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Employers warn revised utility tariffs could 'dent national competitiveness'

Charlot Zahra

Two of the major employers organisations have warned that the utility tariffs that have been approved by the MRA with effect from Jan 1, 2010 could dent Malta's national competitiveness.

Commenting to Business Today, Malta Chamber of Commerce, Enterprise and Industry (MCCEI) President Helga Ellul warned that the utility tariffs "pose a significant threat to national competitiveness".

"This is especially important for Malta given that local operators are disadvantaged by twin market failures," Ellul said in a not-so-subtle remark at EneMalta and WSC.

"This arises from the fact that the country relies almost exclusively on fossil fuels and the distribution of utilities is governed by an inefficient monopoly," the MCCEI President told Business Today.

Users of water and electricity therefore remained "at the mercy of the provider and are price takers as much as the country is at the international level," she explained.

There were "very few options" available to business except to



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purchase water and electricity from the designated supplier and "no indication has been given as to when the interconnectivity cable with Sicily will be in operation, and indeed if similar operations are to be open to liberalisation," Ellul told Business Today.

She explained that the announced increases came "on top of one of the largest Cost of Living increases ever

given". The MCCEI said it believed in the need for "a more forthcoming" regulatory Authority.

The Malta Chamber questioned "the whole process" of how the rates were finally issued. "Government announced its intention to increase the tariffs two months ago, and now, on the eve of Christmas they are finally published," the MCCEI

President complained.

"Worse still, published without the necessary impact assessment," Ellul claimed.

The Malta Chamber warned that arrangements reached with Government in 2008 on a gradual introduction of the new rates for industry "must continue to be respected".

The MCCEI has been contacted by various members, expressing their "serious concern" on the revised tariffs.

The Malta Chamber said it was "currently evaluating" the new water and electricity rates announced on Monday and their impact on business.

Likewise, in exclusive comments to Business Today, the Malta Employers' Association (MEA) has lambasted the timing of the launch of new utilities' tariffs in the festive season.

"I think that the timing for these revisions is wrong and reflects very badly on the MRA," MEA Director-General Joe Farrugia told Business Today.

The MEA Director-General warned that these rates would also fuel "further inflation and will be a

burden for businesses in addition to the COLA increases, which may lead many to postpone investment decisions and to lay off employees."

This might further affect Malta's competitiveness "at a critical stage" and might delay an economic recovery during 2010.

"Government cannot continue to take businesses for granted, as ultimately, economic recovery can only come about through increased business activity," Farrugia told Business Today.

There were still "some ambiguities" about the revised rates which needed to be clarified and "one expects the MRA to address these issues, possibly during an upcoming MCESD meeting which will be devoted to the subject," the MEA Director-General told this paper.

On the positive side, Farrugia told BT that the night rates "can offer an opportunity for some businesses to save on the utility bills. The fact that the rates will be stabilised for 2010 also means that businesses will be in a better position to plan ahead," he concluded.

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Enemalta to appeal as MRA slashes revenue by €7.29 million

Enemalta has reserved the right to appeal on the conclusions reached by MRA when considering the new power tariffs. It has come to light that MRA reduced the revenue amount proposed by Enemalta by €7.29 million.

The authority said that adjustments should be incorporated in the Enemalta financials to reflect certain recoveries both in cost and revenues which occurred this year.

The corporation had requested

that variable target revenue be increased from €254.1 million to €333.30 million but the resources watchdog concluded that the total claim should be reduced by €7.29 million.

According to MRA officials, the decision to reduce Enemalta's revenue proposal was based on the power tariffs for major commercial and residential consumers. Detailed calculations revealed that lower end scale users were already calculated in the original

proposal.

While trade unions lambasted government for the announced tariffs, the Labour spokesman on the economy, Gavin Gulia labeled the new tariffs as "a savage blow to the economy and to businesses."

Gulia stressed that the new tariffs would mean an increase of 20 per cent in the bills which would have to be borne by businesses, at a time when the economy had shrunk by 2 per cent and was facing major competitiveness problems.

Employment down 10.3% in manufacturing

The full-time gainfully occupied population in July 2009 totalled 144,960, down by 1,747 when compared to the previous year, statistics released by the NSO yesterday showed.

The data was compiled from the records of the Employment and Training Corporation (ETC). Concurrently, the number of registered unemployed increased by 1,563, to 7,521.

In the twelve months to July 2009, the number of full-time gainfully occupied persons in manufacturing fell by 2,377 (10.3%). This decline in manufacturing comprised 1,695 men and 682 women. Likewise, the full-time gainfully occupied persons in hotels and restaurants dropped by 602

(5.7%). This reduction in jobs in hotels and restaurants affected 320 men and 282 women. There was also a drop of 163 full-time gainfully occupied persons in electricity, gas and water supply (5.4%). This balance was the result of a decrease of 184 men and an increase of 21 women.

Contrarily, the number of full-time gainfully occupied persons in real estate, renting and business activities went up by 788 (5.8%) to 14,471. This expansion, which effectively involved computer and related activities and other business activities, led to an increase of 473 men and 315 women. This branch of the economy includes, among other activities, software consultancy and supply, accounting and auditing

activities, tax consultancy, labour recruitment agencies, investigation and security activities and industrial cleaning. Further growth in full-time employment occurred in community, social and personal service activities (+321 persons) or 4.3% and health and social work (+228 persons) or 2.3%.

Overall, between July 2008 and July 2009, there was a decrease of 1,418 (3.4%) full-time jobs in the public sector, and another drop of 329 (0.3%) full-time jobs in the private sector.

Meanwhile, the number of registered part-time jobs for the month under review totalled 50,632, an increase of 1,774 with respect to the corresponding month last year. In the twelve months to July 2009,

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