

Malta: Crisis and Resilience of Commercial Ports

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Background to Malta's Maritime Port¹ Infrastructure

Malta has been blessed with the good fortune of being along a major shipping route, located at the centre of the Mediterranean, and has been further endowed by topography with deep ports. Malta's maritime port infrastructure in the contemporary period is a legacy of its history, in particular the British colonial period which ended with Malta's independence in 1964. In the build-up towards independence, successive administrations had to face the challenge of transforming an infrastructure that was primarily aimed at supporting a military endeavour into one that had to cater for a purely civil one, in an overpopulated, under-resourced territory. Malta's success in this transformative drive was bolstered by its entry into the European Union in 2004. By then the operations of the maritime infrastructure was nearly totally privatised and the government assumed the role of regulator.

Continuity of trade over the centuries, together with continuous improvement and development of the infrastructure placed Malta in an ideal situation to exploit its geographic position, in a liberalised market, backed by important legal, fiscal and maritime reforms, which EU membership further accelerated. The foresight of Maltese businesses and governments was in complementing the natural infrastructure with policies and laws to maximise their use. In retrospect, these reforms have been of enormous benefit to the country, allowing it to navigate in safe waters throughout the financial crisis and the euro crisis, de facto empowering it in its resilience in a period of strong Mediterranean competitiveness in maritime affairs.

The Infrastructure

Malta's maritime commercial infrastructure revolves around two key installations: the Freeport terminal at Marsaxlokk and the Grand Harbour Port at Valletta.

- The Freeport terminal was privatised in 2004 with a thirty year concession agreement to Malta Freeport Terminals Limited, a subsidiary of CMA-CGM, eventually extended to 65 years. The government retains an overview on its operation through its Malta Freeport Corporation Limited.
- The Grand Harbour facilities has Roll-on/ Roll-off and container facilities, and is also the point of departure of near daily connections with Sicily, satisfying an increasing local demand for the importation of fresh produce. It is also the main port of entry for dry bulk goods. These facilities have all been privatised on long term lease agreements: the cruise and ferry terminal since 2002 on a 65 year lease to Viset plc², the Valletta container reception area leased since 2006 to Valletta Gateway Terminals, trade being mainly conducted with Italy and Tunisia. The Grand Harbour infrastructure gives added flexibility and resilience to Malta's logistical and commercial offering, hand in hand with the transshipment and container business to the south west of Malta, with the airport at Luqa equidistant from both ports. It is this suppleness that has encouraged the development of niche value-added industries, requiring English-speaking skilled and semi-skilled workers, with several delivery options and cost-effective services.

¹ In this article the use of the ports for passenger movement, through ferry or cruise liners is not examined

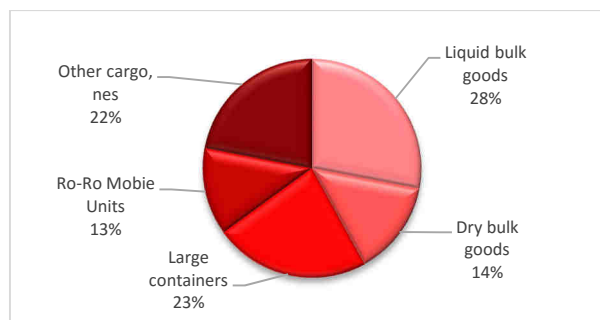
² As of 2015, 55% is now owned by the Turkish conglomerate Global Holdings Limited

The Ports' Trade Movements

Taking a quick look at the some figures, in 2009 Malta had witnessed a sudden dip in GDP and also a decrease in port activity. However, there was quick compensation and 2010 saw a sudden peak in trade. Since then, movement of seaborne goods has always been over the 3 million tonnes mark³. 2014 witnessed a jump of 11% over 2013, the highest increase in the EU, which must be averaged out in relation to the slight decreases of 2013.

Since 2010, the container terminal at Marsaxlokk has on the whole observed growth in the number of container vessels frequenting the port, averaging 1,750 container vessels over 2010-2013, peaking at 1,920 in 2013, while visits at the Valletta terminal have dwindled from 28 container vessels in 2010 to 2 in 2013. Comparatively, in neighbouring Gioia Taura (Sicily) figures fell from 1,760 in 2010, averaging 1,550 over the 2010-2013; and Barcelona displayed an annual negative trend, from 8,186 container vessels visits in 2010, down to 7,736 in 2013. Comparatively, in neighbouring Gioia Taura (Sicily) figures fell from 1,760 in 2010, averaging 1,550 over the 2010-2013; and Barcelona displayed an annual negative trend, from 8,186 containers vessel visits in 2010, down to 7,736 in 2013. As per figure 1 below liquid bulk goods, mainly fuel, was the largest movement of goods, followed by containers and dry bulk goods.

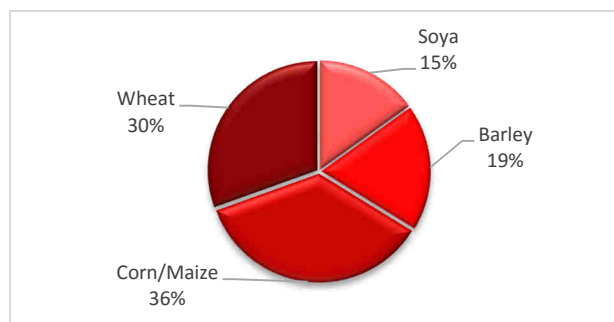
Figure 1
Seaborne goods handled by Cargo Type, 2014



Source: Eurostat

Valletta port has remained particularly active in dry bulk cargo movement, with over 60% of the movement being attributable to maize and wheat (figure 2). The latter commodity is the only one not to display a downward negative trend (figure 3).

Figure 2
Dry Bulk Cargo at Valletta Terminal, 2013



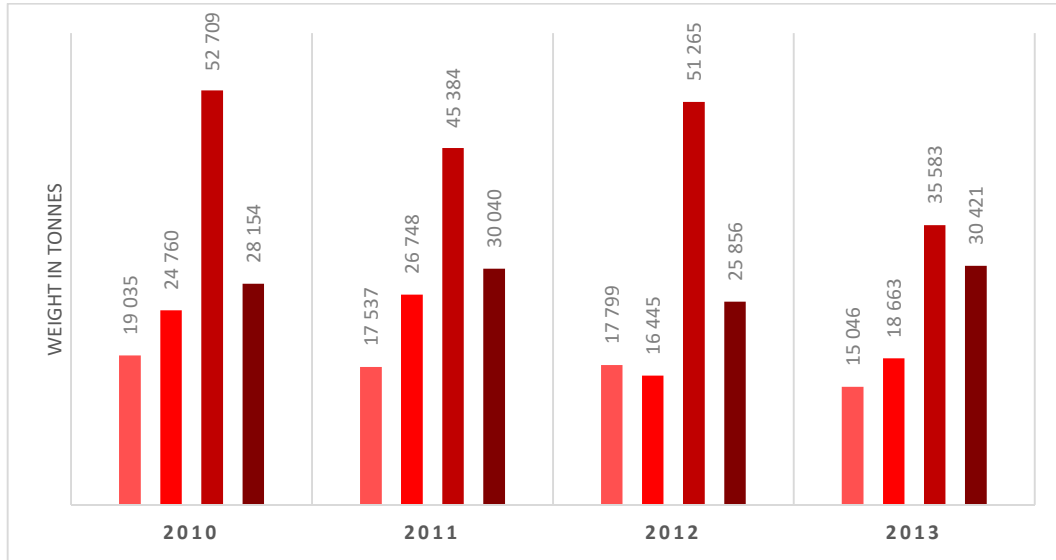
Source: www.shortsee.org.mt

³ Eurostat, including both inward and outward movements



Transshipment activity has remained high, and from 2010 to 2013 the number of containers transhipped has doubled from 768 to 1425⁴. The movement of local cargo has also retained an upward trend.

Figure 3
Dry Bulk Cargo Movement at Valletta Port, by type



Source: www.shortsea.org.mt

The Limits of Resilience

The previous figures all point to positive results for this sector of the Maltese economy. Behind this growth belies an increasing issue in relation to preparedness of the ports for further growth. The risks of encountering problems at a service level, of an increase in costs, are real pitfalls for an island economy, which needs to be appropriately steered, having all stakeholders on board.

While in the last decade of the twentieth century Malta had in place dedicated mechanisms and policies for maritime trade and related governance, which served it well, at the dawn of the millennium no local medium to long-term policy has emerged in earnest, save for an ongoing extension of the original ones. In the post-crisis period of 2008, Malta's maritime trade has emerged relatively unscathed, and has further benefitted from the 2011 uprisings in North Africa; the islands' infrastructure has not evolved in the same fashion. The spare capacity that was available is reaching its limits, putting in jeopardy future growth and adding to operational costs as the laws of supply and demand take centre stage. This state of affairs is hammered at by the various players in the local industry, but has seemingly fallen on deaf ears at the level of policy proponents and implementers. The concerns revolve around three points: infrastructural investment, personnel and the environment.

The need for infrastructural investment is underlined by many professionals involved in the industry⁵. The concerns range from the limits of quay spaces to bottlenecks at port. The issue of quay space has always been raised in the past, being a natural concern within the limited space available in the Maltese Islands. A number of companies are bridging this issue by using quay space in Greece and Cyprus or in other Mediterranean ports. However, while additional investment into quay space has been proposed, including from the operators, to-date there is no concerted strategy on this point. The authorities have usually been receptive to any large demands or requests from private shipping lines and logistic companies, but it is mainly on an ad hoc basis. This process should be suitably automated for a necessary long-term streamlining. New developments directly on the coastline of Malta remain difficult and are increasingly regulated by environmental legislation and planning rules.

The bottlenecks at ports stem from a dual problem. Malta's road infrastructure is already highly congested and with more vehicles, such as trailers, needing to manoeuvre following the increase in arrival of goods, further exacerbates the problem. The infrastructure around Malta's ports needs more investment. With the previous privatisation drive, the concession holders were committed to invest into the upgrading of the facilities, including new and larger cranes, and thus be in a position to handle larger ships. The investment once executed could not be fully enjoyed, as in most cases there is insufficient inland space to store the increase in goods arrival. This situation limits the previous objectives of having Malta keeping up the pace with being a major logistics centre in the region, albeit neighbouring ports are, in a bid to attract shipping lines, comparing themselves in relation to Malta.

Malta's success in this industry, putting geographic and regional political occurrences aside, has been in having an efficient service at all levels. As Malta is now approaching the limits of its current trade offering, a new investment drive is necessary, and not just in its infrastructure. In an increasingly regulated world, the investment has to be made in human resources. As the protagonists of the changes in this industry come to retire, there is need for more planning and investment in succession management and in training, with particular emphasis at middle management level. Generally, good and trained operational port personnel are seen to leave the public sector and join the private sector.

Environmental risk remains high on the agenda. Clearly, with Malta's high population density, the physical growth of ports and their facilities will have to increasingly be at sea, through floating solutions or through land reclamation, or other solutions. Monitoring of the waters from an environmental aspect becomes crucial. The concerns are both for offshore and onshore facilities. Offshore aquaculture represents just under 2% of Malta's GDP. The majority of Malta's shipping trade is related to fuel, either at port or offshore, with tankers making large use of the location of Hurd's bank, just at the limits of Malta's territorial waters, and fall under international law. While Malta's National Marine Pollution Contingency Plan (NMPCP) does have plans to handle cases of oil pollution at sea, it does not fully encompass offshore oil risks. In the case of port facilities, under the NMPCP it is the onus of the operators to prepare and submit such plans. Until December 2013 only half of the operators had these plans in place, a worrying situation that was underlined by Malta's National Audit Office in their July 2014 report.

Policy and Vision

Malta needs a more concerted effort amongst its various local players, with a view of ensuring protection against present and future risks. One element that seems to be missing in relation to maritime trade is a clear vision, policies to accompany it and the drive to implement them. Malta's situation recalls what Blomquist has stated, namely, that without adequate tools in the preparation for the formulation of policy, and in the continuous evaluation of its progress, policy risks remaining subject to the initial conditions of its formulation⁶. In July 2013 an Integrated Maritime National Strategy Committee was set-up, constituted in large part from government ministries.

⁵ As evidenced by public interviews in the local media and in private interviews with author

⁶ Blomquist, William ; The Policy and Large-N Comparative Studies in Sabatier, Paul. A. (Ed); Theories of Policy Process 1999, p.216

Rather than being a start for a new beginning, its task was primarily to develop, monitor and evaluate the implementation process of the National Integrated Maritime Policy and cover the following sectors: shipping, passenger ferry services, cargo handling fisheries, aquaculture, coastal environmental protection, ship repair, port ancillary services, marine renewable energies, coastal, cruise and maritime tourism, yachting and marinas, offshore oil, etc. Indeed, save for the words of the written text, it could be argued that it was not a renewed policy or direction that was issued by the authorities, but more of a continuation of the same, with much of the impetus coming from the obligation to develop a policy in line with EU requirements.

Nearly two years later, in June 2015, the committee presented its conclusions, of which one of the key aspects was the creation of a new Agency, Malta Marittima, as a public-private partnership (PPP), aimed at establishing Malta as a centre of excellence in the maritime. It is to bring together the employees and other public officers working at the Office of the Permanent Secretary for Competitiveness and Economic Growth, a chairperson to be nominated by the Minister responsible for the Economy, Investment and Small Business. The agency has a Steering Committee, composed of directors chosen from Transport Malta, Malta Enterprise, the Malta Freeport Corporation, the Department of Fisheries and Aquaculture and the Regulator of Energy and Water Services and a further five directors to be nominated by the Minister. A preliminary meeting of this committee took place in September 2015; a public call for a business plan was awarded at the end of October 2015 for submission in mid-December 2015. The act for setting up this Agency was laid in parliament on 26 January 2016.

The Agency is duty bound to promote maritime sectoral clusters and to encourage these sectors to focus on innovation, entrepreneurship, and environmentally sustainable developments. Additionally, the Agency shall promote the beneficial aspects of the exchange of ideas between private and public entities and participation at EU and international meetings and conferences is to be encouraged. The main focus in the final paper laid at Parliament is on sectoral clusters, an area of focus that had been raised in 2007 following the EU's Green Paper on a vision for the oceans and the seas. Indeed, spatial planning and management seems to have retained an important focus by the agency, and it seems that from the outset a department on spatial planning has been setup, with the task of integrating sectoral development, planning and associated technology platforms.

While it is welcome news that such an Agency has been founded, it has a tough task in addressing the lost time leading to its creation. It is hoped these focused clusters will result in tangible action already in the short-term. It is worth noting that the closest clusters to Malta, recognised by Gunther Pauli's Blue Economy, on which the concept of sustainable maritime clusters was reinvigorated and on which part of Malta's maritime plan refers to, are business clusters located in Italy, in Rome and in Porto Torres, (Sardinia), and are predominantly related to renewable energy. One does not doubt that the creation of these clusters will give further benefit to Malta's facilities and trading potential, but they are not the main solution to the ongoing issues highlighted above.

The economic results of Malta in recent years have surpassed projected estimates, and the maritime industry has played an important role. If at the start of 2015, the GDP growth was expected to reach 3.3%, provisional estimates point to a growth of 6.3% in 2015⁷. In 2015, Malta saw its shipping register grow by 14.3%, making it the leading ship register in the EU, and the sixth largest in the world. These successful results should be of comfort, as it should signify that the Maltese economy is today in a position to self-finance part of the investment needs highlighted earlier on. In the faster-changing world of today, Malta's ports have to retain their nimbleness and resilience to face the current challenges, and future ones, related to changes in the elasticity of demand. There is little doubt that to remain efficient, Malta needs a strong assessment and investment into its existing facilities, complemented by adequate capacity-building in human resources, and a clear drive on sustainable policies. Consequently, Malta's ports will retain their dynamism and fluidity. The question will be as to whether the necessary concertation, between the public and private sectors, for effective action can be found with alacrity.

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