



PRE- ELECTO RAL PROP OSALS

Policy Proposals by the Malta Chamber of Commerce, Enterprise and Industry
for a Competitiveness-centred Electoral Manifesto



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Preamble

In its mission to represent the business sector, the Malta Chamber strives to achieve the right environment for growth for its members. In so doing it is mindful of the importance for the country to maintain the right socio-economic balance which breeds confidence and stability in the country.

The Malta Chamber thrives on its objective, apolitical standing and makes its proposals in the national interest and in representation of the business community.

In the light of the above, and of the general election to take place on 3rd June 2017, the Chamber is putting forward a number of proposals to all political parties. The proposals are aimed at generating the growth and prosperity that our people so rightly deserve.

The Malta Chamber has already gone on record during the start of the campaign in warning the major political parties not to “enter a race to out-bid each other with electoral promises that risk to undermine the foundations of our economic competitiveness. This would be nothing short of irresponsible.” The Chamber also stresses the fact that long-term sustainability must be the focus of all proposals as it is difficult for future Governments to find the political will reverse measures that are no longer sustainable in times of an economic downturn.

Besides, the Chamber notes that issues of governance have dominated the national agenda and this has posed risks on Malta's reputation and credibility as a global financial centre of excellence. There is no doubt that in these circumstances, Malta is under the international spotlight and this can only benefit competing countries and jurisdictions.



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Executive Summary

As Malta's leading voice representing the private sector in the interest of safeguarding and enhancing Malta's competitiveness, the Malta Chamber of Commerce, Enterprise and Industry seeks to offer political parties a blueprint of proposals necessary for the country's economy and citizens to keep growing – a business manifesto.

The policy areas that underpin the Chamber's proposals relate to:

1. Good governance Reputation – Leading by Example
2. A Strong Economy and Healthy Public Finances
3. Human Resources
4. Research, Development and Innovation Capabilities
5. Access to Finance & Business Incentives
6. Transportation
7. Energy
8. Environment
9. Better Regulation & Reduction of Administrative Burdens
10. Justice Reform
11. Rent Reform
12. A Healthy Tourism Sector

The Malta Chamber of Commerce, Enterprise and Industry has, on numerous occasions, warned both political parties in no unequivocal terms, not to enter a race to out-bid each other with electoral promises and not to drag closed issues out of the past so as not to risk undermining the foundations of our economic competitiveness. This would be nothing short of irresponsible as they may destabilize the economy further and serve to erode Malta's competitiveness.



Good Governance and Reputation— Leading by Example

Our members, particularly those in most affected sectors such as financial services, want to operate in an environment where checks and balances function properly, the rule of law reigns supreme and everyone plays on a level playing field.

If Malta wants to sustain its positive trend in economic growth and stability, good governance is not an option - it is a must. Entrepreneurs and private investors are insisting on this new attitude.

It is most unfortunate that issues of good governance amongst political leaders have been allowed to dominate the national agenda for far too long. This is detrimental to business because the country cannot have stability without good governance and at the same time business cannot thrive without economic and political stability.

The country must tangibly and concretely strengthen the three main pillars of good governance namely: accountability, transparency and the rule of law.

The current political climate has created undue uncertainty within the business community, causing a negative impact on business confidence and on the country's reputation in particularly sensitive sectors.

The country must, at all costs, avoid any further risk that business and investment will be affected by the ensuing uncertainty and reputational issues. For this reason, the Chamber has always actively advocated full transparency and integrity by all persons in public office.

It is about time that all people in public office whether elected or appointed lead by example and take the indisputable moral high ground against dubious practices. Politicians are elected for 5 year terms and their outlook is short-term. Business and investment has a longer time-span and politicians must ensure that their work and their actions are complementary to that of us entrepreneurs who have a longer vision and strive for our legacy to outlive us.

For this reason, the Malta Chamber is compelled to submit the following proposals based on the three pillars mentioned earlier:

Politicians and Politically Exposed Persons (PEPs) are the ones who must be leading by example and who must set the tone at the top;

Political leaders must not allow actions that may be perceived to be unethical;

Malta must uphold its credibility and reputation as a place for doing business. All people in public office whether elected or appointed must take the indisputable moral ground against dubious practices;

The Malta Chamber notes that before Parliament was dissolved it had taken the same institution almost three years to enact the Act entitled Standards in Public Life. This is not congruent with previous calls to make good governance a top priority. It is therefore imperative that the new Commissioner of Standards in Public life is given the adequate resources and full autonomy once the new Government is established;

It is important to ensure the full independence of public entities from any direct or indirect political intrusion and interference;

It is essential to guarantee full transparency and accountability in the public sector and Government agencies;

It is important that after the election, the party in Government carries out the necessary constitutional reforms to further strengthen governance as a matter of priority.

Following the 3rd June election, it is the Malta Chamber's urgent wish that normality is restored so that the country may further strengthen its economic success. A new government must take concrete steps to fight corruption and avoid clientelism, lack of accountability and lack of transparency.

The business sector also grows increasingly concerned about Malta's correspondent bank network. Numerous major banks reacted to strict international regulations implemented post 2008 financial crisis by curtailing the correspondent banking services offered, especially to smaller banks. Malta's banks are no exception to this global situation, yet the current political circumstances are exacerbating the issues and threaten to dismantle the country's correspondent bank network. The next government must implement all the proposals listed above – and others – to reinstate trust and safeguard the reputation of Malta's banks and avoid the crisis that a lack of correspondent banks would create.

Chapter Recap

- **Good Governance built on accountability, transparency and rule of law is not an option – it is a must.**
- **Politicians / PEPs must set an example and must not allow actions perceived to be unethical**
- **All public officials must take the indisputable moral ground against dubious practices.**
- **New government must ensure full independence of public entities from any direct or indirect political interference.**
- **Enact necessary constitutional reforms to strengthen governance.**
- **Safeguard Malta's correspondent bank network.**



A Strong Economy and Healthy Public Finances

Healthy finances but severe lack of capital investment

Noting the recently published Government Finance Data for January to December 2016, the Malta Chamber expresses satisfaction that government heeded the Chamber's persistent recommendation to bring its financial house in order. However, the Chamber expresses its grave concerns that in pursuit of a surplus, government has significantly reduced capital expenditure while allowing recurrent expenditure to balloon at a rate of 7% per annum for the fourth consecutive year, rather than vice versa.

The sharp-decline in capital expenditure is a short-sighted route to achieving healthy public finances at the cost of long-term competitiveness. On the back of consecutive years of economic success, the Malta Chamber expects a surge in much needed capital investment in order to secure competitiveness and continued growth in the long-term.

As stated on numerous occasions, the Chamber strongly believes that positive economic times present the best possible opportunity to investment in the future-proofing of a country and economy. Any form of complacency vis-à-vis the economy is ill-advised and Government would be mistaken to let the economy coast.

Size, quality and cost-effectiveness of public sector

The spike in the public wage bill, as highlighted by the Government Finance Data for January to December 2016, is also a significant cause for concern. With an unprecedented increase of €40 million per year for the second consecutive year, public sector wages continue to swell in an unsustainable manner. Besides the potential harmful effect on the sustainability of public finances, the public sector is exerting undue pressure on a private sector that is struggling to fill its vacancies in order to meet demand and that may not compete with government's remuneration packages at certain lower skill levels. Therefore, the Chamber is insisting with the two political parties not to keep the current momentum which is seeing the public sector growing to a level never seen before. It is clear that within some sections and departments there is over-employment, although it must be clear that this not the case in the education and health sectors which are still facing shortages.

In the last years, a number of private sector employees have gravitated and shifted towards government employment mainly because of the more attractive packages and stability these contracts bring. The Chamber therefore suggests that following the elections, a comprehensive study of the whole public sector ascertains the areas and departments that are still facing shortages and those with over-employment or under-utilisation of the resources and skills available. Incentives must be made available to shift surplus public servants to the private sector so as to mitigate the lacking labour supply faced across the board.

Sustainable Pensions

In its feedback to the consultation process about the review of the pension system in 2015, the Malta Chamber declared it was in favour of voluntary second pillar pensions. Although the scheme was introduced in the last budget, the administration never published details on the way it should be implemented. The Chamber therefore insists that the next Government should give priority to this matter in order to enhance the sustainability of Malta's pension system.

In such schemes, employees who join would pay a percentage of their gross salary through a payroll deduction and they would be eligible to any tax incentives that would need to be made available. The employer contribution would be zero but employers may be allowed to contribute if they wish.

Employers who may want to support saving solutions for their employees might presently be discouraged to do so for two main reasons; namely, uncertainty regarding the deductibility of their contribution as a relevant tax expense and anomalies that arise out of the Fringe Benefits Regulations. To this end, it is felt that clarification

should be provided that employer's contributions are deductible as a business expense and that such contributions will not be taxed as income or as fringe benefits in the hands of employees.

Examples of such voluntary occupational schemes are simple and efficient to administer and come at low cost. It is of utmost importance that the pensions sector is well regulated prior to the implementation of such a measure. Participating employees are encouraged to save at a young age and benefit from compounding. This enables affordable starting rates. To society, such schemes contribute to financial education through the workplace, higher saving propensities and less reliance on first pillar pension systems.

Regional Policy and State Aid

The Manufacturing Industry is in need of a concerted effort to re-establish its position as a major contributor to the country's economy and employment. While other, more volatile sectors are experiencing rapid growth, the sector that is least likely to pack up and leave with the slightest issue is not receiving adequate attention.

The increasing costs of human resources, import and export transportation as well as uncompetitive energy rates are harming the attractiveness of Malta's manufacturing industry. A number of local manufacturing operations are becoming increasingly unable to compete with leaner, better-connected production lines in neighbouring regions.

The Malta Chamber reiterates that the incoming Government must prioritise efforts to lobby the European Commission to enact legislative changes to the EU's regional policy so as to eliminate discriminatory regional aid classification criteria. The upgrading of Malta's previous 'less developed region' classification to a 'transition region', based on the positive GDP growth results driven by the services sectors, has resulted in extensive losses in terms of regional aid that is crucial to the competitiveness of Malta's manufacturing industry. Malta, and other isolated island states, face a particular predicament as the EU's regional aid guidelines allow certain aid intensities in the case of remote island regions but not in the case of remote island states. Therefore, the inherent problems Malta's industry must overcome in terms of peripherality, insularity and lack of natural resources are no longer compensated for, while the same characteristics in other competing islands and regions are. The European Union will be reviewing the EU's state aid regulations and regional policy in 2018. This presents Malta with an opportunity to make its case to this effect. The Malta Chamber, through the involvement of a number of foreign experts, has already prepared an extensive report on the subject matter and hopes to present it to all major local and European stakeholders in the months to come with an aim to safeguard and enhance the long-term competitiveness of Malta's manufacturing industry.

Air Malta

The Chamber has always insisted that the importance of the national airline is not only linked to the tourism sector but also to the remainder of the economy as thousands of business operations depend on direct and frequent flights towards specific destinations in Europe. That is why the Chamber has always appealed for Government and all involved parties in the negotiations to make sure that an agreement is found in order to save the airline.

The Malta Chamber has also insisted on the need to find a long-term solution for the airline. In the last months, the Chamber suggested solutions based on 3 main pillars namely:

1. Operational costs are reduced. The airline's workforce is streamlined and certain work practices which have been conducive to abuse are discontinued in order to make the airline competitive again.
2. That the current financial situation (debts) of the airline is rectified to make it more attractive for potential foreign and local investors.
3. The Company's shareholding is divided into three. A third would be retained by Government, a third is sold off to an international strategic partner which is involved to the aviation sector and a third which is offered to the local private sector through the Malta Stock Exchange.

Abuse in Free Movement of Goods

The un-level playing field that exists for bona fide local businesses with regard to seaborne importation of goods into the country is giving rise to serious abuse and has been raised on numerous previous occasions by the Chamber during public and closed meetings with the authorities, including Parliament's Economic and Financial Affairs Committee on two separate occasions. The Chamber has consistently highlighted the situation of erratic and inconsistent enforcement of importation regulations by the Authorities coupled with an inadequate structure to enforce the regulations.

The Chamber reiterates it has no issue with the right acquired by Maltese citizens to travel freely within Europe and return with products for personal use. However, this right is being abused to bypass fiscal duties due to the differing application of laws and definitions of legal terms across EU countries.

One such example is the local definition of "accompanied vehicle", which, uniquely to Malta, has been extended to include every vehicle up to a maximum of 10 tonnes. This complicates matters and introduces potential for abuse due to the fact that a laden forty-foot

trailer evidently exceeds the dimensions of a private car and is able to carry “accompanied cargo” in commercial quantities. Moreover, there remains a lack of uniformity in the treatment of “accompanied cargo” depending on which quay it lands. The Malta Chamber is in disagreement with this regulation and strongly recommends its review, but as long as it remains in force it should be applied uniformly and without exceptions.

The Chamber strongly recommends a review of the procedures and legal provisions which are not serving the country well, particularly when one notes the increased range of products that are subject to excise duty and increases in the rates of this tax and the additional shipping connections with Sicily that have commenced recently.

The Chamber proposes that, in view of the constraints imposed by Internal Market rules on the free movement of goods that limit the extent of physical inspection of goods transiting between Member States, wider use is made of non-intrusive customs surveillance at point of entry of all vessels carrying commercial vehicles (accompanied and non-accompanied) arriving from other EU ports.

The surveillance through the use of available scanning equipment, such as the Z Backscatter Van2, would be a very strong deterrent for those abusing the situation to evade duty and other controls as well as a further tool in the fight against terrorism in the interest of national security. Adequate human resources to operate this equipment as well as to man the Customs Department's intelligence and enforcement units are indispensable to ensure effective compliance and will provide an important element to complement an effective market surveillance solution which is the ultimate goal in the endeavour to ensure a level playing field between operators and effective protection of consumers.

The Chamber also calls for the immediate reversal of the introduction of excise duties as a replacement for eco-contribution as implemented through successive recent budgets. The implementation of excise duties on numerous essential products has only served to further create an un-level playing field for reputable, law-abiding companies and imposes additional burdens on such companies to make good for what others fail to contribute. Despite claims that excise as an instrument provides for stronger enforcement, there exists no evidence of improved enforcement or additional safeguards to achieve fair competition since the introduction of new excise duties.

Chapter Recap

- **Surge in capital investment is needed in order to secure long-term competitiveness and growth.**
- **Current growth of the public sector is unsustainable and must be reversed.**
- **Conduct comprehensive study of the whole public sector to determine over/ understaffed departments.**
- **Incentivise surplus public servants to shift to the private sector.**
- **Prioritise the establishment of a functioning voluntary second pillar pension structure.**
- **Lobby European Commission to eliminate discriminatory EU Regional Aid policies.**
- **Reduce Air Malta's operational costs.**
- **Rectify Air Malta's debt situation.**
- **Divide Air Malta shareholding into three – government, international aviation strategic partner, local investors.**
- **Review procedures and legal provisions concerning free movement of incoming goods.**
- **Improve use of non-intrusive surveillance at all port entries.**
- **Reverse the introduction of new excise duties.**

3 Human Resources

Containing increases in labour costs to maintain competitiveness

During the last few years, measures such as free childcare for working parents, in-work benefits for the long-term unemployed who return to the labour market, the reduction in income tax for the higher income earners, the establishment of a maternity leave trust fund, and incentives for people with a disability to join the workforce have all had a positive impact. All this combined with a remarkable economic performance led to an unemployment rate currently standing at 4.5 per cent, well below the EU average. Malta has undergone a major transformation in terms of labour market developments in the past years, and this change was only able to come about as a result of the policy makers' recognition that active labour market policies are more effective in the long term.

Nevertheless, during the current campaign the main political parties are making promises to introduce parental sick leave, paternal leave, extend the maternity leave further, increase the minimum wage further, give back the public holidays that fall on a weekend and implement the policy for equal pay for work of equal value. These measures coupled with the ones above are at face value positive but one has to be cautionary in proposing further measures which could have the reverse effect in eroding our companies' competitiveness and make certain categories of our labour market less attractive to employ. Therefore, the Malta Chamber looks forward to be involved in consultations on all these measures but must reiterate its position to all political parties not to promise the electorate measures which in the medium to long term could jeopardise our competitiveness and our economy leading to the same people losing their jobs and daily income.

Minimum Wage

The Malta Chamber notes that there has already been talk of the recently-signed agreement on the minimum wage as being a step in the right direction. The agreement, signed on Friday 28th April 2017, is the fruit of six long months of sensitive and courageous negotiations focused on maintaining industrial relations, wage relativities and export competitiveness. Therefore, as far as employers are concerned, the agreement is final and the next government is duty bound to respect it as the agreement is the fruit of lengthy, sensitive discussions and mutual agreement between government and all social partners.

Reducing the cost of night and shift labour

Rapidly increasing labour costs is one of the major concerns for the business community. A support scheme to lower these costs would be very much welcomed. A specific scheme is already being implemented successfully in Belgium which could very well be replicated in Malta.

In order to partly lower labour cost, Belgium has developed a support scheme that reduces the cost for night and shift labour. After notification, the European Commission came to the conclusion that the scheme does not constitute state aid as there was no selectivity in the scheme. The scheme is unlimited in time and lowers the social taxes on night and shift labour.

Companies that work with night and shift labour encounter additional costs in the form of premiums and bonuses to compensate their employees for the disadvantages of these special working hours. It is the purpose of the measure to reduce this additional cost for the companies. The measure clearly reduces labour cost especially in segments of the economy that work 24/7 such as manufacturing and hospitality.

To avoid selectivity, the measure needs to apply to all industries, except when it can be argued that a certain sector already benefits from a specially designed scheme. In the Belgian scheme, only the non-profit, and especially non-profit health services fall outside the scope of the measure, but they already have a specially designed and advantageous regime.

The Skills Gap

Despite having the lowest unemployment and highest employment levels in history, Malta's labour market is experiencing unprecedented levels of under-supply and notable skills mismatches. The lack of supply, both in absolute terms and in terms of skills, is arguably a result of the overdue modernisation of Malta's archaic

education system. The system is not producing the skills required by an economy experiencing rapid modernisation in the quantities being demanded. This is evidently the result of a lack of foresight, planning and ability to react nimbly to the demands of the economy.

The National Skills Council, though well-overdue, is a positive development in this regard and should serve to narrow the widening skills gap, though its effectiveness is entirely reliant on the willingness of the country's educational institutions to implement its proposals.

Career Guidance also has a significant role to play in the narrowing of the skills gap. It is imperative that the national skills council feeds career guidance counsellors in schools with reliable information on the needs of the present and future economy as counsellors play a fundamental role in influencing students making important choices regarding their career paths.

The Malta Chamber further recommends utilising stipends as an instrument to provide for present and potential gaps in the labour market. One example was the increase in stipends and initial financial grants for students reading for B.Sc in Pharmaceutical Science as of September 2016. This initiative is in line with the Malta Chamber's stance in favour of a reformed stipend system that better guides students into choosing rewarding career paths in demand by the economy. The stipend system must be linked to an Employability Index which was introduced in the last legislature and to the findings of the National Skills Council, while not provided gratuitously. Government is encouraged to implement similar measures to further support employers in their need for scarce qualified personnel.

As advocated on numerous previous occasions, the Malta Chamber is a major supporter of work-based learning, apprenticeships and internships. It is a priority that youth keep on studying after completing secondary school and in cases where they take a vocational route rather than an academic one, they should be given the opportunity to learn on the job and have a more hands-on and practical learning experience through placements.

The Chamber's members continually express their perceived effectiveness of apprenticeship programmes to improve the skills sets of young people. The reform to the country's apprenticeship system is fundamental to improve employment opportunities for school leavers and those pursuing vocational studies, whilst further narrowing the existing skills gap.

Work Permits for Foreigners

Malta's unprecedented economic growth has also led to an unprecedented number of foreign workers actively participating in the labour market without affecting employment figures of Maltese citizens. Employers have recognised the value of foreign workers and in recent years, Europeans and third country nationals of all skill levels

have been offered practically every second job opportunity in the private sector. The Malta Chamber believes that migrants and foreign workers are not a burden to society but rather a valuable resource that must be mobilised in the most effective way possible.

The Malta Chamber urges government to formally acknowledge the opportunity at hand and implement a complete overhaul of the formal work and residency permit application procedures. It is imperative that said procedures satisfy the European Union Directives but also introduce the efficiency and flexibility that Malta's growing economy desperately requires. The present situation wherein numerous employers have reported lost business due to delays in the processing of work and residency permit applications for foreigners selected for employment may not persist if economic growth is to be sustained.

The establishment of the Job brokerage Office is also step in the right direction; however, it appears that the office is only intended to serve as a short-term stop gap to facilitate and somewhat regularise the supply of migrant workers during the periods where the demand for seasonal workers is higher. As long as work and residence permit procedures are not restructured and realigned to present needs, the demand for such workers will continue to outweigh the supply.

The Malta Chamber also recommends faster processing of asylum applications along with the introduction of a skills evaluation process that runs in parallel to the asylum application process, while potential job opportunities and skills matching must be taken into account reviewing asylum application.

Chapter Recap

- **Contain increases in labour costs to maintain competitiveness.**
- **Minimum wage agreement is final.**
- **Implement support scheme to lower costs of night and shift labour.**
- **Bridge the skills gap through National Skills Council, modernisation of education system, updating career guidance counsellors, using stipends to attract students to particular courses.**

- **More focus on work-based learning, apprenticeships and internships.**
- **Overhaul work and residency permit application procedures.**
- **Speed up processing of asylum applications and include a skills evaluation process running in parallel.**

Investment Support for Enhanced R&D Capabilities



The Malta Chamber reaffirms its firm belief that Research and Development (R&D) is one of the foremost pillars upon which the country's sustainable economic growth rests, as this can provide Malta with a much-needed competitive edge over competing neighbouring regions. The availability of a proper and sustainable infrastructure in research and innovation (R&I) will provide Maltese industry with a better chance of building and retaining a more resilient and competitive position based on expertise and quality, assets that are less readily available in competing regions. Such assets are a pre-requisite for investment attractiveness in any industry or sector.

The Europe 2020 strategy sets a target of improving the conditions for innovation, research and development, in particular with the aim of increasing combined public and private investment in R&D to 3% of GDP by 2020. Malta's combined spending remains well below 1% of GDP.

To this end, the Malta Chamber proposes the following measures:

A concerted effort to push up the spend on R&D to 3% of GDP through a robust framework of accessible investment incentive programmes and support mechanisms. This can be achieved through the following measures

- a. Research and Innovation deserves a dedicated Parliamentary Secretary closely linked to the industry sector instead of unrelated areas;
- b. Set up a Malta Business Research and Innovation Body;
- c. Promote knowledge transfer between industry and academia through knowledge transfer partnerships (KTPs) to support existing structures;
- d. Assessing and forecasting the skills and human resources required for the R&D process to be in place;
- e. Facilitating Visa applications to allow more third country researchers to do their research in Malta'
- f. Promote and incentivise the concept of 'living labs' in Malta. Positive examples already exist such as Vodafone during its initial years in Malta;
- g. Need for appropriate funding programmes to sustain R&D under current EU structural funds;
- h. Need for appropriate funding programmes to sustain R&D under the MCST National R&I Programme;
- i. Introduce programmes that promote seed funding for innovative projects;
- j. Introduce programmes that are related to commercialisation of projects after proof of concept;
- k. Promote and introduce equity financing instruments for innovation;
- l. Tax Allowance of 200% of R&D expenditure to companies including investment in research activities at University or MCAST;
- m. Raise awareness of the different Intellectual Property Rights (IPR) commercial opportunities;
- n. Simplification and support of IP registrations both locally and within the EU ;
- o. Provide more resources to the local Registration Office.

Access to Finance & Incentives for Enterprises



Access to Finance

The Malta Chamber was recently encouraged by the announcement to set up a Development Bank as an additional credit granting institution for enterprises. The Malta Chamber had proposed the setting up of such an institution for a number of years, most notably during the pre-budget consultation process of the last four years. The Malta Chamber now notes and welcomes the European Commission's approval for the setting up of a development bank to carry out non-commercial activities that facilitate access to finance for SMEs and support infrastructure investment.

With a planned capital injection of EUR 200 million, as well as guarantees and tax exemptions worth around EUR 55 million, the approved Development Bank will serve to fill a vital gap in enterprise financing. The Malta Chamber expects urgency in the establishment of an operational Development Bank that, alongside the function to finance infrastructure project, must also support willing enterprises to exploit the vast opportunities at hand.

The Malta Chamber also proposes an enhanced level of communication between government entities, business and the banking community as well as the development of alternatives for non-bankable business ventures. It is imperative that the Development Bank is operational in a reasonable time frame before several opportunities existing at present, as well as the current willingness to invest, are lost.

Incentives for investment in Gozo

Those willing to invest in Gozo by establishing new operations or relocating existing operations to Gozo should be provided with incentives. With adequate incentives, particular industries and sectors that are not restricted by the geographical characteristics will be willing to relocate to Gozo. This, in turn, will serve to build towards a population critical mass necessary to continue to attract people and investment to Gozo.

Chapter Recap

- **Urgently ensure Malta Development Bank is operational**
- **Enhance communication between government, business and banking community**
- **Provide incentives for investment in Gozo, particularly for sectors not restricted by geographical characteristics**

Transportation

The Chamber has become profoundly concerned about the acute traffic situation in Malta that is negatively impacting people's daily lives, the economy and the environment. The country needs a coherent, holistic and long-term strategy to permanently address the gridlocks that the country is currently facing.

A 2015 study by the Institute for Climate Change and Sustainable Development within the University of Malta found that Malta will experience a total cost of €274 million a year increasing to well over €300 million by 2020.

It is therefore clear that Malta's transportation infrastructure needs major investments. In order to build the safest, most effective and sustainable multimodal transportation system, the country needs a new strategy based on a number of guiding pillars:

- An economically, environmentally and socially sustainable plan
- A multimodal transportation infrastructure investment plan
- A stronger involvement of the Private sector through PPPs or other joint ventures
- A competitive regulatory and fiscal environment
- A long-term vision for the country's transport needs.

The Chamber believes that the financing of transport projects should include further involvement of the private sector through Public Private Partnerships or Joint ventures. The Chamber also recommended that Government invests part of the proceeds of the new "sovereign" fund created through the Malta Citizenship by Investment (IIP) scheme in transport infrastructure to alleviate the cost of traffic on the productive sectors.

Logistics Hub

The Malta Chamber has always insisted that due to Malta's strategic location, the country could become a regional logistics hub. This was first seen with the completion and continuous expansion of the Malta Freeport in Birzebbugia over the last three decades. During the last legislature, the Malta Chamber welcomed the proposal to construct

and operate an International Logistics Hub at the Groupage Complex in Hal Far. It is felt that this initiative can prove to be a valuable asset to the Maltese logistics sector and complement the services offered by the Freeport and other operators. The planned expansion is approximately four times the size of the existing warehousing space.

It is our opinion that the successful development of this sector requires a co-ordinated and joint effort for the development of a national Logistics Strategy. This should be a top priority for the next government. Through this strategy, established within a reasonable time-frame, a clear vision of how the Logistics sector will grow and develop, as well as the initiatives to be taken by both the public and private sector.

Chapter Recap

- **The country needs an economically, environmentally and socially sustainable transport plan based on multimodal transportation.**
- **Capital investment in transport projects should be financed through PPPs and use of the funds generated by the IIP scheme.**
- **Successful development of Malta as a Logistics Hub requires a coordinated rethink of the criteria established in the recent call for proposals for a Hal-Far Logistics Hub.**

Energy



The Malta Chamber is eager to resume discussions on our proposals for lower energy tariffs for business and industry. Despite the 25% reduction introduced in April 2015, Malta's average industrial tariffs remains well-above the EU-28 average level and is the fifth highest in Europe. These figures need to be taken in the context that Malta is the sole European member state with higher energy tariffs for industrial consumers when compared to households. Energy tariffs in industry typically represent a highly significant 4% of turnover or 12% of total overheads. Moreover, energy tariffs are amongst the primary considerations that foreign direct investors consider when choosing a location to set up their business.

There is sense in arguing that businesses want stability in prices but in the current scenario of prolonged low-levels in the international price of oil, the term "stability in prices" needs to be redefined.

The Malta Chamber proposes a revision of the Night Tariff framework to one with a lower eligibility threshold and a wider timeframe.

Enterprise should be allowed the flexibility to purchase their own energy (either singly or jointly) from a variety of sources not least through the interconnector when cost-effective to do so. The Chamber is not against the involvement of Enemalta in similar transactions to cover the cost of energy distribution over the domestic grid.

Besides, companies must also be allowed to manage their own distribution system. Substations may be owned, maintained and operated by business users. The possibility should be explored to launch private initiatives or private-public partnerships for more cost-effective and efficient distribution to industrial users, through investment in new infrastructure to create private distribution hubs in industrial and other clustered areas, with the possibility of acquiring energy from different sources and at the best rates.

Further to this, the Malta Chamber also proposes the re-introduction of incentives that promote investment and use of renewable energy sources and cleaner fuels. Introduction of financial incentives for such investment will contribute towards the country achieving its 2020 energy related targets. Incentives may be tax or non-tax related and must aim towards enabling local operators to invest in renewable energy. Such incentives may be investment tax credits or allowances, preferential feed-in tariffs, equipment rebates, grants and loans, which all provide incentives to expedite investments in green technologies.

An effective way to achieve higher investment of renewable energy to create a system of 'energy vouchers' which are credited against companies' energy bills, proportionately to the investment made in projects which enable the companies to utilise alternative energy sources and to increase their efficiency in consumption.

The Malta Chamber suggests the setting up of a system that rewards companies demonstrating a consistent reduction in their energy consumption with corresponding lower electricity rates.

Chapter Recap

- **Night tariff framework must be reworked to have a lower eligibility threshold and wider timeframe.**
- **Enterprise should be allowed the flexibility to purchase their own energy (either singly or jointly) from a variety of sources.**
- **Incentives programmes are required to promote investment in renewable energy sources and energy efficient equipment.**

- **Introduce Energy vouchers that are credited against energy bills based on investments in renewable energy**
- **Create a reward system for companies demonstrating consistent reductions in energy consumption.**

Sustainable Development and the Environment

The rapid urbanisation of the country is leading to dense over population in certain zones, rapid depletion of open spaces, significant stress on ageing infrastructure and overall lower quality of life for residents. However, it is pertinent to note that the demand for property driving said urbanisation is not everlasting. It is closely linked with the performances of many other economic sectors and reliant on a number of policies and reputational factors that may or may not be controlled. As the country is experiencing highly uncertain times, both domestically and internationally, the economy must avoid over reliance on the construction sector and property market. The slightest of changes to international taxation regulation frameworks or any potential self-induced reputational harm will undoubtedly dent the local construction and property market and with it other sectors such as Financial services.

For this reason, the Chamber urges the next Government to focus on sustainable planning and development policies with a commitment on the long term overall quality of life of citizens based on protection of the environment. The short-sighted Strategic Plan for Environment and Development (SPED) must be revisited to curtail present haphazard development practices with policies more conducive to a sustainable environment.

The country must continuously strive to strike a healthy balance between sustainable development and socio-economic growth. Indeed, Planning and Environmental policy is far-reaching. The principles of sustainability should not be prejudiced especially in Malta where land is such a scarce resource.

Pressures on environmental considerations and land-use, in particular, are exerted by needs placed by all aspects of development such as agriculture, tourism, transport, commercial, residential, educational, infrastructural and social. All must be complementary within a holistic national plan for the country's balanced socio-economic development.

In view of the above the Malta Chamber agrees on development based on the following principle:

"as long as it is done intelligently, in a sustainable manner and within the confines of a long term national master plan. This plan needs to be qualitative, economically and environmentally viable and socially responsible with a binding effect on all political parties."

With regards to the country's urgent need for a comprehensive national waste strategy, the Chamber was involved in consultation with stakeholders and prepared extensive feedback on how the country may effectively address the fragmented and piecemeal approach to waste management. The Chamber reiterates it is in a position to discuss its in-depth proposals with the incoming government with a view to encourage its early implementation to the benefit all stakeholders and the environment.

Chapter Recap

- **Focus on sustainable planning and development policies aimed at long term quality of life.**
- **Conduct comprehensive review of the short-sighted Strategic Plan for Environment and Development to curtail present haphazard development.**
- **Further development must be analysed within the confines of a long term national master plan.**
- **Discuss Chamber's proposals for a comprehensive national waste management strategy for early implementation.**



Better Regulation & further reductions in Administrative Burdens

For the last decade, the Malta Chamber has argued in favour of implementing a long-term strategy for a reduction in administrative burdens and the implementation of better-regulation policies.

The vast majority of Maltese companies are micro businesses that are disproportionately affected by overregulation and bureaucracy compared to their larger counterparts.

The Malta Chamber proposes that:

1. A new national competitiveness watchdog is established to ensure that the economy is not hampered by new and excessive regulations, measures and taxes that negatively impact competitiveness. The Chamber believes that the Better Regulation Unit within the Management Efficiency Unit is the

entity best equipped to implement such an initiative.

2. As established by the Small Business Act, regulatory impact assessments must be enacted without further delay. As evidenced by the implementation of the tourism bed tax, the Chamber firmly believes that all regulations having a potential effect on business must pass a regulatory impact assessment and only be implemented on a "one in and two out" basis.
3. Prior to launching any initiatives that directly impact business operations, there must be 1) the necessary consultation with impacted or interested parties, 2) a proper and holistic implementation plan and 3) the necessary legislative backing.
4. That certain government departments, agencies and ministries offering essential services to businesses maintain a skeleton operation able to deal with urgent business during the afternoons in summer months. The delays experienced to acquire public services during the summer months contribute significantly to increased costs due to inefficiencies.

The Chamber positively notes the recent establishment of a new coordinating office within the Permanent Secretariat for Strategy and Implementation within the Office of the Prime Minister tasked with streamlining inspection processes carried out by 24 inspectorates that presently keep a sharp eye on the country's businesses. The incoming government is encouraged to see this initiative through and ensure its effective implementation without delay.

Excise Duties

As previously stated, the Chamber calls for the immediate reversal of excise duties introduced as a replacement for eco-contribution. Responsible operators that self-complied or subscribed to private waste-management schemes in order to recycle their waste were exempt from eco-contribution. Yet, with the introduction of excise duties, the same operators are paying excise duties on top of the scheme fees, hence incurring additional tax and administrative burdens.

Merger of Revenue Collecting Departments

The Chamber also urges the new government to revisit and conclude the long overdue merger of public revenue collecting entities namely Customs, Inland Revenue and VAT departments. Present practices are harming law abiding enterprises, impacting revenue collection. Sectors largely reliant on public procurement as a source of revenue often face severe cash flow issues. Such a merger would alleviate cash flow constraints as the Chamber proposes the offsetting on unpaid invoices against amounts owed to government revenue collecting departments.

Chapter Recap

- **Establish a new national competitiveness watchdog.**
- **Regulatory Impact Assessments as required by the Small Business Act must be enacted.**
- **Government departments must maintain a skeleton operation able offer essential services during afternoons in the summer months.**
- **Immediately reverse the introduction of excise duties and their cost and administrative burdens.**
- **Revisit and conclude plans to merge public revenue collecting entities.**
- **Allow companies to offset unpaid government invoices against amounts owed to government revenue collecting entities.**

Justice Reform

Malta's justice system has over the years been expanded and reformed under various administrations. Nevertheless, results have been few and far between. The general perception remains that the Law Courts are one of the most archaic and bureaucratic institutions on the Islands. This is not a perception but a fact, which has also been confirmed by numerous reports and studies carried out both at a local and international level. The latest European Commission study, the Justice Scoreboard, clearly concludes that Malta has one of the least efficient judicial systems in the European Union, especially when it comes to the duration of cases. After the recent Justice reform on which the Malta Chamber submitted extensive feedback, some minor changes have been noted and this is positive.

Nevertheless, both local and foreign investors need a justice system which is efficient. The reform proposed in 2013 went a long way in attempting to improve the situation but very few of the proposals were actually implemented.

To businesses and investors, "justice delayed is justice denied" and therefore, the Malta Chamber is making the following suggestions which could go a long way in solving problems in delays related to commercial cases.

Alternative Dispute Resolution

The Chamber has already been on record in stating that it is in agreement with the increased use of mediation prior to effectively seeking the normal legal redress procedures. Mediation, which has been regulated since 2004, requires a new impetus to extend it further to cover other legal fields beyond civil disputes especially in the sphere of Family law.

The Chamber believes that there is also need for a media campaign and an outreach programme with business operators to promote better understanding of this concept. This would lead to a tangible appreciation of Alternative Dispute Resolution (ADR) as being a viable cost-effective option in disputes. It is further believed that more resources need to be allocated to this centre.

Alternative Dispute Resolution (ADR) and the use of other law courts have for the last two decades increased in importance. Below are some examples of tribunals and centres which, in our opinion, could be better utilised to effectively decrease the backlog that exists within the law courts.

Local Tribunals

A number of minor infringements of the law such as minor traffic offences are currently heard by Commissioners of Justice in Local Tribunals situated in various localities. It is believed that such a decentralised system could be utilised in a more efficient manner to effectively redirect other minor infringements to these tribunals. This would enable a better use of the civil court for more important trials.

Small Claims Tribunal

Malta's justice system allows for a Small Claims Tribunal, whose jurisdiction includes all money claims that do not exceed 5000 euros. The main aim of this tribunal, which is presided by an adjudicator, has been to oversee that such cases are decided upon without delay. It is claimed that this tribunal is effective and that plaintiffs are satisfied with the results being achieved. One suggestion the Malta Chamber would like to make, is that of increasing the current low threshold to Euro 10,000. The Tribunal is currently underutilised and therefore increasing the threshold could engage more clients to make use of this Tribunal. The same could be applied to the Magistrates' Court, in which case the financial claims threshold could be increased even further.

Mediation Centre

At the Mediation Centre, the parties may reach a solution with the assistance of a mediator. Mediation proceedings may be resorted to either voluntarily, by a court order or by law. The Malta Chamber believes that the use of this centre is indeed important in the furtherance of voluntary agreements. It is believed that further promotion of such centres could also bring a better notion of finding common ground between the litigants.

Arbitration Centre

The Malta Arbitration Centre was set up to promote and encourage the conduct of domestic arbitration and international commercial arbitration. The Malta Chamber believes that this centre could be

better utilised in international disputes concerning both local and foreign companies but also foreign companies that could use Malta as a neutral ground for their disputes. Given that the fees are relatively low compared to other centres in Europe, there would be potential to use such a centre as an international centre for arbitration.

Chapter Recap

- **Local tribunals can handle a number of minor infringements of the law**
- **An increase in the Small Claims Tribunals threshold to EUR 10,000 would improve its underutilisation.**
- **A mediation centre is vital to achieve more voluntary agreements in legal disputes.**
- **The Malta Arbitration Centre must be better utilised in international disputed concerning local and foreign companies that could use Malta as a neutral ground for disputed.**



Rent Reform

The Malta Chamber has been feeling the need to analyse the status of present rent laws concerning both the landlords and tenants of commercial and residential property. The Chamber's aim is to iron out the existing anomalies in the market which gave rise to serious injustices. To this end, the Chamber, in collaboration with other interested parties, embarked on a comprehensive, objective and technical analysis and held numerous discussions with the main stakeholders. The process resulted in the formulation of a number of proposed measures and solutions to reform certain archaic and ill-serving rent laws. The detailed position has now been finalised and approved internally. Consequently, the Chamber is in a position to discuss its in-depth position with the incoming government with a view to encourage its early implementation to the benefit of all landlords and tenants.

A Healthy Tourism Sector

MTA Board

As a main representative of a wide range of service providers in the tourism industry, the Chamber should be assigned one of the rotating positions on the Malta Tourism Authority Board.

Eco-Contribution

Once the bed tax on tourists was introduced in the form of an eco-contribution, the Chamber noted the counterproductive nature of the tax with regards to the accommodation services provided by host families. The tax serves to discourage the provision of a vital service offered to English language students and hence the Chamber reiterates its proposal to revert the application of the tax in the case of host families.

Effectiveness of MTA Enforcement Unit

The main purpose of the MTA's enforcement role is to protect consumers and the public by encouraging compliance with the rules applicable to travel and tourism companies and to deter non-compliance. Despite notification, the Enforcement Unit seems focused solely on accommodation operators, disregarding all other operators. This is leading to a chaotic situation that diminishes the significant marketing carried out by the Authority. The Chamber urges the new government to restructure the MTA Enforcement Unit to effectively investigate all reports and enforce as required.

Improvements to national transposition of the Travel Package Directive

The 2017 Travel Package Directive aims to place all package holiday operators on a level playing field. However, the transposition into national legislation defines the “organiser” as a person who “other than occasionally, organises packages and sells or offers them for sale, whether directly or through a retailer”. The exception for “occasional organisers” (defined as associations, government entities, departments, local councils, societies and hotels) has created a situation where unprotected holidays are sold to the public. Hence, the Chamber calls for a revision of the legislation in order to harmonise the market and re-establish a level playing field for all package holiday operators.

Tourism Zones

The Chamber is of the firm belief that the new government must truly prioritise the improvement of the “the aesthetics and environmental quality of tourism zones...through better landscaping and a general greening of the environment, with a particular attention to detail and design” (National Tourism Policy pg.39). This proposal must also be considered in light of proposals made above with regards to the redrafting of the Strategic Plan for the Environment and Development so as to achieve sustainable tourism zones with a unique, attractive identity.

Chapter Recap

- **Chamber representation of MTA Board.**
- **Revert the application of eco-contribution for host families.**
- **Restructure MTA Enforcement Unit**
- **Revise Travel Package legislation to create level playing field**
- **Prioritise improvement of Tourism Zones**

Conclusion

In conclusion, the Malta Chamber reiterates its belief that the next election is of fundamental importance to the country. As a first priority, the political party which wins the next election should ensure to bring normality into the country as quickly as possible and safeguard the positive image it has abroad. The party in Government should as a first aim ensure that Governance becomes its top priority so as not to jeopardise its reputation which could in turn affect important segments of the economy such as the Financial services, gaming and other important foreign and local investments.

In line with the need to further consolidate public finances and our competitiveness levels we are of the firm belief that the country's political leaders must place wealth creation firmly before wealth distribution.

Meanwhile, the Malta Chamber appeals to the country's political parties to ensure that they refrain from making any electoral promises and propaganda statements that could seriously jeopardise Malta's international recognition and future economic development. We therefore encourage all political parties to ensure a mature political discussion, in which matters of concern, listed above, are discussed.

**Policy Proposals by
the Malta Chamber of Commerce, Enterprise and Industry
for a Competitiveness-centred Electoral Manifesto**

May 2017

