OPM.1776/67 No. 930

MEMORANDUM FOR CABINET BY THE MINISTER OF TRADE, INDUSTRY AND AGRICULTURE REGARDING RETRENCHMENT ON SUBSIDIES EXPENDITURE

In view of the devaluation of the pound it is estimated that the additional funds required in respect of Subsidies during the next financial year will be of the order of £300,000 as detailed hereunder.

Wheat and Flour	£196,000
Offals (Agric. Vote)	£33,000
Sugar	£15,000
Kerosene	£58,000
	£302,000

This increase represents broadly 42% of the aggregate cost of the subsidies currently paid on the four commodities. In the view of the Ministry of Trade, Industry and Agriculture steps should be taken to reduce as far as possible this burden on Government. There are two ways in which this can be done i.e.
(a) passing on the increased cost to the consumer or
(b) reduce certain ration allowances.

The first alternative is incompatible with the policy which has been adopted by this Ministry as a result of devaluation. As Ministers are aware in order to avoid a substantial increase in the Retail Price Index with a consequential rise in wages, Government has pegged profits to the pre-devaluation rates and is exercising control on prices. Every attempt should under the circumstances be made to avoid a substantial increase in the price of subsidized commodities.

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As a result of the progressive improvement in living standards, Maltese families enjoy now a more balanced diet which is not so strongly based on bread as it used to be when the bread ration was established. It is considered that a reduction of the bread ration allowance by one eighth of a rotolo per person would ensure a substantial saving to Government and would eliminate waste without affecting the dietary pattern of the majority of families. This measure together with others described hereunder would reduce the additional expense of £302,000 by about £200,000.

The Minister of Trade, Industry and Agriculture recommends the following measures:-

Bread

a) The daily scale at present is as follows:-

Children up to 7 years	3/8 rotolo
Children from 7 to 16 years	½ rotolo
Females	⅝ rotolo
Males	¾ rotolo

It is suggested that all the scales should be reduced by 1/8 of a rotolo at a saving of £121,000

At present many families do not receive their full entitlement as they have opted for a part of it to be changed into sugar or pasta. A general swing back to bread would cut down the anticipated saving by about £70,000. It is proposed therefore that we should "freeze" the status quo and prohibit any reversion from sugar and pasta to bread. The present sugar entitlement is three eighths of a rotolo per person per fortnight and this is more than sufficient. The ration scale of the so called "English type" is much lower than the Maltese type and should not be decreased, because apart from its size, a loss of savings would be made if the entitlement became less attractive to an extent to warrant a reversal to Maltese type which is much more heavily subsidised - saving - £120,000

b) Maltese bread has still a very high nutritive value and through a judicious

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arrangement of the mixture a substantial saving in cost can be made with a very slight change in quality. It is therefore proposed to purchase higher quantities of inferior wheat and smaller quantities of the higher grade wheat and to increase slightly the extraction rate. This would affect a saving of £30,000

Pasta

The Pasta ration is equivalent to one rotolo for each person over 2 years old (per fortnight). If this were cut down by a ¼ rotolo we would effect a saving of £30,000 a year. In addition, some additional profit in the sale of flour for fancy paste would be made as presumably sales of this commodity would increase. This move should be welcomed by the manufacturers as fancy paste allows them a higher margin of profit and the move should be made conditional to the dropping of their claim for a higher margin of profit on rationed pasta. Saving £30,000

Flour and semolina for use for the production of pasta for export and tinned meat are sold at cost price. Wheat for the production of animal feeding staff is sold at an unsubsidized price. In these instances the increase in cost due to devaluation should be passed to the consumer consistently with the policy being followed in the case of other commodities. This will bring a saving of £16,900

Total Savings £197,900

Say £200,000

Consideration has also been given to a suggestion to exclude all non-Maltese citizens from benefits of the Subsidies' Scheme. This has been discussed with the Director of Social Services who expressed himself against such a move as it might have adverse repercussions on the Maltese who settle abroad - principally in the U.K. who at present enjoy free family benefits. These might lose this privilege if the British Government would retaliate. Moreover, this measure would only affect the limited number of settlers as tourists studying in hotels are already excluded from the Rationing Scheme.

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It is pointed out that figures of savings are broad estimates as prices of wheat and sugar fluctuate from week to week and an accurate forecast cannot be made.

Any decision to reduce the pasta ration could be implemented at a relatively short notice (say one month) but the bread registration is a complicated matter and would require over three months for its implementation. An early decision would enable the Ministry of Trade, Industry and Agriculture to avoid duplication of work as the 1968 ration cards are due to be issued almost immediately.

The measures recommended above might bring about a claim from millers and bakers for a revision of their profit margins. This possible development will be considered together with the claim which they are expected to make following the increase in wages which they have to pay to their employees under the new Order prepared by the Ministry of Labour.

Hon. Ministers are asked to approve the measures proposed above.

20th December, 1967.

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