FREE WITH maltatoday ON WEDNESDAY

Business Today

WEDNESDAY 3 February 2010 - **SUPPLEMENT ISSUE NO. 619**

Interview:
Ranier van Beckum
CEO Megabyte Ltd
Pages 4-5

Excessive Deficit
Let of the hook again?
Page 2-3

German sales in 2009 not bad as expected
Page 8

In collaboration with:
KAMRA TAL-PERITI

Tonio Fenech mum on Shipyards real bid value

PL, "A sale equivalent to the bus drivers pay-out"

Charlot Zahra

In a hastily-convened press conference, Finance Minister Tonio Fenech yesterday announced that Cabinet had approved the transfer of Docks 4, 5 and 6 in Cospicua to Neapolitan firm Palumbo SpA for € 52.7 million over a span of 30 years.

According to Fenech, the original offer was of € 68.7 million, however it goes down to € 52.7 million when it is taken on a Net Asset Value.

Fenech however skirted the question when asked to state the amount of cash that the successful bidders will be presenting upon signing the contract and whether the agreement was set over a number of years.

"It makes no difference whatsoever. That's why I stated the Net Asset Value. No privatisation takes place cash in hand, unless it is a transfer of equity," he told journalists.

"When a concession is made, payments are made over a number of years. The payment that is made on day one is not the final total of the privatisation," Fenech insisted.

"The price is made up of the consideration payment together with the annual concession," he added, without going into any further details.

The announcement immediately prompted PL Shadow Minister Charles Mangion to shoot down the news by stressing that the "Net Value of € 52.7 million for the shipyards sale was tantamount to what government paid-off in one a day to bus drivers."

Mangion stressed that he expected Minister Tonio Fenech to report to Parliament on all the facts surrounding the offers for the yards.

At the same time, the Government has closed the privatisation processes for the, the Manoel Island Superyacht Services and the Marsa Shipbuilding, as the bids presented, especially for the Marsa Shipbuilding, were far too low beyond the Government's expectations, especially in view of the offer presented by Palumbo.

Speaking during a hastily-convened press conference at the Finance Ministry in Valletta at 1pm, Fenech described Palumbo's offer for the Malta Shipyards as "a good offer which reached the Government's expectations on a financial level"

Palumbo was also pledging an investment programme of € 23.5 million in order to upgrade the Shipyard Facilities.

The transfer of the land in Cospicua will also have to be presented in Parliament for eventual approval.

Fenech said that originally there had been three bids for the Cospicua Shipyard, but the expectations did not reach the Government's expectations, both on the financial side as well as on various other levels.

At this point, the Government called on the original bidders re-submit their proposals. The Government at this stage received two re-submitted, both of which were described by Fenech as "interesting". In September, Palumbo SpA had already been identified by the Privatisaton Unit as preferred bidders for the Cospicua shipayards.

After futher negotiations, the Cabinet had now given its assent for the Privatisation Unit to conclude discussions with Palumbo SpA.

At the same time, the Government has concluded its discussions with the Manoel Island Yacht Yard consortium for the sale of the Manoel Island Yacht Yard for a net asset value of € 12.4 million. The Manoel Island Yacht Yard consortium is pledging a € 2 million investment programme to upgrade the facilities as well as a further € 1 million for landscaping to expand the space inside the yard.

Regarding the Manoel Island Super Yacht Services, Fenech said that originally there were five offers submitted for the facility, but none of these was deemed to be satisfactory.

After discussions with the consortia and the Privatisation Unit, during which the Government had clearly made its expectations known, a re-bidding process was made.

"However the re-bidding processes did not change almost all the offers submitted, especially in view of the financial offer that the Government had with regards to the Cospicua shipyards," Fenech explained.

Ironically, the Super Yacht Facility is the one which was making most money in the Malta Shipyards' books and never needed any subdies by the Government.

He said that in the meantime, the Malta Super Yacht Facility would continue in operation until a better set of bidders is found in a new privatisation process.

Regarding the Malta Shipbuilding, the Finance Minister lamented that the only two offers received by the Privatisation Unit were "way too short" of the Government's expectations.

After discussions with the Government, the preferred bidder indicated that it was not going to improve its offer for the Shipbuilding, therefore the Government decided to end the discussions.

"The Marsa site is the most strategic site and the largest site as well in Malta Shipyards, therefore it would not have been acceptable for us, even when considering the amount of money that we obtained for the ship-repair, that we continued to discuss at the level that we were discussing," Fenech insisted.

He announced that the Government was going to make an evaluation of the potential of the Marsa site, with a look at possibly dividing the bids into more than one. Fenech added that there were still a number of legal issues that had to be ironed out prior to the conclusion of the privatisation process.

There were four parts for which the privatisation bids had been opened – Docks 4,5 and 6 in Cospicua, the Marsa Ship Repair, the Manoel Island Yacht Services, the Manoel Island Super Yacht Services.

Greece, a euro zone issue

Greece's fiscal problems are an issue for the whole euro zone and more countries could be affected, the country's finance minister said yesterday. "Following Greece, there are other countries, like Spain and Portugal. This is why the Greek issue, despite its particular Greek characteristics, is also a euro zone issue," Finance Minister George Papaconstantinou (in photo) said. Papaconstantinou said Greece would back a joint euro zone bond. "But given the current circumstances, Greece can't go forward and carry the flag in favour of euro bonds," he said.

EC 'not informed' on Air Malta

Charlot Zahra

The Maltese Government has not yet informed the European Commission about its intention to offer support to national airline Air Malta after the company registered a record € 31 million loss during the financial year ending 31 March 2009, Business Today has learnt.

Asked by Business Today to confirm whether the Maltese Government had informed the EC about its intention to intervene with Air Mlata through State aid, the Commission spokesperson did not mince his words.

"The competent service of the Commission (the Directorate General for Transport and Energy - DG TREN) has not had any contact with the Maltese authorities regarding any plans to offer support to Air Malta," Fabio Pirotta said.

Last Friday, Finance Minister Tonio Fenech was quoted as saying that "talks had already started with the European Commission on a recapitalisation programme, which respected the EU's state aid rules".

When pressed, Fenech did not give any details about the new restructuring plans, claiming it was "premature".

Asked about the conditions that the Maltese Government will have to fulfil in order for any such request to be accepted, the Commission spokesperson told Business Today:

"With respect to applicable legal framework the generally applicable rules in respect of firms in difficulty are the 2004 Community Guidelines on State aid for the rescue and restructuring of firms in difficulty as well as the 1994 Aviation State aid guidelines,"

Sources told Business Today that there were two types of aid that the Maltese Government could apply for under the 2004 guidelines – rescue aid and restructuring aid.