



Malta's Economic Vision 2021 - 2031

A Future-Proof Malta. A nation of courage compassion and achievement (Public Consultation Document)

The Gozo Business Chamber's Feedback to the Public Consultation Document

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THE GOZO BUSINESS CHAMBER

1. Introduction and Background

While Gozo has distinct needs, in Malta's economic vision Gozo should not be seen as a region in need of assistance, but as an important contributor to the national economy. This reasoning should underpin Malta's economic vision where Gozo should be seen as contributing to Malta's economic growth through its distinctiveness. Consequently, the relevant actions should be undertaken to ensure that Gozo transforms itself and targets previously untapped sectors to ensure the diversification of the Gozitan economy.

Gozo's overreliance on certain sectors such as tourism, construction and real estate should be noted. From a study published in 2015¹ it is estimated that tourism contributes around 50% of Gozo's Gross Domestic Product, and around 20% in terms of both direct and indirect employment. The recent publication of regional tourism statistics showing the significant increases in domestic tourism in 2020, while encouraging within the current economic climate point out to the need to diversify the Gozitan economy. In 2019, Gozo experienced an increase in domestic tourists of 206,782 an increase of 40.7% over 2019, with an overall domestic tourism expenditure estimated at € 57.8 million, an increase of 61.2% of 2019. A significant drop in inbound tourism as expected, was registered. In the case of the domestic tourism sector it is important to highlight, that the increase in the domestic tourism market was also caused by those staying in 'non rented accomodation', which figure increased from 68,328 in 2019 to 141,708 in 2020, an increase of 107.4%. Non-rented accomodation includes those staying in their own private residence, and those staying with friends or relatives.²

Construction and real-estate still form an important part of the Gozitan economy, more so than Malta. While concerns about what type of development is taking place in Gozo remains, it is to be noted that these two sectors contribute in a more significant way to the Gozitan economy than they do in the main island of Malta.

The Construction industry contributes more than the double to the Gross Value Added, when compared to the main island of Malta. In 2019 this contributed for example to the Gozitan economy 9.71%, when compared to 4.03% to the main island of Malta.

On the other hand, the real estate sector in terms of % of Gross Value Added in 2019 contributed 11.84%, when in Malta the percentage contribution was 6.08%.³

To this end it is important that 'Malta's Economic Vision' takes notes of this issue and provides the necessary thrust to ensure that the contribution to the Gozitan economy is not seen as an addendum but as a value added to the national economy.

The Economic Vision presents 5 pillars of growth:

- Sustainable Economic Growth geared towards quality-of-life improvements and increased resilience;

¹ Ministry for Tourism (2015), *The Contribution of the Tourism Industry to the Maltese Economy. Report prepared for the Ministry for Tourism by EU-Cubed Consultants* (online) : <https://tourism.gov.mt/en/Documents/The%20Contribution%20Of%20The%20Tourism%20Industry%20To%20The%20Maltese%20Economy%20-%202014.pdf> [accessed 19 August 2020].

² National Statistics Office – Malta (26 July 2020), *News Release 133/2021: Regional Tourism: 2018 – 2020* (online) : https://nso.gov.mt/en/News_Releases/Documents/2021/07/News2021_133.pdf [accessed 29 July 2021].

³ National Statistics Office (21 December 2020), *Regional Gross Domestic Product: 2014-2019*, p. 4 (online) : https://nso.gov.mt/en/News_Releases/Documents/2020/12/News2020_206.pdf [accessed 5 February 2021].

- High Quality Infrastructure and Investment;
- Education and Employment;
- Environment;
- High Standards of Accountability Governance and Rule of Law

The document also makes some overarching considerations which are very important, as they underline the whole strategy. These are:

- A future-proof economy;
- Building back better;
- Coordinated action;
- Strategic sector plans;
- Eco systems and clusters; and
- Valorising the environment.

The Chamber agrees with these overarching considerations, and would like to comment on some of them:

- **A future proof economy.** This is an important consideration and in this sense the vision should in the case of Gozo have as its main objective that of diversifying the Gozitan economy, if we really would like to reduce its dependence on certain sectors.
- **Building back better.** The Chamber is concerned with the rate of over development on the island. On the 25th March 2021 the Gozo Business Chamber issued a statement on 'Protecting Gozo from Unsustainable Development'.⁴ Through this statement the Gozo Business Chamber supported the stance taken by Gozitan mayors and the Gozo Regional Council⁵ in voicing its concerns on the unsustainable development currently happening in Gozo. It highlighted how:

the present rate of development is ruining the village cores of the island of Gozo, and the urban fabric which development does not take into consideration the needs and concerns of our local communities.⁶

It also highlighted that:

While the Gozo Business Chamber does support development, this should be sustainable in line with what can be accommodated within our localities, and which respects the urban texture and traditional character of our villages and towns.⁷

On the 8th May the Gozo Business Chamber together with the Malta Chamber of Commerce and Industry issued a joint press release on the subject in which it highlighted that the:

present rate of over development fuelled by existing policies needs to be rethought. Any development needs to be taken within the context where it is taking place, and this includes our rural communities and towns. To this end

⁴ The Gozo Business Chamber (25 February 2021), *Press Release: Protecting Gozo from Unsustainable Development* (online) : <https://gozobusinesschamber.org/wp-content/uploads/2021/02/GBC-Press-Release-250221.pdf> [accessed 20 March 2021].

⁵ Fiona Galea Debono (23 February 2021), *United Gozo mayors 'ignored' over fears about construction* (online) : <https://timesofmalta.com/articles/view/united-gozo-mayors-ignored-over-fears-about-construction.853436> [accessed 20 March 2021].

⁶ The Gozo Business Chamber, *ibid.*

⁷ *Ibid.*

both Chambers called for established design guidelines which respect the context of our towns and villages. The design of any proposed development needs to be seriously considered and evaluated within the context of the streetscape to ensure that it gives a positive contribution to the local distinctiveness. Clear design guidelines respecting the context of our towns and villages complemented by a well thought out aesthetics policy are required. In this sense Gozo can serve as a test bed where policies can then be deployed at a national level.⁸

The Chamber published a position paper on the subject.⁹

- **Ecosystems and Clusters.** The economic vision clearly highlights that Malta will continue to intensify its efforts to strengthen ecosystems of activity. Three such items include 'Green Finance', 'Green Energy Exchanges (financial services) and other green activities such as renewable energy (with concomitant green jobs). Gozo holds considerable potential for this sector, and should be considered as the location for these clusters of activity.

Pillar 1: Sustainable Economic Growth Geared towards Quality-Of-Life improvements

One of the main generators of economic activity in Gozo should be the deployment of sustainable solutions on the island prior to these being deployed on a national level. This would be beneficial to the public sector in its drive to implement sustainable solutions as indicated in the Government's Economic Vision:

From the public sector side, government is embarking on an ambitious multi-billion investment programme over the next decade to develop world-class, sustainable infrastructure across the Maltese islands around digitalization/virtualization, transport, waste management, energy and industrial spaces.¹⁰

The European Commission has just released its "Fit for 55 legislative package" supporting its commitment to reduce net green house gas emissions by at least 55 per cent by 2030.¹¹ Gozo fits in this strategy, and can support Malta's commitment to reach this target.

This is also in line with Government's commitment to transform "Gozo into a carbon neutral island."¹²

The Chamber also notes Government's commitment under this pillar to diversify its economy. In fact, it is highlighted that the:

Diversification into new niches of economic activity will be essential. Malta must identify its strengths and unique characteristics to create a compelling value

⁸ The Gozo Business Chamber – The Malta Chamber of Commerce and Industry (8 May 2021), *PR GBC/MCCI 01/2021* (online) : <https://www.gozobusinesschamber.org/wp-content/uploads/2021/05/2021-05-08-Gozo-Development-001-EN.pdf> [accessed 29 July 2021].

⁹ The Gozo Business Chamber (2021), *Development in Gozo. Position Paper on Development in Gozo submitted by the Gozo Business Chamber* (online) : <https://www.gozobusinesschamber.org/wp-content/uploads/2021/07/Position-paper-tabled-in-Parliament.pdf> [accessed 29 July 2021].

¹⁰ MIMCOL (2021), *Malta's Economic Vision 2021-2031. A Future-Proof Malta. A nation of courage, compassion and achievement*, p.31.

¹¹ EIT Climate-KIC, *EU "FIT for 55" to spur policy innovation for climate action* (online) : <https://www.climate-kic.org/news/eus-fit-for-55-to-spur-policy-innovation-for-climate-action/> [accessed 30 July 2021].

¹² MIMCOL, *ibid*, p. 34.

proposition to establish operations here over other international locations. Malta must use its size, EU membership and location to position itself as a leading global test bed to pilot new solutions.¹³

As indicated in the introduction and background Gozo urgently needs more than Malta to diversify its economy which is presently over reliant on tourism, construction, and real estate. Digitalisation and the testing of carbon tech solutions and other green technologies should be the way forward for Gozo.

This however points to an important aspect which need to fuel such type of investment, such as for example the development of a specialized faculty in Gozo targeting the green economy and other associated sectors. However, it is in the area of digitalization that Gozo holds significant potential, which can be utilized in the not-too-distant future.

Gozo has a digital innovation hub,¹⁴and also a second fibre optic link. The lack of a second fibre optic link was considered as the main stumbling block for companies in the digital sector, as they did not have the required redundancy which would ensure a seamless operation, if the only fibre optic link between Gozo and Malta was damaged. The second fibre optic link is operated by the Government owned 'Gozo Fibre Optic Cable Ltd'.¹⁵

With respect to a parliamentary question on the current occupation of the premises, it was indicated that there are presently five companies which have an approved letter of intent to start operating from the Gozo Innovation Hub.¹⁶ Moreover, from an allocated space of 3,220 square metres, only 580 metres is currently being rented out.¹⁷

The indication that the Gozo Business Chamber has is that the rental fee for the present space is very high, compared with other office spaces, which is making the allocation of such a space difficult.

The way the Gozo Innovation Hub, is presently being operated should be rethought. This could take the form for example of a government backed incubator. There are specialised companies which offer such services, and an international call for expression of interest in this direction could be published. Entering into such partnerships would mean that the start-ups would make use of the services provided by the incubator in the form of mentoring services; a validated business model; marketing services and an established strategy, client and new market research, and introductions to key multi national companies and global industry leaders.¹⁸ The target area for such start ups should be the digital sector.

¹³ Ibid., p. 27.

¹⁴ INDIS Malta Ltd, *The Gozo Innovation Hub*, INDIS Malta Ltd, viewed 14 June 2021, <https://www.gozoinnovationhub.com/>

¹⁵ The Times of Malta (14 December 2020), 'Second Fibre Optic Cable between Gozo and Malta inaugurated', in *The Times of Malta* (online) : <https://timesofmalta.com/articles/view/second-fibre-optic-cable-between-malta-and-gozo-inaugurated.838982> (accessed: 14 June 2021)

¹⁶ Parliament ta' Malta, PQ no 2712, 'Gozo Innovation Hub – Allokazzjonijiet approvati minn Malta Malta Enterprise, 23 April 2021, Retrieved: 14 June 2021, from <https://pq.gov.mt/PQWeb.nsf/7561f7daddf0609ac1257d1800311f18/c1257d2e0046dfa1c12586c4003eb9f7!OpenDocument>

¹⁷ Parliament ta' Malta, PQ no 19748, 'Gozo Innovation Hub – Spazju Mikri', 9 March 2021, Retrieved: 14 June 2021, from: <https://pq.gov.mt/PQWeb.nsf/7561f7daddf0609ac1257d1800311f18/c1257d2e0046dfa1c1258693004d8ffa!OpenDocument>

¹⁸ Our Crowd, 2020, *Global Network of Incubators*, 2.

Pillar 2: High Quality Infrastructure and Investment

This pillar mentions some important projects such as the upgrading and expansion of Malta's industrial spaces and the development of a tunnel to Gozo. This section mentions also the problem of congestion. To target this problem the vision lists the development of co-working office spaces in different communities, and the development of cutting-edge multi-modal infrastructure. The Vision Document mentions specifically the plan currently being undertaken to build a nation-wide charging infrastructure for electric vehicles. It is important to note also that "another project which is being considered is the transformation of Gozo into a carbon neutral island".¹⁹

One of the strategies which has been pioneered by the Government in this area is the "Malta Low Carbon Development Strategy".

In its response to this document the Chamber had noted with satisfaction the Government's commitment to reduce carbon emissions and to assist "the piloting of carbon efforts and new technologies (carbontech)"²⁰, and the reference that "the island of Gozo can become carbon neutral before Malta's 2050 target"²¹. This commitment is also reiterated in other parts of the document.²²

In the transport sector, Gozo can be a pioneer in the **uptake of electric vehicles** through:

- **Increased incentives for Gozitan residents to shift to electric vehicles;**
- **Reduced ferry tickets for Maltese residents crossing over to Gozo with electric vehicles;** and
- **The complete shift of Gozo's public transport system to smaller, and more frequent electric buses. Larger buses, which can also be electric, or hybrid would only be maintained between the main routes such as that between Mġarr and Victoria.**

As indicated in the proposed Low Carbon Development Strategy "road transport is the main source of particulate matter and noise and represents important shares in the emissions of a number of other pollutants, including nitrogen oxides, volatile organic compounds, ozone, sulphur dioxide, metallic compounds and benzene".²³ The incentives indicated above however also need to be complemented with significant investment in the charging infrastructure in Gozo, and an investment in training to ensure that the private sector in Gozo has the required capability to service such vehicles.

One should also consider, when formulating the next public service obligation for the ferry transport between the two islands, that the **ferries should be hybrid vessels**. Nonetheless the Chamber as one of the promoters of the permanent link between the two islands agrees with the subsea tunnel between Gozo and Malta and welcomes the fact highlighted in the proposed Low Carbon Development Strategy that "this is assumed to reduce the requirement for gasoil used in internal navigation by around 50%".²⁴

In relation to transport one of the measures highlighted in the vision document and also in the proposed Low Carbon Development Strategy is the creation of remote co-working spaces. In

¹⁹ MIMCOL, *ibid.*, p. 34.

²⁰ Ministry for the Environment, Climate Change and Planning (2021), *Malta Low Carbon Development Strategy*, p.16

²¹ *Ibidem.*

²² *Ibid.*, p. 20.

²³ *Ibid.*, p. 43

²⁴ *Ibid.*, p. 44

January 2021, the Government inaugurated the first remote working space in Santa Venera.²⁵ **A similar space should be set up in Gozo targeted specifically for Gozitan residents working in the public sector on the main island of Malta.**

Pillar 3: Education and Employment

The Chamber notes with satisfaction that the establishment of the Barts Medical School in Gozo is being considered as the first step in establishing Malta as an international educational hub of excellence.

This experiment was a significant success and goes on to show that given the facilities Gozo can position itself adequately in this sector. However, **this initiative needs to be complemented with a state-of-the-art hospital which was deemed to be an integral part of this investment and is now a necessity for the Barts Medical School to continue to move forward and develop.**

Furthermore, it is important that more investments in this area are considered such as the **development of a specialized faculty on the island linked to the green economy and the development of sustainable solutions which can be tested in Gozo.**

Pillar 4: The Environment

The section under this pillar makes reference to enhancing the shift towards greener forms of transport. It also highlights important aspects related to the green economy:

Both the cleaner sources of energy, as well as technologies leading to lower demand, will provide opportunities for investment, innovation, and new economic sectors in which both local and foreign investors can venture.²⁶

It is also indicated that:

Malta and Gozo can act as global testbeds for new decarbonizing technologies. The small size of our islands lends itself to the testing and adoption of clean air technologies, in terms of both energy production and transportation, which if successful could be adopted globally.²⁷

The Chamber agrees with this aspect and reiterates its belief that Gozo can develop a new economic niche in this area, which can also be complemented with specialized courses being given by Gozo in this area.

Pillar 5: High Standards of Accountability

This is a *sine qua non* for Malta to continue moving forward both economically and socially. To this end the commitment towards the strengthening of its institutions and the regulatory

²⁵ The Government of Malta. Office of the Principal Permanent Secretary (13 January 2021), *PR210072en. Press Release by the Office of the Principal Permanent Secretary* (online) : <https://www.gov.mt/en/Government/DOI/Press%20Releases/Pages/2021/January/13/pr210072en.aspx> [accessed 10 July 2021].

²⁶ MIMCOL, *ibid.*, p.46.

²⁷ *Ibid.*, p. 48.

bodies should continue unabated ensuring transparency at all levels and a strong commitment towards the rule of law. Business requires a fair and transparent environment in which it can continue to grow sustainably while creating real value to society and its members.

Conclusion

The Chamber positively notes the reference and emphasis being made on Gozo reaching carbon neutrality prior to Malta, and also the shift towards multi-modal forms of transport. The recent experience with the fast ferry service and its integration with other public transport services, is a step in the right direction.

However, Gozo has significant potential to continue to evolve. Important infrastructural projects such as the permanent link between the two islands, and the new hospital to complement the Barts Medical School need to materialise. On the other hand where significant investment has already been made, such as in the digital infrastructure, with the second fibre optic link and the digital innovation hub, now needs to be complemented with concrete initiatives to attract business entities operating in the digital sector. Gozo also has significant potential for the green economy. To this end the Chamber reiterates its belief that this is a sector on which the Government has to focus on the island, creating the right environment and conditions for this to take place.

The Chamber positively notes also the Consultation Document on the 'Regional Development Strategy for Gozo' issued by the Gozo Regional Development Authority. The Economic Vision should take this strategy in consideration, integrating this regional vision within a holistic strategy for the whole nation.

There must be a transformation and a change in perspective where initiatives in Gozo are no longer seen as an adjunct to other initiatives, but are implemented because Gozo is seen in its own right, as providing added value to the whole nation through its infrastructure and economy. However, the right conditions must be created. In this sense the Government's role is essential.
