

PRESS RELEASE

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2016 Budget Speech: A Preliminary Reaction by the Malta Chamber

The Malta Chamber of Commerce, Enterprise and Industry noted the underlying priorities of the 2016 Budget Speech, namely, fiscal consolidation, strong economic growth and better living standards for all.

These priorities are similar to the objectives the Chamber itself proposed during its active participation in this year's Budget consultation process. Here, in fact, it advocated further progress in fiscal consolidation and national competitiveness.

It is noted that this year's budget continues to build on last year's endeavours in a number of other areas including income support for low and middle-income earners and pensioners, further investment in human resources, environmental initiatives and the real estate sector.

Public Finances

The data for the Maltese economy are in general encouraging, but the country must not allow for any complacency and must at all costs ensure that there are no slippages in at least three areas: namely,

- Public Finances including funds allocated for sectoral restructuring and the formation of new initiatives
- The proposed revision and implementation of labour market policies and practices
- The successful setting up of partnerships with the private sector

In this regard, it is understandable that society reaps a just benefit from economic prosperity through the redistributive role of Government and the annual Budget. Nevertheless, this redistributive exercise must be made in full recognition of the private sector and its wealth generation role in the economy.

Better Regulation and Administrative Burdens

The Chamber welcomes the efforts being made in the area of better regulation, in particular :

- the promise to address the country's ease of doing business rankings
- updating bankruptcy legislation
- streamlining tendering procedures
- reducing the performance guarantees from 10 per cent to 4 per cent

Encouraging Entrepreneurship and PPPs

Furthermore, the Chamber positively notes the newly announced programmes for business to be administered by Malta Enterprise and the possible re-establishment of an export credit guarantee scheme.

The Chamber also welcomes the furthering of Public Private Partnerships in the health care sector, for the upkeep of Industrial Zones, Tourist Areas and parking facilities in Mosta and Marsascula.

Other initiatives such as the re-establishment of an export credit guarantee scheme and the setting up of Malta Marittima, Education Malta and Property Malta are conducive towards increasing international business for Maltese companies in sector-specific areas.

Transport and Infrastructure

In the field of transport and infrastructure, the Chamber looks forward to engaging in discussions with the Authorities on the transport of workers and naturally welcomes:

- new grant schemes to encourage further use of electric transport
- the 30 per cent increase in the allocation for road maintenance and the
- the Malta-Gozo underground link.

Nevertheless, the Chamber augurs that these initiatives fit within a holistic masterplan which the Chamber proposed. As the Chamber has recently stated publicly, the solutions to Malta's traffic problems lie in the urgent and careful identification of sustainable transport solutions where various modes of transportation are seamlessly integrated to provide smooth mobility. The long-term solutions to the problem do not lie in a series of knee-jerk reactions.

From a competitive point of view, the Chamber disagrees with the increase in duties on fuels.

Towards Ensuring A Level Playing Field

The Chamber noted the announced second phase of the Eco Contribution reform namely that of shifting a number of products falling under this Act to the excise duty regime. The Chamber understands the fair competition motives behind this measure and fully supports the principle of transforming the Eco Contribution regime to more efficient and enforceable forms of taxation. Nevertheless, it is surprised that little or no consultation took place on this measure ahead of the Budget. This, particularly in the light that this shift will surely affect the business operations of law abiding companies in the immediate term at a sensitive period of the year.

Energy and RTDI

The Malta Chamber is disappointed to note that that there were no measures to address the further lowering of energy tariffs for business, which was the Chamber's prime recommendation prior to this year's Budget. It is feared that this fact may support the further gradual erosion of Malta's competitive position in cost-sensitive sectors relative to other regions and states.

In terms of competitiveness, the Chamber is also disappointed to note that little or no mention was made to the proposals made by the Chamber in the field of Research, Technology, Development and Innovation (RTDI). Backed by several other Social Partners, the Chamber called for a focus on RTDI as one of the key factors of the country's competitiveness which can be achieved independently of costs. From the Chamber's point of view, and in view of the country's relative economic well-being, Malta has missed a valuable opportunity to re-invest part of its proceeds from prosperity in safeguarding a competitive future.

Conclusion

In conclusion, the Chamber noted that the Budget Speech this year follows on those of previous years in a number of areas, although a decline in capital expenditure for 2016 was noted. The Chamber welcomes the announced measures in the support of business and better regulation. At the same time, the Chamber notes with regret that specific measures it proposed such as those for energy tariff reduction were not taken up to the detriment of Malta's general competitiveness position. All in all, however, this Budget continues to acknowledge the private sector's important role in the economy. On its part, the Malta Chamber is committed to work towards supporting the growth of business, employment and prosperity in Malta.

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