

# Ensuring a more Sustainable Future – GBC Budgetary Proposals 2022



*The Aqueduct by Anthony Grech*



THE GOZO BUSINESS CHAMBER

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**Photo included in the Front Page:** Anthony Grech

The Document has been compiled by Daniel Borg, Chief Executive Officer of the Gozo Business Chamber

## 1. Introduction and Background

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This year has seen an important milestone for Gozo. Through the publication of the Gozo Regional Development Strategy which has been issued for consultation, we have seen an overall holistic strategy for the island of Gozo, which will set the pace for the developmental trajectory for the island of Gozo for the period 2021 – 2030. This must also be seen within the context of other important consultation documents which have been issued, mainly: Malta's Economic Vision 2021 – 2030; Malta Low Carbon Development Strategy; and the Green Paper 'Towards Cleaner Vehicles on our Roads'.

While Gozo has distinct needs, it should not be seen as a region in need of assistance, but as an important potential contributor to the national economy, if put within the right conditions to perform. Gozo can in reality contribute to Malta's economic growth through its distinctiveness. While the COVID-19 pandemic has impacted the economy negatively one also needs to see the positives that such a period has brought with it, in that the need for changes which were previously long in the pipeline have been accelerated over the last period, making these issues more pressing. Consequently, any relevant actions targeting the Gozitan economy should be undertaken in such a way as to ensure that Gozo transforms itself and targets previously untapped sectors to ensure the diversification of its economy.

Gozo's overreliance on certain sectors such as tourism, construction and real estate should be noted. From a study published in 2015<sup>1</sup> 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.

According to figures released by the National Statistics Office in July of this year, in 2020 Gozo experienced an increase in domestic tourists of 133,217 an increase of 61.9 % over 2019, with an overall domestic tourism expenditure estimated at € 57.8 million, an increase of 61.2% of 2019. 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.<sup>2</sup>

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.

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<sup>1</sup> 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].

<sup>2</sup> 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](https://nso.gov.mt/en/News_Releases/Documents/2021/07/News2021_133.pdf) [accessed 29 July 2021].

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%.<sup>3</sup>

The graph below indicates the final deeds and promise of sale agreements made in Gozo in 2020 compared to other regions in Malta. Figure 1 shows how Gozo topped the number of final deeds made in 2020 at '1864'. The same can be said for the number of promise of sale agreements. The number of these agreements in 2020 stood at 1590.<sup>4</sup> In the graphs below Gozo is indicated as 'region 13'.

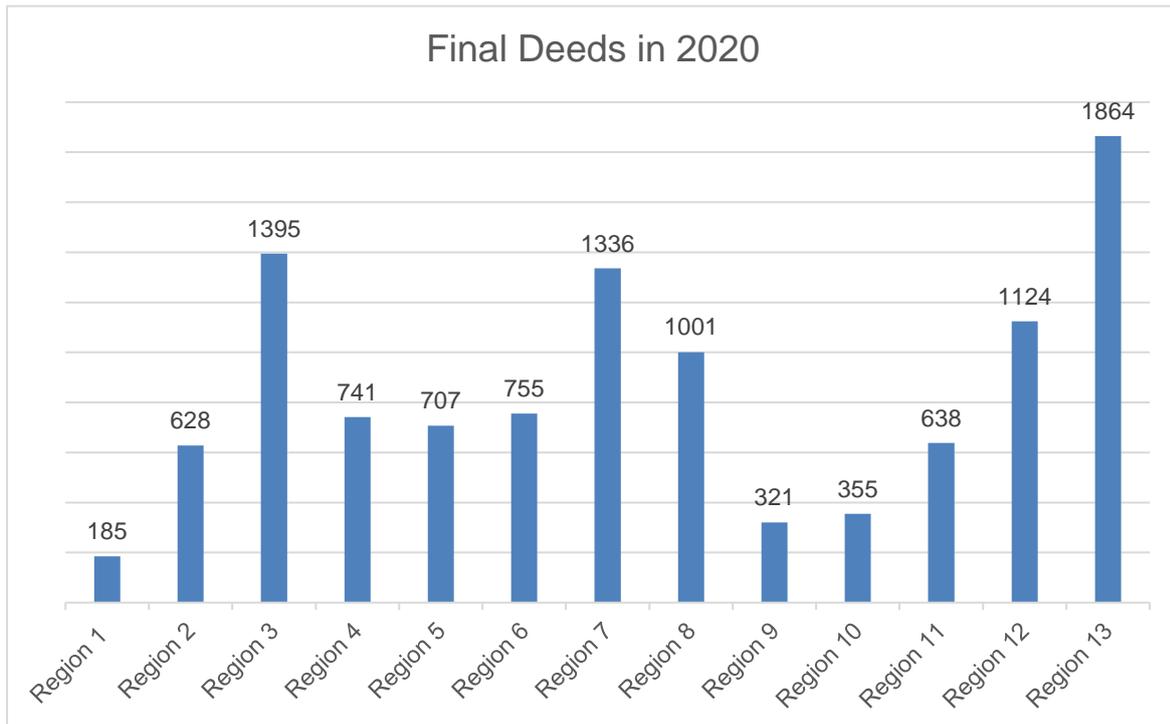
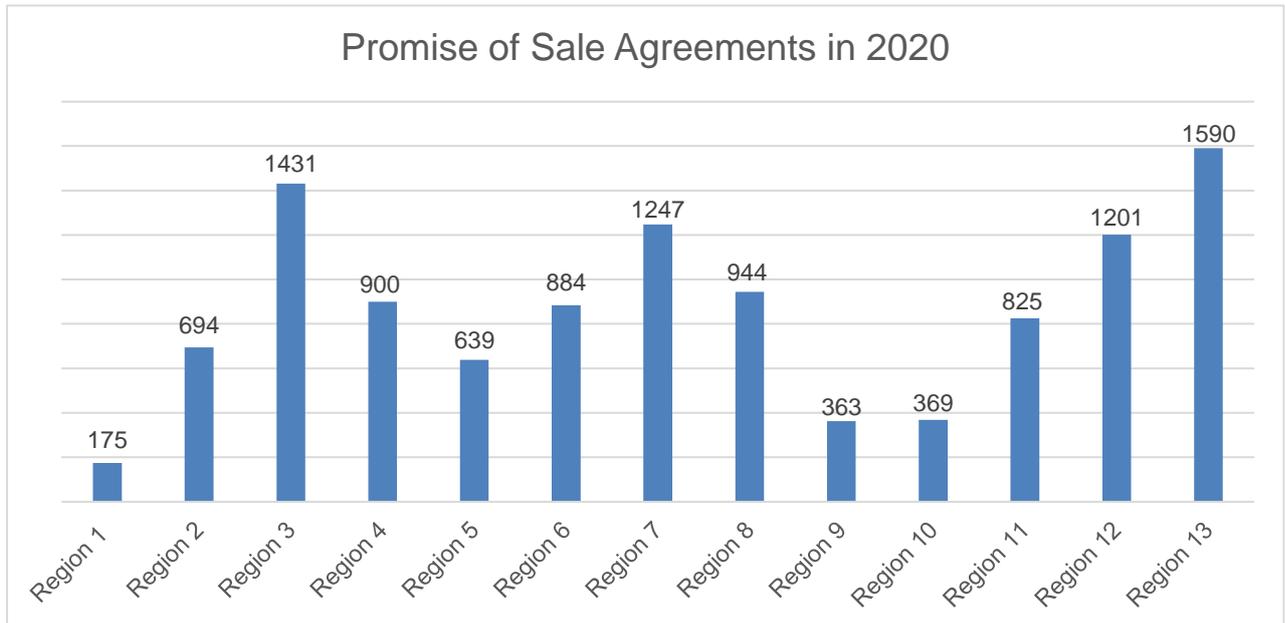


Figure 1: Number of Final Deeds in 2020 by region

<sup>3</sup> 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](https://nso.gov.mt/en/News_Releases/Documents/2020/12/News2020_206.pdf) [accessed 5 February 2021].

<sup>4</sup> These statistics have been compiled from the NSO statistics relating to Residential Property Transactions.



**Figure 2:** Number of Promise of Sale Agreements in 2020 by region

## 2. Ensuring that Development is Sustainable

The Chamber is concerned with the rate of over development on the island. On the 25<sup>th</sup> March 2021 the Gozo Business Chamber issued a statement on 'Protecting Gozo from Unsustainable Development'.<sup>5</sup> Through this statement the Gozo Business Chamber supported the stance taken by Gozitan mayors and the Gozo Regional Council<sup>6</sup> 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.<sup>7</sup>

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.<sup>8</sup>

On the 8<sup>th</sup> 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:

<sup>5</sup> 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].

<sup>6</sup> 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].

<sup>7</sup> The Gozo Business Chamber, *ibid.*

<sup>8</sup> *Ibid.*

present rate of over development fueled 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.<sup>9</sup>

The Chamber also published a position paper on the subject.<sup>10</sup> To this end it is important that budgetary measures are taken on board which steer development in Gozo towards more sustainable forms of development.

#### Proposed Budgetary Measures

- Creates schemes **specific for Gozo** targeted towards the renovation of old houses. Incentives should be intrinsically tied to making a building more energy efficient and lessening its carbon footprint. Specific schemes could **identify for example particular areas, such as the city centre of Victoria, where a number of old buildings are currently unused and being left in a dilapidated state.**
- **Houses which are bought to be renovated and lived in, and not redeveloped into apartment blocks would fall within a reduced property tax regime.** Though this should apply both to houses within and outside the urban conservation areas (UCAs), **a more favourable tax regime should apply on houses outside UCAs.** Due to the present policies, the impact of the replacement of houses with large apartment blocks, is greater in development zones outside the UCAs.

### 3. The Green Economy and Digitalisation

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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.

The European Commission has 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.<sup>11</sup> 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.”<sup>12</sup>

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<sup>9</sup> 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].

<sup>10</sup> 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].

<sup>11</sup> 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].

<sup>12</sup> MIMCO (2021), *Malta’s Economic Vision 2021-2031. A Future-Proof Malta. A nation of courage, compassion and achievement*, p. 34.

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,<sup>13</sup> and also a second fibre optic link. The lack of a second fibre optic link was previously considered as the main infrastructural stumbling block for companies in the digital sector to establish themselves in Gozo. This is because they did not have the required redundancy which would ensure a seamless operation, if the only fibre optic link (which was then present) between Gozo and Malta was damaged. The second fibre optic link is now operated by the Government owned 'Gozo Fibre Optic Cable Ltd'.<sup>14</sup>

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.<sup>15</sup> Moreover, from an allocated space of 3,220 square metres, only 580 metres is currently being rented out.<sup>16</sup>

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.

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.<sup>17</sup> The target area for such start ups should be the digital sector.

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<sup>13</sup> INDIS Malta Ltd, *The Gozo Innovation Hub*, INDIS Malta Ltd, viewed 14 June 2021, <https://www.gozoinnovationhub.com/>

<sup>14</sup> 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)

<sup>15</sup> Parlament 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>

<sup>16</sup> Parlament 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>

<sup>17</sup> Our Crowd, 2020, *Global Network of Incubators*, 2.

#### Proposed Budgetary Measures

- Start the process for the establishment of a specialised faculty in Gozo targeting the green economy and other associated sectors
- Formulate a packet of incentives for the deployment of sustainable solutions in Gozo prior to these being deployed on a national level.
- Issue an international call for expression of interest for a specialised company to manage the Digital Innovation Hub as an incubator for start-ups in the digital sector.

#### 4. Agriculture

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Despite the fact that Gozo should look into new sectors, it is also important that certain traditional sectors such as for example agriculture are retained and encouraged, while these same sectors are also incentivised to innovate and attract new people.

It was estimated that in 2019 ‘agriculture, forestry, and fishing’ in Gozo contributed 0.11% in terms of Gross Value Added to the national economy, while the same contribution on the main island of Malta stood at 0.70%.<sup>18</sup>

#### Proposed Budgetary Measure

- Ensure more points for the supply of ‘New Water’ around Gozo.
- Incentivise the building of traditional ‘sejjieħ’ walls around fields in Gozo.
- Provide financial assistance to young farmers to encourage them to continue working in this sector. This could include assistance in kind such as the leasing of land to young farmers.
- Provide information courses to farmers on both legal matters, and also on the cultivation of land and produce.

#### 5. Transport and Connectivity

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Transport and connectivity between the two islands remain crucial issues for Gozo. To this end despite the very difficult economic circumstances it is important to note the introduction of the fast ferry service between Gozo and Malta in 2021. In an intervention on the Malta Business Weekly, Daniel Borg, CEO of the Gozo Business Chamber noted:

This augurs well for the future, and we should be working in that direction. This applies for all forms of accessibility. Increasing accessibility to the island will ensure that Gozo will continue to develop at all levels. Consequently, we should continue to look also at the possibility of restoring the air link between the two islands. Moreover, the

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<sup>18</sup> NSO (2021), *Regional Statistics Malta 2021 Edition*, p.130.

permanent link between the two islands should also remain a top priority. One type of accessibility does not exclude the other.<sup>19</sup>

However within the overall objective of achieving carbon neutrality prior to Malta, we should also seek to incentivise further greener transport on Gozo. 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”.<sup>20</sup>

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%”.<sup>21</sup>

#### Proposed Budgetary Measures

- **Increased incentives for Gozitan residents to shift to electric vehicles** including: (a) better refunds when they purchase an electric vehicle; and (b) better charging rates on the private charging infrastructure in Gozitan homes.
- **Reduced ferry tickets for Maltese residents crossing over to Gozo with electric vehicles**, and better rates when they charge their vehicles on Gozo’s public charging infrastructure.
- **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 Mgarr and Victoria.**
- Initiate the process for the development of an air link between Gozo and Malta.
- Continue with the **implementation of the project on the permanent link between Gozo and Malta.**

## 6. Infrastructure

Gozo necessitates certain important initiatives in terms of its infrastructure. Apart from the permanent link between Gozo and Malta, there are another two important initiatives which are necessary for Gozo. These are a: (a) **multistory sustainable underground car park**; and (b) **a new hospital for the island.**

The congestion experienced in the city of Victoria is many a times fueled by the lack of parking spaces, whereby people would be able to adequately park their car and then walk to their

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<sup>19</sup> Daniel Borg (2021), ‘We must diversify the Gozitan Economy’, Interview by Dayna Camilleri Clarke, *Malta Business Weekly*, 19 August (online) : [https://maltabusinessweekly.com/we-must-diversify-the-gozitan-economy-gozo-business-chamber-ceo/15625/?fbclid=IwAR0P4YICxc\\_p5sCeGOHIIQRo1VQ6Hslcxouk28Nhb\\_Ko1tLrmrglozTww8](https://maltabusinessweekly.com/we-must-diversify-the-gozitan-economy-gozo-business-chamber-ceo/15625/?fbclid=IwAR0P4YICxc_p5sCeGOHIIQRo1VQ6Hslcxouk28Nhb_Ko1tLrmrglozTww8) [accessed 25 August 2021].

<sup>20</sup> Ministry for the Environment, Climate Change and Planning (2021), *Malta Low Carbon Development Strategy*, p. 43

<sup>21</sup> *Ibid.*, p. 44

destination. A system of small electric buses from this car park should also be made available to take people to various parts of Victoria. This parking should be underground, so that it does not in any way impinge on the skyline of the city.

A new hospital for the island is also urgently required. The investment made in the new campus of the Queen Mary University of London here in Gozo, while being a very good experiment, needs to be complemented with a larger hospital offering better facilities. The Queen Mary University of London campus in Gozo has shown that Gozo can be an investment destination for innovative types of investment. However, this will be stalled if the University is not complemented with a new hospital.

Moreover, a new hospital would not only benefit the island of Gozo, but the Maltese population at large, especially if it specialises in specific areas.

#### Proposed Budgetary Measures

- Initiate the process for a sustainable multistory underground car park in Victoria.
- Start the process for a new hospital for Gozo which should complement the investment made in the Queen Mary University of London Gozo campus.

## 7. Conclusion

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The challenge brought about by the COVID-19 pandemic is that we need to rethink the Gozitan economy, which can no longer remain reliant solely on tourism, construction and real estate. While these sectors will remain important for the Gozitan economy we need to ask important questions, such as what type of tourism we would like to see in Gozo, and what type of construction and real estate development should we have on the island. Does our island have the potential for new and innovative sectors such as the testing and deployment of new carbontech solutions? If yes however, what are the pre-requisites for such an investment to take place? To this end we need to move forward in terms of what we want for Gozo.

This is also the reason why the budgetary recommendations contained in this document highlight measures which are built on a long-term vision for the island, but without in any way discarding important needs for our society. A number of short-term recovery measures have already been put in place by the Government. The challenge now is to continue to develop the economy sustainably and in the long term.

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