Energising Malta’s game

Ernst & Young’s 2010 Malta Attractiveness Survey
What will the renewable energy mix in Malta be in 2020?

Wind was an energy source that was ably tapped in the past. Ta’ Kola Windmill, situated in Xagħra, Gozo, is one of the few surviving windmills on the Maltese Islands dating back to the Knights’ Period. Its origins go back to 1725 during the magistracy of Grand Master De Vilhena. It is a fine example of the rural economy and domestic life of Gozo in bygone times, housing original milling mechanism and miller’s tools, as well as living quarters and a workshop. Heritage Malta has undertaken a project of conservation for the Windmill. This entails both the reconstruction of the antennae on the outside, as well as the conservation of the milling mechanism. Will wind be a major source of alternative energy in ten years’ time or will solar energy eclipse it?
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### Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
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<tbody>
<tr>
<td>B</td>
<td>Banking</td>
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<tr>
<td>HTM</td>
<td>High-technology / electronics manufacturing</td>
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<tr>
<td>OFS</td>
<td>Other financial services</td>
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<tr>
<td>G</td>
<td>Gaming</td>
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<tr>
<td>ICT</td>
<td>ICT &amp; Telecoms</td>
</tr>
<tr>
<td>Ph</td>
<td>Pharmaceuticals</td>
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<tr>
<td>PRM</td>
<td>Manufacturing of plastic / rubber products</td>
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<tr>
<td>SPM</td>
<td>Manufacturing of special-purpose machinery</td>
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<tr>
<td>ES</td>
<td>Engineering services</td>
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<td>MM</td>
<td>Metal manufacturing</td>
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<td>MHP</td>
<td>Manufacturing of health-related products</td>
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<tr>
<td>RE</td>
<td>Real estate / hospitality</td>
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<tr>
<td>MS</td>
<td>Maritime-related services</td>
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<tr>
<td>OM</td>
<td>Other manufacturing</td>
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<td>OS</td>
<td>Other services</td>
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Introduction

The World Cup 2010 has just ended. The wish and will to win was evident. Such a competition excludes the possibility of a win-win situation. In the end, you either win or lose. Obtaining a draw all the time does not lead to success.

Malta is also playing a game which goes beyond ninety minutes. Attracting foreign direct investment pitches Malta against both favourites and outsiders. The game is normally played on facts and perceptions. Building an image that mirrors reality is fundamental. Acting decisively on the gaps between reality and expectations can be a winner. However, winning is never guaranteed, even with the best of efforts. At the end of the day, an investor needs to be convinced that it is worthwhile to play in Malta rather than elsewhere.

The Malta Attractiveness Survey 2010 brings together the views of top executives of 90 foreign-owned companies operating in Malta. I would like to thank them, as chief protagonists of this survey, for dedicating their valuable time to be interviewed. The companies that these executives represent employ around 14,000 people.

How do executives rate various investment attractiveness criteria? What are the most important criteria for their companies to expand, develop or retain their investment in Malta? How did these criteria change over the last year? Is Malta improving or losing ground as an investment location for these companies? What should Government and others do to improve Malta’s competitiveness? These are the general issues that are explored in the 2010 survey.

This year’s survey focuses also on two issues: the lingering effects of the international recession and energy supply and its cost. Are companies already being supported in their growth by the international economic environment? What did companies do to cushion the effects of the international recession? Are companies switching to renewable energy technologies? Are they cutting down on consumption through energy-efficiency measures?

The survey deals with perceptions which may not equate to reality. However, perceptions are a key factor in decision-making. We do not comment on respondents’ views or comment on their fairness or otherwise. Likewise we do not check whether perceptions match facts.

Winning foreign investment does not just happen. It is a daily game with active players. I trust that the sixth edition of the Malta Attractiveness Survey proves useful in contributing to Malta’s increased efforts and energy to win the game.
Key results

Corporate taxation, fiscal incentives and aspects relating to human resources are key investment criteria.

Almost half of survey participants (46%) viewed the corporate tax rate as the most important criterion for companies to expand, develop, or retain their activities in Malta. This was followed by the availability of local human resources (42%), fiscal incentives and support measures from Government (37%), local human resources skills (34%), the euro as the national currency (28%), local human resources cost (26%), the political environment (26%) and energy supply (24%).

The above criteria were relevant to almost all companies. Respondents who regarded these criteria as attractive were as follows: corporate tax rate (64% of respondents who viewed such criterion as relevant), availability of local human resources (54%), fiscal incentives and support measures from Government (65%), local human resources skills (69%), the euro as the national currency (87%), local human resources cost (69%), the political environment (72%) and energy supply (7%).

Investment criteria that were rated as attractive by two-thirds or more of all respondents were the following: the level of English of human resources (90%), the productivity of local human resources (86%), the euro as the national currency (86%), the social environment (85%), leisure activities (78%), local human resources skills and costs (both at 69%), cultural entertainment and the legislative environment (both at 68%) and the political environment (66%).

The criteria that were perceived as having improved over the last year included the following: domestic market (21% of respondents who viewed such criterion as relevant), local human resources availability (17%), cultural entertainment (16%), fiscal incentives and support measures from Government, air transport cost, and leisure activities (all at 15%).

The criteria that were considered as having deteriorated over the last year included energy cost (67% of respondents who viewed such criterion as relevant), energy supply (60%) and local human resources cost (23%).

A reliable and economically viable power supply is a major challenge...

The energy supply and its cost were a matter of concern for companies. A low 7% of all respondents regarded the energy supply as attractive. Almost no respondent viewed the energy cost as attractive.

...but renewable energy technologies are still not widely taken up.

Only 20% of companies installed renewable energy technologies on their premises compared to 72% that installed energy-efficient devices. The main reasons mentioned for not installing such
technologies or devices were insufficient financial feasibility, lack of funds and the fact that premises were not owned by the companies themselves.

Most companies still await an improved international economic environment.

The international recession has affected 82% of companies surveyed. Most experienced a decrease in business activity while a third witnessed a decrease in investment value, interest rates and investment income. The next most important negative effects were reduced liquidity/financing and unfavourable rates of exchange.

Only a third of respondents regarded the international economic environment as already being supportive or becoming supportive of their company’s growth by September 2010. Controlling and cutting costs across the board was resorted to by 42% of the surveyed companies in order to cushion the effects of the recession. A further 21% carried out cost control and reduction measures with respect to human resources. Such measures comprised outright lay-offs, reduction in the working week and overtime and refraining from recruiting new employees when others retired.

Malta’s attractiveness as an investment location is perceived more positively for the next three years than the last one.

Over the last year, Malta as a location for the development or expansion of companies’ activities improved according to 40% of respondents. Specific actions by Government as well as growth and market resilience were the most mentioned reasons for such positive perceptions. Negative perceptions were expressed by 23% of respondents and the main reasons included competition from other countries, increased costs and Government bureaucracy.

Respondents had better perceptions of Malta’s location attractiveness for the next three years with half of them stating that this will improve. The reasons given included growth prospects, specific actions by Government, measures resulting from corporate strategies and the skills of local human resources. Those who could not provide an opinion amounted to 22%, the main reason being uncertainty at an international level.

Companies that considered expanding in the future (74%) were almost at the same level as those who did expand in the last three years (76%).

Reshaping bureaucracy is the main suggestion to Government to improve competitiveness...

Respondents suggested various measures for Government to adopt in order to make Malta more competitive. These mainly dealt with reshaping bureaucracy, fiscal incentives, energy supply and costs, transport, education and training.

...while improving transport issues is what is required most from the private sector.

Improving competitiveness does not depend exclusively on Government. Suggestions that respondents made in order to improve competitiveness focused mainly on transport issues followed by others dealing with telecommunications, real estate, accommodation and customer service.
Methodology
Top executives of 173 foreign-owned companies based in Malta were invited to participate in the survey and 90 accepted to do so.

The companies were selected from a database of companies registered in Malta which are at least 50% owned by non-Maltese shareholders. The companies were selected to reflect different sizes and industries. The companies participating in the survey employed around 14,000 people. The survey explored various aspects of Malta’s investment attractiveness for these companies to retain, expand or develop their activities in Malta.

Data was gathered through fieldwork that was carried out over a period of six weeks ending in mid-May 2010. A questionnaire was administered to participants in face-to-face interviews. Only in a very few cases, participants completed the questionnaire themselves.

Company sectors surveyed

- Banking: 15%
- High-technology / electronics manufacturing: 13%
- Other financial services: 11%
- Gaming: 10%
- ICT and Telecoms: 8%
- Pharmaceuticals: 8%
- Manufacturing of plastic / rubber products: 6%
- Manufacturing of special-purpose machinery: 6%
- Engineering services: 5%
- Other services: 5%
- Metal manufacturing: 3%
- Other manufacturing: 2%
- Real estate / hospitality: 2%
- Maritime-related services: 2%
- Manufacturing of health-related products: 3%
Ernst & Young’s 2010 Malta Attractiveness Survey

Methodology

Size of companies surveyed (turnover)

- Less than €2 million: 23%
- Between €2 million and €12 million: 31%
- More than €12 million and less than €35 million: 34%
- More than €35 million: 12%

Residence of shareholders

- EU: 70%
- European (Non-EU): 20%
- Non-European: 8%
- Mixed: 2%
Size of companies surveyed (employees)

- Less than 10: 32%
- Between 10 and 50: 38%
- Between 50 and 100: 20%
- More than 100: 10%

Companies’ year of establishment in Malta

- Before 1990: 19%
- 1990s: 32%
- 2000s: 49%
Malta’s investment attractiveness
Rating the attractiveness criteria

Executives were asked to rate various investment attractiveness criteria. Some criteria, while relevant to some enterprises, were not relevant to others.

Local human resources - level of English
Local human resources - productivity
Euro as the national currency
Quality of life - social environment
Quality of life - leisure activities
Local human resources - skills
Local human resources - cost
Quality of life - cultural entertainment
Legislative environment
Political environment
Telecommunications - infrastructure
Corporate tax rate
Geographical position
Possibility of increasing productivity
Fiscal incentives and support measures from Government
Local human resources - availability
Quality of life - physical environment
Office premises - availability
Office premises - cost
Office premises - quality
Labour law flexibility regarding hiring, termination and duration of work
Air transport - links
Industrial premises - availability
Industrial premises - cost
Industrial relations environment
Telecommunications - cost
Administrative environment
Personal tax rate of foreign human resources
Access to finance
Industrial premises - quality
Innovation capacity
Air transport - cost
Shipping transport - links
Judicial and quasi-judicial environment
Environmental laws and regulations
Research and development - skills quality
Shipping transport - cost
Domestic market
Research and development - funds
Research and development - skills availability
Research and development - infrastructure quality
Research and development - infrastructure availability
Energy - supply
Regulations regarding planning permissions
Energy - cost

Base: All 90 respondents.
Scorecard of relevant criteria

| Local human resources - level of English | 90% | 9% |
| Euro as the national currency | 87% | 8% |
| Quality of life - social environment | 87% | 10% |
| Local human resources - productivity | 87% | 11% |
| Quality of life - leisure activities | 80% | 13% |
| Possibility of increasing productivity | 74% | 23% |
| Industrial premises - availability | 73% | 15% |
| Political environment | 72% | 26% |
| Legislative environment | 71% | 22% |
| Quality of life - cultural entertainment | 71% | 19% |
| Local human resources - skills | 69% | 22% |
| Local human resources - cost | 69% | 22% |
| Industrial premises - quality | 66% | 12% |
| Geographical position | 66% | 21% |
| Fiscal incentives and support measures from Government | 65% | 24% |
| Corporate tax rate | 64% | 19% |
| Telecommunications - infrastructure | 63% | 28% |
| Office premises - availability | 62% | 25% |
| Office premises - cost | 58% | 25% |
| Research and development - skills quality | 55% | 21% |
| Local human resources - availability | 54% | 27% |
| Quality of life - physical environment | 53% | 26% |
| Industrial premises - availability | 53% | 20% |
| Industrial relations environment | 52% | 37% |
| Office premises - quality | 52% | 24% |
| Access to finance | 51% | 34% |
| Domestic market | 50% | 32% |
| Shipping transport - links | 47% | 27% |
| Research and development - funds | 45% | 36% |
| Personal tax rate of foreign human resources | 44% | 23% |
| Air transport - links | 44% | 36% |
| Labour law flexibility regarding hiring, termination and duration of work | 44% | 39% |
| Innovation capacity | 43% | 37% |
| Shipping transport - cost | 39% | 16% |
| Research and development - skills availability | 37% | 29% |
| Telecommunications - cost | 35% | 36% |
| Administrative environment | 34% | 34% |
| Judicial and quasi-judicial environment | 34% | 42% |
| Environmental laws and regulations | 31% | 45% |
| Air transport - cost | 28% | 33% |
| Research and development - infrastructure quality | 27% | 41% |
| Research and development - infrastructure availability | 26% | 40% |
| Regulations regarding planning permissions | 9% | 36% |
| Energy - supply | 7% | 21% |
| Energy - cost | 17% | 82% |

Base: Respondents who identified a criterion as being relevant to their company.

- ‘Very attractive’ and ‘attractive’
- ‘Not attractive’ and ‘not attractive at all’
- Neither attractive nor unattractive
The most important investment criteria

Survey participants were asked to name the most important criteria (up to five) for their company to expand, develop or retain its investment in Malta.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Corporate tax rate</td>
<td>46%</td>
</tr>
<tr>
<td>Local human resources - availability</td>
<td>42%</td>
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<tr>
<td>Fiscal incentives and support measures from Government</td>
<td>37%</td>
</tr>
<tr>
<td>Local human resources - skills</td>
<td>34%</td>
</tr>
<tr>
<td>Euro as the national currency</td>
<td>28%</td>
</tr>
<tr>
<td>Political environment</td>
<td>26%</td>
</tr>
<tr>
<td>Local human resources - cost</td>
<td>26%</td>
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<tr>
<td>Energy - supply</td>
<td>24%</td>
</tr>
<tr>
<td>Telecommunications - infrastructure</td>
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<td>Air transport - links</td>
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<td>12%</td>
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<tr>
<td>Shipping transport - links</td>
<td>11%</td>
</tr>
<tr>
<td>Local human resources - level of English</td>
<td>11%</td>
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<tr>
<td>Geographical position</td>
<td>11%</td>
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<tr>
<td>Possibility of increasing productivity</td>
<td>8%</td>
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<tr>
<td>Local human resources - productivity</td>
<td>8%</td>
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<tr>
<td>Labour law flexibility regarding hiring, termination and duration of work</td>
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<tr>
<td>Domestic market</td>
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<tr>
<td>Shipping transport - cost</td>
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<tr>
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<tr>
<td>Energy - cost</td>
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<tr>
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<tr>
<td>Industrial relations environment</td>
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<td>Industrial premises - availability</td>
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<tr>
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<tr>
<td>Quality of life - social environment</td>
<td>4%</td>
</tr>
<tr>
<td>Quality of life - leisure activities</td>
<td>4%</td>
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<tr>
<td>Judicial and quasi-judicial environment</td>
<td>4%</td>
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<tr>
<td>Air transport - cost</td>
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<td>Access to finance</td>
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<tr>
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<td>Industrial premises - cost</td>
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<tr>
<td>Environmental laws and regulations</td>
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<tr>
<td>Regulations regarding planning permissions</td>
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<tr>
<td>Quality of life - cultural entertainment</td>
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</tr>
</tbody>
</table>

Base: All 90 respondents. Total superior to 100% since more than one criterion could be selected.
## Perceptions of changes in investment criteria

Top executives were asked whether they perceived any changes in the investment criteria over the last year.

<table>
<thead>
<tr>
<th>Domestic market</th>
<th>Perception of positive change</th>
<th>Perception of no change</th>
<th>Perception of negative change</th>
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</thead>
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<td>21%</td>
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<td>Air transport - cost</td>
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<td>Quality of life - leisure activities</td>
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<td>Quality of life - physical environment</td>
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<td>Air transport - links</td>
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<td>Quality of life - social environment</td>
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<td>Local human resources - skills</td>
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<td>Innovation capacity</td>
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<td>Possibility of increasing productivity</td>
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<td>Telecommunications - infrastructure</td>
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<td>Research and Development - infrastructure quality</td>
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<td>Personal tax rate of foreign human resources</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Judicial and quasi-judicial environment</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Energy - cost</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
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<tr>
<td>Energy - supply</td>
<td>6%</td>
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<td>Shipping transport cost</td>
<td>6%</td>
<td>6%</td>
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<td>6%</td>
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<tr>
<td>Industrial premises - cost</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
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<tr>
<td>Labour law flexibility regarding hiring, termination and duration of work</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
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</tr>
</tbody>
</table>

**Base:** Respondents who identified a criterion as being relevant to their company.
Rating Malta’s attractiveness criteria - in detail

The attractiveness criteria are presented individually. For each criterion, the major ratings are further analysed according to the following sectors:

- banking
- other financial services
- high-technology / electronics manufacturing
- gaming
- ICT & Telecoms
- pharmaceuticals

↑ ‘Very attractive’ and ‘attractive’
↕ ‘Neither attractive nor unattractive’
↓ ‘Not attractive’ and ‘not attractive at all’
▌ ‘Not relevant’
Local human resources

Availability

Skills

Major ratings by business sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Very attractive</th>
<th>Attractive</th>
<th>Neither attractive nor not attractive</th>
<th>Not attractive</th>
<th>Not attractive at all</th>
<th>Not relevant</th>
</tr>
</thead>
<tbody>
<tr>
<td>banking, high-technology/electronics manufacturing</td>
<td>34%</td>
<td>46%</td>
<td>17%</td>
<td>8%</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>other financial services</td>
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<td>pharmaceuticals</td>
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<td>9%</td>
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Major ratings by business sectors

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<th>Sector</th>
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<th>Not attractive</th>
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'Very attractive' and 'attractive'
'Neither attractive nor unattractive'
'Not attractive' and 'not attractive at all'
'Not relevant'
Ernst & Young’s 2010 Malta Attractiveness Survey

Malta’s investment attractiveness

Major ratings by business sectors

Cost
- ICT & Telecoms (almost all), other financial services (four-fifths), banking, high-technology/electronics manufacturing, gaming, pharmaceuticals (three-fourths).

Productivity
- banking, other financial services (all), pharmaceuticals, ICT & Telecoms (almost all), high-technology/electronics manufacturing, gaming (three-fourths).

Level of English
- banking, ICT & Telecoms, pharmaceuticals (all), other financial services, high-technology/electronics manufacturing, gaming (almost all).

Total attractive
- 69%
- 86%
- 90%

Total unattractive
- 9%
- 2%
- 1%

Cost
- Very attractive
- Attractive
- Neither attractive nor not attractive
- Not attractive
- Not attractive at all
- Not relevant

Productivity
- Very attractive
- Attractive
- Neither attractive nor not attractive
- Not attractive
- Not attractive at all
- Not relevant

Level of English
- Very attractive
- Attractive
- Neither attractive nor not attractive
- Not attractive
- Not attractive at all
- Not relevant
Labour law flexibility regarding hiring, termination and duration of work

Major ratings by business sectors

- other financial services (two-thirds), banking, high-technology/electronics manufacturing, pharmaceuticals (almost half).

- pharmaceuticals, ICT & Telecoms (more than half), high-technology/electronics manufacturing (half).

'Very attractive' and 'attractive'

'Neither attractive nor unattractive'

'Not attractive' and 'not attractive at all'

'Not relevant'
Telecommunications

**Infrastructure**

- Very attractive: 15%
- Attractive: 28%
- Neither attractive nor not attractive: 8%
- Not attractive: 1%
- Not attractive at all: 9%
- Not relevant: 4%

**Total attractive**: 63%

**Major ratings by business sectors**

- ICT & Telecoms (almost all), banking (three-fourths), high-technology/electronics manufacturing (two-thirds), pharmaceuticals, other financial services (more than half).
- Gaming (more than half), other financial services (almost half).

**Cost**

- Very attractive: 22%
- Attractive: 37%
- Neither attractive nor not attractive: 48%
- Not attractive: 4%
- Not attractive at all: 7%
- Not relevant: 30%

**Total attractive**: 34%

**Major ratings by business sectors**

- Other financial services (half), ICT & Telecoms (almost half).
- Pharmaceuticals (more than half), high-technology/electronics manufacturing (half), other financial services, ICT & Telecoms (half).
- Gaming (two-thirds).
Air transport

**Links**

- Very attractive: 3%
- Attractive: 7%
- Neither attractive nor not attractive: 12%
- Not attractive: 36%
- Not attractive at all: 36%
- Not relevant: 7%

**Cost**

- Very attractive: 25%
- Attractive: 29%
- Neither attractive nor not attractive: 32%
- Not attractive: 3%
- Not attractive at all: 9%
- Not relevant: 3%

**Major ratings by business sectors**

- High-technology/electronics manufacturing (half), gaming, other financial services (almost half).
- ICT & Telecoms (more than half), banking (half), pharmaceuticals, other financial services (almost half).

- Other financial services, gaming (almost half).
- Banking (half), ICT and telecoms, other financial services (almost half).
- Pharmaceuticals (four-fifths), ICT and telecoms, high-technology/electronics manufacturing (more than half).
Shipping transport

**Links**

- Very attractive: 1%
- Attractive: 24%
- Neither attractive nor not attractive: 46%
- Not attractive: 14%
- Not attractive at all: 6%
- Not relevant: 9%

Major ratings by business sectors

- Pharmaceuticals (more than half).
- Banking (all), other financial services, gaming (almost all), ICT & Telecoms (more than half).

**Cost**

- Very attractive: 21%
- Attractive: 45%
- Neither attractive nor not attractive: 8%
- Not attractive: 9%
- Not attractive at all: 21%
- Not relevant: 17%

Total attractive: 25%
Total unattractive: 15%

Major ratings by business sectors

- Pharmaceuticals (more than half), high-technology/electronics manufacturing (almost half).
- Banking (all), other financial services, gaming (almost all), ICT & Telecoms (more than half).
Euro as the national currency

- Very attractive: 44%
- Attractive: 42%
- Neither attractive nor not attractive: 3%
- Not attractive: 2%
- Not attractive at all: 1%
- Not relevant: 0%

Total attractive 86%
Total unattractive 4%

Major ratings by business sectors
- Pharmaceuticals (all), banking, high-technology/electronics manufacturing, ICT & Telecoms (almost all), other financial services (four-fifths), gaming (two-thirds).

Fiscal incentives and support measures from Government

- Very attractive: 38%
- Attractive: 21%
- Neither attractive nor not attractive: 12%
- Not attractive: 9%
- Not attractive at all: 1%
- Not relevant: 19%

Total attractive 57%
Total unattractive 10%

Major ratings by business sectors
- High-technology/electronics manufacturing (almost all), pharmaceuticals (three-fourths), ICT & Telecoms, gaming (more than half), banking (half).
- Other financial services (almost half).
- Other financial services (almost half).

‘Very attractive’ and ‘attractive’
‘Neither attractive nor unattractive’
‘Not attractive’ and ‘not attractive at all’
‘Not relevant’
Major ratings by business sectors

- Gaming (almost all), high-technology/electronics manufacturing (three-fourths), other financial services (two-thirds), banking, pharmaceuticals (more than half).
- Pharmaceuticals (almost half).
- ICT & Telecoms (more than half).

Corporate tax rate

- Total attractive: 63%
- Total unattractive: 16%
- Total relevant: 2%
- Total not relevant: 3%

Personal tax rate of foreign human resources

- Total attractive: 30%
- Total unattractive: 23%
- Total relevant: 4%
- Total not relevant: 6%
Energy

**Supply**

- Very attractive: 1%
- Attractive: 7%
- Neither attractive nor not attractive: 21%
- Not attractive: 31%
- Not attractive at all: 40%
- Not relevant: 4%

Total unattractive: 71%

**Costs**

- Very attractive: 2%
- Attractive: 1%
- Neither attractive nor not attractive: 17%
- Not attractive: 46%
- Not attractive at all: 34%
- Not relevant: 1%

Total unattractive: 80%

Major ratings by business sectors

- Banking, gaming (four-fifths), pharmaceuticals, ICT & Telecoms (three-fourths), high-technology/electronics manufacturing, other financial services (two-thirds).

**Energy**

- 'Very attractive' and 'attractive'
- 'Neither attractive nor unattractive'
- 'Not attractive' and 'not attractive at all'
- 'Not relevant'
Ernst & Young’s 2010 Malta Attractiveness Survey
Malta’s investment attractiveness
Operating environment

**Political environment**

- **Total unattractive**: 2%
- **Total attractive**: 66%

**Legislative environment**

- **Total attractive**: 7%
- **Total unattractive**: 68%

**Judicial and quasi-judicial environment**

- **Total attractive**: 25%
- **Total unattractive**: 18%

---

**Major ratings by business sectors**

**Political environment**
- Banking (almost all), other financial services, gaming (two-thirds), high-technology/electronics manufacturing, ICT & Telecoms, pharmaceuticals (more than half).

**Legislative environment**
- Banking, other financial services, pharmaceuticals (almost all), ICT & Telecoms (three-fourths), gaming (two-thirds), high-technology/electronics manufacturing (more than half).

**Judicial and quasi-judicial environment**
- Banking (more than half).
- Pharmaceuticals (more than half), high-technology/electronics manufacturing, gaming, ICT & Telecoms (almost half).
- Other financial services (almost half).

---

‘Very attractive’ and ‘attractive’

‘Neither attractive nor unattractive’

‘Not attractive’ and ‘not attractive at all’

‘Not relevant’
Ernst & Young’s 2010 Malta Attractiveness Survey

Malta’s investment attractiveness

Major ratings by business sectors

- other financial services (half), high-technology/electronics manufacturing, pharmaceuticals, gaming (almost half).
- pharmaceuticals (more than half).
- ICT & Telecoms (three-fourths).

Administrative environment

- Total unattractive: 32%
- Total attractive: 33%
- Very attractive: 33%
- Attractive: 31%
- Neither attractive nor not attractive: 27%
- Not attractive: 5%
- Not attractive at all: 2%
- Not relevant: 2%

Industrial relations environment

- Total unattractive: 8%
- Total attractive: 36%
- Very attractive: 33%
- Attractive: 30%
- Neither attractive nor not attractive: 26%
- Not attractive: 3%
- Not attractive at all: 2%
- Not relevant: 6%

Major ratings by business sectors

- pharmaceuticals, high-technology/electronics manufacturing (almost half).
- gaming, pharmaceuticals (almost half).
- banking (two-thirds), other financial services (half).
‘Very attractive’ and ‘attractive’

‘Neither attractive nor unattractive’

‘Not attractive’ and ‘not attractive at all’

‘Not relevant’
Geographical position

Major ratings by business sectors

- Very attractive
- Attractive
- Neither attractive nor not attractive
- Not attractive
- Not attractive at all
- Not relevant

banking (almost all), high-technology/electronics manufacturing (two-thirds), other financial services, gaming (more than half), pharmaceuticals, ICT & Telecoms (almost half).

ICT & Telecoms (almost half).

Domestic Market

Major ratings by business sectors

- Very attractive
- Attractive
- Neither attractive nor not attractive
- Not attractive
- Not attractive at all
- Not relevant

banking (half).

pharmaceuticals (almost all), gaming (four-fifths), other financial services (two-thirds), high-technology/ electronics manufacturing (half), ICT & Telecoms (almost half).
Quality of life

Physical environment

Major ratings by business sectors

↑ banking (three-fourths), high-technology/electronics manufacturing (two-thirds), gaming (more than half), other financial services (half), pharmaceuticals (almost half).

Leisure activities

Major ratings by business sectors

↑ pharmaceuticals, other financial services (almost half).

<table>
<thead>
<tr>
<th></th>
<th>'Very attractive' and 'attractive'</th>
<th>'Neither attractive nor unattractive'</th>
<th>'Not attractive' and 'not attractive at all'</th>
<th>'Not relevant'</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>2%</td>
<td>18%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>High-tech/electronics</td>
<td>9%</td>
<td>43%</td>
<td>52%</td>
<td>2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7%</td>
<td>20%</td>
<td>20%</td>
<td>7%</td>
</tr>
<tr>
<td>ICT &amp; Telecoms</td>
<td>7%</td>
<td>16%</td>
<td>26%</td>
<td>12%</td>
</tr>
<tr>
<td>Gaming</td>
<td>9%</td>
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<td>52%</td>
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</tr>
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<td>7%</td>
<td>16%</td>
<td>26%</td>
<td>12%</td>
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<td>Pharmaceutical</td>
<td>7%</td>
<td>16%</td>
<td>26%</td>
<td>12%</td>
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<td>Total attractive</td>
<td>52%</td>
<td>78%</td>
<td>78%</td>
<td>20%</td>
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<tr>
<td>Total unattractive</td>
<td>20%</td>
<td>7%</td>
<td>7%</td>
<td>3%</td>
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↑ 'Very attractive' and 'attractive'

<table>
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<td>20%</td>
<td>7%</td>
<td>7%</td>
</tr>
</tbody>
</table>

↑ 'Neither attractive nor unattractive' and 'Not attractive' and 'not attractive at all'

↑ 'Not relevant'
**Major ratings by business sectors**

**Cultural entertainment**
- Very attractive: 10%
- Attractive: 4%
- Neither attractive nor not attractive: 9%
- Not attractive: 18%
- Not attractive at all: 58%

**Social environment**
- Very attractive: 2%
- Attractive: 17%
- Neither attractive nor not attractive: 10%
- Not attractive: 2%
- Not attractive at all: 3%

**ICT & Telecoms** (almost all), pharmaceuticals (three-fourths), gaming, high-technology/electronics manufacturing (two-thirds), other financial services (more than half), banking (half).
Malta’s investment attractiveness

**Possibility of increasing productivity**

- Very attractive: 23%
- Attractive: 51%
- Neither attractive nor not attractive: 18%
- Not attractive: 6%
- Not attractive at all: 2%
- Not relevant: 2%

**Major ratings by business sectors**

- high-technology/electronics manufacturing, pharmaceuticals (four-fifths), ICT & Telecoms (more than half), banking (half).
- ICT & Telecoms (almost half).
- other financial services (two-thirds), gaming (more than half), banking (almost half).

**Access to finance**

- Very attractive: 6%
- Attractive: 24%
- Neither attractive nor not attractive: 41%
- Not attractive: 3%
- Not attractive at all: 6%
- Not relevant: 9%

**Major ratings by business sectors**

- pharmaceuticals (almost half).
- banking (three-fourths), gaming, other financial services (more than half), high-technology/electronics manufacturing, pharmaceuticals (almost half).
Research and development

Skills availability

- Very attractive
- Attractive
- Neither attractive nor not attractive
- Not attractive
- Not attractive at all
- Not relevant

Major ratings by business sectors

- high-technology/electronics manufacturing (almost half).
- pharmaceuticals (three-fourths), ICT & Telecoms (almost half).
- banking (all), other financial services (almost all), gaming (two-thirds).

Skills quality

- Very attractive
- Attractive
- Neither attractive nor not attractive
- Not attractive
- Not attractive at all
- Not relevant

Major ratings by business sectors

- high-technology/electronics manufacturing (more than half), ICT & Telecoms (almost half).
- banking (all), other financial services (almost all), gaming (two-thirds).

Infrastructure availability

- Very attractive
- Attractive
- Neither attractive nor not attractive
- Not attractive
- Not attractive at all
- Not relevant

Major ratings by business sectors

- high-technology/electronics manufacturing (half).
- pharmaceuticals (almost half).
- banking (all), other financial services (almost all), gaming (two-thirds).
Infrastructure quality

- **Very attractive**: 11%
- **Attractive**: 17%
- **Neither attractive nor not attractive**: 9%
- **Not attractive**: 2%
- **Not attractive at all**: 4%
- **Not relevant**: 2%

**Major ratings by business sectors**

- **High-technology/electronics manufacturing (half)**.
- **Banking (all), other financial services (almost all), gaming (two-thirds)**.

Funds

- **Very attractive**: 18%
- **Attractive**: 60%
- **Neither attractive nor not attractive**: 3%
- **Not attractive**: 6%
- **Not attractive at all**: 2%
- **Not relevant**: 9%

**Major ratings by business sectors**

- **Pharmaceuticals (three-fourths)**.
- **ICT & Telecoms (almost half)**.
- **Banking (all), other financial services (almost all), gaming (three-fourths)**.
Innovation capacity

- Total attractive: 27%
- Total unattractive: 12%

Major ratings by business sectors
- Pharmaceuticals: (more than half).
- High-technology/electronics manufacturing: (two-thirds).
- ICT & Telecoms: (almost half).
- Other financial services: (almost all), banking: (two-thirds), gaming: (more than half).

Industrial premises

Availability

- Total attractive: 38%
- Total unattractive: 7%

Major ratings by business sectors
- Pharmaceuticals: (almost all), high-technology/electronics manufacturing: (two-thirds).
- Banking, other financial services: gaming: (all), ICT & Telecoms: (more than half).

Quality

- Total attractive: 29%
- Total unattractive: 14%

Major ratings by business sectors
- Pharmaceuticals: (more than half), high-technology/electronics manufacturing: (almost half).
- Banking, other financial services: gaming: (all), ICT & Telecoms: (more than half).

Cost

- Total attractive: 37%
- Total unattractive: 12%

Major ratings by business sectors
- High-technology/electronics manufacturing: (two-thirds), pharmaceuticals: (more than half).
- Pharmaceuticals: (almost half).
- Banking, other financial services: gaming: (all), ICT & Telecoms: (more than half).
Office premises

**Availability**

- Total unattractive: 10%
- Total attractive: 50%

- Very attractive: 44%
  - Gaming (two-thirds), ICT & Telecoms, other financial services (more than half), banking, high-technology/electronics manufacturing (half).
- Attractive: 17%
  - Pharmaceuticals (three-fourths).
- Neither attractive nor not attractive: 18%
- Not attractive: 20%
- Not attractive at all: 6%
- Not relevant: 2%

**Quality**

- Total attractive: 43%
- Total unattractive: 14%

- Very attractive: 3%
- Attractive: 20%
  - Banking, gaming (two-thirds), other financial services (more than half), ICT & Telecoms (almost half).
- Neither attractive nor not attractive: 40%
- Not attractive: 13%
- Not attractive at all: 18%
- Not relevant: 17%

**Cost**

- Total attractive: 49%
- Total unattractive: 5%

- Very attractive: 16%
  - High-technology/electronics manufacturing, gaming, other financial services (more than half), banking (half).
- Attractive: 21%
  - ICT & Telecoms, other financial services (almost half).
- Neither attractive nor not attractive: 13%
  - ICT & Telecoms (more than half).
- Not attractive: 44%
- Not attractive at all: 4%
- Not relevant: 5%

‘Very attractive’ and ‘attractive’

‘Not attractive’ and ‘not attractive at all’

‘Neither attractive nor unattractive’

‘Not relevant’
Environmental laws and regulations

Regulations regarding planning permissions

Major ratings by business sectors

- other financial services (half), high-technology/electronics manufacturing, gaming, ICT & Telecoms (almost half).
- ICT & Telecoms (almost half).
- banking, other financial services (half).

- pharmaceuticals (almost half).
- pharmaceuticals (two-thirds), ICT & Telecoms (more than half), banking (almost half).
- other financial services (two-thirds), high-technology/electronics manufacturing, gaming (more than half), banking, ICT & Telecoms (almost half).
Focus on...

International recession
Energy
International recession

The international recession has affected most of the companies participating in the survey. The specific effects varied according to the type of business. However the main result of the recession, that is a decrease in business activity, was expressed by most. Most of the companies resorted mainly to cost control/reduction measures in order to counter the effects of the recession. Executives had different expectations as to when the international economic environment will become supportive of their company’s growth.

Q: Has the international recession affected your company?

![Bar chart showing the percentage of respondents for each option: Yes 82%, No 16%, Can't say 2%.]

Base: All 90 respondents.

Q. In what way did the international recession affect your company?

- Decrease in business activity: 70%
- Decrease in investment value, interest rates and investment income: 31%
- Reduced liquidity/financing: 27%
- Unfavourable rates of exchange: 22%
- Increase in business activity: 4%
- Higher prices of raw materials: 1%

Base: 74 respondents who confirmed that the international recession affected their company. Total superior to 100% since more than one answer could be selected.
Q: Do you think that the international economic environment will become supportive of your company's growth by...?

Half of the companies that were affected by the international recession were already experiencing or expected to witness a supportive international environment by the end of this year. The remainder of respondents were divided between those that expected such an environment to improve after the end of this year and those who harboured uncertainty as to when such an improvement might materialise.
Q: What are the most important initiatives that are helping or helped your company to cushion the effects of the recession?

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost control/reduction measures</td>
<td>42%</td>
</tr>
<tr>
<td>Reduction in human resources/working week and overtime, recruitment freeze</td>
<td>21%</td>
</tr>
<tr>
<td>Marketing</td>
<td>19%</td>
</tr>
<tr>
<td>Risk management</td>
<td>16%</td>
</tr>
<tr>
<td>Focus on client relationships</td>
<td>16%</td>
</tr>
<tr>
<td>Increase in productivity</td>
<td>13%</td>
</tr>
<tr>
<td>Business diversification</td>
<td>13%</td>
</tr>
<tr>
<td>Implementation of investment decisions</td>
<td>10%</td>
</tr>
<tr>
<td>Restructuring</td>
<td>8%</td>
</tr>
<tr>
<td>Government/EU measures</td>
<td>8%</td>
</tr>
<tr>
<td>Inventory management</td>
<td>7%</td>
</tr>
<tr>
<td>Intragroup strategies</td>
<td>6%</td>
</tr>
<tr>
<td>Size and sector of business</td>
<td>4%</td>
</tr>
<tr>
<td>Solid financial base</td>
<td>4%</td>
</tr>
<tr>
<td>Low-cost airlines</td>
<td>3%</td>
</tr>
<tr>
<td>Cash flow management</td>
<td>3%</td>
</tr>
<tr>
<td>Investment plans postponed</td>
<td>3%</td>
</tr>
<tr>
<td>Strengths of financial institutions</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
</tbody>
</table>

Base: All 90 respondents. Total superior to 100% since more than one initiative could be mentioned. Respondents were not prompted.

Companies that responded to this question included those which were affected by the recession as well as those which were not. Some companies attributed their success to weathering the recession’s challenges to decisions that they had taken prior to the onset of the recession, such as investment decisions that gave them an edge over competitors. Companies that focussed on client relationships provided favourable packages to clients, including discounts. Some companies continued with their normal level of marketing efforts while others intensified such efforts. The “other” category included the fact that the euro is the national currency and companies’ ongoing efforts to excel in every aspect of the business.
Energy

Fifteen years have passed since hard coal was last used for electricity generation in Malta. Oil now drives electricity generation in the country. Apart from the challenge to provide a reliable energy supply at a cost which is economically viable, the country is also bound to achieve renewable energy targets within ten years.

Two-thirds of respondents viewed energy costs as very important or important for their company’s competitiveness. Most of the companies interviewed had installed energy-efficient devices. Conversely, most had not installed any renewable energy technologies. The most common reasons that were mentioned for not installing either energy-efficient devices or renewable energy technologies related to issues of feasibility or lack of funds and the fact that premises were not owned by the companies.

**Consumption profile of the surveyed companies**

![Consumption profile diagram]

*Base: All 90 respondents.*

**Importance of energy costs for companies’ competitiveness**

![Importance diagram]

*Base: All 90 respondents.*

More than half of banking respondents and a third of respondents operating in the other financial services sector considered energy costs as neither important nor unimportant for their companies’ competitiveness.

Respondents that considered energy costs as not important or not important at all included almost half of the gaming companies and a fifth of banks.
Energy-efficient devices

Q: Has your company installed energy-efficient devices?

Companies that did not install energy-efficient devices operated in most of the sectors but especially those in the gaming and other financial services sectors (around half of respondents in each sector). Half of the companies that did not install such devices employed between 10 and 50 people while a quarter employed more than 100 people.

Type of installation of energy-efficient devices

Base: 65 respondents who replied that their company installed energy-efficient devices on its premises. Total superior to 100% since more than one device could be selected or suggested.
Reasons for not installing energy-efficient devices

- Not feasible/No funds available: 40%
- Rented premises: 36%
- Never thought about it: 4%
- Insufficient lighting by energy-efficient systems: 4%
- Focus on productivity not energy savings: 4%
- Energy audit yet to be carried out: 4%
- Difficult to fit devices to machinery: 4%
- Grants conditions not favourable to small businesses: 4%
- No reason provided: 16%

Base: 25 respondents who replied that their company did not install energy-efficient devices on its premises. Respondents were not prompted. Percentage superior to 100% since more than one reason could be provided.

Q: Do you consider installing energy-efficient devices?

- Yes: 36%
- No: 64%

Base: 25 respondents who replied that their company did not install energy-efficient devices on its premises.
Companies that installed renewable energy technologies came from 12 different sectors. Six consumed over 5,000,000 kWh, three used energy in the range between 1,000,000 kWh and 5,000,000 kWh and another five consumed between 100,000 kWh and 1,000,000 kWh. Two companies consumed up to 60,000 kWh while another two did not have their consumption data readily available for the interview.

Half of the companies that did not install renewable energy technologies employed more than 100 people. Five had between 50 and 100 employees and three employed between 10 and 50 people. One company had less than 10 employees.

One company also installed a heat recovery system while another is considering also geo-thermal cooling.

An executive explained that PVs were installed mainly for demonstration purposes since they were expensive and may not be very reliable in producing electricity.
### Reasons for not installing renewable energy technologies

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not feasible/No funds available</td>
<td>31%</td>
</tr>
<tr>
<td>Rented premises</td>
<td>28%</td>
</tr>
<tr>
<td>In the process of doing so/applied for grants</td>
<td>8%</td>
</tr>
<tr>
<td>Constraints of roof spaces</td>
<td>4%</td>
</tr>
<tr>
<td>Focus on other production aspects</td>
<td>4%</td>
</tr>
<tr>
<td>Relevant only to high energy consumers</td>
<td>4%</td>
</tr>
<tr>
<td>Company requires a large power supply</td>
<td>3%</td>
</tr>
<tr>
<td>Technologies not reliable</td>
<td>1%</td>
</tr>
<tr>
<td>Lack of specialisation in this field</td>
<td>1%</td>
</tr>
<tr>
<td>Premises surrounded by higher buildings</td>
<td>1%</td>
</tr>
<tr>
<td>Grants conditions not favourable to small businesses</td>
<td>1%</td>
</tr>
<tr>
<td>No reason provided</td>
<td>15%</td>
</tr>
</tbody>
</table>

*Base: 72 respondents who replied that their company did not install renewable energy technologies on its premises. Respondents were not prompted. Percentage superior to 100% since more than one reason could be provided.*

### Q: Is your company considering to install renewable energy technologies?

![Pie chart showing 36% Yes and 64% No](chart.png)

*Base: 72 respondents who replied that their company did not install renewable energy technologies on its premises.*

One fourth of the companies which were actively considering to install renewable energy technologies mentioned PVs. One company mentioned that the PVs were expected to reduce airconditioning costs since they would also provide shading. Other technologies that were being considered by companies included solar cooling as well as solar heating. One executive pointed out that large companies should also be eligible for grants to install renewable energy technologies.
Q: Has your company ever applied for EU or national funds to install energy-efficient devices or renewable energy technologies?

- Yes: 24%
- No: 76%

Base: All 90 respondents

Almost half of the applicants for funds came from the sectors of high-technology/electronics manufacturing and the manufacturing of plastic/rubber products. None of the companies operating in the gaming and other financial services sectors applied while almost none of the banks did so.

Q: Has your company adopted internal procedures to make employees aware of energy consumption?

- Yes: 20%
- No: 80%

Base: All 90 respondents

Internal procedures mentioned by interviewees included verbal communications, presentations, training on new working practices following energy audits, and awarding a year-end bonus to members of staff who came up with the idea that had the greatest potential to reduce energy consumption.

Q: Do you use electric vehicles for company purposes?

- Yes: 22%
- No: 78%

Base: All 90 respondents

The use of bio-diesel was also explored in the survey. Only one company made use of it for its operations.
Malta as a location to develop or expand activities
Three-fourths of the surveyed companies were considering developing or expanding their activities. A similar proportion of companies did expand or develop their presence in Malta in the past three years. A higher proportion of companies stated that Malta implemented an investment attractiveness policy that was interesting to international investors.

Q: During the past three years, did your company develop or expand its activities in Malta?

Base: All 90 respondents.

Q: In general, is your company considering developing or expanding activities in Malta?

Base: All 90 respondents.

Q: Do you think that Malta implements an investment attractiveness policy that is interesting to international investors?

Base: All 90 respondents.
Perceptions over the past year

Survey participants were invited to express their perceptions over the past year about Malta as a location for the development or expansion of their company’s activities. The reasons mentioned by respondents may be attributable to one or more companies in a sector.

Base: All 90 respondents
Reasons for positive perceptions

Government actions

- Government’s policy to provide quick support to industry, on a case-by-case basis, during the recession. (SPM, PRM, MHP, MM)
- The fact that the country cushioned the effects of the recession shows that politicians can take the right decisions. (OFS)
- Assistance received by Malta Enterprise relating to guidance on schemes and incentives. (MHP)
- The Malta Financial Services Authority (MFSA) is innovative and reacts to queries. (OFS)
- Malta Enterprise and EU schemes. (HTM)
- More production space was made available to the company by Malta Enterprise. (SPM)
- Country is more aligned to a modern economy. Decisions taken by Government are in the right direction. (PRM)
- Government is committed to remove inefficiencies, such as privatising the Shipyards. (OM)
- There are issues which create a good general environment such as the stipends to university students and the good service at Mater Dei Hospital, although there is always room for improvement. (OM)
- Improvement in the physical environment. (HTM)
- The particular industry the company operates in is being given importance by the Government. (ES)
- Commitment by Government to reduce bandwidth costs. (G)
- Malta’s focus to develop the country as a regional hub is a positive factor for the company. (RE)
- The last budget was favourable to small business. (OM)

Growth and market resilience

- Company growth as a result of corporate strategy. (G, RE, Ph)
- Company is tapping new markets with new products. (OFS)
- The company is expanding its operations in Malta following the closure of a plant elsewhere. Malta is the preferred location because it is in the Eurozone. (HTM)
- Market is resilient. (G)
- The domestic market is more open to new products that are offered. (B)

Economy and financial institutions

- Malta is seen as a stable economy. Eurostat figures give a good impression of how Malta absorbed the effects of the recession and recovered. (OFS)
- Healthy financial institutions. There was no collapse of local banks as happened in other countries. This was perceived positively by investors. (MS)
- The international recession gave Malta an advantage since the country managed it better than other EU countries. (OFS)

Legislative environment

- Improvement in the financial services sector, including the introduction of new legislation relating to trusts and funds. (B)
- More financial services companies are coming to Malta due to the legislative environment. (B)
- Proposed legislation relating to remote gaming. (G)
Corporate strategy

- Parent company has realised that being closer geographically to the client is important. (Ph)
- A solid management and supportive structure which are conducive to economies of scale when expanding activities. (HTM).
- A bond issue, apart from raising finance, gave market exposure to the bank. (B)

Quality of human resources

- Highly competent staff who are very fast learners. (OFS, Ph)
- Staff are more experienced. (G)

Other

- Major industry players are carrying out expansion plans which should lead to more synergies between businesses operating in or servicing this industry. (ES)

Reasons for neither positive nor negative perceptions

International recession

- The international recession affected both competitor countries and Malta. (ICT)
- Although the recession hit other countries worse than Malta, the effects in Malta take longer to subside. (OS)
- The company is considering diversifying its products but has cashflow problems due to the recession. (HTM)
- Europe is coming out of the recession and Malta weathered the challenges. (OM)
- A project is at a standstill due to the overall economic situation. (Ph)

No particular changes in the business environment

- Changes in the last year were not deemed to have a significant impact on the company. (HTM, Ph)
- Due to the company’s diversified portfolio, positive results in some segments were offset by negative ones in others. (OS)
- Business is already fully developed. (OFS)
- Although the market is stagnant, the company is growing. (ICT)

Fiscal issues

- Fiscal incentives and the corporate tax rate have been unchanged for a long time. (MS)
- Double taxation treaties are good. (OFS)

Competing countries

- Growth in Malta was lower than in Gibraltar. UK companies seem to be warmer to Gibraltar than Malta. The former is considered as an established financial centre. (OFS)
- Dublin enjoys prestige and experience while Malta is still perceived as an offshore alternative in the EU, although in reality this is not the case. (OFS)

Legislative environment

- Malta has potential but some things need to change. When compared to Gibraltar, it makes business sense to be in Malta with respect to issues such as the clarity of how Protected Cell Companies are taxed. (OFS)
- Current law relating to patents. (Ph)

Human resources

- Labour costs are always increasing irrespective of the economic environment. (ES)
- The key people of the organisation are in Malta. The rest are in a lower-cost country in the Far East. (G)

Company’s expectations met

- The company came here knowing exactly what it was looking for, such as human resources and the tax regime. Nothing has changed regarding these issues. (OFS)
- Company’s expectations have been almost fully met. (B)

Others

- Geographical position is always important. (MS)
- A Government proposal, if implemented, will affect negatively the company’s business.
Reasons for negative perceptions

**Competition from other countries**
- The Government of the shareholders’ country granted specific incentives which made it more attractive for shareholders to open a new factory in that country. Malta therefore lost some competitive edge in this regard. (MM)
- The main competing market changed its legislation thus making business with Malta less attractive. (B)
- Considering the developments in other countries in the last three years, the company may consider to invest elsewhere. (SPM)
- Parent company has decided to expand in another location. (SPM)
- An issue was not solved in Malta and some business had to move elsewhere. (OFS)

**Increase in costs**
- Increase in labour costs. (HTM, SPM, OM)
- Increase in energy costs. (HTM, SPM, OM)
- Increase in transport costs. (HTM)
- The company is not competitive any more due to higher costs. (MM)

**Government bureaucracy**
- It takes long to be served when calling Government Departments by telephone. (OM)
- Planning permissions take long to be issued. (ICT)
- Although Government offers many on-line services one still has to download a pdf form to fill it in manually, then send it by normal mail or send a scanned copy by email. (OM)
- Over-regulation on new activities by the regulator. (ICT)

**Recession**
- Liquidity shortage due to cash-strapped customers. (B)
- The unfavourable international economic situation. (PRM)
- Not enough financial support was provided during the international economic crisis. (PRM)

**Availability of human resources**
- Required human resources are not available. (ICT, ES)
- Limited pool of resources in R&D. (ICT)

**Domestic market**
- There is too much competition for the size of the market. (ICT)
- Domestic market is limited. (ES)

**Other**
- Packaging material is being imported when it could be produced locally. (ICT)
- A shipping schedule serving the company’s markets is not strictly adhered to. This disrupts the company’s delivery plans. (SPM)
- The Lotteries and Gaming Authority needs to be more proactive in its regulations and not just reactive. (G)
- A report on innovation placed Malta last in the list of EU countries. (SPM)
- Unreliable power supply. (ICT)
- Decrease in workforce due to decision of shareholders. (HTM)

**Reasons for not providing an opinion**
- The duration of the negative effects of the recession cannot be determined. (HTM, RE, SPM)
- Some EU countries are issuing their own gaming licences and not allowing companies based elsewhere to tap their markets. The EU legal framework may be heading towards accepting such restrictions to access these markets. (G)
Survey participants were invited to express their perceptions for the next three years about Malta as a location for the development or expansion of their company’s activities. The reasons mentioned by respondents may be attributable to one or more companies in a sector.
Reasons for positive perceptions

Growth prospects

- This is an ideal time for Malta to continue developing its financial services especially if Custodians are attracted to the island. (OFS)
- Expansion of the domestic market will boost the company’s performance. (B)
- The rate of growth of financial services is increasing. The country is concentrating on improving the environment and obtaining a higher financial stability. (OFS)
- The growth in the financial services sector will improve Malta’s image in this sector. (B)
- Resumption of world growth. (RE)
- Improvement in Maltese business. (RE)
- More foreign companies are investing in Malta, thus increasing banks’ business. (B)
- Malta is an EU member and the EU is of strategic importance to the group’s business. (RE)
- The company is looking at EU countries and at the possibility of obtaining a new licence and consequently an EU passport. (OFS)
- Malta’s attractive geographical position will increase the company’s market share. (PRM)
- An increase in tourists will boost the company’s business. (RE)

Government actions

- There will be an improvement in the waste recycling infrastructure provided by Government thus helping pharmaceutical companies in managing their waste. (Ph)
- The regulator is learning in terms of dealing with customers. It has acquired more knowledge and increased its professionalism. (OFS)
- The right steps are being taken by the Government. (PRM)
- There are concerted efforts to make Malta attractive for investment. Government has made Malta’s attractiveness one of its targets. (SPM)
- Government is giving importance to R&D and creating awareness with respect to innovation. (ES)
- Based on the current situation, the company is planning to develop and expand its activities in Malta. The investment attractiveness package that Malta provides is highly regarded at the moment. (MHP)
- A concession on land was extended with commitments from the company to invest more. (MS)
- The regulatory environment. (G)
- The company is considering expanding because the human resources are acquiring experience and knowledge. (Ph)
- Until recently the company was managed by people from the country of the parent company. Now the Maltese are managing the plant. (Ph)
- More experience in financial services will be available. So far there is limited experience in fund administration. (OFS)
- Labour force is skilled, flexible and efficient to meet employers’ demands. (ES)
- The high quality of the human resources. (OFS, G)

Marketing

- A greater awareness of Malta. (B)
- There is a growing level of interest and momentum in the financial services sector. (B, OFS)
- Malta is perceived as an attractive jurisdiction in financial services. (OFS)

Corporate strategy

- Further consolidation of European operations in Malta. (HTM)
- Improvement is being driven from inside the company rather than from external factors. (HTM)
- Restructuring will take place in management. (HTM)
- There will be specialisation in two or three focus areas. (Ph)
- There are a number of areas in the company where improvement is possible. (Ph)
- Although the company’s prospects depend to a certain extent on the country’s attractiveness, the positive outlook relates mainly to the company’s capabilities rather than on what the country can offer. (MM)

Human resources

- The company is considering expanding because the human resources are acquiring experience and knowledge. (Ph)

Economy and financial institutions

- Eurostat figures confirm that Malta is a stable economy. (OFS)
- In general, the attractiveness of the Maltese economy will remain constant. (HTM)
- Improvement in the financial services and banking sectors. (OS)

Legislative environment

- Subject to authorities being receptive to suggested changes, the legislative environment will continue to improve. (B)
- Entry into force of proposed legislation. (G)
- The current tax regime. (G)
Telecommunications

- There will be an improvement in Malta’s competitiveness due to the expected improvement in certain key areas such as the telecommunications infrastructure. (B)
- Commitment by Government to reduce bandwidth costs. (G)

Education and training

- Level of training in financial services will improve. This will lead to an improved level of human resources. (OFS)
- Possibility of courses at MCAST on remote gaming and online marketing. (G)

Funding

- Increase in the availability of EU funding schemes. (HTM)
- The effect of EU membership will become more evident. (G)

Other

- A better quality of life. (HTM)
- There is no election round the corner. (PRM)
- The outlook can vary since circumstances can change rapidly. (HTM)
- The situation cannot be worse. But the company is already on the right track. (OS)
- Strategic location of the country. (B)
- Projects such as the Smart City project will start to be realised. (ICT)
- Difficulties in other jurisdictions. (B)
- Increased competitiveness of Malta. (B)
- Overheads in Malta are still lower when compared to other EU countries. (ES)
- Market conditions will bring competition to a more reasonable situation. (ICT)

Reasons for neither positive nor negative perceptions

Required Government action

- Companies complain about certain issues but no action seems to be taken. (SPM)
- Government is not providing enough incentives with respect to environmental issues. (OM)
- It will take more than three years to improve the reliability of the power supply. (ICT)
- The industrial estate environment is not attractive. (SPM)
- Government is focussing on the services industry. (Ph)

Human resources

- Lack of human resources skills. (ICT)
- It will take more than three years to improve the availability of R&D people. (ICT)
- People are becoming more educated and this helps the company’s outlook. (OFS)
- Human resources availability will not change in the next three years. (Ph)

Recession

- The effects of the recession are still being felt although the Maltese Government and the Government in the shareholders’ country speak positively about the economy. (OM, SPM)
- Level of activity will be maintained but there will not be the drastic expansion that was originally planned. (PRM)

Costs

- High shipping costs. (ICT)
- High energy costs. (SPM)

Business saturation

- Business is already fully developed so the company is not seeking expansion. (OFS)
- The company is currently operating at full capacity. (HTM)

Marketing

- Foreign markets need to see more of Malta. (OFS)
- Finance Malta does not promote Malta enough for captive insurance business. (OFS)

Other

- Malta’s attractions are being cancelled out by other issues. (B)
- There is no public information on what measures may be implemented in the countries where the parent company and the main client are based. If these implement very attractive measures, the Maltese competitiveness measures may become less attractive. (OM)
- Lack of local supply of packaging material. (ICT)
- There is a high penetration level of telecoms services. (ICT)
- There are no indications of improvement yet. (SPM)
- An agreement was made with the parent company so that the Malta company shifts to R&D and not carry out production. (HTM)
- There are no particular reasons which make the company believe that various factors will improve. (Ph)
Reasons for negative perceptions

Increase in costs

- Unit cost of production will increase. (SPM, HTM)
- Labour costs will increase. Wage expectations are too high from graduates who do not have any work experience. (Ph)
- Higher energy costs. (Ph, PRM)
- The attitudes and preparedness of people looking for work need to change. Out of 40 applicants there would be three to five persons who may be acceptable to the company for recruitment purposes. Applicants are not always literate and they lack work experience. (Ph)
- The company will not be competitive any more due to higher costs, especially transport costs which are still increasing. (MM)

Government bureaucracy

- MEPA procedures. (ICT)
- There seems to be a lack of effective communication between Government and industry. (SPM)

Domestic market

- Market saturation. (ICT)
- Too much competition. (ICT)

Other

- Company needs to invest but access to finance may be difficult to obtain. The company needs to invest to be able to compete. (ES)
- Malta Enterprise seems to favour large companies. (ES)
- Competition from South East Asia is very strong due to the large labour market that it provides. (ES)

Reasons for not providing an opinion

Uncertainty at international level

- Executives in Malta do not know what shareholders’ and corporate management’s plans are. (HTM)
- Lack of knowledge of what may change. (MS)
- The possibility that some EU countries may restrict access to their markets with respect to remote gaming. (G)
- Financial uncertainty is still around at an international level. So it is not easy to penetrate into new markets. (OFS)
- It depends on the value on the euro. (PRM)
- It depends on the outcome of the current anti-globalisation sentiment which may be detrimental to Malta. (PRM)
- The perception depends on whether there will be changes in the tax regime. (G)
- The company is not sure whether fiscal incentives it requested from Government will be granted. (HTM)
- Depends on whether the company obtains the necessary planning permits. (RE)

Competitors

- Due to incentives offered by the Government of the shareholders’ country, a new company has been set up in that country. As a result, the Malta company’s competitiveness within the group depends on its local management’s ability to continue ensuring high quality outputs from the Malta plant. (MM)
- There is no confidence that things will change. Gibraltar is a strong competitor. It is possible that the company may shift operations to Gibraltar due to its more favourable tax regime. (G)

Political uncertainty

- There may be a change in Government and so policies may change. (HTM)
- The company always believes that it can improve. However, when elections start to get closer, people will start to postpone certain consumption decisions to beyond the elections, thus affecting the company’s business. (OS)

Other

- Shipping is a big issue but nothing has changed. (HTM)
- Being a business-to-business entity, the location where customers will be in the future is important. (PRM)
- Depends on whether costs will continue increasing. (HTM, MM)
- Effects of recession are still being felt. (Ph)
Suggestions to improve Malta’s competitiveness
Suggestions to Government to improve Malta’s competitiveness

Top executives were asked to mention, without being prompted, a maximum of five issues which if addressed by Government would improve Malta’s competitiveness from their company’s perspective.

The issues were then grouped in appropriate categories. The percentages shown below relate to respondents who mentioned at least one issue falling in a category. The suggestions in detail are presented in the next pages. They may be attributable to one or more companies in the identified sectors.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bureaucracy</td>
<td>67%</td>
</tr>
<tr>
<td>Fiscal incentives</td>
<td>44%</td>
</tr>
<tr>
<td>Energy cost</td>
<td>38%</td>
</tr>
<tr>
<td>Energy supply</td>
<td>37%</td>
</tr>
<tr>
<td>Transport</td>
<td>31%</td>
</tr>
<tr>
<td>Education and training</td>
<td>30%</td>
</tr>
<tr>
<td>Non-fiscal support measures</td>
<td>21%</td>
</tr>
<tr>
<td>Clean and healthy environment</td>
<td>21%</td>
</tr>
<tr>
<td>Marketing Malta</td>
<td>18%</td>
</tr>
<tr>
<td>Business sites and premises</td>
<td>10%</td>
</tr>
<tr>
<td>Government-induced costs</td>
<td>10%</td>
</tr>
<tr>
<td>Enforcement</td>
<td>8%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>8%</td>
</tr>
<tr>
<td>Labour legislation</td>
<td>7%</td>
</tr>
<tr>
<td>Waste management</td>
<td>6%</td>
</tr>
<tr>
<td>Economy/monetary policy</td>
<td>6%</td>
</tr>
<tr>
<td>Alternative energy</td>
<td>6%</td>
</tr>
<tr>
<td>Judicial system</td>
<td>2%</td>
</tr>
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</table>

Base: All 90 respondents. Total percentage superior to 100% since more than one suggestion could be mentioned.
Bureaucracy

Business-friendly attitudes

- Reshape bureaucracy to make it business-friendly. (B, SPM, OS, PRM, Ph, OFS, ICT)
- The response time of Government agencies to address queries from companies should be efficient. (ICT, B, G)
- Reduce the instances of information-gathering through questionnaires for statistical purposes, especially those that have to be filled manually (ICT, PRM). Government already has trade information but still asks for it for statistical purposes. This is a waste of time to the company. (HTM)
- Government agencies need to approach foreign companies investing in Malta not as if they were adversaries but as partners. Otherwise an initiative from an investor is discouraged at a very early stage. (OM, OS)
- Government agencies, including regulators, need to stick to promises that they make and deliver what they promise. Once deadlines to provide information or rulings are communicated to companies these should be adhered to. (HTM, OFS)
- Government online services should be widened so that all Government-related applications and forms are submitted online. (G, OS)
- Provide a one-stop shop for investors wishing to set up a company in Malta. This can take various forms such as appointing one individual to be responsible for dealing, on behalf of investors, with all Government entities (MHP). It can also be a one-stop shop for a group of Government agencies such as VAT, Inland Revenue, and Employment and Training Corporation (ETC) or Malta Enterprise and MEPA. (OM, MS)
- Government agencies providing grants (whether EU or national) should be more proactive in answering queries and not just direct a company to the agency’s website. (ICT)
- Government needs to recruit more skilled and knowledgeable employees so that bureaucracy is reduced and a quicker service is provided. (OS)
- Departments within regulatory agencies need to talk to each other before contacting companies. Sometimes you have different people from the same organisation calling a company for different issues. They need to hold one meeting and discuss all issues at once. (Ph)
- Revise the summer working hours of Government departments/agencies. (HTM)
- Reduce timeframes in implementing legislation which affects companies. (OFS)
- The time required to set up a business in Malta should be as short as possible. It may take around six months to start a remote gaming business. So some companies, instead of coming to Malta, set up elsewhere. (G)
- Do not worsen the information overload of companies. Information that is disseminated should be tailor-made to a company’s needs. Companies need meaningful information and not just be the objects of information campaigns. (OM)
- Take less time to grant and renew work permits, to both EU and non-EU citizens (ICT, G, Ph, B, PRM) and visas to non-EU citizens (B). To issue a working permit for the first time takes around three months. During this time, the company might lose the prospective staff member (G).
- Reduce administrative procedures to employ EU and non-EU nationals. EU nationals require a work permit which has to be renewed and such renewal takes time. (MS, Ph)
- Speed up the process to issue residence permits. (B)

Specific issues relating to specific Government entities

- The processing of applications at the Malta Environment and Planning Authority (MEPA) needs to be more efficient. (RE, Ph, B, ICT)
- More transparency is required in MEPA proceedings. (B)
- Reconsider the applicability of certain requirements to implement the accessibility conditions and the way that these conditions are being addressed by MEPA and the National Commission for Persons with Disability. (B)
- More clarity is required from planning policies and development plans for certain areas. (RE)
- Improve the procedures at Customs Department especially in relation to imports from outside the EU. (PRM)
- Simplify Customs Department procedures and reduce charges. There needs to be a normal service at Customs Department during summer afternoons. Moreover, customers should not be charged overtime fees if they receive a service in the afternoons during winter time. (ICT)

Work permits/visas/residence permits

- Reduce the time for the procedure to recruit new people through the Employment and Training Corporation (ETC) since this takes around five weeks to conclude. (HTM)
• Reduce bureaucracy and inefficiencies at Customs Department that hold up stock that is meant to be exported outside the EU. Such delay is an added cost to the company. (SPM)
• Compared to the country of parent company, Customs Department staff are very helpful and try to solve problems. So keep up the Customs Department’s good level of service. (HTM)
• Streamline Employment and Training Corporation (ETC) procedures. (HTM)
• Reduce bureaucracy at ETC with respect to the issue of grants to reimburse training expenses. (MHP, ICT, Ph)
• The Government tendering process, if changed, can benefit from the supply of cheaper medicines provided by Malta-based pharmaceutical companies. (Ph)
• The Malta Financial Services Authority (MFSA) needs to keep up its efficiency when dealing with financial institutions. (B)
• The Registry of Companies at MFSA needs to expedite formalities in concluding liquidations. (OFS)
• For Protected Cell Companies (PCCs), MFSA needs to create a distinction between fronting and non-fronting cells. There is no point in having a business plan for a PCC. (OFS)
• The MFSA regulations on PCCs are burdensome, particularly if they apply for a new cell for new business. Each application and fees are in triplicate. In Gibraltar this is cheaper and there is only one application form. Malta is expensive with respect to a PCC domicile from this perspective. Annual fees and audit fees are also expensive when compared to Gibraltar. Malta is too expensive for mass PCC business and too bureaucratic. (OFS)
• MFSA to issue banking licences faster. Although the time taken has improved there is still room for improvement. (B)
• MFSA to consider changes to the Insurance Business Act. There are a number of investment committees for captives that are largely based on cash. These are made up of directors reporting to the board. This is excessive bureaucracy. An investment committee may be important for non-cash captives. (OFS)
• MFSA to speed up company liquidation procedures. (B)
• Malta Enterprise and MFSA need to keep up with their service of being immediately available to requests from abroad. (OFS)
• Continue improving on investor start-up procedures, by introducing fast-track procedures in places such as MFSA and Malta Enterprise. (OFS)
• Malta Enterprise to create a one-stop shop for businesses setting up in Malta. (G)
• Malta Enterprise and Malta Industrial Parks. (Ph)
• Malta Enterprise to create a one-stop shop for businesses setting up in Malta. (G)
• Government agencies need to act faster and be flexible. Negotiations with Malta Enterprise cannot last forever. (HTM)
• The Lotteries and Gaming Authority needs to be more customer-oriented and efficient in responding to clients’ queries. (G)
• Regulations for the gaming industry need to be strict and standard. (G)
• Improve the quality of administration of certain Government agencies such as the VAT Department. (OFS, SPM)
• Expedite the VAT refunds since delays act as a soft loan to Government from the companies. (PRM, ICT)
• Central Bank of Malta to keep up its good relationship with financial institutions. (B)
• Certain bureaucratic procedures at the Social Services Department, Employment and Training Corporation (ETC), VAT Department and Inland Revenue take too long. (PRM, G)
• Inland Revenue Department to process tax returns and refunds in a faster way. (OFS)
**Fiscal incentives**

**Corporate tax incentives**
- Reduce the corporate tax rate. (OFS, ES, HTM, OM, ICT, B)
- Retain the present tax regime. (B, G, HTM)
- Reduce tax on capital gains of property. (RE)
- Provide a reduced corporate tax rate for the first five years of a company that sets up in Malta. (B)
- Clarity is needed on what will happen after the expiry of the current tax credit system. (MS)
- Reintroduce tax holidays. (ICT)
- Sign double taxation treaties with more countries. (OFS)

**Personal tax**
- Reduce personal tax for highly skilled foreign human resources. This helps to develop foreign business in Malta and attract investment. (OFS, B, PRM)
- Reduce personal tax rates. (RE)
  Such a reduction will help stimulate the economy. (G)
- Reduce personal tax rates for Maltese professionals. (OFS)
- Revise the personal taxation system so that it is tailor-made to particular needs. This includes tax deductions on repayment of home loans for first-time buyers. (OS)
- Provide tax deductions for school fees for foreign human resources as part of a tax incentive package. (B)

**Other fiscal incentives**
- Promote R&D through incentives and grants. (HTM, Ph)
- Be the catalyst for a venture capital fund for hypothec purposes. (OS)
- Enhance the Employment Aid Scheme while revising some of its principles. (HTM)
- Continue with ongoing investment support. (PRM)
- Provide incentives and support for innovation. (PRM)
- Reduce the rent for industrial premises since these are cheaper in India and other emerging markets. (Ph)
- Provide incentives for companies that carry out environmentally-friendly business. These would include lower VAT on products or services which, due to the application of recycling processes, contribute to a reduction in waste generation. (OM)
- Incentives should be provided to all companies in a particular industry and not only to large ones. (ES)
- Reduce VAT on restaurants from 18% to 5%. (RE)
- Provide support to small enterprises such as training and financial assistance. (OS)
- Provide incentives to support companies in times of recession. These can be in the form of fiscal incentives or monetary support. (SPM)
- Devise fiscal policies to incentivise investment and repatriation of dividends. (ICT)
- Introduce incentives to companies planning to install a fibre optic cable. (B)
- Provide a solution to higher energy costs by enhancing incentives to households and industry to install PVs on rooftops. (HTM)
- Government needs new ideas to facilitate investment in new equipment and technology. (Ph)
- There is no *de minimis* with respect to the Protection and Compensation Fund under the Insurance Business Act. There should be a cut-off amount or a minimum of €25. (OFS)
- Revamp the gaming regulations including the way how VAT is treated on certain activities such as marketing. (G)
- Betting duty which is currently paid on turnover should be calculated on profits. (G)
Energy cost

- Reduce the costs of electricity (Ph, MM, MHP, PRM, MM, MS, RE, HTM, SPM, ICT, OM, B, G). Comments included the following: following an increase in electricity costs of 40%, electricity costs are now three times as much as in the mother country even though Malta has a much smaller operation (Ph); small companies cannot be expected to subsidise the energy costs of big companies (OM); local suppliers want to increase their prices due to higher energy costs (SPM); despite the decrease in consumption, the energy bill more than doubled (HTM).
- Enemalta should not pass on the cost of its inefficiencies to companies. (HTM, MHP, G)
- Revisions in the price of electricity should be introduced over a three-year period so that the company can better plan for the absorption of the increase in cost. (MM)
- Provide an early notice when energy costs are going to rise so that companies can plan better. (MM)
- Provide stability in energy costs. (OM, MHP)
- Subsidise factories in relation to energy consumption. (HTM)
- Reduce gas costs. (HTM)
Energy supply

- Provide a reliable energy supply. (HTM, ICT, PRM, RE, SPM, OFS, Ph, ES, OS, OM, MM, B, G, MS)
- A reliable energy supply is required for testing products. In fact the company carries out such an operation abroad since a power cut during a test would render three-week long tests useless. (SPM)
- Liberalise the energy sector. (ES, PRM)
- Address the issue of power cuts. Business is heavily affected by power cuts and the country looks shoddy when these occur. No-one seems to be accountable for power cuts and this is not right. (G)
- Provide a link with the European grid. (Ph)
- Do not create private monopolies in the energy sector. (PRM)

Transport

International transport costs

- Decrease freight costs. This can be done through competition since at the moment there is a private monopoly. (OM, MM)
- Introduce low-cost shipping alternatives similar to low-cost airlines. (MM)
- Revise port charges. (MHP)
- Reduce shipping transport costs. (HTM)
- Keep subsidising low-cost airlines. (G)
- Reduce air transport costs. (B)
- Liberalise air and shipping transport in order to reduce costs. (PRM)

Local transport

- Improve the road infrastructure and maintenance. (B, OFS, HTM, RE, OS, ICT)
- Improve public transport. Implementation is just as important as planning. (HTM, OS, B)
- Improve Malta’s general appearance such as the road infrastructure. (MHP)
- Improve traffic management schemes such as parking limits. The minimum of the latter should be more than one hour. (HTM)

International transport links

- Improve air transport links to mainland Europe and other places. (SPM, B, RE, Ph)
- The national airline needs to increase connections for cargo deliveries. (HTM)
- Increase shipping routes. (Ph)
- Address the issue of transportation for imports and exports. (MHP)
- Let business develop by allowing low-cost airlines to carry freight. This would open up markets both for Malta and the other countries served by such freight services. (RE)
Education and training

- Provide courses that ensure an educated and qualified workforce that meets the needs of industry. (B, ICT, Ph, HTM, OFS)

- Enhance life-long learning so that school leavers can get a second chance in education, especially in areas such as science and maths. At a national level, there is a focus on financial services but not enough on science and maths (PRM). The company has to train its operators from scratch. (MS)

- Revisit the whole education system and focus on what is really important, especially in relation to trades. (MHP)

- More investment in human resources, including on-the-job training, is required before school leavers start a job. Such on-the-job training should be part of the education system. (ICT)

- Give more emphasis to IT teaching capabilities so that there are more qualified teachers in the subject. (ICT)

- Organise courses at MCAST or other educational institutions on online gaming and R&D skills relevant to the gaming industry. (G)

- Attract more students to University in order to increase the availability of highly skilled labour. (ICT)

- Involve people working in financial services to lecture at University and MCAST. (B)

- University and MCAST to arrange for students to have hands-on experience, such as during the summer period. (B)

- Reintroduce courses that used to be provided by trade schools such as CNC engineering. (MM)

- Provide training to people in trades related to their technical field. (HTM)

- University needs to provide more specialised courses in banking. (B)

- Encourage students to embark on an R&D career. (PRM)

- Introduce a funds administration course to students who leave Sixth Form and do not enter University. This would create more resources in this area and avoid poaching which increases the cost of human resources. (OFS)

- More chemistry graduates are required, which apart from increasing the availability of skilled human resources, will also stabilise salaries in this area. (Ph)

- A revision of the chemistry course at university is needed so that students are kept abreast of current developments. (Ph)

- Bridge the skills gap. There seem to be either professional or illiterate human resources. Trade schools and the Dockyards used to provide skills required by industry. (SPM)

- Widen the courses available at the Gozo University Centre so that they are relevant to industry in Gozo. (PRM)

- Increase the availability and experience of people in aviation maintenance. The company contributes to the solution of this issue by recruiting apprentices who do not have the required experience. (ES)

- Introduce more measures to attract more skilled women to the workforce. Such measures include child minding and other family support measures. (OS)

- Improve the skills, especially English language skills, of school leavers since the latter do not have the required level of skills when they join industry. (HTM)

- University to produce more engineers (both mechanical and electrical) and promote better the engineering courses. (HTM)

- University needs to improve courses relating to financial services by having visiting lecturers from MFSA and the Institute of Financial Services Practitioners. (B)

- Make efforts to improve R&D capability by attracting high-calibre people. (SPM)

- MCAST to improve the provision of short banking courses. (B)
Non-fiscal support measures

- Provide awareness on what EU funds and assistance are available for companies. (PRM, OS)
- Provide more support in tapping EU funds. (HTM)
- Support more the online gaming environment. (ICT)
- Create R&D infrastructure for engineering companies such as test labs. (SPM)
- The requirement in reinsurance business to have a 10% retention of risk in Malta should be dropped as this constitutes a competitive disadvantage. (OFS)
- Government should start looking at alternatives of how to assure the long-term future of the pharmaceutical industry in Malta. (Ph)
- Provide more legislative measures to support the further growth of financial services. (OFS)
- Introduce a research and development centre to assist companies with the latest knowledge and technology. (MHP)
- Provide a better infrastructure for research and development, such as better laboratories, since there is no facility to test new products. (Ph)
- Ensure that Malta keeps up the high level of legislative and regulatory environment in financial services. (OFS)
- Influence the European Commission to recognise more that the Maltese legislation with respect to remote gaming is of a higher regulatory level than that of other EU countries. (G)
- MFSA needs to recruit foreigners with experience in certain areas so that Malta can compete in certain areas of financial services. A competing jurisdiction, Gibraltar, has experienced people from the UK. (OFS)
- The Lotteries and Gaming Authority needs to establish itself more, through increased resources, so that it can provide a better service. (G)
- Improve the law relating to company restructurings and bankruptcies in order to cover banks’ exposure. (B)
- Retain the current attractive legislation. (G)
- Update legislation on remote gaming since regulations are six years old. (G)
Clean and healthy environment

- Improve general cleanliness in Malta through better laws, regulations and specific actions. (HTM, PRM, G, SPM)
- Enhance awareness on certain environmental issues. (B)
- Improve the environment by stricter enforcement of environmental protection laws. (ICT, OFS, G)
- Improve the physical environment to make Malta look smart and efficient thus leaving a good impression on foreign business partners and clients. (B, SPM)
- Focus more on environmental issues in particular the issue of property overdevelopment. (B)
- Ensure that Malta retains its character as in the cases of Valletta and Mdina. (B)
- Make changes to the legislation relating to construction management in order to improve enforcement. (ICT, G)
- Increase funding for environmental improvement to make a quality leap. (PRM)
- Improve cleanliness of beaches. (RE)
- Take measures to curb pollution. (G)
- Enforce the law relating to restrictions on construction in certain areas during summer. (RE)
- Create natural parks and rural recreational areas for families. (B)

Marketing Malta

- Provide incentives and support for marketing, including promotion of products in international fairs. (PRM, OM)
- Malta Enterprise needs to emphasise more the key advantage that pharmaceutical companies in Malta enjoy, that is the return on investment based on the patent situation. (Ph)
- Government has to decide which areas to focus on when marketing the pharmaceutical industry: either generics or R&D for new active ingredients. (Ph)
- Increase promotion of Malta’s tax system so that foreign investors know what Malta can offer. (B)
- Raise more awareness on Malta as an international financial services centre by giving examples of what the country has achieved so far. (B)
- Finance Malta to promote Malta more at an international level. (OFS)
- Finance Malta to promote Malta for captive insurance business. (OFS)
- Carry out marketing to attract Custodians. (OFS)
- The international profile of the Malta Stock Exchange needs to be stepped up. Government can assist by issuing larger tranches of Government stocks. This would attract international investors. (B)
- Increase the marketing budget of Malta Enterprise and Finance Malta. (OFS)
- Malta Enterprise’s marketing strategy should be more target-specific. (G)
- Malta Enterprise needs to be more practical and address target countries which are closer to Malta. (ICT)
- Promote Malta as a pharmaceutical hub so that more people are attracted to work in Malta. (Ph)
- Ambassadors need to promote Malta more. (OS)
- Keep up and improve relationships with other countries through more meetings at a high level and more trade/investment delegation visits. (OS)
- More marketing focus is needed to improve the tourism industry. (B)
Business sites and premises

- Improve the road infrastructure in industrial areas. (HTM, SPM)
- Upgrade the Mrieħel Industrial Estate including the provision of parking, cleaning of the area and general maintenance. (HTM)
- Malta Industrial Parks, as the owner of the industrial premises, needs to provide more support especially in structural changes to factories. (SPM)
- Provide more adequate and better located industrial premises. (MM)
- Provide incentives to retain companies in Malta and not only to attract them. Such incentives would include the embellishment of industrial estates and the proper upkeep of industrial premises that are provided by Government. (MM)
- Upgrade the road leading to the Hal Far industrial estate to make the area look smart. (PRM)
- Provide office premises specifically for the services industry. (ICT)
- Continue the policy of providing office and factory premises for high technology manufacturing companies. (HTM)

Government-induced costs

- Dismantle the cost-of-living adjustment (COLA) mechanism and the statutory bonus. COLA is an old-fashioned method of calculating wage increases since what is agreed in collective agreements should be enough. (HTM)
- Apply a reduced COLA since the one for 2010 was too high. (HTM)
- Eliminate the excise tax on telecoms services. (ICT)
- COLA should be granted only to employees who are on a minimum wage. The method how COLA is calculated only increases production costs without any reference to productivity. (HTM)
- There are too many sick leave benefits. An employer should not be expected to grant paid sick leave to employees who sustain injuries not in relation to their place of work. (OM)
- Reduce regulatory fees charged by the Malta Communications Authority (MCA). (ICT)
- Reduce the statutory audit requirements on small companies since at present such requirements are too costly. (HTM)

Enforcement

- Enforce laws and regulations in order to create a level playing field in business. (G)
- Enforce product quality and safety standards in line with EU directives. (OS)
- More stringent enforcement is required on health and safety issues. (Ph)
- Introduce more measures to ensure that there is fair competition in the financial services industry. (OFS)
- Improve law enforcement across the board in order to curb possible corrupt practices. (ICT)
- Improve enforcement of tax collection from businesses and self-employed. (OFS)

Telecommunications

- Encourage further competition in the telecommunications sector. (B)
- Reduce telecommunications costs. (B)
- Malta Communications Authority (MCA) needs to take action so that the charges by operators for international bandwidth are reduced. (RE, G)
- Improve the telecommunications infrastructure. (G)
- Deregulate telecommunications licences. (RE)
Labour legislation

- Improve labour law flexibility. (SPM, ICT)
- Employment laws are restricting competitiveness. Indefinite contracts of work are burdensome. In a restructuring exercise, the company had to promote the wrong people since the yardstick was seniority and not the quality or productivity of human resources. (HTM)
- Unions are too strong. They limit the flexibility of the company especially in times of economic pressures. Unions seem to prefer to have a company close down rather than accept that the company lay off a few people. (HTM)
- It is difficult to employ full-timers for a short period of time. Business can be seasonal and also project-based. The only solution would be to require employees to work overtime. However, such an option may be rejected by employees. So legislation for temping agencies is required. (SPM)
- Make employment for women more attractive so that women's participation in the economy is increased. (PRM)

Waste management

- Provide the infrastructure for waste disposal and recycling for pharmaceutical waste. This will also facilitate the audit trail of waste. The company is paying more than twice what the parent company pays to dispose of its waste. (Ph)
- Under the WEEE Directive, the company is required to recover waste products from customers and recycle redundant components. The company is currently limited in this regard as there are very limited recycling opportunities. The company is therefore ending up with surplus redundant components resulting in landfill costs when disposing of such waste. Government needs to assist companies in abiding with this EU Directive by setting up an organisation to assist them in this waste management process. (HTM)
- The incinerator at Marsa should not be used to incinerate pharmaceutical waste. (Ph)
- Address recycling issues. It is difficult to dispose of oil. (PRM)
Economy/monetary policy

- Push for a devaluation of the euro. (PRM)
- Keep inflation down otherwise COLA will increase resulting in higher labour costs. (MHP)
- Reduce the public deficit. (OFS)
- Control the social services expenditure. (OFS)
- Invest more in construction projects. (OS)

Alternative energy

- Provide incentives for renewable energy technologies. (ES, HTM)
- Introduce cheaper and cleaner energy sources as energy costs are higher than those of other competing companies in Europe. (HTM)
- Grants relating to energy-saving devices need to be more than 50% of the investment. (Ph)
- Subsidise initiatives taken by companies with respect to energy-saving. (ICT)

Judicial system

- Improve the judicial system. (ICT)
- Reform the judicial system. Court cases need to be solved quickly. It is unacceptable that there should be a very long list of cases waiting to be heard by a judge. To make things worse, when investors come over from abroad for a court hearing, such hearings may be postponed. Criminal cases take many months to be set for hearing. The limits which Small Claims Tribunals deal with should be raised so that there is no need to go through a very lengthy process in the courts. (RE)

Other

- Emphasise the continuation of certain political priorities. A change in Government should not have any effect on companies. (B)
- Improve public infrastructure. (ICT)
- Top positions of Government bodies need to be filled by people who are not related to any company in the industry. (OFS)
- Speed up the release of funds from the EU. (OS)
- Introduce measures to help immigrants to become Maltese residents. (G)
- Open up to foreign human resources. (PRM)
- Explore more possibilities of public-private partnerships. (RE)
Other suggestions to improve Malta’s competitiveness

Survey participants were asked to mention, without being prompted, a maximum of five issues which do not depend on Government and which, if addressed, would help improve Malta’s competitiveness from their company’s perspective. The issues were then grouped in appropriate categories.

The percentages shown below relate to respondents who mentioned at least one issue falling in a category. Some of the issues mentioned by respondents may still be regarded to depend, to varying degrees, on Government and public agencies. However, we are publishing them in this section to reflect respondents’ preferences. The suggestions in detail are presented in the next pages. They may be attributable to one or more companies in the identified sectors.

Base: All 90 respondents. Total superior to 100% since more than one suggestion could be mentioned.

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<tr>
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<td>Telecommunications</td>
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<td>Real estate and accommodation</td>
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<td>Customer service</td>
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<td>Cooperation among companies</td>
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<td>Marketing</td>
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**Transport**

- Reduce shipping costs since these are too high. (ICT, HTM, PRM, Ph)
- More frequent and direct flights to certain countries are required. This will help foreign direct investment since the closer you are to investors and customers the better. (Ph, MHP, B, OFS)
- Increase shipping routes. (MM, SPM)
- Reduce air transport costs. (OFS, B, Ph)
- The frequency and level of service of public transport (both buses and taxis) need to be improved. (OFS, G)
- Transport costs to deliver imports from a ship berthed at the port to a factory in Malta are just too high. Such costs play a major role in the company’s competitiveness. These have to be lowered for the company to remain competitive. (HTM)
- The national airline should not share flights in winter because this increases travelling time. (OFS)

**Telecommunications**

- Reduce telecommunications costs especially bandwidth costs. (G, Ph, ICT, MHP, B, HTM)
- Improve the resiliency and redundancy of the telecommunications infrastructure. (G, ICT)
- Install another telecommunications cable to Europe but not through Sicily. France or Greece would be good alternatives. (G)
- Enhance the internet service provision at Hal Far Industrial Estate since internet speed is very low in this area. (MM)
- Internet service providers to improve their service offering by keeping up with latest technologies. (OFS)
- More telecommunications service providers are required. (B)
- Provide hosting and bandwidth services including ICT infrastructure back-up services. (G)

**Real estate and accommodation**

- Private developers should explore the possibility of increasing the availability of office premises rather than concentrating on apartments. (B)
- Realise the Smart City project. (ICT)
- Build a hotel in the South of Malta. There is an oversupply of apartments in Malta and a shortage of three-star and four-star hotels. (OS)
- Provide better real estate in terms of quality and price. (B)
- Reduce brokerage fees charged by estate agents. (RE)
- Provide office space which is not multi-purpose and which is designed to cater for the needs of the services industry. (B)
- Reduce letting rates for private accommodation. (B)
- Provide good quality accommodation (apartments and hotels). The quality of accommodation that is sometimes offered is less than one would expect for the rent paid. (G)
- The level of five-star accommodation needs to be improved. (B)
Customer service

- Put into practice the value for money concept in the provision of services and products. (OFS)
- Change the culture so that service providers become really service-minded. (RE)
- Foreigners, including foreign companies, seem to be charged more for certain products or services. (G)
- Restaurant prices are on the high side. (OFS)
- People are not as friendly as they used to be. (OS)
- More training is required in service orientation, customer care and after sales service in various sectors. (B)
- Maltese enterprises need to focus on being cost competitive. (B)
- More ISO certified companies are required so that there is the comfort that the service and product that such companies provide are of a higher quality. (ICT)
- Improve customer service mentality in retail outlets. (B)

Human resources

- Job seekers’ attitude need to change. They need to upgrade their basic skills, such as literacy, before attending an interview. (Ph)
- Provide cost competitive international rates to attract business and the required human resources to Malta. (B)
- Control labour costs in the aviation maintenance industry. (ES)
- People looking for an employment in an ICT company need to change their perception that the cost of salaries is not an issue in this industry. Graduates seem to have the impression that this industry pays very well for new recruits. (ICT)
- People with managerial and risk management skills and who also have international experience are required. (B)
- An increased knowledge in the area of remote gaming is needed. (G)
Banking and financing

- Banks to make finance more available. For example, merchant banks provide more favourable rates for overdrafts. (HTM)
- Banks should be more flexible in their demands with respect to small companies. (ES)
- Create a common infrastructure for banking institutions such as a proper clearing house thus allowing for sharing of market information. (B)
- Reduce bank charges, such as legal fees in obtaining a loan. (G)
- Enhance the knowledge about EU funds. (HTM)

Environment

- People need to take greater care of the environment. (SPM, OFS, G, OS, PRM, ICT)
- More attention needs to be paid to zoning and aesthetics in facades of buildings. Derelict houses need to be screened better. (OFS, G)
- Improve road cleanliness. (B)

Local suppliers

- It would be useful for the company if packaging material is produced locally. However, sometimes specialised packaging and the related printing may not be feasible due to economies of scale. (OM)
- The company subcontracts various sub-processes of its manufacturing process to other companies that have more experts in the required fields. The company would like to outsource more of such sub-processes. However it cannot do so unless there are more subcontractors. (HTM)
- The private sector needs to look into the opportunity to supply equipment parts used by the company. (MS)
- Local entrepreneurs need to look into the possibility of acting as subcontractors to the aircraft maintenance industry such as testing certain equipment. (ES)
- Provide more specialised services to the remote gaming industry. (G)
Education and training

- Big banks to provide more hands-on training to students. (B)
- Create a direct link between educational institutions and the manufacturing industry. (HTM)
- Increase efforts to provide training in financial services. (OFS)
- Human resources need to learn other languages, including Italian and not just concentrate on English. (ICT)
- Improve the capabilities of the IT industry. (B)

Cooperation among companies

- Local companies working in the same sector should co-operate more with each other. (SPM)
- A network of business people should meet to lobby Government for the required actions to take to promote the particular industries on the island, especially when it comes to legislation. There seems to be too much of an island mentality where teamwork among businessmen does not feature. (Ph)
- The industry that the company operates in is a niche market. The few major players need to create synergies between them. (ES)
- Companies need to collaborate together and create workshops where they can share knowledge and experience. This will be a gain for everyone. (MHP)

Waste management

- Provide a service to collect paper for recycling. (B)
- Provide improved waste recycling options such as a recycling system that is efficient for small businesses. Some companies do provide a waste recycling service but it is not sophisticated enough to cater for some companies’ waste. The company has to take its waste to the civic amenity site. (OM)
- A more efficient and cost-effective waste disposal system needs to be in place. The company pays high landfill costs for waste that could alternatively be reused or recycled thus providing a source of income to the company. (HTM)

Marketing

- Stronger marketing for Malta is required. (OFS)
- Improve the brand of Maltese companies in overseas markets. (RE)
Trade unions

- Trade unions need to be more understanding during negotiations of collective agreements. (HTM)
- Militancy should be kept at bay. (PRM)

Health and safety issues

- There needs to be a regulatory playing field between the EU and Asia in the areas of health and safety and environmental regulations as they apply to production processes. Such lack of level playing field is harming competitiveness. (HTM)
- Greater awareness is required among the population with respect to discipline in health and safety issues. (Ph)

Other

- Increase entrepreneurship activities in the country. (SPM)
- Invest and specialise in R&D and innovation. (SPM)
- Bring over more tourists and expatriates to Malta. (ICT)
- School hours need to match mothers’ working hours. (OS)
- Employee loyalty to the company needs to be increased. (ICT)
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