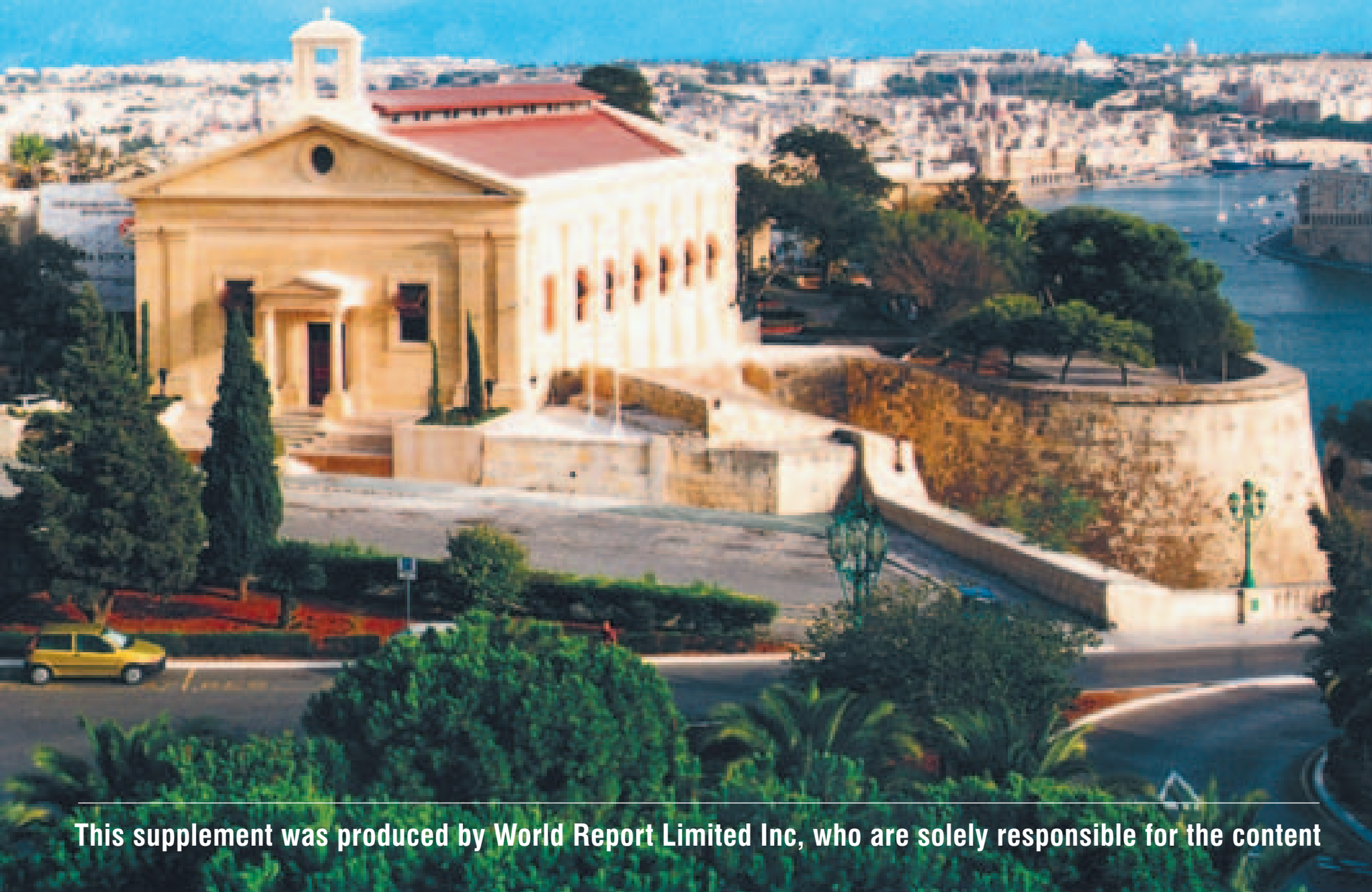


# World Report

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## MALTA

**THE MEDITERRANEAN HUB OF  
THE EUROPEAN UNION**



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This report can also be read online:

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13 MAY 2006

**Now part of the EU, Malta is using its affiliation to further reform processes, develop a dynamic economy and improve the standard of living**

Malta was one of the 10 nations that acceded to the European Union (EU) on May 1, 2004. Almost two years on, the country is by no means slow in acknowledging the benefits of this move, particularly the more obvious ones such as the allocation of one of the highest amounts per capita from the EU Structural and Cohesion Funds for the first three years of membership – more than 380 million euros – and another substantial portion for the next financial perspective up to 2013.

# Celebrating two years of EU membership

However, it has also become very clear that Malta sees EU membership not as an end in itself, but as a valuable contribution to the country's own economic reform process, and as a tool that helps support future progress and speeds up the attainment of the government's objectives. These are primarily the creation and development of a dynamic economy based on high value-added industry and high-quality skills, capable of providing a high standard of living for its people.

Despite being the Union's smallest member, Malta is confident in its own right. "Within the EU, it's not a matter of size, but of levels, ideas, positions,



DR. LAWRENCE GONZI

PRIME MINISTER

**'We are an integral part of the decision-making process and that is extremely valuable'**



LAWRENCE ZAMMIT

CHAIRMAN OF AIR MALTA

**'Air Malta is seeking to exploit niche opportunities within the EU'**

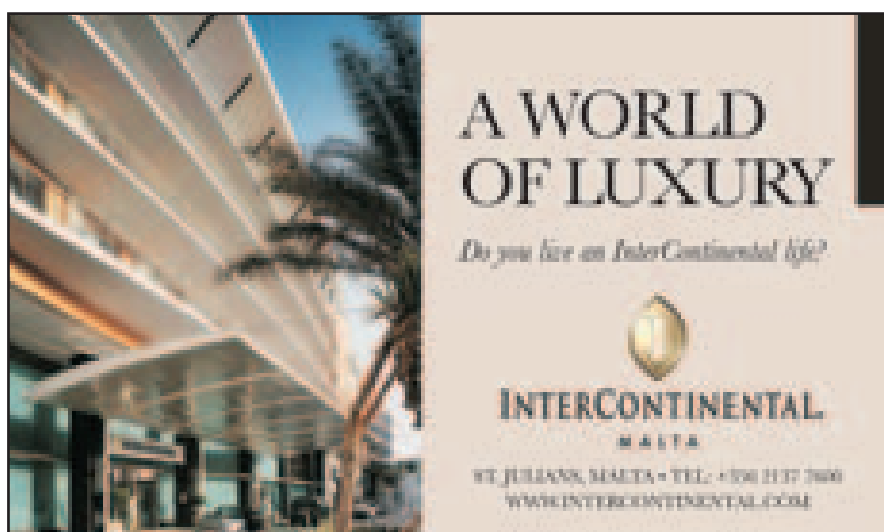
opinions and other such factors. We are an integral part of the decision-making process and that is extremely valuable for us," says Dr. Lawrence Gonzi, Malta's Prime Minister.

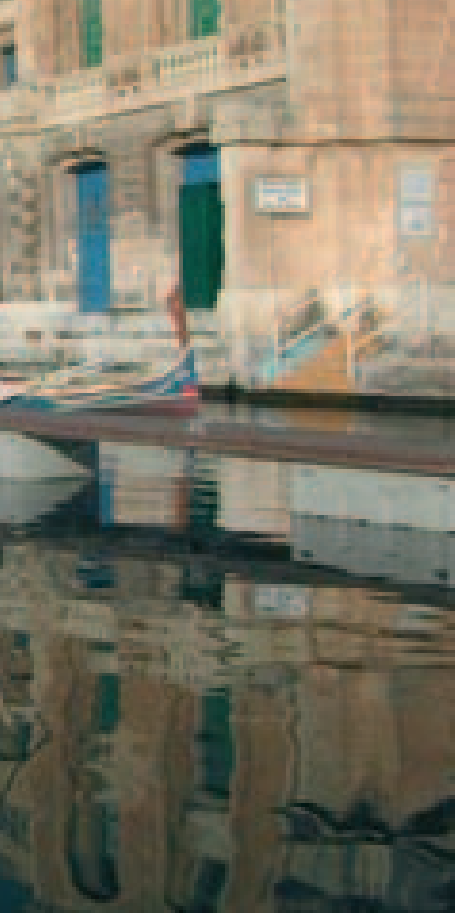
The country's reform process, which affects areas ranging from pensions to state-owned companies, would be under way with or without the EU, stresses Dr Gonzi. With this level of commitment across the board, the economic impact is beginning to show. National economic growth, while not yet up to optimum levels, is moving in the right direction. Fiscal consolidation is progressing according to plan, the public sector is becoming more efficient, privatization is under way and the deficit is firmly under control. With the additional help of EU funding, the government continues to invest in the environment, health, education, social services and infrastructure. "We have managed to implement projects that tackle very important areas such as waste management, clean seas,

clean air and clean water, which required major structural funds to proceed. These are now available thanks to membership," he explains.

Foreign direct investment in Malta is also increasing, particularly in the pharmaceutical and ICT sectors, where it is expected to generate hundreds of new jobs. Meanwhile, the growing financial sector is absorbing graduates in this field as quickly as they qualify. With the focus on value-added services becoming the mainstay of the economy, human resources continue to be the nation's most valuable asset. Positive steps in this direction include doubling the size of university intake and extending the range of the country's educational services.

Malta is strategically placed at the southernmost tip of Europe, providing a practical and efficient base from which European and American businesses can access North African markets. "Being situated so close to the African continent proves to be a very effective proposition for businesses to





through EU membership, and aims to increase connections throughout Europe. Company chairman Lawrence Zammit believes that Air Malta has a critical role to play in the country's development. "We are not just the prime movers of tourists, we also support the manufacturing sector," he says. Air Malta is important in this regard especially in light of the fact that 90-95 per cent of all products manufactured in Malta are for exportation.

Although EU membership will increase competition for the airline nationally, it will also give Air Malta the opportunity to take advantage of external markets, explains Mr Zammit. "We believe that the EU's current transport sector policy is suitable for Malta. Today, Air Malta is seeking to exploit niche opportunities within the EU in operating intra-European flights, which do not actually touch Maltese shores," he states. The firm is already operating flights between Catania and London, as well as flying out of the UK from Bradford and Bristol.

Almost two years on, it would seem that the decision to join the EU has been a good one. "EU membership has been an extremely positive experience so far, even though we are still at the very beginning of the journey," says Dr Gonzi. ■

## Reforms: 'a common sense recipe for jobs and growth'

□ The Lisbon Agenda was launched in March 2000 with the aim of creating a unified, knowledge-based economy in Europe that is both competitive and capable of sustainable growth, and which leads to an increase in quantity and quality of employment over the next ten years.

Prime Minister Dr. Lawrence Gonzi has referred to it as "a common-sense recipe for jobs and growth", emphasising that Malta's own national priorities fall in line with this policy. Accordingly, Malta has set up a National Reform Programme (NRP) to monitor the implementation of the Lisbon Agenda. The NRP covers five strategic themes: sustainability of public finances, competitiveness, employment, education and training, and the environment.

There are a number of challenges that are particular to

Malta, such as that of the very low female participation rate. Specific initiatives have been created which focus on increasing this rate, but currently the main priority is to train the national workforce.

"Investing in a knowledge-based society will create an enormous demand for a workforce that is highly ICT-knowledgeable. We already have a proportion of experienced and informed professionals within this sector, but the demand for such people will continue to increase. In order to satisfy this request, investment has to be made within this sector," says the Prime Minister.

Consistent investment in human resources is one of the reasons for the high standard of living in Malta, but more needs to be done. "We know where we want to be going in ten years time," says Dr Gonzi.

come to Malta in a number of sectors," adds the Prime Minister.

Being an island presents no real inconvenience for business. The Maltese digital communications network is one of the most modern in the world. In terms of physical connectivity, the national airline, Air Malta, welcomes the new open skies available

**malta stock exchange**

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# Fiscal consolidation to help Malta become leading centre for finance in EU

*A time of change: Malta must maintain a high level of growth, reduce the national debt, and prepare for the arrival of the euro*

Strategically considered to be a portal between Europe and North Africa, Malta has a long tradition of international trade and finance. In 1992, when the political decision was taken to apply for EU membership, Malta abandoned its position as an offshore tax haven to become an active onshore banking and finance centre. Extensive fiscal reforms under which the country's laws have been aligned to EU directives and a spate of new regulatory laws have since opened the gateway for a new era of financial services.

Today, Malta's financial sector is small but highly competitive. The country has been able to benefit from the experiences of other financial services centres in the creation of its legislative and administrative frameworks, which are conceivably among the best in Europe. Maltese finance laws, for the most part, are based on the British-American philosophy, and international accounting standards are adopted as soon as they are issued, explains Tonio Fenech, Parliamentary Secretary in the Ministry of Finance and acting Finance Minister. While there are tax benefits on offer, one of the island nation's strongest points is a highly qualified and technical human resource base with English as an official language. Malta, in fact, has all the necessary ingre-



Financial services, the fastest growing sector in the economy, represent 12% of the country's GDP.



dients to become a leading centre for financial services in the EU.

The key to expanding the country's success in this area, according to Mr Fenech, is the consistent application of high standards. "We have never believed that financial services are just a product to sell. We are not here to get just any business: we want reliable business because we can offer a reliable service," says the secretary.

"There are many growth areas we can offer in this sector," adds Mr Fenech, stressing that the only limiting factor is

the provision of professionals for the industry. "If we can provide more people, we can give more services," he states. Financial services currently representing 12 per cent of the country's GDP comprise the fastest growing sector of the Maltese economy and are one of the most important providers of employment for trained professionals.

In 2002, the Malta Financial Services Authority (MFSA) was established to take over the regulatory and supervisory functions of the country's financial sector. The central bank, which used to regulate the finance industry, is now responsible for promoting price stability and creating an independent monetary policy. "Stable prices are essential for business, for planning ahead and for predictability," says Michael Bonello, the bank's governor. Other objectives include promoting economic development by keeping interest rates as low as possible, and acting as advisor to the government on economic issues. However, the most pressing item on the

agenda is preparing Malta for accession to the single European currency.

Having joined the EU in 2004, the government is determined to ensure that the country will meet the Maastricht convergence criteria required in order for Malta to be in a position to adopt the euro on January 1, 2008. The country's public deficit for 2006 is estimated at Lm55 million (£89 million), or 2.8 per cent of the GDP, which is below the 3 per cent threshold needed. Mr Fenech notes that this has been achieved without sacrificing economic growth. "Our GDP growth last year was 2.5 per cent which, compared to the previous years and to the rest of Europe, is good." The completion of various privatization projects this year is expected to help reduce the national debt, and this would satisfy the second criterion. Inflation, the third criterion, is within the EU average and is being closely monitored.

Malta has already joined the Exchange Rate Mechanism II, committing to keeping its currency fixed in terms of the euro. The finance ministry has stated that the country will continue to align its economy closely with that of its European partners, applying strict fiscal discipline. "Joining the EU has brought about a more determined approach towards fiscal consolidation," says Mr Fenech. ■

## Maltese financial laws are based on the British-American philosophy



TONIO FENECH

PARLIAMENTARY SECRETARY  
MINISTRY OF FINANCE

**'We want reliable business because we can offer reliable service'**

## MSE looking to branch out

□ The Malta Stock Exchange (MSE) has only been around for 14 years, and lists only 14 companies. Despite its short life span and small size, however, it has been showing impressive results. Last year (2005), its index value rose more than 60 per cent, and its 14 equities ended the year with a total market capitalisation of just over Lm1.5 billion (£2.4 billion), a 50 per cent increase from the previous year.

Up to two years ago, the exchange used to act as a sector regulator, a role which has now been given to the Malta Financial Services Authority (MFSA). As a result, the MSE now operates in a purely commercial sense, with more freedom to reach out to companies and offer them other services. "We are in the process of developing a strategy on how we will move forward, and there are quite a few changes I would like to carry out. I wouldn't mind privatising parts of the equity of the stock exchange itself. We would need to find a strategic partner, such as an exchange which is much larger than us but which could likewise benefit from the association as much as we do," says Joseph Zammit Tabona, chairman of the MSE.

Membership in the EU gives the MSE the opportunity to expand by listing companies from other member countries. "We are looking at the overseas market. It is still in its early days but it's certainly a target that I intend to act upon," says Mr Zammit Tabona. One of the first steps towards making this a possibility is ensuring that all of Malta's listing fees and charges are on par with what is being charged abroad, creating a level playing field. Also, Europe is not the only

target. "If companies from the Middle-East wanted to get a particular listing within Europe, then Malta could be an appropriate stepping stone," adds Mr Zammit Tabona.

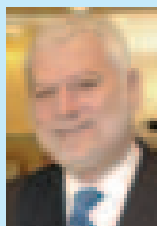
The key is being proactive. "We need to carry out a certain amount of research so that we can then approach companies and try and convince them to come for a listing," says the chairman. Support from the banks in this endeavour is also necessary. "The banks have all the money, meaning they are in a position to lend to any of the potential clients that would want to come into the market," explains the chairman, who has already been engaging in dialogue with banks, brokers, accountants and lawyers to look at ways of bringing in more companies.

Making the MFSA the single regulator has benefited finance companies, which have seen a reduction in

bureaucracy, better streamlining of procedures, a decrease in fees and costs, and a more consistent application of standards. "Our advantages include our trans-

parent approach, our willingness to meet the parties, and our flexibility in dealing with institutions," says Professor Joseph Banister, the MFSA chairman and president.

These advantages tally with the government's objective of increasing the contribution of the financial services sector to GDP – currently around 12 per cent – to up to 25 per cent. This, says the MSE chairman, will in turn strengthen the bourse's role. "We need to ensure that we have all the right instruments in place so as to get more and more companies listed on the exchange," he says.



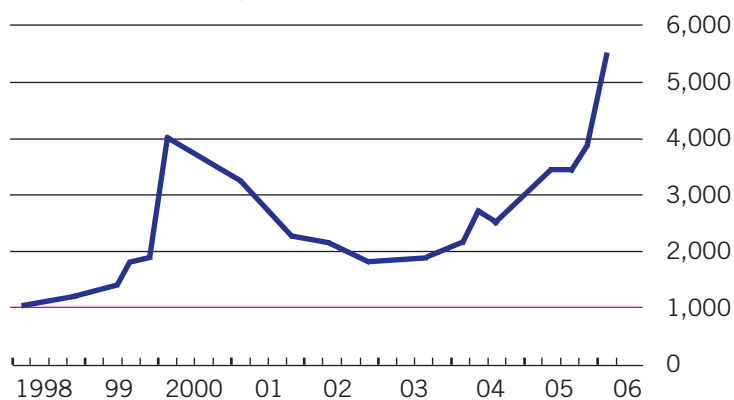
JOSEPH ZAMMIT TABONA

CHAIRMAN OF THE MALTA STOCK EXCHANGE

**'We are currently looking for a strategic partner'**

### Malta Stock Exchange index

December 27th 1995=1,000



Source: Malta Stock Exchange

# Bank enters period of change

**The Bank of Valletta looks to capitalize on the advantages of EU membership**

Malta's ongoing and successful development as a financial centre is based on various factors. First, it has human resources: a well-educated workforce with multi-lingual skills. Second, the liberalisation of the market and the convergence of Malta's regulatory regime with that of the EU have led to an influx of financial services capital.

"Malta's membership in the EU provides a good degree of comfort for potential investors," says Tonio Depasquale, chief executive officer of Bank of Valletta (BOV),

Malta's largest bank in terms of balance sheet size. Despite increased competition from big-name foreign banks such as HSBC, BOV has maintained its market share. "We have the largest distribution network operated by a financial organization in Malta. We have the largest shareholder base, and we have a market share of close to 45 per cent," he says. The bank is currently looking at a number of growth areas, including diversifying into insurance and other specialised services.

The transition to the euro, scheduled for January 2008, will entail costs to the bank, mostly related to updating IT systems. In addition, some of the profits generated from foreign exchange margins will be lost. But there are also significant advantages,

Continued on page 6



The Bank of Valletta centre is a modern, environmentally-friendly and structurally efficient building which was officially inaugurated in February of 2006 by the Prime Minister, Dr. Lawrence Gonzi.

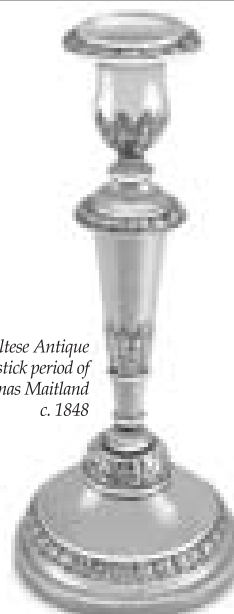
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Maltese Antique  
Candlestick period of  
Sir Thomas Maitland  
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**TONIO DEPASQUALE**  
BANK OF VALLETTA  
CHIEF EXECUTIVE OFFICER

**'Malta's membership in the EU provides a degree of comfort for potential investors'**

Continued from page 6

says Mr Depasquale. With the euro as the official currency, the bank will have more opportunities and flexibility to invest excess liquidity, which should hopefully more than compensate for any income lost.

The bank is facing full privatisation, as the government plans to divest itself of the remaining 25 per cent of its shares of the institution. Most opinions favour looking regionally for a strategic partner who can guarantee that the bank will remain a central player in Malta while becoming an important player in the Mediterranean, where the bank sees good future prospects.

The BOV recently hosted a conference on trade finance in the Mediterranean, calling for a strengthening of multilateral trading ties between the EU and individual Mediterranean countries, and the continued liberalisation of the services sector to enable smaller financial institutions to consolidate and support growing international and inter-regional trade. ■

# Changing the economy and bridging the digital divide

*Malta is more than ready to become a regional hub for permanent ICT industry and services*

Malta is going through what is traditionally called the "second phase" of industrialisation. From the late 60s to the late 80s, the country operated as a low cost, low end, high-volume manufacturing base. By the mid-80s, heavy competition in this type of industry from areas such as North Africa, the Far East and China, followed by Croatia and Turkey, meant it was no longer profitable. Government policies were therefore redirected towards encouraging higher, more enhanced industry. "Today we are only targeting higher value-added manufacturing enterprises," says Austin Gatt, Minister of Investment, Industry and Information Technology (IIIT).



ICT is present in all areas: in business, government, private homes and in the education sector.

"The more advanced the country becomes economically, the less it will depend on low level, high-end manufacturing. It's important for our industrial sector that we boost pharmaceuticals, electronics, aircraft repair and the like," continues the minister.

Mr Gatt sees the government's role as

paving the way to the new markets, and masterminding the leap from the old type of economy to the new one, in line with the Lisbon Agenda. Substantial investment is needed to train people to meet the challenge, as well as changing cultural perceptions and attitudes. With a strong focus on training and ICT access for all

The Ministry of Education, Youth and Employment in Malta is committed towards strengthening the education system and providing training opportunities to ensure that everyone partakes in the country's development. The Ministry seeks to provide an education system for all children to succeed and training opportunities which allow the work force to remain flexible and relevant to the needs of a changing economy.

Malta's educated and skilled labour force is the backbone of our economy. Through investment in education and training the Maltese government seeks to maintain a high-quality workforce based on knowledge.

With over €12.6m in funding from the European Social Fund under the Malta Structural Funds Programme, Malta is strengthening:

**Education and Social Infrastructure** – to improve the skills in technical areas and upgrade the skills of workers in the more 'traditional' industries, and to upgrade the current educational facilities and enhance the rate of participation in training courses.

**Employability and Adaptability** – to increase female participation, increase work-mobility, help people find their first job and decrease long-term unemployment.

**Gender Equality** – to improve work-life balance for working parents, increase female participation and reduce professional segregation, provide childcare services and raise awareness on gender issues.

**Lifelong Learning and Social Inclusion** – to provide research and bursary mobility grants to strengthen R&D, integrate disabled persons into the labour market, provide access to education, training and employment to socially excluded persons and to Enhance employability of the local workforce in a changing labour market through the provision of appropriate training schemes.



Ministry of Education  
Youth & Employment  
Malta



# LEARNING *for* LIFE



**AUSTIN GATT**  
MINISTER OF INVESTMENT,  
INDUSTRY AND IT  
**'We aim to leverage  
our success to create  
a permanent ICT  
industry in Malta'**

and under a policy to reduce the digital divide, the transition is taking place. One key element for the success of this strategy is that the economy has been able to absorb the number of redundancies in the low-end manufacturing industry, slowly integrating them into new sectors.

Malta already has one of the highest levels in the world of ICT penetration, not just at business levels but in schools, local councils, private homes and other segments of everyday life. Furthermore, the government has a very clear policy regarding investment in ICT areas. "Six years ago we set up an ICT policy, in which we outlined the aim of making Malta a centre of excellence in the Mediterranean. I believe we have hit all the targets," states the minister. Averages for ICT exports and in areas of investment and ICT innovation are twice as high as other EU averages for the same area.

"What we want to do now is leverage this kind of success into creating a permanent ICT industry in Malta," says Mr Gatt. As well as focusing on software development and ICT engineering, the idea is to encompass telecoms and media, and expand further into warehousing of ICT products, as well as the back office and financial operations of ICT companies.

Ideally, Malta would become a regional hub for ICT industry and services, integrating the major companies and offering them a platform from which they can operate throughout the Mediterranean. The country is ready, says Mr Gatt. "What we need to do now is to create a durable base where Malta becomes recognised as the place to be for ICT in the Mediterranean."

An important ICT project is currently on the government drawing board: the creation of a new Media Smart City in Malta, based on models developed by the Dubai company Tecom Investments. Over an eight-year period, the new SmartCity@Malta is projected to create 5,600 new jobs, around 65 per cent of which will be in Malta's knowledge industry. The government has agreed to invest the land into the project whilst Tecom is expected to undertake an investment of approximately \$300 million (£171 billion).

"I think the service industry is where we have really succeeded. If we continue successfully investing in education as we have been doing, this will ensure that our population, although small, will have the most skilled and knowledgeable people," says Mr Gatt. ■

# Solid communications system is lifeblood of new economy

## Boosts in education and technical skills are key as Malta develops into an ICT centre of excellence

It is one of the objectives of the EU to turn Europe into a major knowledge-based economy. Malta, perhaps because of its island status and the fact that it is the smallest of the member nations, has a long-established policy of improving its communications systems and educating all of its citizens to high standards. As a result, the country is at the forefront of ICT expertise and application, and is well on its way to becoming one of the major European centres of IT excellence.

The Ministry of Education has been working on all fronts to encourage higher levels of technical skills and ICT knowledge among the population. The fast-track development of Malta's communications infrastructure has made the Maltese people more open to new ideas and prepared to take more risks, says Minister of Education Dr Louis Galea, a factor which helps to keep the country at the cutting edge of technology.

Given the importance of human resources to the country's economy, significant investment is being made to boost and develop education. At the compulsory education level, the "Tomorrow's School" project aims to renovate and refurbish all public schools to the same high standards. In higher education, the new Malta College of Arts and Technology (MCAST) will spearhead the ministry's objective of networking with other educational systems and institutions. "Each of MCAST's ten institutes must have two types of partnerships: one with a major industry in the field of its specialty, and another with a foreign college that specialises in the same area," says the minister.

The idea behind the plan is that the institute will be interacting by bringing over foreign lecturers, allowing student exchanges and other similar methods of creating mutual interaction. This broadened perspective, explains Dr Galea, exposes Malta to a larger market, which in turn will boost development.

However, none of this would be possible without the existence of a solid communications system. This is where soon-to-be privatised telecoms company Maltacom fits in. "Maltacom is a very important plank in our economic platform. It provides the life blood for our



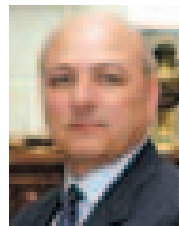
Maltacom offers national and international services as well as IT business solutions.

new activities," says Sonny Portelli, Maltacom chairman. All economic activities, from the growing financial services sector to the all-important tourism industry, rely on the most up-to-date and efficient telecoms environment.

"We are no longer in the business of just supplying voice communication," says Mr Portelli. Maltacom's future revenue generators will be other types of services such as 3G, UMTS and all other technological developments in interactive communication, including video and digital television.

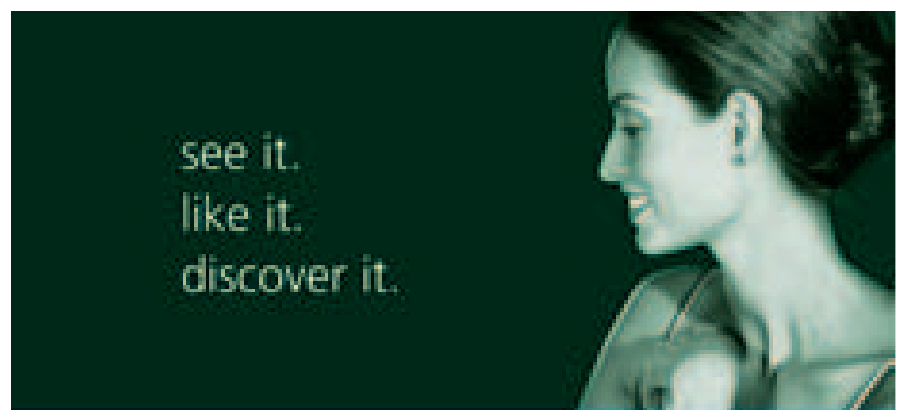
Maltacom stands to benefit even further from Malta's strategic geo-political location. "We could become a very important hub for communications for both the north and the south. A huge amount of development will be taking place to our south. There has to be a north-south dialogue and most of that dialogue will have to be carried over somebody's wires," adds the chairman.

Maltacom is one of the last of the Western European telecommunication firms to go into complete private ownership, but Mr Portelli foresees no disadvantage whatsoever in this move (see interview, page 8). Tomorrow's Maltacom, he believes, will be a fully converged group driven by IP-empowered technology, managed by ICT specialists, and delivering the highest standards of service and affordable rates. Any telecoms executive will have the same vision, and whoever steps into the government's shoes will be speaking the same language. ■



**LOUIS GALEA**  
MINISTER OF EDUCATION

**'Our college will have  
partnerships with spe-  
cialized foreign schools'**



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**MERIDIEN**  
ST JULIANS - MALTA

# 'We, and our services, continue to move forward'

*An interview with Sonny Portelli, chairman of Maltacom*

Established in 1997, Maltacom, Telemalta Corporation's successor, is now in the process of privatisation. The reason behind the change is to provide Maltacom with a strong technology partner that will help the company be a catalyst for the information society. Sonny Portelli, Maltacom's chairman, discusses the evolution of the business.

**How has Maltacom changed since Malta became an EU member?**

The competition is there and we are meeting it head-on. The worst thing one can do when managing a business is to try and resist change. The trick is to be ahead of the change curve and to be proactive rather than reactive. One of our major advantages is our location. Also, there is a general positive



**SONNY PORTELLI**  
CHAIRMAN OF MALTACOM

**'Maltacom will continue to be an important player on the national stage'**

disposal towards IT environments. Maltacom is no longer just a provider of voice communications and an ordinary provider of telecommunications. As we continue to move forward, our service will include video, interactive communication and other developments which will provide a whole new lifestyle.

**How do you see Maltacom developing after privatisation?**

Maltacom will continue to be an important player on the Maltese stage regardless of the owner. There is a consistent stream of investment

going into telecoms and the sector is still considered an area of future growth. The rest of the economy is, whether it realises it or not, dependent on telecoms: that is where the money is going to come from. ■

## Smart city, Malta's new ICT project

On April 7, the Minister for Investment, Industry and Information Technology, Austin Gatt, signed the Heads of Agreement with Ahmad Bin Byat, chairman of Dubai-based Tecom Investments, on Malta's new Smart City, paving the way for the final agreement to be finished by this summer.

"SmartCity@Malta" is set to be the largest ever ICT private sector project and single foreign direct investment to Malta. It will also be the largest ever new source of knowledge-based jobs to be secured by the country.

The new techno city, based on Tecom Investments' "Dubai Internet City", which groups together over 700 tenant ICT companies, will take over the site of the existing Ricasoli Industrial estate and adjacent land, putting it to state-of-the-art use with the additional development of a

hotel and other activities to help attract knowledge-based operations to the site. According to Mr Gatt, the choice of location serves two purposes: improving an otherwise dilapidated and abandoned area, and promoting ICT development in the south of Malta. The creation of

knowledge-based jobs, value-added services and tourist attractions in the area is expected to become an important step towards establishing a balance across the country. An important stipulation in the agreements is that all public areas at SmartCity@Malta as well as the Ricasoli foreshore will remain entirely accessible to the public.

The project will be a first for the EU, making it an ideal European outpost for global ICT/media companies wishing to establish a presence in Europe.



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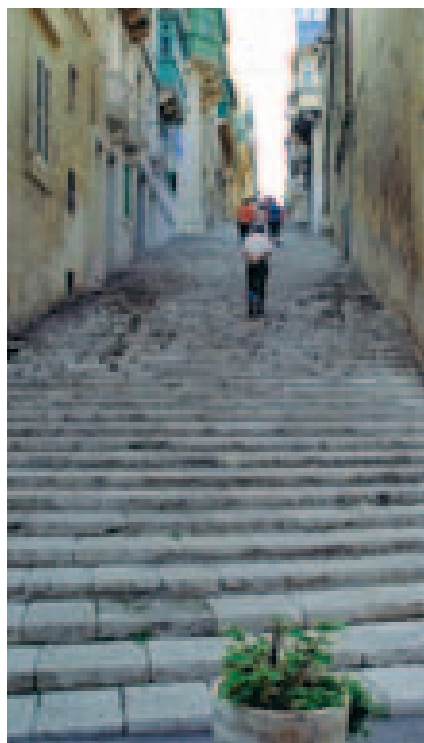
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# Heritage, hospitality, diversity

## Malta is changing its strategy in an effort to sweeten up its tourist package

Malta's carrying capacity for tourism with its current infrastructure is around 1.5 million, says Romwald Lungaro-Mifsud, executive chairman of the Malta Tourism Authority (MTA). Given that neighbouring countries in the Mediterranean such as Turkey can compete in tourism with more space and lower wages and running costs, Malta needs to expand its industry not through quantity, but through quality. This means enhancing and developing the country's assets such as its cultural heritage, and exploiting new kinds of tourist activity.

The MTA was established in 1999 to cover marketing, product planning and development, enforcement and human resources development within the tourism sector. It has recently restructured, creating seven segments to target different areas: summer and winter sun leisure, history and culture, meetings, incentives, conferences and events (MICE), English as a foreign language, sports tourism, and Gozo-based holidays. Also under way is a strategy to rebrand Malta using three key concepts: heritage, hospitality and diversity. But the main objective, shared by the Ministry of Tourism and by businesses in the industry, is to carry on increasing



Visitors to Malta can experience 7000 years of history in 316 square kilometres.

standards, both in services and in products offered.

Cultural heritage continues to be Malta's most saleable asset. Where else, asks Minister of Tourism Francis Zammit Dimech, can one experience 7000 years of history in the space of 316 square kilometres? (see interview below). In addition, promoting this kind of tourism can also be a key factor in

extending the high season to the winter months. "Many people who travel because of cultural heritage do not particularly want to see the sights under the scorching sun," says Mr Zammit.

Situated on the grounds of a 19th century Maltese Villa on the seafront of the picturesque Balluta Bay, the five-star, 276-bedroom Le Meridien St Julians represents quality and culture. According to general manager

## Malta is expanding its industry through quality, not quantity

Benjamin Sington, the hotel chain is very European in its devotion to fashion, arts and music. "We stand for discovery, culture and that which is chic. In this hotel, although my guests are here on holiday, they are not here just for the sun, they are also here for the culture," he states.

Minister Zammit Dimech has emphasised the need for a five-star infrastructure and environment to complement five-star facilities such as Le Meridien, and has stressed that the government will continue with its commitment to invest in Malta's historical heritage. ■

## 'We are driving tourism on a segment-based approach'

### What makes Malta different from other tourist destinations?

Malta is a country where you can experience 7000 years of history within a relatively small area. You can see a Stone Age megalithic site and then walk to a Roman era house, or even discover the legacy of the Knights of St John. It is also important to point out that this is a very safe environment. Furthermore, English is the second official language, something which not only benefits British visitors but most other Europeans. It is not only a question of communicating with local people in English, but of being able to read the press or follow the news. Malta is also modern and vibrant, with countless nightlife and entertainment options. Besides visiting our cultural heritage sites, people can attend a myriad of events and be a part of a country that is very active.



FRANCIS ZAMMIT DIMECH  
MINISTER OF TOURISM

**'Malta is vibrant, modern, and entertaining - an active country full of culture and events'**

### How do you see the tourism industry developing in 2006?

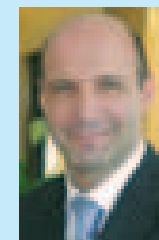
What we will be doing over the course of this year is driving tourism on a much more segment-based approach as opposed to emphasising only the source market. One exception will be the UK, as one third of all our visitors are British, making it our largest source market. We will keep our full MTA offices in the UK and in Germany. But having said that, we will be asking ourselves not just: "Where do the tourists come

from?", but also: "Why have they come to Malta?" And our tourism strategy will be a reflection of that.

### One of the issues affecting the tourism industry is that around 95 per cent of visitors arrive by air. What is being done to make Malta more accessible?

We are open to low-cost carriers operating to and from Malta if they wish to do so. There is no protectionist policy in place to make this difficult. The real issue is whether Malta should offer some kind of discount or support to come closer to the operating cost at which they wish to come. We have already identified the industry growth areas, which include the Iberian Peninsula and Switzerland, but we are also discussing schemes which will make the more lucrative routes, such as UK - Malta or Germany - Malta, more attractive to low-cost carriers.

## An ideal conference venue



CHRISTOPHE LAURE

GENERAL MANAGER  
INTERCONTINENTAL  
HOTEL

**'Joining the EU has brought Malta more exposure'**

Malta is looking to develop areas to extend the tourist season. One option is sports tourism. Athletes and sportspeople could take advantage of the sports infrastructures during the colder months.

Another very important and lucrative option is conference and incentives tourism, which takes place in the winter. Malta has already shown that it is capable of handling large events. Last November, the country hosted the Commonwealth Heads of Government meeting (CHOGM), with an attendance of more than 40 heads of government.

The key ingredient to promoting such segments is target marketing and enhancing market perception, something the MTA is now tackling head on with its new branding policy.

"How are we perceived abroad?" asks Christophe Laure, general manager of the Intercontinental Hotel, which opened three years ago. "The British see Malta as a sunny summer destination, the French tend to perceive our cultural aspect, and think of us as a place to organize conferences."

With 451 rooms and 5,000 square metres of conference space, the hotel is perfectly situated to promote the MICE sector, and is targeting the conferences segment. "We have joined the EU which has brought Malta more exposure, and business in general is growing because of this," adds Mr Laure, noting that markets such as Spain are now becoming just as important as the French or the British.

Air Malta, the nation's airline, works with the MTA in promoting Malta overseas. By increasing the number and destinations of its flights, keeping fares competitive, and introducing e-booking and e-ticketing, the company is helping to ensure that the flow of visitors does not wane.

# Rebranding Malta

*The island nation is reinventing itself with a new marketing plan, all in an effort to revitalize the sector. And it's working.*

In this day and age, branding is a part of life. As a world of consumers, we are primed to understand that a name or a logo can represent an entire concept, whether it is as small as a household item or as large as a country. This is why the Malta Tourism Authority (MTA) is taking steps to establish a brand for Malta that will allow a more efficient and effective marketing of the country's already thriving tourism industry.

The project has been split into two equally important parts: external and internal branding. At a sector workshop held last July, working groups looked into optimal ways of presenting Malta abroad, based on comparative evaluations with other countries' promotion exercises. One key decision has been to focus on marketing and sales rather than marketing and promotion as in the past. Another has been to operate Malta's tourism sector on a segment basis, dividing potential markets into seven separate areas and targeting each accordingly.

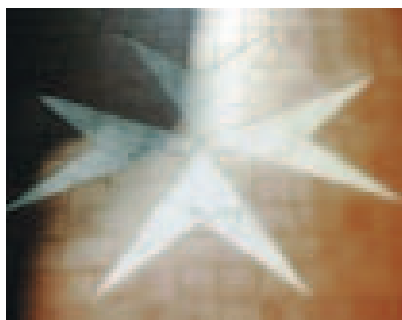
"We're very much in the age of specialisation," says Romwald Lungaro-Mifsud, executive chairman of the MTA. "Obviously our product offer determines

what business segments we can target, but we also depend on market intelligence. In order to set targets for the coming year, we have analysed the trends in the various segments in order to carefully plan our marketing approach." With the appropriate information and market research comes additional confidence. "We know that our targets are achievable. We know that our strategies are doable," he adds.

The seven tourism segment teams established by the ministry and the MTA will be working hand-in-hand with advisory groups from the private sector, appointed by the industry itself, in order to capitalise on the wealth of knowledge available. All the segments will be coordinated by a director of marketing and sales, and four annual meetings will be held to identify weaknesses and provide continuous support.

But a brand isn't just built in an office, it depends on the people of Malta as well as external factors, according to the executive chairman, and plans are under way to develop an internal branding campaign. This will target the main players in the country's tourism industry in an initial phase, and will eventually be introduced to the general community. "This is per-

haps the biggest challenge," says Mr Lungaro-Mifsud. The MTA will send promotional packs to key industry stakeholders, and hold training seminars to recover what he refers to as "the basics". "Malta is a mature tourism destination and, although we are well-known for our hospitality, it is easy to start taking levels of tourism for granted," explains the MTA head, who sees each Maltese citizen as a potential brand manager. "Our mission is to enrich each visitor's life. A smile costs nothing," he adds.



**An internal branding campaign is well underway**



The government is restoring old buildings, roads, monuments and beaches to improve the tourism product and beautify the island.



ROMWALD LUNGARO-MIFSUD  
MTA CHAIRMAN

**'Our mission here is to enrich each visitor's life. A smile costs nothing'**

Three factors influence Malta's strategies for revitalising the sector: high development costs, high operating costs, and a limited carrying capacity. This means that instead of going for increased volume, the country is looking to stand out from competition through quality and standards. "Standards are a long-term investment," says Mr Lungaro-Mifsud.

The government plans to set in motion the restoration of monuments, old buildings, roads networks, and beaches in its bid to improve the tourism product offer and the standards of service. "The aim is to bring in more revenue. The aim is to be able to charge a better rate," explains Mr Lungaro-Mifsud. "Again it all boils down to the brand. The branding is so vital. Explaining to every one of us what we can do on basic terms improves our standards. Malta is improving but there is still a long way to go. Branding is the key," he adds. ■

## Luxury, extravagance at Le Meridien

□ According to MTA studies, Malta can accommodate around 1.5 million tourists. Despite the fact that this is more than three times the country's population, in terms of the industry it is not so huge, especially when compared to large countries like Tunisia or Turkey which have the added advantage of lower running costs. Malta's strategy, therefore, is to be selective about those 1.5 million visitors, aiming for the upper end of the market with a product offer that includes a rich array of cultural sites, activities and events, and a range of luxury accommodation from which to choose.

The latest addition to this range is Le Meridien's second hotel on Malta, Le Meridien St Julians, which opened in March. A 1,600 square metre con-



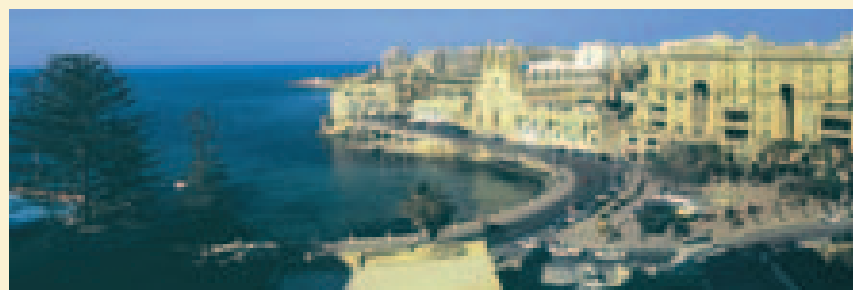
BENJAMIN SINGTON

GENERAL MANAGER  
LE MERIDIEN

**'We are succeeding at changing the island's reputation'**

ference centre, a landscaped terrace for outdoor events, and three floors of executive bedrooms are part of the facilities provided for the more discerning visitor. Set in a beautiful villa with original Italian murals, St Julians has all the style of a Grand Hotel, but with a definite Maltese flavour, says general manager Benjamin Sington.

According to Mr Sington, Malta's re-



Le Meridien hotel, which offers top-notch service and magnificent accommodation, is located on the beautiful waterfront of Balluta Bay and built on the grounds of an 18th century villa.

branding strategy is helping to reinforce the islands' strong points. "It is important for Malta to work with what it is good at and what it has a niche in, which is clearly heritage," he states. "There has been a move to change the island's reputation from a cheap, three-star, sea and sand destination, and I think Malta is succeeding in this aspect," he continues. The private sector

infrastructure is developing rapidly, with almost 3000 five-star rooms now available, and Mr Sington believes that with the help of funding the public sector will soon catch up.

Malta's development of heritage and culture fits perfectly with Le Meridien's line of vision. "We are already in this market and we support it completely," says Mr Sington.

# Gozo: a small and peaceful island oasis

*The sparsely populated spot may be a bit difficult to reach, but that's why it attracts the high end of the tourist market*

There is more to Malta the country than the island of Malta itself. Malta is in fact an archipelago, and the second-largest of the islands, Gozo, has its own, very distinct charm. It is not surprising therefore that the ongoing campaign to boost the country's tourism industry has made the promotion of Gozo an issue to be dealt with separately.

"Why did we include Gozo as a segment?" asks Romwald Lungaro-Mifsud, executive chairman of the Malta Tourism Authority (MTA). "Gozo has its own characteristics. The fact that the international airport is on Malta can even be seen as a plus point: higher profile clients want more tranquillity. Gozo has got to be sold for its specific characteristics and we're going to be doing that very actively," he concludes. Although the MTA is working on promoting Gozo around the world, much of the incoming tourism is actually from Malta itself. Indeed, the internal market is Gozo's mainstay during the winter months, and an important boost in the peak summer season.

A little more out-of-the-way, a little smaller and a little less populated, Gozo combines the ideal ingredients for attracting the higher end of the tourist market. With one-twelfth of the country's overall population on one-third of the country's overall landmass, the atmosphere is that much more peaceful. Its mainly agricultural economy, in some places still using age-old



Gozo has a plethora of historical sites and forts to visit, not to mention the breathtaking panoramas, and the famous prehistoric temples of Xaghra.

farming methods, ensures a sense of pastoral calm and rural quiet.

Gozo has had its own ministry since 1987, something which has helped speed up the pinpointing of problems and the finding of solutions. In addition, since Malta acceded to the EU, Gozo's position of "double insularity", being the smaller island of an island nation, has allowed it to benefit from targeted funding as a region with special needs.

These funds are being used in key development areas, primarily transport infrastructure and education, although



GIOVANNA DEBONO

MINISTER OF GOZO

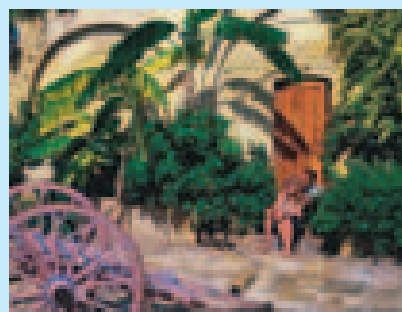
**'One of my duties is to cater to the people's needs, the other is to look after Gozo itself'**

tourism continues to be Gozo's main source of income and any improvements made to the island's infrastructures are also positive developments for this industry.

## An exotic mix of myth and culture

□ For such a small territory, Gozo has a remarkable history. Phoenicians, Romans, Arabs, Normans, Knights of St John, the French and the British have all laid their successive claims on the island, while its citizens, over the centuries, have withstood attacks from Turks, Saracens and Barbary corsairs, not to mention slave-traders and pirates.

Local legend is almost as colourful as real life: the megalithic Ggantija temples at Xaghra, the oldest free-standing structures in the world, are attributed to the work of a giantess, grown strong on a diet of local produce. Since the third century BC the island is believed to be Homer's



Gozo is a lush, rural idyllic haven for visitors.

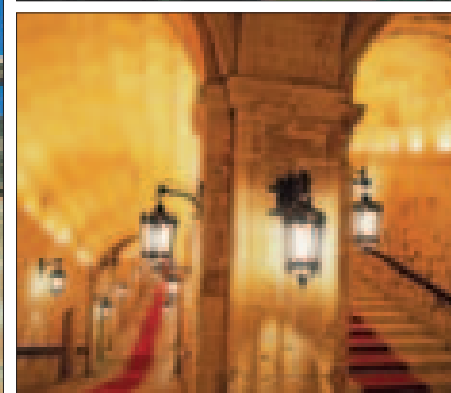
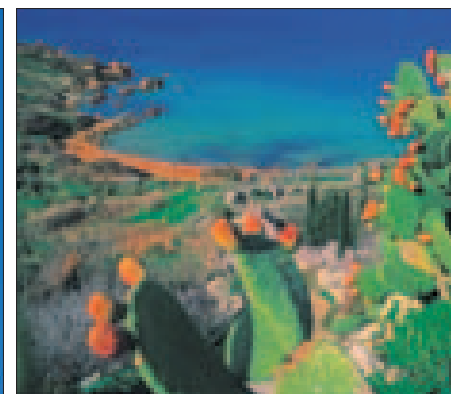
Ogygia, where the nymph Calypso kept Ulysses captive for seven years.

Yet the pervading atmosphere on this sun-drenched isle is one of peace. The villagers lead their lives at a leisurely pace, farming the rich land and practicing age-old crafts such as lace-making, pottery and silversmithery. At the centre of the island is the town of Victoria, Rabat to the locals,

dominated by the ancient Citadel that has helped protect the islanders from sea-borne raiders.

This rich mixture of cultures makes Gozo stand out. The island is a haven for marine sporting activities, such as sailing and scuba-diving, but the local ministry and tourism industry are keen to promote the archaeological and historical wealth of the island, and are allocating funds accordingly.

"We have spent a lot of money on refurbishing our heritage centres, and we are turning the archaeological museum into a state-of-the-art facility. We are also trying to bring back the Brookdorf Circle remains, from a site similar to Ggantija, which were taken to Malta in boxes many years ago," says Giovanna Debono, Minister of Gozo. "We have a unique heritage," she adds. "Here you can find something quite different from other islands."



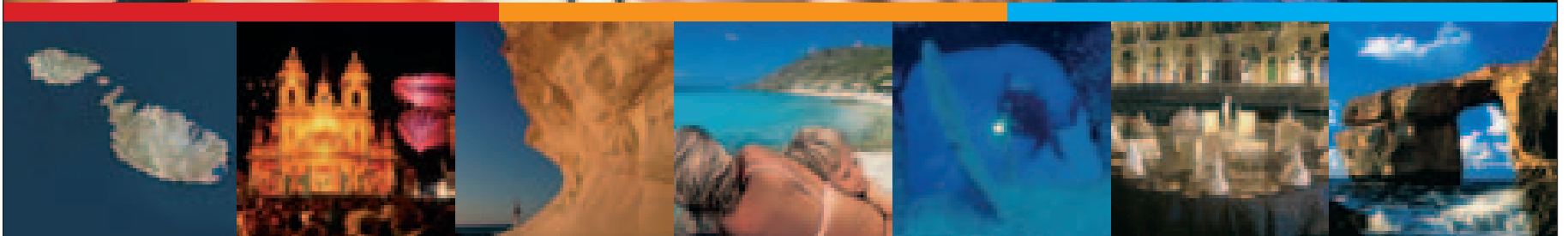
Improvements to the ferry terminals at Mgarr and Cirkewwa, the purchase of new ferries, the building of new roads from Mgarr to Victoria and across the island, graduate employment schemes and an arts and crafts incubation centre are just some of the projects on the go under the careful eye of Giovanna Debono, Minister of Gozo. "One of my duties is to cater to the people's needs, the other is to look after Gozo itself," she says. The minister is keen to see Gozo developing in all areas, from the environment to education to culture.

One project specifically dealing with the tourism industry is a services staff training centre, which should be completed by early 2007. Another focal area is diving, something for which the island of Gozo is renowned and which is seen as a niche area for growth. "We are building a decompression chamber, creating artificial dive maps and embarking on a scuba diving study," says Minister Debono. A new sewage treatment plant will help ensure the cleanliness of the waters, and the refurbishment of the World Heritage site of Dwejra is running a three-year plan where the ministry is working together with the nature trust. "It is very important to keep in touch with the natural environment," says the minister.

Work on the drafting of a Social and Economic Development Plan for Gozo continues. "The plan highlights specific issues, like employment, job opportunities, and projects that are EU funded within the second period settled till 2013," says Ms Debono. "As well as featuring the problems that we have tackled so far, it also foresees what our future challenges will be." ■

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