THE AVIATION SECTOR IN MALTA

An overview
In recent years, Malta has demonstrated both economic resilience as well as an ability to thrive, even in difficult global contexts. In fact, the country has developed a clear strategy for sustainable economic development, identifying key sectors with high growth potential as well as plans to support their consolidation and success. These sectors include, but are not limited to aviation, advanced manufacturing, life sciences (including the biotechnological, pharmaceutical and chemical industries), transport and advanced logistics, tourism, international education services, information and communication technology, financial services and the creative industries.

1.1 Malta’s Economy

Malta’s Gross Domestic Product in 2015 amounted to €8.8 billion\(^1\). During the same year, Malta’s economy in real terms grew at the rate of 6.3%, contrasting very positively with the EU 28 average of 1.3%. GDP per capita in real terms for 2015 amounted to €18,895. Although it is one of the European Union’s smallest economies, it is also one of the most resilient, resulting from a decades-long strategy of ensuring a wide spread of activities within the economic sector so as to minimise negative exposure to outside economic developments.

\(^1\)National Statistics Office, Malta
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Malta’s Aviation Sector

Although the aviation industry in Malta had already started developing in the 1970’s, in recent years it has seen remarkable growth rates spurred by extensive investment on the part of the national stakeholders in both physical facilities as well as human resources.

Today, we find a number of important players based in the country operating a variety of sectors, such as maintenance, repair and overhaul (MRO) for both fixed wing and rotary aircraft, flight training, component manufacture, R&D and innovation on unmanned aerial vehicles, back office support and call centre operations and ICT for the aviation industry. One must also take note of the fast growing aircraft registry, helped in no small way by a flexible, competitive legal structure.

The cluster in Malta saw extensive investment by government in order to facilitate operations in the country. This investment is mostly centred on the Safi Aviation Park (SAP), a specialised industrial area designed to provide secure, airside facilities for the industry, particularly within the MRO sector.

While a number of aviation companies were already operating within the perimeter of the Malta International Airport, the Safi Aviation Park is designed to bring the cluster closer together, providing better operative infrastructure to its tenants, as well as direct access to the general airport infrastructure and its main runway. Four new hangars are under construction within the Park. These will expand not only the area occupied by the SAP to almost 240,000sqm, but also the range of services provided by the companies. The largest of the hangars will be used by a company for aircraft spray-painting services.

The remaining three hangars are specifically intended to attract further MRO operations catering for code B aircraft. The project also includes the construction of a common apron of approximately 4,600sqm as well as a newly constructed maintenance route, all in accordance with ICAO standards.

Hear from investors and stakeholders:

- Lufthansa Technik
- SR Technics
- Malta College of Arts, Science and Technology
Undoubtedly one of Malta’s strong points, a very highly developed logistics sector allows operators to work to “just in time” patterns, avoiding the need to stockpile either raw materials or finished products. Operators in Malta have a number of options via which they can access raw materials or parts and ship their product to their client base in a timely fashion, allowing them to compete effectively with low-cost operators in the Far East.

Malta International Airport (MIA) is connected by direct flights to most major European and regional cities with the majority of destinations being less than three hours flying time away. Various airlines and dedicated service providers offer airfreight services via this airport, with daily connections to various important hubs, both within Europe and beyond.

maltaairport.com

Operated by CMA-CGM, the Malta Freeport is the 3rd largest in the Mediterranean, handling over 3.1m TEUs annually. The Freeport was purposely developed as trans-shipment container terminal and presently provides deep water quays equipped with state-of-the-art handling equipment. Various renowned shipping carriers have chosen the Freeport as their trans-shipment hub and it is presently linked by regular carrier services to over 120 ports worldwide whilst an established feed ring network connects Malta Freeport to over 65 ports in the Mediterranean and the Black Sea.

maltafreeport.com.mt

Malta’s Grand Harbour acts as another logistics asset for the country. Operated jointly by Portek of Singapore and Tumas Group of Malta, Valletta Gateway Terminals offers RORO, containers, trailers and conventional cargo facilities.

vgt.com.mt
Malta Enterprise Support Measures

*Malta Enterprise provides a wide range of incentives in order to ensure that the setting-up process and ongoing operations of a facility in Malta are as cost-effective as possible.*

These schemes are available to enterprises upon the completion of a due diligence exercise on the applicant and the proposed project:

### 4.1 Access to Industrial Space

Qualifying companies may be allocated space within the Safi Aviation Park if airside facilities are required. Space for component manufacture may also be made available within one of the industrial estates.

### 4.2 Access to Finance

- **Soft Loans**: Granted by Malta Enterprise, soft loans usually amount to 33% (never more than 75%) of the cost of plant, machinery and equipment at a reduced rate of interest;

- **Loan Subsidies**: Malta Enterprise may subsidize the rate of interest payable on bank loans. Loan interest subsidies are not additional to soft loans and may only be granted where a soft loan has not been granted. Such loans are provided by banks or other financial institutions;

- **Loan Guarantees**: Malta Enterprise can provide a guarantee for up to 75% of bank loans taken by a company to finance acquisition of additional assets to be employed in the company’s business.

### 4.3 Investment Aid

Qualifying companies are entitled to a tax credit based on an initial investment project which is calculated as a percentage of:

- Expenditure in tangible and intangible assets: OR

- The wage cost for the first 24 months of the newly created job in relation to the supported investment project.
4.4 Business Development and Continuity Scheme

The scheme is intended to facilitate typically large, high-value adding projects that are likely to offer a significant contribution to the regional development of Malta through substantial job creation.

4.5 Research and Development Schemes

- **Qualifying Employment in Innovation and Creativity (Personal Tax):** Facilitates employment of non-residents in roles which are currently not addressed by the local labour market by temporarily easing the tax expenses incurred by such persons through a fiscal incentive;

- **R&D Feasibility Studies:** This incentive supports undertaking Industrial Research and Experimental Development projects in carrying out R&D Feasibility Studies in preparation for these projects;

- **Research & Development 2014 – 2020:** Supports industrial research or experimental development carried out for the acquisition of knowledge leading to the development of innovative products and solutions. Eureka and Eurostars projects are supported through this measure.

A full list of support measures is available here:
maltaenterprise.com/support
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