

MALTA - CHOGM 2005

Malta in focus

The bi-annual Commonwealth Heads of Government Meeting (CHOGM) takes place this year on the island of Malta. The event, held from November 25-27, brings together the heads of state from 53 nations and looks set to deliver great opportunities for the host country.



Lawrence Gonzi
Prime Minister

This year's theme—"Networking the Commonwealth for Development"—focuses on bridging the digital divide and is aimed at driving investment in Information and Communications Technology (ICT) for developing countries. As host to the event, Lawrence Gonzi, Malta's Prime Minister and Minister of Finance says: "Malta is ideally placed to host this meeting as it stands at the crossroads of the Mediterranean, the European Union and the Commonwealth. Its history and heritage provide a unique and exceptional backdrop for a constructive and forward-looking discussion."

This important event follows Malta's EU accession last year and goes one step further in raising the country's global profile. Prime Minister Gonzi is keen to highlight Malta's recent triumphs in attracting investment. "To gain entry to the EU, we had to implement a variety of economic changes to open up our markets. When I took office in 2004, I pledged to continue these initiatives while exploiting the benefits of being an EU member. This has meant investing in Malta's infrastructure and generally upgrading services to improve the nation's quality of life."

Tourism is the most important pillar of the island's economy and a strategic part of the government's growth plans. Gonzi says: "We've been a popular tourist island since our independence in 1964, but while we were initially a sun and sand destination, we are now looking to diversify our tourist offering."

The island also has ambitious plans for the financial services sector and is upgrading its telecoms infrastructure and harbor, as well as restoring many of its historical buildings.

Paving the Way for Investment

Malta's figurehead, President Eddie Fenech Adami, adds: "We have made inroads to clear the way for foreign investment in the last year and it will become clear that with our stable economy and government, a workforce that speaks both Maltese and English, and a sound education system, we are more than ready to exploit our situation as a central hub in the Mediterranean."

Malta's location and its stunning natural beauty has meant the tourism sector has thrived and, with around 1.2 million visitors a year, it currently accounts for 40% of the country's GDP. Francis Zammit Dimech, Minister of Tourism and Culture, outlines the recent developments in the industry: "We are shifting the emphasis of our



Eddie Fenech Adami
President

tourist offering to favor the luxury holiday market as well as marketing Malta as a year-round destination. This has led to us looking at golf, culture and activity tourism."

Identifying Tourists

The U.K. remains Malta's largest tourist market, followed by Germany and Italy. These countries and others are being targeted with the aim of attracting 150,000 more tourists over the next three years. Working towards this is the Malta Tourism Authority (MTA). Its executive chairman Romwald Lungaro-Mifsud explains: "As well as streamlining the MTA through management restructuring, we have spent time identifying the key areas of tourism in Malta in order to better target them." These areas are leisure, conference, culture, sports, English-language learning, holidays on the country's second

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island of Gozo and cruises. It is hoped that by focusing on these areas, the MTA will achieve its goal, which will allow the nation's flagship airline, Air Malta, to cater for some of the expected 1.5 million visitors a year.

Another airline hoping to grow Malta's tourist numbers is BritishJet.com. Its CEO Robbie Borg has very definite plans to grow his budget airline and tour operations. Launched in May this year, the company aims to fly from 15 U.K. airports to Malta.

Borg is ambitious in his expansion plans: "For the last 11 years, we have had a steady level of tourism at around 1.2 million visitors a year, but I believe that by investing in younger tourists with children and creating more hotels, we could aim to attract around 1.8 million people a year within two years. Tourism is a very competitive market and we have to think clearly about Malta's offering."

Borg's solution to such ambitious increases in the level of tourism is very clear. He envisages building a number of good three-star hotels next to the island's many beaches, as well as creating more beaches by shipping in sand. It is this relaxed holiday style that he



Francis Zammit Dimech
Minister of Tourism



Christophe Laure
GM InterContinental

sees leading Malta's tourism revolution, with the island's history and culture being the icing on the cake.

Headquartered in Malta with a mostly Maltese crew, the airline currently has around 250 employees and has created a 24-hour call center on the island that Borg is so proud to call home.

He says: "I love Malta. Everybody here speaks English. The people are very welcoming and it is a safe place to be. I like to think BritishJet.com reflects the nature of the Maltese experience through its good service and value for money."

The Best of Both Worlds

While there is a shared focus on culture and relaxation, Sunspot Tours (Malta) Ltd. feels it is striking the right balance by bringing 50,000 package tours to the island.

Managing director Peter Sultana says: "There are two sides to this country and by offering combination deals, such as a cosmopolitan Malta break, mixed with a sunshine and relaxation stay in Gozo, customers can experience both sides of Malta in one trip."

Visitors wishing to experience Malta first-hand would benefit from a stay at the largest five-star hotel on the island, the InterContinental Malta. As general manager Christophe Laure says: "We have

brought international InterContinental standards to this hotel and, as a group, our aim is that regardless of whether you stay in New York, Paris or Malta, you will have the InterContinental experience."

With its excellent conference facilities, the InterContinental Malta will host the journalists attending the CHOGM. The hotel also offers Club InterContinental rooms and the Club InterContinental lounge which has free Internet and office facilities.

The vision behind the building of the InterContinental Malta came from the Eden Leisure Group, a family-run business. Its managing director Ian De Cesare is enthusiastic about the group's public-private partnerships: "We have improved our beaches by importing sand from Jordan. They are maintained by the MTA in return for a fee, and we have also improved roads in the area."

Another notable family-run business is the Radisson Island Hotels Group. They began welcoming corporate clients and holidaymakers to Malta in 1987. The first-class Bugibba Holiday Complex was the group's first property which had just 200 beds and 40 employees. Today, the group has a collection of three hotels, all providing either four or five-star accommodation, with a total of 3,000 beds, including the Coastline Hotel and the Radisson SAS Bay Point Resort. The group also owns the lucrative Island Caterers Limited and has a 17% share in the Dragonara Casino.

The group's latest acquisition, the Radisson SAS Golden Sands Resort and Spa plays host to the Heads of State traveling to Malta for the CHOGM. As such, it offers impressive conference facilities, including three large ballrooms and 18 syndicate rooms. Winston Zahra, director of operations, sales and marketing, who was president of Malta's hotel and restaurant association for two years, says: "Each syndicate room leads

"Tourism is a very competitive market and we have to think clearly about Malta's offering."

The Central Bank of Malta



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The harbors are being upgraded in line with a general overhaul of Malta's infrastructure

out onto terraces overlooking the beach. During the breaks we can open the curtains and there is light, sand and scenery. It is an enviable conference location."

The Tigne Point Marketing Ltd and Manoel Island Project is another exciting development—the biggest on the island since the Knights of Malta built the city of Valletta 500 years ago, according to Albert Mizzi, chairman of the MIDI Consortium. As one of the island's most respected businessmen, Mizzi is leading the project which is expected to be completed in 2012. The complementary developments will include the restoration and conservation of historic buildings as well as residential and commercial premises.

Quality and high standards are the watchwords for the new Malta.

Mizzi says: "We hope to bring a quality that will attract people and will encourage other areas of Malta to upgrade. Indeed, the moment we started construction, the quality of the flats and general development in this area increased. Our approach ties in directly with the government's direction for tourism and as a country, we are beginning to see the wisdom in marketing our historical attractions."

Quality and high standards are the watchwords for the new Malta. With Manoel Island, Mizzi hopes to attract yachts to the harbor that will have trouble finding a berth elsewhere and is also committed to "environmental concerns and cleanliness."



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Lawrence Zammit
Air Malta

At just over 121 square miles, Malta has exceptional architecture and an interesting cultural heritage. Add to this beautiful beaches and some of the best diving spots in the region and it is hardly surprising that tourism is expected to rise by 4.4% this year and grow at 5% a year over the next 10 years. Air Malta, the country's flagship carrier, expects to be a crucial part of this growth.

Tourism, the industry experts predict, will generate the equivalent of U.S.\$2,152.4 million this year—something the airline's chairman, Lawrence Zammit, is happy to embrace: "One must appreciate that there is limited capacity on the island, but I think 1.5 million tourists would be a realistic goal. That is about four times the size of our population. You probably won't find another country with a similar ratio," he says.

Air Malta, which has seen profits slump in recent years, is focusing on its renowned flexibility to react to the marketplace and meet the different and ever-changing scenarios. Zammit continues, "We are small enough to focus on bringing in tourists from mainstream destinations with special interests, such as history or culture, as well as operate from countries that do not have large volume traffic. At the end of the day, we carry around 1.3 million passengers on our route network each year. U.K. arrivals make up 40% of our market and the indicators are that this will remain so. We currently operate a schedule of 55 weekly flights from 10 U.K. airports and Holiday Malta, our

London-based tour operating subsidiary and the largest Malta-specialist company in the U.K., is an important player in our strategy."

With a strong market presence in Germany, Italy, France and Benelux, Air Malta flies 200 weekly flights to Malta from 50 destinations in Europe, North Africa and the Middle East. "No other airline operating to Malta can offer such a spread of flights and destinations," Zammit says. "We are concentrating on expanding revenue and would like to make better use of our capacity. Malta's accession to the EU has increased competition for us. However, EU membership has also presented us with opportunities that we never dreamed of before, like our extremely successful scheduled flights between Catania (in Sicily) and London, which are now an integral part of our opportunistic growth strategy. Similarly, today we have two planes based exclusively in the U.K. on a year-round basis which carry 250,000 British passengers to destinations around the Mediterranean, without ever coming to Malta."

As the manufacturing industry continues to grow and develop, there is an increased demand for cargo to be flown in and out of the country. Air Malta's CargoSystems Division, which has been in operation for 10 years, is established enough to cope with demand through the scheduled flights network, a road-feeder system and a dedicated freighter service out of Frankfurt.

Zammit, who hopes to turn the company back to profits by 2008, is cautious but upbeat: "The results so far have shown we are on track, and that we will continue to fulfill our role as a major player in the tourism industry and in the economic development of the country."

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Developing financial services

Malta's fastest-growing sector gets a boost amid plans to join the Euro Zone

Hand in hand with the government's desire to upscale Malta's tourist offering is the wish to create a healthy onshore financial services industry—the fastest-growing sector in the country.

Speaking to Professor J. V. Bannister, chairman and president of the Malta Financial Services Authority (MFSA), one soon sees how key this sector is to the island: "There has been a long-held goal, prior to EU integration, to develop financial services. When we joined the EU last year, it was quite a clean transfer and we are 100% in line with EU guidelines. This means that financial services and regulations on the island are both transparent and robust. While they currently account for 12% of GDP, we are hoping to double that."

Central to these aims are Alfred Mallia and Mark A. Guillaumier, respectively the chairman and chief executive of the Malta Stock Exchange (MSE). As well as developing and diversifying the financial services industry, the MSE is setting up Borzamed—a cooperation of Mediterranean stock exchanges. Mallia outlines the strategy: "We are proud that our regulatory standards are international ones and that we have been associates of the European stock exchanges for some time. This month, after five years' hard work, we are meeting with all the Mediterranean stock exchanges and trying to reach agreements with Tunisia, Egypt and Jordan."

The MSE is also looking to develop a niche to attract companies too small to be listed on the Frankfurt or London stock exchanges. Guillaumier explains the benefits: "We offer security and have had rigid legislation for the last century. We compete on price and efficiency, as well as offering the benefit of an English-speaking workforce."

Changing Currency

The Central Bank of Malta has been at the forefront of the country's growth and stability since its inception in 1968, and governor Michael Bonello is aware of the importance of the financial sector to Malta in the next few years: "One of the government's objectives is to develop



Michael C. Bonello
Central Bank

Malta Tourism Authority



The Knights of Malta built the city of Valletta 500 years ago

the financial sector as the economy's second pillar, and the right conditions are in place for this to happen. The sector is growing at a steady pace and a recent IMF/World Bank mission concluded that Malta has a well-supervised financial sector and that the commercial banks are profitable and adequately capitalized.

"The aim to join the Euro Zone in 2008 is a very important and positive step for Malta. Part of the logic of the single market is that you have a common currency to exploit the market's potential to expand trade and promote broad-based growth. We recently entered the ERM II mechanism, one of the steps for joining the Euro Zone, and now have to prove that our currency is stable and our exchange rate sustainable over two years. At the end of that period, we would hope for a favorable assessment and for us to adopt the Euro and complete our integration."

The attraction of Malta's financial services and regulations, and its geographic and historical position as a trading bridge between Europe and Africa have long been recognized by external financial service providers. Margrith Lütshug Emmenegger, president of First

sunspot

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Sonny Portelli
Maltacom

International Merchant Bank plc (FIMBANK), which offers export knowledge aimed at developing trade and realizing successful business from niche opportunities, says: "We came here in 1995 because there is a logical connection to trade and it is logical that Malta be a mediator between Africa and Europe. In addition the workforce is well educated and there is a competitive price point."

Similarly BAWAG Malta Bank Ltd, a wholly-owned subsidiary of BAWAG, the fourth largest bank in Austria, also has a niche function focusing on large corporate and government-related businesses. BAWAG Malta Bank Ltd. opened an office in Tripoli in July this year, joining the Bank of Valletta as the only two Maltese banks with a presence there. Managing director Otto Karasek says: "There is a high standard of professionalism here and a very sophisticated financial industry which, when combined with the fiscal attraction of the location, makes Malta an excellent place for European corporates to access North Africa."

Insuring Success

Middlesea Insurance Plc., a division of International Insurance Management Services Ltd. (IIMS), is another company taking advantage of the geographical and financial aspects of Malta. Middlesea Insurance Plc.'s chairman and chief executive Mario C. Grech says: "Over the short- to medium-term, I envisage interest from big operators that wish to set up a second domicile company to take advantage of Malta's central position between the African and European markets. We are well placed to offer them captive insurance and catastrophe insurances."

Anne Marie Tabone, general manager of IIMS, sees opportunity in Malta joining the EU. "In captive management, you can see a change since Malta joined the EU. There has been a great deal of interest internationally since then and there is a sound financial infrastructure, lower operational costs and tax incentives for those who license here."

To further encourage external investment in Malta, Minister for Competitiveness and Communications Censu Galea points to the country's infrastructure as an opportunity for investment.

He says: "When we joined the EU, we were already in line with their directives in terms of telecommunications. We are now issuing tenders for international companies to ensure the operation and handling of cargo in the Grand Harbor is in place by July 1, 2006. The

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Malta Maritime Authority (MMA) will be the regulator, while the private sector will handle operations."

Maurice Mizzi, chairman of Mizzi Organization Ltd, is also an exponent of Malta's wealth of opportunity. "Workers here are fast and efficient and we have a lot of people with good IT skills. Thanks to the quality of our university and our EU membership, things are beginning to happen faster. Our growth needs to be managed environmentally, however. We need to preserve older buildings and look to exploit and preserve our only natural resource: our land."

Sonny Portelli, chairman of Maltacom PLC is another well-known entrepreneur who is proud of his country and its offering. "In Malta, we have always made a living from commerce; our ancestors are the Phoenicians, the world's first traders. Now we call people businessmen and entrepreneurs, but it is much the same thing.

"We have unbelievable amounts of business aggression and experience at finding niche opportunities for ourselves. This is why joining the EU has been so good for Malta. We are looking at a great deal of opportunities and you can guarantee that we will exploit them. This is an important aspect of the country and one that you will not experience until you have done business here."

Maltacom, like many other telecoms in Europe, started as a government entity. In 1998 the administration decided to partially privatize the company, then known as Telemalta, and at the moment it has around 8,000 shareholders, most of whom are locally based. The company is regulated by the MFSA and conforms to the regulations of the London Stock Exchange. Maltacom has recently seen its fixed-line business slow down, but this is tempered by the fact



The InterContinental Malta, five-star quality in the heart of the Mediterranean

that in mobile communications, the company is competing against the best global players, including Vodafone, with nearly 50% of the market share in Malta.

To stay ahead of the game, there have been several recent announcements beneficial to the future of Maltacom and the country. Portelli says: "The migration from fixed-line to mobile and other applications is an irreversible trend and we are developing new products to ensure our position. We have our own Voice over Internet Protocol (VoIP) service, we delivered one of the first digital networks this year and we are upgrading our fixed-line network."

This shows the synergy between Maltacom and the island's development. Over the past 12 years, Maltacom digitized its network and now they are the first to introduce state-of-the-art soft networks. These networks are IP compatible and support all new IP technology. As Minister for Investment, Industry and IT Austin Gatt says: "This investment is required if we are going to attract more back-office operations; more operations which require the transfer of data constantly, efficiently, at greater speed and at less cost."

International Calling

Being so tied into Maltese affairs is also helping Maltacom grow beyond the confines of the island. "We are continuing to expand and have many plans for the future," says Portelli. "We have applied for a 3G license, we are continually looking at costs and, in the last 18 months, have made substantial cuts in operating costs without losing a single employee. The future for Maltacom is to become part of an international entity and I believe it would be a very efficient player."

As well as these excellent telecommunications, Malta is also exploring many other infrastructure possibilities. As Minister for Resources and Infrastructure Ninu Zammit says: "We have been responsible for restoring many important historical buildings throughout the country. We are also looking at the possibilities of a gas pipeline and electricity connection with mainland Europe and, with regards to oil, we have signed agreements with various companies offering seismic surveys."

It appears then that everything is in place for Malta to offer a great deal to the 53 nations that will converge on the island at the Heads of Government Meeting. As Prime Minister Gonzi says: "The Summit will allow us to further strengthen the Commonwealth's political, social, developmental and economic performance."

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