

Malta an island's connection

Where we are as of March 2022

How are we connected

Europe

Via Valletta port, to Italy by **Road** via Ro-Ro ferries to Mainland Europe

Rest of the World

Via Marsaxlokk port, by **Sea** via Container vessels and other bulk carriers

All destinations

Via Malta International airport by **Air**

How we are impacted and the state of Logistics in Malta - Trade

Malta' trade value for Exports = 52% to Europe and 29% to Asia*

Malta's trade value for Imports = 69% with Europe and 20% from Asia*

Malta's geographical remoteness results in higher transport costs and higher degree of economic dependency on imports/exports

* Trading Economics.com

How we are impacted and the state of Logistics in Malta - Sea Freight

- **Covid 19** exterior forces on our **Sea Connections**
- Demand has peaked bringing challenges, high inflation, energy prices port lock downs, blank sailings, container availability, carrier capacity, spot market, freight market, lead times have increased, route choices, e-commerce flows, schedule reliability has gone down from 70/80% to 40%.
- Sea freight rates are still over a 1000% to tariffs in Q1 of 2000 and will continue to remain the same for the next year, new vessels will be increasing capacity towards Q4 2023.

How we are impacted and the state of Logistics in Malta – Road Freight

- **Brexit** has seen delays in cross channel operations due to, **extra administration** and **border checks** that have increased operating costs (CHED regulations animal, plant feed & food products).
- **Covid Pandemic**, brought border restrictions, delays, driver testing. Demand on e-commerce.
- **Ukrainian war, Q1 2022 fuel prices at the pump** increased by 52.7% y-o-y (IRU), Diesel accounts for one-third of operating costs in Europe. Whilst being an island state we have the added costs of ferry costs that most of our European neighbors do not have.
- **Driver shortages**, both local and in EU – estimated at 425,000 saw driver salaries spike
- **Supply chain** shortages – Equipment and parts
- **Regulatory changes** (EU Mobility package 1, Combined Transport Directive) have helped push freight cost up. Since February for every 8 trucks, operators need to invest in 1 new truck to make up for the lost time to return home regulation – estimated to cost approx. €110,000.00 as an investment.

How we are impacted and the state of Logistics in Malta – Road Freight

- In March, the **Ferry lines** operating from Italy have increased fuel surcharges by 18.5% on average due to increases in Brent.
- A typical trailer operators' trip from a supplier in the Milan area to arrive at Malta port has a **47% ferry costs, 16% local port & agency fees & 8% diesel costs**
- Ferry costs are **5 x that of our diesel costs** (€1.00 diesel = €5.00 ferry costs) depending on Km to ferry crossing ratio.
- Freight rates index for Europe in April rose by 4.3 points over the previous quarter and 7.5 points over Q1 2021 (Uapply TI IRU).

Malta's competitiveness & accessibility

- We are one of 3 insular Island states (IE, CY, MT) of 28 states in the EU of which 13 members have 2400 islands and gain access to EU regional funds. Maltese transporters subsidize local export costs (to the EU) to keep our competitiveness .
- Our nearest island neighbor Sicily, with a population of 5 million / 25,711 km²
- EU funds contributed 3.2 billion to Sicily.
- The European Commission approved the Italian scheme to support shipping companies known as "Marebonus". The 2021 budget was set at EUR 30.45 (USD 37) million.
- The Italian government provides direct grants to support sea services for combined freight transport. The grants aim to cover the additional operating costs that are borne by the beneficiaries when switching to a more environmentally friendly mode of transport.

Challenges for Logistics in Malta

Worldwide covid disruption continues to affect International shipping

Ukraine war is showing a continued energy & fuel price hikes

Disruption and impact on smaller retailers is higher

Supply of goods & labor creates more logistics demand.

Local retail is growing by 8.7% y-o-y Dec 2021 (ceic)

Higher inflation

Container availability

Carrier capacity

Freight rates & Spot Market

Outlook for Logistics

- Transport industry contribution is around 5% of EU GDP
- Uncertainty of Covid 19 – Ukrainian war
- Consumer demand - High inflation
- European supply chain challenges – congestion – hinterland options
- Digitalization advantages
- Green Deal – Sustainability – Green house gas (GHG) a cost 2050
- Warehouses demand

Identify solutions for Malta

Ship & order earlier

Shift sourcing of goods

Use of airfreight high-cost
vs other modes of
transport

Local deliveries - working
at different times (24/7)

Training for local drivers

Develop a national freight
portal for Logistical
optimization and Data
initiatives related to Cargo
stats

Government to discuss
with main freight suppliers
to control freight lifeline to
and from Malta – Freight
costs & Connectivity

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