

MEMORANDUM FOR THE CABINET BY THE  
HON. PRIME MINISTER

Underground Oil Storage

As Hon. Ministers are aware, a scheme has been afoot for some years to provide storage capacity for oils necessary in wartime or time of emergency. The scheme which is meant to provide oils both to the Services and the Government is now nearing completion. The installation which is at Has-Saptan is managed by the Principal Naval Store Officer on the staff of the Commander-in-Chief, Mediterranean. The scheme has cost £6.97 million of which Malta's share was estimated at £795,300. In fact the United Kingdom Government has contributed on behalf of Malta £713,634. The capacity earmarked for Malta is 17,200 cubic metres, which represents 11% of the total capacity.

2. In September 1961, the Secretary of State was informed that the storage capacity for oils required under this scheme would be as follows:-

Furnace fuel oil	-	5,800 tons
Diesel oil	-	1,200 tons
Kerosene	-	5,200 tons
Motor Transport gas (Petrol)	-	2,200 tons

The above represents about 3 months stock, the initial cost of which (exclusive of customs duty) is estimated at £143,300 based on prices paid by the Government while the Government share of the running costs of the installation is tentatively put at £8,000 a year.

3. It is understood that the joint storage will be mixed and it will therefore be necessary for all quantities of oils held by each Service and by the Government to have the same physical characteristics including the capacity for long storage. In this connection our requirements will have to comply as follows:-

- (a) Furnace Fuel Oil and Diesel Oil - with Admiralty specifications. The Admiralty use a superior grade of oils and will be responsible for the turning over of the stocks.
- (b) Kerosene - Government will be the largest shareholder. The tanks would have to be emptied and the stocks turned over every three years. Arrangements would have to be made with an oil company to effect replacements.

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- (c) Motor Transport - We shall have to make arrangements for the turning over of Gas (Petrol) - our stocks with the Army or with an oil company.

In view of (a) above, the cost of the oils will be slightly higher and the total cost is estimated at £144,000.

4. It will be recalled that under Vote 9 C 17 in the estimates for 1962-63, a provision was inserted for £36,100 as Malta's share of the contribution towards the construction of the Oil Storage Scheme. The amount is wholly refundable by Her Majesty's Government but of the amount of £36,100, only £10,620 have been expended. For 1963-64 the Colonial Office have made provision in the Colonial Grants and Loan vote for £12,000 as the final instalment.

5. We have now been asked whether the Malta Government's storage capacity requirements remain as stated above and whether the Malta Government are prepared to pay a proportionate share of the running costs, etc.

6. The matter has been considered by Hon. Minister of Agriculture, Power and Communications and the Financial Secretary.

7. Hon. Minister of Agriculture, Power and Communications refers to the joint statement which was published in the Government Gazette in 1956 and in which it was stated that the scheme was to provide fuel reserves for the Civil Government as well as for the Services. Hon. Minister of Agriculture, Power and Communications, however, points out that the pipeline between the oil tanks and the power station has not been installed and suggests that the necessary funds for its installation should be provided by the United Kingdom Government.

8. The Financial Secretary has, through the Public Works Department, carried out a survey of the requirements of oils and as a result he suggests that our capacity requirements be increased as follows:-

Fuel Oil	-	7,000 tons
Diesel	-	2,000 tons
Kerosene	-	5,500 tons
Petrol	-	3,000 tons

9. It is not known whether the Services can make this extra storage available but the cost of this initial supply would amount to £172,000, exclusive of customs duty.

10. The Financial Secretary reports that the pipeline referred to by the Hon. Minister of Agriculture, Power and Communications would cost £26,000 and he considers that this expenditure if charged to the Electricity/Water Distillation Scheme would be dead

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capital, as it would only be used in wartime or in an emergency. For the same reason, the Financial Secretary suggests that the Malta Government should not be expected to make any contribution towards the running of the installation which, as in the case of the capital costs, should be met by N.A.T.O.

11. There is also another possibility i.e. that the Oil Companies be asked whether they would agree to hold part of their stocks in the Underground. No doubt the Companies would stand to gain by the free "insurance" of their stocks provided by the underground storage but whether they would agree to meet the whole or a part of the running costs is, of course, a different matter.

12. The views of Hon. Ministers are sought as to what action should be taken in the matter.

24th June, 1953.

L-Arkivji Nazzjonali ta' Malta