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Government regales taxpayer with dockyards' burden

By Matthew Vella

A photo opportunity for the press and drinks for the Prime Minister and General Workers' Union boss Tony Zarb was all the media would get during the signing of the "historic" collective and restructuring agreement between the government and the union.

It was left up to Social Policy Minister Lawrence Gonzi to confirm yesterday in Parliament the media's worst fears that the new collective agreement was to be nothing but a mass wage increase for dockyard workers. A Lm1.50 wage increase, performance-related and training-related bonuses, first revealed in *The Times* a week ago, were announced by Gonzi yesterday as the new changes within the collective agreement.

But more disconcerting would be the new shift allowance system which should replace overtime, confirmed to *The Malta Financial and Business Times* by GWU secretary general Tony Zarb that if workers stop work at 14.00hrs due to lack of work, they would still be paid their shift allowance.

Once again another golden handshake where so much public disapproval can be expected as news leaks emerged of a budget that is could be expected to further burden the middle classes, who are now expected to pay for the wage increases of the two new companies which will take in the workers from the former Malta Drydocks and Malta Shipbuilding.

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Is consumption tax on government's mind rather than VAT?

The announcement of proposed tax increases usually brings about a veritable hoo-ha in any country, but amazingly, the recent revelation, so far not denied, that government is proposing tax increases as part of its welfare reform has raised many questions, but little to no public debate.

Besides Labour spokesperson Leo Brincat, who spoke in Parliament, very little discussion has gone on in the media.

Brincat told *The Malta Financial and Business Times* that he would rather not speculate about the issue at the moment, but in parliament indicated he was not pleased about the suggestion that government may raise VAT to 18 percent.

Constituted bodies that will be involved in discussions with the government at the weekend pre-

ferred not to comment at this delicate stage, and while economists contacted by this newspaper had their own ideas on the subject, they were on the whole unwilling to be quoted publicly.

In the pre-election months and in the PN electoral manifesto, there was no indication that VAT would increase and minister Dalli had promised there would be an easing of the tax burden.

If there is an increase in VAT there could be an increase in government revenue, but this is likely to be more than set off with lower disposable incomes. The eventual effect could be deflationary rather than as one would expect inflationary as consumer spending decreased because of the higher taxes.

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"Thanks for everything" - GWU boss Tony Zarb extends a 'golden' handshake to Prime Minister Eddie Fenech Adami for a new collective agreement that will see weekly wage increases and new bonuses for a surplus 900 workers who were not integrated into the private sector and instead offered retirement schemes and secondments to the public sector

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MSE Index: 2,153.467 0.725%

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World indices

Index	Value	Change
S&P	1053.84	-0.49%
DJIA	9846.46	-0.12%
NASDAQ	1959.04	-0.44%
FTSE	4330.3	-0.05%
CAC 40	3424.81	-0.41%
DAX	3741.71	-0.07%
H. SENG	12440.72	0.44%

Rates of exchange

EURO	2.3486
US DOLLAR	2.6907
UK STERLING	1.6076
SWISS FRANC	3.6621
JAPANESE YEN	296.8215
CANADIAN DOLLAR	3.6054
GOLD US Dollars	376.6750
SILVER US Cents	491.0000