



Budget 2011

GRTU Proposals

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I. Introduction

Economically 2010 was an extremely difficult year, GRTU had seen this coming and had advised Government to issue the boldest Budget yet. In the light of what we experienced later on, Budget 2010 was not a bad Budget but it should have been much bolder. Following economic analysis and statistics the Budget should have been revisited in June, giving enterprises the stimulus to enable them to grow and restructure fast enough to meet the new challenging market conditions, as the world economy returned to growth.

The economic recession is over, but the Maltese economy is still fragile. Statistics show that we are out of the recession but economically we are still stuck. GDP has grown ahead of what it was in 2008, when the recession started, so at a macro level we can say that we are out of it. We still however cannot say this at the level that matters most for the majority of our enterprises.

Essentially Government did well to assist the exporters in its stimulus package but extremely bad to have limited its focus leaving all others by the side. It is true that Malta is export led, however the majority of enterprises are micro and small and depend heavily on the purchasing power of Maltese consumers and tourists. Maltese purchasing power, as measured by total private consumption, has not grown strong enough to sustain all micro and small enterprises and the economy has for far too long been in a state of depression and deflation. Tourism has been falling drastically, from more than 12 million nights to little more than seven and a half million nights each year over the last several years, which has not helped to boost spending while public spending by Government entities has not been boosted to redress the private shortfall.

In spite of the recession, the economic sectors that employ most Maltese employees and who receive practically no assistance at all, continued to sustain their employment levels so much so that over the last two quarters the Maltese economy increased its level of employment by 3.6% while the other EU Member States on average contracted their employment levels by 2.8%. SMEs are thus the most dynamic force within our economy. The crisis has demonstrated once again that SMEs act as an important buffer in economic downturns and are much more

reluctant to dismiss employees in difficult times, which makes SMEs an important stabiliser throughout business cycles.

Action needs to be taken to boost household consumption. This is essential to sustain the vast majority of micro and small enterprises. In Malta 99% of enterprises are micro and small. We hardly have any medium-sized firms and practically no large scale enterprises. Micro and small firms employ 77% of all workers. Some pockets of small enterprises such as farming, fishing, tourism and some enterprises in Gozo get some form of assistance but compared to all the others in a business community of 34,800 micro and small enterprises who get nothing, the situation is dismal indeed.

Household expenditure has picked up again during 2010 but it is still much below the levels of growth of the pre-recession period. While the politicians and the general public still talk of price inflation the truth however is that the national statistics show that price inflation has moved with the flow of household consumption, that has lowered drastically from the high reached at the end of 2004 and down to figures, that in practical terms denote more a state of deflation than that of inflation.

For SMEs this is a depressed market. It is when people say that their disposable income is not enough to meet their daily consumption necessities, and figures show they are right. That is why retailers and wholesalers complain of falling sales. The problems in these sectors are acute because there is an element of ratchet effect, in that most shops and service providers cannot cut on the number of workers employed or on other costs so easily as they are already running on what is the bare essential to maintain the services they offer to the community. The acute competition in the market today keeps them cost conscious, so even in a depressed market there is little cost cutting that they can effectively do. Indeed most costs have shot up and it's not just electricity tariffs and wages but practically all other Government and public sector induced costs.

An essential measure in business confidence is profitability. Profits for most enterprises have been depressed and falling since much before the recession. In Malta there is no institution, financial or administrative, specifically geared to support and financially assist micro and small firms. The general economic climate in favour of enterprise has changed positively over the years but Malta still remains

void of real effective support of micro and small firms. The commercial banks do somewhat help; in fact most businesses would not have existed if it were not for the support of the Banks. They would however not have been born either if it were not for the funds of the initial owner or the backing of his family. Without sufficient collateral it is the same as it has always been, extremely difficult to start an enterprise in Malta. So profitability is essential for business growth and expansion.

SME support must be properly planned and genuinely geared to help micro and small enterprise. The micro and small firms operating in tourism, retail and wholesale, garage industries, services, construction, transport and entertainment can remain sustainable for much longer if they are given the right support. Budget 2011 must make the difference that really matters. In Budget 2011 we expect smart moves geared at transforming the Maltese economy from the regulation based economy that it has rapidly become to the one that is really desirable, an enterprise driven economy. In the absence of clearly defined and courageous actions our economy will remain fragile.

II. The Economy

Government has in the past provided schemes to absolve all those who had evaded through the transferring of funds abroad, in order for these funds to be returned back in Malta, during the period when the country needed them badly. These in turn have unfortunately invested these funds in land speculation because, in spite of GRTU's tenuous efforts, Government failed to provide financial instruments that geared these funds towards community desirable projects like factory building, new homes for the elderly, new port facilities and new logistics capabilities and other desirable investment. Instead the funds created the mountain of buildings that now flood the market.

Government must now plan the right instruments to direct investment funds to the most desirable projects and fiscal measures and should discriminate positively or negatively depending on what is highly desirable, within an approved development strategy. This, with fiscal support and incentives, not prohibition or punishment.

Government must have a clear vision and issue clear guidelines on the investments it wishes to instigate and achieve. This is also true for Government projects in general, most of which have remained too long on the designing board and MEPA is living as usual in a world of its own and too concerned with its own internal restructuring, continuously failing to address the urgent economic needs of the country. There is too much disintegration of Government policies and the economy appears to be the responsibility of a few individuals at the Ministry of Finance while the rest seem limited to their little targets, disregarding the effects of the economy as a whole. Actions by Ministries and departments on budgetary constraints, effectiveness of the public sector, demographic change, immigration and pending employment and social challenges must be tackled within the whole economic reality.

Economic recovery depends also on Government's ability in improving the effectiveness and accessibility of the public sector, which should deal with efficiency, productivity and capacity to innovate within the public administration as well as public, social and employment services.

Private business and especially smaller enterprises depend to a large extent on the existence, the quality and the affordability of public services. This includes all kinds of

infrastructure, education and training systems, public employment services and business support services, but also well targeted, effective social systems, which have to provide the right incentives. The efficiency as regards provision of these services is crucial for the price of such services, which must be paid by tax payers or customers.

2.1 Restructuring and Recovery

We advise Government to be very cautious in increasing induced costs in any way related to the public sector and authorities. Our country has not as yet recovered from the increases in the utility prices and further increases in other areas are just too much to handle. Government must bend backwards to avoid further this situation.

Increases introduced simply as a budgetary means to squeeze more money without any relevance what so ever to any improved services or government policy either towards the environment, business development or social impact, are no longer acceptable. We have seen this in the attempts to make Enemalta more financially stable and now it has happened again with MEPA. Enterprises and the consumer cannot keep footing the bill of public restructuring and inefficiency, without any study on the impact or consultation whatsoever. Government must take a commitment and change the state of affairs. It is there to represent the people and should carry this responsibility better. No confidence is being created with such policies and everybody is losing faith too quickly.

Fiscal measures should be geared to achieve desirable community objectives and not imposed blindly just as a manning grabbing exercise, one doesn't need much brains to multiply charges by four or five times to achieve a final figure irrespective of the economic, environmental or social impact.

GRTU also proposes:

- Use the possibilities provided by the Stability and Growth pact to increase public investments without endangering the long term targets for budgetary consolidation.
- 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.

2.2 Taxation

Government must be bold enough to implement taxation measures proposed in previous budgets or promised made in electoral programmes. An example of such is the issue of the removal of the TV licence.

When first introduced, the TV licence, was in the form of a licence on transmission of TV on grounds that the state possesses the transmission rights and passes these to TV owners. When satellite transmission was introduced however, technically, the transmission concept did not apply any longer as the state, under the satellite system, was no longer offering any service.

Today households through their TVs are therefore not taking/utilising any service from the State so there is no reason for citizens to pay tax on TVs. A TV set is today just like any other domestic appliance, as are the washing machine and the dishwasher. In the nationalist party electoral programme the futility of this tax had been recognised and there was the intention to remove it. GRTU expects that in 2011 Government will remove this tax with immediate effect. Government may have been correct in the past however when Malta joined the EU and introduced the VAT, GRTU was assured by the then Minister of Finance that all the other minor taxes, and the TV licence was mentioned specifically, would be removed as Government's main taxation would be VAT, income tax and social contributions. Hopefully Government has not lost its financial reform zeal.

Drastic changes in taxation without any consultation have had very negative effects on some sector. Car dealing is a sector that needs particular attention as they have been suffering from unfair competition with several individuals selling cars without having an auto dealer's permit. Such individuals are left to change garages in showrooms without the necessary permits and extending this "show room" into the streets with cars marked for sale and occupying the available parking in the vicinity. Their problems have become even more acute when the rumour came out that Government would be revising the registration tax. This, some months before the

actual revision was implemented, stalled sales in the sector drastically with consumers waiting for the revision.

Following the revision, licensed auto dealers lost large sums of money on the stocks they owned, as the revised registration tax pushed cost of cars down, costs which they had already paid and would not recuperate with the new market conditions. This has been augmented by the fact that the number of individuals importing cars has increased and therefore demand for the services of dealers has reduced.

GRTU also proposes:

- Removal of the TV license
- For the car dealer sector discussions must be started to bring the sector back on its feet. This must be done on two lines, first by compensating car dealers who have suffered unjust losses on their stock and second by taking action against individuals putting a number of cars for sale on the road. These individuals are making a business out of it without having a license, without paying VAT, leaving them with more profit. Government must ensure not to repeat such a situation.
- Implement the electoral promised reduction from 35% to 25% on income within the income tax regime
- Enforce the requirement of giving out VAT receipts in open markets. The requirement already exist but inspections have to be stepped up.
- 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.
- 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. GRTU specifically expects a serious discussion with Government on the pending NI and taxation bills owed by renewable energy businesses who were severely affected by action taken by MRA of which they has no fault but suffered exorbitantly negative consequences. Introducing an off-set system where pending VAT or tax payments can be off-set with the amounts owed by Government to these businesses. This may occur when Government contacts work out to these businesses. It does not make sense that businesses are fined ferociously every time they owe tax and VAT, when they have money owed to them by Government from a longer period. These businesses suffer liquidity problems because such circumstances are being imposed by the current administration.

2.3 Credit Cards and Banks

Very positive results were achieved against MasterCard at the end of 2007 and a settlement was then reached between MasterCard and the Commission in April 2009. By this settlement, MasterCard's cross-border interchange fees are capped at a maximum weighted average of 0.3% for credit cards and 0.2% for debit cards. This

means that as an average of all transactions across Europe, MasterCard cannot charge more than these limits (whether the actual fees are fixed rate or percentage).

This can be confirmed through the commission press release: <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/143&format=HTML&aged=0&language=EN&guiLanguage=en>

Maltese enterprises should therefore see these changes reflected in the amounts they pay for cross-border consumer transactions. GRTU continues to stress the need for Government to check, through the responsible regulators, the charges imposed by the acquiring banks on such transactions. It is not acceptable that the level of charges on transactions in Malta are amongst the highest in the EU.

Acquiring banks must now also give unblended fee rates – so that retailers can see how much they pay for each type of card. This must be equally checked through the regulators as retailers are entitled to it. Commercial cards at this point are not included; however the GRTU would very much appreciate Government's support in this regard.

The next step that will be taken by the Commission is to reduce further the 0.3 and 0.2 levels as according to data on the cost to retailers of accepting cash payments it is clear that these levels are too high and that cash is still much cheaper. As for Visa cards, we are very hopeful that a decision against Visa, or a settlement, will be announced this autumn.

GRTU reminds Government that the Commission however only has jurisdiction on cross-border issues. So for purely domestic interchange fees, it is still up to our Maltese competition authority to take action and follow the lead of the EU Commission. The Commission is pushing national authorities to act. It is very important that the Maltese Competition Authority takes action also against Visa and MasterCard to ensure that these unfair fees are fought also at domestic level.

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. It for instance 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 also proposes:

- 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.
- The Maltese Competition Authority makes the issue one of its priorities during the coming year, communicating findings, results and action taken.

2.4 Unfair Competition and Counterfeit

Market economies rely on efficient and effective regulations, which ensure fair competition and reliable legal framework. One of the fundamental obligation of the public regulations in a market economy is to avoid structures, processes and behaviours which undermine competition and/or could lead to suboptimal economic results at the expense of others and finally of the whole economy.

Due to inefficient regulation and enforcement in some sectors, economic actors and especially SMEs have lost confidence in the capacity of the public entities to provide efficient and effective regulations to the necessary extent. There needs to be an increased focus on the quality of regulatory systems and their ability to enforce law to strengthen the confidence in our economy and improve the overall welfare by a better functioning market.

Fair competition is not only a cornerstone of market economies, but also a precondition for the acceptance of free markets by the different market players. This is especially true for SMEs, which have by nature to face more competitors than large enterprises. Furthermore, only level playing fields between all companies or between

private companies and other market players can create a positive competitive environment, which is a key for innovation and growth as well as for the creation of jobs and welfare.

The shadow economy, which is already a significant phenomenon, is growing and having dramatic negative effects on both tax revenues and social budgets, but they are also unfair competitors for legally acting companies in these economic sectors, especially for smaller enterprises active in the construction and in personal services sectors.

Unfair competition in Malta is too much in our face for Government not to act. It has become the emblem of political failure where departments all recognise the problem and give each other the blame. It is well known that counterfeit products are sold in open markets and that products subject to eco-tax and VAT exit the catamaran from Sicily with every voyage. We reiterate that it is not impossible to put an end to this but the illegitimate seems to slip away too easily because the responsible hides behind bureaucratic failures.

GRTU also proposes:

- A campaign that leaves no stone unturned to eliminate unfair competition with daily inspections within markets and inspectors monitoring the vehicles exiting the catamaran as soon as it docks in harbour.
- Aggressive legal action to be taken against eco-tax and VAT evaders. Strengthening enforcement of existing regulations is required in order to make unlawful behaviour less attractive.
- Improve international cooperation between regulators to prevent cross-border unlawful activities.

III. Enterprise

3.1 Entrepreneurship

In order to promote entrepreneurship, society in general has to be made aware of the issue. It is necessary to restore the image of the entrepreneur, which is mainly dominated by prejudices and disadvantages, and to raise understanding of the advantages of entrepreneurship. School curricula and the media play an essential role in creating and communicating a more realistic and dynamic image of an entrepreneur and its important role in the social-economic framework.

The development of the teaching of entrepreneurship is of the utmost importance. Malta does not need only future entrepreneurs, but also employees and public administrations with the spirit of initiative and creativity.

The appearance of entrepreneurial behaviour needs the right regulatory framework and the necessary support structures. Therefore, public authorities and policymakers have an important role to play in order to create the right environment. A particular focus should be put on female entrepreneurship, which still need to be further promoted and are still facing a number of specific difficulties.

Corporate Social Responsibility (CSR) must also start from the daily realities of SMEs. It should give concrete answers to questions, problems and difficulties that the entrepreneur encounters in the daily management of a company, instead of being a threat and a burden.

GRTU also proposes:

- To integrate Entrepreneurship and the spirit of initiative into all programmes of education and training from the youngest age. This subject should also be integrated in school curricula, especially with a focus on SMEs (start-ups, entrepreneurship).
- To encourage and motivate highly educated people to set up their own enterprise. Although well-trained people are the ones most able to set up and develop high potential ventures (50% of all high potential ventures are set up

by people with a university or post-graduate degree) surveys indicate that becoming entrepreneur is not a natural career choice for them.

- 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.
- Any entrepreneurship policy has to build on the principles agreed on in the European Charter for Small enterprises and on the excellent EU Green Paper on Entrepreneurship.
- Start with concrete awareness raising activities on CSR among SMEs. This includes support SMEs with concrete tools and individual advice on how to implement and apply the CSR principles, especially in the area of green and social procurement

3.2 Access to Foreign Markets

Very few Maltese SMEs are involved in export however this is on the increase. We are very pleased to notice the increased efforts of the Malta Enterprise internationalisation team when accompanying enterprises on delegations visits, setting networking events and meetings, and covering part of the costs involved. The organisation of general and sector specific transnational cooperation events to find the right partners is a strategic tool in order to help SMEs to succeed in foreign trade. We also note with pleasure the efforts of the Ministry for Foreign Affairs who are bringing over consuls for Malta from different countries to meet us so that we can have an opportunity to present Malta's priorities. These efforts are a very good starting step however follow up efforts need to be stepped up. It is follow up that will give tangible results and assess the viability of the efforts.

GRTU also proposes:

- Establishing a strategy for the follow up on delegation visits and visits by consuls and ambassadors.

- Better access to information and qualified advice when considering going international
- The establishment of a desk where SMEs can report any barriers they experience when attempting to export.

3.3 Small Business Act (SBA)

The GRTU is still surprised with Government's lack of commitment towards the SBA. We are surprised that the GRTU as the national representative of SMEs is kept uninformed of developments and that meetings have been extremely scarce. We are included and consulted much more frequently at EU level, which should certainly not be the case. We learn of advanced working committees on the SBA in the other Member States when in Malta civil servants seem to have decided to limit this to an initial consultation meeting and the rest would be decided by them. GRTU cannot understand how this approach is possible in this day and age.

The GRTU is disappointed not to have seen any kind of advancement from our Budget 2010 submissions on the SBA. The implementation of the SBA so far has been anything but "speedy". With barely any progress having been made on the "Think Small First" principle and even less on the concrete measures linked to the Small Business Act one year after its entry into force.

GRTU also proposes:

- The first and most important priority is to fully implement and respect what has been decided. This also includes the 27 priority measures of the so-called "Novelli action plan" (with its 3 pillars: improving SME access to finance, a regulatory environment supportive of SME needs, enhancing market access for SMEs).
- The "Think Small First" principle is not a reality yet and so far it is not correctly interpreted. The real "Think small first" principle means that the starting point for all legislation (new and revised) should be the smallest enterprises, i.e. the overwhelming majority of enterprises. Rules written for a small business can be easily scaled up to cover bigger enterprises, while the contrary is terribly complicated. Rules must respect the majority of those who will use them. This

principle should be used consistently and with more ambition throughout the whole regulatory and implementing process. Applying this principle will dramatically ease administrative burdens. The principle is extremely important but the result is heavily depending on how it is interpreted in the regulatory or implementing situation.

- The principle should be openly addressed throughout the regulatory process at all levels. The consultation and draft proposal stages should all include the question of what would be the best solution according to the “Think Small First” principle. Addressing it throughout the regulatory process could improve the actual regulatory outcome and encourage discussions on whether the solutions chosen can actually be considered to meet this fundamental principle. To improve the situation, it is also necessary to introduce the reduction target of 25% of the administrative burdens as a net target. GRTU also advocates for a wider approach, which means focusing on the full regulatory burden instead of just the administrative burdens. Without a net target, an improvement in one area will continue to be consumed by increased burdens in other areas and SMEs will not notice any improvement even if the figures look better.
- There is a need to set up a real governance policy, which should include representative SME organisations. This will also be an occasion to implement the SBA principles in all policies.

3.4 Impact Assessments

GRTU attaches great importance to effective and independent impact assessments to be carried out prior to all legislative initiatives. Impact Assessments, together with Stakeholder Consultation, are key pillars of the “Think Small First” principle of the Small Business Act. We believe that more must be done on how to put this principle into practice.

GRTU also proposes

- 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.

- Impact Assessments should be drafted for any piece of legislation affecting SMEs. We believe that such studies (cost-benefits) should be undertaken systematically for all pieces of legislation affecting SMEs, as they tend to be over proportionally affected by red tape and administrative burdens coming from legislation whose impact has not been properly assessed.
- Stakeholders should be involved from the very early stages. For instance, the feedback of stakeholders could be very useful to pinpoint the scope and the structure of the impact assessment, including questions if any. Interested parties should also be consulted when the First Draft of the Impact Assessment is available, so they can comment both on its structure and on its content. Such early involvement is crucial to avoid conclusions based on the wrong assumptions or on the wrong data. Impact Assessment and Stakeholder Consultation are two different processes as the first should be inherently objective while the second is inherently subjective. However, there is an interaction between both aspects that could be put to use to obtain better and more useful Impact Assessments as the end result.
- If an impact assessment was conducted before the introduction of a rent reform Government would have noticed that following the reform, rent for all enterprises affected by the law would double after the fourth and final year of increase. This irrespective of how much rent they already pay and if they paid a premium to ensure rent would remain constant to be able to make business projections. We therefore ask for Government to revisit its unjust law.

3.5 Smart Regulation

GRTU believes that the principle of “smart regulation” proposed by the Commission is a positive approach the Maltese Government should follow after. The quality of the regulatory environment is key for the competitiveness of enterprises, especially small enterprises, for their growth and economic performance. Moreover, it is important for attracting foreign investment.

However, cutting red tape is not only a key priority for businesses. As GRTU has stated for many years, and as confirmed by research, better regulation and the reduction of administrative burdens will also reduce costs for public administrations and lead to better enforcement.

The culture of better and smarter regulation must be spread across all of the Departments and State-owned corporations. Small businesses are not only affected by enterprise policy – they are concerned with a much wider range of decisions in issues such as social policy, taxation, environmental rules, consumer protection and trade policy, to name but a few.

More than half of the total burden of red tape still comes from national legislation. We never tire to emphasise that when EU directives are transposed, Government should resist the temptation to tinker with their contents as much as possible. “Gold plating”, the practice of exceeding the terms of EU legislation and adding undue and unnecessary clauses, is one of the main sources of red tape. The Maltese Government should adapt EU legislation to the national circumstances, but must also make sure that actions do not generate extra burdens for the national business community.

“Smart regulation” therefore implies that when transposing directives into national legislation, care should be taken to avoid adding undue complications. “Gold Plating” should be resisted and eventually eliminated. Meanwhile, it should be made clear when additional provisions are being made, these should be identified and evaluated separately.

Better regulation is indeed more than simplification and/or reducing red tape. The transposition is equally important, not to mention the enforcement of the legislation. Better regulation is a package and cannot be achieved without dealing also with transposition (i.e. how directives are incorporated into national law) and implementation (i.e. how EU legislation is applied in Member States).

GRTU emphasises the clear link between “better regulation” and the Lisbon agenda. How can more and better jobs be created if businesses, 99% of which are SMEs, are crippled with unnecessary, disproportionate, over-complicated and absurd legislation. The time has come to rethink the whole regulatory process; there is a need for a cultural shift, a new regulatory culture. Legislation does not only create red tape, administrative burdens and is too complex, there is also a serious problem

with the content: the claimed objectives are not clear or not reached, there is an imbalance between advantages and costs, the costs are unnecessarily high due to not adapted rules (no room for alternatives), the rules are not executable or enforceable.

GRTU also proposes:

- Government departments must become accountable for the extra burdens they impose. An office must be set up to audit this and ensure departments are 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. This office would be utilised to place complaints when information is requested more than once.
- We find that in most cases Government's approach to have a broad open consultation of all interested parties and individuals, mainly through the Internet, is not the best means for good consultation. Good and efficient consultation requires, in the first place, consultation of the groups directly concerned and affected, and this should be done through their representative organisations according to focused consultation procedures.
- More attention should be paid to the important role which business organisations play as intermediaries between enterprises and the Authorities. Indeed, our role is not simply to register or collect the opinion of members, but also to find a common position that reflects the opinion of the different economic sectors. As such, our opinion is more than a simple sum of all the opinions from single enterprises. It is the result of a democratic consultation and decision-making process. It also means the application of the principle of subsidiarity. Regulations based on collectively agreed positions will also be more easily respected. A culture of consultation and dialogue constitutes a compulsory part of the whole decision-making process, as well as the consultation and involvement of the parties concerned during the whole preparatory process.
- GRTU wants to see a Maltese Government that is more transparent and explicitly display in the transposition law which articles and paragraphs in the

national legislation correspond to each paragraph in the directives when they are implemented.

- Ex-post evaluation to be introduced to measure the effects of any gold plating. This would be carried out in collaboration with stakeholders.
- Respecting the proportionality principle, when it comes to compliance and administrative requirements. This principle means that legislative or political provisions should focus on the needs of SMEs and the impact of their activities compared to large enterprises and be limited to the absolutely necessary. This is especially the case for reporting, record keeping, documentations, publications, information (statistics) and similar requirements.
- Budget after Budget GRTU reminds Government it 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 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.

Not only does the regulation need to be smart, it needs to be managed such that all enterprises can follow up quickly the regulation requirements with practical guides, on-line resources and hands-on support. Smart regulation alone will not result in the required effects. SMEs need to be able to identify their business risks and to build these into their business strategy. They actually need a smarter way of dealing with these issues, not specifically smart regulation.

The minimum SMEs can accept is that all regulation is smart. The benefit is how it can be implemented and dealt with quickly and efficiently and how applying regulation can add value to the business, its employees, its customers and suppliers, the community, the environment and the stakeholders.

3.6 State Aid

Crafts and SMEs are in general rather sceptical about the provision of State aid, acknowledging that any State aid has to be paid by taxpayers and that State aid to a very large extent is directed towards large enterprises.

Proof of this is in the last SBA Fact Sheet analysing Malta's progress. The report states that "The proportion of total State aid devoted to SMEs (1%), is considerably below the EU-average of (10%)".

GRTU also 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.
- A strict application of existing State aid rules, in order to avoid distortion of competition and any inefficient use of tax payer's money.
- Policy actors to use the new framework for State aid to compensate Crafts and SMEs for existing market failures, especially in the areas of access to finance and new technologies, investments in R&D, innovation, training and environmental protection.
- A clear target of state aid to be directed to solely SMEs to be established and measures to be enacted to reach these targets.
- In last year's Budget Government gave us reason to celebrate by stating it will issue a Micro Credit facility. GRTU emphasised how important it was that this promise is implemented swiftly. Unfortunately, like with any other important SME initiative, communication with GRTU on the mechanism and level of implementation never materialised. During the last year GRTU was given a whole list of deadlines by when this initiative would be put in place and Government has failed to make a commitment in this regard. Once again all interested parties have lost all interest and faith that some day we would see the mechanism in place. The state promised to give SMEs direct aid but the picture we are faced with today seems far from the promised.

3.7 Crafts and Artisan Enterprise

Craft and Artisan Enterprises have a huge potential for growth and development in the Maltese economy, however they are hindered by lack of strategy and guidelines for development in the manner our economy needs most. Crafts play an important role in preserving heritage and values, and can also attract tourists and significant investment.

GRTU looked at the Italian model for guidance. In Italy Craftsmanship enjoys a prestige of relevance, even constitutional importance as can be seen from the article 117, in the first codicil, of the constitution, where the Regions are delegated “(...) to the adoption of direct legislative provisions to the protection, development and valorisation of artisan productions in their various territorial, artistic and traditional expressions, with particular reference to the facilities of access to finance, technical assistance, applied research, professional formation, economic association, the realization of craft land settlements and incentives and facilitation of their exports”. The full definition of Artisan Enterprise can be found in the *Legge Quadro per l'Artigianato* (n. 433 of 8 August 1985).

Presently there is no EU wide definition however the EU has issued guidelines outlining the common characteristics found in craft enterprises across the EU which we believe should be utilised to establish a basic definition of what constitutes a craft enterprise in Malta.

GRTU also proposes:

- A strategy to set up a proper Artisan Enterprise definition (on the lines of the box on the following page)
- Set short, medium and long term targets to be achieved within the sector
- Issue guidelines that can be followed for development within the craft industry
- Recognise both skills with adequate qualification

Role and identity of the manager (guidance of the enterprise relies entirely on the entrepreneur)

1. Personal responsibility
 - legal and financial independence
 - manager is also main investor of skills
2. The manager is the owner of the technical expertise :
 - management, accountancy, sales, transfer of know-how
 - performing of all business processes
 - knowledge of all production processes
3. Documented skills/certification/qualifications of the entrepreneur

Acquisition/ accumulation of know-how

1. The owner-manager is the owner of technical expertise of a trade
2. Apprenticeship process is based on an alternating training mode with a great emphasis given on learning by doing
 - strong link between vocational education and its application
3. Transmission of know-how by the peers
4. Contribution to a collective heritage by the diffusion of know-how and the way the craft enterprise is organised
5. Alternating initial vocational training under an employment contract

Production of goods and services

1. Single/ small numbers production
 - a. corresponding directly to the specificities of the client
 - b. flexibility, production according to demand
2. Innovation in a broader sense
3. Integration of technology and know how in order to maintain habitual production
4. Products and services for niche markets
5. Significant proportion of production and service by hand
6. Few resources available for services (e.g. : finances, accounting, legal advises)

Proximity

1. Personalised relationship with local customers
2. Use of local capital sources
3. Guaranty of security and quality of products and services by direct link between the consumer and the enterprise owner
4. Participation in local community Social Responsibility
 - a. fidelity to one workplace
 - b. strong personal relationships with staff
5. Close participation of the family (e.g. : spouse involvement)

IV. Localities

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, embellishment works, parking schemes and waste collection and management. This ongoing work is proving highly fruitful for business in the area with the residents and the locality itself.

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 for Local Councils with which we are increasingly being given the opportunity to collaborate on diverse projects.

GRTU as the voice of private initiative in the Localities in Malta and Gozo is interested in their economic viability and in the attraction of more enterprise and employment within the localities as a source for better quality services in the community.

4.1 Traffic Management

GRTU together with the Local Councils continues to facilitate better traffic management, embellishment projects and building and other actions that enhance 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 areas.

GRTU also proposes:

- GRTU reiterates the importance of being consulted on any kind of road works and changes related to traffic management as these, most of times, impinge heavily on the business community. GRTU is on these lines pleased that it is increasingly being given the opportunity to represent its members. GRTU's involvement is always targeted at finding an acceptable arrangement between all parties concerned and that enterprises do not experience loss of business. GRTU has come up with proposals that where, in a non residential area, road

works might create a disruption in the business activity, works would be carried out after business hours, to create the least inconvenience possible.

- Transport Malta needs to launch an immediate communication campaign to create awareness of how the new public transport is going to operate. One of the main objectives of this reform is that public transport will become more convenient and hence car owners will distance themselves from the traditional form of transport and increase their use of public transport, especially during working hours. This initiative calls to be accompanied by an educational campaign where people will become aware of the usefulness of the new transport system. GRTU proposes that all stakeholders will participate in this campaign, namely Local Councils, GRTU and Transport Malta.
- 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.
- 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.

4.2 Economic Activity and Employment Opportunity

GRTU believes that given the multiplicity of problems caused by excessive projects, road transport and the over utilization of Localities like Sliema, 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.

Very little emphasis is given to promote work and enterprise in the Localities. 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. It will also facilitate the employment of more women 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.

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.

GRTU also proposes:

- 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.
- 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.

- 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.
- 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.
- 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.
- GRTU proposes a special tax credit of 25% on all approved expenses to be enjoyed by business establishments that introduce special crime prevention facilities on their own or on a joint cooperative basis with other businesses in the neighbourhood. GRTU supports the extending and upgrading of street cameras and monitoring of commercial and city centres as well as for the organization of neighbourhood watch projects. GRTU is willing to sit on a Working Committee with all authorities concerned.

V. Tourism

SMEs represent the majority of economic actors in the tourism sector. Tourism in Malta has never stopped gaining importance as central to economic activity and having a significant potential to generate growth. This especially when considering the impact of tourism on the economy of areas which are outside the traditional tourist zones. Tourists do not only spend money in specific tourist activities; the local economy as a whole (e.g. convenience stores, rental companies ...) takes advantage of it.

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.

As in the whole of the economy however, the tourism sector has also to adapt to an increasingly number of challenges, to strengthen its attractiveness for EU tourists and avoid losing market share in relation to other regions in the world (emerging markets). Innovation in the tourism sector is essential to overcome the number of challenges with which it is confronted, such as how to respond to the opportunities created by the use of new communication technologies, new markets (e.g. new client groups such as the elderly or tourists from emerging countries such as China: what are the expectations, how to contact them).

Malta's professionalisation in the sector is a key element to secure competitiveness of the tourism industry. GRTU for instance is very disappointed by the way students coming to learn English are being handled with regards to Language schools and host families. The sector has been totally abandoned to the mercy of the powerful who are ruling and everybody is now facing the music and the bad name unpleasant events are creating for this island that used to be marketed for its care and gentle approach to tourists and, most of all, its safety. GRTU will be presenting a set of

specific proposals to the Malta Tourism Authority that offer comprehensive solutions to this growing treat.

Another area that requires focus is for SMEs to become more familiar with the existing financial support measures and the existing financing instruments must target more the tourism sector as a whole. In this way, exchange of best practices and exchange of experiences can be stimulated (e.g. EFRO, Leonardo Da Vinci, PDPO, Leader). Government must share the knowledge it has on these programmes with the aim of unleashing new potentials.

GRTU also proposes:

- Reduce the taxes and other charges on tourist services creating a negative impact on the industry's competitiveness
- The extension of the high season is of primordial importance to secure employment in the tourism sector and improve its attractiveness for potential employees and create a stable environment for growth and innovation.
- Focus on Gathering data on spending patterns of tourists, economic impact of touristic activity (convenience stores, etc.), employment, best practices and other aspects. However, this information gathering exercise has to take into account the amount of red tape put on entrepreneurs in the sector and shouldn't raise the administrative burden put on entrepreneurs.
- 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.
- Supporting the development of cross-border activities and networks related to sport and other in combination with a network of entrepreneurs delivering customised services is an opportunity to promote sustainable tourism and create economic growth. European financial instruments and structural funds could be used to finance the development of tourist-recreative attractions.
- Measures should be taken to improve convenience of travelling, e.g. the access to EU visas and interconnectivity of modes of transports, etc.

- 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.
- The number of tourists coming to Malta can only increase if we have a broad and varied number of routes coming to Malta. This year was the one of the most years that had visible routes accessibility. This is shown in the resulting of passenger movement increases and value added that they brought to our economy. GRTU would like to see this development even further throughout the next budget so as to increase more passenger movement so that businesses will be able to absorb an increased cost base coming mainly from water and electricity hikes and their linkages.
- Air Malta needs serious restructuring to be able to face and compete within the new dynamics of the airline industry which is long overdue and needs immediate attention.
- Picking routes for our tourism industry cannot carry on for expansion. This is because this would not be able to offer any competition to Air Malta. This game is becoming restrictive and is handicapping further growths to this industry.

VI. Environment

GRTU duly notes that Environmental Legislation is cumbersome to many SMEs who are either still not aware, in sufficient detail, of the actual legislations currently in force or duly apt to adopt a strategy whereby, due to the fact that compliance to environmental legislation is costly, choose the easiest way out and simply decide not to comply.

Environmental legislation is currently of paramount importance and through the lack of compliance by many companies, traders and importers, an unfair level playing field has been created which is now visible all over the island of Malta and Gozo. We are referring to Legal Notice 277 of 2006 and Legal Notice 63 of 2007 amongst others.

GRTU has over the last few years made sure that reports of unfair level playing field by its members in respect to this issue are forwarded to the right authorities involved but strongly feels that there is no structure in place which creates a deterrent in any manner. As such unlawful activities continue to operate at the detriment of the major and bona fide entrepreneurs who are abiding to environmental legislation and also fiscal legislation in place.

ANNEX 1 : FISCAL PROPOSAL TO CREATE A FAIRER LEVEL PLAYING FIELD

This document sets out a proposal whereby a fair and level playing field mechanism is set in motion so that those that are currently not abiding to environmental and fiscal structures will have to do so.

ANNEX 2

This document outlines the amendments needed to LN 84 of 2010. These are needed to create a long term mechanism and also provide further HS Codes to be exempted (all current HS codes except mattresses, oils, tyres, batteries and accumulators). The intention of the document is to provide a sound basis for less VAT and Eco Contribution Evasion and to totally abolish the anomalies of the Eco Contribution Act.

6.1 ETC Support Schemes for Green Economy

Environmental legislation has brought about the need of more market driven incentives so that when Green job opportunities are created, we will have the manpower at the readily available. On these lines,ETC should set up courses, even through MCAST, free of charge. Examples of green jobs, for which courses should be created, are:

Environmental Assistant, Landscaping Officer, Community Environmental Officer, Season Material Pickers (horticulture), Schools Environment Project Officer, Eco Councillors, Green Procurement Officer, Environmental Journalist, Emissions Technician, Waste Management Planners, Environmental Inspection Officers, Streetscene Officers, Environment Health and Safety Officers, Waste Recovery Assistant. Job Descriptions for all the above can be provided by GRTU.

We are at a time when a Green Economy Steering Committee, set up by Government, is evaluating amongst others where and in which sectors can Malta create a new green opportunities, which are both sustainable and would create long term Green Jobs .

6.2 Improving Energy Efficiency

GRTU continues to be proactive in its approach to ensuring that SMEs drive themselves towards both energy efficiency targets and also towards a carbon footprint which is acceptable and in accordance with the Standard set by BSI, being PAS 2050.

Government needs also to realise and act upon the fact that investing heavily now will result in long term decreased purchases of fossil fuels, a healthier lifestyle for people and accordingly an increase in a healthier environment.

Government should set up a fund to provide loans to SMEs, to improve their energy efficiency. Such loans should be for capital purchases of equipment only, which would eventually reduce costs and reduce carbon emissions. These would make up to €50,000 available for each successful applicant enterprise, would also be unsecured, interest free and repayable over five years maximum.

The loans will be provided for purchases of equipment such as:

- Euro 4 or Euro 5 Vehicles used for distribution industry and inclusive also for purchases of service vehicles
- Purchases of photovoltaic equipment
- Purchases of Solar Panels
- Purchases of Insulation Materials
- Purchases of lighting fixtures which operate with sensing equipment

6.3 Emissions

It is a known fact that carbon emissions ensue both through the sale of a product or the provision of a service. This fact should be given the required importance and in doing this we will create an awareness within the business environment that the carbon footprint of a product or service is emitted during the entire life of a product/service from production to final disposal. In case of a product one needs to examine these emissions from the raw material stage, the packaging needed to produce it, through to manufacture, transportation, sale to the end user, use and disposal.

In this respect Government should introduce a standard (in the UK it is Pas 2050) for businesses to achieve the standard set and then each business will be able to carry a Carbon Reduction Label. PAS 2050 provides a carbon footprint methodology which measures these emissions, leading to valuable energy and cost saving opportunities to businesses.

At this stage it is recommended that Government sets the ball rolling by firstly establishing a Standard, then providing an assessment of its own entities and thirdly provides SMEs with the infrastructure to have their own carbon footprint assessed.

6.4 Transport Incentive

Government should incentivise and induce SMEs to incur less energy transport costs through:

- a. Provision of funding for the purchase of electric cars, for business use, loans to be unsecured with a low interest and repaid within eight years maximum.
- b. The provision of a logistical set up for distribution of goods with electric vehicles in the areas of Valletta, Sliema, Hamrun and other recommended areas. It is no longer acceptable to have hundreds of different delivery vehicles making their way within these dense areas and leaving behind them chaos and excessive carbon emissions. Goods should be transported via a logistics centre and with approved electric vehicles. This will eventually also increase productivity for SMEs in the distribution sector and other sectors that provide distribution of goods in all different categories of sellable items.

Registration tax on powered two wheel vehicles not exceeding 250cc is dropped completely and transferred to a system based on a yearly licence. This would bring new and used imports on a fair and equal playing field. Financial income to Government would remain unchanged and would incline consumers to purchase a new powered two wheel vehicle rather than a used one with higher polluting properties. Most importantly however this initiative would actively promote two wheel transport to aid our massive congestion problem as part of the transport reform.

6.5 Water and Energy Billing

GRTU has over two years ago provided a plan to mitigate the effect of increases of utility tariffs, until the time when SMEs would have invested in renewable energies. Government must ensure that the effects of the increase in tariffs do not lead to business close down or reduce employment. SMEs need predictability, it essential for them to know how much will utilities cost them for at least a calendar year ahead. Accordingly Enemalta, being the only energy provider, should provide a price tariff with a number of characteristics as follows :

- a. A price per KWH valid for one calendar year and another for two calendar years

- b. Based on energy used over the last calendar year, Enemalta should also provide a tariff which if prepaid will include a ten percent price reduction. The prepayment will be based on an average use for the last two calendar years and it will need to be effected for not less than two calendar months of use.
- c. An immediate price reduction of 50% for three phase application if this application is effected by an SME which will employ more than one person, within its first year or, for SMEs that are expanding operations and have more than one employee currently.
- d. Reduction of the three phase and single phase meter rents by 50%. It is not currently acceptable to have such high rates for just having a meter installed in one's premises. The meter rent should in realistic terms cover the cost of the meter inclusive of the labour required to install such a meter and a profit factor for the corporation. This should be established for sustainability of operation (the purchasing and installation of a meter inclusive its organisation to provide such a service). This should be distributed over a period of three years inclusive of interest after its installation and then no meter rents are to be charged for SMEs. For those meters that are already installed, this sustainability cost is checked in comparison to the funds received over the year/s after installation and if deemed covered, its owner will cease to continue paying meter rent rates.
- e. The rent of the water meter for SMEs should be totally abolished and the water rate per cubic metre increased so that users pay according to their use. It is important that even in the use of these resources the user pays principle is also applied.

Government is to note that the energy and water bills have been a major factor contributing to either heavy losses or closures of businesses. Without fail taking ages to decide on the way forward is also creating hiccups in many industries. The sporadic and sometimes erroneous billing by ARMS Limited needs to cease and the Minister responsible should take it upon himself to solve this issue once and for all.

6.6 Waste Management Strategy

GRTU continues to insist with Government that operators within this sector are constantly striving to make ends meet. This is namely because the sector is composed of a heavy number of operators who are not educated enough to be able to make financial assessments of operations of any sort. This in itself is driving prices of contracts below operational cost, which after a few months provides a worse service to residents in general. It is an issue which needs to be handled with care by both Government and the GRTU.

We are now at a crossroad in implementing the widest ever reform in waste management in Malta . GRTU has over the last years built the organization of these operators within the sector.

In order for this sector to be able to effectively change the face of waste management implementation strategy in Malta, the following is required:

- a. Issuing of an exemption for reduced rates of payment for first registration of RCVs and Skip Loaders.
- b. Setting up of a funding mechanism so that vehicles, RCVs and Skip Loaders that are in Malta and are approved for operation by ADT, under the Motor Vehicles Act, have weighing systems installed. Repayment of this funding for such systems should be over a five year period.
- c. Provision of EU funds for the setting up of a Built Operate and Transfer System, a state of the art cleaning Depot for these Vehicles against sustainable payment by same operators.
- d. The eventual devolution of Wasteserv Operations to Private Industry for those waste streams that are catered for by Private Industry. This includes the operation and running of the MRF Facility at present.

6.7 Conclusion

The sustainability of a large number of SMEs can only be upheld by cost savings in their use of energy, in their drive to purchase more energy efficient equipment, their initiatives to use alternative transport logistics that are cost effective, and last but

not least, by having available to them mechanisms in place that eliminate black market economies which have grown over the last years due to free movement of goods, capital and services. While in themselves they entrench the reason why Malta joined the European Community, we should also hold at heart the principle of a fair and level playing field. Being an insular island we are prone to movement of goods and services, which if not checked and monitored by the Competent Authorities create hardships for those who are abiding to the lawful fiscal regime of Malta.

The Competent Authorities should create an Enforcement Authority that would in paramount be responsible to make sure that a fair level playing field ensues. The lack of this will further entice black market economies which have reached unprecedented proportions, economies that are evading any form of fiscal liabilities.

GRTU supports Government in its role to make sure that such an entity is established as soon as possible taking care of all enforcement under one umbrella.

VII. Gozo

The problems Malta is experiencing are felt more acute in Gozo because Gozo suffers from lower employment levels and double insularity issues. This unavoidably creates a very negative attitude amongst the cross section of the Gozitan population and enterprise. Encouragement therefore to enterprise in Gozo plays an essential role. In order for Gozo to achieve the necessary success it needs for economic revival everyone has to contribute his part with a positive attitude. Training and education is key to achieve this aim and Government must focus its investment on Life Long Learning (LLL) within Gozitan entrepreneurs being aided and trained to grab opportunities that come their way and create new ones themselves.

7.1 Projects and Investments

- GRTU would like Government to study and define possible investments and possibilities to attract more tourists to Gozo.
- Educate people on the unlimited opportunities that large scale projects will bring to Gozo by highlighting factors such as change management, toolbox and a marketing mix.
- Government must decide on a place to allocate for use of the Yacht Marina.
- A serious investment plan is to be planned so that eco investment will be achieved, be it a winery, slaughter houses, Yacht Marina or any other investment that might be sustainable.
- Extra costs incurred for investments earmarked by Government need to be funded or part funded by Government so that there will be full achievement. Government must ensure this is carried out with the appropriate standards.
- GRTU would like to see Malta Enterprise step up its efforts to encourage FDI to Gozo. The disadvantages of the double insularity have to be diminished. This can be achieved by giving more attractive incentives and packages than those offered in Malta. Surely something must be done since no action has been taken in these late years.

- Funds have to be planned and directed to innovation and start-up centres in Gozo. This together with other positive initiatives such as training schools.
- Identify what jobs we want created according to the need during the next 5 to 7 years and training to be done according to these requirements. Gozo currently is suffering from a brain drain. Reason mainly being, that opportunities in Gozo are becoming less, and much harder.
- Creation of a fund so that part of the taxes paid from the Gozo businessman will be put here and utilized later on.
- It is important that the Gozitan coast is taken care of. Investment is to be encouraged on the coast embellishment. Most of the Gozitan coasts are looking shabby.
- Purchasing incentives need to be included to keep businesses from closing down. Knowing that most of the young generation is moving permanently to Malta, something needs to be done to keep active the present business community. The cost of the Gozo channel fare for the Maltese Citizen is enormous. The ferries are the only way to bridge Malta with Gozo and it is too pricy.

7.2 Eco Gozo

- Build up the full definition of Eco Gozo and also to emphasize the advances done on the project mentioned. Eco Gozo must be further incentivized so as to achieve a fully Eco Island.
- We do not only have to keep projects and developments constant to achieve the case of Eco Gozo but we have to use the dynamic side of Gozo so that we can achieve progress. A good factor that will help the business sector to reach its levels of competitiveness is continuous development. This will also help businesses in Gozo so as not to be beaten up by competitors.

7.3 Permanent connection

- The possibilities for a permanent link between Malta and Gozo should be placed on Government's agenda and looked into.

7.4 Making Localities more accessible

- Business in the upper part of Victoria is slowing down particularly because there is not enough parking in the area. There are areas which contain such possibilities such the area under the playing field and Football ground. A shelved parking in the parking behind the bus Terminus is another possibility. There is an application from the Cathedral church which has been pending with MEPA for years. The idea of parking in the ditch has been dismissed following MEPA decision that it does not allow parking in such areas when in Malta Not only there is parking in the ditches but in the Bastion itself. Any alternative must create significant parking as otherwise the problem will not be solved.

VIII. The Community

8.1 Education and Employment

SMEs play a crucial role for economic stability at local and regional level, and SMEs are at the centre of the so-called Social Model. Owner-managers of these enterprises are, in general, more interested in the long-term development of their local economy, while shareholders and management are primarily concerned with short-term profit and boosting turnover. In general, SMEs are more responsible towards their employees and more integrated into local society. They play an important role in stabilising society and have a bridge-building function between workers and capital/equity owners.

A knowledge- and service-based economy requires more and more highly skilled people. SMEs are very much suffering from the lack of qualified workforce despite the fact that they play an important role in vocational training and on the job training. Priority should be given to human capital and better investments in education, skills and qualifications. Education and training systems should be modernised in order to be more responsive to labour market needs including promoting learning mobility for the development of professional experience.

Competence development in line with real labour market needs following the concept of new skills for new jobs is crucial for a better matching of job offer and notably new jobs and the current labour supply. Adult education and lifelong learning is essential to adapt to change, maintain the employability of the workforce and strongly boost the competitiveness of our economy. It should also greatly help to tackle the shrinking of the workforce by enhancing the active participation of adults in further education and training

A reinforced access to continuous training and adequate lifelong learning measures, to the validation of informal and non-formal acquired competences and to guidance for all throughout professional life to combat unemployment, maintain workers “employability and facilitate Crafts and SMEs” adaptation to fierce competition and trades evolution. Moreover, SMEs need the support of public authorities to set up and/or finance such measures. Furthermore, suitable training offer for SMEs should be available in order to fill in the requirement of new skill needs notably in the field of new jobs related to climate change policy.

Strengthening efficiency and quality of education and training systems to better prepare young people to fast changing labour market needs and enhance their employability, valorising the work-based-training education and fostering learning mobility of young people notably those in vocational education and training including apprentices.

GRTU also proposes:

- social contribution systems, which are not only based on labour costs, especially for social benefits not directly related to employment;
- fair balances between social rights and obligations, in order to avoid misuse of social benefits;
- the provision of minimum social security levels at national level for self-employed persons and small entrepreneurs, in order to strengthen entrepreneurship and risk taking behaviour;
- reforms aiming for better targeted social systems and ensuring an (cost)efficient management of social security institutions.
- 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.
- 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.
- 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.
- 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.

8.2 Health

GRTU proposes:

- Government to start effecting payment of medicines bought in a period that is more reasonable. This is slowly being reduced but is far from satisfactory. 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. This has now been accepted by Government and in fact is being implemented.
- Government to totally revise its buying system for medicines. GRTU is ready to offer its now vast expert advice 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. Some progress has been registered. But no consultations have been carried out.
- Reform in the sector of primary care, 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: Primary health reform has been stalled.

- 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. Primary health reform has been stalled.
- 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 of 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. Not only has no progress been registered, but Government has “tricked” pharmacies in implementing agreed tax credits, and a dispute has been registered.
- 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.

This is an EU dispute. We have no visibility as to what the Maltese government is proposing.

IX. Construction and Property Investment

GRTU would like to see a redirection of the construction industry in favour of buildings that create new opportunities for employment and would like to see 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.

As far as construction goes we also 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 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.
- 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.
- Special tax credits should also be given to developers who invest in technologies such as reduction of noise, reduction of emissions and fuel use, health and safety, etc.
- Liberalisation of the rental market by foreign owners of property, plus other measures to boost the local rental market, including a reduced rate of tax on rental and on letting licences which are presently making letting of property financially not feasible.

X. Concluding Remarks

GRTU expect government in Budget 2011 to prioritise micro and small enterprises in all sectors. GDP is now growing again as a result of the growth in the economic performance of financial institutions specialised personal services like e-gaming and the professional services to enterprise, especially consultants auditors and accountants.

GDP must now be pushed forward through the growth of micro and small enterprises who represent 99% of the more than thirty four thousand enterprises registered in Malta. GRTU wants an extended loan guarantee scheme to cover an extensive list of investments that will enable micro and small firms to renovate and re-engineer themselves through training and development and investment upgrade to approach effectively the new knowledge based economy that Malta is committed to develop.

The emphasis of GRTU's proposal is - money is available for productive work and for reinvestment and new investment on a return basis - you have it when you need it and at advantageous fiscal and financial terms but the money must be returned once the investment is generating and the planned income and money is available only to those that the financial institutions certify as credit worthy. The same principle should also be adopted for households that seek improvements and investment in education of family members.

GRTU seeks progress in the development of the green revolution in Malta. GRTU has invested directly giving proof that its commitment to the environment is not empty words. Now, further and stronger fiscal incentives must be given to encourage more growth in this sector and to make the green jobs available and within reach of those who seek them.

GRTU expects Budget 2011 to finally approve the package of proposals advocated by GRTU to create more environmentally friendly economic activities that make our Localities grow and become really sustainable. Year in year out GRTU has been making proposals to assist the development of economic activities in the localities including back office work and more bed only tourist facilities. Now government must produce the right incentives packaged as proposed by GRTU.

Government must do more much more to support private efforts. GRTU seeks sustained economic growth. GRTU aims at an enterprise driven economy and a Malta that is productive and sustainable economically, socially and environmentally.

