of the Gozo distiller in spite of the risk (para. 4) that British aid money may not be forthcoming for this project. Further delay in the implementation of this project might be prejudicial to development.

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