



Budget 2010

GRTU Proposals

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Preamble



Given the current world economic situation and the impact this has had on the Maltese economy, the Minister of Finance will be wise to introduce a Budget which is bolder, much bolder, than the one activated in 2009.

In 2010 the Maltese economy will have to meet not only the repercussions of what occurred in 2009 but must be able to grow as Maltese industry and enterprise find the stimulus to restructure fast enough to meet the new challenging market conditions as the world economy returns to growth.

Government's 2009 Budget target, to sustain and stimulate major manufacturing exporters, has worked and been beneficial to an extensive number of clusters that economically rely on these exporters, but the limitations of our national budgetary constrains has limited the direct impact to only selective industries and sectors. Now the stimulus package must be broader in its focus. Budget 2010 must therefore aim at the curtailment of all unnecessary public expenditure and focus much more diligently than ever before on financing productive investment and sustaining viable public expenditure.

In the search for curtailment of excessive financing and funds to further sustain and stimulate economic growth through the support of productive work and enterprise, Government should not consider any current expenses included in the standard budget format as sacred and untouchable. We are living through tough times and we seek tough decision. Government and Opposition must come together and decide on what financing cuts are required to ensure Government has the necessary funds to finance a broad enterprise stimulus package without widening the public deficit to GDP ratio to unacceptable levels. This is no time for political bickering. It is time for bold decisions on behalf of all the Maltese.

Once again the Maltese economy is entering an important phase of restructuring. After the recession Malta should not face a new wave of structural unemployment. For this not to materialise enterprises and entrepreneurs must be supported to re-invest

and restructure to meet the always changing and more challenging world market.

Only the businesses which operate in a low cost structure are still doing comparatively well. Many enterprises operating on the local market today, whether in retailing, distribution, construction, tourism or services in general, have come on the market in years of economic expansion and many have allowed themselves to become high cost operations. These are the firms who have found it most hard to live through the recession.

Enterprises, large, medium or small, with steady financial reserves and realisable assets have the means to re-engineer themselves to operate in a market situation where only the more competitive firms can survive and grow. Many firms, however, especially the newer ones, are more fragile and they will enter the new phase of growth heavily burdened with the debts and high cost structures of yesteryear. These firms will not be able to sustain their current level of employment and commitment to creditors much further.

The economy after the recession will not grow at high enough rates to enable these firms to recuperate the losses suffered during the period of negative economic growth and they will not have the necessary funds to pay for the necessary new investment that will enable them to return to profitability. The commercial banks, without pressure from the Authorities, will not support these firms in the form of stimulus or direct intervention.

Undeniably, many businesses came in at a high cost level, and now their business, though in general viable, given the newly emerging tighter economic circumstances, is becoming unsustainable. They will not be able to sustain their current level of employment, meet all their obligations, and restructure to survive the tougher competition. Government's best strategy is therefore to sustain these firms and await the new ones to be established. This is important for the long term but will not meet Government's immediate short to medium term employment targets.

It is therefore imperative that Budget 2010 aims clearly at relieving these firms of unnecessary burdens and allows them to enjoy moratoria on payments to Government institutions, the

tax authorities and to commercial banks, which give them the space to spend their hard earned funds on new investment and capital restructuring and innovation. New foreign direct investment will remain high in importance for sustaining steady rates of economic growth but the survival and expansion of the Maltese owned firm is essential. These firms need support as on their own they may either not cope, or proceed only with difficulties thus slowing down the Maltese rate of economic growth.

GRTU is keen on ensuring a revival of high level consumption patterns, so vital for the survival of many GRTU members, but we would rather see this happening through the spending of higher earnings by workers employed by viable enterprises than by mere short term consumption stimulus. Government aid schemes must therefore be focused, more direct and open to any sector, be it manufacturing, export, import, services or retail. If there is no uptake of the schemes Government must redesign to ensure uptake. The targets must be to help businesses survive the recession without sustaining any long-term damages, re-launch and innovate.



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I. Introduction

Enterprise support must remain Government's top priority in Budget 2010. Enterprise has now waited for too long. The MCESD guidelines for new economic growth are important but the Minister of Finance must also evaluate and introduce other supportive schemes as proposed by enterprise representatives. GRTU as the business community representative organisation with the widest cross section of large, medium, and especially the small firms, has extensively researched its wide representative base and the proposals being submitted by GRTU for Budget 2010 emerge from this consultative process held between July and September 2009 long to be heard and helped.

Government must rethink many of the extravagant non-productive expenses. It must push on with infrastructural projects that modernise the country. Government must prioritise its spending and go for support for jobs and innovation, and for projects that are strategically viable. GRTU recommends that Government should shelve all that is pompous and non-productive and really focus on economic stimulus and growth.

The port projects, schemes to support first-time buyers, new roads projects, an extended factory buildings project legislative measures to implement the Small Business Act as well as much greater funding for Malta Enterprise for use in new bold schemes to support business innovation, investment in alternative energies and in education and greater investment support to create more places of work in the localities and avoid unnecessary travel. There must also be more that really leads all public sector entities with a direct input to the essential economic revival.

It must be a Budget that supports the positive energy of entrepreneurs to get the economy going. Today business is invaded by negative energy. A weak Budget supports these negative forces and will not lead to the good feel factor that enterprise owners desire to motivate new entrepreneurial initiatives.

GRTU's proposals are not targeted for implementation in one single year but are meant to be achieved within a framework of 3 years. With the major impetus effected during 2010.

1. The Economy

Regretfully, Malta in the past has not saved enough to have the necessary funds available to invest in our economic re-launching and Budget 2010 must therefore concentrate also on the encouragement of new investment funds that can be attracted to Maltese, by Maltese who have in the past preferred to invest abroad or to keep funds locally but economically inactive, and foreign funds that will, given the right incentive invest in new Maltese financial instruments supported by Government. In the search for new means of funding expansion, re-investment programmes and initiatives Government must also be seen to be bold.

The local economy strongly depends on our direct and indirect export earners and the search for new potential earners must continue to be encouraged by appropriately supported and financed Malta Enterprise initiatives. The Maltese have resources that should now be harnessed to get the economy going not just by sporadic short term action but by creating the bold initiatives to cause public and private investment to move to where it is strategically most needed. Building more retail outlets and shopping alleys and further investments in apartments and real estate that serves only a local demand is simply not the way forward. We need to encourage and focus on the investment that attracts new quality employment possibilities that are backed by a growing international demand. This is the future that beckons.

To get this investment direction Government must be bold in its fiscal and enterprise support policies. GRTU is not after subsidies but enterprise must be nurtured and supported to be able to sustain bad economic times and have the required funds for re-investments necessary for a better future. To obtain the necessary funds Government should not shy away from selling and disposing of assets that serve no particular strategic purpose, but can bring in the capital funds which can be invested profitably in areas that strategically are more relevant.

Government should also not hesitate from promoting initiatives that will finance new schemes to support growth even if this implies giving amnesties to persons who in the past withheld funds from the Maltese economy and the utilisation of all available Maltese owned funds. This represents the most cost-effective financing and the economy and Government highly depend on new sources of financing if the projects that need to be promoted in Budget 2010 are bold enough to meet the economic reforms that are needed.

1.1 Restructuring

Budget 2010 must be a budget that shows Government is really in control and leading the economic revival. All the Reforms promoted by Government, including MEPA Reform, must belong to one strategic development strategy geared primarily towards economic restructuring and revival.

Malta's is one of the most open economies in the world and there is very little we can do to change on our own world market conditions. GRTU cannot emphasise enough that the problem is not a question of merely boosting demand and consumer spending. If much of the stimulus is simply geared towards demand boosting, in an open economy like ours, most will be lost as it will benefit producers elsewhere, even though the local economy will see a one-time, short term growth.

What we need, and must do, is restructure and renovate internally within the Maltese economy so that enterprise can competitively meet the new market challenges the world imposes on us. We must do this even before our competitors who are as of now already moving ahead with their reforms to be more competitive.

Our assessment indicates that unfortunately still Government has not invested enough in the areas that matter most to sustain a strong new phase of economic growth. We need to invest more robustly in areas of technology, re-training of workers, infrastructure, innovation, harbour development and areas of renovation and innovation so that our economy gets geared to what will be in demand by the international markets in the years ahead.

Budget 2010 must ensure that the monetary authorities introduce initiatives that will, if need be, force the Banks to themselves be bolder in their support of Maltese enterprise. GRTU believes that there is too much liquidity in the Banks and in the whole monetary system that is not being utilised effectively to support Maltese enterprise to grow. For Government simply to await market forces to lead without direct Government supportive measures is simply not good enough. The time to restructure to meet the future demands is now.

GRTU believes in projects like Smart City and that is why GRTU was leading to ensure a public commitment by the developers to commit to the contracts and plans as originally envisaged. Smart City is not a one time project but a process that should lead to a new phase of development for many Maltese firms who need to cluster with enterprises attracted to Smart City and move on to seek new expansion potential on an international market.

The Maltese economy needs to seek new market options as the demands on the global market change. These are the demands which Maltese enterprises will have to address

in the coming years in terms of exports of goods and services, tourism inflows, financial services, harbour and trans-shipments, and the growing market of retirement centres among others. GRTU recommends that the clustering element of the Smart City project should be supported and Maltese firms helped to invest and strengthen their economic linkages potential with Smart City.

Budget 2010 must further the debate in Malta on what shape we want our economy to be in the next decade to grab the opportunities that will emerge in the post recession world. Malta cannot afford to waste energies discussing the projects that are not crucial to the more urgent issues facing the economy today.

1.2 Recovery

GRTU's analysis reveals that at SME level the situation is much worse than the national figures show. The averages published by NSO often lead to unrealistic perceptions in assessing SME economic performance as the income of the larger enterprises tends to cover the losses of the smaller ones. Often enough Government initiatives supportive of SMEs are very selective and limited to tight budgets so that only the lucky few really benefit. As a general rule most enterprise owners hardly ever receive any support as initiatives are either selectively geared towards exporters or reach only a limited few. This is a situation which is now rapidly changing as a result of EU Funded schemes but this is not enough to meet the real challenge.

Policies that aim to master the current economic and financial downturn and to support a recovery for the Maltese economy must be placed at the centre stage of Budget 2010. The recovery must be supported by policies which aim to bring back confidence to all economic actors and to stabilise economic demand, without further endangering fiscal stability in the long run.

The strengthening of the SME sector is key in the economic recovery. This budget must be a conscious budget however it must restore confidence for a new start.

GRTU proposes:

- Use of the extended possibilities offered by the new state aid regulation to support SMEs, especially with public loan guarantee schemes, including guarantees for working capital and for enlargement of the business. Self employed would also start qualifying for the subsidy on the bank interest rate.
- Use the possibilities provided by the Stability and Growth pact to increase public investments without endangering the long term targets for budgetary consolidation.

- Stimulate private demand by setting the right incentives, i.e.: extension of the energy saving investments in private houses. Government must provide the necessary fiscal incentive to encourage developers not simply to issue an energy audit certificate on property placed on the market but to build and sell property that qualifies and saves energy. GRTU is recommending that the 12% withholding tax on properties that qualify to high energy saving criteria as set by Malta Resources Authority will benefit from a reduced 5% final withholding tax.
- Stimulate public and private demand by investing in infrastructure also via Public-Private Partnerships. Government must provide the necessary fiscal incentives so that developers will invest in the renewal of our old urban centres and in the creation of new comprehensive development projects that will cause first home buyers to return to the village and town cores or to reside in new energy saving modern comprehensive estates. GRTU has prepared a special package of fiscal incentives so that these initiatives can be achieved in the short and medium term through appropriate Private Public Partnership projects. It is a question of encouraging developers' funds and energies where the community needs most.
- Arrangement to be made so that all Malta Enterprise schemes become available to the self employed, sole traders and retailers. Revision of the minimum budget threshold should also be drastically revised to cater for SMEs with a limited turnover. Most Government initiatives continue to disfavour the sole trader, the younger and newer entrepreneur and continue to carry a bias against retailers and craftsmen. Hardly any initiatives exist to support artisan development and investment. The few schemes that exist to support young entrepreneurs to invest in creativity and new design are very limited and do not meet the demand for new private initiatives by new investors who do not have family financing support.

1.3 Taxation

GRTU Proposes:

- The system of simple withholding tax on income that was adopted for farmers is adopted for other selected self-employed sectors. This option should be given to selected sectors such as the repair garages and household services made by self-employed persons like electricians, plumbers, house painters, etc...
- Other commercial activities managed by incorporated self-employed and small business owners, who have a turnover of less than €600,000, are given the option of paying one 3% withholding tax on turnover. Where the income is not immediately calculable payment on a quarterly basis is given.

- A powerful increase in the Income Tax Thresholds to give a push to the employees and self employed and reduce the pressure of the cost of employment for SMEs
- A reform of the penalties and interests imposed by the VAT and Income Tax. It is not a one time exception that is needed but a reform that encourages best practice in replacement of the current scheme that castigates most harshly abusers but does in no way reward and encourage the regular good practice performer. It is ironic that firms and self employed who are regular good practitioners suffer the same as those that are habitual defaulters as no credit is ever accumulated for use during a bad period. GRTU recommends that rather than simple post tax relief for bad economic non profitable years that small firms be given actual tax commutation in cash in lieu of tax credits accumulated which tax credit commutation can be used as investment direct injection to finance new projects and new capital injections.
- Legally recognised family members working together within a family owned business not to be penalised for dividing the profits and castigated with bureaucracy
- Budget 2010 must commit Government to introduce a Taxpayers' Charter and implemented with effect from 1st January 2010.
- Changes should be made to the current VAT law to allow businessmen to report that they cannot pay their dues on time and avoid incurring fines that are higher than what they actually owe.

1.4 Credit Cards and Banks

GRTU continues to stress the need for Government to check, through the responsible regulators, the charges imposed by Banks on commercial activities. It is not acceptable that the level of charges on transactions in Malta are amongst the highest in the EU.

The European Union has taken action to ensure that Multilateral Interchange Fees charged by credit card companies to retailers and other service providers, are not charges imposed by Banks on retailers and service providers beyond what is the actual cost to business user. In Malta the regulators have allowed Banks a free hand with the result that service providers and retailers have been forced either to pass on these extra charges to consumers irrespective of whether individual consumers were using credit cards or not, or else to suffer the extra charges imposed on them as reduced retailers' margins.

Malta is one of the few EU Member states where no action has been taken by Government to protect consumers and enterprises from the excessive impositions of Banks.

In addition it is unacceptable that the charge imposed by banks on retailers as a transaction fee to electronic payments is taken as a percentage of the value of the product and not as a fixed fee.

GRTU proposes:

- Immediate removal of the tax on credit cards. This is a tax which was imposed as a temporary measure and which is now only a burden on customers and should have been removed when VAT was introduced.
- The introduction of legally binding rules that prohibit the commercial banks as agents of Visa and Master Card among others to impose on retailers charges under the guise of Multilateral Interchange Fees (MIF) which charges do not reflect the real cost of payments through credit/debit cards affected by customers at stores.
- Government should also legislate to prevent banks from charging an annual fee on credit card holders. This extra charge by banks was allowed when a maximum bank interest limit existed in order to enable banks to recuperate expenses that could not be charged as Bank interests and should have been removed by Banks once interests chargeable were liberated and no longer controlled.

2. The Entrepreneur

A key contribution for achieving an SME-friendly environment is a change in the perception of entrepreneurs as risk-takers and creators of new wealth and employment and not as speculators.

GRTU strongly supports new initiatives to sustain through appropriate fiscal incentives private initiatives in support of Corporate Social Responsibility exercises by small enterprise who singly or jointly with other firms develop corporate social responsibility schemes on a voluntary basis.

GRTU proposes:

- Business transfers, especially during the crises, must be made easier and close downs have to be avoided by new financial products (i.e. mezzanine instruments), consultative services and more favourable tax provisions.
- The existing rules on late payments must become more effective and include also business-to-consumer relations, fixing a maximum period for public authorities and include measures that avoid that SMEs are pre-financing the big enterprises, in order to avoid a deterioration of the financial situation of SMEs.

2.1 Small Business Act (SBA)

Despite the policy instruments put in place during the last months a gap persists between measures taken and their concrete effects on small businesses. Positive measures have started to be felt on support for SMEs on internationalisation and innovation, while much remains to be done to secure access to finance and public tenders and to grant non-fraudulent entrepreneurs a second chance should they fail. Measures have started however their impact on the ground is limited.

This goes to show that a successful SME policy must be based on a proper knowledge of small businesses' real needs, which is still lacking at this stage. Policymakers must work in closer collaboration with SME representatives to ensure that the right measures are taken and that their potential benefits do not stay on paper. SMEs cannot afford the gap between actions and effects, especially not during the present downturn.

GRTU requests that Government's commitment is backed by a specific plan and strategy into practice. Work being done at European level is not faithfully reflected on the local national level.

Example of Implementation in other Member States:

2.1.1 Austria

WKÖ, the Austrian Federal Economic Chamber, has checked the ten SBA priorities against the actions of the Austrian Government.

Principle 1

- Tax reform with tariff reduction and improvements for entrepreneurs, in particular SMEs (allowance 13 %)
- Taxes for business transfer, inheritance tax and gift tax abolished in 2008. Currently no wealth tax
- Woman start-up-share of over 40%
- Focus on creative economy and entrepreneurship at Kepler University Linz. Business Succession Check by Training Institutes WIFI
- Enterprises with migration background become a political target group
- Improvement of the weak point in entrepreneurship education

Principle 2

- New insolvency law, providing for early restructuring

Principle 3

- Systematical SME-test. Introduced in the draft for an enterprise service portal law
- New law to reduce reporting requirements for SMEs
- Reducing cost for red tape by 25 %

Principle 4

- The implementation of the service directive works satisfyingly
- The introduction of a "private limited company light" on national level

- The "enterprises service portal law" to put the "Only Once" principle into practice. (Savings of €170M per year can be expected for SMEs.)

Principle 5

- Public procurement works quite well for SMEs (tools such as ANKÖ-register for bidders in public tenders). Have two electronic portals – liable to pay costs.
- Improvement, such as for payments delays
- On "state aid", hosted an event for stakeholders in September in Vienna

Principle 6

- The economic stimulus packages 1 and 2 have envisaged corresponding means
- SME financing institutions and business angels to have an attractive legal basis in Austria
- Export credit and transport insurance easier to get

Principle 7

- Costs for norms to be reduced and improvement in the composition of the standard-setting committees in Austria

Principle 8

- The promotion of R&D is satisfying in Austria. Adaptation towards an increase of the research bonus
- The "Go international"-initiative has been prolonged
- Clusters work quite well in Austria and have contributed to R&D
- Soft innovation to be evaluated.
- The so called "creative-depot" as subcutaneous instrument for intellectual property rights operational in 2009

Principle 9

- There is a heat insulation initiative for SMEs to be widened
- Energy consulting for SMEs is being improved

- "Austrian Trade" focuses on green technologies

Principle 10

- "Austrian Trade" focuses on green technologies
- "Go international" - initiative has been extended

2.1.2 Italy

The Italian Government has set up in March 2009 a Committee gathering small business organisations and Government representatives to discuss the implementation of the Small Business Act. The Committee is divided into six thematic working groups:

- Access to finance, late payments, capitalisation;
- Instruments to deal with business crisis;
- Innovation, energy and sustainable development;
- Instruments for growth, districts, networks and business transfers;
- Policies to support internationalisation;
- Simplification and better regulation.

In a letter to the Italian candidates running for the European Parliament in June 2009, CNA, Confartigianato and Confesercenti as well as the organisations Casartigiani and Confcommercio called on all candidates to help putting the SBA in practice by making the text binding and following up on its priorities.

2.1.3 France

As the country recently holding the Presidency of the EU in the second half of 2008, France proposed the adoption of an action plan translating the SBA principles into priority actions to tackle the financial crisis and the economic downturn. This action plan, adopted in December 2008 thanks to the initiative of the French government, engages Member States to act on three key issues: financing, simplification and access to markets.

The French government is now particularly keen on subjects of key importance for crafts and SMEs: bank guarantees, late payments and reduced VAT rates. It is also starting its work toward making sure, in the next months, that the "only once" principle is applied to SMEs, which should not be required

to provide the same information more than once. The implementation of SME-tailored impact assessments has also started, although it has not yet entered its application phase.

2.2 Better Regulation

Crafts and SMEs can only use their full potential for growth and job creation if unnecessary administrative burdens are avoided and the remaining barriers to markets are removed. Better Regulation requires a cultural shift, a change of mindset amongst civil servants, public authorities and the legislature in general. SMEs need concrete measures to be taken at all levels to improve the business environment and to give SMEs enough space to breath.

2.2.1 Reduction of Administrative Burdens and Simplification

Unfortunately, after many years of talk, the factor which hinders Malta's competitiveness most and which discourages foreign investment remains Government Bureaucracy. Government must understand that this is no longer tolerable. The pioneers that regulate Better Regulation in Government must be given the power to wipe any burdens across the board.

GRTU Proposes:

- Corporations and departments falling under separate budgetary votes will suffer an annual penalty should they fail to markedly reduce administrative burdens. Similarly additional bonuses will be paid to corporations and accountancy units, within the whole public sector, where measurable reductions of bureaucratic burdens are registered.
- The Malta Accounting and Reporting Standard for Smaller Entities (MARSSE) is not simple enough Government had promised to do away with the legal necessity for annual audits of small firms and GRTU continues to insist that this promise should be implemented. Small businesses should be given the option to produce a simple financial statement that tallies with the regular VAT returns. GRTU believes that the returns submitted to the income tax department and the VAT department are sufficient to enable a proper audit trail and all excessive returns should be eliminated.
- Government will, whether for NSO or other, be prohibited from seeking information from businesses when this information is already available in the annual returns for Income Tax and VAT. Enterprise owners will be

requested to authorise the use of these returns in spite of the choices they have under the data protection act.

- A system must immediately be put in place where the tendering procedure is simplified for SMEs to be able to apply.

2.2.2 Better Policy Making and Consultation

The needs and peculiarities of SMEs have to be taken into account in all relevant policies, programmes and negotiations. Furthermore, the current economic crises must lead to a review of all pending legislation that may put unnecessary burdens on small enterprises. Policy projects that were started in good economic times must be re-assessed and checked against the new reality.

In addition the proportionality principle should be applied as a basic rule whenever SME policy is concerned. This principle means that SMEs should be treated differently according to the level of dangerousness and risks they may impact.

Consultation continues to be very poor. Consultation does not start and end with a consultation paper. We as the legally recognised SME representative submit proposals prior to closure of the consultation period and have our proposals totally disregarded. GRTU with its members and its limited resources puts an enormous amount of effort in presenting a paper which we feel represents the interests of our members while being economically conscious. We can no longer accept that our papers are run over by persons who live their day to day life far away from the reality they seek to change. We do not even receive as much as an acknowledgement of receipt and are categorically denied meetings.

GRTU Proposes:

- Legislation and programme planning at all levels must respect the "Think Small First" principle if they have any effect on small enterprises. This means that rules must respect the majority of those who will use them. This includes independent, specific and rigorous impact assessments for small enterprises, systematic consultation of representative Small and Medium associations for at least 12 weeks, the proportionality principle and the only once principle.
- Funds available to departments and corporations for economic impact assessments should be clearly earmarked and departmental heads must, on a 6 monthly basis, publish reports on how these funds have been spent and publicise copies of the resulting impact assessment analysis report.

- The principal secretary will publish a quarterly report on all consultation conducted and also publish all mitigation plans resulting from such consultations for every new public service initiative that will infringe on enterprises.
- Government will ensure that all fines resulting from fiscal or administrative contravention will be of a civil and not of a criminal fine, recoverable only through civil juridical action.
- GRTU and the whole of self-employed and SMEs in Malta, with the removal of the Parliamentary Secretary for SMEs sustained a huge blow. We no longer have a one stop shop to rely on and a politician that has the interest of the enterprise at heart. GRTU therefore calls for the re-establishment of an equivalent position of power which would provide us with a direct bridge to the current administration.

2.3 Services Directive

The Services Directive is one of the most important pieces of legislation adopted by the Council and the European Parliament in the last decade. It has the potential to knock down trade barriers and stimulate economic activity precisely at a time when Europe desperately needs to re-launch growth and fight unemployment.

European political leaders have repeatedly restated their commitment to an ambitious and timely implementation of the Services Directive. They have also stressed that this directive, more than any other, requires consistent implementation by national governments across the EU, so as to create a genuine level playing field for businesses and consumers.

A significant number of Member States have deployed considerable resources to attaining this aim, and the European Commission has provided national administrations with unprecedented support throughout the implementation process. However, with less than three months remaining until the implementation deadline, we are not informed if Malta will manage to fully implement the Directive within the specified deadline. Late implementation will lead to uneven implementation across the EU, which would restrict the positive impact of the Services Directive.

GRTU proposes:

- Increase efforts and resources to establish the fully functioning "Point of Single Contact". In particular, we urge to test its concepts with businesses, including foreign ones, to make sure that the "Point of Single Contact" is fully operational, as well as interoperable. It will otherwise be useless to businesses.

- Accelerate legislative work and ensure a high level of quality and ambition. National legislation should fully implement the Services Directive's principles and be in place before the end of the year. It should provide tangible simplification for business and enhance the functioning of the Single Market.
- Fully engage in 2010 in an ambitious and comprehensive process of mutual evaluation that will achieve its objectives of regulatory modernisation and simplification, and allocate the necessary level of resources to this aim.

The Services Directive has the potential to bring Member States a significant step closer to a thriving service economy, accompanied by a modern, streamlined administration. We expect authorities to meet their commitments fully and realise that potential now.

3. Localities

GRTU is the only national organization that holds strong presence and an excellent working relationship in most of the Localities in Malta and Gozo. GRTU has already been successful in engaging the majority of the local governments to collaborate with its local representatives, with the support of GRTU Head Office expertise, on a number of projects related to traffic management, parking schemes and waste collection and management. This ongoing work is proving highly fruitful for business in the area, residents and the locality itself.

GRTU as the voice of private initiative in the Localities is interested in their economic viability and in the attraction of more enterprise to the localities as a source of better quality services to the community in these localities, and as a source of employment, especially of women and persons of a certain age. This is the prime reason as to why we give the utmost importance to the potential economic benefits our localities can generate. GRTU has also an excellent relationship with the Association of Local Councils with which we are increasingly being given the opportunity to collaborate on projects. Furthermore, GRTU through its Waste Management Compliance Scheme, operated by GreenMt, is today a direct participant in environment management in many localities.

3.1 Traffic Management

Together with the Local Councils GRTU does its utmost to facilitate better traffic management, project building and action that enhances the viability of private services in the Community. This is no easy job as frequently these create several inconveniences such as road closures, resulting in a decline in business in the effected area.

GRTU Proposes:

- Utilisation of funds from the Commuted Parking Payment Scheme to provide adequate parking facilities close to town and village cores as these will facilitate more business support to the shopping centres in city cores. Few towns and villages can support the wide range of retail and other services provided in city cores if traffic and parking management does not facilitate the use of these services by other customers who do not reach the centre on foot or by bus.
- The viability of the widest cross section available to town and village residence is facilitated if more easily accessible parking facilities are available. GRTU encourages greater investment in services in the community to be established in

the localities as these services ensure a better distribution of the market and an easing of the traffic and parking pressures on the more centralized centres.

- Additional capital grants to Local Councils to encourage the promotion of private parking facilities to service clients utilizing the new or the extended enterprises in the city core.
- Reduced rates of withholding tax on property developed by private investors for parking complexes that service the community.

3.2 Tourism

A phenomenon GRTU was pleased to see the start of was tourists staying in localities other than those listed as tourist zones. GRTU supports all initiatives to increase the spread of tourism to all localities because it will not only make it possible for Malta to increase its carrying tourist capacity without the necessary damaging impact on the infrastructure and the further erosion of unbuilt areas but will provide better utilisation of large homes occupied by aging couples.

This programme will not only augment the income of couples wanting to engage in this economic activity but will enhance the viability of businesses in many localities and bring forth the attractiveness of many hidden tourist attraction to a new and wider tourist section. The economic viability of localities is important and tourism will encourage more Local Councils to add to the growing special activities held in the different localities.

GRTU Proposes:

- A grant of up to 50% of expenses to households for improvements that will enable the lodging of tourists where the size of the property makes this possible. The standards will be set by the Malta Tourism Authority and the Malta Standards Authority. This incentive will encourage the extension of tourist residence in the Localities thus providing the necessary impetus for the expansion of city core activities.
- The adoption of the same tax regime successfully implemented with families hosting English language students to household owners who offer lodging facilities to tourists.
- Special allocation of funds coupled with adequate fiscal incentives to promote urban renewal and refurbishment in the traditional village and town core. Developers who participate in urban renewal schemes through the purchase of properties for development and refurbishment submitting to urban conservation plans and to energy saving will enjoy a reduced rate of taxation on sale of

properties or a nominal 3% withholding tax on rents receivable if properties are placed on the rental market.

- Tax relief of 70% investment allowance on expenditure affected by commercial property owners in the traditional urban centres used on the renovation and restoration of facades.

3.3 Economic Activity and Employment Opportunity

GRTU notes that Government policies continue to emphasise the zones traditionally associated with enterprise and employment where factories, hotels, Government establishments and the larger private establishments are situated (Harbour area, ect...). Very little emphasis is given to promote work and enterprise in the Localities.

GRTU believes that given the multiplicity of problems caused by excessive road transport and the over utilization of Localities like Valletta and the whole Harbour area, it has now become a must for Government to launch attractive incentives so that more work and enterprise is generated in the Localities. This will have a multiplicity of benefits. GRTU believes that today's economic, environmental and social needs require a strategy of good incentives, that strengthen enterprises in localities and that create more working opportunities by means of, among others, back office work such as tele-working.

We need Government to create incentives so that work in Localities is strengthened, spending is done in one's own locality and the locality attracts additional private services in the community which make the locality more sustainable. This will strengthen employment, relieve environmental problems such as traffic congestion and excessive parking burden on the more renowned localities and will facilitate the employment of more woman with children and elderly persons who want to refrain from wasting too much time in travelling and efforts to find employment too distant from their residence.

GRTU proposes:

- Reduction of 12% final withholding tax to property development investing in ready for use energy saving office space or facilities suitable for back office work in the Localities, including call centres but not only. Too much back office work is concentrated in special city centres. Much of this, including public back office work, can move to the localities. It is ironic that Malta attracts back office work from lands as far as Australia and new Zealand and we are not transferring back office work from one location to another in little Malta. We need to encourage the move of work to people not the flow of workers to work in special localities.

- To encourage more woman with children to seek the new jobs created by the incentive package for the localities and save on public expenditure on the building of new day-care centres for children in the traditional employment zones
- GRTU proposes the provision of free training to qualifying pensioners, single mothers and others suitable to provide day-care attention in household. Families who take up child care will enjoy the same tax benefits as families hosting foreign students learning English and the fees paid by working mothers for the care of children will be state subsidised. Childcare within the family has proved to be more rewarding than in standard child care centres.
- Up to 50% tax credit for the renovation and extension of facilities in the city core such as bars, restaurants and cafeterias and other listed services in the community to encourage the growth leisure focal centre in the community. Local Councils will be provided with additional capital funds to provide the necessary facilities in the city centres for the outdoor extension of these enterprises.
- Special financial Awards to be given to Local Councils who prove successful in the introduction of projects that support enterprises and economic growth in their locality. A Local Authority Business Growth Incentive (LABGI) package should be designed in consultation with GRTU and the Local Councils Association so that Local Councils will benefit on their initiatives in favour of economic sustainability of the locality.
- Up to 50% tax credit on all initial expenses suffered by businesses that opt to transfer back office work to the Localities. This supportive scheme will also include special electricity and water rates for firms whose back office work functions from energy saving facilities established in the Localities.
- A growing menace that is threatening many businesses in the Localities is that of crime. GRTU now proposes a special tax credit of 25% on all approved expenses to be enjoyed by business establishment that introduce special crime prevention facilities on their own or on a joint cooperative basis with other businesses in the neighbourhood such as street cameras and monitoring of commercial and city centres as well as for the organization of neighbourhood watch projects. Similar schemes will not only act as crime prevention mechanisms but will reduce the public cost for the provision of crime prevention and policing. GRTU is willing to sit on a Working Committee with the Police and AKL to get this scheme moving.

3.4 Built, Operate and Transfer Opportunities (BOT)

The current financial situation of Government continues to invoke a regime of less Government spending. This invokes pressure to create opportunities within the private sector on BOT or LOT systems.

The private sector is today well geared to provide these services and private initiative should be further encouraged to invest in new initiatives needed by the community and which cannot continue to await the never achievable public financial situation, when it can on its own finance these services.

Many projects can be listed but for a start GRTU recommends the following:

- Government should propose BOT for the building and management of a minimum of 200 public toilets with state of the art facilities, and these would be built and maintained for 20 years and then transferred to Government ownership beyond the period. This will create a more hygienic environment and without fail be an added asset to our tourist industry, without being a financial burden to Government.
- Local Councils should issue expressions of interest on a regional basis for the provision of solar lighting in their respective Councils and these would be paid through Local Council funds for a period of ten years beyond which they become sole ownership of the said Council.
- Street lighting expenses today are calculated to constitute a significant cost to Enemalta. This cost should be transferred to Local Councils who choose to take up this initiative and turn it into a viable solution.

4. Commercial Transport

The challenge for the commerce sector in transport is to balance different needs. The commerce sector needs continued product availability to serve our customers and the public. At the same time they recognise their responsibilities in reducing CO2 emissions, pollution, congestion and other effects from transport, while also improving safety and working conditions. To this end, we need the support of policy makers to develop efficient, effective and consistent legislation.

4.1 Sustainable Freight Logistics

The commerce sector is highly dependent on transport and has already long integrated logistics policies into its daily activities in ways which optimise flows of goods, cut costs and minimise the environmental impact. Today, transport and logistics account in some cases for more than 15% of total product cost. Initiatives in the field of transport therefore have a direct impact on the commerce sector as well as on consumers. An optimal system for transport and logistics is therefore of greatest importance for the commerce sector.

Any plans for increasing the cost of road transport should not feature in this Budget as it will not make transport greener unless alternative modes or fuels are available and greener technologies are encouraged. Therefore, all alternative policy measures for sustainable transport should be considered, rather than the option of raising freight transport costs alone.

4.1.1 Co-modality

In Malta's case Road transport remains essential but the connectivity between the harbours requires new options as already the connecting roads though renewed are becoming congested. The shipping links to Malta are becoming increasingly limited and Maltese importers and exporters are facing serious constraints in their commercial activities due to shortage and cost of available shipping options.

Efficient and sustainable transport requires better shipping and road infrastructures as well as efficient transfer between transport modes. The efficiency of our harbours continue to leave much to be desired as transferring from one mode to the other to serve the local commercial community remain costly and suffers serious delays due to lack of planning. The commerce sector requires agile supply chains to meet customer needs. Trucks and light vans are well equipped to meet this need. For the so-called last mile delivery on the last

leg of the supply chain - there is thus little or no viable alternative to road transport.

The distribution network in Malta moves on without any planning and no incentive package to encourage new modes of transport and new systems of distribution so that congestion and time and expense is saved. No consideration at all has till now been given to the high environmental cost and the high labour, equipment and labour cost trade and industry and the community as a whole is suffering as a result of lack of planning and incentives for modernisation that exist in this area. Again this is a subject close to heart to GRTU and Budget 2010 must set the momentum so that serious discussions and progress is registered in this important area during 2010.

4.1.2 Urban Mobility

Commerce and city centres depend on each other to prosper. Besides providing thousands of jobs particularly in small shops, leading to high quality of life, security and cohesion in cities guarantees the vitality of a city and ensures that city dwellers are constantly supplied with a huge variety of products.

Delivery of goods in cities is however becoming more and more problematic. City accessibility for freight and consumer traffic must be ensured and the provision of adequate facilities like road and parking options for the quick delivery of freight and cargo to all localities is an issue that Government must take in hand as the burden currently being increasingly imposed on transporters and distributors is creating a serious effect on prices as transport, both to Malta and Gozo is becoming too high a ratio of costs in any commercial activity especially in Malta, where commercial volumes tend to be relatively small and the spread of cost is not always so possible.

GRTU Proposes:

- Road transport
 - Revision of the fuel tariffs. The price of diesel and petrol is too much of a burden on SMEs and Government should reduce the tax imposed on every litre of fuel.
 - Promotion of quality bio-fuels and the development of other fuels and energy sources in private and public transport.
 - Promotion of clean technology in transport as well as research and development.

- Lower registration tax for the most environmentally friendly and less fuel consuming vehicles.
 - Annual circulation charge to be based on a Pay as you Use system targeted to benefit real energy savers and those operating systems that are more efficient in road use and wear.
 - A rebate of 30% for all those who buy new bicycles for a period of six calendar months, to encourage the use of bicycles and the introduction of bike rental firms will enjoy a VAT charge on all rental services of only 5% and an addition investment allowance of 25% on the cost of bicycles purchased for rentals.
 - GRTU believes that the Government Bus Reform project should be seriously reconsidered as no serious discussion among stakeholders and users has been effected and few are convinced that what is being stated publicly will not result in unnecessary loss of jobs and loss of viable equipment in the hope of the provision of a better service of which commuters are not convinced and the expectancy is of new but costlier service both to Government and to commuters.
- Urban Logistics
 - Promotion of public-private partnerships to improve and find creative solutions for urban transport policies, involving all stakeholders and avoiding unnecessary rules for vehicle restriction and delivery curfews.
 - Application of a sustainable and result-oriented approach to ensure urban sustainability takes into account the reciprocal relationship between commerce and urban development.
 - ADT to facilitate the collection and exchange of knowledge and best practice in the field of urban environment.
 - Promotion of clean technology in urban transport.
 - The implementation of the End of Life Vehicle Directive to assimilate the current tax regime and registration structure.

4.2 Registration tax on vehicles used for commercial use

The negotiations on this issue have now taken too long and confusion in the market still reigns as some stakeholders have been handsomely rewarded by what has been

implemented so far and others are suffering still suffering, while the community and Government finance have not rally gained from a reform which GRTU considers to have been designed haphazardly.

The end and desirable result to have a fleets of cars both small and privately driven, those heavier and in use for commercial purposes, passenger, waste carriage or haulage purposes that are more environmentally friendly as a result of reduced emission standards and energy saving has not been achieved.

Waste carriers also form a basic part of this waste management structure. Without fail their current vehicles are not up to standard and changing a vehicle would require a payment of circa €8,000 in first registration. GRTU urges Government should remove this stumbling block.

GRTU proposes:

- Reduction and removal of registration fees on vehicles that are used as passenger coaches and for waste carriage for qualifying vehicles that though purchased and already in use do subscribe to criteria agreed with GRTU. These criteria are defined as those that meet emission standards and other criteria needed for the implementation of the environment and waste management approved framework.
- Changing the Commercial Licences Act whereby a Euro III, IV or V Refuse carrying Vehicle or Skip Loader would be exempt from first registration, for vehicles imported
- A Scheme is to be set up whereby all Euro III, IV and V Refuse Vehicles and Skip loaders imported since January 2008 will qualify for a 80 % rebate if they operate the said vehicle for use of collection of recyclable waste. Payment of rebate will be made 50% by Government and 50% by Authorised Schemes within a 24 month period
- Exemption of the registration tax for vehicles utilised by medical representatives and others for the distribution of medicinal products. These should also be given the opportunity to claim back VAT on fuel.

5. Environment

5.1 Waste Management Strategy 2008-2012

This Waste Management Strategy was published in May 2009 and accordingly outlined Government premise to only be involved in those waste streams where private industry is either not interested to take over or lacks the capability to do so.

GRTU proposes:

- With Government's intention of implementing the sustainability concept in Waste Management Operations it would be practicable if organizations representing importers, traders and the manufacturing industry would be fully involved in this implementation. Thus GRTU recommends that, being such an organization, we should have a Board member on the WasteServ current Board of Directors.
- GRTU feels that the implementation of sustainability should occur without creating hiccups to the commercial stakeholder, whilst agreeing that the waste generator should pay the price for what he places on the market. GRTU feels Constituted Bodies should have a right to know the full financial details of this sustainability concept. Figures should be provided. Increases should then occur over a two year period from €0.91c per ton (Vat inc) to €5.00, to €15.00 and then again to €20.00. The final leap from €20.00 to €30.00 should at that point be reinvestigated and if required should then take place in 2012.
- Within Government's policy to prioritise Waste Management Sustainability, waste generators will be made to pay for their market placement of mixed waste fraction going to landfills. In view of the hefty increase, waste generators would need to know the weight factor being recovered by waste carriers, thus providing space for waste carriers to import vehicles with "legal for trade" weighing systems to the nearest 20kgs. For such an investment, we recommend the setting up of a scheme promoting a cash grant of €15,000 for any current vehicle that installs a load cell weighing system or imports such a vehicle which is both Euro III standard or better and with a "legal for trade" weighing system to the nearest 20kgs.
- Government's WasteServ should prepare to release the following functions to the private sector:
 - Collection of Waste Recyclables from Educational Institutions
 - Collection of batteries and accumulators and their final recycling

- Operation of current Civic Amenity sites to be transferred to Waste Compliance Schemes with recurrent costs of operation to be borne by Schemes
- Construction and Demolition Waste
 - Taking into consideration the obligation of Member States to recycle 70% of their construction and demolition waste as of 2010 GRTU recommends the setting up of Authorized Schemes, once again permitted by MEPA, under the extended polluter pays principle to recover and recycle such materials. It is recommended that this would involve virgin material, limestone, cement, cement additives, lime, etc, which would induce industry to set up Authorised Schemes to cater for such waste. As such importers of such materials or local manufacturers will have to make a financial contribution.

5.2 Energy Efficiency

GRTU proposes:

- The introduction of a tax credit/ tariff rebate together totalling up to 60% of any investment in solar or photovoltaic installations. This would further the up take of more efficient technologies and processes.
- The establishment of a GREEN Directory to be distributed to every operational SME. This would include all market suppliers of Energy Efficient Products on the market together with those supplying such services. Purchasing from these dedicated companies in the register should entitle the purchasers to:
 - An agreed discounted rate with insurance companies
 - A one off tax cut assessed as being 50% of the cost of the product purchased.
- GRTU continues to insist that funds should be made available for a pilot project to assess the current energy requirements of SMEs operating within the City of Valletta. This would require an energy audit which will have to include also all households within the locality. The intention is to provide a basis document with which information; one could base the needs of this City on solar or wind energy. Such a development should continue to place the City of Valletta as a leader in innovative future energy sustainable cities.

5.3 Generating Employment

It is Government's intention to change all energy meters in Malta within a three year period. In this context, Enemalta and Water Services Corporation have set up an operating company, namely ARMS Limited to cater for this and then continue to cater for customer care and billing and receivables in the long term.

ARMS Limited should create a basic criteria (within the parameters of Customer needs in 2009), for individual contractors or contractors who employ less than three people, and be ready to give this work in allocated lots to each approved contractor.

An expression of interest recently issued in respect to this subject matter by ARMS Limited is elaborative in a way that small SMEs are deprived of participation immediately.

5.4 Eco-contribution

Eco Contribution was introduced in Malta in September 2004 for a number of products being placed on the market. GRTU still consistently outlines that the said Contribution is discriminatory.

Government's income over the last three years from Eco Contribution amounted to:

2006	€ 11,868,085
2007	€ 13,959,782
2008	€ 15,140,000
2009 (projected)	€ 25,400,000

GRTU has developed a paper which can prove to the respective authorities that a total exemption of Eco Contribution payment will in itself be both a political wisely drawn move and accordingly a ripple effect will be felt financially in the economy. This paper is available at the GRTU, it has already been presented to the authorities and we are available any time for discussion.

GRTU proposes:

- Based on the extended polluter pays principle, Government should with immediate effect via a Legal Notice create an exemption mechanism from Eco-Contribution for any company that can either prove its self compliance or else shows that it is a member of an Authorized Waste Compliance Scheme/s in that particular waste stream.

- For Waste Packaging Compliance LN 277 of 2006, GRTU recommends that only those companies who are members of Authorised Schemes that recover 70% of what their members place on the market should be exempt from Eco Contribution Liability
- Eco Contribution received by Government for Electrical and Electronic Equipment (EEE) Waste Stream is just over €7m (projections 2009). Currently, there are MEPA Authorised WEEE Schemes ready to shoulder the responsibility of recovering, dismantling, treatment and final recycling of this waste stream. Furthermore there are authorised facilities in place in Malta ready to cater for this waste stream.

With the above scenario in place, it is the ripe time for Authorities (MFIN, MRRA) to also exempt “producers” of this waste stream from Eco Contribution if they are members of authorised schemes in this waste stream. The current European benchmark is 4kg per capita and this is to be the basic figure used by Maltese Authorised for bench marking. Although the WEEE Directive is being revised at EU level it is no excuse for Government to hide behind such revision. GRTU insists on the Eco Contribution exemption for this waste stream.

- It is not longer acceptable that VAT is charged on eco contribution. GRTU will seek to discuss it and if no agreement is reached GRTU will take the matter to court on behalf of its members.

6. Construction and Property Investment

Especially in recent years, Government was subject to pressure emphasising that property had become too expensive. GRTU persistently advised Government to act to sustain the industry and to guide developers to areas of development that are sustainable and that meet strategic development planning priorities and support first home buyers. GRTU has also consistently argued that devaluation of property values would hit the vast majority of the Maltese as most Maltese today are property owners and this will serve no purpose except to devalue assets privately and publicly owned.

The current situation in the property market requires specific action by Government to ensure that the available properties on the market reach property buyers at affordable prices and ensure that there is no collapse of this sector. Unfortunately pre-election pressure has led to Government addressing the matter in the wrong manner by allowing very bad planning leading to a lot of oversupply of ordinary apartments all over the island, including prestigious areas. Due to such circumstances property sales have become much more difficult to achieve and investors are losing confidence in the property market especially with the amount of taxation they are enduring.

GRTU had welcomed the introduction of a 12% option for a duration of 5 years on the 35% withholding tax on the sale of property. This as an incentive to cause more land to come on the market, and it worked. The economic situation has now turned and there is too much property on the market and too many projects have as a result become stuck in the pipeline. The projects still in the pipeline will not be finished within the lapse of the 5 years and therefore these developments will not benefit from such option. This must be avoided.

GRTU feels that it is in the Government's interest that property sales recuperate as this would leave much better revenue. Government must stimulate developers to keep their funds in Malta and allow them maximum low tax benefit if they invest where the country's needs really are.

The MEPA Reform must be strategically led and should aim at ensuring that the country allows development that makes sense and is viable in a highly competitive world. In Budget 2010 GRTU wants to see encouragement for the first home buyers. These are essential to boost the market and with a package of incentives directly aimed at this market, many new couples and families that want to change their properties will have a one-time opportunity to obtain a more desirable home.

GRTU would also like to see a redirection of the construction industry in favour of buildings that create new opportunities for employment and is proposing special favourable tax benefits for developers who invest in the harbour area, factory building,

building of garages for garage industries, in hotels for touristic project and homes for the elderly.

GRTU proposes:

- A one year concession for first time buyers not to pay any stamp duty on property under € 120,000.
- A lower withholding tax from the 12% option to 7% for developments that will support first time buyers, relieve developers and will also stabilise the property market for a period of 2 years.
- A 12% final withholding tax instead of 35% on transfers to third parties still on convenium (CESSJONI). This will encourage speculators to find more investors.
- An extension of the 12% from 35% five year option period to an eight year option period.
- Eliminate the 1% on property values paid on convenium as this is leading to discouragement. Introduce instead a range of administrative fees according to the values of properties which should not be higher than €1,000.
- Property owners are not regarding leasing of property as a feasible option due to the 35% tax which has to be paid annually from the return of their investment. GRTU also observes that the Government is earning very little from the rental market. GRTU therefore recommends that for a period of 10 years a 5% final withholding tax on residential property and 15% on commercial.
- The current restriction on foreigners owning property in Malta should be released so as to be allowed to invest in more than one property, even if outside the designated areas. We remain confident that with the current over supply the country will not run out of property to sell.
- A reform in property evaluation regarding CIR is badly needed. The whole system should be changed immediately.
- An incentive package that causes developers to invest in buildings for utilisation by entrepreneurs. Developers or property owners who build approved factories or garages for garage industries, approved premises for use as residential homes for the elderly and approved hotels and tourism projects, will benefit from a reduced final withholding tax of 6% if such property is soled or a withholding tax of 6% on annual rents if such property is rented. This special concession is given to developers who build such projects over a period of 5 years and building of premises for projects in the harbour areas.

6.1 Sustainability

We need to be more determined to meet EU standards and acquire better results with properties of much higher standards having insulation, double glazing, solar panelling, etc...

GRTU proposes:

- The incentivisation of energy saving buildings with a 7% of final withholding tax on property built in a manner that is certified and reaching minimum requirements as stipulated by law on January 2009.
- In introducing the Energy Performance in Buildings Regulations as of 1st January 2009, the Government would ascertain that all properties with an area of over 1000sqm should form part of an assistance program to be set up by Government to align to these Directives.
- All new buildings in excess of 1000sqm built for a commercial purpose are to include 50% of their energy needs in renewable energies. This would require a long term projection funding, either via tax credits or performance bonuses against set bench marks.

7. The Community

Persons are not merely individuals, but human beings belonging to families, communities, regions, countries, enjoying both full rights and duties. Justice, Fundamental equality for all and the dignity of every individual are inseparable. Solidarity means awareness of the interdependence of individuals and their communities. But it means above all protecting the weakest in our society.

7.1 Education

Younger and older persons can only be successfully integrated into the labour market and remain in employment if the individual concerned updates his or her skills and knowledge on a regular basis and has easy access to training throughout life. SMEs are also dependent on adequate support from public authorities and external training bodies in order to ensure continuous vocational training for their staff. Therefore it is important to help companies to invest in skills development and encourage individuals to take up responsibility for upgrading their competences throughout their working lives.

Higher levels of education are associated with significantly higher employment rates and wages. Education is the primary investment in tomorrow's future, particularly in the case of Malta whereby the human resource is our principal resource. We need to facilitate training and learning of computer knowledge for people of all ages. Life-long learning is especially important in order to cope with the challenges posed by technological change.

GRTU proposes:

- Enhancing partnerships between education and training institutions and social partners, in particular employers organisations, in the context of lifelong learning to guarantee a better employment of workers.
- Measures should be taken to encourage employers to send their staff for further training. These should not simply include tax credits (as for My Potential). Again, tax credits will only be appreciated by companies turning a profit while training is mostly required for employees in companies who are not doing well.

7.2 Employment

For parents, especially women, finding a balance between high qualification and success on the labour market, and their wish to raise a family is difficult to achieve. Family

friendly policies that improve flexibility for working parents have to be introduced. Our educational systems and work patterns have to be more flexible in order to support them. Support must be given towards young people's entrepreneurship, more flexibility with respect to working time, new ways in the carrier planning of workers, especially of female workers, and guarantee sufficient child care facilities within the working place.

Better reconciliation of professional, private and family life across the generations is essential to improve the economic flow. There are several important questions one needs to address on the accessibility and affordability of childcare and elderly care facilities, as well as on the availability of financial support for families to ensure a better work life balance for men and women. Having a more equal share of family responsibilities between women and men throughout the lifecycle is vital, both to increase birth-rates and strengthen female participation on the labour market.

At present and in the future, GRTU agrees that economically speaking and for employment to be supported there needs to be a stronger emphasis on wages based on productivity. This helps to avoid wage increases based on age/seniority, which often puts older workers at a competitive disadvantage and can contribute to tensions with the younger workforce.

GRTU proposals:

- Ensuring for SMEs equal access to labour market instruments, such as short time working arrangements or "part time work" or other types of partial unemployment, like large enterprises have.
- Avoiding distortion of competition for SMEs coming from subsidised employment in the public or semi public sector.
- Opening all social protection and benefit systems to all employees, including those from small businesses.
- Better integration of young people into the labour market. SMEs already experience difficulties in attracting young people to specific sectors because of the lack of attractiveness and the competition between small and large companies.
- Promote the occupational and geographical mobility of workers and notably the mobility of young people in vocational education and training in alternating training schemes such as apprentices.

7.3 Health

GRTU proposes:

- Government to start effecting payment of medicines bought in a period that is more reasonable. Even though Government has committed itself to effect payment within 150 days, operators in the sector feel this is an abuse of the dominant position Government currently occupies, being the largest buyer in the country. Small companies cannot sustain Government's debt and therefore the market is only open to the few big operators who can afford to shoulder it. In addition factoring banks are reporting that Government is failing to honour both the existing factoring and the terms of payment agreed on.
- Government to totally revise its buying system for medicines. GRTU is ready to offer its now vast expert advise to help Government in revising its buying system from a system based on bureaucratic tenders to a system where buying is done more frequently with better prices
- Reform in the sector of primary cure, in consultation with the GRTU, so that each pharmacy in the localities is turned into a mini-health centre and serves as a gatekeeper to hospitals and specialised care:
 - Government devolves certain services to pharmacies against payment like in the cases of routine tests and smoking cessation.
 - The possibility of pharmacies hosting services that can be offered in collaboration with Medical Practitioners should be discussed together with Government and the Medical Practitioners.
- Continuation of discussions between Government, GRTU and the Chamber of Pharmacists for a system of reimbursement for medicines to be introduced, and even discuss co-payment and other levels or reimbursement.
- Provide tax incentives to patients utilising private insurances to pay for the medicines they need or the medical care given to them from hospitals.
- Tax credits for all technological upgrade in pharmacies, medicinal products wholesalers importers, clinics and others. This both for SMEs and as an entity providing a service in the community.
- Tax credits on installation of air conditioners and air curtains, which every pharmacy is obliged by law to have functioning to maintain the required temperature. These should also be exempted from payment of surcharge.

- The necessary investment is made for the electronic patient records to be accessible by doctors and pharmacists within pharmacies. This for patients to be able to pick their test results from pharmacies.
- GRTU remains recognised as a social partner on all levels of health care, especially for the primary level of care. A foundation to this aim is established between Government, the GRTU and the Chamber of Pharmacists. The foundation would have as its primary functions the implementation of the POYC, the introduction of new services in primary care and the continual training of workers in pharmacies.
- Government to do representations for generic, trading and re-exports in favour of the Maltese Pharmaceutical Industry. This to balance the pressure being made on the European Union by the bigger pharmaceutical companies in Europe, the Big Five, to halt trading so vital for Malta and the Malta Freeport. Government must stay in close consultation with industry on this issue. No meetings and fora held in Brussels must be missed by Government officials.

7.4 The Elderly

The social and economic implications of population aging are manifold and its impact on the social security systems cannot be underestimated, the interests of the aging population have nonetheless to be safeguarded. Policy makers have to improve the viability of social security systems. Flexible retirement must be encouraged and those who are still fit and willing to work should be able to do so. Public employment services should also assist those elderly workers who want to re-enter the workplace. As far as health policies are concerned, a wider 'healthy aging' strategy which focuses on promoting healthier life styles through life should be developed.

Given the complexity of the topic, an overall strategy is essential encompassing policy areas such as employment, lifelong learning, health and safety, equality, and non-discrimination, transport, healthcare, quality care services and housing.

One of the biggest obstacles is actually the lack of awareness and the resistance to change in society and at work, despite the clear statistical predictions on the demographic changes we are starting to feel and will be faced with in the future. Intergenerational solidarity cannot be a matter of choice, but is a real necessity.

Topics to address are notably the real extension of working life of workers. With longer life expectancy there clearly needs to be an appropriate rise in the retirement age. In this context, SMEs in particular should be consulted and supported on how best to adapt workplaces and work organisation in practice in view of active ageing policies. Another

important challenge here is the handover of small companies, the number of which is growing due to retirement of entrepreneurs. According to statistics some 690 000 businesses, providing 2.8 million jobs, are expected to be transferred from retiring entrepreneurs to new owners in the coming decade.

Furthermore, there is still work to be done on strengthening incentives and reducing disincentives to work longer, in particular as regards the renewed extensive use of early retirement schemes with the economic crisis.

GRTU Proposes:

- Older workers are given the possibility to combine part-time work with pension benefits and not to be penalised for wishing to work longer as the tax rates now prevailing do not give any incentive to older workers to work beyond pension age. These workers have paid their taxes and have paid all their social contributions till retirement. They should no longer be burdened with heavy contribution charges and taxation for wanting to work more to continue to sustain a standard of living to which they were geared for a life time. GRTU now recommends the next step forward to help pensioners who prefer to continue to work:
 - Release from the payment of social contributions.
 - Payment of a flat rate of 10% tax rate on all taxable income which is employment generated.
- Remove all incentives for early retirement schemes
- Moving from a challenge to an opportunity approach. Living longer and ageing are part of a success story. GRTU agrees that both demographic change and strengthening intergenerational solidarity must not be only seen as a challenge but also as an opportunity for finding new markets and therefore creating economic growth. The ageing of the population manifests itself in different needs and consumption patterns, such as a huge growth in the health care sector and professional services and is sometimes referred to more widely as the "silver economy". If utilised in the right way, these developments present a real potential for growth and employment.
- Authorities must initiate an awareness raising campaign. It should contribute to changing attitudes in society and enterprises, amongst employers and workers, and in particular the need for longer working lives. However, it also needs a wider comprehensive strategy linked to the issue of social inclusion and demographic challenges. The overriding aim should be to contribute to change attitudes in society, notably also among social partners, enterprises (amongst workers and employers) and other stakeholders.

8. Food Policy

Commerce is committed to serving its customers and responding to their concerns. Through innovation, and a drive to understand local needs, retailers adapt their initiatives to a consumer demand. Retailers enjoy a unique relationship with consumers however, the strategic position of the commerce sector should not result in a shift of responsibility from the producers or the authorities onto the retailers. Retailers can only be held liable for problems within the sphere of their own activities. To this end, we need policy makers' support to develop simple, understandable and consistent legislation.

8.1 Safety

A safe food supply chain is a primary goal for the commerce sector and a non-competitive issue. Following any incident we need to ensure that no contaminated products have reached consumers, obtain alternative food sources and maintain choice and supply. This can be a major burden on business and so it is in our own interest to prevent such incidents occurring. In this respect, retailers have already put in place various measures.

Any initiatives concerning food safety must aim towards an overall food policy which is dynamic and global, ensuring a high level of consumer protection and raising public confidence.

8.2 Diet, Nutrition and Health

GRTU fully supports the Commission's strategy to promote healthy eating and combat obesity. Even in Malta, retailers help the consumer to make responsible choices for health through various measures.

However, initiatives from the commerce sector to improve consumers' lifestyle can only succeed if accompanied by proper educational schemes. Retailers cannot act as educators. GRTU insists that this primary role must be for governments, education and health authorities.

8.3 Alcohol and Health

The commerce sector undertakes numerous initiatives to promote responsible consumption and to tackle alcohol misuse:

- preventing sales to the under-aged,
- providing in-store and/or on-line information for customers,
- supporting public information campaigns,
- limiting the display of alcoholic drinks to specified areas in shops.

Such measures are most effective when done voluntarily and with flexibility. GRTU will continue to encourage retailers to put in place such voluntary measures. However, reducing alcohol-related harm requires a broad societal commitment and a concerted effort from all relevant stakeholders.

GRTU Proposes:

- Better Regulation is key for business development. When considering legislation, the principles of Better Regulation should be taken into account with a view to reduce administrative and financial burdens
- Food legislation should provide a clear and proportionate distribution of obligations that correspond to the role and activities of each operator in the food supply and distribution process.
- Information to consumers must be accurate, clear and understandable. Mandatory requirements should concentrate on the essential information that consumers need to know. Excessive amounts of information risk confusing and misinforming consumers.
- Education is key in influencing perceptions, demands and ultimately leading to a long-term change in consumers' behaviour and attitudes. Retailers cannot act as educators. Education is the responsibility of governments and of the education and health authorities.

9. Concluding Remarks

GRTU has made itself clear that if Government wants to achieve economic recovery, this year's Budget must be bold enough to address last year's short comings, make the necessary cuts in financial expenditure, restructure where the economy needs most and prioritise the projects currently in the pipeline.

The Budget's aim must include Government's target to continue to address the deficit in public financing but this should not be done at the expense of enterprise. Businesses have sustained severe hardship this year and are still experiencing hard times as they cannot come up with the funds to sustain a long period of low sales and still innovate, restructure and sustain the same level of employment.

Government cannot afford to disregard SMEs in this next Budget. SMEs are really the backbone of our economy and immediate Government action is needed to ensure they will not suffer permanent damage. In Budget 2010 Government must instil the confidence SMEs need, giving the message that Government is really committed to business and the economy.

Government must be decisive and strategically coordinated. There's too much loose talk and very little strategic development strategies. Too many different Government departments and authorities seem to be doing it their way and the Ministry responsible for the economy is not really perceived by enterprise owners to have a superior coordination power to lead towards the more essential economic revival.

In 2009 Government did well to concentrate on causing the industrial sector to withstand the storm and provide incentives to start building the new economy on energy saving, alternative energy and waste management. The flow of Government projects has however diminished, reflecting the Budgetary constraints that now are more visible as the Budget deficit continued to widen.

We must now seek the funds by selling properties that should no longer stay in Government's hold and pass revenue through new funds to Malta Enterprise, Malta Tourism Authority and to sell Malta abroad aggressively and attract new business for Malta. Through savings made on cuts to excessive expenses Government can also support SMEs to create new jobs.

The new fiscal incentives proposed by GRTU should not reduce Government revenue, as otherwise without these incentives the projects will simply not materialise and rather than gaining reduced tax revenue from these projects, Government will have no tax revenue at all.

GRTU wants Government to think positively and trust business owners. Greater confidence in business is not only right but necessary for Government itself to win back the confidence of employers and employees that Government is really in command.