

Malta DIGITAL DEBATE



As Malta bids to increase its presence as a maritime centre of excellence, SMI asks what kind of impact will COVID-19 have on its long-term plans?

Taking part in the Digital Round Table Debate were: **Michael Callus**, CEO, Malta Maritime Forum; **Stephan Piazza**, Senior Manager, Tax – Shipping & Aviation, KPMG Malta; **Jan Rossi**, Associate, Ganado Advocates; **Angelique Maggi**, Director, Mediterranean Maritime Hub (MMH Malta); and **Samantha Giltrow**, Editor, Ship Management International (Moderator).

Samantha Giltrow

Welcome to our first ever Malta Round Table Debate. Firstly, I would like to know, as the island bids to increase its shipmanagement and P&I presence, what kind of an impact will COVID-19 have on its long-term plans for expansion as a maritime centre of excellence?

Michael Callus

It is a disaster in my opinion at the moment. Before COVID we had seen a general increase year on year in the overall local maritime industry. I think most sectors were registering growth. Of course, since the ports closed on 15th March, the business has ground to a halt and crew changes have been a huge problem – it is the same worldwide. There are an estimated 200,000 seafarers who are either blocked at home or on the ship, so obviously on a local basis we have been very much affected and everyone in the industry is suffering. I am sure my colleagues have seen the same impact, if not worse. The ports are now open, as of 1st July, but we are, of course, still impacted by this safe corridor situation and most crews are coming from third world countries so we are still more or less affected. As an island, we have lost a lot of business.

Angelique Maggi

Obviously, we are a port facility and we also provide logistical services to drilling contractors so naturally the moment the airports and the ports closed this heavily affected the movement of crew, be it crew to go on the oil rigs or in the maritime sector. One plumb line was used for all industries whereas, personally, I think they could have been slightly more flexible with the maritime industry. For instance, if a vessel has a crew which has been onboard for two months, they have not done any port calls and if they have, they remain quarantined on the vessel. That crew has been isolated for that time and technically would have been safe to travel back to their home or to their workplace (in this case the vessel). We maybe had to find other ways of travelling and some clients were willing to use private chartered planes. What we encountered locally was that trying to get permits for these private chartered planes was becoming a nightmare., and in fact business was lost because clients were finding alternatives such as through Sicily, where they were managing to do crew changes provided they were swab tested etcetera in order to continue the projects. I am not criticising Malta's reaction – these were extraordinary circumstances – but I think should we encounter once again these circumstances, the sector has to react to it specifically. What I appreciated was that the Malta Maritime Forum, along with the Chamber and other entities,



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were trying to lobby for the sector to ensure smoother operations for the industry.

Michael Callus

What Angelique has said is correct. The Forum had a two-pronged attack. One, was to ensure financial assistance as we had one member who completely lost his business outright, and on average our members lost around 50% of their business. When the Government gave absolute power to the Superintendent of Health, they obviously had other priorities, and for shipping and aviation like industries 'no' was probably the easier answer than checking. We offered, for example, swab tests – whatever they wanted. It wasn't a question that we were jeopardising the health issue, but there was too much safety first on issues, such as bunker barges where crews have to spend three months before they change otherwise they have to do 15-day quarantine. Now it is done and we are praying there will not be a second wave so we can build the business back to what it was. With regards to crew changes there are still some limitations which I hope by 1st August more and more countries are ready so we can work with European countries. The Philippines are working to get a safe corridor worldwide and I think if they can do that it will help us a lot with crew changes.

Angelique Maggi

I know we have been speaking a lot about the negatives but one positive I can mention is that we have seen certain companies and institutions such as RINA and Lloyd's who have reinvented their way of operating. Ships still needed to be inspected and there have been remote inspections. These were technologies that were already in development in the industry and COVID gave this space for these technologies to be launched. We have seen an increase in remote inspections. There has been a drive from everyone to try and get creative and to make the best of every little opportunity that was being presented.

Stephan Piazza

We definitely had to rethink our models around as working from home required the adoption of drastic changes to our day-to-day schedules. We have seen a positive change of attitude for example from the regulator for transport in Malta who brought in a number of measures to facilitate our operations. In a way COVID was something positive because as it proved that certain measures such as online payment of fees and submission of electronic documents could have been introduced a few years ago. This will definitely be a drive towards the digitalisation of Transport Malta in the coming months. Transport Malta is fairly active in digitalisation and there is a consultation process which has started and the Malta Maritime Law Association, of which I'm a executive committee member, is taking a very active role in it. From a client perspective, we have seen a lot of restructuring going on and also a number of strategies have been put slightly on pause as this scenario has brought some change in strategy. However, most of my clients are still going ahead with the pre-COVID planned vessels and yacht acquisitions notwithstanding challenges from a logistics perspective (change of crew was the major issue which has dramatically impacted shipping companies). A client of ours needed to take over a ship from a yard in China and sail her to Russia, but they couldn't fly the Russian crew to China because of COVID. In yachting we witnessed a complete standstill in operations in March, April and the first half of May but once measures started being lifted in France and Spain, we have seen a positive surge of measures and activity from the yachting side. We have seen companies and clients coming back to us for advice on the acquisition and registration of yachts so from a yachting perspective I think everything is back to normal. After all yachting ensures a very good level of social distancing and this was a driver in yachting related decisions.

Jan Rossi

With regards to the shipmanagement and P&I presence, thankfully we have had some interest from foreign



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Stephen Piazza, Senior Manager, Tax – Shipping & Aviation, KPMG Malta



ship managers, be it technical management or crew management providers interested in setting up in Malta. As you can appreciate, establishing presence here comes with a certain capital outlay and the uncertainty that COVID brought about has possibly delayed decisions on this front. From a general practice area perspective, we have been working from home since March and luckily enough we are well set up from an IT and communications point of view. So, that hasn't affected the way we are working or the efficiency of our work. Having said that, towards the end you start to appreciate how important the personal touch of meeting with a client is. In my view, nothing beats a face to face meeting and that is something which is irreplaceable. Certain transactions have slowed down such as clients wishing to expand their fleets, but we have kept busy with other things such as refinancings and increased litigious work and now slowly work is coming back. I think overall the 'hit' wasn't as bad as perhaps we initially expected, but there is still a lot of uncertainty over what the future holds.

Samantha Giltrow

In the UK we have had many different measures being brought in to help businesses. What has happened in Malta and what kind of assistance has the Government offered?

Michael Callus

The Government has introduced a number of initiatives although the Malta Maritime Forum was trying to get some more on the package. We do not have Furlough like the UK. For what concerns civil service employees they continued enjoying full pay. The Government saw that in the private enterprise, where you have got tourism, they were wiped out overnight with the closure of the airport and the port, so they introduced the minimum wage of Malta as an assistance to all these employees. Most of the industry fell into the third category where they got one day per week on the minimum wage as assistance. Then

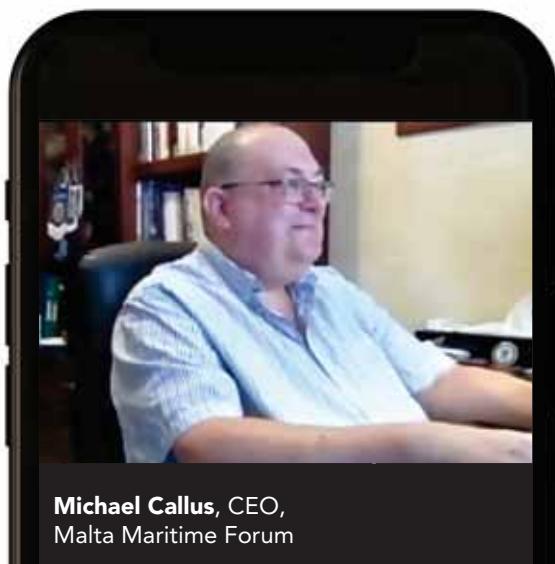
the other category was where people such as lawyers got nothing. Because we are in a very highly specialised business it wasn't a question of hire and fire because those staff you have invested a lot of money to train and you don't want to let go, so you do your best to try and keep them. So, the assistance for the maritime sector wasn't that much. The Forum tried to get an agreement to add extra days. March and April were very bleak, and in May we started to see a bit of light but the recovery is going to be very slow. Of course, if business takes time to respond, a lot of companies will have problems. In the shipping sector I know there were lay-offs but not mass lay-offs, though I know there will be a financial strain on most companies because you have to contend with reduced resources and not every business model is the same. There has been some Government help with rent, water and electricity and I think the Government would give assistance on loans. I think the Government has measures in place where it is guaranteeing, for example, bonds and that is a very big help in my opinion. I think a recovery will take at least three years. Globally a lot of companies will fold and there will be a lot of consolidation.

Angelique Maggi

I think businesses, through this experience, have learned how to operate in a leaner manner.

Stephan Piazza

I think we will have to wait for a year in order to see shipping getting back to pre-COVID levels. Just look at the cruise sector. It is at a complete standstill right now and it is not expected to recover until next year. Hopefully there will be a vaccine by January or February and people will start booking their cruise holidays again for next summer. If you walk through the streets of Valletta right now the streets are less busy than last year; on average Valletta would welcome 10 cruise liners a week with hundreds of cruise-holidaymakers visiting the capital's attractions. Less ships coming to Malta represented also



Michael Callus, CEO,
Malta Maritime Forum



Angelique Maggi, Director, Mediterranean
Maritime Hub (MMH Malta)



Webinar

Navigation and its crucial role in global vessel safety

It is said that 80% of maritime accidents are due to human error but to what extent can shipping take navigational competence for granted. Are today's navigational officers really up to scratch and how can technology be used to make their jobs easier and more fool proof? Does the onus of safe navigation in our important waterways sit with the governments or do owners and managers have a crucial role to play when it comes to funding such essentials?

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a downturn of activities for pilot and tug boats, while difficulties linked with crew change created a number of issues for yards in Malta.

Samantha Giltrow

The cruise sector is a key part of Malta's economy isn't it? How do you think Malta will adapt to the new ways of doing things because there has been talk of cruise ships running with 50% capacity and obviously many new protocols onboard.

Stephan Piazza

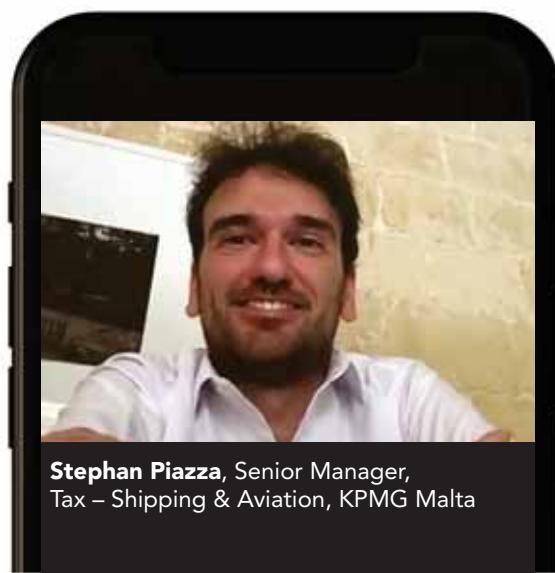
I think the European Union has to tackle the issue from a wider perspective and across the board. I don't think it's just a matter involving Malta. In any case there need to be protocols in place to avoid situations which involved a number of cruise liners being denied port entry and disembarkation rights for weeks earlier this year and leaving hundreds of passengers desperately locked in their rooms.

Samantha Giltrow

If they are only running at 50% capacity that is half your people gone for quite some time that would be coming in and putting money into the economy and it will also effect ship suppliers etc. How will that be compensated for do you think?

Michael Callus

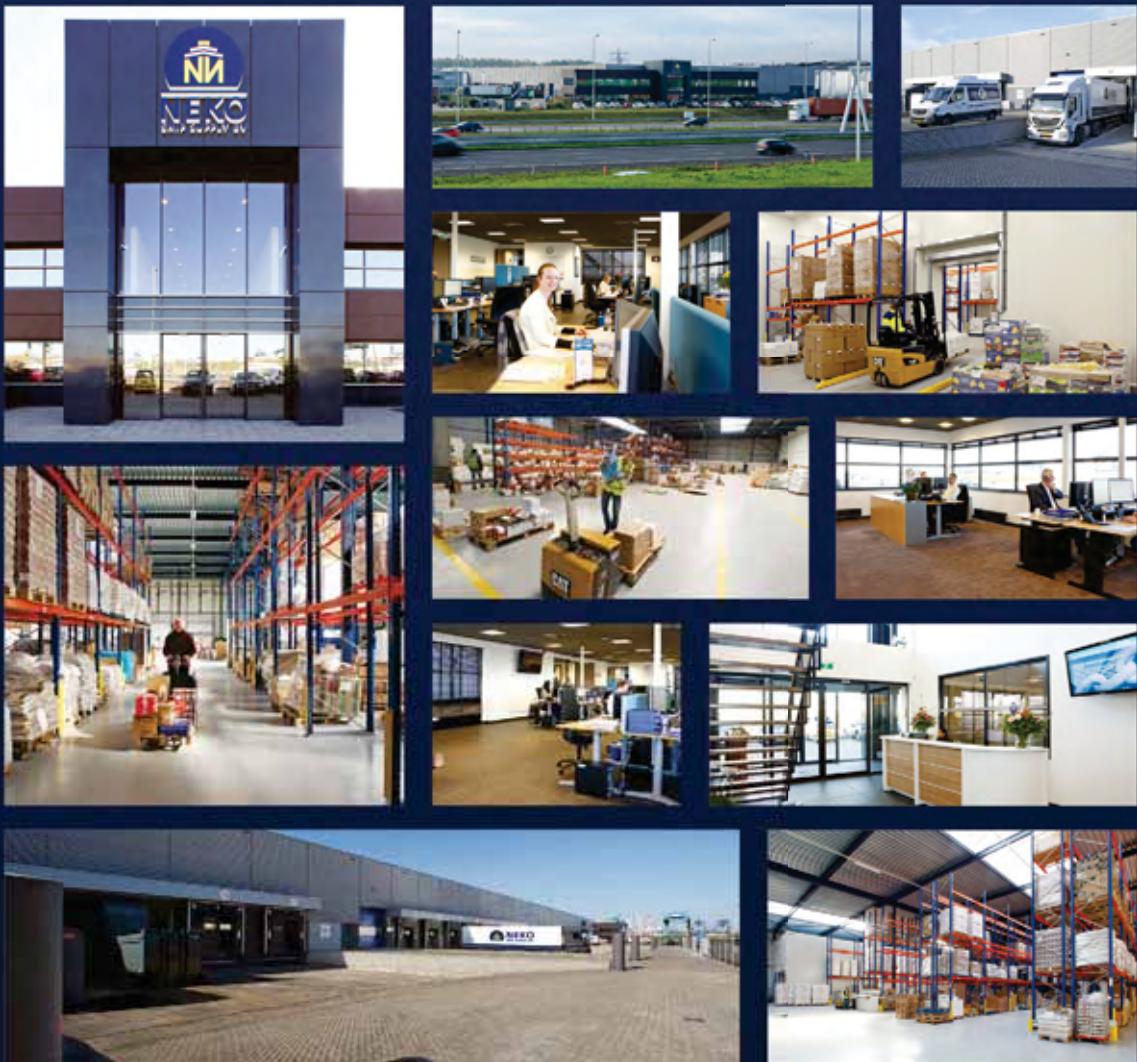
I think the cruise line business will be the last in the maritime sector to pick up. Already, most cruise lines have postponed their itineraries. Valletta Cruise Port has already put in place, agreeing with the port authority, protocols for when passengers do come to Malta or leave from Malta because Malta is also a hub where passengers board their cruise. I believe passengers going for a cruise will now have to take a swab test and before they are accepted onboard will have to have a certificate to say they are healthy and do not have COVID-19, they have beefed up the hospitals onboard cruise liners so there are more facilities, and they have reduced capacity. One aspect which we are working on as MMF, which has to be agreed with a lot of parties, is where a cruise liner comes to Malta and there is a patient with COVID-19. We cannot be in a situation where that ship



Stephan Piazza, Senior Manager,
Tax – Shipping & Aviation, KPMG Malta



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It has helped the movement of cargo in and out of the country, else everything would have come to a standstill

Angelique Maggi, Director,
Mediterranean Maritime Hub (MMH Malta)



is turned away. The ship has to be accepted, measures have to be put in place in agreement with the health authorities and the ship owner and that basically means we take the patient to the hospital and possibly isolate the passengers in quarantine . These protocols have to be in place because it could be that a cruise line company may not choose Malta if they are not in place.

Samantha Giltrow

What strengths and weaknesses of the Malta maritime cluster have been highlighted by the pandemic?

Michael Callus

As a strength, the aspect of digitalisation. I think we adapted very quickly thanks to our IT people to be able to operate our business from home and the terminals, for example, practically in 15 days did a lot of the procedures online. So, when it came to release of cargo from the ports, there wasn't actually the physical aspect of going there with the paper work. This has helped a lot with not hampering the movement of cargo at the port. Although the ports were closed, the ports were actually open throughout and the industry still gave a service to Malta, so cargo did not stop – medical supplies, food supplies still kept on going and the port workers, the tug boat pilots etc still gave the service even with reduced volumes. This is something which needs to be commended and notwithstanding the fact that all this was happening between March and July, I believe we did not have one case of COVID-19 of any worker in the ports. All these companies were very responsible. So, I think digitalisation has been a big plus. Of course, the volume has been a negative but nobody anticipated the fall-out of COVID so we were not prepared for this and maybe this is another thing which we could envisage in the future.

Jan Rossi

Whilst I do agree that we have moved to a more electronic way of working, there is still a lot to be done. Many things are still done in paper format. However, the greatest strength, I believe, was people's personal ability to adapt, which was excellent – and within such a short time. Even though there were these obstacles, everybody really co-ordinated with the authorities and the private players, for the common good of the industry.

Angelique Maggi

I agree regarding all the paper documents. Contrary to that we were pleasantly surprised to see the procedure of Customs was completely online, and it became much more efficient and I am hoping the system remains that way. It has helped the movement of cargo in and out of the country, else everything would have come to a standstill.

Stephan Piazza

We saw that in a matter of a few days, Customs authorities went completely digital and Transport Malta started accepting scanned documents and payment via credit card. It goes without saying that such measures were welcomed with great enthusiasm amongst industry practitioners. The digitalisation process cannot stop here and must continue, going back to pre-COVID times is simply unacceptable. In any case digitalisation needs to be implemented in such a way to protect jobs and all those professionals which have been servicing the industry for many years.

Samantha Giltrow

What developments have there been within the maritime cluster here since SMI last visited six months ago?

Michael Callus

One is the Valletta Regeneration Plan – a €35 million investment in which Valletta Grand Harbour the Break Water will be strengthened with a wave breaking protection system. There is also a €50 million project to provide an electrical connection for the cruise liners. That is a massive job. I



believe Malta Freeport also has a similar project parallel to this to have electricity connection for the ships. The latest development is a logistics park, which is an area between the airport and Malta Freeport and I think it is going to be a very interesting project. I think investment in the infrastructure has to be the number one priority.

Samantha Giltrow

What are the next steps for Malta as a maritime centre of excellence in terms of growth?

Jan Rossi

I agree with Michael that improved port infrastructure is essential however that only concerns one aspect of the maritime industry. It is great to hear that it's happening, and I really look forward to seeing it happen. But also, in so far as attracting substance here – actual offices being set up – other factors too come into play including quality housing, schools, domestic infrastructure, entertainment, suitable office, presence of locally qualified staff and others. In so far as the Registry is concerned, there's the digitalisation project which, once launched, should really propel the Malta Flag forward.

Stephan Piazza

I agree with Jan, of course, but I would like to see a more tangible presence of Transport Malta and the maritime cluster abroad. Flag administrations such as Marshall Islands and Panama are extremely active with a widespread tangible presence across the world. I wouldn't say that Malta has to replicate the model adopted by other administrations – let's not forget that the Malta Flag is not run by a private entity – but I think the Authority needs to have a wider presence. We are the first Flag in Europe and sixth in the world, and now we have the knowledge and the expertise to move that step forward but. Resting on our laurels would be detrimental

Michael Callus

With regards to attracting more business, I agree with Stephan's comments. Our resources are not that much, and Transport Malta do attend some events such as Posidonia. It's not only the Ship Registry – we offer a lot of maritime services such as maintenance and repairs, oil and gas and yachting, as well as crew changes and bunkering. We need to do a lot of work post-COVID, that is for sure. We have to go to the business and try to attract it.

Samantha Giltrow

Thank you all for your time today. ●

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