

Memorandum to Ministers by "Finance" regarding
the Progress Report on the Free Trade Zone Project
submitted to Cabinet by
the Ministry of Trade, Industry and Agriculture.

The "Finance" stand on the points outlined under different headings in M.T.I.A.'s Progress Report on the Free Trade Zone Project is as follows:-

Para. 7. Lands. The question of resiting the aerial complex at Benghajsa is a very awkward problem from the point of view of the Ministry of Finance, Customs and Port who will have to provide over £1 m. to finance the "move". R.A.F. are insisting that the cost of moving the aeriels to another location would not be acceptable as a charge against British Funds. It may therefore be advisable to give serious study to the feasibility of their suggestion that the aerial facilities (which are also vital to our civil aviation needs) should continue to operate as an enclave in the MEDPORT Area.

Para. 8. Financial terms for the lease of the land. Government is to bear the cost of the extension of services (viz: roads, drainage, electricity, water and telephones) to the Free Trade Zone and may also be burdened with the cost of resiting of the aerial farm. This expenditure (viz: totalling about £2 m.) which may have to be financed by raising loans (thereby increasing our public debt burden) must be taken into account in negotiating the terms for the lease of the land. Moreover it is understood that Medport will most probably make use of a floating breakwater at Marsaxlokk (at a cost of about £.5 m.) instead of constructing a permanent one (at a cost of £4.5 m.). This factor will also have to be given

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due weight in negotiations before the lease terms are finalised.

Para. 9. Length of Lease. Once it is envisaged that Government would have a substantial shareholding in Medport there should be no objection to the Company being given the 99-year lease they are asking for provided that arrangements are made for periodical revaluation of the land (say at 25 year intervals).

Para. 10. Free Trade Zone Authority, Maritime Law, Holding Companies etc.

The memorandum prepared by the Ministry of Trade, Industry and Agriculture on the subject of Holding Companies is being examined by "Finance". The Commissioner of Inland Revenue has raised a number of difficulties (viz: revenue difficulties, international complications of a fiscal nature, doubts regarding prospects of attracting a sufficient number of companies to make the project worthwhile, the need of adequate safeguards etc.) which will have to be taken up with Crown Advocate General, M.T.I.A. and Central Bank.

Para. 11. Taxation. "Finance" feel that there are no grounds for extending the 20-year tax holiday period offered to Medport the more so since the Company will most probably be relieved of the "social costs of providing us with a permanent breakwater valued at £4.5 m.

Para. 13. Port Authority. "Finance" agree to the holding of a meeting between M.T.I.A., Medport and

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the Port Committee to finalise various issues in regard to the provision of port facilities at Marsaxlokk. The Port Committee have already had preliminary discussions with Medport on the matter.

Para. 14. Water, Electricity, Telephone. etc. It is understood that in their returns of projects for the third 5-year Plan the Ministries concerned (M.T.I.A., M.P.B.W. etc.) have not included provision for the extension of services to the Free Trade Zone perimeter. This matter is however being studied by a sub-committee of Technical Officers which will in due course provide the necessary information on the commitments involved. It is important that this task should be finalized as early as possible so that the Ministry of Finance, Customs and Port may be able to tackle the problem of providing finance to meet the cost of the services.

18th June, 1968.

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