

MEMORANDUM FOR CABINET BY THE HON. MINISTER OF JUSTICE

Request by General Retailers Union
for re-assessment of rent of shops
in St. John's Square, Valletta.

Hon. Ministers are requested to consider the policy to be followed in connection with the rent of shops in St. John's Square, Valletta, in the light of the following facts.

1. When the area opposite St. John's Co-Cathedral was re-constructed in 1951, it was decided, after the matter had been considered in Cabinet, to adopt the policy then being followed in respect of the re-letting of re-constructed tenements used as shops. The shops in question were accordingly put up for tender and preference was given to "tenants of shops and other business premises formerly existing on the site and to tenants of shops scheduled for demolition in connection with the reconstruction scheme for the area."

2. That policy ensured to Government the open market rent for the re-constructed business premises and, at the same time, gave preferential treatment to former tenants.

3. The shops were eventually offered at the highest bid to the former tenants who has submitted a tender, after the claims of the various former tenants has been examined.

4. As a result of persistent representations by the General Retailers Union and by some of the former tenants to whom the above offer had been made, Government decided to allow "as a concession for the period of the initial lease (8 years), a personal rebate of 33 1/3% on the rent."

5. It was felt, on the one hand, that the rents tendered by outsiders, were inflated and, on the other, that if these rents were ignored Government would be waiving its right of obtaining the highest rent available on the market. The solution resorted to was a personal rebate limited to 8 years.

6. As soon as the 8 year period expired the tenants were asked to pay the full rent which they did under protest after having submitted, again with some persistence, that they had been promised by Government, at the time of the rebate, that at the end of the eight year period the rent would be revised according to circumstances then prevailing and possibly even reduced.

7. No such promise results from any of the files dealing with these tenements and the only justification for the rebate which does result from the files is that given at paragraph 5 above. On the contrary, it was made abundantly clear to the tenants that the rebate was to be both personal and limited to the original period of the lease.

8. For these reasons the previous Administration took the view that the only existing contract between the Government and its tenants was the lease agreement and the personal rebate allowed for a limited period which had expired. The tenants' request was therefore turned down.

9. In support of their case, the tenants have submitted a letter from Dr J. Frendo Azzopardi who had been asked by them to confirm that the promise referred to above had actually been given. Dr Frendo Azzopardi does not confirm the statement attributed to him; on the other hand he states he may well have made it, and adds that his thinking at the time was that "at the end of the original period of lease, the rent should be revised upward or downward in accordance with the trend of commercial rents."

10. This statement, coming as it does from the former Minister of Finance who had authorised the rebate, carries weight. This notwithstanding, it is felt that there is not enough evidence of the existence of a legally binding contract whereby the rent was to be revised at the end of the eight year period; and the tenants themselves are not claiming that there is such a legally binding contract.

11. It is further felt that even if a revision of the rent were to be made in accordance with Dr Frendo Azzopardi's thinking at the time, there would, to say the least, be a strong case for leaving matters as they are. The trend of commercial rents in Valletta and in the particular area in which the shops are situate has in fact been upward.

12. Since the original leases were granted six (6) shops in Block I and four (4) shops in Block II changed hands. Of these ten (10) shops five (5) were re-let after a call for tenders and the payment of a sum of money by way of goodwill, and one was re-let after the previous lease had been voluntarily terminated; of the remaining four (4) shops, one was allotted by Government in lieu of requisitioned premises, one was transferred to a relative of the former tenant and the other two (2) changed hands as a result of an exchange between the former tenants. In view of the reasons for which these latter four (4) shops changed hands, the fact that the rent remained unaltered is irrelevant to the matter in issue. Very relevant, on the other hand, is what happened in connection with the other six (6) shops.

13. The full rent of these shops (that is the original highest bid without the rebate) has, with one exception risen from £380 to £610, from £350 to £666, from £220 to £345, from £485 to £521 and from £360 to £500; and this notwithstanding the payment by way of goodwill of sums ranging from £700 to £2,800. In only one case has the rent dropped (from £220 to £130 per annum), and in this case the goodwill was assessed at £1,200. The original rents, which stood at £2,015 per annum have increased to £2,772 per annum - an increase of 36% on the original full rents.

14. All these points have been gone through at a recent meeting with a delegation from the General Retailers Union. Their reaction was that the original decision, which as already stated had been taken after the matter had been considered in Cabinet, had been unfair. They again submitted that Government should have never gone to tender. They added that by "fair re-assessment" they meant a fresh valuation made in the light of present circumstances, independently of the tenders submitted in 1951. It was pointed out to them that the tender system had been the fairest under the circumstances and that once it had been adopted a serious precedent would be created if it were either to be ignored or to be departed from.