



Malta: A Flag of Confidence

Four weeks ago, *FlyCorporate* travelled to Malta to learn firsthand about the country's drive to make business aviation an integral part of its economic development agenda.

"Malta is an island with no natural resources except people," explained Mario Galea, Advisor to the Executive Chairman of Malta Enterprise. "We have to import and export everything. So we try to focus on areas where we can add value, and that added value usually comes from knowledge."

Malta Enterprise is the government agency responsible for economic development on the small Mediterranean island. To stimulate growth, the Maltese government is strategically targeting a number of sectors where Malta can increase its competitiveness. These sectors include Financial Services, Information Technology, Healthcare, Education, Engineering, the Environment, and the Aviation and Maritime industries. Malta's economy currently rests on three pillars: Manufacturing and Industry; Financial Services; and Tourism and Hospitality.

In the Aviation sector, Malta has pinpointed several subsectors it wishes to support as part of its strategy. These subsectors include maintenance, repair and overhaul (MRO); back office operations such as call centres for aviation and aircraft registration; research and development; and the production of aircraft components.

Lufthansa Technik and SR Technics are the leading MRO players in the country. Lufthansa Technik Malta (LTM) was founded in 2002 as a joint venture between Lufthansa Technik AG (92%) and Air Malta (8%). It offers line and base maintenance services for narrow-body (short to medium-range aircraft) and wide-body (long-range) aircraft such as Airbus A320, A330 and A340s and the Boeing 737. SR Technics, which became operational in the third quarter of 2010, has constructed a four-bay maintenance hangar and workshop. This facility will enable the company to carry out base and heavy maintenance services on narrow-body aircraft.



"Our aim is to create a cluster specifically for the aviation sector where Malta can attract and support the growth of a number of businesses," said Galea. "We are also gearing the requirements of our workforce to support the sector. We aim to compete on the fact that we are flexible, that we adapt to different technologies and that a company can set up its own methodologies swiftly because they are ensured a quick transfer of knowledge."

Malta is a vibrant, open economy, with a GDP of €14,000 per capita, which is the average among EU-member countries. According to Galea, the country fared better during the recession than many of its European neighbours. Unemployment increased by just 1% at the height of the crisis, and is already back down to its pre-meltdown level of 6%. >>

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Open for business

On 1 October 2010, Malta enacted its new Aircraft Registration Act, which it hopes will open the doors for the country to become a “one-off destination” for aviation, according to Anthony Gatt, Director General of Malta Civil Aviation. The new Act consolidated the country’s various existing laws on aircraft registration and security of ownership, and added new legislation which is of particular interest to business aviation.

Among the most important innovations in the legislation are the recognition of fractional ownership of aircraft; increased recognition of ownership rights in aircraft; and broader qualifying requirements for registrants of private aircraft.

“To be honest, government officials in Malta didn’t really know a whole lot about business aviation. Fortunately they recognised that and were willing to collaborate with organisations, like the Malta Business Aviation Association, who are closer to the industry. Before the new Aircraft Registration Act was passed, there was a lot of cooperation between the ministries involved and the industry,” explained Dr Tonio Fenech, Secretary of the Malta Business Aviation Association and Senior Partner at FFF Legal.

In November 2010, the Board of Directors of the European Business Aviation Association convened in Malta and met with officials from Transport Malta and Malta Enterprise to explain the opportunities business aviation could afford the country in terms of stimulating investment. They also outlined some of the key challenges business aircraft operators face on the continent and what Malta might consider doing in order to prevent these issues being duplicated at home.

Making it attractive to business aviation

Malta’s Civil Aviation Directorate has the capacity to certify operators of commercial aircraft and issue Air Operator Certificates (EU-OPS 1 for aircraft and JAR-OPS 3 for helicopters). Aircraft registered in Malta have access to European intra-Community traffic rights. That enables operators licensed in Malta, or in any other EU State, to operate their aircraft commercially within the EU without any requirement or formality, subject to maintaining the applicable qualifying requirements. For private aircraft, any license issued by an ICAO state is applicable.

With the new Registry Act in place, Malta is also a signatory to the Cape Town Convention. This enables debtors situated in Malta to obtain a reduction on their borrowing costs (known as the Cape Town discount).

“We are a business-friendly country,” stressed Galea. “Our natural selling points include our geographical location, we speak English, we have good communication links, and we have a great hospitality industry.”

Importantly, Malta also offers some attractive fiscal advantages. Most foreign-owned companies in Malta pay only 5% tax, and the island-nation has concluded double taxation treaties with over 49 countries. International aviation services such as charters are exempt from VAT, as is the acquisition of aircraft. As Malta is a member of the Eurozone, companies can pay tax in any currency and, through the imputation system, obtain refunds in that currency. This eliminates currency exchange risks. >>

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“The cost of setting up a project in Malta is limited, and the cost of employing people is competitive compared with mainland Europe,” added Galea. Malta also actively seeks to support small businesses. “We have a number of operations that employ five or six people, and we take good care of them.”

The way the wind blows

Because of its lack of natural resources, Malta has long sought innovative ways in which to attract foreign investment. Its thriving maritime industry serves as a prime example.

“In the past, the press deemed Malta as merely a flag of convenience, but the reality was that the reason Malta opened its shores and shipping register was because it had a vital interest in the tourism industry. For us to protect our tourism, we could either take a protectionist stance, or try to contribute

by being a part of the international debate,” explained Dr Fenech. “The best way to be a part of the international debate is by having tonnage. So Malta developed the legislation and infrastructure necessary to help us become a major voice in the shipping industry. Today we are the second largest shipping register in Europe.

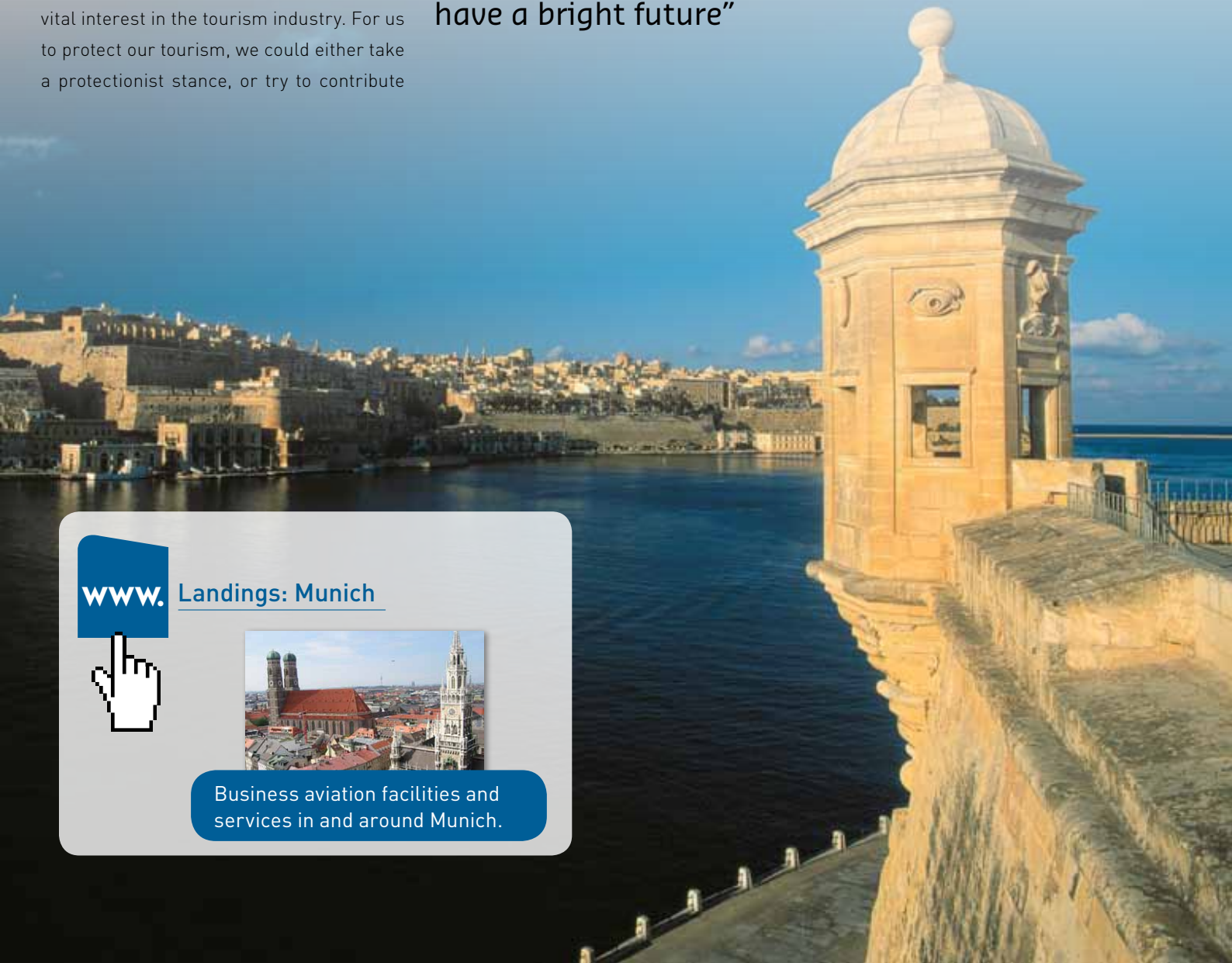
“I’m not saying the exact same will happen for aviation, but this sector is extremely vital for the island. It is therefore an area that Malta needs to be active in,” he underlined. “Business aviation doesn’t have a long history in Malta. But it certainly can have a bright future.” ■

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