



ECONOMIC SUSTAINABILITY, GOVERNANCE & WELLBEING

MEMORANDUM TO POLITICAL PARTIES

March 2022

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A – Introduction & Priority Issues

1. PREAMBLE

1.1 The Poet and the Politician

In a series of published podcasts, President Barack Obama and Bruce Springsteen engage in a sincere and intimate discussion about American identity. 'What does it mean to be American?', they ask. The reply: *'...the stories and habits of mind that bind us together as a people'*.

Both the poet and politician voiced their concerns about the degree to which America's standing in the world had precipitated for various reasons, amongst which is that *'oftentimes it is ignorant to the rest of the world'*. They ask: *'What will it take to restore America's promise? How do we tell a new unifying story about the country that is true to our highest ideals while at the same time giving an honest accounting of where we fall short?'*

Springsteen refers to: *'... the destructive, ugly, corrupt forces at play that would like to take it all down'*. and warns that *'This is a time of vigilance when who we are is being seriously tested'*.

This is the type of honest dialogue that is lacking in Malta, as voicing criticism is deemed to be synonymous with betrayal. *'This is a time for serious consideration of who we want to be and what kind of country we will leave our children'*, said the poet. These humble reflections, coming from the politician who is addressing the issues raised at ideological level, and the rock star who portrays the emotions of the man in the street apply equally to our small nation, even if they hail from the biggest economy in the world. Concealing our reality behind hyperbolic statements and objectives carries the risk of allowing our problems to fester and spread.

We do not need to be the best in Europe. What Malta needs is to be the best it can be, and we are far from having reached our potential. We need to come clean with ourselves about where we fall short, and we are falling short in many counts.

This is not just a time to cast a vote to decide on which political party will govern the country during the next five years. More fundamentally, what is required is to take stock of the social, economic and moral direction this country is taking. This memorandum is being forwarded by the Malta Employers' Association to our political leaders in this spirit.

1.2 A Crisis of Values

In its Memorandum to Political Parties issued before the 2017 election, the MEA stated that:

'The business community believes in high ethics and governance. Corruption - even if only perceived - is not good for business. Our international reputation (which is key for a number of business sectors and not only the financial sector) will only be secured if we can ensure and demonstrate that our institutions have strong values and ethics. International business and particularly those which are highly regulated such as banks will not do business in a jurisdiction which is perceived to be of high risk to their reputation. The mere presence of companies with low ethical standards in a jurisdiction is enough to spark alarm and scare off legitimate companies. Locally, businesses need to believe that there is a level playing field and strong future prospects for them to develop further and invest. Unfortunately, there have been too many incidents – undisclosed contracts, suspicious direct orders, hidden accounts by politically exposed persons, dubious appointments of persons in positions of trust – which are certainly damaging business confidence and Malta's international image'.

This was a warning about deteriorating ethical standards and a call to change direction to safeguard Malta's reputation as a destination for investment. The concerns raised in 2017 have proven to be prophetic. Throughout this legislature, Malta has been rocked by a series of scandals involving the highest levels of power, the resignation of a Prime Minister, Ministers and senior public officials; serious allegations about Cabinet members, the horrific assassination of a high-profile journalist; and a humiliating relegation by the Financial Action Task Force to a grey list status. Things have come to a head and the appeal by the Association to our political parties is that the main focus of the coming legislature must be to clean up our act, before things take an irreversible turn

for the worse. This is a stark reality which is being overlooked. This is not just about burdening businesses with compliance procedures, but also about:

- institutional changes to strengthen our governance structures;
- transparent administration;
- ensuring a level playing field between businesses;
- prosecution of persons who have been involved in corrupt practices and murder.

Government has a moral obligation to maintain a system where success in business or otherwise is not dependent on corrupt practices and political manoeuvring. The role of Political parties and Government is to enable an environment that facilitates ethical business and investment through national policies, and not to be directly involved in the workings of individual enterprises. They need to distance themselves from business.

Companies are also concerned about the misdirection to blame the grey listing on enterprises because of a lack of tax compliance. Whilst MEA fully supports efforts at ensuring that everyone pays their dues, it emphasises that the grey listing is not the result of tax evasion. Therefore, addressing tax evasion per se will not guarantee that Malta will not remain grey listed. Political parties should also set an example to the rest of society by getting their houses in order and settling millions of unpaid, long overdue taxes. The same applies to party officials. It is also shocking that there are public entities that have also fallen behind on social security contributions.

The political situation is creating a sense of disillusionment among the general population, and also foreign investors, in Maltese institutions. There is a need to restore confidence in the judiciary, in politicians and in our authorities to have a society where people can aspire for success through merit and hard work, rather than through a sense of entitlement and cronyism. How can there be faith in the system which awards a person of trust an annual package of €163k, or when millions of euros of Government contracts are being awarded through direct orders, without any justification or transparency? These actions are eroding people's fundamental beliefs, and are also being reflected in employees' work ethics, even family life. The future Malta – our youths – have in their majority responded that they would rather work and live in another country (EY Generate Youth Survey 2021). Isn't this an eye opener that some serious soul searching is required?

2. GOVERNANCE

As emphasised above, one of the key priorities during the upcoming legislature will be the strengthening of our governance systems, including parliamentary reform, with a view to restore Malta's reputation. Corruption can no longer remain unaccounted for. The Malta Employers' Association has presented numerous proposals for better governance:

2.1 Key Positions and Positions of Trust

Although it is understandable that any party in government needs to appoint persons in positions of trust, the number of such appointments should be subject to a ceiling. These appointments should not be perceived to be the result of political favours.

- Members of parliament should not hold positions of trust, or any appointment on government entities. This may conflict with their duties in Parliament.
- There shall be full public disclosure of contracts, remuneration conditions, including bonuses and perks, of persons occupying positions of trust.
- Of all persons occupying a position of trust, including consultants with public entities and who have not been employed through a recruitment process should be subject to a periodic audit by an independent board to justify their position. The board shall include representatives of the Opposition. As with any company in the private sector company, they will report on time spent, activities and results achieved.
- Key positions in Authorities, including the Attorney General and the Police Commissioner need to be approved by a two thirds majority in Parliament.

2.2 Contracts

- All contracts entered into by the Government with third parties will be made public within reasonable time but certainly not exceeding three months from the date of signing.
- The Director of Contracts should be given back the authority to take an active part in adjudication processes, and not to just act as a regulatory body. Tenders are to be adjudicated by independent adjudicators not by Ministries.

- Government will not enter into binding agreements (commercial or otherwise) with entities whose ultimate beneficial owners are unknown. Such agreements will be rendered illegal.

2.3 Direct Orders

- Government should ensure that the parameters that regulate direct orders are respected and enforced. The rules of public procurement are being flagrantly ignored with contracts amounting to millions of euros being awarded through direct orders. This is creating an unlevel playing field among businesses. At best, this creates serious suspicion and a sense of unfairness. At worst, it serves as a hotbed for corruption.
- Any direct orders that go against these regulations should be immediately be declared illegal and null and void.

2.4 Financing of Political Parties

One of the roots of corruption has been the link between business and the political parties. This is a chicken and egg situation – some businesses donate to win government contracts ‘favours’, political parties need the funds for the running of their operation, including media and electoral campaigns. The financing of political parties requires stricter regulation. Parties need to be more transparent about the provenance of their finances.

MEA recognises that political parties need substantial funding to operate effectively. We also believe that political parties should be non-profit organisations and should not enter into business transactions which can create conflicts of interest and unfair competition. However, we also understand that having to rely on donations and private financing as their main source of income is in itself an issue that can lead to abuse and also corruption. We thus see the need for an open discussion to give political parties alternative options to finance their core and regulated activities which could also be centralised through Government.

2.5 Parliamentary Reform

We are also forwarding a set of proposals for Parliamentary reform, intended to result in a leaner, less costly and more efficient parliament:

- Reduce the number of members of Parliament to 45.
- There should be a maximum of 8 Ministers.
- MPs post will be full-time, and remunerated at not less than €55k per annum.
- Parliamentary Secretaries will be remunerated at not less than €65k per annum plus current perks.
- Ministers will be remunerated at not less than €85k per annum plus current perks.
- The Prime Minister will be remunerated at not less than €110k per annum plus current perks.
- MPs will not hold other positions in government entities, nor have interest in private sector companies which could create a conflict of interest with their duties as MPs.
- Parties may appoint technocrats to serve in Parliament. Although this proposal is still not yet generally accepted, one notes that there are currently quite a few members of Parliament who have not contested general elections, with some of them doing quite a decent job in their appointment. Certain safeguards still need to be introduced to avoid any possible abuse

The amounts mentioned above are considered to be minimum remuneration rates, and based on market rates in the private sector of persons holding positions of equivalent responsibilities.

Let us stop fooling ourselves. The *official* rates of remuneration to members of Parliament are insufficient to attract the best element to lead the country. The previous administration tried to address this issue in a poorly handled exercise that was ultimately counterproductive. The current administration addresses this situation by showering its MPs with generous add-ons to their official package. Poor performers are also rewarded by lucrative severance packages and appointments as persons of trust instead of being kicked out.

These proposals should incentivise more competent persons to take up politics as a profession. Government and Opposition should note that, since Malta suffered greylisting status, surveys conducted by the MEA, the Malta Chamber of Commerce Enterprise and Industry, and EY all point towards a substantial deterioration in business confidence. The latest EY survey reveals a shocking trend in that only 37% of those surveyed claimed to find Malta attractive as an investment destination in 2021 (the corresponding figure in 2020 was 62%), whereas 46% replied that Malta is not attractive (in 2020 this figure was just 25%).

A survey conducted by MEA in September 2021 found that: '88% of respondents believe that the FATF grey listing will leave a negative impact on the Maltese economy, with 64% anticipating strong repercussions. 71% anticipate that the grey listing will affect their business directly. The results show that we are on a clock, as 63% of respondents reported that the greylisting will be affecting them within the coming 6 months'. (<https://www.maltaemployers.com/wp-content/uploads/Malta-FATF-survey-FinalReport-23.07.2021.pdf>)

In its proposals for the national budget 2022, MEA stated that: 'If a politician, through his actions, increases the risk of Malta remaining in the FATF grey list by just 1% and this incurs the probability of affecting the least of our members by 1% of his business, then that politician should either resign or be removed.' Attempts by MEA to discuss these issues at MCESD have been blocked. MCESD had commissioned a report on the governance situation by Dr Michael Frendo which was completed in 2019. This report is gathering dust.

2.6 Corporate Governance

The Association recognises that Governance is not an exclusive responsibility of government and acknowledges the role of the private sector in ensuring good Corporate Governance. In this regard, the MEA is committed to encourage its members to adhere to Transparency Register structures as well as to adopt pertinent guidelines for professionals that are already made available by the MFSA as well as to pursue systems of Continuous Professional Education in this context.

As a matter of Corporate Governance, the MEA strongly advises the incoming Administration against setting mandatory quotas of any kind, in the public sector, that risk forcing entrepreneurs to become side-tracked from making the right decisions in the interest of their companies.

With gender quotas taking precedence over skills and competencies, for example, women candidates may be viewed favourably for senior level roles on the basis of gender rather than the selection being based on competence, fit and merit. This is also counterproductive for women's long-term career progression. Besides, we are also against the term 'presence' of women on boards which is often mentioned within messages coming from the European Union. We feel that the mere 'presence' of women does not necessarily result in participation, nor does it necessarily guarantee the desired positive contribution. Therefore, the MEA, believes that an unbiased selection process should be adopted to ensure that the right fit for the position is chosen on the basis of meritocracy rather than on the criteria of gender.

3. OTHER MAIN ISSUES

3.1 The natural and built environment

Another salient point of this legislature has been an increasing awareness of the need to preserve and enhance the natural environment. The economic growth experienced during the past eight years has been strongly dependent on activities which may not be sustainable in the long-term, not least the rate of construction activity and a constant influx of foreign employees to address labour market shortages. These activities have invariably generated a negative impact on the natural environment and the general well-being besides compromising the sustainability of other sectors, like tourism.

The series of green measures announced for budget 2022 by the Government is a reaction to mounting criticism about the pressures that economic growth has had on our landscape, on traffic congestion, property prices and air quality, among other aspects. Besides the imperatives set by the EU for the greening of the economy, for example through the carbon emissions targets set for Malta, many people's priorities are shifting towards a better natural environment, even if this comes at a sacrifice to material gains. The issue of the yacht marina in Marsascala is a case in point.

Besides being a moral obligation, and having a bearing on people's lifestyles, the safeguarding of the natural environment is also critical to sustain a competitive and sustainable tourism industry. It is in our economic interest that Malta remains an attractive tourist destination. Malta also has environmental targets which have been set by the EU. It has to reduce its carbon emissions by 19% by 2030. The funds allocated under the Recovery and Resilience Plan (€346m) are also target oriented, with some of these targets related to the greening of the economy.

It is proposed that new yacht marinas should be developed sustainably without creating undue negative impact on the external environment and stakeholders including the residents of the immediate vicinity.

Generally speaking, the landscape of Malta's built environment is not one which does our nation particularly proud – a scenario that is exacerbated by unrestrained enforcement and primitive construction methods which continue to lack qualification frameworks, licensing procedures, training requirements, and adequate protection for third parties. As a result, the country must deal with an “uglification” issue in terms of the built environment that must be reversed. The lack of planning and the quality of regulation, together with its interpretation, enforcement, are at the core of the mistakes that Malta has made in development. For years, the planning and permitting structures in the country have lost the trust and confidence of the citizen due to a track record of lack of consistency and transparency in decisions and permits.

Consequently, the MEA believes that a concerted effort continues to be desperately needed from the part of the incoming Government, the construction industry and industry professionals to collectively improve the reputation of the industry by raising the bar in terms of quality and professionalism with a view to minimising its negative impact on the quality of life of neighbours, logistic problems with continuous traffic diversions, air and noise pollution and so much more. This issue is elaborated upon elsewhere in this document.

Above all, the MEA proposes that as from the next legislature, any development on ODZ areas will be subject to a two thirds majority in Parliament.

3.2 Balancing Economic Growth and Well-Being

Linked to the above, the Malta Employers' Association organised a conference in June 2021, entitled: '*Balancing Sustainable Economic Growth with Quality of Life – a National Challenge*'. The purpose of the conference was to kick start a discussion about the need to introduce more refined metrics to capture progress (or otherwise) in economic expansion, well-being and quality of life. Such metrics need to be more actively incorporated in Malta's policymaking structures and procedures.

We understand that the purpose of enterprise and labour should ultimately be to generate a return to investment and also to make people's lives better through goods and services produced. Countries like ours, with severe limitations, such as land scarcity, a dense population and other environmental constraints, need to be more sensitive to the extent to which economic activity impacts the quality of life of its citizens.

3.3 Transforming The Economy

Achieving sustainable economic growth within the parameters of a decent quality of life necessarily entails a transformation of the economy. Government needs to set a vision which acts as a beacon for the private sector to follow and actualise. The relative size and contribution to Gross Value Added of different sectors will have to change to reflect shifts to more capital-intensive production.

3.4 Maintaining a Healthy Fiscal Balance

One of the upcoming challenges in the next legislature will be control of the deficit and the public debt. Before COVID-19, the Government was successful, through robust economic growth (average GDP growth 2014 – 2019 has been 6.75%) to generate revenue to achieve a budget surplus, and bringing the debt down to 42% (of GDP). Pre COVID-19, there were already signs that the surplus was difficult to maintain. The deficit/GDP ratio for 2021 soared to 12.6%, the third highest among EU countries, and the debt to GDP ratio rose once again past the 60% mark, which has also drawn the attention of the IMF.

The economy is showing signs of a fast rebound to relatively high levels of growth as tourism recovers, and pent-up domestic demand will also generate

economic activity. These will have to be supplemented by control of public expenditure and an increase of FDI to bring the deficit down to sustainable levels.

3.5 EU Tax Harmonisation and the Sale of Passports

In the coming years, Malta will face the threat of tax harmonisation in the EU. It is difficult to predict the impact on our economy but we need to be prepared for a possible negative backlash by strengthening our attractiveness to FDI through other benefits and specialisations besides the tax advantage. This has to be proactively supported with reforms and actions to regenerate Malta's reputation.

The IIP scheme will also probably have to be halted during the coming legislature, cutting off a revenue stream for the country. MEA has been calling for contingency plans for this eventuality since 2017. Unfortunately, no such plans have materialised. In line with considerations made above, however, the dismantling of the Citizenship by Investment scheme, in the long-run, should contribute towards repairing the country's reputation with the EU and beyond.

3.6 The Demographic Challenge - Increasing the Birth Rate

The MEA has brought to the national attention the critical issue of changing demographics and their socio-economic impact on our society. The Association has warned against economic growth which is dependent on population expansion through the importation of foreign employees. Given the low birth rate prevailing in Malta, resulting in a declining and ageing labour force, foreign employees will be essential for economic development. However, the engagement of foreign employees should be part of a national human resource strategy that matches the plans for economic transformation.

It is proposed to have an open discussion to address the low birth rate with a view to introduce incentives to increase it. Over the past decades, Malta has experienced a falling birth rate even when female participation in the labour market was among the lowest in Europe. This is a very sensitive and complex topic which will have to be approached from all angles: economic, work-life balance, socio-cultural, environmental and others.

Countries like France have managed to reverse birth rate trends to surpass the replacement rate. This is to the benefit of all society.



3.7 Rationalising the Human Resource

The MEA a presented position paper with recommendations to improve the utilisation of the human resource (<https://www.maltaemployers.com/wp-content/uploads/Position-Paper-Shortage-of-employees-Aug-2021.pdf>). The recommendations are included elsewhere in this memorandum. This will become critical as a means to increase productivity per capita and channel human resources into higher value-added activities. Malta, like many countries in the EU, will face labour shortages due to demographic change. We will also have to compete with other countries to attract foreign employees, both within and outside the EU. Maltese employees, especially the most qualified, will be attracted to seek careers in the EU and thus it is envisaged that the labour market will become more competitive in the coming years.

3.8 The Pitfalls of Populism

Our political system has generated a culture of entitlement, with insufficient understanding and appreciation that wealth and benefits can only result from hard work and sacrifice. There is a need to exchange populism with realism, especially among the younger generation. Regretfully, the general perception is that wealth can be created from thin air. It is the responsibility of the political class to stop promising pies in the sky and educate the electorate that any government expenditure or project has to be financed from their taxes.

3.9 COVID-19

Covid-19 has been a sudden and unexpected development that shook the world economy, with Malta being no exception. Government and other social partners have generally been successful in coordinating their efforts to minimise the hardship to individuals and enterprises caused by the pandemic. Timely and well-designed fiscal intervention has been instrumental in safeguarding the survival of companies and jobs. This, together with an efficient roll-out of the vaccine has mitigated the impact of the pandemic, kept people in employment and businesses running, albeit at reduced turnovers and profitability. The shortfall in the handling of the pandemic lies in the manner in which the spread of the virus was managed. The opening of national borders to tourism was not planned properly and led to poor tourism seasons in 2020 and 2021. This has contributed to a widening of the fiscal deficit as the Government had to extend assistance to businesses for longer than expected, whilst revenues inevitably fell short of what was projected for 2021.



B – Horizontal Policy Issues

4. EDUCATION

In Europe, with the introduction of new markers and sectoral restructuring that has been happening in the last 10 years, 4 in 10 EU employers have difficulty finding people with the right skills¹. Skill shortages and skill mismatches are major concerns even in Malta.

The local education system requires further transformation in order to render it more flexible and dynamic and towards reacting more nimbly to today's and future demands of the economy. Education reform must address the shortcomings leading to Malta's early school leavers results which are currently the highest in the EU. The reform must also afford enhanced focus on entrepreneurship, work ethic and soft skills from a tender age. MEA members have reported an alarming deterioration in such aspects amongst younger workers which should be addressed through appropriate educational programmes.

As stated in the Position Paper Addressing a Chronic Shortage of Employees, published by MEA in August 2021, MEA has issued a number of proposals:

- A concerted effort to reduce the incidence of early school leavers.
- Channelling students into career oriented disciplines - e.g. STEM (Science, Technology, Engineering and Maths) subjects. Weaning students away from what are considered to be 'soft options' in their studies. This will also assist Malta in addressing gender stereotyping in occupational choices as a means to reduce the gender pay gap.
- Enhanced and updated career guidance to shed light on the opportunities/skills offered/ demanded today and the immediate future. MEA again proposes a closer link between guidance teachers and industry with mandatory involvement of career guidance personnel, through work periods, in the private sector.

1 Cedefop, Insights into skill shortages and skill mismatch: Learning from Cedefop's European skills and jobs survey

- Wider application of Work Based Learning in all its forms. MEA proposes that the government should strengthen its efforts to increase the uptake of apprenticeships. There is a rising need for more technicians at MQF Level 4 and 5 in the labour market.
- Validation of informal learning through the Vocational Skills Card and other mechanisms that can be developed by the National Skills Council.
- Stronger input of industry in the design of courses. Making academia conscious of numerous career paths available for different courses, and design courses accordingly.
- Strengthening entrepreneurship, social skills and work ethic.
- Recovering our mastery of the English language.
- Addressing brain drain by designing policies to retain Maltese and foreign people to work in our country. Other EU countries will be attracting Maltese labour to fill their vacancies. MEA proposes bilateral agreements with third countries that can supply specialised labour

The issue of early school leavers needs to be addressed holistically. Simply bouncing the idea that trade schools should be reopened is a non-starter, as the MCAST was founded precisely to promote vocational education, by developing a college which is accessible also for school drop-outs and offering them opportunities to progress through a formal structure of qualifications. The MQC classification of qualifications has been instrumental in establishing levels of qualification for different trades. Perhaps one should assess the extent to which MCAST has remained committed to this core vision, or whether it has expanded its horizons to offer graduate and post-graduate qualifications to the neglect of its core mission.

It is the view of the Association that having 'two universities' is wasteful. MCAST should focus on MQF levels 1-5, but with established pathways to allow students to progress to higher levels of qualifications at the University of Malta.

Another concept to be explored is that of raising the school leaving age to 18. This idea merits further thought and research which has to include a thorough analysis of why many individuals prefer to start working at an early age in the first place, and what type of educational reform is necessary to entice more students to look forward and enjoy studying. Unfortunately, it is becoming common that young, uneducated youths are having access to unexplained

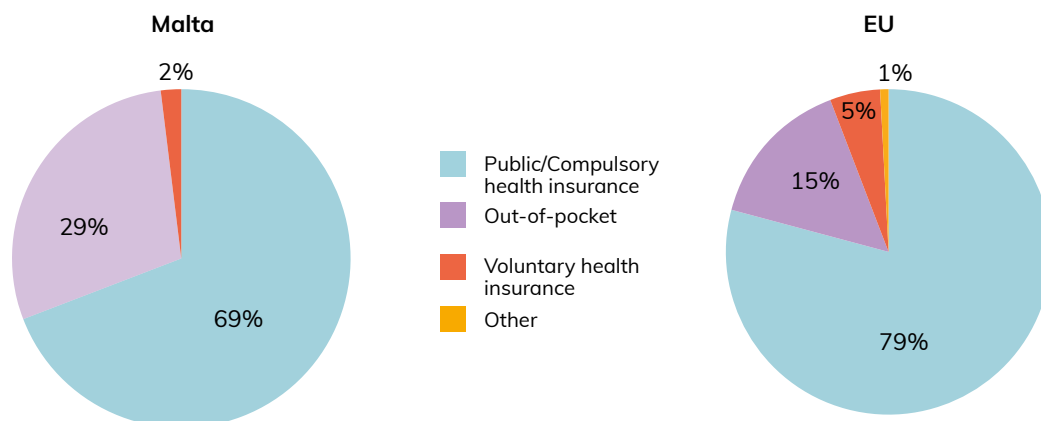
wealth, including exclusive cars and property. Are these people serving as role models to our younger generation, with the attraction of fast money without any educational qualifications?

5. HEALTH

The public share of health expenditure has increased in recent years. According to NSO, general government expenditure was €735m in 2019, amounting to 14.7% of total expenditure and 5.5% of GDP².

Although in Malta there are no user charges or co-payments for citizens to make use of health services in Malta, direct out-of-pocket payments are substantial and made primarily for pharmaceuticals and private general practitioners (GPs) and specialists, who are paid on a fee-for-service basis. These percentages have increased in recent years due to its demographic challenges, in part due to the expected costs of caring for its ageing population and associated increases in chronic conditions. Other factors stretching the health system's resources capacity include increased immigration from workers and pensioners, tourists using the health system and changing population risk behaviours.

Figure 11: Direct out-of pocket payments are much higher in Malta than in most other EU countries



Source: DECD Health Statistics, Eurostat Database (data refer to 2015).

2 NSO News Release 2021, Expenditure of General Government Sector by Function: 2015-2019 https://nso.gov.mt/en/News_Releases/Documents/2021/01/News2021_014.pdf



The MEA proposes:

- Better management and governance in hospitals and government health clinics. The use of technology and automation is helping to implement an eHealth infrastructure through electronic medical records in primary care, e-prescriptions and patient registries. Further investments in artificial intelligence (AI) and robotics could further improve the situation.
- Incentives for healthcare workers to engage the medical profession and remain in Malta. This could be supported by improvements in conditions of work vis-a-vis the number of hours and salaries.
- Stronger public-private partnership agreements for capital investment, including the syncing of medical records.
- MEA retains its position that patients should be made to pay for medicine and be reimbursed by the Government to raise awareness and appreciation of the value of services being provided.

6. ENERGY AND ENVIRONMENT

In 2019, Malta registered 8.5% of renewable energy and has surpassed its targets for 2020 by 1.5pp. The new National Energy and Climate Plan 2021-2030 for Malta continues to follow the scope of the EU's Green Deal and covers its five dimensions: decarbonisation, energy efficiency, energy security, internal energy market, and research, innovation and competitiveness³. The targets set within the Economic Vision for Malta 2021 are ambitious and lack clear goals on what the country wants to achieve and how it is going to do it.

The MEA encourages:

- Discussions between policy-makers and industry. The formulation of Foundations like the Foundation for Transport that is set up by co-founders from government, and social partners, can ensure that the topic is being dealt with from different angles. It is also important for the government to ensure that such Foundations are adequately resourced with the necessary technology and people who possess the necessary specialised and technical know-how. However, the responsibility for actions should remain the remit of the relevant entities. Foundations

3 Malta's 2030 National Energy and Climate Plan, Dec 2019

should not be used as a vehicle for the entities to shirk their responsibilities.

- Government to have a clear strategy on how the targets for energy generation are to be achieved and support business and industry by setting up the proper physical infrastructure, legislation and incentives. For example, the shift to electrified vehicles for sales and distribution will depend on the availability of charging points.

Concrete actions include:

6.1 Feed-In Tariffs

Feed-in tariffs for electricity produced by solar photovoltaic systems which were introduced in September 2010, have been gradually decreasing from 25c/kWh for 8 years for Malta and 28c/kWh for 8 years for Gozo in 2010 to 10c5/kWh for 20 years for residential; and from 20c/kWh for 7 years to 10c5/kWh for 20 years for both residential and non-residential property. More preferential rates for feed in tariffs should be introduced.

6.2 Solar Farms for Villages & Industrial Parks

Due to the increase in apartments in residential and office dwellings, the government should consider partnering with local councils and service providers of RES technologies to generate photovoltaic energy through intelligent use of rooftops (especially in public buildings), factories, car-parks, churches and the like (but not necessarily virgin land) to sustain entire villages and industrial parks around Malta and Gozo. Owners will be able to purchase a share equivalent to their residential capacity and feed-in tariffs will balance the remaining percentage. Industrial parks will be encouraged to use their roof spaces to sustain entire operations.

6.3 Green Roofs, Vertical Gardens

The MEA welcomes schemes such as the 'Green Your Building' scheme which supports home, shop and office owners to install green facades, walls and front gardens. Similar schemes, also covering urban green roofs which refund a high percentage of costs related to labour, materials, equipment hire and maintenance plans should be issued by the government. In this regard, the MEA calls for the removal of certain anomalies which render the current

scheme counterproductive in that they create negative, rather than positive externalities when they allow the owner of a single floor (or apartment) within an entire block to green the outside of his/her property without the rest of the façade following suit.

6.4 Investment in New Energy Technologies

Government should assist industry and research institutions on the development of new energy technologies such as solar appliances that sustain residential dwellings. Partnership with leading research institutions should be considered and supported, to assist Malta in reaching energy targets set as part of the Green Deal of the EU.

6.5 The Built Environment

The 2021 MEA entitled *'Balancing Sustainable Economic Growth with Quality of Life – a National Challenge'*, highlighted that over the years, the link between GDP and the quality of life has become much less clear, especially as economic growth was largely explained by a rapid increase in the population count and density while the islands' geographic limitations remained constant. Economic activity in Malta was partially fuelled by activities which may not be sustainable in the long-term, not least the rate of construction activity and its impact on the natural environment and the general well-being besides compromising the sustainability of other sectors, like tourism.

As already highlighted above, in general, the landscape of Malta's built environment is not one which makes our nation particularly proud – a scenario that is exacerbated by unrestrained enforcement and primitive construction methods which continue to lack qualification frameworks, licensing procedures, training requirements and adequate protection for third parties.

The MEA joins the wide national consensus that the current situation is no longer tenable and supports all serious professional organisations in their efforts to raise the bar in the construction industry as a whole. Such efforts need to be supported at a macro level especially because the MEA believes that the state of the environment, and that of the built-up environment in particular has a direct bearing on the nation's physical and mental health, which in turn is directly correlated to the morale, creativity and productivity of our workforce.

Indeed, it cannot be denied that the country must deal with an “uglification” issue in terms of the built environment that must be reversed. The (a) lack of planning and (b) the quality of regulation together with its interpretation and enforcement are at the heart of the mistakes that Malta has made in development. The MEA believes that the first step in reversing the “uglification” process is by desisting to allow the construction of ugly and irregularly formed buildings with the long-term objective of arriving at a point where systems and structures are in place (including specialised financial instruments) aimed at re-development of streetscapes in their entirety to eliminate the current piecemeal approach which generates such hardship and negative externalities in terms of end product from an aesthetic point of view, impact on the quality of life of neighbours, logistic problems with continuous traffic diversions, air and noise pollution and so much more.

In fact, for years and decades, the planning and permitting structures in the country have lost the trust and confidence of the citizens due to a track record of lack of consistency and transparency in decisions and permits. More recently a trend has been allowed to set in whereby planning regulations are being stretched to allow heritage buildings to be protected while burying them under over-powering multi-storey extensions. Addressing Malta’s “Uglification” also requires the reversal of fake ‘conservation’ policies urged on by speculators and condoned by the authorities which are robbing the country of its architectural heritage. In this regard, the MEA supports the recommendations made in the draft National Cultural Policy for the Superintendence of Cultural Heritage to commission studies that shed more light on the interactions between village traditions and local communities; to determine the role of the building stock within a traditional village context.

Besides, Planning Regulations give secondary importance to building design because design is currently only assessed in terms of quantitative parameters – such as the distance of a balcony from a party wall and sight lines, may ignore aesthetic criteria. The MEA is in favour of proposals for change in this regard so that buildings which, through their design, contribute towards the embellishment of a depressed area are given due consideration. To this end, the MEA supports a call made in the 2021 draft National Culture Policy for “a framework for ensuring high quality design and aesthetically pleasing buildings and places to be established in a transparent manner to serve the general public.”

At the European level, the architecture profession is strongly promoting the New Bauhaus initiative which was launched together with the EU's Green Deal package. The MEA calls for this initiative to be strongly supported by an incoming Government as it brings with it strong merits in recognizing the interdependencies and linkages between sustainability and aesthetics, as well as with “inclusivity”. The initiative, which is not solely restricted to construction but extends to cultural heritage in its wider context, promotes a new, community-based, approach to design, and hence industry. Malta should embrace and actively contribute towards Europe's ambitions to consolidate its leading position in “design” related to energy efficiency, and sustainability, as a way of promoting a strong economy.

Moreover, the MEA believes that a concerted effort continues to be desperately needed from the part of the incoming Government, the industry and industry professionals to collectively improve the reputation of the construction industry by raising the bar in terms of quality and professionalism, as well as rendering it greener.

Both objectives can in fact be linked if, for example, developers that place projects on the market that conform to higher quality and environmental standards are incentivised. Likewise, building contractors may be incentivised if their building methods are greener, conform to a predefined standard of good neighbourliness and generate low levels of negative externalities such as H&S risk, pollution and inconvenience. Clearly, this strategy also requires active communication campaigns directed at the market in order to sensitise buyers to the advantages – fiscal, financial and otherwise – to investing in high-quality, convenient and green solutions that provide convenience, better quality of life and realistic payback times for the buyer.

6.6 ODZ

It is strongly recommended that any development on ODZ areas will be subject to a two thirds majority in parliament.



7. TRANSPORT

In 2017, Transport Malta launched a National Transport Strategy for the period ending 2050 which afforded strong emphasis to road transport. The Maltese Government subsequently embarked on the building and upgrading of the islands' road network, investing €700m in this extensive initiative via various separate projects.

7.1 Land Transport

Meanwhile, until the end of 2020, the Islands adopted a fiscal regime which offered relative advantage to the importation of second-hand vehicles for both private and commercial use. By means of this policy, the sale of new vehicles lagged behind that of second-hand vehicles, which were at the latter end of their end-of-life date in their markets of origin – ie the UK and Japan.

In the opinion of the MEA, the above policy direction is short-sighted and brings about serious disadvantages in terms of parking and traffic congestion because roads and parking spaces cannot continue to be widened to match the rate of increase in vehicle registrations. The above policy is also deficient in terms of its effects on air quality and the health of the Maltese population which is already amongst the most susceptible to respiratory ailments at a global level.

The 2017 EU environmental implement review carried out in 2019, identifies the transport sector as a major challenge and the need to improve air quality by introducing systemic solutions for transport congestion. Whilst the Malta Public Transport data shows that more patrons are using public transport, the rate of increase in the number of private car registrations has not subsided.

The only alternative available to the country at this stage is to invest in a phased multi-modal transport system that incorporates roads, sea-borne transport and an underground metro which provides connectivity to Gozo. The MEA welcomes the opening of a public consultation process on this matter during 2021 and augurs that it will lead to investment in a metro project sooner rather than later, understandably in a phased implementation process. But

even within the context of road transport in a multi-modal system, the country must provide incentives to encourage and promote sustainable alternatives such as public transport and car-pooling systems for groups of workers and cross-collaboration between businesses to render the transport of goods and people across the Islands more organised, efficient and sustainable. Besides, every effort must be made to deviate services which disrupt road traffic to off-peak hours such as commercial deliveries and waste collection. There are a number of benefits associated with consolidated last mile delivery, some of which are underestimated. The MEA believes that digitalisation is key in this regard and its unique capability to support the optimization of delivery routes and increase flexibility. The authorities' role in facilitating the necessary digital infrastructure and the encouragement of pooled warehousing and delivery hubs is key in successful implementation of such initiatives.

As Malta plans to join Europe in becoming carbon neutral by 2050, the country must continue in its endeavours to support decarbonization and, in particular, its electro-mobility strategy by encouraging a stronger shift to electrical and hybrid vehicles through a systematic investment in the necessary infrastructure, fiscal incentives, awareness campaigns and training programmes for the provision of adequate skills which this shift is bringing about.

Innovation in e-vehicles and supporting infrastructure is gathering remarkable momentum as the autonomy of certain car models extends beyond 300 kms and battery recharge time reduced to under 30 minutes. In light of this and expected revolutionary innovation taking place in the e-vehicle sector over the next few years, the MEA proposes that an incoming Administration will formulate and adopt a new e-vehicle policy addressing all relevant factors including but not limited to the charging infrastructure – at petrol stations, cities, home garages, car parks, etc. A new e-vehicle policy should not overlook the research that is being carried out in the space of hydrogen powered vehicles as Malta could be an ideal test bed for this technology.

MEA proposes:

- To implement a transport system that places people at its core rather than the car. The idea of a multi-modal transport system should be introduced as a phased project in the interest of feasibility, sustainability, opportunity cost and public health considerations.

- More investment in infrastructure and education of energy technologies like electric cars. E.g. communal parking with suitable infrastructure for electric cars; education in transport for mechanics and technicians to be able to deal with hybrid/electric cars.
- Within the context of road transport in a multi-modal system, incentives are required to encourage sustainable alternatives such as public transport and car-pooling systems.
- Every effort must be made to deviate services which disrupt road traffic to off-peak hours such as commercial deliveries and waste collection.

7.2 White Elephants or Long-Term Solutions?

The decision whether to proceed with the Gozo Tunnel and the Metro will have to be considered against a wider background to fully assess their feasibility.

7.2A The Metro Project

The idea to invest in a metro project system is worth exploring and should be subject to a cost benefit analysis to evaluate the feasibility of such a project, the opportunity cost of the investment and the expected results in terms of utilisation of private cars and other means of transport. As stated above, the MEA welcomed the opening of a public consultation process on this matter during 2021 and augurs that it will lead to investment in a metro project sooner rather than later, even if this will understandably necessitate a phased process implemented over a number of years.

7.2B The Gozo Tunnel

The addition of a fourth ferry, plus the fast ferry from Valletta have improved significantly improved the connection between the two islands. Given the expense of the project, it is questionable whether the addition of a tunnel is required.

8. AIR MALTA

One of the main priorities which the incoming government will need to urgently address is the future of the national airline. Given Malta's unique physical characteristics, the MEA continues to stress the importance of ascertaining the long-term viability of the National Airline to preserve the lifeline which air links to foreign destinations provide to the Maltese economy. Transport time for people and goods is entirely dependent on the destinations available and the frequency with which they are served. Malta's long-term strategic interest and future economic development cannot be allowed to depend exclusively on the short-term profit motives of internationally-owned airlines. This fact was strongly underlined during the unprecedented challenges inflicted by the pandemic on Maltese business and industry since early 2020.

Malta's small size and physical isolation from its trading partners render the country reliant on importation. Consequently, Malta is similarly dependent on export-led economic activity for balance of payments purposes as well as to generate growth and jobs on the Islands. In this context, Air Malta has played a pivotal role in Malta's economic and social development. The airline's international route network, built by sustained investment over the years, is vital for the country's economic development.

Beyond tourism, however, which is given a lot of prominence in every discussion on Air Malta's future, the airline offers a lifeline to the vibrant manufacturing industry which accounts for almost 10% of Gross Value Added and close to 20% of private sector employment. Specifically for the manufacturing industry, reliable and timely supply of components and raw materials is essential to modern just-in-time manufacturing and integrated supply-chains. Equally important to the manufacturing industry are the down-stream oriented activities where the closing and opening of routes based purely on passenger numbers can make or break a manufacturing company in Malta, by shutting off timely and cost-effective access to markets. For certain areas of manufacturing like pharmaceuticals, microelectronics, electrical components and printed security documentation, air freight is the most viable, efficient and secure mode of connectivity to the market.

Besides, the airline provides an equally pivotal role to emerging sectors of the economy such as real-estate, yachting, education, logistics and remote gaming. The airline's route network renders possible the constant attraction of foreign direct investment, particularly in those areas where the investor needs to repatriate workers and/or family.

Of course, the Maltese economy relies heavily on tourism and the related accommodation and entertainment business sectors which have been the most adversely affected by the ongoing pandemic and can ill-afford the prospect of losing the national airline as one of the primary carriers of clients from abroad.

Over the last years, low-cost airline operators (LCCs) have been attracted to operate under-served routes through incentive schemes operated by both the Malta Tourism Authority and MIA. Having the right mix of legacy and low cost carriers is essential to Malta especially because they offer flexibility and cater for different markets. Maltese business cannot risk losing the national airline and depend on other operators that enter and exit markets at short notice. Furthermore, the Association feels that a continued analysis as to the long-term sustainability of the current incentive schemes is required.

Most importantly competing airlines, particularly low-cost carriers, only fly to 'peripheral' airports which makes access to major European capitals very difficult. Another important aspect is the fact that low-cost operators do not carry mail and freight which is considered to be a lifeline for the economy.

It is also important to note that Air Malta flies to non-EU destinations including North Africa, which are fundamentally important to Maltese businesses. Assisted by complementary initiatives undertaken by Trade Malta and others, companies have been gradually building a strong business presence in North Africa and emerging markets and no other EU airline would be able to serve these routes.

Besides, the Airline's active ESG (Environment, Social and Governance) initiatives over the years cannot go unmentioned. Air Malta, in fact, spearheaded several initiatives that have assisted and encouraged local organisations and activities in various sectors in the humanitarian, educational, cultural, environmental, sport, social, and philanthropic or heritage fields. It is also the only carrier that transports stretcher and incubator cases for patients requiring



medical treatment abroad, a service which other airlines operating to Malta do not offer.

The MEA believes Air Malta will continue to be a key and strong player in the development of tourism and foreign trade to and from the islands and considers the Airline's survival plan as one of the main priorities of the incoming Administration. In recent times, the Airline has shown that it recognizes the need for change and that such a change will mean a radical restructuring of a number of costly practices. Indeed, the Maltese Government and the airline management have pronounced themselves very clearly on this in recent days – pronouncements which have drawn the unified support of the Maltese social partners including the major trade unions. The MEA, in fact, has gone on record to offer its full support, particularly offering to participate with government authorities in an exercise to redeploy redundant employees into the private sector.

This time round, the Airline must ensure it is set up to operate profitably and sustainably for the long-term benefit of the business community and the country at large.

9. SMEs

The SME sector in Malta, like in many other European Countries, is considered to be the backbone of our economy. 98% of all business units are SMEs. According to 2019 NSO's statistical records, only 92 enterprises out of approximately 51,000 active business population, were not considered to be SMEs.

According to the same statistics, we find that 47,829 business units employed between 0-9 employees, 2,562 business units employed 10-49 employees, (often referred to as small businesses), while another 520 business units employed 50- 249.

Following the experience of these last two years, where the SME sector, like all other sectors was badly hit by the COVID-19 pandemic, it is important to focus on how we can stimulate business entrepreneurs who are SMEs. The efforts to encourage new start-ups, and assist enterprises to keep on growing, investing and creating more job opportunities is positive, but it is

also important to concentrate, be aware and work hard to save all existing viable commercial undertakings to survive and grow. This can be achieved through strategies that focus on particular sectors, to address their particular difficulties, and offer them the right assistance.

- Due to post-COVID-19 repercussions, an incoming Government needs to keep extending financial assistance to those enterprises, especially Micro's and SMEs, which need to purchase stock and to cover other running expenses.

So far, incentives are being offered exclusively for capital outlay and it is being proposed that more assistance is required to facilitate and improve their cash flow.

- Besides creating new assistance to SMEs, an incoming Government is encouraged to extend indefinitely the deadline of the micro-invest to offer the business sector more access to the lately amended schemes. This means that investors would continue to receive cash grants instead of tax credits for their capital investment.
- It is recommended that an incoming Administration appoints an SMEs Commissioner who will be able to liaise with micro-businesses and SMEs and better address the difficulties faced by SMEs, and to forward their concerns to the government on their behalf.
- The MEA strongly believes that it is time to consider the establishment of Malta's first ever SMEs Business Clinic to assist small businesses in difficulty. The composition of this structure could include the Government, educational institutions, and the private sector. It will complement the services offered by the Malta Enterprise.
- SMEs must be motivated, well-informed, and offer supporting services to encourage them to take the step to transform their digital channels to fully conform with the Accessibility Directive which derives from the European Disability Act and which need to be implemented by 2023. As things stands, FITA fees to carry out evaluation and to issue certification of 100% accessibility remains too high and Micros and SMEs cannot afford to become compliant. FITA needs additional resources, certification costs need to go down, and more control, guidance and enforcement need to be carried out on web service providers.

- Government should upgrade and carry out continuous maintenance of all industrial zones, (both Government and part-privately owned industrial areas) by creating more in-house facilities and services within the area, such as the set-up of more childcare centres, controlled waste deposit facilities, alternative energy opportunities, the allocation of adequate parking zones, full upgrade 3-phase electrical substations. INDIS Malta, which replaced the MIP, must have the necessary resources to administer and maintain these areas in an efficient manner.
- Introducing more open yard facilities for construction business equipment and commercial transport parking and storage. A number of commercial vehicles and construction machinery are being parked in residential areas due to lack of proper allocated space. This could be done through a PPP initiative.
- MEA encourages the Introduction of more business incubation areas around Malta, on the same lines of the Kordin Incubation Centre (KBIC), for startups. These will be micro business hubs through which start ups can benefit from low-cost rent incentives for a defined period of time, until they reach the status of a self-supporting enterprise. Although KBIC and the Life Sciences Park are addressing part of this issue, by offering a place to those enterprises which specialise in research and innovation, other similar business hubs may cater for different types of businesses.
- MEA encourages Government to initiate the process to create a common SME Business Identification card, including one single business identification number, which will substitute all other presently existing references with various Government entities, such as VAT, Jobsplus, MFSA, etc. It is imperative that this single business number identification will be introduced asap. This card will reduce bureaucracy and be useful in facilitating accurate business identification.
- The Malta Business Registry should see that all commercial activities will be registered with MBR and we will again have a clearer picture of who forms part of the local business community. So far only MFSA registered companies and Voluntary Organisations are being inputted within this register, which does not provide the whole picture.

- Introduce fast track systems specifically for SMEs business owners, in all Government Departments. Currently they waste considerable time queuing with domestic users. In this case the business identification card can be very useful.
- Business demands the necessary assurances that SME Tests are carried out consistently and objectively in accordance with the Small Business Act. In most cases, issues that affect SMEs are not being scrutinised through the SME Test. The SME Test legislation ensures that every proposed change in laws and regulations which could affect SMEs, will be tested for the potential additional administrative burden which it could realistically impose to the disproportionate detriment of SMEs.
- A strategic plan is needed to encourage more organised parking spaces (through PPP initiatives), within various commercial centres. A similar concept should be adopted wherever there is a concentration of customers. These car parking areas should be equipped with adequate electrical charging points. These car parks can incorporate green embellishment to minimise any negative environmental impact.
- More effort must be spent to refresh new regulations to reflect today's reality and establish a level playing field amongst business operators, particularly amongst street hawkers and fixed premises based businesses. Existing regulations need to be revised to regulate the manner in which loading and unloading parking facilities are being granted to reflect current needs.
- The unregulated importation of food, other FMCG items and also other products from nearby countries is creating an uneven playing field with many Maltese SMEs. There should be more effective market surveillance which equally converse all imports irrespective of their mode of transportation to the Maltese market.
- There should be a reduced electrical off-peak (night, weekend, public-holidays) tariff for commercial premises, especially those totally depending on electricity supply for refrigeration.

- A Traditional local Product National Registry / Gallery may be established to list and display all traditional artesian products (a made in Malta promotional concept). This will serve as a main single point of reference and as a tourist attraction. In addition, it will also be an educational initiative to young entrepreneurs. This will definitely encourage others to create other innovative, exclusive ideas which eventually will be added on with this register/gallery.

10. THE PUBLIC SECTOR

As outlined in the Proposals for National Budget 2021 and the Position Paper: Addressing a Chronic Shortage of Employees, MEA appeals to the public sector not to drain resources from the private sector, especially prior to an election.

Many employers complain that they are losing skilled employees who choose to take up less skilled jobs in the public sector based on the promise of a less strenuous workload. There have also been documented cases of phantom jobs with the government. This is a tragic waste of human resources that will become scarcer as the population ages, and as other developed countries with a similar problem compete to draw employees to contribute their productive capacities to other economies. There are productive jobs available in public transport, tourism, construction, care working, enforcement structures and many other areas which could be taken up by people who are currently underemployed and with a relatively low standard of education, if they undergo some training.

In the interest of the proper functioning of the labour market and democracy, MEA is proposing government to:

- Stop any recruitment six months prior to an election except in critical professions like teaching and care and health professionals.
- Set a limit on the number of persons that can hold positions of trusts with full disclosure of remuneration packages, qualifications held, and periodical auditing to assess whether such persons are actually fulfilling assigned tasks and the time they have spent on them.
- Enforce more transparency on tenders and vigilant monitoring on direct orders.

Furthermore, the public sector needs to be reformed to reflect economic and labour market realities. For this reason, the MEA recommends the carrying out of a detailed manpower survey in the public sector aimed at identifying areas of over- and under-manning.

Shortages of skills, especially those in management, regulatory, law and order, care and health categories are to be seen to and rectified. Similarly, situations of over-manning are to be resolved by allowing a redistribution of resources to the private sector with the support of fiscal incentives to encourage people to shift to private employment where their skills may be utilised more productively and more efficiently from a macroeconomic point of view.

The benefits of such a strategy are double-edged in that workers shifting to the private sector will generate higher value added whilst affording savings on the government's wage bill. In the view of the MEA, the taking up of this measure will soon become a necessity, rather than an option. The strain of a ballooning public sector wage bill, consisting of employees, persons of trust, and thousands of outsourced employees will become too expensive to sustain even if the economy fully recovers from COVID-19, and the impact of the FATF greylisting is mitigated. Any increase in foreign workers in the private sector to compensate for the inefficiencies of the public sector will contribute to a further deterioration of social and environmental factors which are proving to be detrimental to the quality of life of the Maltese people.

In view of a tight labour market, it is inconceivable that surplus labour from Air Malta is being transferred to the public sector, rather than shifting this surplus to the private sector.

11. SOCIAL DIALOGUE

The agreement about the Minimum Wage which was signed in 2017 was an excellent example of how social dialogue can offer solutions to socio-economic issues. The social partners also joined forces when the pandemic struck Malta to make recommendations for fiscal intervention to keep enterprises running and people in employment. In the past, the social partners rose to the occasion during the Financial Crisis of 2008, and also during the uprising in Libya.

11.1 The MCESD

The MCESD remains a productive council and an essential forum for social dialogue. However, the MEA is disappointed that:

- When it submitted a set of questions connected to political party financing and governance in October 2019 to be answered by the social partners within MCESD, the exercise was shelved.
- The Chairman refused to forward to the Prime Minister a petition that was signed by eight out of ten social partners at MCESD about the White Paper on the Responsible use of Cannabis on grounds that there was no consensus on the matter. This was a mistake that undermined the whole process of social dialogue.
- The social partners should be informed and involved in any matters within their sphere of influence before action is taken. There was poor consultation when the Recovery and Resilience Plan was being drawn up, and the social partners should have been consulted about the issue of giving voting rights to 16 year olds before it was raised in parliament. The Whistleblower Act was also never on the MCESD agenda.

11.2 The Low Wage Commission

The setting up of a Low Wage Commission, resulting from the Minimum Wage Agreement will make recommendations to a possible review of the minimum wage in 2023. It is important that the Commission sticks to its function and restricts the discussion to minimum wage earners, and not other groups of employees. Any discussion about the minimum wage has to focus on its intended target without disrupting the entire labour market.

11.3 EIRA and the Industrial Tribunal

Two major projects that have remained on the backburner during this legislature are:

11.3A Revisions to the EIRA

It is high time to revisit the Employment and Industrial Relations Act, which has been in force since 2002. The MEA calls on the future government to continue with the discussions about many proposed changes to the EIRA. There have been numerous recommendations by employers' organisations and unions that will improve labour legislation.

11.3B The Industrial Tribunal

The Industrial Tribunal is in urgent need of reform. In its current state, many are preferring to seek out of court settlements rather than take their chances in front of a Tribunal which is becoming increasingly inconsistent and not expeditious. The Association has made numerous recommendations to have a better structure and functioning of the Tribunal.

11.4 Structured Social Dialogue

It is essential that social and economic matters are discussed within the existing social dialogue structures. There is ample room for any organisation to voice its opinions and suggestions through these mechanisms. Whilst the formation of lobby groups is part of the democratic process, the government only engages in formal social dialogue with the recognised social partners through established channels where such matters can be dealt with in a structured and professional manner, even if it means involving such lobby groups in discussions on particular issues.

The issue of the minimum wage is a case in point. The work and discussions that take place at the low wage commission cannot be undermined by taking the issue to the streets.

12. THE CHANGING WORLD OF WORK

12.1 The Post COVID-19 Environment

The world of work has been shifting towards more flexible forms of work organisation during the past decade. COVID-19 has forced many enterprises to resort to remote working as a partial solution to the force majeure situation. While some companies had already adopted remote working - mostly as a hybrid model – before COVID-19, others used it as a last resort with varying degrees of success. However, in many cases, employers will still retain an element of remote working providing that the tasks involved can be performed remotely, and that they can have at least the same level of productivity as before.

The work of work is changing in other ways. New forms of working relationships are a departure from the traditional 5 day, 40 hour week. This is happening globally and Malta is no exception. On the one hand this adds an element of flexibility in the labour market which can accommodate the requirements of both the employer and employees. Workplaces are more flexible today in offering variable hours of work which are in demand by employees seeking a better work life balance. It is also a means to encourage labour participation, for example in the growing active pensioners' segment. On the other, one understands the need for legislative safeguards to ensure that employees do not forfeit their rights when working under atypical conditions. It is up to the social partners to strike a proper balance to the benefit of both enterprises and employees.

12.2 Remote and Teleworking

- The MEA has conducted research among its members and submitted its recommendations concerning remote and teleworking (<http://maltaemployers.com/wp-content/uploads/Position-paper-on-Teleworking-Oct-2020.pdf>)
- There should be encouragement, incentives and support to companies to introduce teleworking. It should be left entirely up to each company to decide whether to introduce teleworking or not.

- Likewise, an employee has a right to expect a workplace which is distinct from his/her residence, unless this is agreed to in the contract of employment.
- Companies should be free to design customised solutions to work organisation – both at enterprise level and also at individual level.
- There should be full freedom to introduce blended systems. Teleworking is not an either/or situation. Blended systems often work in the interest of both company and employees.
- Companies should be free to extend, amend or reverse teleworking systems, provided there is a mutually agreed period of notice.
- Employees can ask to discontinue teleworking by giving a mutually agreed period of notice. Some may find it stressful to work from home or remotely, or miss the socialising aspect which is part of working experience.
- The employer may be expected to provide equipment and other accommodation (e.g. payment for internet) only when teleworking is being implemented by the company, and not at the request of the employee.
- The Association is against any legislation that introduces telework as an employee right. Any teleworking system can only work if it is voluntarily introduced by the employer or by dialogue with the employees.
- The Association supports incentives to companies to introduce teleworking. These incentives could take the form of tax benefits, subsidising equipment and stay at home workplaces, installation of monitoring systems.
- Employers will have a right to inspect the default place of work, conduct OHS assessments, implement productivity measurement tools, and ask for periodical and ad hoc performance reports and time logs.
- Teleworking cannot be seen as a condition of employment per se. It is a work organisation tool that can be applied or withdrawn on an individual basis.

12.3 Work Life Balance

There is increasing pressure to enhance work-life balance measures due to family pressures, a shift in individual priorities, and technological tools available. The work life balance directive introduces numerous benefits to employees, many of which are already in force in Malta. In principle, MEA stresses that the cost of such measures should be borne by the government. Employers will already be incurring a cost through productivity costs incurred during periods of absence.

12.4 Active Labour Market Policies

Over the past decade, Malta has witnessed a substantial increase in labour participation through a mix of economic imperatives, fiscal incentives and socio-cultural developments. Overall it is positive that more people are working, and that the economy has generated sufficient job opportunities to absorb the increase in labour supply. Female participation is on a par with many EU countries, and many persons who reach pensionable age are opting to continue to contribute to the labour force.

Active labour market policies should focus on:

- Shifting excess labour in the public sector to productive employment in the private sector
- Increase incentives for pensioners to work. The pension should be exempt from taxation for working pensioners.
- Increase participation of vulnerable groups
- Pensioners reaching pensionable age can be given part of the pension until they reach retirement age if they remain in employment, providing they have paid sufficient contributions.

Employers are on board to provide employment to all three segments. Many pensioners are opting to work to supplement their pension through flexible work agreements with employers. There has been a marked increase in persons with disability in employment in recent years.

Government should conduct a rationalisation exercise to second underemployed employees to the private sector.



12.5 Working Hours

This is certainly not the time to talk about reducing the working week in Malta. Reducing the working week without a corresponding decrease in wages will immediately wipe out our export manufacturing sector. It should be left to individual companies to design their work organisation, provided legal parameters are respected.

There are ample opportunities for employees to work less than 40 hours if they want to. Some companies already offer a reduced hour week to all employees but this cannot be generalised to all businesses.

12.6 The Right To Disconnect

There is no argument that employees should not be disturbed outside working hours without sufficient reason or unless there are force majeure situations. However, any discussion on the topic must consider different types of positions held. Some employees may need to be on call; others may have unpredictable working circumstances; employees may have flexible working hours which are self-managed. It is one thing enforcing the right to disconnect on a receptionist, but a firefighter can be called on duty on short notice. Therefore discussions about the RTD need to factor in the differences between different jobs. Malta should await the outcome of EU discussions about the directive before considering any application of this concept. However, there can still be negotiations with worker representatives at enterprise level to determine parameters for RTD.

12.7 Zero Hour Contracts

MEA agrees that employees should be entitled basic rights irrespective of the type of work they do, and the type of work organisation. However, this should not preclude the development of new forms of work which might be in the interest of both employers and employees. For example, zero hour contracts are common in cases of project based work in professional services. Legislation cannot outrightly prohibit such practices. We should address the issues associated with new forms of work in a surgical manner, rather than chop the tree.

12.8 The Gender Pay Gap

At 16%, the gender pay gap in Malta remains an issue, though not to the same extent as many other EU countries. The Association believes strongly in equal treatment of employees irrespective of gender or any other attributes. More women in education is leading more females to take up higher paying jobs and this is a key way of reducing the gap. Gender stereotyping in occupations has led to concentration of females in jobs which characteristically pay lower than others. Reducing such stereotyping will also work to reduce the gap. Companies which outrightly discriminate between men and women performing similar tasks, if any, should be dealt with severely.

12.9 Vulnerable Groups

The Association supports initiatives to promote inclusion and accessibility to vulnerable groups in the labour force through closer collaboration between government authorities and employer bodies. The tight labour market makes it easier to provide dignified employment opportunities for vulnerable persons.

12.10 Support Schemes for Shifting Economic Activity To Off-Peak Hours

Malta should consider adopting a similar support scheme to one successfully implemented in Belgium that reduces the cost for night and shift labour. The scheme does not breach EU state aid rules as it is applied indiscriminately. It is unlimited in time and lowers the social taxes on night and shift labour.

Companies that work with night and shift labour encounter additional costs in the form of premiums and bonuses to compensate their employees for the disadvantages of these special working hours. It is the purpose of the measure to reduce this additional cost for the companies. The measure clearly reduces labour cost especially in segments of the economy that work 24/7 such as manufacturing and hospitality but it could also support schemes that could be considered by an incoming Administration to shift transport traffic from day to off-peak hours e.g. for commercial delivery. It could also complement schemes whereby industrial electricity rates during off-peak hours are further discounted which would support the electricity provider to smoothen electricity demand between day peaks and night troughs.



12.11 Clarity

MEA appeals for a fast and clear response to emerging issues in the labour market. In force majeure situations like COVID, employers faced many situations related to vaccination, quarantine, and payment that remained unanswered by the DIER and Health Authorities. The Employment Relations Board also acted too slowly to address these situations. There are still many unanswered questions even with respect to Cannabis legislation and the workplace.

Clear guidelines are necessary in such circumstances to avoid confusion and avoid industrial relations conflicts.

13. RESEARCH AND INNOVATION

Experience has shown that countries with consistently high investments in research and innovation (R&I) tend to cope better with economic turmoil and are generally more able to sustain a high standard of living. According to the National Research & Innovation Strategy of 2020, Malta has still has a long way to go before it reaches this level of investment in R&I, however efforts are being stepped up to boost investments in line with its absorptive capacity and through efficient use of funding.

13.1 Increase The Uptake on Schemes on Research & Innovation

MEA continues to welcome schemes managed by the Malta Council for Science and Technologies on Research and Innovation. However, the uptake of such schemes has not been overwhelming. The Association proposes:

- Assistance to business in the filling-up of application forms to apply for grants
- Networking and Partnership opportunities where businesses can meet-up foreign investors and research institutions
- Assistance during implementation phase
- Decrease amounts on *de minimis* regulations



13.2 Increase Digital Skills

- Increased collaboration between academia and industry to close the gap between skills supplied by educational institutions to that needed by industry
- Facilitate agreements with countries to provide ICT professionals to match the demand needed by the labour market
- Guidance to new and existing ICT professionals on developing trends to assist them in staying relevant to the market, both at national and international level
- Establishing ICT related policies and strategies guided by governmental agencies

13.3 Research

- Fund research and projects for institutions and enterprises using recycled and upcycled material to produce their products.
- Government should assist industry and research institutions on the development of new energy technologies such as solar appliances that sustain residential dwellings. Partnership with leading research institutions should be considered and supported, to assist Malta in reaching energy targets set as part of the Green Deal of the EU.

14. LEGISLATION ON CANNABIS

The MEA had pointed out a number of deficiencies in the White Paper on the Responsible Use of Cannabis when it was issued. Even now that legislation is in force, the discussion has completely ignored how the decriminalisation of cannabis may affect workplaces.

The Association believes that:

- Cannabis use for medical reasons should remain to be allowed.
- Cannabis should be kept decriminalised for minor infringements.
- Repeated minor infringements may result in compulsory educational programmes about the harm caused by illicit substances, or even community work.

- Employers need the necessary guidelines by the OHSA to be protected from any liability caused by cannabis related accidents, including the right to implement random testing.
- Employers need provisions whereby they can opt to implement a zero tolerance policy to cannabis at the workplace in cases where consumption of the drug can impede performance. Employees with traces of THC substance can lose their jobs. It would be up to each employer to decide whether to have such policies or not.
- Any legislation on cannabis should provide safeguards that ensure that the decriminalisation of cannabis will not be a preamble to decriminalise other substances – e.g. cocaine. Drug policies should be subject to a two thirds parliamentary majority, or a referendum.

The MEA will work and resolve to strengthen its collaboration with social agencies (e.g. FSWS, Caritas and the recently established Cannabis Authority) to work towards a drug free workplace.



C – Sectoral Recommendations

15.1 MANUFACTURING

Malta has gradually lost its investment appeal over the years due to several reasons including increasing operating costs (principally high wages, high utility costs and increased shipping and logistics costs)

Incoming Government should ensure the following:

- The competent authorities need to support the availability of a Skilled Labour Force for Industry particularly in technical and specialised positions where shortage of skills has recently acted as a bottleneck to growth or indeed a threat on the sustainability of existing jobs.
- Competitive Energy Rates (in 2020 Malta had the most expensive rates in EU27 for Non-Household Medium Sized Consumers - <https://ec.europa.eu/eurostat/databrowser/view/ten00117/default/table?lang=en>) But please note that rates increased in 2021 almost all over Europe except Malta
- Continued Investment Support by ME, MDB and similar entities particularly for “twin transition” purposes as Maltese companies grapple with challenges to transform their business models to render them greener and digital whilst facing uncertainties principally due to COVID-19
- Efficient and Competitive Transportation Links – incoming government should argue with the EU to allow the establishment of a national fund to support Malta-based businesses to neutralise the disproportionate transportation costs they face (relative to businesses located in mainland Europe) which erodes part of national competitiveness.
- Internationalisation Support especially for first-time and non-expert exporters
- Facilitate Access To Finance especially in current scenario of risk averse banking system
- Smart Regulation
- Availability of new, functional Factory space at competitive rates

15.2 TOURISM

Tourism is a sector which is intrinsically linked to several other strategically important economic sectors such as transport, entertainment, retail, manufacturing. The emergence of the Maltese economy from the detrimental effects on COVID-19 depends largely on the ability of the Maltese tourism industry to bounce back from the erratic patterns it has had to endure over the past two years or so. Key to the sustained performance of the Tourism Industry going forward are the following factors:

- Product enhancement – infrastructure and general upkeep of tourism sites and environment to match the levels of investment made in private hotels and properties
- Continued support to airlines (both low-cost and legacy) to sustain secondary routes which are key for the industry
- Unique calendar of events (which needs to be COVID-19 friendly ie LESS [or no] mass events and MORE low-volume, high-frequency events possibly of a cultural nature
- The Authorities need to facilitate the Industry in sourcing skilled Human Resources (Maltese, EU, 3CN) especially in specialised and client-facing roles
- Segmentation – Malta cannot be an attraction to all tourism segments simultaneously. Instead of focusing on numbers, Malta should be more target specific to attract tourism which yields a higher value to the country. This direction will have to be supported by a wider strategy that makes the country more attractive to visitors. Projects such as those being undertaken at Xlendi will not serve to attract a higher quality tourist.
- A clear strategy for the industry in the coming years to guide operators in the industry to align their current and projected activities with established parameters. One aspect of such a strategy will seek to determine the extent of the trend being experienced by Malta and other destinations for tourism to shift towards non-collective accommodation.

Of course, here we must once again stress the points made in the earlier section of this document on Air Malta in particular the importance of a sustainable and competitive national airline for the specific needs of the Maltese tourism industry and that the latter cannot rely solely on foreign legacy and low-cost carriers.



15.3 FINANCIAL SERVICES AND IGAMING

The fortunes of these sectors in Malta are linked to the amount of time Malta remains in the FATF greylist. The current situation is one where, as yet, there has been no great exodus of companies in these sectors. However, a worrying sign is that there has also been no discernible investment either and once can never tell how many opportunities have been lost due to the greylisting, therefore a prolonged greylisting status might change this situation for the worse.

Another concern raised by companies in these sectors is that it is becoming increasingly difficult to attract human resources to work in Malta. This is being caused mainly by the rise of living here, a deteriorating environment and other destinations – e.g. Portugal – becoming more attractive. These issues need to be addressed in a tangible and holistic manner.

15.4 AGRICULTURE

The agricultural sector should be given greater priority. The lack of land, increasing population, and fragmentation of agricultural land is affecting Malta's food security. Agricultural land is being transformed into leisure areas by the landowners, instead of growing food. Agriculture and fishing could be areas that offer professional careers if supported by the right policies.

16. THE BLUE ECONOMY

Part of the strategy to transform the economy towards more sustainable and job creating activities is to have a stronger focus on the Blue Economy, which includes diversified economic activities that are marine based or marine related.

It is currently estimated that the Maritime Sector generates around 11k jobs in Malta and around 14% of GDP, which includes tourism related activities. (<https://timesofmalta.com/articles/view/maritime-sector-now-accounts-for-14-of-maltas-gdp.934546>) Although Malta, as expected, has a higher level of activity than the EU average of 1.3%, there is still considerable untapped

potential which offers profitable careers in all the main areas that form the blue economy, namely:

- Living resources including aquaculture
- Offshore oil and gas
- Port activities
- Shipbuilding and repair
- Maritime transport
- Coastal tourism

16.1 Maritime Transport

In 2021, the MEA signed a partnership agreement with the Malta Maritime Forum (MMF) in order to share expertise and cooperate on policy matters of mutual interest. To this end, the MEA shared a number of proposals and ideas included in a “Maritime-Centred Electoral Manifesto” which the MMF submitted to the Political Parties in advance of the next General Election.

These opinions were framed within the context of the current extraordinary circumstances at the global level to which the maritime transport industry is naturally exposed and the threats and opportunities that face it. The maritime sector is expected to suffer a negative fall-out from Malta’s greylisting particularly due to the intrinsic links that exist between the maritime industry and the banking and insurance sectors in financial services.

It is deemed crucial for the incoming government to recognize and offer support the the development of the maritime industry to reflect (i) its ranking and importance at a global level and (ii) its systemic strategic and economic importance.

The MEA acknowledges Malta’s National Transport Strategy but notes the absence of a specific policy document dedicated to the Maritime industry. Such a document is required to provide statements of principle, objectives and direction to interested stakeholders. The document would ideally spell out the Government’s vision and goals for the maritime industry. The Forum contends that besides contributing to ensure that the Industry is governed in an efficient, consistent, sustainable, safe and environmentally sound manner, a properly implemented National Maritime Transport Policy can give a country the tools it needs to harness Malta’s full potential of the blue economy.



In this context, the MEA recognises the due importance of private investors in the maritime industry and consequently, the Association proposes the need for greater recognition of the role of local and foreign companies that are investing heavily to sustain and grow the industry's economic contribution through the generation of prosperity, jobs, tax revenues and other economic multipliers. This would necessitate, first and foremost, a continuous line of communication and consultation with key stakeholders so as to ensure alignment between public and private strategies and objectives for the industry. A case in point for example is the need for a clear and properly communicated programme of infrastructural works within the ports of Malta with deadlines for completion. One must not lose sight of the fact that maritime transport is by its very nature an international activity and that consequently, Malta and key private sector maritime operators are competing in a global village. Investors therefore, expect nothing less than investor-friendly conditions.

Furthermore, an incoming Administration needs to earmark the necessary resources to support all forward-looking economic operators including those in the Maritime Industry that are willing to render their business models more:

- economically, environmentally and socially sustainable;
- digitally prepared and orientated, and
- resilient to shocks;

through the adoption of tangible climate change/energy-efficiency initiatives and/or competitiveness enhancing measures through concrete innovation and digitalisation initiatives.

As highlighted above, the Association feels a pressing need for the facilitation of career paths of people interested in taking up rewarding and lucrative positions in the maritime industry to the advantage of the industry's competitiveness. As things stand, the Maritime Industry needs to be given due prominence in the national career guidance structures. Presently in fact, the maritime industry does not feature in the "I Choose – Nagħżel il-Karriera Tiegħi" initiative for 2021 which was embarked upon by the Education Ministry for the purposes of students' guidance on career and educational options in their later years of compulsory education. Children, from a young age need to be given more exposure to matters related to the Blue Economy and the national curriculum needs to cover related subjects. Accreditation of courses in the Maritime sector

need to be aligned to the national EQS programme whilst rendering maritime studies eligible for sponsorship opportunities/grants and inclusion within the MyJourney programme.

The MEA joins calls made by the MMF for the re-establishment of a national entity solely responsible for the maritime industry and welcomed Government's October announcement in this regard. It is believed that the heightened competitive and regulatory environment of the Industry merits a national authority dedicated to Maritime affairs. Malta was ahead of the market in the early Nineties when the Malta Maritime Authority was established, so much so that the example was emulated by others including the UK, Greece and Cyprus. A new, dedicated national maritime entity will, therefore, give the right signals at the international level about the country's aspirations to defend and consolidate its position of strength and excellence. In addition, it would allow for better focus in the context of active participation in international fora and discussions that have a bearing on the Maltese maritime industry. Naturally, the new entity must be armed with adequate resources, technology and technical know-how to fulfil the highest expectations of Malta's international client-base.

17. CULTURE AND THE ARTS

In spite of a rather disappointing Valletta 18, there have been many positive efforts to promote culture and the arts during this legislature through the promotion of local talent and offering Malta as a venue for international concerts and exhibitions. The exhibition 'Masterpieces' at MUZA is a case in point.

Culture defines our identity as a society and is also one of the experiential aspects of Malta as a tourist destination.

It is being recommended to provide artists with more space to develop their talents. MEA proposes setting up an artists' quarter in Valletta, which could be an extension of the project being undertaken at the old abattoir. Such an initiative will add life to the city with positive effects on commerce. There are plenty of vacant buildings in Valletta that can provide studio space to musicians, painters, sculptors, film-makers and other disciplines through subsidised rent.



Malta's offering is focused too much on accommodation and catering. While this is important in itself, this effort has to be supplemented with an ongoing and sustained cultural and artistic infrastructure which adds flavour to the Maltese experience.

17.1 Boutique Museums

It is recommended to set up 'Boutique Museums' for Malta's prominent 20th Century visual artists. These artists' works are on a par with what many other countries have on offer in their museums. Artists like Carmelo Mangion, Emvin Cremona, Alfred Chircop, Antoine Camilleri, Esprit Barthet (to name a few), could be important attractions to Maltese and tourists alike. These artists can be used to brand Malta in a similar manner in which cities like Barcelona use Gaudi and Miro, which uses their motifs in paving stones, outdoor furniture design, cutlery and anything imaginable to establish a distinguished identity which adds to the quality of life of its citizens and also serve as an attraction to visitors. The boutique museums can be spread across Maltese villages to spread tourism in these areas.

MUZA has been a positive development, but it is evident to any visitor that many of the exhibits are crammed and do not do justice to the quality of many of the works displayed. It would have been better to have retained the previous location in South Street for pre-Modern Art, and having the MUZA focus on modern and postmodern visual art.

17.2 The Film Industry

MEA believes that there is untapped potential in this sector through a balance that encourages local talent and also attracts international productions. The Malta Film Commission needs to be more transparent in its operations and links with local production houses. The extravagance of the recent Award Ceremony activity has raised eyebrows and faced opposition from producers who claim that the cost of this ceremony was higher than the entire budget allocated for them throughout the year! This is a classic case of where the mentality of being the best in the EU may conflict with the more grounded objective of being the best we can be. If the touted figures are correct, every working person in Malta would have contributed €4 to finance this event.

18. GOZO

There should be a strategy for Gozo which reduces the gap between its GDP and that of Malta by identifying high-end niches which strike a balance between specific investment and the retention of its natural splendour. Gozo still has considerable untapped economic potential which could preserve the environment, improve the quality of life of its inhabitants, and attract more people to live there.

Unfortunately, the fate of Gozo appears to revolve around the controversial tunnel connection between the two islands. This has diverted the discussion about a strategy for the island from other critical aspects. The feasibility of the tunnel has to take into consideration the number of trips necessary to make it viable, as well as the potential impact on Gozo's environment through construction. A cost benefit analysis is necessary before a final decision is taken.

Three are other actions that can be taken with respect to Gozo that are far more doable with less capital outlay and within a shorter time frame.

- 18.1 A second fibre optic cable to improve the infrastructure for financial, IT and gaming companies.
- 18.2 Turning all agricultural production on the island to organic farming.
- 18.3 Converting the island into a wi-fi hotspot.
- 18.4 Providing special incentives for the diffusion of electric cars and vehicles that run on alternative fuel on the island. The incentive given in the 2022 national budget to electric vehicle owners is a step in the right direction.
- 18.5 Incentivising a wider diffusion of photovoltaic energy. The take up of PV panels in Gozo has picked up during the past five years, but more can be done to turn Gozo into a carbon neutral region.
- 18.6 Attracting cultural tourism through the establishment of an annual cultural calendar, which includes the opera season.
- 18.7 Increasing connectivity through direct marine linkages to Sliema and Valletta through a helicopter service. The fast ferry seems to be a successful initiative, and the addition of the fourth ferry has also reduced waiting time to cross between the two islands.



- 18.8 Marketing Gozo as a separate product to attract market niches: religious, health, sport and agritourism.
- 18.9 Using synergies from organic farming, ecotechnologies and the medical infrastructure to develop a niche in medical tourism. Gozo can be an ideal destination for cosmetic surgery and recovery for Maltese and foreign citizens.
- 18.10 Releasing labour from the public sector to meet demand for labour in the private sector led economic activities. Gozitan employers are losing employees to the public sector to the extent that some of them are reducing operations, or having to depend on foreign labour.
- 18.11 Strict enforcement to safeguard environmental protection. Gozo and Comino can become nature reserves which can be enjoyed by all Maltese, Gozitans and tourists alike. Overdevelopment is a threat that can do irreparable damage to Gozo's unique social, environmental and economic potential.

ANNEX

MEA's 174 Proposals

A – INTRODUCTION

GOVERNANCE

- 1 The country's governance systems need strengthening and parliamentary reforms are required to restore Malta's reputation. Corruption can no longer remain unaccounted for.
- 2 Government needs to take immediate action to minimise as much as possible the length of time the country spends in the FATF grey-list.

Positions of Authority and Positions of Trust

- 3 The number of position-of-trust appointments must be limited to a maximum number per ministry.
- 4 Members of Parliament should not be appointed as persons of trust, or receive any other appointment with government entities as this may bring them in conflict with their duties in Parliament.
- 5 There shall be full public disclosure of contracts, remuneration conditions, including bonuses and perks, of persons occupying positions of trust.
- 6 All persons occupying a position of trust, including consultants, with public entities and who have not been employed through a recruitment process should be subject to a periodic audit by an independent board to justify their position.
- 7 Key positions in Authorities need to be approved by a two thirds majority in Parliament.

Contracts

- 8 All contracts entered into by the Government will be made public within reasonable time but by no later than three months from the agreement date.
- 9 The Director of Contracts should be given the authority to take an active part in adjudication processes and his/her role should not be limited to that of a regulatory body.
- 10 Tenders are not to be adjudicated by Ministries but by independent adjudicators.
- 11 Government will not enter into binding agreements (whether commercial or otherwise) with entities whose ultimate beneficial owners are unknown. Such agreements will be made illegal, null void.

Direct Orders

- 12 Government should ensure that the parameters that regulate direct orders are respected and enforced.
- 13 Any direct orders that breach these regulations should be immediately declared illegal and considered null.

Financing of Political Parties

- 14 The financing of political parties requires stricter regulation. Political Parties need to be more transparent about the provenance of their finances.
- 15 Political parties should be non-profit organisations and should not enter into business transactions which directly or indirectly could create conflicts of interest.
- 16 Open discussion is needed about giving political parties alternate financing to fund their core and regulated activities and which could also be centralised through Government.

Parliamentary Reform

- 17 the number of Members of Parliament should be reduced to 45.
- 18 There should be a maximum of 8 Ministers.
- 19 The position of MP should be a full-time one and remunerated at €55k per annum.
- 20 Parliamentary Secretaries are to be remunerated at €65k per annum plus current perks.
- 21 Ministers will be remunerated at €85k per annum plus current perks.
- 22 The Prime Minister will be remunerated at €110k per annum plus current perks.
- 23 MPs will not hold other positions in government entities, nor have any interest in private sector companies which could create a conflict of interest with their duties as MPs.
- 24 Parties may appoint technocrats to serve in Parliament.
- 25 If a politician, through his actions, increases the risk of Malta remaining in the FATF greylist then that politicians should either resign or be removed.
- 26 “The MEA strongly advises the incoming Administration against setting mandatory quotas of any kind applicable to the private sector that would risk forcing entrepreneurs to become side-tracked from making the right decisions in the interest of their companies. An unbiased selection process should be adopted whereby it is ensured that the right fit for the position is chosen on the basis of meritocracy rather than on the criteria of gender.

OTHER MAIN ISSUES

The Natural and Built Environment

- 27 New yacht marinas should be developed sustainably without creating undue negative impact both on the external environment and stakeholders including the residents of the immediate vicinity.

Balancing Economic Growth and Well-Being

- 28 More refined metrics are required to capture progress in economic expansion, well-being and quality of life.

Transforming the Economy

- 29 To achieve Sustainable Economic Growth, the Government needs to set a vision which acts as a beacon for the private sector to follow and actualise.

Maintaining a Healthy Fiscal Balance

- 30 The country's Public Finances need to be kept in check through judicious use of public funds and a stimulation of investment flows to create sustainable economic growth.

Eu Tax Harmonisation and the Sale of Passports

- 31 EU Tax Harmonisation needs to be proactively supported with reforms and actions to regenerate Malta's reputation.
- 32 The Citizenship by Investment scheme is to be discontinued in an effort to repair the country's reputation with the EU and beyond.

The Demographic Challenge - Increasing The Birth Rate

- 33 Economic Growth should not be dependent on population expansion but the engagement of foreign employees should be facilitated wherever needed to complement the country's human resource availability to sustain the country's economic transformation.

Rationalising the Human Resource

- 34 Given the scarcity of the human resources, all workers are to be deployed according to their maximum productivity and value-added potential.

The Dangers of Populism

- 35 There is a need to exchange populism with realism, especially among the younger generation.

B – HORIZONTAL POLICY ISSUES

EDUCATION

- 36 Education reform must address the shortcomings leading to Malta's early school leaving results which are currently the highest in the EU
- 37 A concerted effort is required to reduce the incidence of early school leaving.
- 38 Students are to be channelled and motivated into career-oriented disciplines which match the country's future economic aspirations - e.g. STEM subjects. Career guidance structures should encourage students against following 'soft options' to assist Malta in closing its skills gap.
- 39 Closer links are required between the education sector and industry through the mandatory involvement of career guidance personnel in the private sector through industrial placements.
- 40 Government should strengthen its efforts to increase the uptake of apprenticeships.
- 41 Validation of informal learning through the Vocational Skills Card and other mechanisms that can be developed by the National Skills Council.
- 42 Stronger input of industry is required in the design of courses. Making academia conscious of numerous career paths available for different courses, and design courses accordingly.
- 43 Entrepreneurship, social skills and work ethic need to be strengthened.

- 44 The traditional mastery of the English language by the Maltese is to be restored.
- 45 Bilateral agreements with Third Countries are proposed to facilitate the supply of specialised talent.

HEALTH

- 46 Better management and governance is required in public hospitals and health centres. The use of technology and automation is helping to implement an eHealth infrastructure through electronic medical records in primary care, e-prescriptions and patient registries. Further, well-planned investments in artificial intelligence and robotics could further improve the situation.
- 47 Incentives for healthcare workers across all levels to attract and retain them to the Maltese medical professions. This could be supported by improvements in conditions of work.
- 48 Stronger public-private partnership agreements are needed for capital investment, including the synching of medical records.
- 49 “Free” medicines should be made available to patients through reimbursement schemes with the necessary safeguards for high-value drugs and low-income people to eliminate waste.
- 50 Patients in public hospitals and health centres should be issued with a nominal invoice for the value of the treatment received purely to raise awareness and appreciation of the value of the service they are given.

ENERGY AND ENVIRONMENT

- 51 More discussions between policy-makers and industry are required through PPPs like the Foundation for Transport, which were set up to facilitate the execution of the country’s decarbonisation plans without undue hardship on industry.

- 52 Government must have a clear strategy on how the targets for energy generation are to be achieved and support business and industry by setting up the proper physical infrastructure, legislation and incentives.

FEED-IN TARIFFS

- 53 More preferential feed-in tariffs are required to better incentivise take up of sources of alternative energy.

SOLAR FARMS FOR VILLAGES & INDUSTRIAL PARKS

- 54 Due to the increase in apartments in residential and office dwellings, an incoming government should consider partnering with local councils and service providers of RES technologies to generate photovoltaic energy through intelligent use of rooftops.

GREEN ROOFS, VERTICAL GARDENS

- 55 Similar schemes, like 'Green Your Building' also covering urban green roofs which refund a high percentage of costs related to labour, materials, equipment hire and maintenance plans should be issued by the government.
- 56 Existing anomalies in the current 'Green Your Building' scheme must be rectified to ensure consistency and the desired homogenous result.

INVESTMENT IN NEW ENERGY TECHNOLOGIES

- 57 Government should assist industry and research institutions on the development of new energy technologies such as solar appliances that sustain residential dwellings. Partnership with leading research institutions should be considered and supported, to assist Malta in reaching energy targets set as part of the Green Deal of the EU.

DEVELOPMENT, BUILDING AND CONSTRUCTION

- 58 An incoming Administration needs to continue supporting regulatory authorities and professional organisations in a concerted effort to raise the bar in the construction industry as a whole.
- 59 MEA supports the recommendations made in the draft National Cultural Policy for the Superintendence of Cultural Heritage to commission studies that shed more light on the interactions between village traditions and local communities; to determine the role of the building stock within a traditional village context.
- 60 MEA supports a call made in the 2021 draft National Culture Policy for “a framework for ensuring high quality design and aesthetically pleasing buildings and places to be established in a transparent manner to serve the general public.
- 61 The MEA calls for the New Bauhaus initiative to be strongly supported by an incoming Government as it brings with it strong merits in recognizing the interdependencies and linkages between sustainability and aesthetics, as well as with “inclusivity”.

ODZ

- 62 Any development on ODZ areas needs to be subject to a two thirds majority in Parliament.

TRANSPORT

Land Transport

- 63 It is augured that the public consultation process on land transport opened in 2021 will lead to investment in a metro project sooner rather than later, understandably in a phased implementation process.
- 64 An incoming Administration is to formulate and adopt a new e-vehicle policy addressing all relevant factors including but not limited to the charging infrastructure.

- 65 Must position itself as an ideal test bed for hydrogen powered transportation.
- 66 Malta's transport system should place people rather than cars.
- 67 Increased-investment in infrastructure and education of energy technologies like electric cars. e.g. communal parking with suitable infrastructure for electric cars; education in transport for mechanics and technicians to be able to deal with hybrid/electric cars.
- 68 Within the context of road transport in a multi-modal system, incentives are required to encourage sustainable alternatives such as public transport and car-pooling systems.
- 69 Every effort must be made to deviate services such as commercial deliveries and waste collection to off-peak hours.
- 70 The decision whether to proceed with the Gozo Tunnel and the Metro will have to be considered against a wider background to fully assess their feasibility.

AIRMALTA

- 71 MEA continues to stress the importance of ascertaining the long-term viability of the National Airline to preserve the lifeline which air links to foreign destinations provide to the Maltese economy.
- 72 Malta must secure the right mix of legacy and LCCs to capitalise on complete flexibility for different target markets. Maltese business cannot risk losing the national airline and depend on other operators that enter and exit markets at short notice.

SMEs

- 73 Due to post COVID-19 repercussions, the Government needs to keep on extending financial assistance to those enterprises, especially Micro's and SMEs, which need to purchase stock and to cover other running expenses.

- 74 Incentives offered to support capital outlay are to be complemented with schemes to facilitate cash flow.
- 75 Government is encouraged to extend indefinitely the deadline of the micro-invest to offer the business sector more access to the recently-amended- schemes.
- 76 An SMEs Commissioner is to be appointed to liaise with micro-businesses and SMEs
- 77 An SMEs Business Clinic is to be set up to assist small businesses in difficulty and complement the services offered by the Malta Enterprise. The composition of this structure should include representatives of government, educational institutions, and the private sector.
- 78 SMEs must be supported to achieve conformity of their digital channels to the Accessibility Directive which derives from the European Disability Act and which need to be implemented by 2023.
- 79 Government should continue with upgrades and carry out continuous maintenance of all industrial zones.
- 80 More open yard facilities are required for construction business equipment and commercial transport parking and storage.
- 81 More business incubation areas are to be introduced around Malta, on the same lines of the Kordin Incubation Centre (KBIC), for start-ups.
- 82 MEA encourages Government to initiate the process to create a common SME Business Identification card, including one single business identification number, which will substitute all other presently existing references with various Government entities.
- 83 The Malta Business Registry should ensure that all commercial activities are duly registered.
- 84 Fast track systems are to be launched specifically for SMEs business owners, in all Government Departments.
- 85 A strategic plan is needed to encourage more organised parking spaces (through PPP initiatives), within various commercial centres.

- 86 Greater efforts are required to refresh new regulations in accordance with modern day realities and ensure a level playing field amongst business operators, particularly amongst street hawkers and fixed premises-based businesses.
- 87 The unregulated importation of food other Fast Moving Consumer Goods items should be subject to effective market- surveillance which equally converse all imports irrespective of their mode of transportation to the Maltese market.
- 88 There should be a reduced electrical off-peak (night, weekend, public-holidays) tariff for commercial premises, especially those totally depending on electricity supply for refrigeration.
- 89 A Traditional local Product National Registry/Gallery must be established to list and display all traditional artesian products (a made in Malta promotional concept).

THE PUBLIC SECTOR

- 90 In the interest of the proper functioning of the labour market and democracy, MEA is proposing that the government to Stop any recruitment six months prior to an election except in critical professions like teaching and care and health professionals.
- 91 Persons holding positions of trust should have full disclosure of their remuneration packages, qualifications held, and must be periodically audited to assess whether such persons are actually fulfilling assigned tasks and the time they have spent on them.
- 92 More transparency on public procurement and better vigilance and transparency on direct orders.
- 93 A detailed manpower survey is required in the public sector aimed at identifying areas of over- and under-manning.

SOCIAL DIALOGUE

MCESD

- 94 The social partners should be informed and involved in any matters within their sphere of influence before action is taken.

The Low-Wage-Commission

- 95 Any discussion about the minimum wage must focus on its intended target without disrupting the entire labour market.

Revisions to the Eira

- 96 The incoming government is to continue with discussions regarding proposed changes to the EIRA with a view to incorporate the numerous valid recommendations by employers' organisations and unions intended to improve labour legislation.

The Industrial Tribunal

- 97 A better structure and functioning of the Industrial Tribunal is needed.

Structured Social Dialogue

- 98 Social and economic matters are to be discussed within the existing social dialogue structures.

THE CHANGING WORLD OF WORK

Remote and Teleworking

- 99 Incentives and support to companies are still required to encourage them to introduce teleworking on a voluntary basis and in accordance with their prevailing business realities.
- 100 Likewise, an employee has a right to expect a workplace which is distinct from his/her residence, unless this is agreed to in the contract of employment.
- 101 Companies should be free to design customised solutions to work organisation – both at enterprise level and also at individual level.

- 102 There should be full freedom to introduce blended systems. Teleworking is not an either/or situation. Blended systems often work in the interest of both company and employees.
- 103 Companies should be free to extend, amend or reverse teleworking systems, provided there is a mutually agreed period of notice.
- 104 Employees should be given the right to discontinue teleworking by giving a mutually agreed period of notice.
- 105 The law should oblige the employer to provide equipment and other accommodation (e.g. payment for internet) only when teleworking is being implemented to suit the needs of the company, and not when this is requested by the employee.
- 106 No incoming government should legislate for telework to be considered an employee right. Any teleworking system can only work if it is voluntarily introduced by the employer or by dialogue with the employees.
- 107 Companies are to be offered incentives to introduce telework in the form of tax benefits, subsidising equipment and stay at home workplaces, installation of monitoring systems.
- 108 The right of employers to inspect the default place of work, conduct OHS assessments, implement productivity measurement tools, and ask for periodical and ad hoc performance reports and time logs must be safeguarded.
- 109 Teleworking cannot be seen as a condition of employment per se. It is a work organisation tool that can be applied or withdrawn on an individual basis.

Work-Life-Balance

- 110 MEA stresses that the cost of such measures should be borne by the government. Employers will already be incurring a cost through productivity costs incurred during periods of absence.

Active Labour Market Policies

- 111 Active labour market policies should focus on:
- Shifting excess labour in the public sector to productive employment in the private sector
 - Increase incentives for pensioners to work
 - Increase participation of vulnerable groups
- 112 Government should conduct a rationalisation exercise to second underemployed employees to the private sector.
- 113 Pensioners should be exempt from taxation for working pensioners
- 114 pensioners reaching pensionable age can be given part of the pension until they reach retirement age if they remain in employment, providing they have paid sufficient contributions.

Working Hours

- 115 Individual companies are to be given the right to design their work organisation, provided legal parameters are respected.
- 116 There are ample opportunities for employees to work less than 40 hours should they wish to. Some companies already offer a reduced hour week to all employees but this cannot be extended to all businesses.

The Right To Disconnect

- 117 There is no argument that employees should not be disturbed outside working hours without sufficient reason or unless there are force majeure situations. However, there can still be negotiations with worker representatives at enterprise level to determine parameters for RTD.

Zero-Hour-Contracts

- 118 Employees should be entitled basic rights irrespective of the type of work they do, and the type of work organisation. However, this should not preclude the development of new forms of work which might be in the interest of both employers and employees.

The Gender Pay-Gap

- 119 The Association believes strongly in equal treatment of employees irrespective of gender or any other attributes.

Vulnerable Groups

- 120 Initiatives should be encouraged to promote inclusion and accessibility to vulnerable groups in the labour force through closer collaboration between government authorities and employer bodies.

Support Schemes for Shifting Economic Activity to Off-Peak Hours

- 121 Malta should consider adopting a similar support scheme to one successfully implemented in Belgium that reduces the cost for night and shift labour.

Clarity

- 122 MEA appeals for a fast and clear response to emerging issues in the labour market, so clear guidelines are necessary in such circumstances to avoid confusion and avoid industrial relations conflicts.

RESEARCH AND INNOVATION

- 123 Efforts must be stepped up to boost RTDI investments in line with its absorptive capacity and through efficient use of funding.

Increase Uptake on Schemes on Research & Innovation

- 124 The Association proposes Assistance to business in the filling-up of application forms to apply for grants
- 125 Encourage more Networking and Partnership opportunities where businesses can meet-up foreign investors and research institutions
- 126 Request a commensurate adjustment on limits of de minimis regulations in line to promote RTDI initiatives even further as well as to solve for extraordinary circumstances brought about by COVID-19 related assistance schemes.

Increase Digital Skills

- 127 Increased-collaboration between academia and industry to close the gap between skills supplied by educational institutions to that needed by digital companies.

- 128 Facilitate agreements with countries to provide ICT professionals to match the demand needed by the labour market.
- 129 Guidance to new and existing ICT professionals on developing trends to assist them in staying relevant to the market, both at national and international level
- 130 Establishing ICT related policies and strategies guided by governmental agencies

Research

- 131 The need to establish a Fund research and projects for institutions and enterprises using recycled and upcycled material to produce their products.
- 132 The incoming Government should assist industry and research institutions in the development of new energy technologies such as solar appliances that sustain residential dwellings. Partnership with leading research institutions should be considered and supported, to assist Malta in reaching energy targets set as part of the Green Deal of the EU.

LEGISLATION ON CANNABIS

- 133 Cannabis use for medical reasons should remain to be allowed.
- 134 Cannabis should be kept decriminalised for minor infringements.
- 135 Repeated minor infringements may result in compulsory educational programmes about the harm caused by illicit substances, or even community work.
- 136 Employers need the necessary guidelines by the OHSA to be protected from any liability caused by cannabis related accidents, including the right to implement random testing.

- 137 Employers need provisions whereby they can opt to implement a zero-tolerance policy to cannabis at the workplace. It would be up to each employer to decide whether to have such policies or not.
- 138 Any legislation on cannabis should provide safeguards that ensure that the decriminalisation of cannabis will not be a preamble to decriminalise other substances – e.g. cocaine. Drug policies should be subject to a two thirds parliamentary majority, or a referendum.

C – SECTORIAL RECOMMENDATIONS

MANUFACTURING

- 139 Incoming Government should ensure that competent Authorities continue to support the availability of a Skilled Labour Force for Industry particularly in technical and specialised positions where shortage of skills has recently acted as a bottleneck to growth or indeed a threat on the sustainability of existing jobs.
- 140 Competitive Energy Rates for industry are to be ensured.
- 141 Continued Investment Support by ME, MDB and similar entities are needed for “twin transition” purposes as Maltese companies grapple with challenges to transform their business models to render them greener and digital whilst facing uncertainties principally due to COVID-19.
- 142 Efficient and Competitive Transportation Links need to be ensured to allow the establishment of a national fund to support Malta-based businesses to neutralise the disproportionate transportation costs they face (relative to businesses located in mainland Europe) which erodes part of national competitiveness.
- 143 Ensure Internationalisation Support especially for first-time and non-expert exporters.
- 144 Facilitate access to finance especially in the current scenario of risk averse banking system.

145 Ensure Smart Regulation.

146 Ensure availability of new, functional Factory space at competitive rates

TOURISM

147 An incoming administration needs to ensure continued product enhancement – infrastructure and general upkeep of tourism sites and environment to match the levels of investment made in private hotels and properties.

148 Continued-support to airlines (both low-cost and legacy) to sustain secondary routes which are key for the industry.

149 Unique-calendar of events (which needs to be COVID-19 friendly with less mass events and more low-volume, high-frequency events possibly of a cultural nature).

150 The incoming government needs to facilitate the industry in sourcing skilled Human Resources (Maltese, EU, 3CN) especially in specialised and client-facing roles.

151 Segmentation – Malta cannot be an attraction to all tourism segments simultaneously. Instead of focusing on numbers, Malta should be more target specific to attract tourism which yields a higher value to the country.

FINANCIAL SERVICES AND IGAMING

152 The incoming administration needs to help address tangibly and holistically the employers' concern that it is becoming increasingly difficult to attract human resources to work in Malta.

AGRICULTURE

153 The agricultural sector needs to be given greater priority for environmental and strategic reasons related to food security.

THE BLUE ECONOMY

- 154 Incoming government must recognize and offer support for the development of the maritime industry to reflect (i) its ranking and importance at a global level and (ii) its systemic strategic and economic importance.
- 155 The MEA acknowledges Malta's National Transport Strategy but notes the absence of a specific policy document dedicated to the Maritime industry
- 156 The incoming government needs to afford greater recognition to the role of local and foreign companies that are investing heavily to sustain and grow the industry's economic contribution through the generation of prosperity, jobs, tax revenues and other economic multipliers.
- 157 The incoming Administration needs to earmark the necessary resources to support all forward-looking economic operators including those in the Maritime Industry that are willing to render their business models more:
- economically, environmentally and socially sustainable;
 - digitally prepared and orientated, and
 - resilient to shocks;
 - through the adoption of tangible climate change/energy-efficiency initiatives and/or competitiveness enhancing measures through concrete innovation and digitalisation initiatives.
- 158 The accreditation of courses in the Maritime sector needs to be aligned to the national EQS programme whilst rendering maritime studies eligible for sponsorship opportunities/grants and inclusion within the My Journey programme.
- 159 The MEA joins calls made by the MMF for the re-establishment of a national entity solely responsible for the maritime industry and welcomed Government's October announcement in this regard.

CULTURE AND THE ARTS

- 160 Artists are to be provided more space to develop their talents. MEA proposes setting up an artists' quarter in Valletta, which could be an extension of the project being undertaken at the old abattoir.

BOUTIQUE MUSEUMS

- 161 It is recommended to set up 'Boutique Museums' for Malta's prominent 20th Century visual artists.

THE FILM INDUSTRY

- 162 The Malta Film Commission needs to be more transparent in its operations and links with local production houses.

GOZO

- 163 There should be a strategy for Gozo which reduces the gap between its GDP and that of Malta by identifying high-end niches which strike a balance between specific investment and the retention of its natural splendour.
- 164 A second fibre optic cable to improve the infrastructure for financial, IT and gaming companies shall be completed within the shortest time frame possible.
- 165 All agricultural production on the island of Gozo should be transformed to organic farming.
- 166 The island of Gozo should be converted into a wi-fi hotspot.
- 167 Special incentives should be granted for the diffusion of electric cars and vehicles or vehicles that run on alternative fuel on the island.
- 168 A wider diffusion of photovoltaic energy should be incentivised.

- 169 A stronger push in the attraction of cultural tourism should be made through the establishment of an annual cultural calendar, which includes the opera season.
- 170 Increasing connectivity through direct marine linkages to Sliema and Valletta through a helicopter service.
- 171 The Island of Gozo should be promoted as a separate product to attract market niches: religious, health, sport and agritourism.
- 172 Synergies from organic farming, ecotechnologies and the medical infrastructure should be exploited to develop a niche in medical tourism.
- 173 Labour from the public sector should be released to facilitate the proper functioning of the labour market forces in Gozo by releasing much needed talent to private sector led economic activities.
- 174 Strict enforcement is required to safeguard environmental protection.

[illegible]