FREE WITH maltatoday ON WEDNESDAY

Business Today

WEDNESDAY 13 January 2010 - **SUPPLEMENT ISSUE NO. 616**

In collaboration with: KAMRA TAL-PERITI

Losses grow in MSI Italian subsidiary

Karl Stagno-Navarra

Investigative specialists have been called to review the position of Progress AssicurazioniSpA, an Italian subsidiary of Malta based Middle Sea Insurance, after preliminary unaudited data for the fourth quarter of 2009, revealed further losses to the previously announced € 29 million.

The losses are now estimated to exceed € 35 million, and a company announcement placed by Middlesea's company secretary on the MFSA website yesterday explained that "whereas the preliminary unaudited data relating to Middlesea Insurance and Middlesea Valletta Life indicate financial performance ahead of that anticipated at the time of the preparation of the Rights Issue prospectus, the fourth quarter performance of Progress is likely to cause the overall Middlesea Group consolidated loss for the year to exceed that forecast in the said prospectus."

While Middlesea Insurance announced a Rights Issue on November 20, 2009 in a bid to raise the cash and cover the losses at Progress AssicurazioniSpA, this was fully subscribed by December.

Its three largest shareholders - Bank of Valletta, Mapfre Internacional and Munich Re, with a total holding of 62.5 per cent, each took up their proportionate entitlement.

BoV and Mapfre subscribed for a further 12.5 million excess shares each.

Additionally, 1,149 shareholders took up their proportionate entitlement and a further 346 shareholders subscribed to excess shares for a total of 1.7 million shares.

The shareholding structure of Middlesea now sees BoV and Mapre holding 30.8 per cent each, Munich Re 19.9 per cent (unchanged) while others hold 18.5 per cent (down from 37.5 per cent).

Meanwhile the company has since seen a change-of-guard at the helm, with Joseph FX Zahra taking over from Mario Grech who stepped down as Chairman.

UK hedge funds 'heading to Malta'

London's City business losing out to Malta? Major financial institutions are relocating to the island's enviable financial regime.

Charlot Zahra

About 20 UK-based hedge funds have re-located to Malta in 2009, attracted by a combination of low taxes, a favourable regulatory regime and cheap labour,

A report in last Sunday's edition of the Sunday Times, explained that Valletta was soon becoming "a second home for many of London's hedge funds"

Malta, according to the Sunday Times of London, offered "all the perks of being offshore — low taxes and a favourable regulatory regime — but it's part of the European Union, which makes investors comfortable about handing over huge wads of cash."

Among the 20 London-based firms that had set up an office here last year, there were the GBP 1 billion oil traders Bluegold, Pamplona Capital and Liongate.

According to The Sunday Times of London, operating costs in Malta were also "seriously low". "Running an office there costs half as much as the rest of Europe — it's a poor man's Geneva," a manager was quoted as saying by the prestigious London broadsheet.

"It's good for boating and fishing," an unidentified British worker in the hedge funds' industry who had relocated to Malta was quoted as saying. "The weather is nice, it's not snowing here," the unidentified worker enthused.

Unions, employers in showdown with MRA

Charlot Zahra

The MCESD in better days

All eyes are set on the meeting of the Malta Council for Social and Economic Development (MCESD) that will be meeting this afternoon to discuss the utility tariffs' hike that was introduced from January 1, this year.

Sources close to the meeting told Business Today (BT) that during the meeting, which will be held at the Phoenicia Hotel at 3pm, MRA Chairman Ruben Balzan will be presenting the workings of how the utility tariffs had been worked.

Finance Minister Tonio Fenech should be attending the meeting, apart from Parliamentary Secretary for Consultation Chris Said, who is politically responsible for the MCESD.

The MRA's lack of consultation prior to the publication of the tariffs and its refusal, until now, to discuss with the social partners the workings of the tariffs has angered both Unions' and employers' organisations.

Therefore the MRA will be facing some tough questioning on the workings methodology, especially by employers' organisations as the tariffs approved by the MRA mean a hefty increase of between 40 per cent and 70 per cent in energy costs.

Employers have already warned that if some form of mitigation measures to alleviate the burden on industry was not offered, thousands of jobs were on the line.

Speaking to Business Today, Malta Employers' Association (MEA) Director-General Joseph Farrugia called for "a show of transparency by the MRA about how the tariffs are being computed".

"Our main concern is that with the way in which the tariffs are being revised, the cost of electricity for commercial users will be the most expensive in Europe which will make it difficult for many Maltese businesses to remain competitive," Farrugia warned.

There was also the danger, the MEA boss added, that the revised tariffs would generate "further inflation which will mean that employers will have to fork out additional cost of living increase for 2011".

The tariffs were "a source of uncertainty which is definitely having a negative effect on business and which threatens to prolong the recession in Malta," the MEA Director-General told Business Today. ▸ page 3

GO to shed a further 150 workers

Charlot Zahra

In a long-ranging interview with Business Today (see pages 4-5), quad-band telecoms' company GO's Chief Executive Officer (CEO) David Kay confirmed that the company wants to reduce its total workforce to 1,000 workers.

Asked by this newspaper whether the current headcount at the company was right in view of the competitive challenges facing GO, both locally and globally, or whether he envisaged a further reduction, Kay told Business Today: "As a legacy company, GO's major challenge was managing its cost structures and issues – particularly where its headcount was concerned – were being addressed aggressively.

"A carefully managed and generous voluntary redundancy scheme allowed us to reduce our workforce by 450 employees in 2009," Kay told Business Today. He said that the company was meeting its headcount target of 1,150 by the end of 2009.

Pressed further to state the right headcount for the company right now, the GO CEO told Business Today: "We envisage further reduction in headcount so as to achieve the targeted 1,000 employee base". This means that the telecoms' company still needed to shed a further 150 workers to meet its headcount targets.

However, asked by this paper whether GO planned to issue further Voluntary Redundancy Schemes or not, Kay said categorically: "No".