

Business Today

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MSE (daily change)

0.09%
4847.87

BOV (weekly change)

-0.565%
3.520

HSBC (weekly change)

1.554%
1.960

GO (weekly change)

-2.157%
1.27019 days €
COUNTDOWN TO THE EUROJ.F.X. Zahra
INTERVIEW page 10

Investments Ministry: Government's policy on surcharge revision 'not set in stone'

- Surcharge until the end of September this year: Lm86.6 million
- Government subsidy: Lm42.1 million
- Borne by consumer: Lm58.6 million

Charlot Zahra

The Government has denied any suggestions of a u-turn for political convenience in its decision to change its policy about the revision of the surcharge rates after three years from once every two months to a seven-month revision period (see separate story on page xx).

Asked by BusinessToday about the reasons that led the Government to change its policy about the matter, a spokesperson for the Ministry for Investments and IT said that "the policy on periodical revision of the surcharge rate has never been cast in stone. It was first set when the surcharge was introduced in 2005 and has since been revised to adapt to rapidly changing circumstances.

"The advantage of frequent revisions is to allow adjustments

made to the surcharge to follow closely the changing behaviour of the market and the impact that has on the price of oil.

"However the disadvantage of this system is that the more frequently revisions are made the more difficult it is for industry and tourism establishments to forecast their expenditure and set their prices for products sold in coming seasons.

"The current procurement contracts fixed by Enemalta for the coming few months have afforded the company visibility on its expected expenditure and placed it in a better position to afford to undertake with consumers a price visibility for the coming six months," the spokesperson told this newspaper.

Quizzed as to the reasons for that led the Government to also

change its policy with regards to the forward buying of fuels after three years, the spokesperson for the Ministry said: "Your impression is completely mistaken. There has been no shift in policy on the procurement of fuels in any shape or form.

"Hedging, collars and other financial instruments in the procurement of oil for the generation of electricity has been in constant use since April 2005 and periodically before that. Hedging on the value of currency exchange has been constantly entered into by Enemalta from even before that.

"This has been consistent with our policy instructions to Enemalta to purchase oil with prudence but resorting to all financial instruments available to it to procure oil for the cheapest possible price," he told BusinessToday. ▶ page 15

Libya to buy France's super jet fighter



Gaddafi with Nicolas Sarkozy in Paris

Libya became the first foreign state to buy France's latest super fighter jet, a French official said on Tuesday, fuelling criticism of President Nicolas Sarkozy for putting business before human rights.

Libyan leader Muammar Gaddafi visited France for the first time in 34 years, seeking to bolster his international standing after decades as an outcast of the West.

He dined at Sarkozy's official residence on Monday, after which both leaders oversaw the signing of a series of contracts and framework agreements, including one on entering exclusive talks on the

purchase of arms from France. It also includes co-operation for the setting up of a 'peaceful' nuclear reactor.

"We want to work with the Libyans since there is no more arms embargo. Libya has gone back to being a client like any other," Sarkozy's spokesman David Martinon told LCI television.

Sarkozy said on Monday the deals to be signed with Libya totaled more than 10 billion euros (\$14.66 billion), providing jobs for French workers. Sources said several of the deals were still being negotiated. ▶ back page

GRTU blames inflation on costs imposed by government

The General Retailers and Traders Union (GRTU) said that a study conducted among its members showed that Government-induced costs are leading to an increase in the cost of living.

Among the items singled out by GRTU members were "unrestricted" bank charges and the administrative charges imposed by Government departments and Government-controlled entities such as MEPA, ADT, MTA and the Medicines Authority.

They also highlighted the "excessive" charges imposed by public and private monopolies such as Enemalta for electricity and fuels, GO and Vodafone for telephony, Freeport and Valletta Gateway Terminals for port handling, Federated Mills for flour.

Other factors identified as contributing to the increase in operating costs by entrepreneurs were the "excessive zeal" in the implementation of EU rules and regulations, additional expenses related to the Euro Changeover without compensation, and excessive charges for professional services like accountants and auditors.

On the taxation side, GRTU members complained about the "undue harshness" of the VAT department which, in their view, "is saddling those whose books are in order instead of capturing those who are evading", and the tax on

transfer of property for use by enterprises, which were deemed as "too excessive".

In his presentation to the MCESD meeting last Thursday, GRTU Director-General Vince Farrugia explained that the prices charged by shops reflect the expenses that a businessman has to make to supply the product or service to the consumer.

"Hence when the Government and the public entities are doing all these inspections in shops, they are only studying the symptoms of the problem, not the causes leading to it," the GRTU said in a statement yesterday.

It said that in most cases, the price paid by retailers for goods imported from abroad reflect the actual price of the goods on the international market, and the increases in costs are of local origin.

The GRTU warned that "unless the authorities are not going to study seriously, and take immediate action to seriously reduce the huge expenditure that every retailer has to make to cover everything with the price that one establishes for one's products or services, it will be useless to speak about the curbing of inflation.

"A study about prices would be useful, however the important thing is establishing how to reduce the excessive costs that are causing an increase in the cost of living," it insisted.

World Business Highlights

Fed May Drop 'Balanced' Growth-Inflation Outlook as it Reduces Rates Today The Federal Reserve will probably cut interest rates today and lay the groundwork for more to prevent the economy from sliding into recession.

AT&T Climbs the Most in Almost Five Years After Dividend Increase, Buyback AT&T Inc. rose the most in almost five years in NYSE trading after the largest U.S. phone company raised its dividend 13 percent and announced a \$15.2 billion stock buyback.

FTSE 100



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