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Tough times ahead for Gozo

President of the Gozo Business Chamber Joe Grech talks to David Darmanin about the challenges Gozitan entrepreneurs will be facing now that Pandora's box has been opened

That Gozitan economy is vulnerable is no big secret. It clearly misses out on the benefits derived from economies of scale; it suffers from double insularity and its industry is reliant on Malta for stock and distribution, thus increasing transportation costs drastically. Gozitans on the other hand have a reputation for being liquid, and many have (or should we say: had) substantial investments in the US.

In the face of the global financial crisis, American economy going to the dogs and the spiralling up of energy costs, will the celebrated stashes of Gozitan savings start to dwindle?

"Our advantage is that when we face such situations we become more determined to adapt and overcome them," said President of the Gozo Business Chamber Joe Grech.

"For example, in 1998, when the Industrial Estate of Gozo was created, it was mostly made up of foreign-owned, export-oriented factories. Employment in Gozo was before then heavily reliant on



retail. But realities have changed and the market adapted itself. Nowadays factories are more inward looking, although some are still exporting. Factories here are mostly into producing rubber, plastic, ice cream, delicacy foodstuffs and printing. Retail has also changed drastically. Whereas in the past, the island was full of souvenir shops, now we are seeing more wine bars, pubs and internet cafes. We also have a good number of outlets specialising in technology, such as PCs and related accessories."

But with his next statement, Grech proves to be more realistic than meets the eye. "Although government is making an effort in trying to attract foreign investors here – we haven't had any interested party for a very long number of years. This is a problem, seeing that Business Europe itself classifies foreign investment as one of the most important factors driving investment and economy. If manufacturing witnessed a slump in Malta, it did even worse in Gozo. The reason for this is simple. Gozo is much less competitive than Malta, so we would obviously do even worse. The market here is very small and our transportation costs are cumbersome when compared to Malta. Many Gozitan industrialists rely on Malta for the acquisition of the stock they need, so they will often have to stock more in case the ferry does not work in unfavourable weather conditions."

If there is one man who knows the vulnerability of Gozitan manufacturing then it is Joe Grech. Over the past 40 years, he has ventured in a series of activities, pioneering in the Gozitan

aluminium industry, metal trade and handicrafts. Besides, he has also dabbled in the investment of various leisure and catering outlets over the years. Meanwhile, the high flyer claims to have ensured to maintain a low profile, which is believable enough since we had never heard of him prior to retirement and eventual leadership of the chamber. But back to the story. Gozitan business is stereotypically perceived as being exclusively related to tourism and agriculture. There must be more to just that.

“Essentially, tourism is the backbone of Gozitan economy,” he said. “Business here is divided into four key segments: agriculture and fishing – employing 515 people, construction – employing 968 people, manufacturing – employing 1200 people, and services, which include tourism – employing 5880 people.”

He stresses on producing the employment figures on purpose. If the new proposals on energy tariffs are to be enacted, an update of these employment figures will signify a substantial downward trend.

“If these proposals are enacted there will be a drastic, devastating effect on Gozitan economy – both in terms of manufacturing as well as in tourism,” he confirmed. “This could mean a massive blow for us. Factories are already fearing shutdown and hotels have started considering closing during the winter months. If new energy tariffs are enacted, employment would be most to suffer, with a consequential drain in government coffers after many more apply for social services. This is what we are envisaging for the industry. And Gozitans, individually, are also bound to suffer. With an increase of €7.21 weekly per household of two, there will be less disposable income. As a result, people start spending less, with a ripple effect on shops, restaurants and the leisure industry in general.”

Talking of trouble in restaurants and the leisure industry... In a clear attempt to earn his Gozitan citizenship, a foreign restaurant owner in Gozo has gone as far as overtly referring to Maltese tourists as ‘The Arkadia People’. “That’s what we call them here. They come and get their shopping from the supermarket and eat at home because it’s cheaper.”

If it were for Grech, this restaurateur would be exiled.

“First of all, the Maltese tourist is very important for the Gozitan economy. God forbid us from ending up without Maltese tourism, as that would lead to a significantly worse state of affairs. So far, I don’t think the general average spend of the Maltese tourist in Gozo has changed. Maltese families coming to Gozo come on a budget and spend every cent of it. Of course, trends have obviously changed. We have seen a significant shift in the average age group of Maltese tourism in Gozo. We have also seen changes in the time of the year Maltese tourists visit. In the past, we used to have a strong influx of youths visiting the island for ad hoc disco parties. Gozo used to be particularly busy during long weekends also. Nowadays, we are hosting Maltese tourists every weekend, be it in summer or winter. We are attributing this to the number of Maltese people who have decided to purchase property in Gozo. But apart from that, there are more attractions nowadays. The number of leisure and cultural activities organised here have significantly increased: starting from operas, musicals, concerts, wine festivals, folk festivals to mention a few. We are now seeing the trend of rambling in Gozo budding and growing,” he said. “Yes, a number of Maltese families have started buying food from supermarkets and organise meals at their property, this is why you are receiving such

comments. But one has to also recognise that Maltese tourism in Gozo has significantly increased over the past year. We can say that last summer catering establishments in general did very well."

As Malta was still toying with the idea of introducing low cost airlines, Gozo played a central role in the lobby against the move. Gozitan operators claimed that if outbound travel became affordable, Gozo would turn into a less competitive destination.

"This simply did not happen," he assertively said. "We are in fact witnessing a higher percentage of local and foreign tourism here since the introduction of low cost airlines. But this argument has to take us to the airstrip issue. An airstrip here could help us sell Gozo as a distinct destination. Such a development would also help us promote the island for foreign investment in a direct manner. We know for a fact that there could be a market for vegetables and electronic chips if this goes through. An airstrip would also present the opportunity for interconnectivity with other airline routes in Sicily – where we can also sell religious tourism."

Fair enough, but where?

He smiles.

"Identifying where is not within my remit, that is government's job. My job is to say that we need one."

Gozitan diplomacy never fails to be fascinating.

Marsalforn operators seem to be preoccupied with the increase in group-bookings at Xlendi restaurants. They claim Xlendi is taking away their bread and butter, and government is encouraging this. But Grech clarifies:

"I don't really think government intends taking business away from Marsalforn to Xlendi. What's happening is that a number of lobbyists in Gozo, including ourselves, had been and still are pushing for the introduction of berths for cruise liners. We pushed for a berth in Mgarr Harbour, one in Xlendi and another in Marsalforn. So far, government has approved the anchorage of a buoy for cruise liners in Xlendi. This is why Marsalforn operators have this perception. There is a recommendation for berthing in both Marsalforn and Mgarr, and this is expected to happen in the future. Mgarr however, needs a holistic approach. We cannot just include berthing for cruise liners and stop there. We also need to increase space for the berthing of yachts and expand the marina there. With better berthing facilities, we could give space for related services, such as repairs and maintenance, monitoring, information-related services and yacht chartering."

One thing is certain. The wish list for Gozo is very long, and the lobbying power there is not insignificant. But really and truly, are the pre-electoral plans for Gozo mere pipedreams? How confident is the business community that such plans will be enacted? Is government being effective in its strategy? Is it possible for Gozo to truly reinvent itself as an eco-island?

"Government is making every effort to increase business here, and there have been initiatives that helped. To mention a few, the completion of the Mgarr terminal was a positive step ahead, as well as the reduction of ferry fares. There have also been financial incentives for foreign investment, organisation of courses, the extension of the art centre, the creation of artificial sites for divers, the setting up of a centre for tourism studies, as well as the introduction of various schemes for financial assistance. But in spite of all this, we still haven't reached the

desired effect. Employment levels in Gozo are still low, and I am backing this statement by statistics. While up until August of this year, there were 469 less unemployed people in Malta, the number of unemployed people in Gozo has gone up by 61. We now have 696 persons without a job, and this figure is unsustainable," he said.

"With regards to the eco-island project, I think this is a good idea but it warrants everyone's co-operation. Without the support of schools, the Local Councils, and every other entity in Gozo, it will be difficult to work. Our lifestyle nowadays gives more importance to comfort rather than quality – and there is a distinct difference between the two. Unless we change our mentality, it will be very difficult for the project to reach its objectives. But if everyone gives his share, Gozo will be able to offer better quality, thus becoming a more ideal location to visit. The project could turn Gozo into a favourable investment site for eco-parks and give a breathe of fresh air to biodiversity and sustainable ecology. This could have a direct positive effect on industry since with the conservation of groundwater, we would be paying less for water usage. Gozo eco-island could also result in lower levels of consumption of non-renewables. We would also be seeing the introduction of LPG minibuses used for effective public transport around the island."

Gozitans are known to have stashed interests stored in American banks and investments. The money lost with the collapse of the Lehman Brothers does not signal any good news.

"A repeat story of what we have seen abroad with the credit crunch is very unlikely to hit Gozo. The chances of this happening are very, very minimal. But when America sneezes, the rest of the world gets a cold, and this applies to thousands of Gozitans who either live in the US or who have returned. Their investment portfolio has now gone down and as a result it has affected their spending power. So business in Gozo will be negatively impacted. The situation will of course have bearing on tourism in Gozo. Apart from envisaging a slump in day-trippers, we also fear an effect in the number of American holidaymakers who book directly to come to Gozo," he said.

"The current financial situation obviously worries us. On one hand, we know that the MFSA works on a very solid regulatory framework. Government has also assured us that local banks can take it, thanks to their cautious approach to lending. So we know that the chances are that the banks will not have the same type of impact as abroad. At the end of the day, Maltese banks have been rated as the tenth most reliable in the world, and that should mean something. That said, this international tragedy will affect our construction industry substantially. Because of the fact that we are passing through this phase, banks will be even more careful, so there is a chance of a reduction in credit issued to developers. If that happens, there will be less of a push for people to purchase property, and as witnessed in the last months, such a situation could result in a downward trend in property prices. Even worse, this could also prompt the sale of property at unsustainable prices to cover bank loans. The upside of this is that who has enough liquidity and patience could realise that keeping your money in property could be more rewarding than keeping it in a savings account. At the end of the day, people who had investments with Lehman Brothers have lost a substantial amount of money, which is unlikely to be lost if invested in an apartment."

Is there a foreseeable way out in the near future?

"The future is rather bleak," he reiterated. "But in true Gozitan spirit, we will survive this. Typically, perhaps because we have always felt vulnerable to outside realities, Gozitans have a tendency to save for a rainy day."

Gozitan lobbyists, albeit generally effective, must deal with a host of issues in the absence of specialised organisations. And when we say diverse, we are also including those issues that featured in the top ten of every lobbyist's nightmare: traffic and parking concerns. Unfortunately, traffic issues in Victoria present those concerns that have been only approached with a mound of talk and very little action. Business owners there are generally disillusioned and disappointed because of this issue.

"A traffic management system for the centre of Victoria is overdue," he said. "Traffic flow through the centre of Victoria should be deviated and an alternate route should be provided to cater for the considerable increase in traffic. Thirty years ago, a ring road around Victoria, was proposed. This project has been on the backburner since then. Today, we are experiencing the negative effects that were foreseen then. Sooner or later an alternate route has to be constructed, more so if the Eco Gozo project is to be realized," he said.

Rightly so. Old Rabat links the four extreme poles of Gozo. Besides, it is a shopping hub and a tourist zone. It caters for government departments, banks, schools, cinemas, theatres, and other commercial outlets. The services these offer translate into an enormous flow of traffic, which requires space for parking.

"This pressing problem has been on the agenda at many meetings, and although alleviated through actions taken, the problem still persists. This recurring problem could be solved by either approving the proposals put forward by the Victoria Local Council or by Government's introduction of a Park and Ride scheme similar to that undertaken by Government in Valletta," he suggested.