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Malta Chamber of SMEs

October 2021

Some general principles

Involvement of the Private Sector

It is important that a thorough check is carried out to ensure that any activities that can be done by the private sector are carried out by the private sector and where there is an overlap between the public and private sector, great care is given to open opportunities equally for both the public and the private as sometimes the funds lead to a distortion in the market. EU funding should never be used to undermine the private sector and distort competition. The Chamber of SMEs has seen this happen and it is of ultimate importance that the necessary checks are carried out.

Application process

The application process needs improvement and in the opinion of the Chamber of SMEs there are 2 options for this:

1. Simplifying the application by reducing the amount of information required across the board
2. Make it a two-step procedure with a simple application to start off with, having the most essential information and following the first review and shortlisting the full details would be requested.

Use of IBs

The model of utilising Malta Enterprise as an IB should be reintroduced. Malta Enterprise has now gained the experience to be able to handle such funding and

instead of an over simplistic approach in the application process a balance could be found as explained above. Fragmentation when it comes to funding for business projects is something we advise against as an SME Chamber.

Minimum project amount

Unless absolutely required no minimums grant value should be imposed on project to facilitate accessibility, especially for micro businesses.

Priority 1: Fostering competitiveness and an innovative and smart economic transformation

Research & Innovation

As correctly stated in the consultation document, Malta's strategy towards increasing R&I, needs to be different from that of other countries because of Malta's geographical limitations, which leads to research and innovation projects taking place outside of Malta's shores, usually in large research centres, which Malta cannot accommodate. This, complemented by the large amount of micro and small companies in Malta, leaves little scope of focusing implementation beyond the micro and small, they need to be at the centre of the strategy.

It is however also true that micro and small businesses have specific characteristics, limited resources, and a lower level of capacity to accommodate research and innovation, which has nothing to do with their potential in this area. As a Chamber of SMEs, with long years of experience in dealing with this target

group, we know that one of the biggest challenges and costly exercises is engaging them.

Whilst incentives are essential, access to researchers and experts, support in commercialising the projects are essential, the SME Chamber feels that we are missing the initial steps that will start small businesses on this journey. Funds need to be allocated to carry out a wide outreach exercise. This exercise would ensure that businesses explore their research and innovation potential and that all the support, which in the absolute majority would not be aware of, is within reach. This would be a yearly exercise that would target the harvesting of a generation of businesses that would be interested in exploring their research and innovation potential and initiate their journey in this direction.

Proposal 1	Working in partnership with social partner business organisations to take action at grass roots level and help identify businesses that could have a potential in research and innovation project. This will fill in the gap there exists in enrolling more businesses towards the aim of reaching their research and innovation potential.
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Digitalisation

The topic of digitalisation is very important and continues to be one of the main cornerstones for Malta's drive towards a modern and sustainable economy. The Chamber of SME is also aware of other initiatives through a number of schemes and funding instruments.

The Chamber of SMEs questions the emphasis on the Tourism sector in this instance. Whilst acknowledging that the Tourism sector is an important 'sector' to focus on, they are other equally important sectors, which have also suffered greatly because of Covid, that stand to gain from digitalisation measures and initiatives,

Specifying the Tourism sector is very risky at this stage. First of all as a sector it should be ensured that it is being considered in its widest sense, the term 'sector' is not really representative of how wide this sector is. Traditionally associated with hotels, tourism sector is much much bigger than that. When it comes to accommodation, today there is a supply going well beyond hotels into self-catering apartments, B&Bs, etc.. and there is a small market for this as well. Moving away from accommodation there are restaurants, tourist attractions, bars, nightclubs, EFL, diving centres, adventure and recreational, conferences and events, transport services and more. It is important that any measures targeting tourism, target all the sectors in their entirety.

Covid has also shown us that the way our economy is structured make the absolute majority of sectors tourism dependent. Retail trade is one example, one of the biggest economic sectors, where digitalisation needs to continue to be pushed.

It has never been clearer to businesses that digital is the way forward, eCommerce gaining the most in terms of priorities for business. Enterprises have in fact, even in the constrained times of Covid, invested in their digital presence in the hope that this will mitigate the Covid impact. Still, not everyone who invested was successful and will be successful on a longer-term. We attribute this problem mainly to the fact that a larger and better thought out plans and investments would be necessary in order to make the digital strategy really attractive.

Encouraging businesses in going digital requires a horizontal strategy. Aggressive incentives are necessary in the current situation businesses are in, in terms of resources. It unfortunately however does not stop there. Malta needs to own up in addressing inherent handicaps causing Maltese to be uncompetitive in their online efforts.

eCommerce businesses are competing on a very uneven playing field with foreign sites and we want to overcome the following disadvantages:

- Possibility to apply a totally different business model where the only costs are of cheap warehousing and a delivery system
- Economies of scale having a larger market to depend on as a starting point
- A quarter of the postal charges (and outside the EU even none) when compared to what is charges to Maltese businesses that they would need to take into consideration in deliveries.

Being a small island economy, Malta has to sometimes get creative in order to help its own economy and we are asking policy makers to think outside the box and help Maltese eCommerce. It is entirely in the interest of the state to reduce the billions of euros being exported outside our county by consumers purchasing online and directing them to local online purchases in order to benefit from taxes collected and money reinvested in our economy.

Apart from eCommerce businesses have ample room for improvement when it comes to digitising processes, automation and the use of Artificial Intelligence. Limitations in support measures that do not support subscription based on cloud bundles is a significant limitation. Businesses should be encouraged not to re-

invent the wheel and given the support necessary to see what is available on the market and to improve on that via customisations and refinement to achieve excellence.

A digital strategy cannot today ignore the implications of cybercrime. Cybercrime has become an increasing danger for all businesses and it is affecting large to small operators alike. The economic cost of cyber-crime has so far not been quantified in Malta, yet international figures indicate that this cannot go unaddressed. With the increased online activity due to remote-working and eCommerce businesses are increasingly being targeted. Their level of protection is however not at par to the risk. Businesses are still sceptical in investing in something they consider so intangible, there is lack of understanding of the risk involved due to the digital barrier.

An important topic falling under the heading of digitalisation is also the ability to work remotely effectively. This is an ongoing investment and during a time when businesses are preparing to settle into the new normal, if we want to encourage greater flexibility and retaining a hybrid working system that supports families in their work-life balance, funding must be made available as a direct encouragement for businesses to continue moving in this direction. One has to keep in mind that technology continues to be updated and the investments need to be ongoing, in order to keep the workplaces running efficiently.

Proposal 2	A grant scheme that would help businesses cover costs linked to the successful execution of a website . This should include: <ul style="list-style-type: none">- Building/updating/replacing of content which includes products or services for sale- The optimization of client experience
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	<ul style="list-style-type: none"> - Linking the site to stocks and having a fully fledged integrated system that can also include the upgrade of the point of sale system and backend functions - Marketing campaign
Proposal 3	Incorporation of all subscription cloud-based solutions that businesses can benefit from.
Proposal 4	A scheme specifically aimed at raising awareness and supporting businesses investing in cyber security .
Proposal 5	Grant scheme to invest in remote working arrangements and make workplaces run more efficiently.

Business Incubation Centre

Business incubation is a very valid initiative and within the limitations we have experienced, we believe that there is significant room for improvement and reward to strengthen the businesses residing in the incubator. Most of their businesses would be small start-ups and would greatly benefit from the services of the Chamber of SMEs, as such we look forward to be included as partners in such a project.

Proposal 6	Carry out the investment in the new incubation facility in partnership with the SME Chamber to support start-ups.
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Priority 2: Promoting clean and fair energy transition, green and blue investment, the circular economy, and sustainable urban mobility

Promoting energy efficiency and reducing greenhouse gas emissions

The SME Chamber positively notes that the private sector, in particular SMEs form an integral part of this sub-priority.

The Malta Chamber of SMEs believes that it is essential that local businesses are also catered for when it comes to energy efficiency and to reduce GHGs. The SME Chamber believes that more allocation of funds is to be made available for businesses to opt to energy efficient products.

This may involve investment in PV panels in local businesses and also investment in other green infrastructure which will contribute towards this aspect. Allocation of funds should also be made available to those businesses that do not have the space to make such a massive investment. In this regard the government should also consider making available grants that support smaller investment yet still contributing towards reducing GHGs.

From previous programming periods it was quite clear that more aggressive incentives positively contribute towards the country's aim of promoting energy efficiency, thus reducing GHGs.

Proposal 7	Continuation of Grants for the purchase of PV Panels for the General Public and Business
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Proposal 8	Grants for businesses who do not have the facility to install PVs but would opt for smaller investments that still contribute towards reducing GHGs
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Developing energy grids and storage

Although the mentioned interventions will positively impact businesses' and are all necessary and contribute towards an adequate electricity infrastructure, the SME Chamber believes that funds should also be allocated for businesses wishing to become Charging Service Providers (CSP) in line with the governments' policy on Electric Vehicle Public Charging Infrastructure¹. As mentioned in this policy document, private operators requiring fast chargers will require a bigger ancillary infrastructural investment in sub-stations and direct cables.

The government is therefore encouraged to allocate a portion of these funds for private operators to make such an investment.

Proposal 9	Funds for Charging Service Providers to cover ancillary infrastructure required such as sub-stations and direct cable requirements.
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https://meac.gov.mt/en/Public_Consultations/MEW/Documents/ELECTRIC%20CARS%20INFRASTRUCTURE%20DOC_rev1.pdf

Promoting access to water and sustainable water management

The SME Chamber believes that the private sector should be directly targeted in this sub-priority. In addition to the governments' effort to ensure sustainable water management, the private sector should also be given the opportunity to make such and investment in order to ensure more sustainable water management.

It is therefore recommended that funds are allocated for the private sector to conduct audits on water management solutions and additionally be assisted to invest in infrastructure that would contribute towards this priority.

Proposal 10	Grants for Businesses to conduct audits on water management solutions
Proposal 11	Grants for businesses to implement water management solutions

Promoting the transition to a circular and resource efficient economy

The governments' past efforts to promote a circular economy and proper waste separation with the general public proved beneficial and successful in bringing on board the general public.

Local businesses, especially those in the catering and hospitality sector, need to be directly assisted with this transition. The SME Chamber therefore proposes, direct campaigns and assistance to local businesses in order to raise awareness on

the need to separate waste. Additionally, funds should also be allocated for businesses to assist with waste separation and disposal.

Proposal 12	Awareness Campaign with businesses to raise awareness on the importance of waste separation.
Proposal 13	Grants for businesses allocated for the investment of waste separation and disposal measures including equipment.

Promoting sustainable multimodal urban mobility, as part of the transition to a net zero carbon economy

The SME Chamber believes that the promotion of multimodal mobility should also be promoted with businesses. In line with the possible intervention proposed, the Government should be a key promoter when it comes to innovative solutions and collaborative solutions.

The SME Chamber therefore proposes that the government should create a last mile delivery hub for businesses delivering to Valletta and the surrounding regions. A similar pilot project proved very beneficial for businesses to combine deliveries and deliver goods collectively in areas that are problematic such as Valletta and the surrounding regions.

A large national project can possibly be developed, through the creation of delivery hub and the support of regular delivery service to Valletta and the surrounding localities. Support may include support in the purchase of EVs, IT infrastructure, delivery personnel and software.

Through this sub-priority, the SME Chamber proposes a dedicated fund for businesses hubs and associations to invest in collective delivery infrastructure to support collect delivery. This may include the support to purchase electric vans, engage delivery persons and invest in software which facilitates processes and logistics. The SME Chamber can be a facilitator to assist the government in implementing such schemes.

<p>Proposal 14</p>	<p>The Creation of a National Last Mile Delivery Hub which would include the support of;</p> <ul style="list-style-type: none"> • General Infrastructure for the physical logistical hub / drop-off point • Purchase of Electric Vans / Trucks • Human Resources • Investment in IT infrastructure for those making use of it • Investment in advanced logistics software solutions
<p>Proposal 15</p>	<p>Grants for Business communities and associations to invest in a collective delivery solution. This would be supported through the assistance to purchase:</p> <ul style="list-style-type: none"> • Electric Vans/Trucks • Human Resources • Investment in IT Infrastructure • Investment in software solutions

Priority 3: Enhancing transport connectivity

The need to enhance transport connectivity is essential for every country especially in an island state like Malta, given our insularity and natural barriers.

The SME Chamber therefore fully supports the notion of investment in the TEN-T road network and the maritime gateways. This said, the SME Chamber believes that business should be directly supported in order to support their connectivity requirements and business needs.

Unfortunately, this priority fails to target local businesses directly. Although the document mentions ancillary funds to support the sustainability and decarbonisation of road and maritime transport, there is no direct allocation of funding for businesses.

The SME Chamber proposes that businesses are assisted when it comes to implement the Alternative Fuels Directive particularly through direct assistance to future Charging Service Providers (such as Fuel Stations) to make an investment and provide alternative fuel solutions, including charging points. All in all, these measures ensure an adequate connected transport infrastructure, ready to cater for future needs.

Proposal 16	Grants for Charging Service Providers to support the transport connectivity.
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Priority 4: A more social and inclusive society

Investment in Education Facilities

This is an exceptionally important priority, however equally important is how this is implemented. Many times we take education as being an area occupied by the public sector, when we have a very enthusiastic, highly regulated and promising private sector. All opportunities made available for public education must also be made available for private.

In terms of early school leavers, many times it is the private sector that reintegrates these early school leavers in education. After a number of years since leaving schooling, these same individuals realise that they require to increase their level of qualifications and skills and they find high-quality courses in the private sector that they can take up while remaining in employment.

It is therefore essential for any measures to also involve the private educational sector. It is essential that public and private work in partnership, and we avoid the creation of an unlevel playing field.

Proposal 17	All measures must directed at public education must also be open for private education providers. The workings of this can be done in consultation with the Chamber of SMEs which represents licensed private education providers.
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Enhancing and valorising Malta's Tourism product

There is a significant level of concern of how adequate Malta's tourism product is as a whole. As part of the feedback given by the SME Chamber for the National Tourism Strategy, the SME Chamber emphasised that the country's offering is seen as a whole and that if we are to improve our tourism product we need to improve on the whole experience of tourists. This effort needs to be extended to cover all entities and sectors, namely the construction sector, as one prominent example.

The Ta' Qali Craft's Village is far from what it should be. Going into the area still feels like a construction site, years after its official opening. Many plots are still holes in the ground and the artisans are in a state of despair having to endure a lengthy project, Covid and also trying to complete their own investment while not having seen any funds coming in for years now. The project needs urgent completion into a state-of-the-art crafts village and effort to put it on the map of locals and tourists alike.

Staying on the subject of crafts, the crafts sector in Malta has been left to die and new artisans struggle as they are not supported by the right policies and infrastructure. Malta is unfortunately plagued by souvenirs which are sold as made in Malta, when in reality they are cheap Chinese imports or a product of mass production. An overhaul is necessary in the department regulating crafts and this should be done in synergy with the SME Chamber. One of the main deliverables needs to be to have an updated crafts policy with the respective incentives and also a true quality mark of a genuine craft made in Malta.

Proposal 18	Implement a horizontal tourism strategy that will elevate the tourism product of Malta as a whole. Upgrades should be possible also for all types of tourism accommodation.
Proposal 19	Complete the Ta' Qali Crafts Village and implement a marketing plan that would attract many locals and tourists alike.
Proposal 20	Work in partnership with the SME Chamber to create a support structure for the Maltese Crafts Sector
Proposal 21	Generate a quality mark and what is necessary to have this function property. This includes designs, testing labs, a regulatory framework and an award system.

Priority 6: Facilitating a Just Transition

This priority axis is very important for local businesses to shift towards electrification of vehicles, machinery and equipment. The facilitation of a Just transition needs to be across the board and aimed at directly addressing gaps that are not covered by other funds such as the RRP.

Although it is important for the government to support the network of charging points in Malta, the SME Chamber believes that adequate funding for the government is already made available for this scope under the RRP.

The SME Chamber recommends that businesses are also assisted when it comes to Just Transition.

Members that operate within the supply chain and those operating large passenger vehicles have regularly complained that Given that under the RRP no funds will be allocated for retrofitting and upgrade of road equipment.

Under the proposed intervention to shift towards the use of alternative fuels in road transport, the SME Chamber proposes that; Since technology in particular electric vehicles and machinery remains very costly, a grant can be allocated for the retrofitting of heavy vehicles (with HDDF systems) and the support to upgrade complementary road transport equipment such as fork lifters.

Low emission and electrical equipment required by those operating in the supply chain is very costly and in the majority of cases, members choose to keep using the same equipment given the huge investment required. As an example, a standard ICE truck (currently EURO 6) used to carry containers, costs around Euro 100,000 to purchase.

The idea is for the grant is to support the purchase of vehicles and other equipment used in the day-to-day activities of our members, with the aim of upgrading these to greener energy efficient ones. This will contribute towards a Just Transition.

Given that as explained, the cost to upgrade certain vehicles is still very costly, the above scheme would offer a realistic approach ensuring a shift to cleaner use of vehicles and equipment.

The Malta Chamber of SMEs has also consulted with Passenger Transport Vehicles operators. Vehicles are normally larger ones such as coaches or minibuses.

The main issues with this sector is that such vehicles are normally very costly and to date a fully electric coach ranges between Euro 600,000 – Euro 800,000 while the price of a minivan ranges between Euro 80,000 to Euro 95,000. The SME Chamber therefore proposes that should incentives be offered to operators; these need to more generous in terms of aid.

The below is a list of possible incentives that can be introduced for large passenger transport operators which aim to reduce the impact on the environment but are, in our opinion realistic and achievable:

- Subsidy for innovative solutions, installed on vehicles that aim to reduce Nitrogen Oxide (NOx). This includes a system of PV panels which reduces pressure on the vehicle engine and alternator. Thus, reducing fuel costs and emissions.
- A subsidy for operators wishing to retrofit their vehicle engine from a Diesel engine to a Hybrid one.

Given that as explained above the cost to upgrade certain vehicles is still very costly and technology is still limited, the above schemes aim to offer an interim, half-way solution to ensure that the shift to lower emitting engines takes place while acknowledging that certain technologies are still very costly and up to a certain extent unreachable.

These proposals encourage investment for more sustainable solutions while acknowledging the realities in place.

Finally, the SME Chamber believes that internal capacity should also be supported through this priority axis. Members across the board have all made reference to

complementary support which would ensure that any upgrade to greener technology can be adequately sustained.

Malta Chamber of SMEs is therefore proposing that business are given assistance which goes hand in hand with other incentives offered to purchase electric vehicles. This includes:

Charging Equipment; Business unlike private households, will require fast chargers and multiple charging points (for those with large fleets). The cost to invest in such infrastructure is very high, which continues to discourage business to make the shift.

The support in charging equipment will further sustain the operation and ensure that business operation is not hindered with lack of infrastructure and internal capacity.

Upgrade of Workshops; In addition to the above, large fleet companies in particular Car rental, Leasing, Chauffeur driven and supply chain distributors will require additional assistance to the above.

The above industries in particular normally employ dedicated staff for the maintenance and repair of vehicles. The SME Chamber proposes that similar to the scheme offered in the past for repair Garages and car importers, the SME Chamber is proposing that large fleet operators (often employing their own vehicle repair and maintenance personnel) are given additional grants to invest in their workshop and upgrade their repair equipment to be able to cater for EVs.

Proposal 22	Grants allocated for supply chain operators to retrofit engines (HDDF systems) of heavy vehicles and for the purchase of
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	energy efficient vehicles and equipment related with road transport.
Proposal 23	Subsidy for innovative solutions, installed on vehicles that aim to reduce Nitrogen Oxide (NOx).
Proposal 24	Grants for businesses to invest in multiple charging equipment
Proposal 25	Grants for businesses to upgrade workshops to be able to cater for EVs

Gozo Allocation

The specific focus on Gozo is greatly appreciated. Members in their feedback have focused on the difficulty they face in recruitment and we therefore ask for schemes that will specifically aim at making employment in Gozo much more attractive.