



**The Gozo Business Chamber's**  
Budgetary Proposals

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## Resilience, Sustainability and Recovery

August 2022



The photos are courtesy of [www.visitgozo.com](http://www.visitgozo.com) and Anthony Grech Photography  
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# INTRODUCTION AND BACKGROUND

In 2021 the Gozitan economy has continued to show signs of recovery. Tourism is considered as one of the main sectors of the Gozitan economy. In 2021 domestic tourism increased from 348,489 to 365,252 in 2021, an increase of 4.6% over the previous year. Foreign inbound tourism in Gozo increased from 39,724 to 70,655, an increase of 77.9 % over the previous year. Despite the increase, the number of nights generated by domestic tourism remained relatively the same between 2020 and 2021. On the other hand, the nights generated by the foreign inbound tourism sector increased from 344,514 to 505,820 an increase of 46.8% over the previous year.

In 2021 domestic tourism in Gozo generated a total expenditure of € 76.6 M. On the other hand, foreign inbound tourism generated a total expenditure of € 27.9 M in 2021 [1]. Domestic tourism has been an important buoyant for the Gozitan economy during the COVID-19 pandemic together with the assistance provided by the Government to keep afloat this sector. As the economy and society in general are exiting the COVID-19 pandemic, it must be seen whether the impact of domestic tourism will remain significant. Consequently, the impetus to diversify the Gozitan economy needs to be sustained throughout the coming year.

2021 has also seen the introduction of the fast ferry service between the two islands. This was a very important development given that the service was available in the past for the benefit of the whole Gozitan community. The Chamber was and will continue to be in favour of any type of accessibility and as an organization it provided its input on how the service should be structured. However, during this year the Chamber noted how the situation evolved from a highly competitive and aggressive market situation to a quasi-monopolistic situation. Following a request to intervene in the Standing Committee on Gozo Affairs the Chamber highlighted the scenario [2]. Following that intervention the situation has improved. However, more needs to be done. On its side the Government, if considering sustaining those trips which are not profitable, should not consider this as an extra cost. The accessibility

of Gozo depends on the sea. Consequently, Gozitans deserve that accessibility is not assessed but guaranteed throughout. When the Government decides to build better roads on the main island of Malta, to ensure better accessibility, considerations on feasibility are not factored in. The same should apply to Gozo, as the sea is the only connecting route between the two islands. Consequently, the Chamber also welcomes the developments relating to the air link between the two islands.

Gozo needs a regional outlook, because it is an island region with specific characteristics and issues which need to be addressed.

[1] NSO (26 July 2022), News Release 129/2022. Regional Tourism: 2021

[2] The Gozo Business Chamber (2022), Accessibility is key for Gozo's development (online) : <https://www.gozobusinesschamber.org/fast-ferry-service/> [accessed 3 August 2022].

# EMPLOYMENT IN GOZO



The latest available statistics with respect to employment refer to 2020. During that year, the percentage distribution of full-time employment by region of work, with the public sector in Malta stood at 21%, while in Gozo full-time employment with the public sector by region of work stood at 32% [3] of the total full-time employment on the island. This shows the reliance of Gozo on public sector employment. This does not factor the employees in the Community Workers Scheme who are not considered part of the public sector[4], and those workers with private contractors both with the Gozo Channel and the Public Health Care system in Gozo. As at April 2022 the number of employees with the Community Workers Scheme in Gozo stood at 502, whereas the number of community workers on the island of Malta stood at 651 [5]. In 2020 the number of employees, employed by the private contractors, but working with Gozo Channel was 101 [6].

The labour market situation in Gozo is very difficult. Companies in all sectors are finding it difficult to recruit local employees, most often having to resort to third country nationals with all the difficulties this entails in terms of recruitment and the bureaucratic process that needs to be followed. Within this scenario the public sector is also in competition with the private sector for employees. This is leading to a situation where despite the increased demand in some sectors, companies are not in a position to tackle the demand for their services, which is consequently leading to a slower recovery rate post COVID-19. This is creating a situation which is leading to a higher cost for the local labour force given that the demand is higher than the supply. Employee poaching among local companies is also on the rise, compounding further the increase in labour costs which many companies are facing. This must be seen within the overall context of an increase in raw material prizes, and transportation costs, following the COVID-19 pandemic and the war in Ukraine. The competitive situation of Gozitan companies must also be seen within the context of the extra costs faced by those companies in terms of added transportation costs, and opportunity costs (choosing between types of funding e.g. de minimis schemes targeted towards reducing cost disadvantages for Gozitan businesses, and schemes offered at a national level, and the added costs faced in terms of extra labour costs to be able to compete on the main island of Malta).



Given the current situation it is important that measures are in place which assist in the retention of the full-time employees in the private sector. Such measures should apply for example to how overtime is taxed. According to an amendment introduced this year following last year's budget, overtime up to a maximum of Euro 10,000 can be taxed at a flat rate of 15%. Such a capping should be removed in order to make it attractive for employees in the private sector to work overtime with their own employers, rather than seek part-time employment. Both types of income should be taxed at the same rate independently of the amount earned.

The Gozitan Economy is also seeing an increasing number of professionals who are self-employed, who would live in Gozo but who would also need to keep an office in Malta (apart from their office in Gozo). To this end it would be important to create a scheme which enables such professionals who already have an office in Gozo to set up another office in Malta. This would enable them to sustain their operations in Gozo also through their clientele in Malta.

## Proposed Budgetary Measures

01

Tax all overtime earned at a flat rate of 15%

02

Provide a scheme whereby those professionals who have their main office in Gozo but would like to open an office in Malta in order to expand their clientele, would be supported.

[3] NSO (2022), Regional Statistics Malta 2022 Edition, p. 97.

[4] Clyde Caruana (2021), Għawdex - Skema tal-ħaddiema tal-komunità - ħaddiema. Parliament of Malta: Answer, 23 March, PQ 20095. Available at: <https://pq.gov.mt/PQWeb.nsf/7561f7daddf0609ac1257d1800311f18/c1257d2e0046dfa1c12586a10027e704!OpenDocument> [Accessed 5 August 2022].

[5] Clyde Caruana (2022), Ħaddiema fl-Iskema tax-Xogħol fil-Komunità. Parliament of Malta: Answer, 8 June, PQ 367. Available at: <https://pq.gov.mt/PQWeb.nsf/7561f7daddf0609ac1257d1800311f18/c1257d2e0046dfa1c1258859002dba97!OpenDocument> [Accessed 5 August 2022].

[6] Clint Camilleri (2020), Gozo Channel - ħaddiema. Parliament of Malta: Answer, 12 February, PQ 298. Available at: <https://pq.gov.mt/PQWeb.nsf/7561f7daddf0609ac1257d1800311f18/c1257d2e0046dfa1c125850c003f9759!OpenDocument> [Accessed 5 August 2022].

# THE ENVIRONMENT



The Environment has and will remain a key consideration of the Gozo Business Chamber. Throughout the past years the Chamber has spoken consistently about the excessive development happening in Gozo, which is not in line with Gozo's characteristics and the general ambience, and which does not in any way take into consideration planning issues in the various localities and towns around the island. The Chamber is also concerned with the use of areas Outside the Development Zone. Planning issues are also manifest when it comes to the services required by localities such as water and electricity supply, and sewage facilities. The Chamber is especially concerned with the current electricity infrastructure in Gozo, which at present cannot support the shift to electric mobility that is being envisaged for our island.

As apartment blocks are being developed around Gozo, roads are getting tighter with balconies protruding at a level which is rendering the passage of buses and trucks difficult through certain areas, and which is further reducing parking spaces. Gozo deserves a regional outlook, and the same applies for planning policies for the island. Fiscal and monetary incentives can be provided for the right type of development which also takes into consideration the sustainability of the building. Nonetheless the Chamber feels that certain issues though not monetary or fiscal in the short term need to be tackled urgently. Already much damage has been done. The deterioration of our environment has significant repercussions of Gozo both as a foreign and as a domestic tourism destination. To this end it is important that the whole of Gozo is designated as a design priority area and that planning issues in Gozo take into consideration a comprehensive outlook incorporating the services required by a particular locality.

## Proposed Budgetary Measures

01

Designate the whole of Gozo as a design priority area

02

Create and apply a regional and comprehensive planning policy for Gozo

**ACCESSIBILITY**

**3**

As indicated in the introduction to this document accessibility remains key to Gozo's development. The Gozo fast ferry service has proved to be an invaluable service both for commuters, students, and those visiting Gozo. To this end all the efforts should be done for this service to be retained and an acceptable level of service provided throughout.

Following the consultation held this year, all the efforts should also be focused on the development of the air link between Gozo and Malta.

The Permanent link between Gozo and Malta should also continue to feature as a policy priority. This is a long-term project which should in no way be shelved given its long-term impact on Gozo

## Proposed Budgetary Measures

- 01 Ensure that the fast ferry service between Gozo and Malta is retained and a consistent level of service is provided throughout.
- 02 Develop the air link between Gozo and Malta.
- 03 Ensure that the permanent link between Gozo and Malta remains a key policy priority given the long-term nature of the project.

**INFRASTRUCTURE**

**4**

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. These were reiterated in the last budget document by the Gozo Business Chamber. The Chamber is satisfied to note that both projects were included in the electoral programme of the present government. It is important to note however that these projects cannot be procrastinated further and planning should start in earnest so that these can be implemented.

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 destination. A system of small electric buses from this car park should also be made available to take people to various parts of Victoria.

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. Furthermore the community in Gozo needs a new hospital which can cater for the changing needs of the Gozitan community.

It is also important that important infrastructural projects such as the Primary school in Victoria, the Gozo Museum, the Aquatic Centre, and the old people's home in Għajnsielem are completed, with the objective that the services required from these various projects start being offered.

## Proposed Budgetary Measures

- 01** Initiate the process for a sustainable multistory underground car park in Victoria.
- 02** Start the process for a new hospital for Gozo which should complement the investment made in the Queen Mary University of London Gozo campus.
- 03** Finalise important infrastructural projects which are already being developed.

# CONCLUDING REMARKS

The challenges being faced by the Gozitan economy and society at this point in time are many and multi-faceted. The COVID-19 pandemic and the war in Ukraine have exasperated certain problems and issues, which are being compounded by the fact that both Malta and Gozo depend completely on maritime and air transport to connect to the rest of the world. The context being faced in Gozo cannot be taken out from what is being faced both nationally and worldwide.

Nonetheless it is important that we do not lose sight of what we want to achieve. The higher thresholds being offered on government incentives for Gozitan based businesses has been an important step in the right direction. Nonetheless it is important that certain projects and initiatives which are a prerequisite for a modern society and economy are also present in Gozo. Gozo cannot fall by the way side at this crucial point in time, and it is important that we address urgent issues like the labour market and the environment, which are two of the prime concerns currently being faced.



THE GOZO BUSINESS CHAMBER

[www.gozobusinesschamber.org](http://www.gozobusinesschamber.org)