

MTIA 245/66

MEMORANDUM FOR CABINET BY H.F.I.A.  
POLICY FOR THE EXTENSION OF ESSENTIAL  
SERVICES TO HOTELS AND FACTORY SITES

The provision of municipal services to hotels and factory sites at Government expense has always been considered as an incentive of primary importance to would-be developers and industrialists. In fact both the Aid to Industries Board and the Malta Government Tourist Board have been strongly recommending assistance by way of extension of services to such sites and Government had on various occasions approved these recommendations.

An impasse has arisen as the Ministry of Finance, Customs & Port consider that a redefinition of policy in this regard should be carried out whereby developers themselves may have to be asked to provide these essential services out of their own funds.

This Ministry maintains that at this stage of development when Government is doing all in its power to encourage investment and all forms of development in the industrial and tourist sectors, and when funds for the purpose are available under the respective heads of expenditure, Government's policy should be to continue to help industry by providing these essential services.

The Ministry of Finance, Customs and Port consider that Government's liability to provide essential services exists only in the case of transfer of Government-owned land, and this inducement should not be extended to other developers.

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With regard to the latter category of developers this Ministry feels that more reason exists for the granting of assistance by way of essential services. It has to be borne in mind in such instances that developers are not asking for any land from the Government and more often than not the sites selected for development are usually already serviced by a number of essential services.

This impasse with the Ministry of Finance, Customs and Port came about when the extension of electricity supply to the Hilton Hotel was being discussed. In September, 1966, approval was given by the Ministry of Finance, Customs and Port to provide at Government expense the electricity supply to the hotel on the basis that the circumstances of the project qualified it for the provision of a site serviced out of public funds. The approval was however withdrawn when that Ministry became aware of this Ministry's directives to the Malta Electricity Board conveyed in May 1966 to meet out of its own resources the cost of the extension of the mains to the Hilton and other Hotels.

The procedure that had to be followed by the Malta Electricity Board in respect of the Hilton and all other projects was as follows:

"The Malta Electricity Board should provide electricity to hotels at their own expense against a Government guarantee that should the returns from the electricity consumption not be sufficient to cover the Board's maintenance expenses and interest on capital outlay within a period of five years, the Government would make up the difference, the matter to be reviewed after five years from date of installation. Exceptional cases of

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outlying and underdeveloped areas will be treated on their own merits and in such cases a departure from the above arrangements may be called for!

In April, 1967, the Malta Electricity Board have advised that they are not in a position, financially, to undertake the costs of such extensions. The Board have for long been advocating an increase in the electricity rates in order to improve their cash flow situation and financial position. As this is against Government's policy this Ministry recommended other measures to ameliorate the position of the Board, viz: a long term loan of £300,000 and the deferment of the Board's interest liability. For some reason, these recommendations were not agreed to and the Malta Electricity Board had to review the position. As a result the Board has decided that the cost of electricity services for hotels and industrial establishments will have to be borne either by Government or the developers irrespective of whether or not an economic return will be forthcoming.

As a consequence a situation had arisen when all extensions were being held up unless the Government accepted the Malta Electricity Board's decision. A compromise has very recently been reached with Finance respecting the services which are to be provided at Government's expense without prejudice to the outstanding issue with the Malta Electricity Board. This Ministry, aware of the finances of the Board, supports the decision taken by the Board, and strongly recommends that Ministers agree that unless the Board are allowed to increase the rates, they cannot, on the other hand, carry certain commitments on behalf of Government, when in the view of

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the Board, the industrial rates now in force do not cover production costs.

This Ministry strongly recommends that in consonance with Government's policy to help all forms of development in the industrial, agricultural and tourist sectors, the provision of essential services, viz: water, electricity, telephones, sewers, roads, etc, to factories and hotels be met out of Government funds the assistance to be given is to continue to be made on the recommendations of the Aid to Industries Board and the Malta Government Tourist Board, without further reference to Finance.

10th August, 1967.

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