

Recommendations for the 2023 National Budget

The Malta Chamber of Commerce,
Enterprise & Industry

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FOREWARD

The Covid pandemic and the war in the Ukraine, with all their repercussions on energy and food supplies, have shook the foundations of most economies including our own and that of our main trading partners. These global shocks have necessitated unprecedented public spending in a massive effort to save jobs and businesses and reinstate output to pre-Covid levels. Those efforts have so far been successful, but they cannot be maintained indefinitely. This is why it is of paramount importance to instil discipline in both public spending and revenue collection, and to invest in the necessary systems and infrastructure to ensure that the private sector can function efficiently and profitably, without major Government support, in the years to come. The challenges of climate change and the European ambitions for a green transition over the coming years remain there irrespective of day-to-day geopolitical developments. The need to invest in renewable energy and more energy efficient equipment, buildings and practices becomes more pressing every day. And while the subsidisation of energy is an effective way of mitigating inflation, incentivising more sustainable investments and curbing waste are equally important and have a more long-term impact on how competitive our economy will be in future.

The major bottleneck for the private sector has been, and becomes increasing more so, the lack of human resources. An ageing population, low birth rates, and a constant flow of talent out of the country necessitates supplementing the local workforce with foreign nationals, the greater part of which are now third country nationals. It is imperative to find ways of managing the recruitment and retention of such resources better to secure the sustainability of local businesses. Good management of these flows requires carefully designed systems that discourage abuse and promote proper enforcement of the laws and regulations related to the labour market. This is the only way we can have a level playing field for the scarcest of resources. This is also necessary to ensure better socio-economic cohesion going forward. The rise of the extreme right in a number of European countries should serve as an eye-opener for both local and EU integration politics.

People's sensitivity to a deterioration in their environment and quality of life is bound to grow when prevailing conditions become more challenging. So does the frustration of businesses in the face of unfair practices in all areas, ranging from recruitment to public procurement to tax compliance. Competent businesses want a level playing field. They are eager to see less tick-box administrative bureaucracy, more transparency and accountability, better use of technology to improve efficiency and information-sharing, more enforcement involving smart combinations of system controls as well as more risk-based inspection controls, and much better planning in the context of a holistic long-term vision for the country that does not just set targets for desired outputs but factors in inputs and their sourcing, be they labour, energy, infrastructure or capital. This why the proper functioning of our planning authority, our education system, our justice system and our political system as a whole are critical to the future prosperity of the country.

The budget is an annual exercise that grows in relevance every year, not only because fiscal planning and accountability become more critical at challenging times, but also because it is futile to talk about strategies, reforms and projects, unless they are adequately financed. It is in this spirit that The Malta Chamber undertakes to carry out a thorough assessment of what the business community deems to be pressing priorities and critical bottlenecks for growth before every budget and presents a pre-budget document listing dozens of policy recommendations every year.



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We thank all those who have contributed to this document and trust that these recommendations will be taken seriously both at the budgeting stage and particularly at the implementation stage. As The Malta Chamber, we are always available to provide feedback and assistance to both the authorities and the businesses we represent so that we may continue to rise to the challenges and build a better future.



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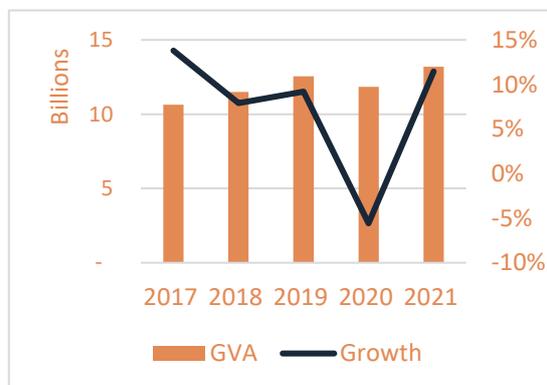




Economic Context

Economic Growth

Overall, the Maltese economy fully recovered the ground lost due to the pandemic in 2020, and by the end of 2021, grew to a level higher than that registered in 2019. It must be noted that not all economic sectors managed a complete recovery. Retail and wholesale, transportation, accommodation, and food service activities, which were the hardest hit by the pandemic, were still struggling up until the first half of 2022 and are still to make a full recovery.



GVA by Sector (€ Millions)	NACE	2017	2018	2019	2020	2021
Agriculture, forestry and fishing	A	77	90	67	57	59
Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities	B to E	1,011	1,104	1,221	1,202	1,301
Construction	F	404	454	530	548	588
Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities	G to I	2,200	2,359	2,520	1,654	2,061
Information and communication	J	790	924	1,063	1,167	1,352
Financial and insurance activities	K	926	1,017	1,081	1,149	1,199
Real estate activities	L	654	705	759	755	813
Professional, scientific and technical activities; administrative and support service activities	M to N	1,680	1,936	2,181	2,049	2,165
Public administration and defence; compulsory social security; education; human health and social work activities	O to Q	1,761	1,905	2,107	2,167	2,401
Arts, entertainment and recreation, repair of household goods and other services	R to U	1,145	993	1,016	1,099	1,263
Total		10,647	11,488	12,546	11,846	13,203

Source: NSO Release, [037/2022](#), 1st March 2022

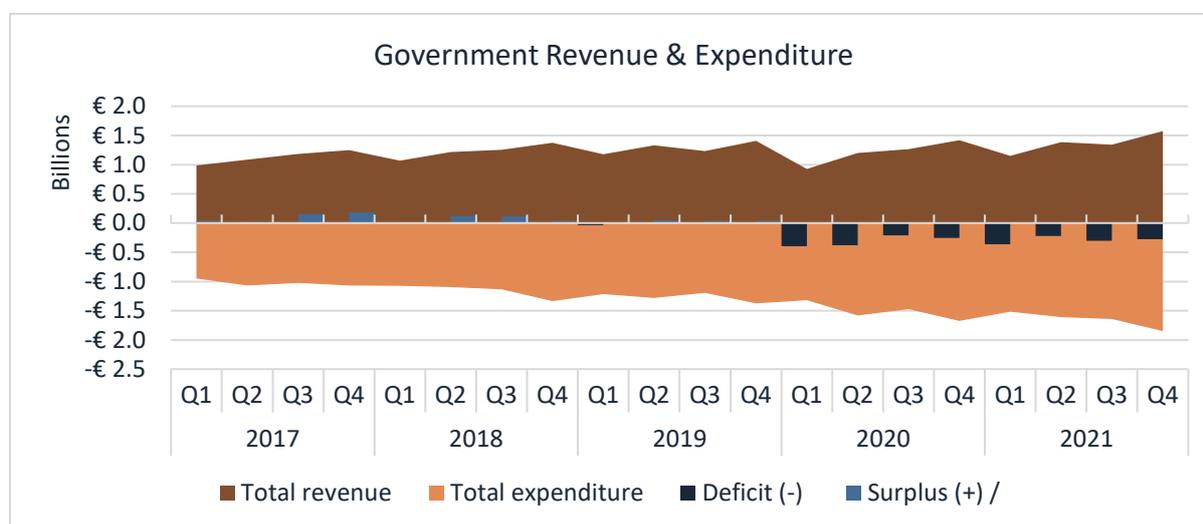


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The sectors that registered the highest GVA growth in 2021 over that registered in 2019 were information and communication, which were spurred by the accelerated transition to remote working; arts, entertainment and recreation, which are mainly gaming; and public administration. The pronounced growth in the share of public administration requires careful consideration. While it may partially be explained by increased demands on health services due to the pandemic, the extent of the increase raises concerns related to the efficiency of public administration and crowding out of the private sector by the public sector.

Government Finances

Government was managing to balance its budget until 2019 but has run up significant deficits since 2020. Initially, this was required to deal with the pandemic. The termination of the wage supplement scheme, which was the heaviest Covid support measure, overlapped with the outbreak of the war in Ukraine and the ensuing energy crisis, to which Government responded by fully subsidising energy to maintain pre-war energy prices. This has resulted in an even higher level of Government support expenditure. The medium to long-term sustainability of this measure from a public finances perspective is questionable because the duration of the energy crisis and the extent to which international prices will continue to rise is highly dependent on the policies adopted by EU Governments and how Russia and other key players in the international energy market respond. What is clear is that there is not much room for fiscal manoeuvre. Against the backdrop of rising interest rates, Government needs to temper its expenditure, and hence also public expectations related to its spending in order to ensure that its fiscal position does not run out of control.



Source: NSO Release, [053/2022](#), 30th March 2022



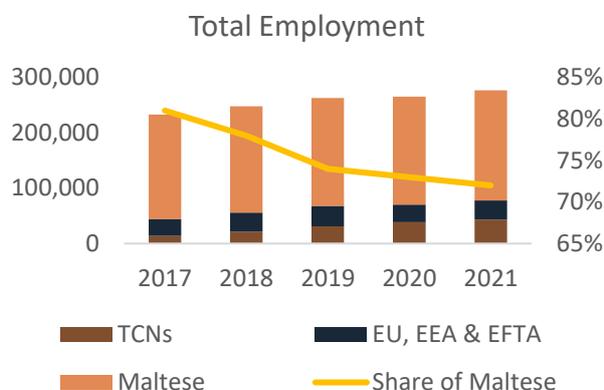
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Year	Total Revenue	Total Expenditure	Surplus (+) / Deficit (-)	% of GDP	Government Debt as a % of GDP
2017	4,505,148	4,112,432	392,715	3.5% ¹	50.8% ²
2018	4,908,109	4,639,622	268,487	2% ³	46% ⁴
2019	5,147,902	5,065,692	82,210	0.5% ⁵	43.1% ⁶
2020	4,813,381	6,051,070	-1,237,689	-9.7% ⁷	54.3% ⁸
2021	5,453,274	6,614,929	-1,161,655	-8% ⁹	57% ¹⁰

Labour Market¹¹

The total number of persons employed in Malta kept increasing in recent years bar a temporary blip in 2020. The increase in persons employed is mainly fuelled by foreign workers. Since 2020, third country nationals surpassed EU nationals working in Malta. At the same time, the percentage of Maltese nationals in the labour market keep falling. Between 2017 and 2021, the share of Maltese nationals in the workforce dropped by around 10% and is fast approaching 70%.

	2017	2018	2019	2020	2021
TCNs	14,116	21,345	30,973	38,610	43,525
EU, EEA & EFTA	30,293	34,303	37,063	31,765	34,300
Maltese	188,346	191,982	194,714	194,522	198,696
Share of Maltese	81%	78%	74%	73%	72%



¹ NSO Release General Government Fiscal Position 2017 (infographic)

² NSO Release [084/2018](#), 29th May 2018

³ NSO Release, [061/2019](#), 23rd April, 2019

⁴ NSO Release, [082/2019](#), 27th May 2019

⁵ NSO Release, [065/2020](#), 22nd April 2020

⁶ NSO Release, [092/2020](#), 1st June 2020

⁷ NSO Release, [190/2021](#), 21st October 2021

⁸ NSO Release, [101/2020](#), 1st June 2021

⁹ NSO Release, [068/2022](#), 22nd April 2022

¹⁰ NSO Release, [098/2022](#), 1st June 2022

¹¹ Jobsplus, Annual Report 2021 Figure 9 on pg.25



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The Maltese economy is presently severely constrained by a very tight labour market, leading many employers to turn to foreign workers to fill vacancies. The retention of foreign workers keeps getting worse as foreign workers are constantly being lost to more attractive competing locations. Official statistics indicate that between 2017 and 2019 Malta was recruiting an average of 17,000 additional foreign workers annually. This dropped dramatically in 2020 and 2021. Meanwhile, the economy recovered to pre-pandemic levels and public sector employment, directly with the civil service and indirectly through public entities and sub-contractors continued unabated. The implications of all this for the private sector – and for the economy’s future growth prospects – are serious. Unless Malta manages to attract and retain more foreign workers, shift human resources from the public sector to the private sector, or achieve unprecedented productivity gains, the future growth of the private sector will be severely hampered, with significant implications for economic growth and the sustainability of public finances.

	2016	2017	2018	2019	2020	2021
Population Amount	460,297	475,701	493,559	514,564	516,100	520,971
Net Migration	8,728	14,623	17,102	20,343	1,206	4,639
GVA in € Billion	9.40	10.65	11.45	12.55	11.85	13.20
Total Employed	193,686	227,167	244,394	258,064	261,021	274,110
Average increase in Total Employed per 1% GDP Growth		2,499	2,051	1,627		1,158
GVA per Person Employed	48,532	46,869	46,842	48,616	45,383	48,163

Sources:

- NSO Release, [084/2022](#), 12th May 2022
- NSO Release, [037/2022](#), 28th February 2022
- NSO Release, [122/2021](#), 9th July 2021
- NSO Release, Malta Population until 2021 (infographic)



INTRODUCTION

This document should be read in the context of the Malta Chamber's pre-election document ['Time to Step Up'](#). Since the publication of that document in February 2022, the Russia-Ukraine war and the ensuing food and energy crises have shifted the policy focus towards containing inflation and securing food and energy provision.

1. INFLATION

A major concern for the country and for most businesses irrespective of their size, turnover, or sector is currently inflation. This is partly imported, as the landed cost of imported goods has increased systematically due to supply chain disruptions and the increase in international energy prices resulting from the Covid pandemic, the Russia-Ukraine war, and the surrounding international energy politics. Local energy prices have remained stable through hefty Government intervention. Yet the cost of services has increased substantially as well, indicating that there are local factors at play that need to be addressed. These include labour shortages, productivity issues and operational inefficiencies, excessive bureaucracy, and the aftereffects of prolonged Government intervention in response to the Covid pandemic.

The CEO Confidence Index survey conducted by The Malta Chamber and Vistage between Q1 & Q2 2022 showed that 80% of business leaders expected the prices of their products and services to rise in 2022 in response to higher costs. Only 1 in every 4 business leaders expected profitability to improve, and more than a third believed it would worsen indicating that price increases are not expected to offset cost increases completely.

Presently, we are also experiencing the most aggressive worldwide interest rate hikes in decades. This, together with high energy costs, is expected to usher a slowdown in economic growth in Europe, which may ultimately put the brakes on inflation. Interest rates have been persistently low for the past decade, rendering debt cheap to service and fuelling a property boom in many countries including Malta. As interest rates rise, investors are expected to become more cautious, and Government will have to contend with a higher cost of servicing public debt.

Both Governments and those businesses that were most impacted by the Covid pandemic are carrying significant debt. The Government response to the Covid pandemic has safeguarded jobs, but may have been prolonged excessively, thereby also contributing to some of the current inflationary pressures. So far, we have found comfort in Malta having the lowest inflation rate in the EU. But if energy prices were not so heavily subsidised, our inflation rate would rank much higher. The gap between Malta's inflation rate and the EU average has also been narrowing gradually, suggesting that we may need to do more than what we have been doing so far to contain inflation. The tight labour market conditions and the rising cost of living have been pushing employers to raise wages at short intervals. Without corresponding increases in productivity and a thorough rationalisation of use of resources in both the private as well as the public sector, we risk a permanent erosion of our competitiveness which will have severe implications for our exports, particularly in the manufacturing and tourism sectors which account for a large portion of private sector employment.



1.1 COLA

The purpose of COLA is to maintain the purchasing power of those on lower incomes. The labour market is extremely tight and wage inflation is already high, particularly in medium to high income jobs, due to persistent labour shortages and the resultant poaching of personnel. If COLA leads to a systematic increase in the cost of production of goods and provision of services, the economy will get into a vicious spiral of wage-cost inflation that will be difficult to pull out of. The Malta Chamber believes that the most sensible way forward is to strike a balance between maintaining the purchasing power of lower-income groups and limiting wage-cost inflation that would not only fuel further price increases for consumers but would reduce the competitiveness of our exports, further squeezing businesses already struggling with massive material and transportation cost increases.

Proposal:

Employees who would have already been given increments in their basic salary between January 2022 and January 2023, either through collective agreement increments or through other increments, whether attached to promotion or not, have their purchasing power at least partially safeguarded already. **Their employer should therefore not be obliged to pay the full COLA increment for 2022 but only the difference between the COLA increment and any increments already given during the year. For those who were recruited during the year, their COLA entitlement should be capped at the equivalent portion of the year for which they have been in employment.**

1.2 REDUCED VAT ON RESTAURANTS & TAKE AWAYS

Food prices have increased substantially due to imported inflation. This, together with spiraling wage costs is resulting in hefty increases in restaurant and take-away bills that are impinging on the competitiveness of our tourism industry rendering eating out much less affordable for lower income groups.

Proposal:

A VAT reduction from the current 18% to 7% on restaurant and take away bills to alleviate the inflationary burden on consumers.

2. ENERGY

The Malta Chamber underlines the severe risk to the Maltese economy posed by energy prices rising globally. Government's commitment to maintain stable energy prices has helped businesses significantly, and any deviation from this policy needs to be communicated at least six months in advance to ensure that exporters who typically operate on frame contracts are able to adjust their prices accordingly where possible. Additionally, Malta urgently needs a long-term energy plan to make the country more resilient, given that energy costs are not expected to return to their pre-crisis levels within the foreseeable future.



2.1 ELECTRICITY

Businesses and consumers have so far been insulated from the impact of rising energy costs by Government. Stability is a crucial factor for business. Yet the cost of this subsidisation has significant implications for the sustainability of public finances. Additionally, stable energy prices dilute the added incentive for consumers and businesses to rationalise their energy consumption by adopting more energy efficient practices and investing in renewables. It is therefore imperative that Government undertakes to drive and support more investment in renewables by households and businesses, if Malta is to make significant strides towards decarbonisation of energy.

Since Malta does not have large energy-intensive industries and is hampered by limited land space, the green transition must be driven by investment in offshore renewables. Without this, and substantial upgrades in the distribution grid, the shift to electric vehicles will not materialise. Significant gains in energy efficiency can be made by adopting robust policies on new buildings and incentivising improvements in the existing building stock which is largely poorly insulated. In the long run, investment in renewables and better energy efficiency will mitigate exposure to the risks of volatile international energy prices which have become a major economic challenge for Europe.

It is to be noted that Malta is an exception amongst EU countries regarding industrial energy tariffs since these are more expensive than domestic rates. Regardless of the current subsidisation of energy by Government for both households and businesses, this remains anomalous and needs to be rectified. Additionally, businesses should be incentivised to become more self-sufficient in terms of energy generation.¹² The obligations arising out of the 'Fit for 55' EU legislative package are already impacting businesses and consumers, directly or indirectly. It is therefore imperative that EU Funding Instruments, including Cohesion Policy and the Recovery and Resilience Fund become more accessible to the private sector to enable businesses to undertake the required investment.

Malta is also the most water-stressed European country and one of the top ten most water-scarce countries in the world. While Malta will have to prepare for the future impacts of climate change, the country already has depleted groundwater levels, which is the only source of naturally replenishing waters. As reverse osmosis has become such a vital part of Malta's beleaguered water security problems, renewable energy for water treatment should be a priority. More efficient use of water is also essential.

Proposals:

1. At current levels of energy subsidization, it is likely that excessive consumption is also being subsidized. **Those units that are over and above the eco-reduction entitlement should not be subsidized.**

¹² <https://www.maltachamber.org.mt/en/businesses-need-to-become-more-self-sufficient-in-terms-of-energy-generation>



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2. Consumers should be incentivized to **replace appliances that are inefficient with energy efficient alternatives through reduced VAT on the purchase of such products.**
3. While international energy prices may decrease slightly if Europe goes into a recession, they are unlikely to ever return to pre-crisis levels. **A Long-Term Energy Resilience Plan** focused on significantly boosting renewable energy generation would enable the country to gradually ease off energy subsidies on the back of a more diverse energy mix that requires substantial investment in **offshore wind & solar energy.**
4. **Significant investment is required in the distribution network to reliably provide for the energy needs of the country** particularly as it shifts to electrification of vehicles to meet the targets. A modern grid is one which will be more energy efficient and cheaper to maintain in the long run. It is also one which will prevent blackouts and other commercially damaging shortcomings which negatively impact operations and competitiveness.
5. The **energy market distribution must be liberalised to allow competitive market forces to bring down prices and increase efficiency.** The EU Electricity Market Directive (2019/944/EU) grants Malta derogations related to third-party access, unbundling of distribution system operators, ownership unbundling of transmission systems and operators. As for the free choice of supplier, Malta was granted an 8-year derogation until 2027. A clear publicly announced roadmap leading to the upgrade of the grid is solicited. Government should enter in discussions with key stakeholders in 2023 to draw up an exit plan by 2024, to fully liberalise the distribution market by the 2027 deadline.¹³

2.2 FUEL

1. **Petrol and diesel subsidies should be gradually phased out** and replaced with incentives for alternate modes of transport by promoting **a behavioural change through an e-mobility wallet concept** with funds made available to make **use on various sustainable transport modes other than private cars, benefitting from discounted travel.**¹⁴ **Funds allocated to make public transport free for all should instead be directed into an e-mobility wallet.** An amount would be allocated annually to be used for all forms of shared or sustainable mobility whether by land or sea.¹⁵
2. **Investment in Commercial Electric Vehicles needs to be further facilitated.** Business beneficiaries fall within the parameters of the *de minimis* state aid, which is capped at €200,000 over 3 years – an insignificant amount for larger businesses. It is recommended that **a commercial vehicles scheme falling under GBER regulations is introduced.** Furthermore (a) **Grants should be swiftly allocated to beneficiaries,** as currently, many e-vehicle importers absorb this cost initially and wait for such grants to be given to the individual applicants and (b) A higher degree of aid intensity with higher returns on emissions-savings should be directed towards **greening logistics**

¹³ Time to Step Up: Proposal 69 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

¹⁴ Time to Step Up: Proposal 95 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

¹⁵ Time to Step Up, Proposal 95 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>



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vehicles and fleet which consume most and are most frequently in use (salespeople, delivery vehicles, doctors on call, police vehicles, etc).

3. It is opportune to **revise vehicle road licence fees** such that people pay according to how much they use their vehicle, by factoring in mileage covered since the previous renewal in addition to the existing criteria of engine type, size and age of vehicle.
4. The zero cost of parking on the street in urban centres is a factor which disincentivises investment in parking facilities and mitigates in favour of people using their private cars to travel to congested areas. **Introducing parking fees in such areas, through parking meters commonly used in other countries, could encourage a modal shift in commuter transport.** If any parking fees paid go directly into the proposed personally e-mobility wallet, there would not be an additional expense for people because the fee paid would be available for use for shared rides. This would also incentivize people to use shared mobility, further encouraging the modal shift.

2.3 ENERGY SAVING SYSTEMS

The recurrence of Maltese companies measuring energy efficiency specific processes or operations is still unsatisfactory. Companies are more likely to get data on overall energy performance of the overall company without more specific insights which is rendering it difficult to make investments in a logical, strategic manner. A smarter approach will facilitate such monitoring with the help of Malta Enterprise's schemes and targeted technical information for a bigger uptake.

Proposals:

1. **A more business-oriented Energy Efficient Machinery scheme** incentivising companies to replace machines that achieve a minimum of 20% energy efficiency by taking into consideration the remaining useful life of the machine that is being replaced, based on:
 - a) The power saving as a pre-requisite qualifier; and
 - b) A calculation percentage of the remaining useful life of the old machine when compared to the years of the new machine.
2. **Maximise Energy Savings Systems** utilized as motion detectors to save energy in domestic, industrial & public infrastructure contexts, such as streetlights. Such systems are to be implemented in infrastructure & government buildings and promoted & incentivised with the private sector and for domestic use where appropriate.
3. **Encourage In-House Monitoring and Efficient Energy Use** by identifying areas for improvement in a proactive fashion with fiscal support to encourage such monitoring.
4. **Facilitate the launch of a centralised database of energy efficient technologies** enabling industry sectors and consumers to identify which product specifications best suited to their needs.



2.4 MOBILITY

Out of a working population of approximately 230,000, 83.2% of journeys of commuting trips are currently being carried out using single-occupancy private cars. This equates to 180k commuting rides, twice a day, causing congestion during the morning and evening peaks. As a result, there are traffic bottlenecks on road infrastructure at peak hours as well as subsequent parking issues. Between January 2022 and March 2022, 5,008 motor vehicles were licensed for the first time to be used on Maltese roads, amounting to an average of 56 motor vehicles per day, and a final calculation of 18 cars added to Maltese roads after considering roads taken off the roads or having restrictions on driving removed. Traffic congestion and pollution are costing Malta €400 million annually.

The incentives currently in place are highly unlikely to achieve the 65,000 EV target by 2030 based on the current trajectory and one must look beyond EVs, as a source of fuel, particularly for heavier vehicles. Incentives must be revised realistically, and other barriers for entry identified, including the lack of human resources available to maintain and repair EVs.

Proposals:

1. **Launch Master Plan for Electric Vehicles** with a **centralised authority to monitor its implementation** to avoid the current fragmentation of responsibility. Infrastructure bottlenecks that may hamper the introduction of a nation-wide charging network should be addressed and the plan should establish Malta as a testbed for hydrogen powered vehicles.
2. Electrification of the vehicle fleet should be paired with **underground charging infrastructure**. Public-private partnerships should be considered through which on-road parking spaces could be reallocated to new multi-story underground parking spaces suited for vehicle charging, therefore freeing up the space on the road. This can be integrated with park and ride services where necessary or adequate walking and cycling infrastructure including sharing platforms, for people to move around.
3. The proper training infrastructure must be reinforced to **upskill the workforce from dealing with combustion engine vehicles to also work with EVs**. Therefore, training programmes should be upscaled and made more widely available at competitive prices so that mechanics and workshops may also receive training.
4. A more equitable balance should be achieved between different modes of Public Transport with more journey times to encourage its use. **Introduce a Public Transport pilot project from Paola to Valletta with one lane earmarked solely for scheduled buses and shared transportation on this route to evaluate viability**. Technical and financial feasibility studies should be carried out on rapid transit solutions that can be implemented within reasonable timeframes.
5. The Government should completely withdraw investing in a **tunnel between Malta and Gozo and redirect the investment towards building a multi-modal transportation backbone** in Malta with potential extension of connectivity to Gozo.



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6. **Lower Customs & Anti-Dumping Fees for imported EVs** to make the more advantageous than ICE vehicles. Other similar barriers should be identified and alleviated.
7. **Improved Legislative Framework for E-Kickscooters** which are treated as motorcycles, rather than as bicycles, while incurring more expensive fines than cars, are ineligible to apply for grants and lack protection from destruction of property by vandals. Rental bicycles do not have to pay insurance, which evidences further unfair treatment, and the insurance available to these scooters is insufficient to cover many circumstances and damages.
8. **Company Green Travel Plans** mentioned in the Transport Master Plan should be reviewed based on an experience and uptake assessment. Government should consider support operators by lowering license fees while considering lowering passenger thresholds stipulated in the Employee Transportation Deduction Act (from 8 to 4) to encourage more car-pooling commuters. Employers incurring transportation costs for employees would be eligible to claim deduction on a maximum cost per employee, while when a particular employee exceeds several trips can claim against a maximum cost.

3. LABOUR MARKET

Malta needs to seriously address its workforce limitations. If such limitations are not timely and properly dealt with, the country's future wealth and prosperity will be compromised.

3.1 WORK INCENTIVES

The Malta Chamber advocates a framework revolving around 4 interlinked and reinforcing policy priorities for nurturing, upskilling, attracting, and retaining talent, which underpin our [National Employment Strategy Report](#) published in August 2021.

1. A **skills survey** needs to be carried out to provide real time structured skills availability data and enable the identification of skills gaps, which can be addressed through upskilling and reskilling of the workforce and targeted recruitment of adequately skilled imported labour.¹⁶
2. Introduce tax breaks for the first 5 years to **encourage highly qualified Maltese nationals working and living abroad to return to Malta**¹⁷.
3. Eliminate the disincentive for the second spouse (traditionally female) from taking up gainful employment by **revising income tax categories** such that working parents benefit from the same lower tax rates irrespective of whether their spouse is in gainful employment or not.
4. **Introduce a scheme whereby households can claim a tax deduction on fiscal receipts related to services rendered for home renovations, repairs, cleaning and maintenance work.** This measure would curb tax abuse through undeclared work and would also encourage households to make

¹⁶ Time to Step Up, Proposal 49 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

¹⁷ Time to Step Up, Proposal 58 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>



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use of such services thereby facilitating increased female participation in the workforce and a better work life balance.¹⁸

5. Government should **rectify the Work Life Balance Legal Notice** by:
 - a) **Introducing a centralized system for keeping a record of parental leave utilization**, administered by Jobsplus, DIER or the Maternity Leave Fund. This will ensure that there is no abuse of the benefit and ease the administrative burden of implementation on employers.
 - b) **Ensuring that no portion of parental leave entitlement would be transferable**, serving as a tangible measure to address both the gender employment gap and the gender pay gap and without running counter to promoting female participation in the labour market.
 - c) Addressing the current fluid business situation with greater sensitivity and **undertaking a reassessment of the situation after the first year of implementation**.
6. Budget 2022 introduced new fiscal incentives to encourage persons over the retirement age to stay in or return to the labour force, providing a tax-exempt pensionable income over the next 5 years, at an incremental rate of 20% per year. While this is commendable, **a faster transition to tax exempt pensions would have a more immediate impact on incentivising employment beyond retirement age**.¹⁹
7. Those **workers who qualify for a pension before retirement age and choose to take it should be given the possibility to work on a part-time basis**. At present they cannot have any form of employment before their official retirement age is reached. It is also preventing younger pensioners from being able to supplement their pension with legitimate employment income.²⁰
8. Pension adequacy is becoming a major concern. It is therefore high time to **revise the capping on pensionable income**, as salaries have been increasing for many years and the cap on pensionable income has remained stagnant.
9. Going forward, Government should implement an **auto enrolment with opt-out system for employees to incentivise the take-up of supplementary pensions particularly by younger employees**. Employers' contributions in such schemes would be completely voluntary and those who contribute should be given adequate tax incentives to invest in their employees' private pension scheme.²¹
10. Ensure that **EU funding operational programs** provide for effective grant schemes which address:²²
 - a) Tackling Underemployment and NEETS
 - b) Boosting further Female Labour Participation
 - c) Apprenticeships
 - d) Reskilling & Retraining

¹⁸ <https://www.eurofound.europa.eu/data/tackling-undeclared-work-in-europe/database/tax-deductions-for-domestic-service-work-sweden>

¹⁹ Time to Step Up, Proposal 47 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

²⁰ Time to Step Up, Proposal 48 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

²¹ Time to Step Up, Proposal 48

²² Time to Step Up, Proposals 44, 45, 51 and 58 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>



3.2 THIRD COUNTRY NATIONALS

It is indisputable that many businesses and industries cannot survive, let alone thrive, without Third Country Nationals (TCNs) to supplement the local and European labour market.

While many argue that the employment of TCNs in the local workforce has a deflationary effect on local wages, the data shows that salaries have increased across all sectors and levels, albeit at a slower rate among the unskilled.²³

The Malta Chamber recognises that TCNs cannot be the answer to all local labour shortages, and as illustrated in other parts of this document is committed to promoting an educational and digitalisation strategy that feeds into our broader workforce strategy.²⁴ However, The Malta Chamber also firmly believes that having recognised how essential TCNs are to short and medium term functionality of the Maltese economy, the government should undertake particular efforts to ensure that the related visa and permitting process takes place in an expeditious manner.

Amongst the most prominent stumbling blocks in the efficient integration of TCNs into the local labour market is the bureaucracy involved in the current permit procedure which can be costly to employers. This procedure requires employers to submit a rental agreement at an early stage of the process which means that the employer will often need to incur months of rental expenses before the employee has even arrived in Malta.

While bureaucracy and inefficient sequence of procedures can cause substantial impediment to employers, this is further exacerbated by administrative issues experienced when dealing with Identity Malta. The Malta Chamber is aware of several cases in which businesses have experienced issues related to conflicting information provided by different contact persons at Identity Malta. This conflicting information can lead to a degree of uncertainty amongst employers and potentially a lack of trust in the fairness and universal application of the agency's processes.

A key component when it comes to attracting and retaining the right talent from third countries is an efficient system that processes request for family reunification in an expeditious and fair manner. Unfortunately, the length of time required for administrative approvals for these family members is exorbitant and can have a real impact on the attractiveness of the Maltese labour market.

Proposals:

1. **Widen the scope of the Key Employment Initiative scheme** to attract individuals in possession of certain critical skills and qualifications that are running short in the labour market.

²³ The Malta Chamber, Third Country Nationals in the Local Labour Market, Page 8 <https://www.maltachamber.org.mt/loadfile/cc321841-b9aa-48f3-a4fa-b268512f1cd9>

²⁴ The Malta Chamber, The Malta Chamber's Position on a National Workforce Strategy <https://www.maltachamber.org.mt/loadfile/5e05dfbe-b494-40cc-9d02-a4f569b89ac3>



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2. Government should **address the issue of visa delays with relevant service providers** to ensure that appointments are granted within a reasonable time frame. It is recommended that Identity Malta introduces **application quotas** according to the number of registered employees. **Time frames** for the provision of visa appointments as well as the subsequent issuing of the visa should be standardised and monitored. To address the current backlog, the staff compliment of both Identity Malta and Embassies needs to be increased.
3. **A 3-month interim work permit should be granted under the same criteria as the approval in principle from Identity Malta.** This would mean that once the TCN has received an invitation letter declaring their approval in principle, they would have the right to work for three months effective from the date of their arrival in the country. In this three-month grace period, the employer would be obliged to ensure that the employee goes through the health screening process and submit a rental agreement.
4. **A single, transparent, and publicised policy should apply to student visas** exceeding 90 days, and the 150-day requirement should be removed.
5. Once a TCN is approved to work in Malta, he or she should **have access to a free labour market** without any derived ownership rights of the original employer when changing job.
6. Introduce a three-year **validity for work permits** following the first successful year working in Malta as a third-country national.²⁵
7. **The average duration of family relocation administrative approvals should be reduced** from the current 8 months to 2 months.²⁶
8. A feasible **legal mechanism should be introduced to allow TCNs to become Maltese citizens** after years of being a working resident in Malta.²⁷
9. Identity Malta should ensure that **queries are resolved in a transparent and consistent manner.** The Malta Chamber fully supports the digitalisation of processes at Identity Malta and believes that this will also contribute positively to the resolution of administrative issues, while also recommending the introduction of specialised desk officers who are trained to answer and address all queries received.
10. **A Comparable TCN Attractiveness Study** for specific workstreams vis a vis selective competing country to identify shortcomings and address them not to lose out on competition. Such study should be prioritised at MCESD level given the horizontal requirement for both employer and social partners.
11. **All operators providing recruitment services need to be rigorously regulated by DIER to ensure a level playing field and to curb abuses.** This would also ensure better coordinated operations between licensed recruitment service providers and the relevant authorities; DIER, Identity Malta

²⁵ Time to Step Up, Proposal 55 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

²⁶ The Malta Chamber, Pre-Budget 2022, Page 21 <https://www.maltachamber.org.mt/loadfile/34faf059-fedd-4ff0-a6b1-25c0e96f8d2a>

²⁷ The Malta Chamber, Pre-Budget 2022, Page 21 <https://www.maltachamber.org.mt/loadfile/34faf059-fedd-4ff0-a6b1-25c0e96f8d2a>



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and Jobsplus. All these authorities need to ensure that they are dealing with licensed operators carrying out legitimate activities. Government should ensure strict enforcement of licensing requirements so that this crucial sector is properly regulated.²⁸

12. **Platform economy operators whose workforce is exploited should be reprimanded and withheld from benefiting of any fiscal support packages.** Slavery practices, which are frequently undertaken jointly with unlicensed recruitment intermediaries should be outrightly abolished.
13. **A better enforcement and sanctioning regime, particularly in relation to foreign workers to curb blatant abuses.** A zero-tolerance policy towards abusive employment practices that put law-abiding and fair employers at a competitive disadvantage in terms of operating costs and damage Malta's reputation as a work-life destination for foreign workers, needs to be adopted²⁹.
14. **A full and comprehensive study should be carried out on Malta's optimal and sustainable carrying capacity,** highlighting the benefits of limiting population growth in terms of housing, schooling, social security, infrastructure and environmental concerns, whilst also taking into account the economic benefits of utilising skilled and unskilled TCNs in certain sectors of the economy to ensure the vitality and growth of different key areas. This study must take a comprehensive view of the labour market including current and predicted trends in the quantity and educational background of Maltese nationals entering the workforce, the migratory patterns of EU nationals relocating to Malta on a semi-permanent or permanent basis as well as the seasonal influxes of tourists who also exert their own strains on the island's resources.

3.3 PUBLIC SECTOR EMPLOYMENT

According to official statistics, over 51,167 people worked full-time in the Public Sector in January 2022. This equates to an increase in public sector employment of approximately 1,000 people in the previous 6 months. Public sector employment has been on the rise for almost a decade, increasing by 10,000 workers since 2013 (a 20% increase). Whilst it is understandable that the public sector needs staffing at certain levels, it is also evident that there is overstaffing across various strata and in various Government departments and entities. It runs contrary to business competitiveness to have a situation where Government is indirectly soliciting human capital from the private sector. Furthermore, public sector outsourcing is not captured in statistics. The real public sector employment share is therefore significantly higher than indicated by official statistics. Additionally, since many subcontracted workers are being recruited through temping agencies and remain on the books of temping agencies throughout the duration of their employment our labour force statistics are likely to be inflated in terms of employment in professional services under which such companies are categorized and understated across all other sectors in terms of both public and private sector employment.

²⁸ The Malta Chamber, Pre-Budget 2022, Page 66 <https://www.maltachamber.org.mt/loadfile/34faf059-fedd-4ff0-a6b1-25c0e96f8d2a>

²⁹ Time to Step Up, Proposal 54 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>



Proposals:

1. Government should commission an **independent audit exercise to take stock of the skills and output of the human resources currently employed by Government**, directly and indirectly, and an analysis of their efficiency and effectiveness in government. Surplus **staff should be seconded to the private sector through incentive schemes.**³⁰
2. **Public sector recruitment of persons who are in full-time adequately paid employment with the private sector should, as far as possible, be avoided**, in the interest of economic recovery and the long-term sustainability of public finances.³¹ A Public sector revamp should now serve as a decisive start to address this poaching practice.
3. **Summer half-days should be abolished.** Public sector departments operating on a half day schedule are detrimental for business, particularly departments such as Customs.

4. TRANSPORTATION COSTS & CONNECTIVITY ISSUES

The Malta Chamber joint CEO Confidence Index Survey with Vistage, conducted between Q1 & Q2 2022, showed that increased transportation costs are a cause of concern for 3 out of every 4 business leaders. 55% of business leaders reported transportation issues to be a challenge for their business, with a negative outlook registered by 60% of CEOs who expect a worsening supply chain going forward.

4.1 SEA & ROAD TRANSPORT

Transport costs are of high significance to Malta due to the country's dependence on maritime shipping reflected in container costs increasing by 5 to 6 times on average with several shipments by-passing Malta. These disruptions and increases in shipping costs borne by Maltese importers will inevitably impact the competitiveness and profitability of Maltese businesses reliant on maritime shipping.

The physical 'disconnection' from the mainland is having drastic competitiveness consequences on Malta's manufacturing, logistics and shipping industries. These challenges are worse due to increased dependence on maritime and air transport, reliability on energy imports and unsustainable transport means, even for very basic activities. To this effect, EU state aid rules do not cater for and hence need to be rethought to promote the international competitiveness of EU peripheral locations that are disadvantaged in accessing the single market compared with mainland locations. As a micro-island state, our business needs to cater for permanent challenges impacting its competitiveness which are over and above what other businesses in mainland Member States need to cater for.

³⁰ The Malta Chamber, Pre-Budget 2022 <https://www.maltachamber.org.mt/loadfile/34faf059-feddd-4ff0-a6b1-25c0e96f8d2a>

³¹ <https://www.maltachamber.org.mt/en/private-sector-experiencing-drastic-employee-drain-to-public-sector-employment>



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The Malta Chamber is determined to see this situation addressed since it is the root of several inflationary, competitive, and productive complexities encountered thereafter. In the short term, the lack of competitiveness requires fiscal incentives which can only be sustained up to a certain extent, in the absence of which, Maltese manufacturers, importers, distributors, freight forwarders and ship agents are placed in a disadvantageous competitive situation and more cumbersome digital and sustainability transition.

Proposals:

1. **Targeted Government support schemes** on specific business actions to (a) **rethink global supply chains** and (b) to facilitate **night and shift operations for freight forwarders, manufacturers, importers and distributors**.
2. Consider seriously the possibility of a collective **EU Citizens' Initiative**³² to **initiate an EU proposal addressing the specific situation of micro-island states** whose recognition would trigger supporting provisions through a mandatory EU Commission legislative proposal.
3. Government should **expand the scope of General Block Exemption Regulation (GBER)** to allow remote regions to receive **assistance for cargo transportation**, to promote the free movement of goods and to provide a level playing field for local manufacturers and processing facilities within the Single Market.³³
4. **Provide Direct Support for Transportation of Goods** for a level playing field with other EU Member States. The EU's State Aid General Block Exemption Regulations (GBER) recognises Malta as a remote region and already allows remote regions to subsidise resident passenger transportation. Government should pursue expanding the scope of this to allow remote regions to receive assistance for cargo transportation under GBER, to promote the free movement of goods and provide a level playing field for local manufacturers and processing facilities.³⁴

4.2 AIR TRANSPORT

A progressive fuel tax on aviation fuel supplied in the EU for intra EU flights will start from a minimum rate of zero in 2023 which would gradually increase by a yearly 10% to reach 100% over a period of 10 years. If the current proposal is approved, increase on today's fuel price will be at around 90% by 2033. The proposal depends on the unanimous approval of all Member States in Council and is time sensitive. The EU push towards rail transport is evidence of a one-size-fits-all approach which impacts Malta and Cyprus negatively because it poses no real alternatives to air transport. Disincentivising airborne travel to go for rail is simply detrimental for a micro-island state like Malta. Furthermore, EU excludes Island Member States from the provisions supporting outermost island regions. The failure

³² <https://europa.eu/citizens-initiative/en>

³³ Time to Step Up, Proposal 6 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

³⁴ Time to Step Up, Proposal 6 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>



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to reach an exemption on the proposed aviation fuel rules for islands and peripheral locations will drastically increase travel costs, bearing a significant impact on tourism and air importation.

Proposals:

1. **Call for an EU corrective mechanism** to address countries like Malta and Cyprus since tax on aviation fuel will not result in a modal shift to another mode of transport but will merely have a negative impact on Malta's economic and social cohesion while isolating the islands further. A derogation in conformity with sustainable and affordable air transport for all European citizens with **Sustainable Aviation Fuel (SAF)** powered aircraft operating within efficient air traffic management should be conceded. Furthermore, a cheaper SAF will accelerate aviation's energy transition organically. The European Commission detailed assessment on the impact of the new rules on connectivity for islands earmarked for 2027 is too late to avert the impact on industry and should take place before the next EU elections.
2. **The decarbonisation of aviation** can happen but the airlines cannot do it alone. Airlines need access first and foremost to SAFs. Malta still has not fully transposed the Renewable Energy Directive. Within the EU, Malta lags in terms of an Aviation Decarbonisation Strategy and Action Plan. This is required as soon as possible considering that Malta is (a) not a SAF producing country (b) SAF is not widely available; and (c) Refuel EU Aviation enters into force as from 2025 with mandatory blends of fuel to be supplied at EU airports.³⁵
3. All parties involved in **Air Malta's transition** need to be reasonable and responsible in their demands to ensure that the country succeeds in saving the national airline. The severance payments announced in August may very well work out cheaper for the country than burdening the public sector with hundreds of superfluous overpaid reluctant workers indefinitely, however, what needs to be clarified is the basis on which the amounts being offered have been arrived at. The amounts appear to be absurdly high and illustrative of how the bargaining power of overly protected groups results in unfair outcomes for the country. Workers shed from the airline should first be considered for secondment to the private sector when they most likely have skills that many private companies need, however, the salary expectation are not commensurate with their competence and willingness to be productive. They therefore could not be absorbed by the public sector and would not fit in the private sector either.

5. RESEARCH & DEVELOPMENT

Last year Government proposed the following in its national post-pandemic strategy:

"Malta needs to foster a stronger research and innovation output in both academia and industry. Limited funding for academic research projects is often cited as a key challenge by researchers, alongside other barriers such as scarce resources and time, fragmentation and internal competition."

³⁵ Time to Step Up, Proposal 80 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>



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The Chamber believes that this approach is problematic for two reasons.

Firstly, it entirely and wholly places more emphasis on the academic side of research and innovation, in a sense of negating the importance of R&D undertaken by industry-led projects. Academic research generally tends to place more resources towards 'blue sky' research, which is not driven by an agenda, but gathers knowledge that then may potentially be used by industry. Whilst this sort of work has its merits, the Malta Chamber believes that Malta must first prioritise research and development that innovates companies.

Secondly, the Government has for nearly a decade failed to improve investment on R&D. Despite government proposing a targeted expenditure of 2% of GDP on research and innovation in the election that took place this year, this is the exact same goal Government way back in June 2014, as evidenced by its own National Research and Innovation Strategy 2020, which was meant to be achieved by 2020. Despite this goal being set over eight years ago, R&D has bottomed out at a mere 0.6% of GDP at present, down from 0.72% in 2014.

The Government should be more committed towards achieving these targets. Whilst the Malta Chamber welcomes manifesto proposals that seek to offer financial incentives such as tax deductions and fiscal aid, for research and development and budget increases in R&I allocation, we still believe that a budget of 2% should not be our final aim.

Proposals:

1. Adhere to the commitment taken a year ago by the Department of Research with The Malta Chamber to **fund industry based post-doc fellowships**. Applications for the scheme were expected to open imminently after the election, as all parties involved had agreed to the terms. The Department of Research has shifted under the Ministry of Education. With this change, all momentum on this initiative has seemingly been lost. This is an important tangible initiative to promote active collaboration between industry and academia to undertake research that has economic development potential and needs to be pursued with drive and ambition.
2. **Increase public spending on R&I to reach 2% of GDP by 2024 and 3% of GDP by 2026.** Incentive programmes and support mechanisms should include:
 - a) **Separating industry led projects with high commercialisation potential from 'blue sky' academic research**, as these should not be competing but should be implemented separately. Funding schemes need to be directed at specific technical readiness levels and budgets need to be flexible. The percentage aid intensity needs to be substantial (e.g., 85%) irrespective of industry size, otherwise businesses will not apply due to the added risks associated with these proposals.
 - b) Promote **knowledge transfer between industry and academia through schemes such as the Post-Doc Fellowship Scheme** launched with the University of Malta and the Applied Research Fund with MCAST.
 - c) Help companies **mitigate the high legal and registration costs** particularly within the EU and United States **of Intellectual Property Rights by offering financial assistance**.



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- d) Increase the proposed **150% tax deduction of R&I expenditure to companies to 200%**.
3. Promote and encourage the gathering of the best minds from the University of Malta, industry and users to **develop new technologies and participate in European Projects with a high commercialisation potential**.
4. A **pathway for commercialisation should be found for new eco-solutions**. Whilst in 2019 Malta obtained an excellent performance in resource efficiency outcomes, where it ranked second place amongst the EU28, it is still below average for eco innovation activities and eco-innovation outputs and remains significantly behind for eco-innovation inputs and socio-economic outcomes.

6. REFORMS

The rethinking of Malta's economic model is an over used cliché which deserves more reflection and focused resolve. Malta is not a centrally planned economy whereby Government decides where private investment should go. In open market competition it is private investment which will head in the direction where returns look most attractive. While our local market is still significantly driven by property, our European competitors are spoilt for choice. The Government has a role in facilitating private investment in terms of support and regulatory framework aimed at widening growth options. While on paper several policy frameworks may appear to be competitive, Malta's local market remains micro, the transport connections are poor, and the labour force is inadequate for certain activities. In order for new niche markets to flourish, efficient Government expenditure aimed at improving the basics is required and is more important than how much Government spends.

6.1 PUBLIC PROCUREMENT

In the current economic climate, it is imperative that public procurement is rationalised to avoid unnecessary spending on superfluous projects. Government should refrain from competing directly with the private sector in the provision of services that the private sector can provide more efficiently.

The Malta Chamber's recommendations for a [Public Procurement Reform](#) become more pertinent in the context of the rationalisation of public spending that is required to reign in the budget deficit and provide better value for taxpayer money.

The Malta Chamber insists that all economic operators must be on the same level playing field when tendering and opportunities must be accessible to all eligible economic operators. The Malta Chamber recommended policy and operational changes to improve the public procurement system in Malta, most of which are positively acknowledged but not implemented.

The Malta Chamber understands that under specific circumstances direct orders can be justified if:

- a) Duly substantiated and justified in accordance with the law;
- b) Adequately publicized, ideally, through a Contract Register and
- c) Subject to scrutiny and judicial challenge by interested parties.



Proposals:

1. As a start, Government should implement the proposals from [The Malta Chamber Public Procurement Report](#) dated 2021, during 2023, to ensure that both entities – business operators and contracting authorities - benefit from improved public procurement practices. The below recommendations³⁶ are of immediate concern for The Malta Chamber and the business community:
 - a) All contracting authorities **issue a procurement outlook 6 months in advance** so that business operators intending to tender can have appropriate time to plan. This proposal is becoming increasingly important in the context that raw materials are not only increasing in price but decreasing in supply.
 - b) There is scope for public authorities, including, the Department of Contracts and the Inland Revenue Department to **create systems of seamless integration which would automatically prevent an economic operator from submitting a bid if there are pending social security and tax dues** and if there is no settlement agreement in place.
 - c) PCRБ's competence includes the **scrutiny of direct orders** below the financial thresholds set by the EU Directives and such that a 6-month time limit is linked with either discovery of the direct order by the interested party or the disclosure of the same in the Contract Register or Government Gazette.
 - d) The **Contract Register** is designed to show any historic modifications to public contracts, including, milestones reached, a record of the necessary approvals and a summary of the justification.
 - e) The **time limit to publish modifications** is reduced from 6 months to 3 months; with a view to shorten this time-period in years to come.
 - f) **No archiving should be done of past tenders** on ePPS.
2. Business operators are finding it **increasingly difficult to commit to prices due to the shortage of raw materials, an increase in inflation and supply chain disruptions**. To mitigate this, The Malta Chamber recommends that:
 - a) New tenders should take into consideration specific industries exposed to any raw materials that regularly fluctuate such as oil and grains. The Government needs to provide for an **objective, clear and automated mechanism for price revision linked to an industry recognised index**. This practice is common in sectors involving precious metals such as copper and fuel.
 - b) In more volatile sectors such as Healthcare, **shorter time frames for tenders** are issued to ensure the continuous availability of pharmaceuticals without imposing fines on defaulting companies that are only defaulting due to factors outside their control.
3. **Public tenders for hardware and software solutions in Education should be improved**. The current practice simply ensures that only companies that have a specific set of services and products can bid, while not ensuring that the best products are selected. The process for

³⁶ Time to Step Up, Proposal 40-43, Page 20 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>



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education public procurement, especially for tenders under €10,000, can be expedited while observing all ethical provisions throughout the process.

6.2 CUSTOMS

Various businesses have lamented about archaic digital procedures and practices adopted by the Customs Department which are not aligned with today's realities. The Malta Chamber appointed an internal *ad hoc* Working Group formed by freight forwarders, importers and distributors to review the current process and optimise it with the help of a digital automation expert with experience in logistics and port management. A report titled '*Malta Goods Import Process Analysis - The Tobacco & Beverages Industry Perspective*' has been compiled identifying the "data flow" and "administrative processes" in relation to the importation of goods and payment of duties (VAT & Excise) which require improvement. It was observed that the National Import Export System (NIES) does not only hinder a decently paced entry process, but it also crashes regularly resulting into loss of the entry data by companies and consequential delays of restarting the inputting process, subject to the possibility of doing it thereafter since a system black-out may last for days. This problem results in a significant backlog of declarations and an ever-increasing workload for the Malta Customs service desk.

Proposals:

1. Customs **operating hours should be 24/7**, with a significant increase in staff base, mainly redeployed from overstuffed public departments, who are trained to deal with the workflow and technical requirements.
2. **NIES should be upgraded** to include functions such as CSV file importing to replace manual data inputting. For economic operators to be more cost effective in their day-to-day work, the Customs Department needs to upgrade its website to provide a more efficient and easy-to-use experience, allowing businesses to eliminate unnecessary time spent in their systems. Upgrading of NIES carries a potential saving on administrative costs of between €2000 and €4000 per importer per month, depending on frequency and area of activity.
3. Transport Agents who are granted **EU Authorised Economic Operator certification (AEO) should be allowed to handle non-EU cargo (especially cargo T1 cargo) within their own warehouse/depot**. This should apply for both couriers and freight forwarders possessing this certification which essentially recognizes the company's role in the international supply chain to undertake customs control procedures because they meet the required standards and criteria to do so without any added involvement of the Customs Department.
4. Disproportionately **high fines for minor administrative shortcomings relating to NACE/HS codes** should be drastically reduced.³⁷
5. Customs should **share information** with BCRS, VAT, Income Tax and NSO to facilitate communication with business and enforcement.
6. During recent consultations in relation to the EU's Carbon Border Adjustment Mechanism, it was pointed out by the relevant authorities that there is a **lack of local verifiers who can certify the**

³⁷ Time to Step Up Proposal 12 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>



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level of carbon against which certificates will need to be issued. Reporting by affected operators need to start in 2023 with full implementation by 2026. As things stand, there are no energy auditors who can perform this function for local operators. This means the system will not work unless these verifiers are in place to purchase certificates for imports of iron, steel, aluminium, and fertilisers from third countries. This needs to be rectified. In the short term, Malta may need to source expertise from abroad to fulfil the needs of the country to comply with EU systems and requirements.³⁸

6.3 SUSTAINABILITY AND PLANNING

Businesses are faced with ever increasing pressures and responsibilities to go green and to embark on this green journey. This budget needs to invest in long-term thinking and efforts which will bear fruit through appropriate and focused incentives. A collaborative approach between private enterprise and government is therefore not an option but a must.³⁹

Before the pandemic hit, The Malta Chamber was proactive in drafting and presenting a new vision for Malta's economy and beyond. Through its [Economic Vision 2020-2025](#), The Malta Chamber has called for 'a Smart, Sustainable Island', in which we recognise that economic development must ultimately lead to an improved quality of life, yet it reiterates that over-prescriptive obligations will hardly advance our common cause. Companies want to focus on addressing real sustainability issues encountered on the ground, not on writing reports. Excessive reporting obligations discourage investment, including investment to reach sustainability objectives. Enterprises need a strong alignment of sustainability standards globally to avoid a fragmentation of reporting requirements around the world.

The development and the construction industry must improve and evolve with full respect for Malta and Gozo's heritage, history, culture, natural environment and well-being. The country urgently needs a holistic Master Plan and revised local plans supported with clear policies which do not leave room for abusive exploitation in their interpretation and application. The *ad hoc* planning approach adopted over the years has uglified Malta, created uncertainty, excessive speculation and a non-level playing field between industry players as well as the general public. The Malta Chamber believes that a piecemeal approach to planning goes against the very spirit of planning itself. Development Brief changes, Partial Reviews and incongruent policy interpretation and applications must stop.

6.3.1 NEW BUILDS

According to the revised Energy Performance of Buildings Directive, by 2030, new buildings will have to be zero-emission, with public buildings reaching this target by 2027. This obligation will take into account the whole life-cycle carbon emissions of the buildings, including manufacturing and construction, use, and end-of-life. Preparing Malta for these ambitious standards is going to be a monumental undertaking.

Proposals:

1. **A National Architecture Policy which incorporates aesthetics and landscape will incentivize good spatial planning in Malta.** The Policy should include:

³⁸ Time to 5step Up: Proposal 90 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

³⁹ <https://www.maltachamber.org.mt/en/the-malta-chamber-supports-sustainable-enterprise-initiative>



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- a) **Support for aesthetically qualitative and sustainable projects**, which are more costly, and therefore, policies should be tightened to protect streetscapes and raise the quality of buildings.
 - b) **Minimum standards for all new builds** to meet the standards established by the revised Energy Performance of Buildings Directive. This can be achieved through lower energy costs, loans and fiscal incentives for green products/services, as well as innovative financing options, such as Energy Performance Contracting.
 - c) **Steer away from the piecemeal speculative market** of pencil developments and promote qualitative larger scale lifestyle developments addressed in a holistic urban context.
 - d) **Commend Design-and-Build Contracts which include Quality Assurance / Quality Control** as part of their remit to ensure quality of the built product.
2. **A Point System should be introduced at the Planning Authority** with a minimum passing mark without which applications cannot be processed further. Planning Fees should be proportionate. Factors featured in the system could include the inclusion of water cisterns and domestic water recycling systems, reconstituted or recycled building materials, passive cooling designs, renewables, energy efficiency, and proper water piping to benefit from recycled grey water for flushing and other uses.
3. A **Carrying Capacity Study** of Malta's land environment should be undertaken, taking in account the built and natural environment used for residential, heritage, culture, and business requirements.⁴⁰

6.3.2 RENOVATION

The right toolkit of incentives and policy framework can allow the regeneration of the country's urban areas, while helping the country to meet its EU energy efficiency targets and addressing the affordability of property by acknowledging respective costs arising from an increase in quality.

1. **Introduce a 'Planning Gain for locality projects scheme'** to promote the urban improvement and/or introduction of new environmental projects on a locality basis improving quality of life. The channelling of funds to these projects (similar concept to the funding by NDSF) may find a balance between the development happening in a locality and the social projects being created for the micro population in the same locality.
2. **Urban Regeneration** requires private owners of scheduled properties to access more tailor-made fiscal incentives to assist them in building upkeep and maintenance, **going beyond the current limits of "Irrestawra Darek"**. The regeneration of urban areas is to be further promoted through schemes which **incentivise retailers to operate within those areas**.⁴¹
3. **Renovation Trigger Points** should prioritise the speedy implementation of the Long-Term Renovation Strategy and its measures through:
 - a) The introduction of **minimum energy performance criteria for buildings to be rented or sold**.

⁴⁰ Time to Step Up, Proposal 62 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

⁴¹ Budget 2022 - Key Recommendations: 29. P8 [The Malta Chamber 2022 Budget Proposals](#)



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- b) **Deep renovation scheme targeting less efficient buildings with potential for achieving a good energy efficiency rating**, which differently from “Irrestawra Darek”, will also support measures such as space heating and cooling, water heating and lighting.
4. Compliance certificates should be replaced by a **building logbook reflecting the structural and fabric history of the building**, as well as its certification relative to its construction and post commissioning, noting the obligations of the owner to maintain the building in a good state of repair. This may anticipate the potential introduction by the EU of renovation passports.

6.3.3 WASTE

Official EU data shows that the target of 55 % recycled packaging waste was met by all Member States, except Croatia (48.9 %), Hungary (47.3 %), Romania (44.6 %) and Malta (33.7 %).⁴² The same data indicates that the target of 22.5 % recycled plastic packaging waste was met by all Member States, except Malta (15.4 %).⁴³

The Malta Chamber warns that the significant amounts of money earmarked by government for waste management risk is not having the intended effects. The current situation is more akin to one whereby WasteServ competes with private industry, whilst a leading role for private enterprise is essential if the new waste management facilities being planned are to operate optimally, excluding the likelihood of monopolising the most profitable waste streams.

Proposals:

1. **Privatising Waste Facilities:** The Material Recycling facility should either be entirely owned and managed by the private sector, or alternatively, if owned by government, then at least operated by private industry. Any other complexes linked to the Ecohive project should also be privatised. The private sector should be invited by means of the Private Financing Instrument to identify, build, finance, operate and maintain waste management technology that enhances recycling reuse.
2. **Improved Waste Management** is required as established in the last waste management strategy published in late 2021 and reiterated in Malta’s Recovery and Resilience Plan. Establishing these regulatory standards will require upskilling and training of the workforce and a change in culture which should be partially addressed through:
 - a) **Mandatory garbage collection solutions for all new developments of multiple units**, such as dedicated garbage rooms for coordination of refuse collection. This should be a requirement across the board for all new applications with the dimensions of garbage rooms relative to the size of building.
 - b) **Introduction of a Garbage Bag Barcode system** to regularize householders who sort their garbage incorrectly. This measure will contribute towards a higher proportion of waste sorting at source and a higher degree of value recyclable products in Malta.

⁴² https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Packaging_waste_statistics#Recycling_and_recovery_targets_and_rates

⁴³ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Packaging_waste_statistics#Recycling_and_recovery_targets_and_rates



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- c) **Address artificially low landfill gate fees** which distort the market and prevent the private sector from offering competitive waste management solutions.
3. **Implement BCRS** without further delay. **Materials earmarked for export should instead be first offered to local manufacturers** to promote a local circular economy and spare the costs and delays associated with importation of the raw materials.

6.3.4 EXCAVATION & DEMOLITION:

Malta must aim to increase not only the quantity of secondary raw materials but also their quality, while guaranteeing safety and proper standards for the protection of human health and the environment. Construction & Demolition (C&D) waste is considered the heaviest and most voluminous waste stream generated in the Maltese Islands, amounting to over 1.5 million tonnes of waste generated annually. This constitutes the largest share of waste generated in Malta, accounting to roughly 80% of the total waste arising each year⁴⁴.

Proposals:

1. **Implement New Regulatory Framework for C&D Waste** to properly manage construction and demolition waste while promote a transition to a more circular economy. It would also promote the development of secondary markets for end-of-life resources. A minimum percentage of construction material, verified through an audit function, should be made up of reused material or materials recycled locally with a possibility of further reuse or recycling at the building's end of life.
2. **Licensing of Building and Road Contractors** should be complemented by minimum skill requirements for the construction workers (mandatory skill card or equivalent), that must be continuously maintained through lifelong learning, as is the case in education. Uptake of certain skills may be incentivised by offering tax credits to workers, and to companies which provide corresponding apprenticeships.
3. **Rudimentary site practices that are currently adopted need to be addressed.** The Government has the difficult task, as can be seen with the introduction of the Building Regulation Office, to introduce and enforce strict measures on how to manage construction works. An alternative approach would focus on the setting up of the voluntary **Consolidated Contractors scheme** which would guide, classify, and screen contractors on their work site practices. This can be incentivized by recognizing enrolment, investment in green measures, establishing of proper SOPs and the like. Ultimately, the scheme will reward all contractors who elevate their standards.

6.3.5 RATING MATERIALS BEING USED

The correct labelling and classification of building materials is acknowledged as a crucial step in achieving a more circular economy for construction & demolition waste, and in achieving sustainability targets. The EU furthermore sets critical standards which determine the required amount of active

⁴⁴ <https://era.org.mt/wp-content/uploads/2021/10/Construction-and-Demolition-Waste-Strategy-for-Malta-2021-2030-Managing-Construction-Demolition.pdf>



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minerals for cement to qualify as Portland cement. Labelling is used to determine where cement is packaged, what the ingredients are, as well as the date of packaging and its classification.

Proposals:

1. **Improve Waste Classification and Source Separation** with the goal of identifying the construction and demolition waste being generated. Buildings should be properly deconstructed to improve quality of waste for reuse, recycling and recovery. Establishing these regulatory standards will require **support in upskilling and training of the workforce**.
2. **Building Materials & Construction Waste** is a valuable resource which the country is not currently utilising. This needs to be addressed through the **implementation of several immediate measures supported with a longer-term vision**. It is being suggested that the Government:
 - a) Facilitates the **dismantling, rather than demolition**, of buildings both through incentives and through having the proper infrastructure, expertise and standards in place;
 - b) Drives **investment in recycling facilities and depots** for construction waste.
 - c) Incentivises the **use of recycled building materials** in the construction of new buildings by means of schemes which facilitate their take-up over traditional building material. A tax credit equivalent to a percentage of the gross fees paid for that material should be granted.
 - d) Incentivises **Research and Development in the sector and patenting**.
3. **Labelled & Certified Materials/Components** through support in establishing an accredited procedure within the production with the goal of obtaining a certificate of production equivalent either to the CE Mark or at least a locally recognized equivalent. This likewise applies to components such as fixtures and fittings that go into a building e.g., apertures, which are subject to fabrication, assembly, and installation.
4. **Fiscal Incentives** targeted to:
 - a) **Property buyers or renovators** through '**Green Loan**' to align with energy performance obligations in buildings. Government may guarantee for the deposit requested by the bank, with a preferential rate for first time buyers on stamp duty. Possibility of reimbursing a percentage of VAT on expenses disbursed on energy performance complaint buildings may also be considered.
 - b) **Developers** to invest in sustainable construction materials and operations by reducing final withholding tax from 8% to 4%. A 25% reduction on Planning Authority fees when upon commitment to specific green building standards may also be considered.
 - c) **Building contractors** through a tax credit at development phase to alignment to high environmental standard obligations.

6.3.6 AGRICULTURE

Malta's food security has been under pressure for some years. Brexit led to an increase in food costs by 5.24% within a year. The latest data published by the Central Bank of Malta found that food inflation in Malta has exceeded that of the euro area from April 2021 onwards and by April 2022, food inflation in Malta stood at 1.2% higher than the euro area. As the pandemic hit Malta, people rushed to supermarkets to buy food supplies for imminent lockdowns, and the situation offered a glimpse of future crises and pressures which the country may face, particularly with climate change.



Proposals:

1. **Piloting Agricultural Technology** to partially solve the challenges the country has in terms of availability of arable land, water scarcity and degradation and an ever-declining agricultural community.
 - a) **Larger commercial scale hydroponics and aquaponics** are known solutions that should be tested and incentivised in Malta. The infrastructure need may not be in rural zones but may be placed in underground industrial areas and urban locations.
 - b) Incentivise research to support the development of new technologies in the areas of alternative proteins such as **algae farms**.
2. **Produce & Promote Compost:** Rather than convert organic waste into digestate, it should be turned into compost which can be used to regenerate Malta's soils. Businesses involved in food may be encouraged to take a proactive role to use compost to grow their own food and use that food in their kitchens, and then turn kitchen waste into compost.
3. **A 'Minn Tagħna Campaign'** promoting consumption of locally grown and locally processed food and beverage products which meet certain criteria and prove that they are truly Maltese or Gozitan goods.
4. **Invest in the proper treatment of manure from all livestock** due to its high potential for future uses in terms of fertilisation, waste to energy and further treatment in terms of greywater. Allocate funds for a centralised treatment facility which can also be beneficial for agricultural irrigation purposes.

6.4 JUDICIAL REFORM

The Malta Chamber reiterates that an effective and efficient judicial system is essential for a free and democratic society to thrive, both economically and socially. Our Courts of Justice are undeniably an essential part of the enforcement of our own rule of law but the judiciary does not seem to have the necessary human and financial resources to operate efficiently. The European Commission urged Malta in its latest report to reduce the time it takes to conduct high-level corruption investigations and complete court proceedings, although challenges related to the length of investigations of high-level corruption cases were quite intense for quite a while.

Although we have witnessed an improvement in the administration and management of lawsuits, especially by certain judges we need to acknowledge that the load management is still unsatisfactory with thousands of pending criminal cases, magisterial inquiries, cases at compilation of evidence and family cases.

Proposals:

1. A decisive push towards **accelerating the digitalisation of Law Courts** require major investment to improve efficiency through Recovery and Resiliency Plan funds⁴⁵ and facilitating the interactions with different agencies.

⁴⁵ Time to Step Up, Proposal 32 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>



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2. Reform the legal process to **speed up** the compilation of evidence phase and prevent witnesses from testifying multiple times in the same case **while establishing a procedural timeframe for cases to be resolved.**
3. Judicial Reform proposals dating back close to a decade ago had suggested several recommendations that never fully materialised. Such proposals contribute towards a **judicial process that is swift, fair, accountable and transparent.**⁴⁶

6.5 EDUCATION

The Malta Chamber believes that the time has come to challenge the acceptance of low achievement levels in our education system. We should start by acknowledging that the underperformance of our educational system has become an endemic challenge and has hardly improved over the last decades.

The Malta Chamber published an '[Education For the Future](#)' strategy report underlining the importance of lifelong learning, having period curriculum reviews, developing and empowering educators, and introducing Social Emotional Learning and Service Learning for both students and teachers.⁴⁷ The document was followed by another Malta Chamber report titled '[National Workforce Strategy](#)', outlining 56 tangible recommendations, paired with 48 quantifiable success measures⁴⁸ calling for a much-needed national debate on the future of education based on the skills we need today and beyond, involving all those who have a genuine interest in the prosperity and well-being of future generations.

In its recommendations, The Malta Chamber reiterated the importance of bridging the gap between educational institutions and industry by identifying the shortages of skills vis-a-vis industry, prioritising the educational experience through the involvement of business leaders to provide a more practical experience through entrepreneurial teaching.⁴⁹ This should be coupled with a process to identify and invest in sectors that offer high quality jobs which are value-added to the economy, providing emerging skills requirements in the green and digital transitions.

For this to occur, this budget needs to put significant investment in human capital, and in successful, competitive businesses which create jobs which enable a stronger, leaner and more productive economy. Taxpayers are inclined to spend more on public education if it results in a greater value for money from government investment.

Proposals:

1. **Vocational education** plays a crucial role in bridging the gap between education and the workplace. A **structured dialogue** between University, MCAST and industry should be established and maintained to respond to changing needs very quickly.
2. **Introduce social emotional learning and service-learning programme that allows children/students across different ages to engage with personal, collective and life issues.**

⁴⁶ Time to Step Up, Proposal 31 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

⁴⁷ <https://www.maltachamber.org.mt/en/the-malta-chamber-launches-a-document-led-by-the-education-thematic-committee-titled-education-for-the-future>

⁴⁸ <https://www.maltachamber.org.mt/en/a-national-employment-policy-which-identifies-the-key-challenges-of-our-labour-market>

⁴⁹ <https://www.maltachamber.org.mt/en/malta-chamber-and-mcast-colloquium-on-future-skills>



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Through extended school hours, students will be able to master knowledge, nurture personal traits, attributes and values. They can do this by engaging in community work and possible links with industry.

3. Give **vouchers to students based on success with the faculty to choose where and what to study at post-secondary level**. Specialized accredited private education provides a quality service (example to follow ACCA programs) which is not inferior to public education.
4. **Set up special interest state schools for trades and STEM from a certain stage onwards**. This is not segregation but placing students in educational environments that suit their aptitudes and are focused on developing their talents, thereby providing them with more opportunities to succeed. Concurrently, the €20m investment in science labs in schools should start off right away.

7. **SECTOR SPECIFIC RECOMMENDATIONS**

The Malta Chamber believes that certain industries require planning at cluster level by assessing the characteristics, market position, the needs and the appropriate policy mix. The implementation of policy should then be characterised by engaging and coordinating private and public actors and delivering support.

The Malta Chamber also recommends caution about the cost of administration. Companies need to be allowed time and to be assisted to rope in people within their organisation to establish how several changes in regulatory obligations will affect them and schedule *ad hoc* technical meetings to align processes. Furthermore, intra-ministerial and departmental procedural requirements need to be coordinated and seamlessly aligned in assisting companies to abide by their compliance and information provision obligations.

The Malta Chamber acknowledges the fact that Government cannot and should not oblige banks to open an account for any commercial entity that the bank considers to be unviable or outside of its risk appetite, particularly as this is in direct conflict with the regulation of the European Central Bank and respective AML obligations. The Malta Chamber therefore believes that conversations around reforming the banking sector should centre on the duration of processes undertaken by these banks as well as related issues in the sphere of customer service and digitalisation.

7.1 **FINANCIAL SERVICES**

Financial Services is a vital pillar of the Maltese economy, accounting for approximately 11.2% of total Gross Value Added (GVA), and 10.2% of employment. Over the last year this sector has had to adapt to Malta's grey listing by FATF and is now looking to take advantage of Malta's renewed status as a safe jurisdiction for financial services. Following delisting, Malta may capitalise on the global post-pandemic recovery, with a favourable tax rate for foreign investment, access to the EU Single Market and a well-established existing financial sector.

Proposals:

1. The financial services sector is highly dependent on Malta's reputation, and it requires peace of mind and the right governance to flourish. **A Long-Term Strategy is required to maintain the momentum of the delisting phase in Rebuilding and Safeguarding Malta's Reputation**, adopting



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the ESG principles that must be woven into the country's fabric including areas for growth in sectors such as FinTech and Core Financial Services related offerings.⁵⁰

2. **AML obligations must be more risk-based, proportionate to the volume of the business processed, and effective at rebuilding Malta's reputation** as a reliable and competitive jurisdiction.
3. The **Malta Financial Services Advisory Council has put together many recommendations for the regeneration of the financial services sector following extensive consultation with stakeholders** including The Malta Chamber and many of its members operating in the sector. These recommendations need to be studied and implemented as soon as possible.⁵¹
4. Government must focus on **enforcement across the board to grow a "compliant culture"** in the country.
 - a) Proportional, effective and dissuasive **penalties against professions that open the door illicitly to the financial sector while guaranteeing institutional effectiveness to safeguard legitimate business is required.**⁵²
 - b) **A zero-tolerance policy is required for any kind of abuse** that is facilitated by those entrusted with a political or administrative capacity against culture of political clientelism. Human interaction needs to be minimised by using digital tools to provide a more objective and consistent service.⁵³

7.2 MANUFACTURING

The manufacturing industry in Malta has always been a crucial contributor to the Maltese economy. The sector has managed to overcome numerous challenges and today accounts for 9% of GDP and employs 11% of total employment in Malta. The pandemic months proved that the local sector is highly resilient while undergoing a significant transition, both globally and even locally, amongst which post-pandemic recovery, insular logistical challenges, sustainability considerations, trade tensions, inflation, and commodity shortages are forcing manufacturers to rethink their strategies and supply chains. To remain competitive and cope with the challenges ahead, issues such as rising energy costs are not only a result of the war in Ukraine but also due to the EU's energy transition which will have significant impact that needs to be mitigated.

It needs to be acknowledged that Malta's physical 'disconnection' from the mainland is placing drastic competitiveness consequences on manufacturing, logistics and shipping industries. Unlike most of other member states, industry must cater for permanent challenges which are over and above what other member states need to address and which impacts Malta's competitiveness.

Moving forward, the strategic direction needs to focus on more advanced manufacturing to realise the full potential of new technologies and the flourishing of new niches. Managing operations in a sustainable and environmentally responsible manner is now also growingly becoming an important business imperative.

⁵⁰ The Malta Chamber, Pre-Budget 2022, Page 58 <https://www.maltachamber.org.mt/loadfile/34faf059-fedd-4ff0-a6b1-25c0e96f8d2a>

⁵¹ Time to Step Up, Proposal 8 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

⁵² Time to Step Up, Proposal 39 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

⁵³ Time to Step Up, Proposal 34 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>



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The negative impact of the Brexit agreement, which came into force in January 2021, is still being faced by many operators and service providers. This is partly due to the over-reliance of importation of certain items from the UK, but also due to the historic business, political and regulatory ties with the country.⁵⁴

Proposals:

1. Malta lacks an **Industry Policy** addressing the manufacturing sector needs. **A new vision for manufacturing in Malta should adopt a more granular approach and invest in detailed reviews with the different sub sectors within manufacturing** to obtain a better understanding of the challenges and needs faced by this critical economic sector for our country. The Policy should include:
 - a) Efficient use of **€470 million over an 8-year period in existing and new industrial, start-up and SME parks** to provide more impetus and focus to boost the manufacturing sector.⁵⁵
 - b) **Green Certification Standards** (like ISO 1400 on Environmental Management Systems) streamlining specific company operations which embrace high environmental quality standards and renewable energy generation in their trajectory towards **ESG alignment**.
2. **EU state aid rules are currently being reviewed** in terms of facilitating intra-EU production of critical materials, products and components such as microchips, in response to the supply chain lessons learnt through the Covid pandemic. **Malta is well-placed to benefit from such rethinking to harness the full potential of its established manufacturing industry** and attract other niche manufacturing and processing that would consolidate the EU's supply chain in areas such as semiconductors, chemicals, battery and energy storage technology, and the production of alternative fuels such as hydrogen and its more promising compound ammonia.⁵⁶
3. A concerted effort should be made to **reduce the administrative burden on the applicants of Assistance Schemes** and make such schemes more **tailored for industry requirements**.⁵⁷
 - a) *Beyond De Minimis* - More funding opportunities which do not fall within the *De Minimis* are required, with the "Business Enhance SME Growth Scheme" should serve as proof of Concept
 - b) *More Cash Grants* - Impact on businesses and their cashflow is higher if assistance takes the form of cash grants rather than tax credits.
 - c) *Replicating Machinery Scrapage Scheme* - A scheme replicating the Construction Industry scheme managed by Malta Enterprise should be adopted for industries wishing to scrap and replace old machinery and equipment with new equipment which generates less emissions.
 - d) *Extend eligibility also for Medium Sized enterprises*: It pays the Government to also direct renewable energy incentives also to medium sized companies to meet its renewable energy targets. Projects invested by such companies can potentially generate renewable energy equivalent to hundreds of households at one go. Such companies already pay significant energy costs per year without recouping any kind of grants.
4. **Rent-Free INDIS Roofs**: Incentivise businesses to invest in PV systems on their industrial roofs. This should be encouraged by the removal of rental charges for installing PVs on roof space of

⁵⁴ Time to Step Up, context to Proposal 23 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

⁵⁵ Time to Step Up, Proposal 66 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

⁵⁶ Time to Step Up, Proposal 7 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

⁵⁷ Time to Step Up, Proposal 18 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>



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INDIS tenants, and through government guarantees where required. Companies which opt not to invest in PVs on their industrial roofs should be charged. The scheme can be extended to parking areas which can use space more efficiently.

5. **Government** should share the **cost of electrical infrastructure** currently absorbed by private industry such as in the case of substations and related trenching costs.⁵⁸
6. **Night Energy Tariffs for industrial** use should extend remit of application to include small companies. Night tariffs should be available at a lower energy consumption threshold and the advantage of the night tariff over the daytime rate needs to be higher.

7.3 LOGISTICS

Malta is entitled to designate parts of the customs territory of the European Union as 'free trade zones (FTZ)' where goods imported from outside the EU would not be subject to import duties and commercial policy measures insofar as they do not prohibit the entry or exit of goods into or from the customs territory of the EU. Malta could improve its position in relation to trade with North Africa if such freezones are developed adequately, not without competition, since Morocco is cementing its position in the global hubbing sphere. Minimising warehousing and distribution costs for suppliers with reliability and feeder services from key ports in Mediterranean for business continuity is also an opportunity.

Proposals:

1. A **Public-Private Partnership should be tasked to set up a Centralised Logistics Hub to minimise warehousing and distribution costs**. It's terms of reference should be extended to reduce the negative impact of logistics on traffic congestion and the environment⁵⁹ and address lacunas which failed recent Public Request for Proposals (RFPs) for the concession to design, construct, finance, operate and maintain an International Logistics Hub in Malta.
2. **Identify an area in the proximity of the airport, with warehousing in Hal Far**, to facilitate growth with potential to become one of the main pillars of growth for the local economy. This would be supported by an IT system integrating the interconnected services, as well as investment in the deepening of skills and competencies. Funds must therefore be allocated for the multi-staged development of a warehousing hub/logistics centre to be completed within a reasonable timeframe.⁶⁰
3. Successive Governments have considered and postponed indefinitely the required **reform to the way Maltese ports operate**, that is necessary to address the exorbitant local costs of importation that go on top of freight charges and are typically higher than the actual freight charges for containers arriving from European or Mediterranean ports. The transshipment segment of port operations must necessarily be reformed for Malta to have any reasonable hope of developing free zone activity as contemplated in the Free Zones Act of 2019.⁶¹

⁵⁸ Time to Step Up, Proposal 71 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

⁵⁹ Time to Step Up, Proposal 68 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

⁶⁰ Time to Step Up, Proposal 68 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

⁶¹ Time to Step Up, Proposal 12 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>



7.4 MARITIME

Malta administers Europe's largest Shipping Registry and the sixth largest in the world. Nevertheless, The Malta Chamber believes that maritime is a sector brimming with untapped potential. Today, the maritime sector not only oversees an enticing destination for yacht owners in terms of leisure, but a location that caters for repairs, refits, and maintenance.

A holistic vision for the Maritime industry in Malta which includes investment in infrastructure and a long-term plan on how to maximise Blue Economy opportunities primarily by investing in human resources, solidifying the vision into a mission implementable over a 5-to-10-year timeframe, with **Government collaboration with refit centres** to attract skilled personnel.

7.4.1 YACHTING

The outcome of a symposium organised by The Malta Chamber in July reaffirms that the yachting sector should be recognised as an integral, yet distinct, part of Malta's tourism offering. The sector generates approximately €100 million a year, which does not include revenue derived from flag registration and tax.

Proposals:

1. **Nurture an appropriate yachting ecosystem within the renewed Tourism Strategy** to offer a high-end tourism product combined with the greening of the fleet.
2. **Berthing and visiting yachts in Malta's marinas would be subjected to 7% VAT** instead of 18%, for berthing services, agency fees, provisioning and expenses relating to the preparation of yachts embarking on charters.

7.5 AVIATION

Malta has a very well-developed aviation legislation as a flag of choice. Malta's reputation can be sustained with increased investment in infrastructure and in finding comparative advantage to increase our jurisdictional attractiveness. Transport Malta's Civil Aviation Directorate (TM-CAD) is the regulator that holds the commercial outlook necessary for operators to expand their businesses but lacks resources. For 9H register to grow, the ability of TM-CAD to provide the necessary oversight needed in the aviation sector needs to be enhanced.

Proposals:

1. The aviation industry requires **space to grow**. Aviation is facing issues related to expansion projects and aircraft parking. More land around the airfield should be allocated for the industry. Operations unrelated to aviation which are located around the airfield should be encouraged to relocate elsewhere and the space they occupy utilised for aviation related activities.
2. **Facilitating access to finance** should address (a) business growth and expansion, (b) Green initiatives and development of new technology (c) research and development and (d) skills development. A set package can be made available for Airlines moving to Malta, which package can be linked to the number of aircraft that will be registered in Malta and the number of employees to be employed. Despite being heavily involved in promoting the jurisdiction and attracting serious investment to the country, lawyers are currently an excluded category for Malta Enterprise grants directed to aviation trade shows. Eligibility criteria should be revisited to assign



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due consideration to accredited professional service providers rendering value to the industry while practitioners who are providing advice on Maltese Law without being warranted in Malta should be regularised.

3. Malta must invest to **attract new aviation inspectors and explore options on how to retain existing ones**. A practice which may be explored could be the one implemented in the UK which pays a portion of the salary as a market guarantee in the form of equity compensation topping up respective salary scales.
4. Given the harm that travel restrictions have on the Maltese economy, a **Pandemic Plan should provide assurance for the future that measures:** (a) are only introduced as a very last resort and based on rigorous scientific evidence (b) are only introduced following appropriate consultation with stakeholders (c) will not take longer than necessary, with a start date and a tentative end date at which point there would be a review on whether these should be renewed or otherwise removed (d) will avoid situations where the passenger is caught unaware of imminent short notice obligations. Situations whereby passengers are asked at 24 hours' notice to present a negative PCR test that should have been taken within 72 hours before arrival to be able to board a plane should be avoided.
5. A successful aviation and aerospace sector requires an **efficient financial services sector**. Given the nature of transactions that take place in this industry, operators are particularly exposed to local issues in the banking sector which have been compounding year on year and which are not conducive to attracting further activity in the sector. With the US Dollar being the prevalent global currency for this sector, the apparent difficulty for various local banks to execute business in this current scenario in an efficient, business-friendly way has made prospects for growth difficult. Local Banks should have internal expertise and specialisation that this industry requires.
6. The focus of the **Civil Aviation Directorate** should not be solely on increasing aircraft on the register and the aviation cluster independently of Malta's connectivity. The Civil Aviation Directorate should at least have a presence within the airport perimeter to ensure more efficiency in relation to day-to-day operations to and from Malta. The office of the 24/7 Duty Manager at the airport should therefore be re-established.

7.6 TOURISM

The Malta Chamber proposed several recommendations to improve the touristic experience and product in Malta in publication '[Rediscover](#)' dated November 2021. The aim is to build a year-round destination to reduce seasonality, improve the quality that is being offered and ensure that tourism operators embrace digital transformation, improve the customer journey, encourage authentic and unique experiences, and build Malta's capabilities as a country.

Having said that, tourism and hospitality stakeholders are currently competing for the same employees, the same skills, and given that working conditions in the hospitality industry may not always seem attractive, students from hospitality schools often choose a different career path. The retention and acquisition of talented employees is currently at critical levels, not just in Malta. Industry professionals should acknowledge this issue and try to conceptualise innovative methods adopted in countries like the Netherlands, Japan and the US.



Proposals:

The below proposals⁶² are not only intended to address the immediate concerns of the tourism operators that hinder a quality touristic experience but also proposals that address unfair competition to ensure that tourism operators are more competitive.

1. **Incentivise Niche Tourism**, primarily through the development of wellness and medical tourism, agribusiness, arts tourism and gastronomy niches whilst retaining and investing further in established niches such as English Language Teaching, diving, yachting and Meetings, Incentives, Conferences and Exhibitions (MICE).
2. **Malta Tourism Authority needs to revisit and reposition its role within the industry** to stop competing against local operators. MTA should be an enabler and support events all year-round ensuring that future editions of such events are self-sustainable. MTA also needs to impose its role as a regulator which enforces licensing standards, promotes best practices, coordinates events during peak season and supports the digital transition of the sector.
3. Whilst attracting foreign **filmmakers** is a bonus for the sector; the Government should launch incentives that are targeted towards the Maltese operators to support local talent and elevate product to international standards.
4. Restaurants which are not in hotels do not fall within **Wage Regulation Order (WRO) for hotels**. There is a considerable difference between the two resulting that restaurants which are hotels but still cater for outside patrons have better employer conditions. Ideally restaurants, wherever they are placed, are included in the same WRO for a level playing field.

7.7 DIGITALISATION AND TECH

A significant uptake of digitalisation was undertaken during the pandemic months with more businesses today seeking to resolve their challenges with digital answers. Notwithstanding this, The Malta Chamber believes that local business must embark on more agile uptake of automation to addressing inefficiencies and maximise on costs.

A Digital Malta requires a strategy that is clear and concise, with ambitious goals to make sure local companies stay in the competition. The inclusion of the 'Digital Connect' scheme, which is currently closed, was an initial first step. An upcoming call needs to be more tech-business friendly, particularly for small business which cannot afford to make significant investments due to economies of scale.

The Malta Chamber cannot reiterate more the importance of having a skilled workforce that is digitally literate to be able to make these improvements possible. Disjointedness exists between the demands of industry, which are constantly changing, and the education system in providing a digitally skilled workforce.

Proposals:

1. **Local technology operations** can be assisted by:
 - a) **Business incentives to companies investing in their employees** to undergo specialised IT related courses, providing reductions in enrolment fees / tax incentives, particularly in E-Health, Manufacturing, Fintech, and Gaming.

⁶² Time to Step Up, Proposal 1, Page 8 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>



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- b) **Encourage specialisation towards a greater ability to differentiate** as well as encourage the development of cluster businesses for internationalisation by **further resourcing Tech.mt** to assist on internationalisation strategies, including foreign market analysis, identifying foreign market entry strategies, leverage embassies as business facilitators and participate in international fairs.⁶³
2. Grant incentives on **Cybersecurity** promoting and supporting the essential steps to protecting one's business render them future proof to insider threats. Cybersecurity should be prioritised with digital-centric schemes for businesses to shift, upgrade, and improve their digital infrastructure, systems and solutions.⁶⁴

7.8 GAMING

Malta is one of the most advanced and respected gaming jurisdictions in the world, as well as having the most licensed operators. After 20 years of success during which this industry grew steadily and now accounts for over 8% of GDP directly. The gaming industry employs close to 10,000 people (around 4% of employment) and provides work for hundreds of professionals who provide supporting services for the industry. When one considers the indirect and induced effects, the gaming industry's contribution to the Maltese economy exceeds 12% of GDP.

The challenges faced by gaming today are very similar to many industries. Chief amongst them is talent development, recruitment, and retention. Local fintech industry should be incentivised to provide real alternatives to traditional banking channels suitable for gaming and the development of attractive entertainment segments like video games and Esport.

Proposal:

Nurture a strong local ecosystem **for video games and Esports**, helping local talents to grow while attracting international competitions. Programs should be aimed to help provide new job opportunities in Digital Arts, Media and Esports Business and opportunities including financial and tax incentives for new video gaming projects to appeal to innovative start-ups.

Conclusion

It is evident that in the current challenging economic climate, there is no room for waste of resources at any level. Just as private enterprises try to mitigate rising costs by increasing efficiency and cutting down on trivial expenditure, so must Government rationalise its spending. Public expenditure is financed through the hard-earned taxes paid by law abiding businesses, workers and consumers. The promotion of fiscal morality gains credibility when Government manifestly commits to optimising its use of resources, both in terms of public sector employment as well as public procurement.

In the same vein, the rising costs of energy and our decarbonisation targets necessitate more sensitivity to energy efficiency and increased investment in renewables.

This is certainly no time for waste, and there is clearly no time to waste.

⁶³ Time to Step Up, Proposal 22 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>

⁶⁴ Time to Step Up, Proposal 82 <https://www.maltachamber.org.mt/loadfile/5fe5f1ed-2d0c-4d6c-98c5-67602c11d19d>



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