

Mr. Speaker,

Families built on Solid Foundations. This is the budget which I am placing before this House.

This Budget is meant to help families and reward hard work. This Budget also reflects all our country's potential and it projects us as a modern, ambitious and energetic country and population.

This evening, yet again, we shall be reducing income tax for Maltese families, we shall be rewarding work and we shall be supporting the upbringing up of children.

This evening, we shall be investing furthermore in the education of our children.

This evening, we shall be strengthening our country's activities, so that our country may protect and embellish the environment, its identity and its culture.

This evening, we shall continue to invest in the productive sectors of our country in industry, in tourism and the self-employed.

This evening we shall be taking another step in the modernisation of public health services so that the Maltese population will always be better served, and so that we may become more aggressive in our fight against cancer.

This evening, we shall be taking another step so that all our youths will be able to become owners of their own homes.

This evening, we shall be giving our senior citizens, who built our country, more tools for them to remain full and active citizens in Maltese society.

This evening, we shall be strengthening the security forces of our country, also in order to be able to better face up to the problem of illegal immigration.

This evening, we shall be launching an extensive program of investment to the tune of Lm 140 million (€326.1 million) in our country, which investment will be co-financed by the European Union. We shall be investing in our towns and villages, in our environment, in our roads, in public health services and much more.

Mr. Speaker,

We are building on strong foundations. Today, we have the largest number of people who are gainfully occupied, since Independence. We have the smallest number of unemployed since 1995 to date. The economy has continued to grow. Finances are on a sound footing. We are aiming that within two years we shall be presenting a budget without any deficit, that is a budget where we receive more than we spend.

This is the budget which, with great prudence, will transform the hopes of the Maltese population so that our families may look forward with a positive outlook.

Malta is a strong country because we Maltese have made it a strong country. We are grateful to all those who before us built our country with their own hands, their intelligence and their hearts.

Mr. Speaker,

This evening we shall be taking the next steps in the strengthening of the Malta which we intend passing on to our children and their children. A modern Malta, with a role to play

in both Europe and in the Mediterranean. A Malta where everybody is successful.

Mr. Speaker,

It is my honour, this evening, to present before this Parliament my fourth budget in a little more than three years since I have become Prime Minister and Minister of Finance. I shall be requesting this Parliament to approve a Budget of one billion and one hundred million liri (€ 2.6 billion) to strengthen our country and our families.

Mr. Speaker,

I wish to express my thanks and those of the Government for the all-round work performed by the Maltese population. To you, all workers, who with determination and dedication give your honest day's work. To you investors, who have invested in our country and created the welfare now enjoyed by our families. To you parents, who day after day dedicate your life so that your children may come to live better than you. To you volunteers, who work in the voluntary sector for the benefit of others. To the civic society, through whose work, our democracy has been strengthened. To you children, because you bring us joy and remind us of the important things in life even when we, who are older than you are, forget them. Thank you.

The most important thing for me and for the Government I lead, is the individual, every person. There exists no class distinction for us. There exists only the individual. Every woman's and every man's dignity is more important than any ideology.

We believe that we all have the same dignity but we also recognise the fact that our needs are not always the same. Whilst protecting the dignity of each and every one of us, we must give preference to the protection of those who are weaker than us.

Whilst preparing this Budget, we have consulted with a number of people, families, organisations, of all opinions and political colour. We discussed matters with associations of employers and the unions. We have spoken to the civic society. We have listened to the wishes and to the needs of thousands of people who took part in discussions which have been on-going since the last budget up to two days ago. The Maltese people thank you for your participation.

We received a number of ideas and proposals. More than 4,500 letters, phone calls and e-mails were received.

This is the message we received:

1. The change implemented over the last three years was not an easy one but it is now bearing fruit;
2. Maltese families need assistance in order to further pursue their aspirations;
3. Senior citizens wish that society recognises the contribution they have given and that they can still give to our country.
4. The employment sector is operating in a satisfactory manner and cannot afford any jolts;
5. Tourism has recovered but it is important that we continue supporting it;
6. Gozo is an island region with unique potential and opportunities;
7. Education, public health and the social welfare sector require the same continuity of development which occurred over the last years;
8. The environment requires more investment and protection; and
9. There is genuine anxiety as to how we shall be addressing the challenge posed by irregular immigration.

In a few words, the message you sent us is clear: do not risk what we have achieved so far, we wish to have expenditure that is prudent, fruitful and focuses on what is mostly needed. This is what we shall be doing in this Budget.

We would have wished to meet everyone's wishes. We would have wished to do much more than what we shall be announcing this evening. However, with full responsibility, I consider that we would be doing a disservice if we were to take even one step which would endanger what we have achieved. Consequently this is a prudent Budget and it is cautious in the expenditure which is being proposed, and which takes us only as far as we may afford at the present moment of time. It is a Budget sensitive to today's needs, whilst looking far ahead. This is a budget with three main objectives:

- It is a budget which creates work, reduces the deficit by Lm 20 million (€46.6 million), which gets us nearer to the time when we shall be receiving more than we spend, and this allows us to save up so that our children will be in a position to overcome the challenges that lie ahead.
- It is a budget with an investment of Lm140 million (€326.1 million), in the economy, in infrastructure, in schools, in our heritage, in the environment and in more capital projects.
- It is a budget which converts Lm21million (€48.9 million) of the wealth which our country is creating into new income for Maltese and Gozitan families.

This budget strengthens our country.

Through this budget Maltese and Gozitan families will live a life based on solid foundations.

## **The Economic and Financial Situation**

### Developments in the International Economic Sphere

I am placing on the Table of the House a copy of the Economic Survey.

Mr. Speaker,

The Maltese economy cannot remain detached from all that is happening outside our country. It is not the first time that I have explained that what takes place in the New York Stock Exchange affects work being performed at Hal-Far and that the economic situation in England has an impact on our hotels in Bugibba. Table Number 1 gives a summary of the international economic situation. It seems that although the world economic situation should remain strong, the prospects for global economic growth may slow down as a result of the financial difficulties lately experienced as well as other factors.

The increase in oil prices has brought about pressure on the price of various products and services which we use, as well as the pain brought about by the surcharge. I refer to the word pain because I know that the surcharge has badly hurt our families and our industries, in spite of all that we did in order to lessen its impact. I assure the Maltese population that if I were in a position to remove the surcharge, I would certainly remove it. Nobody should make political gain out of this. If I were to increase the water and electricity rates, as was done in the budget of 10 years ago, I would be in a position to remove the surcharge. However, if we were to do so, we would be deceiving the Maltese people. A serious government requires other measures. Not only that. Water and electricity rates do not

decrease, whilst the surcharge increases or decreases according to oil prices.

We also experienced the closure of factories which resulted in the loss of a considerable number of jobs. This notwithstanding, our economy managed to generate sufficient employment opportunities, as a result of which, unemployment today stands at 500 less than last year. We have also reached the highest number of persons who are gainfully occupied. Today the employment situation is the best we have had in the last 12 years. This is not enough. Until there remains even one person who genuinely seeks work, this challenge will remain with us. And we shall be working with all our strength in order to overcome it.

Prices for agricultural products, especially those for wheat and cereals, have increased substantially because of various factors, including the increasing demand for these products coming from developing countries, as well as the ever-increasing use of these products for the production of biofuel. Such a situation affects our country too.

Unfortunately, all this is happening a few weeks before Malta adopts the euro as its currency. Already, some have tried to distort reality by stating that these increases are the direct result of the introduction of the Euro. Naturally, whoever is genuine will realise that people who are stating this are deceiving and misleading our people at such a delicate moment in time. We all have to prepare ourselves so that we may have the best possible introduction of the Euro.

Moreover, the upheaval in the capital and financial markets has come to the fore over the last few weeks. Although it did not affect us directly, we are concerned nonetheless because if this situation leads to a slowing down of the global economic rhythm, we too may be negatively affected.

In spite of all this, thanks to disciplined and prudent management our economy has withstood this upheaval and remained strong. Indeed, it grew stronger and continues to do so still.

Table 1: International Economic Developments

The rate of international economic growth in real terms for this year is expected to be slightly less than that registered during 2006. The reason being that the growth in the global Gross Domestic Product is expected to decrease to 4.8 per cent when compared to 5.2 per cent registered last year. In spite of all this, the world economy should remain strong for the fourth consecutive year.

Economic growth in European Union (EU) countries and in countries in the Eurozone is a reflection of the global situation, where the economic growth of 3.0 per cent in the EU and 2.8 per cent in the Eurozone registered in 2006 is expected to decrease to 2.8 per cent and 2.5 per cent respectively in 2007.

The rate of economic growth in the United States during 2007 is expected to decrease to 2.2 per cent, which is the lowest rate registered for these last few years. This reduction is a reflection of developments registered in the real property and financial services sectors in America. On the other hand, although the Chinese economy is expected to expand at a slightly lower rate than that registered last year, the increase of the Gross Domestic Product in China is still expected to reach 10.5 per cent in 2007, whilst the rate of growth in Japan is expected to reach slightly higher figures than those registered last year and increase to 2.3 per cent.

The trends for 2008 remain positive, although negative risks have increased. A lot depends on whether the extent of the effects of the financial difficulties, which developed lately, on global economic growth. Separate to the above, a negative impact could also ensue as a result of increases in the international prices for oil, corn and wheat, as well as developments in the euro and American dollar rates of exchange. All this confusion in international markets is proving to be a worry for everybody, including us, not least because it can cause havoc



on what has been achieved with hard work and toil. In spite of all this, we shall not give up and, as we have done before, we shall continue to persevere so that we may obtain the results we seek and which our people deserve. Consequently, Government is closely monitoring all that is happening in the international financial markets as well as in the oil and wheat markets so that wherever possible we can face difficulties which arise and purchase our necessities on the best possible terms. Above all, Government is taking into consideration all these developments in its preparation of plans and strategies for our country.

## The Maltese Economic Situation

Over the last three years our country has been assessed on a regular basis in regard to five important economic criteria. In May, the European Commission and the European Central Bank conducted a detailed analysis of our country and they both agreed that the economic and financial policy operated by this Government is “credible and sustainable”. This has enabled us to introduce the Euro next January.

Mr. Speaker

This budget builds upon such credibility and sustainability.

The positive economic trends that were evident in 2005 and in 2006 were sustained throughout the first six months of this year with a rate of growth of 3.6 per cent in real terms. This means a 0.4 per cent increase over the same period last year. Government consumption was kept under strict control with an increase of less than 1 per cent in real terms.

### *More and Better Work*

Work is the key to the achievement of good quality living standards, whilst providing workers and their families with their livelihood and their dignity.

In the month of June of this year, we recorded the highest number of persons who are gainfully occupied. We are proud of the fact that the increase in employment was registered in the private sector and not in the public sector. I emphasize that, on the other hand, employment in the public sector continued to decrease. Table No. 2 explains the employment market situation during the past year.

Table No. 2: Employment Market

	<b>June 2006</b>	<b>June 2007</b>	<b>Variance</b>
Employment force	146,341	146,404	+63
Persons employed on full-time basis:	139,280	140,067	+787
In the private sector	96,081	97,465	+1,384
In the public sector	43,199	42,602	-597
Self-employed persons	16,428	16,632	+204
Unemployment (Part 1)	6,601	5,701	-900
Rate of Unemployment	4.5	3.9	-0.6 p.p.
Persons employed on a part-time basis	43,188	46,318	+3,130

This Government believes that the private sector is the engine which generates well-being. In 2003, the private sector provided employment for less than 66 per cent of our workers. Today, the private sector employs very close to 70 per cent. Productive employment has increased its share in the economy. Government intervention in decisions of a purely commercial character has decreased. Investment has increased from private

sources, rather than from sources of taxation. The opportunities for growth have increased. Unfair competition with private enterprises has decreased.

Table No. 3 shows the shift in employment from the public sector to the private sector throughout the last twenty years.

Table No. 3: Shifts in employment from the Public Sector to the Private Sector in the last 20 years

	Public enterprises	Public Service	Employment in the Public Sector	Employment in the Private Sector
1987	17.1	27.32	44.4	55.6
1988	17.1	27.7	44.8	55.2
1989	16.6	27.6	44.2	55.8
1990	16.0	27.3	43.3	56.7
1991	15.6	27.1	42.8	57.2
1992	16.0	26.9	42.9	57.1
1993	15.6	26.7	42.3	57.7
1994	15.5	25.8	41.3	58.7
1995	13.8	24.7	38.5	61.5
1996	13.7	24.7	38.4	61.6
1997	13.8	24.3	38.0	61.9
1998	13.3	24.4	37.6	62.4
1999	11.5	24.1	35.6	64.4
2000	11.7	23.7	35.4	64.6
2001	11.8	23.6	35.5	64.5
2002	11.2	23.3	34.5	65.5
2003	11.0	23.4	34.4	65.6
2004	10.4	23.1	33.5	66.5
2005	10.2	22.5	32.7	67.3
2006	8.9	22.1	31.0	69.0
2007*	8.7	21.8	30.5	69.5

\*The year 2007 is calculated up to end of April, and the rest are all calculated up to the end of December.

The number of persons registering for work under Part I of the register was 5,701 and the unemployment rate was 3.9 per cent, that is the lowest level registered in the last 12 years.

#### *The Tourism Sector*

Throughout this year we started reaping the benefits of the initiatives we took in order to strengthen the tourism sector. In the first eight months of this year, the number of tourists increased by 58,038 to a total of 825,874 persons and the number of passengers who visited our country on cruise liners increased by 26.6 per cent and reached a total of 295,220 passengers. Gross revenue from tourism in the first six months of this year reached Lm108.7million (€253.2 million), an increase of 7.1 per cent when compared to last year's figures. Between January and June, every tourist spent, on a per capita basis, Lm217 (€505.47), that is 0.7 per cent more than the amount spent last year.

#### *The Manufacturing Sector*

During the first six months of this year, the manufacturing sector continued to build upon its achievements and registered an increase of 4.1 per cent on last year's figures. Between January and June of this year, sales made by manufacturing enterprises increased by almost Lm20 million (€46.6 million) to Lm506.4 million (€1,179.6 million). Investment in the manufacturing sector was kept at the same levels registered last year. Employees' income increased by 4.5 per cent and reached the level of Lm61.7million (€143.7million).

I feel proud when I see enterprises of world calibre like HSBC, Lufthansa, Actavis, and De La Rue acknowledging the Maltese worker, showing confidence in these workers and wishing to employ more of them. During the forthcoming months we shall be witnessing more success stories in this area.

### *Commerce with Foreign Countries*

During the first seven months of this year the trade deficit with foreign countries decreased to Lm276.3million (€643.6 million) when compared to Lm334.2 million (€778.5 million) for the same period last year. This reflects a 3.1 per cent reduction in import levels and an increase of 5.9 per cent in exports.

During the first six months of this year, the current deficit in the balance of payments decreased by 27.1 per cent to Lm81.2 million (€189.1million), or from 10.8 per cent of the Gross Domestic Product calculated for the period January to June 2006 to 7.4 per cent of the Gross Domestic Product for the same period this year. This reduction was achieved as a result of an improvement in our foreign trade deficit.

### *Port Reform*

During this year agreement was reached on almost all aspects of the reform in our ports. By means of this reform, expenses related to the disembarkation and embarkation of domestic goods have been reduced by approximately 20 per cent. Malta has become more competitive. Not only that, an increase in jobs has been registered also.

The privatisation of Tug Malta was the last step in Government's exit from the maritime field, which up to a few years ago was dominated by Government. This was a phase our economy was obliged to undergo - a phase which the Government has managed to complete and which is now bearing fruit for our country.

Table 4: Transportation of Goods by Sea and the Ports

Ever since CMA-CGM have taken over Freeport operations , the new owners have invested more than €45m (Lm19.3m) and have increased the number of TEUs from 1.3 million to more than 1.5 million per year. The privatisation of Sea Malta has not yet been achieved because there were parties interested in obstructing this move. However our objective to create space for private enterprise has been achieved. The losses which we used to subsidise have now been eliminated and instead prices which are paid by clients have decreased by 20 per cent. This was another important chapter in our quest to render our country a more competitive one. This was also the time when Government reformed Cargo Handling and, with the advent of Valletta Gateway Terminal, a new experienced player was welcomed to contribute to the management of the grand harbour, just like P&O Ports were introduced in the port of Birżebbugia.

We have also implemented the second phase of the privatisation of Maltapost. Today, the market covering mail weighing 50 grams or more has been completely liberalised and it does not make sense that the Government should operate in this market in competition with the private sector. From the year 2009 onwards, the postal market will be open to competition and consequently Government presence in this field no longer makes sense any more.

#### *Sustainability of the Dockyard*

The Grand Harbour will be consolidating economic activity related to merchandise, cruise liners, audio-visual activities, repairs to vessels and super yachts. This is the vision which we announced a few weeks ago. In this chain of services which we are offering there is scope for a dynamic, competitive and productive shipyard.

The year 2008 is the last year wherein taxes paid by the population of Malta will be allocated to offset losses incurred by the Dockyard. This should not necessarily mean the end of the

Dockyard. On the contrary, it should lead the Dockyard to contribute to the country's economic activity and to sustain hundreds of productive jobs.

Now, the destiny of the Dockyard is effectively in the hands of its employees. I am convinced that the majority of workers realise the challenges they face and they are ready to address them. I express my hope that these workers will not allow anybody to obstruct them or have them believe the lie that the Maltese people are ready to continue paying part of their taxes to compensate for the losses incurred.

#### *Cost of living and Consumer Protection*

During the month of September, the rate of inflation decreased to 0.81 per cent when compared to 3.42 per cent registered in September of last year.

The decrease in the Retail Price Index which was registered during the year mostly reflects the effect of the increase in prices which came about as a result of the high prices resulting from the increased cost of energy products and prices for water and electricity services throughout 2006, and the fact that, in 2007, prices charged to the consumer were lower and more stable than those for the previous year. One should appreciate the fact that whereas in 2006 the surcharge reached a level of approximately 67.5 per cent, currently it stands at 50 per cent.

Consequently, according to the established mechanism, the cost-of-living increase should be of 50 cents (€1.16).

We are conscious of the fact that in these last two months our families have faced increases in the prices of food products because of international pressures. I have already explained the reasons for this earlier on. All experts are forecasting that this impact on prices will continue in the months to come. We

cannot allow this situation to prevail without taking the measures which are required in order to alleviate the impact which this situation has on our families, as much as possible.

In these extraordinary circumstances, Government has decided that the cost-of-living increase be increased by one lira as from this year in anticipation of what would have been granted next year. This means that for the year 2008, the increase will be of Lm1.50 (€3.49) per week.

Government has taken a number of measures in order to control the cost of living and achieve price stability.

A number of initiatives have been undertaken in relation to the changeover to the euro, amongst which the FAIR scheme which is being operated by more than 6,500 shops, and the Price Stability Agreements, signed with 11 importers to date, so that prices may remain stable throughout the changeover period.

Moreover, in medicines a mechanism has been created in the Consumer and Competition Division whereby the prices of medicines are being closely monitored. This mechanism has already started giving the desired results.

## The Financial Situation

Tables number 5 and 6, which I request the House to take as read, show the financial results for 2007, as well as for the years 2008-2010. At the end of the Speech I am enclosing more detailed financial statements of income and expenditure.



Mr. Speaker,

At this time last year, during the Budget Speech, I had announced before this House that the structural deficit was to be reduced to below 3 per cent of the Gross Domestic Product. As a matter of fact, we have achieved a better result than that forecasted – the deficit for last year stood at 58 million liri, (€135.1million) or 2.7 per cent of what the country produced.

For the current year, Government is forecasting that the deficit will be reduced to 48 million liri, (€111.9 million), that is 10 million liri (€23.3 million) less than that for last year and 2.1 per cent of what the country produces.

For 2008 we intend to reduce the deficit to 1.2 per cent of the country's production, which means a reduction to 29 million liri (€67.6 million).

This is not enough, Mr. Speaker. My Government believes that we must continue to work hard so that by the year 2010 we shall achieve the objective of a surplus - that is, in a particular financial year revenue shall exceed expenditure. This will translate itself into more resources being made available for investment in our country's economy and an improvement in the well-being of our families.

Table 5

**FINANCIAL POSITION 2006 - 2007**

Lm '000

	<b>2006</b>		<b>2007</b>			
	<b>Actual</b>		<b>Approved</b>		<b>Revised</b>	
<b>Consolidated Fund Position</b>						
<u>Total Revenue</u>		944,720		992,929		977,211
Tax Revenue	797,254		851,185		865,455	
Non-Tax Revenue	147,466		141,744		111,756	
<u>Total Recurrent Expenditure</u>		865,552		879,558		894,886
Recurrent Expenses	788,171		803,408		817,823	
Interest Payments	77,381		76,150		77,063	
Recurrent (Deficit)/Surplus	79,168		113,371		82,325	
<u>Capital Expenditure</u>		137,021		167,835		130,775
Total Expenditure		1,002,573		1,047,393		1,025,661
Structural Deficit		(57,853)		(54,464)		(48,450)
<b>Financing</b>						
Direct Loan Repayments	(249)		0		0	
Contributions to Sinking Fund	(11,227)		(9,902)		(9,902)	
Converted Loans Sinking Funds Residue	12,459		4,200		4,200	
Sale of Assets	74,170	75,153	0	(5,702)	0	(5,702)
Public Sector Borrowing Requirement		17,300		(60,166)		(54,152)
Foreign Loans		0		0		0
Opening balance as on 1 January	(45,858)		(30,928)		(28,558)	
Local Loans	0	(45,858)	50,000	19,072	50,000	21,442
Closing balance 31 December		(28,558)		(41,094)		(32,710)
E.S.A. '95 Adjustments		3,122				11,247
General Government Deficit		(54,731)				(37,203)
Gross Domestic Product		2,157,380				2,295,867
Structural Deficit as a % of Gross Domestic Product		-2.68%				-2.11%
General Government Deficit as a % of Gross Domestic Product		-2.54%				-1.62%

Table 6

## FINANCIAL POSITION 2006 - 2010

Euros '000s

	2006 Actual		2007 Revised		2008 Projections		2009 Projections		2010 Projections	
<b>Consolidated Fund Position</b>										
<b>Total Revenue</b>		2,200,605		2,276,289		2,410,818		2,486,820		2,595,921
Tax Revenue	1,857,102		2,015,968		2,122,339		2,205,404		2,300,116	
Non-Tax Revenue	343,503		260,321		288,479		281,416		295,805	
<b>Total Recurrent Expenditure</b>		2,016,194		2,084,524		2,150,843		2,189,785		2,218,043
Recurrent Expenditure	1,835,945		1,905,015		1,968,453		2,005,066		2,032,858	
Interest Payments	180,249		179,509		182,390		184,719		185,185	
Recurrent Surplus	184,411		191,765		259,975		297,035		377,878	
<b>Capital Expenditure</b>		319,172		304,623		328,403		306,933		317,661
Total Expenditure		2,335,366		2,389,147		2,479,246		2,496,718		2,535,704
<b>C.F.(Deficit) / Surplus</b>		(134,761)		(112,858)		(68,428)		(9,898)		60,217
<b>Financing</b>										
Direct Loan Repayments	(580)		0		0		0		0	
Contributions to Sinking Fund	(26,152)		(23,065)		(19,220)		(16,462)		(16,462)	
Converted Loans Sinking Funds Residue	29,021		9,782		32,409		0		0	
Sale of Assets	172,770	175,059	0	(13,283)	0	13,189	0	(16,462)	0	(16,462)
P. S. (Borrowing Requirement) / Surplus		40,298		(126,141)		(55,239)		(26,360)		43,755
Foreign Loans		0		0		0		0		0
Opening balance as on 1 January	(106,820)		(66,522)		(76,194)		54,917		168,321	
Local Loans	0	(106,820)	116,469	49,947	186,350	110,156	139,764	194,681	41,928	210,249
Closing balance 31 December		(66,522)		(76,194)		54,917		168,321		254,004
<b>E.S.A. '95 Adjustments</b>		7,272		26,198		(1,868)		1,160		(738)
<b>General Government (Deficit) / Surplus</b>		(127,489)		(86,660)		(70,296)		(8,738)		59,479
<b>Gross Domestic Product</b>		5,025,344		5,347,932		5,675,514		5,986,953		6,323,494
<b>(Deficit) / Surplus as a % of Gross Domestic Product</b>		-2.68%		-2.11%		-1.21%		-0.17%		0.95%
<b>General Government (Deficit) / Surplus as a % of Gross Domestic Product</b>		-2.54%		-1.62%		-1.24%		-0.15%		0.94%

If we want to ensure a sound future for our families, this is the road we have to follow. It is only in this way that we shall have more resources for us to be able to invest and share in the wealth generated. In this manner we will ensure that investment is not discouraged because of a climate of uncertainty.

Table 7 explains how Government is projecting its revenue for this year.

Table 7: Financial statement of Government revenue in 2007

The amount of monies collected from income tax shall have been increased by 31 million liri (€72.2 million) and that from social security contributions is expected to be increased by 14 million liri (€32.6 million) when compared to the year 2006.

Revenue from customs and excise duties is expected to increase by 10 million liri (€23.3 million). Under this category, although results show that revenue forecasted from excise duty on cigarettes will not all be collected, revenue from excise duty on petroleum will increase by 12 million liri (€28 million) when compared to 2006, part of which increase is due to excise duty for the year 2006, but which was collected in 2007. Revenue from stamp duty is also expected to increase by 8 million liri (€18.6 million), whilst there will be more revenue from VAT in 2007, when compared to actual revenue for 2006, by an amount of 7 million liri (€16.3 million), which amount is higher than the estimate of revenue originally forecasted for the year 2007. Government will be collecting slightly more than 3 million liri (€7 million) from the Special Registration Scheme which was launched this year. As revenue from funds available through the European Union, although revenue, in a global sense, will be less in 2007 as a result of the financial compensation of 44 million liri (€102.5 million) which we netted for the last time in 2006, it is expected that, in 2007, there will be an increase in revenue from the Structural and Cohesion Fund, as compared to 2006, as a result of which our country will benefit in the form of on-going projects and initiatives.

I wish to remark that the increase in revenue is proof in favour of Government's economic policy and its prudence. We have achieved these results in spite of the fact that in our last two budgets we did not introduce any new tax and we reduced income tax substantially last year.

For 2008, Government is projecting a total revenue of approximately 58 million liri (€135.1million) more than last year. I repeat, Mr Speaker. This increase will not occur as a result of new taxation. It will come about because there will be more work and more investment.

For this year, we are forecasting that Government's recurrent expenditure will increase by 28 million liri (€65.2 million). The highest increases related to pensions and social services, which increased by one million liri (€2.3 million) per month. Expenditure in the educational field increased by 4 million liri (€9.3 million) and approximately 5 million liri (€11.6 million) more were spent in recurrent expenditure in the public health sector.

Recurrent expenditure for the year 2008 will increase by 29 million liri (€67.5 million), 20 million liri (€46.6 million) of which are increases in pensions and social benefits. Expenditure in the public health area is expected to be 6 million liri (€14 million) more than that for 2007. The process of containing recurrent expenditure in Government administration will be continued. Funds allocated for the various Governmental entities, except for MCAST and the University, are not expected to be increased over the 2007 limits.

Throughout the year, we registered a substantial increase in capital investment in the educational, environmental and agricultural fields, as well as expenditure totalling approximately 41 million liri (€96 million) in projects financed by the Fifth Italian Protocol and other projects co-financed by

the European Union. This notwithstanding, it is expected that in 2007 Government will spend 6 million liri (€14 million) less than what was spent in 2006 principally as a result of the amount of 12 million liri (€28 million) lower spending on the Mater Dei hospital.

For the forthcoming year, we are estimating an expenditure of 10 million liri (€23.3 million) more than this year, in spite of a reduction of 14 million liri (€32.6 million) in capital expenditure related to the Mater Dei hospital.

Table 8 Public Debt

The introduction of the Euro will offer opportunities as well as new challenges in the administration of the public debt. If we are able to implement proper strategies we can derive an advantage from the fact that the public debt will be denominated in a prime international currency. However, for this to happen, we need to restructure the national debt by means of a program spread over a period of three years, which, whilst not increasing the national debt unnecessarily, will be more dependent on the issue of Stocks rather than on short term borrowing in Treasury Bills. Consequently we shall be seeking a method whereby we may reduce the actual long-term fragmentation of debt.

In fiscal terms, and as shown in Table number 9, which I ask the House to take as read, we shall be noticing that the General Government debt as a percentage of the Gross National Product will reduce itself from 64.72 per cent in the year 2006 to 53.27 per cent in the year 2010.

Consequently, in practice, the amount of new debt as indicated in the Bill which is being presented with this speech reflects the restructuring as hereinbefore explained.

Table 9 Government debt balance

## STATEMENT OF PUBLIC DEBT

*Euro'000*

	2006	2007	2008	2009	2010
Malta Government Stocks	2,617,400	2,733,869	2,920,219	3,061,463	3,103,287
Treasury Bills	373,799	374,461	231,120	104,123	6,431
Ex-MDD, MSCL Loans	56,778	56,778	56,778	56,778	56,778
Foreign Loans	127,718	122,108	114,527	107,703	100,881
EBU's	76,907	74,976	85,409	93,392	101,407
<b>Public Debt (Including EBU's)</b>	<b>3,252,602</b>	<b>3,362,192</b>	<b>3,408,053</b>	<b>3,423,459</b>	<b>3,368,784</b>
<i>Gross Domestic Product</i>	<i>5,025,344</i>	<i>5,347,932</i>	<i>5,675,514</i>	<i>5,986,953</i>	<i>6,323,494</i>
<b>Debt as a % of GDP</b>	<b>64.72%</b>	<b>62.87%</b>	<b>60.05%</b>	<b>57.18%</b>	<b>53.27%</b>

## **Continuation of Incentives in favour of Work and Economic Expansion**

Social development depends on economic expansion. In this way our country may continue to sustain expenditure in relation to education, public health and social services.

Government believes that the public sector plays an important role in economic development. We wish to reduce the burden of the public administration on the productive areas of our country. Throughout the forthcoming year, we shall be insisting that the burden of public sector expenditure on the productive areas be reduced by approximately 6 per cent.

Government will be introducing a reform in the system of training given to employees in the public sector. We shall be developing a Research and Training Centre in partnership with the University. This Centre shall also be one where research is undertaken regarding the challenges which our country will be facing at any given moment of time, as for example, in the public health sector, the economic and financial situation, and the environment. We are voting the sum of 40,000 liri (€93,100) as "seed capital" for the immediate launching of the project.

An appropriate public administration also has its own economic advantages. In this context I must state that it is Government's intention that as soon as the public consultation process on the White Paper concerning Freedom of Information is finalised, the Bill shall be tabled in Parliament.

We must utilise a good portion of the funds which we have obtained from the European Union in order to create job opportunities and prepare our workers so that they will be in a



position to avail themselves of the opportunities for work which will be created.

This year, Malta Enterprise accepted 12 expansion projects from Maltese and international enterprises based in Malta. These 12 projects are going to mean new investment of approximately 9 million liri (€21million) in the Maltese economy and in the creation of more than 800 new jobs.

We shall be working hard in order to meet the increase in demand for factories. For this reason we shall be investing more than 13 million liri (€30.2 million) in order to develop 15,000 square metres of additional new space for factories in Hal Far and 11,000 square metres for factories at the Mosta Technopark. The first of these factories will be ready to take on the new tenants by the end of 2008.

During 2008, we shall be introducing a number of initiatives under the new law for the Promotion of Industry. We estimate that during 2008 we shall be investing more than 45 million euro (Lm19.3 million) as assistance to industry in order to increase jobs.

In the framework of the Policy for Industry which we published in last year's budget, we shall be launching incentive schemes for research and development. We shall be renewing our schemes relating to investment aid with special attention to Gozo. We shall be improving upon the schemes we offer to persons who need financing in order to strengthen their investment, by giving advantageous rates. We shall also be giving special attention to aid to small enterprises in order to encourage more people to become self-employed. We shall be completing initiatives which help Maltese enterprises develop and discover new clients outside our shores and we shall be renewing and updating the schemes we offer in order to help enterprises train their employees.

We are also voting 2.3 million liri (€5.4 million), co-financed by the European Union, in order to continue improving industrial zones for small enterprises so that this sector may develop further. This is a very important sector which generates a large number of jobs.

We have launched the plans for a new crafts village at Ta' Qali which will accommodate about 92 businesses and which are expected to generate more than 400 jobs. This is an investment of approximately 13 million liri (€30.2 million), co-financed by the European Union.

This evening we shall be voting the record sum of 16.8 million liri (€39.1million) in the tourism sector. We are voting 10 and a half million liri (€24.5 million) so that the Malta Tourism Authority may further its activities. The increase of two and a half million liri (€5.8 million) is intended to continue to support low cost airlines, in order to support a more intensive marketing exercise and to enable us to support tour operators.

Over 5 million liri (€11.6 million) are also being allocated for the improvement of the tourist product, including an investment in the facilities offered by historical sites, in the development of beaches and in the Bugibba project.

The Employment and Training Corporation will be launching an extensive program, which will relate to training throughout one's lifetime. Assistance will be provided in the form of a grant which may reach a limit of 60 per cent of the minimum wage so that people who are at a disadvantage may be able to integrate into the employment market. Another training program that will be launched relates to training for the unemployed. Another program is intended to reach out to our youths, especially those who leave school early, so that they may improve their employment prospects. A new program is being launched in order to boost the employment of women and in order to

promote equality between sexes, as well as creating a balance between employment and family life. Together with non-governmental organisations, we shall be working to reach certain categories of people who are socially excluded. We shall train them as necessary, and thus improve their opportunities in the employment market. We are voting one and a half million liri (€3.5m) for these programmes.

We intend to introduce a scheme whereby persons who would be unemployed for a long time would be assigned posts for periods of three months with private companies. These people will work for a maximum of 30 hours per week and Government will be contributing up to 75 per cent of the national minimum wage.

Part of the millions of liri which Government is saving from subsidies which used to be channelled to bankrupt Governmental enterprises is being used to boost the economy and provide incentives to persons willing to work:

1. We shall be pursuing the reform in income tax which we started twelve months ago in order to reward people who work hard, as I shall be explaining later;
2. As from 1st of January, Government will be paying the first year's social security contribution for persons over the age of forty-five years and who have been unemployed for the past five years, and who obtain a commercial licence in order to work on a self-employed basis.
3. In order to increase flexibility in the employment market, a register shall be established for those persons seeking employment only on a part-time basis.
4. The system of registration of unemployed persons is to be changed in order to give these people an incentive to accept opportunities for temporary employment. This

will be achieved by their not losing their ranking order according to the register and their social security contribution being once again credited when the temporary employment comes to an end.

5. As from the 1st January, paid maternity leave is to be increased by another week to 14 weeks. Expenditure for the extra week will be borne by the Government by means of a credit in the social security contribution paid by the employer. Those women who are entitled to the maternity benefit will have their benefit increased by another week, to 14 weeks.

We are convinced that all these measures will continue to strengthen the economy and create more and better job opportunities.

## **Gozo, an Island of Unique Potential and Opportunities**

Mr. Speaker

This evening I am announcing an increase of one and a half million liri (€3.5 million) in expenditure for Gozo in order to support Gozitan families in their commitment to bring out the unique potential and opportunities of this Island.

This evening I shall be announcing measures and projects which will continue to create job opportunities, embellish the environment, reward the taking of initiatives, and enhance the Gozitan tourism, cultural and artistic product.

Mr. Speaker

Today Gozo is the Gozo which is shaping our Vision 2015 and is in turn shaped by this vision. In the vision of the Maltese population who excels in the educational field, in public health, in financial services, in specialised industry, in quality tourism, and in IT, there is the Gozitan dimension. Gozo is also an essential element of Vision 2015. We have full confidence in a Gozo possessing quality human resources, with a natural environment, landscapes and cultural heritage which are second to none, a distinct tourist destination, a community which offers social and medical services of the highest quality, a society where the person and the quality of life are at the core of all development. We believe in a Gozo that every day transforms itself from a region with a disadvantage to an island with unique potential and opportunities.

Gozitan families will be benefitting from all the measures that I am announcing in this Budget in the educational, public health,

employment, and other sectors. But one cannot look at Gozo only from a Maltese perspective. The social and economic progress achieved in Gozo is up to now the result of leadership which recognised the fact that one cannot manage the island as if it were only a district in Malta.

Mr. Speaker

Over the past three years the Government I lead has placed full trust in the capabilities of Gozitan families. There were some who feared that upon accession to the EU, Gozo would be swept off the map. This did not materialise. As a matter of fact, the contrary happened. We have seen Gozo benefitting from immense developments, as explained in Table 10

Table 10: New Project in Gozo after European Union Membership.

New roads, a waste treatment plant, projects intended to improve the diving industry, an extension of the Arts and Crafts Centre, schemes and courses conducted by the ETC, courses conducted by the University Centre and by the Arts and Crafts Centre, various schemes, projects and opportunities for personal development, a marked improvement in the Gozo General Hospital and in schools, and a substantial improvement in the main museum have all taken place in Gozo.
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This success was made possible because Government did not operate on its own. We worked in collaboration with the civic society in Gozo, amongst which were the Gozo Business Chamber, the Gozo Tourism Association, The Association of Non-Governmental Organizations, co-operatives in the agricultural sector, Local Councils and others. All these entities have helped and have stimulated Government so that the best projects for Gozo were chosen and for these projects to be carried out. Whilst acknowledging the participation of, and thanking, these organisations in the management of Gozo affairs over the last three years, Government has also listened to their suggestions in the preparation of this Budget.

Government believes that all this is only the beginning and that there is still much left to be done, and that this is to be carried out jointly with them.

Mr. Speaker

The economic transition in Malta was a transition which took place in Gozo too. The problems related to competitiveness as a result of Malta's insularity affected Gozo more. This meant that a new thinking and new ideas were required in order for the economy in Gozo to be given a fresh injection.

We have refined our priorities for Gozo and reaffirmed a set of core principles of our political strategy for Gozo.

Table 11: Central Political Principles for Gozo.

<p>First, that there is scope to increase the share of Gozo's contribution in Malta's economic activity and that this should be increased in a sustainable and consistent manner. Secondly, that Gozo should be accessible and any physical disadvantage arising from the fact that Gozo is a separate island is to be removed or compensated for. Thirdly, that tourism should remain a major economic activity for the island and therefore also for this reason alone – apart from other reasons – the environmental sustainability and the preservation of the beauty of the island are essential.</p>
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Throughout the past year a lot of work has been done in Gozo as described in Table 12.

Table 12: Work carried out in Gozo by Government throughout 2007, in brief

During this year, Government has worked hard and invested soundly in the strengthening of the economy, the infrastructure and the quality of life in Gozo. We allocated the record sum of approximately 5 million liri (€11.6 million) for capital projects in Gozo.

More than 430 Gozitans have benefited in a direct manner from schemes and courses which were specifically prepared for Gozo through funds provided by the European Union and the Government of Malta over this year.

The great strides forward which we have made in the IT sector have made it possible that we develop new opportunities of employment in Gozo for Government employees in administrative work. Various sections were transferred to Gozo over the past year.

Linked with the employment sector Government has completed the construction of the first Crafts Incubation Centre for Gozo.

Gozo's economy depends in a substantial manner on the progress or otherwise of the tourist industry. This year we have witnessed not only positive results where numbers of tourists who visited and, more importantly, stayed in Gozo are concerned, but we also experienced more projects and initiatives carried out by Government in collaboration with the private sector with the purpose that the tourist product for Gozo be improved upon.

1. The passenger terminal in Mgarr, Gozo, has been completed and will be inaugurated in the next few weeks.
2. We completed a project related to the scuba diving industry, a project concerning the modernisation of the Museum of Archaeology and the setting up of a temporary Centre for Visitors to Ġgantija.
3. We have launched a master plan for the Ġittadella. At the same time we have carried out restoration works at the Ġittadella.
4. We have launched a competition for the design of "Żewwieqa Waterfront".
5. Preparatory work on the Villa Rundle project has been carried out.



- 6 We have invested in 40,000 liri (€93,200) in financial assistance given to organisations, local councils and other entities for them to be able to organise cultural events with an emphasis for these to be held in the winter months. This investment together with the events organised by Government as for example "Lejlet Lapsi Notte Gozitana" has resulted in a record year of social and cultural activities in Gozo.
- 7 At the same time, we have created schemes together with Gozo Channel, which schemes have proven to be of an incentive for a trip to Gozo, and we have also invested in the marketing of Gozo in favour of domestic tourism; and
- 8 All this, together with the various initiatives which the Gozo Channel has taken, have helped for us to achieve success in the number of Maltese and foreign tourists who visited and stayed in Gozo.
  - In the Gozo General Hospital we have modernised the general halls for both women and men as well as the canteen.
  - Work has commenced on the construction of a new secondary school for boys, which includes an underground parking space and sports facilities, for use also by the community in general. This is a 3-million liri (€7million) project.
  - We have carried out a number of projects relating to the modernisation and construction of new facilities in the primary schools of Ġhajnsielem, Nadur, Victoria, Xewkija and Żebbuġ, in the Agius de Soldanis girls' secondary school and in the Sir Mikelaġ Refalo Centre for Higher Studies.

We have invested substantially in the environment in Gozo. We have not only pursued with the waste management program of Dwejra, the Master Plan for the drainage system, the construction of the pumping station in Nadur and the construction of the Drainage Treatment Plant at Ras il-Ħobż, but we also invested on a system of solar panels for the production of electricity which consist of the largest renewal energy plant in the Maltese islands and which is generating energy which is used by the Administrative Centre of the Ministry for Gozo.

Mr. Speaker,

All the work that has been carried out to date, the sound financial footing which we have achieved in our country, the clear vision which we have for Gozo as well as the wishes which Gozitan families and organisations have shared with us, have led us to this program.

During the next year, we shall be pursuing various projects and programs and we shall be launching new ones:

1. The ETC will be launching new courses and initiatives for the development of human resources, especially for people who are seeking employment;
2. The ETC schemes which provide training, technical assistance and grants so that an unemployed person may become self-employed will be carrying special and additional benefits for Gozitan people;
3. The Gozo Employment Aid Scheme was launched this year with the aim of motivating the creation of employment in Gozo by financing a substantial part of the expenses of employers who employ unemployed people. Up to now, the Scheme has not produced the expected results. Consequently, this Scheme will be expanded by the removal of the minimum of five additional new jobs criteria, for one to be able to qualify for assistance.
4. The transfer of more Government administrative work to Gozo will be pursued;
5. Government will be constructing a new Back Office Centre in order to increase Gozo's potential in offering new opportunities for this type of work.
6. The Training Hotel in Qala project will be pursued and completed.

7. Works will be continued on the construction of the new Secondary School for boys, the improvement in schools and in the MCAST Centre in Xewkija;
8. In the Gozo Hospital, a Radiology Section will be developed and the second modern operating theatre will also be equipped;
9. Investment in the agricultural and fisheries sector in Gozo will continue, through the pursuing of the slaughterhouse project and the purchasing of freezers for use by Gozitan fishermen;
10. The second phase of Triq l-Imġarr will be undertaken, as well as the construction anew of Triq Ta' Pinu and Triq ix-Xlendi, with European Union funds, whilst with national funds the program of arterial and residential roads' improvement will be continued;
11. Government will be investing again 40,000 liri (€93,200) in the organisation of social and cultural events in Gozo.
12. In Xlendi facilities will be constructed so that Gozo may be able to benefit from the stopover of Cruise Liners.
13. The rehabilitation project of Ġnien Villa Rundle in Rabat will be completed;
14. The rehabilitation project for Xatt taż-Żewwieqa and the Port l-Antik ta' l-Imġarr shall be commenced;
15. Government will be launching a program so that the two theatres in Gozo will be capable of being used for conferences throughout the whole year. This should continue to improve the tourist product for Gozo;
16. Heritage Malta will pursue with its projects of conservation of the Ġgantija Temples and its surroundings with a view to making out of Xagħra a national tourist centre connected with Malta's and Gozo's prehistory;
17. The process so that a museum of modern and contemporary art of national level be set up in Gozo will be commenced;

18. We shall pursue the rehabilitation of the Qortin rubbish dump as well as projects related to the management of solid waste;
19. Government will be voting a quarter of a million liri (€582,350) in new afforestation initiatives, the rehabilitation of valleys, the management of the Gozitan environment. This project, to be undertaken through the Environmental Landscapes Consortium, should create 50 new jobs in Gozo and will lead to another leap forward in the quality of Gozo's appearance; and
20. Government will be offering land to educational institutions of international repute which will be interested in developing their campus in Gozo and provide education programs principally addressed to international students.

Mr. Speaker,

We would like to do much more for Gozo. We are doing our utmost within the constraints of this Budget.

I am not happy with the unemployment level in Gozo. In spite of the millions of liri which we allocated in the form of assistance for investment in Gozo, there is still not as much investment as I would like to see. We should not be satisfied that we have the same number of unemployed in Gozo as we had ten years ago. We want to witness in Gozo the same success which we have seen in Malta in these last years.

I am determined that we shall make it. In fact we are confident that we will. I state that we are sure of this because Gozitans are hard working people. Because we believe in the Vision which the Gozitan population has for itself. Because we are placing 85 million Euros (Lm36.5m) from funds of the European Union for the development of Gozo up to the year 2015.

We need to transfer the economic and fiscal stability which we brought into our country into an improvement in the quality of life of all Gozitan families. Gozitan families, too, should be able to look forward to a bright future.

This is our Gozo. This is the Gozo which we intend to pass on to our children.

## **Education: A Central Pillar in Government's Policy**

Mr Speaker

Education is at the heart of our efforts so that all Maltese enhance their own personality, so that all Maltese develop their talents, and so that all Maltese will be able to grab the new employment opportunities which we are bringing to our country.

In 2005, we started first by consulting all those who are involved and together we embarked with the reform "So that all our children succeed". During this past year we created the basis for the reform through legislation and we opened a number of colleges. During this year we reached agreement with the teachers, through MUT which is their union, about the reform in education which includes 70 measures. Until 2015 we want that Malta is recognised as a quality centre for educational services which attract to our shores a greater number of foreign students in the advanced and higher levels of education.

All this has one objective: to ensure a strong future for our children.

### **Construction and Modernisation of Schools**

We have carried out an extensive programme which included maintenance, extensions, construction of halls and modernisation in 40 schools in Malta and Gozo. For this year we estimate that we would have invested the sum of 5.6 million liri (€13 million).

Table 13: Capital Investment in Education during 2007

We completed the new secondary school in Qormi and our youths have started making use of it. At the same time, works on the new secondary boys' school in Bormla have reached an advanced stage. We have also started work on another new boys' secondary school in Gozo.

We continued to strengthen, expand and improve the advanced and higher levels of education. After an investment of 600,000 liri (€1,397.6 million) in the Higher Secondary School Giovanni in Naxxar where we doubled the capacity of this school, this year we shall complete modernising the sports facilities of this school.

Apart from what we voted in the Estimates for this year, in mid-year Government provided an additional 400,000 liri (€931,700) to University, earmarked for a number of initiatives and programmes, among which the setting up of the Faculty of Information Technology and Communication.

This year, Government also approved the Masterplan for the development of a new campus for MCAST with an investment of 50 million lira (€116.5 million) spread over a number of years. We also completed the building for the Institute for Services in the Community of MCAST.

We also set up the National Commission for Higher Education. The Maltese Council for Qualifications carried out important work to provide new tools which are very useful to our youths and workers in the certification of their qualifications and experiences.

## Measures for Better Learning

However, success in education is not measured only by the existing facilities or the ones which are constructed. The way learning is done and its quality are equally important. This year we continued enjoining more schools into Colleges and creating a network of special schools that bring out a better and more inclusive educational experience for our children and youths. We are investing also more in the training of our teachers. Here I would like to express gratitude to our teachers. Thanks for your

commitment in the education of our children. You are providing our children and our families the key for a more beautiful and stronger future.

## Our Programme for the Year 2008

We are investing the record sum of 102 million liri (€237.5 million) so that during 2008 we will strengthen our families through education, with 9 million liri (€21 million) more than we expect to spend for this year.

We are again allocating 13 million liri (€30.3 million) for Church schools, and 8.3 million liri (€19.3 million) for the stipends of over 15,000 students.

## More Measures in Obligatory Education

During next year we will continue strengthening education for those who are under 16 years old. In the past two years we introduced the first seven State School Colleges; during next year we will set up the remaining three Colleges. Therefore, we would have enjoined 113 State schools into ten Colleges. The educational development of our children will be strengthened.

We will continue implementing the recommendations of the Spiteri Report on Inclusive Education for Disabled Persons. These will be implemented in the context of Government's policy on education.

During next year we will improve the quality of our kindgartens, and primary and secondary education. We are going to take measures to enhance the professional development of our teachers. We are going to enhance the quality audit programme in education and we will introduce a continuous assessment system. We are going to carry out a plan to renew the inclusive educational system. We are going to develop an



after school hours programme in order to continue helping our children develop. We are going to offer support services in counselling, career guidance, psychological services and social work.

Our children are very important to us. They are the centre of our families. We want the best for them. We want to provide them the best opportunities. This is what we did and this is what we will continue doing.

## New and More Welcoming Schools

Next year we are planning to invest another 6 million liri (€14 million) in the construction and modernisation of schools through the Foundation for Tomorrow's Schools.

By this time next year, the boys in Cottonera will be making use of the new school we are building in Verdala. The children in Gozo will start making use of the first phase of the new boys' secondary school. In another couple of weeks we will start building a primary school in Pembroke. We are awaiting permits to construct another new secondary school in Mosta. We are going to complete the extension in the girls' secondary school at Mrieħel, together with the hall in the primary school in Marsaxlokk. We will continue modernising the boys' Junior Lyceum in Ħamrun.

## E-Learning

We want that children in our primary and secondary schools be educated using state-of-the-art technology. We shall be replacing existing computers in classrooms and provide more computers, projectors and interactive whiteboards. We shall be introducing measures whereby students will have access to high quality learning material both from school and home. Besides, we shall be providing good quality material and training for our

teachers. We shall also be affording parents the opportunity to closely monitor their children's progress. Up to the end of 2008 more than 57,000 students in our primary and secondary schools will be benefiting from this new technology.

## Advanced and Higher Education

It is our aim that by 2015, 85 per cent of our youths who are 16 years of age and over will pursue educational studies.

Government is allocating 5 million and three hundred thousand liri (€12.3 million) in investments of a capital nature for the University and 5 million and two hundred thousand liri (€12.1million) for the MCAST. Amongst new projects of the University we find the new faculty of Information and Communications Technology, laboratories in the engineering, chemical and biology fields; the extension of the Junior College premises where we have now reached 3,000 students. A number of these projects will be co-financed by the European Union.

I must add that the recurrent vote for the University for this year will be 1.2 million liri (€2.8 million) higher than that voted for last year. In this way the University will continue to support a number of new courses which it will be introducing.

When we created the MCAST, Government sent a strong message of confidence in the capabilities of Maltese youths and workers. We wish to provide our population with the tools necessary for them to grab all the opportunities which are in front of them.

Mr. Speaker, we still have a lot of work to be done. We have completed the Master Plan for the MCAST campus at Paola and submitted the plans to MEPA. We are allocating one million liri (€2.3 million) so that we may commence works next year. We shall also be refurbishing a number of laboratories and work

shops at the MCAST in Malta and Gozo. We are also adding the sum of 800,000 liri (€1.9 million) in the recurrent vote for the MCAST.

We have invested more than one million liri (€2.3 million) in partnership projects with centres of private learning in IT which offer a variety of around 60 certificates which vary from a diploma to a Masters Degree from foreign Universities. Currently there are 670 persons who are benefiting from this system. This number complements the provision of students and graduates who are being provided by the MCAST and the University.

For the third consecutive year Government is voting another sum of 200,000 liri (€465,900) for the provision of scholarships at Masters and Ph.D levels in the Malta Government Scholarship Scheme.

In this background I cannot but mention also the My Potential II. Initiative. We have doubled the original investment we made in order to teach hundreds of people who wish to further their studies in technology so that they may attain their true potential. As a result of the fiscal credits which we made available, whoever followed studies in private technology courses ended up by being reimbursed all expenses. The scheme was also open, and is still open, to employers in order to train their employees.

**Grant of Stipend to Maltese Students resident in Malta but who are reading for a first degree in a University overseas**

Now that we have joined the European Union, learning opportunities in educational establishments at university level have increased and are available to more Maltese students even

more than ever before. We consider that the time has come for us to also assist our youths who, for various reasons, choose to leave our shores to study for their first university degree. Consequently, after consultation with the National Commission for Higher Education, we shall be creating a scheme which, as from the next academic year, will provide assistance to students who study abroad for their first degree.

## Sports

We have continued adding to and improving existing public sports amenities. Works on the regional sports complex in Kirkop are at an advanced stage and are expected to be completely finished by the forthcoming June. By the end of the year a further three grounds with artificial turf in schools in Qormi, Hamrun and Naxxar will be completed. We are commencing works at the sports facility in Luqa. The Malta Sports Council published the National Strategy for Sport for the three coming years.

For the year 2008 Government is allocating directly to the Malta Sports Council the sum of 1.5 million liri (€3.5 million), which represents a 300,000 liri (€698,800) increase over the estimates approved for this year.

We believe that sports is fundamental for a healthier population. For this reason:

1. Those parents whose children attend sporting activities, which are approved by the Malta Sports Council, will be able to reduce their taxable income, by a maximum of 100 Euros (Lm42.93) spent on fees.
2. Government will reimburse the VAT paid by accredited non-profit-making sports organisations, on expenses incurred by them in their sports facilities;

3. Government is launching a school programme whereby children and youths, whatever their capabilities, participate in a physical activity programme.
4. Private companies which provide financial support for the participation of sports organisations or athletes in national and international sporting events will be able to deduct the financial grants from their taxable income; and,
5. Government intends entering into partnership schemes with private employers so that together they will be able to improve the schemes whereby employees who distinguish themselves in a sports discipline will be in a position to better follow training programmes required for their participation in national and international competitions.

## The Cultural Sphere

Government also firmly believes in the potential of the creative, artistic and cultural spheres. Apart from the fact that these areas are of an intrinsic value in themselves, we feel that these spheres can greatly enhance the development of our economy and our quality of life. With a view to promoting and supporting the creative and artistic spheres, I am announcing these measures:

1. Payment of VAT on the renting of space for artistic and cultural activities as well as on entrance tickets for museums, art exhibitions, concerts and theatres (with the exclusion of cinemas) shall be reduced to 5 per cent from the current 18 per cent;
2. We shall also be exempting from payment of VAT all training in the arts, as long as this will be provided by organisations which are accredited in the Register for Accreditation in the Training of the Arts;

3. The time has come for us to provide incentives for Maltese film productions. For this reason a Film Fund is to be set up in order to give the required incentives for Maltese film productions. We are allocating the sum of 100,000 liri (€232,900) for the establishment of such fund;
4. An Arts Fund is to be created in order to assist in the artistic and cultural development of our country. This fund is going to be set up with an initial grant of 100,000 liri (€232,900);
5. Companies which provide financial assistance to recognised non-profit-making cultural organisations and/or to the Arts Fund will be able to deduct these grants from their taxable income;
6. Companies which provide assistance or grant scholarships to Maltese artists will be entitled to deduct these grants from their taxable income up to a maximum of 8,000 liri (€18,600);
7. Persons who are employed in the public sector and who are working in a semi-professional manner in the creative spheres will now be able to request leave without pay for a definite period of time in order that they may develop or work on artistic projects;
8. It is our wish that the National Orchestra develops and becomes a Philharmonic Orchestra. For this reason, Government is increasing the vote for the National Orchestra by 130,000 liri (€302,800) to 420,000 liri (€978,300);
9. Our country is investing in earnest in a good number of infrastructural projects. From here onwards, 0.25 per cent of the expenditure in projects of a capital or infrastructural nature must be spent on works of art, infrastructure connected with the creative spheres or on other creative projects;

10. In the youths sector, Government is allocating the sum of 30,000 liri (€69,800) to the National Youth Council so that initiatives be launched with the Youths Local Council which have been set up in various localities.

## **Improvement and Protection of the Environment**

Mr Speaker,

It is Government's policy not only to find a balance between economic development, social development and the conservation of the natural environment. Above this, we must create a synergy between these three sectors. The quality of life of our population does not come about only from the economic development but also from the protection and the development of our environment. We also believe that proper initiatives in favour of the environment lead to a higher economic and social development which will also be a more complete and sustainable development.

We would like the Malta which we will be passing on to our children to be a more beautiful country. That is why we have placed the environment at the top of Government's agenda.

Through this budget we are voting the sum of 84 million liri (€195.6 million), 6 million liri (€14 million) more than last year, in order to make Malta more beautiful.

### *Our Country's Natural Heritage*

We must protect our country's rich cultural heritage.

We shall be strengthening the network of protected sites and the implementation of the plan for the management of these sites. These sites include the National Park in the northern part of Malta and other sites which Government has identified as zones which form part of Natura 2000. I note with satisfaction that Malta is regarded as the most advanced country in the preparation of Natura 2000 sites from amongst the countries which joined the European Union in 2004.



### *Recreation and Protection of the Environment*

The response to the Tree for You campaign through which we will have planted 23,000 trees throughout the year is impressive.

Besides the on-going operation on the Foresta 2000 site at Mellieħa, we shall be carrying out tree planting projects in four new public areas. These are situated at Wied tar-Rinella, Madliena, Wied Blandun and Nadur. Next year we shall commence the rehabilitation of one of the largest wounds of unused quarries, the one which is next to Ħaġar Qim. On this site we shall be creating the largest recreational site in this area.

We must rehabilitate the Salini Saltpans area. Interwoven with the afforestation project which has extended Kennedy Grove by five times its original size, we are preparing a proposal aimed at restoring the site in order to push forward our cultural and historical heritage connected with the production of salt. This project, which is expected to be financed also from European funds, is expected to cost approximately 4.5 million liri (€10.5 million).

We shall be expanding the National Park at Ta' Qali. We shall also pursue the rehabilitation of the Magħtab rubbish dump with the financial assistance of the European Union. Here we shall be investing about 30 million euros (Lm13 million). We shall be giving it back to the Maltese population a site which up to a few years ago represented the country's largest environmental wound.

### *Waste Management*

A better quality of life means state-of-the-art environmental amenities, including those related to waste management. For the year 2008, capital expenditure in favour of waste management will be increased by 2 million liri (€4.7 million) to 5 million liri

(€11.6 million). It is our intention that waste be treated according to practices which protect the environment. These practices include recycling and the use of waste products for the generation of energy.

The first phase of the modernisation of the Sant' Antnin Recycling Plant will be completed by the beginning of next year, whilst the rest will be completed towards the middle of the year 2008. Here the investment amounts to 11 million liri (€25.6 million), co-financed by the European Union. Works will be commenced on the "Park għall-Familja" on a stretch of land between the recycling plant and the Razzett tal-Ħbiberija. The total sum for this park is expected to reach 5 million euro (Lm2.1million).

We intend to increase the levels of waste separation and to put a stop to the disposal of waste in our countryside. After opening the three Large Waste Centres this year we shall start operating a further two centres, one in Luqa and one in Gozo.

The new incinerator at the slaughterhouse, apart from providing us with equipment of the latest technology, will also lead us to close once and for all the incinerator at St Luke's Hospital. The new incinerator will also mean that our country will reach a higher level of competitiveness since it will provide industry, especially the pharmaceutical industry, with amenities where they can dispose of their waste products.

At the stage of the introduction of the eco-contribution, Government was quite clear: either the producer or the importer recovers the material from the market when this becomes waste, or else he pays the eco-contribution so that Government itself will recover such waste. In July, Government published a document regarding the Reform in Waste Collection. Government is binding itself that it will refund the eco-contribution to recovery of waste packaging schemes.

Government is also prepared to consider exemption from the payment of the eco-contribution in favour of operators who form part of other schemes as long as such schemes reach the established criteria.

Government wishes to promote practices which favour the environment also in the construction sector. For this reason, Government is launching a prize for the building which respects the environment. The criteria will include the use of insulation, the use of equipment which generates clean energy, the use of rainwater, and the use of efficient equipment.

### Incentives in favour of the Use of Cleaner Energy

The strengthening of the economy should come about without any slow removal of our limited resources in an unsustainable manner. During the forthcoming year we shall continue introducing measures which take into account the link between the economic activity and the impact on the environment.

Government intends to promote more systems which generate clean energy. The aim is that these are increased, at least at a rate of 500 every year. This would mean that the country would register a saving of approximately one and a half million unit or 1,300 tonnes of serra gases per year. These measures include subsidies on equipment which generates energy from renewable sources, the extension of the principle that electricity generated by such equipment be placed on the national grid with the payment of compensation to the commercial enterprises concerned, and subsidies for roof insulation. For all these schemes Government is voting the sum of approximately 5.4 million euro (Lm2.3 million), co-financed by the European Union.

Government is allocating 25 million euro (Lm10.7million) from the structural funds of the European Union for the period between 2008 and 2013 in order to encourage the use of equipment which generates energy from renewable sources and other equipment which reduces the use of energy. These schemes will partly subsidise the capital expenditure sum required for the purchase of the equipment. Government intends increasing this subsidy and extend it to other equipment, for example solar water heaters, which generates this type of energy through the co-financing of 2.1 million euros (Lm901,500).

Government will also be assisting the commercial and industrial sectors by launching a scheme, with European Union funds, by providing subsidies for energy audits and the investment required to implement the recommended measures.

Other measures include:

An increase in the incentive on the purchase of electric vehicles. The refund on the price paid for the purchase of such vehicles is being increased to 20 per cent whilst the eligible maximum refund will be doubled to 1,000 liri (€2,329). Apart from this, Government is planning to reserve parking places for such vehicles with facilities where one may re-charge one's vehicle by means of solar energy.

It seems that the scheme I announced last year to encourage the use of appliances which consume less energy has borne satisfactory results. There is a change in the trends of purchases of such appliances. This scheme is being kept and will be operated through the co-financing from the European Union which, for the coming year, is expected to reach 1.3 million euro (Lm558,000).

## Construction of new Arterial and Residential Roads

Government has continued implementing its plan for more beautiful and better roads for the use of everybody. After all the work that has been carried out over the last four years, whoever journeys from the remotest point in the South of Malta on his way to Gozo will pass through a network of new roads! Works are to be commenced on other arterial roads, including Valletta Road in Żurrieq, the Marsascale Bypass and the roads of the Crafts Village at Ta' Qali. In the future works are earmarked on the roads leading to Smart City, Ta' Pinu and Xlendi in Gozo. I must emphasize that unfortunately most of these roads had been badly built in the seventies and the eighties, as a result of which we must today overhaul these roads rather than carry out simple maintenance works.

Next year we intend bringing to a close the Lm9 million (€21million) programme for the construction of residential roads, which programme we had launched in August of last year in order to build 468 residential roads in 47 localities. From 2003 to date, we have built afresh approximately 850 residential roads.

## Urban Regeneration

Government will pursue its program of urban regeneration, like the development at the Vittoriosa Waterfront and the regeneration of Valletta, so that our localities will be in a position to offer a better quality of life as well as make their own economic contribution and create job opportunities in our localities.

Table 14: Development at the Vittoriosa Waterfront

Last March the new waterfront at Vittoriosa was inaugurated. A project that includes not only a marina but also a number of commercial establishments and the Casino di Venezia, which together offer employment to a number of families. As a result of this project a number of old buildings, paving, lighting and the waterfront landscaping have been restored, coupled with St. Angelo Mansions, the extension of St. Angelo Wharf, the Caraffa Stores and the development at the Knights' Treasury.

Table 15: Regeneration of Valletta

Government is implementing various measures to assist in the regeneration of Valletta. This is the objective behind the works we are carrying out in Valletta, so that we may protect the city and render it more accessible to everybody. It is for this reason that we introduced the Park and Ride system with 950 parking spaces, which parking area has been extended to accommodate a further 270 motor vehicles, with the possibility that the parking area may be further extended to accommodate 1,800 motor vehicles. An investment of around 500,000 liri. (€1.2 million). We have also implemented the Controlled Vehicular Access system through which more vehicles and persons are able to enter into Valletta and there is a reduction of vehicles which occupy a parking space for a number of hours unnecessarily. Above all, a new life is being given to Valletta in the evening hours. Apart from this we have also kept in mind the introduction of innovative means of transport particularly aimed for use by tourists with the introduction of electric minicabs amongst other things.

We have continued with the intensive works carried out by Government employees in the embellishment of various towns and villages in our country. We must enhance the characteristics and the identity of our village centres. Government's policy and vision demand the on-going and better protection of our historical heritage, the continuation of projects for the

embellishment of our localities and the creation of open spaces and recreation zones.

These tasks also include the conservation of our country's historical heritage. Restoration and conservation works undertaken over the past year bear witness to Government's commitment in favour of the conservation of a large number of monuments, chapels and other historical buildings. This year works were carried out on 44 projects and next year 22 new projects will be commenced.

Table 16: Embellishment Works

The works which have been carried out include the embellishment of the parvis of the Church at Żurrieq, Lourdes Church in San Gwann, the Parish Church at Żabbar and the surrounding area of the San Bastjan Church at Qormi. This year embellishment works are intended to be carried out on the parvis of the Parish Churches at Fgura, Balzan and Mqabba. Similar works will also be carried out on the parvis of the San Ġorġ Church in Qormi, the new Church in Santa Venera and that of the Parish Church in Siġġiewi.

Works have continued in the Qrendi square, where works include the paving of the Church parvis, as well as the main road which leads to the church and the pavements of the core village centre.

Works were also continued on the embellishment of public gardens, where, after the completion of the two Barraccas and Hastings Gardens, The Mall Gardens were completely overhauled and extensive works were carried out at the Mixtla ta' Bormla where a neglected and abandoned wood was transformed into a zone of recreation for the whole family.

The investment made over the past years are a proof of Government's commitment and determination so that the capital city be given a more beautiful appearance whilst conservation and rehabilitation works are carried out to protect Valletta's historical heritage. A part of such investment includes the paving of the pedestrian zone in Valletta. During the first phase of the project paving works will be carried out in

Merchants Street, the area in front of St John's Co-Cathedral and the roads between Republic Street and San Paul Street.

Various works were also carried out on beaches and tourist areas. In St Paul's Bay works continued on the promenade of the ta' l-Ghazzelin area, the part which links the Xemxija promenade to that in Buġibba.

The erection of a belvedere from Wied Babu to Haġar Qim took into consideration the rural aspect of the area of Wied Babu and Wied iż-Żurrieq. The material used consists mostly of natural materials, and involves the erection of rubble walls. Over the past year works on the embellishment of the promenades at Ghar id-Dud and Ta' Xbiex were completed.

Over the last years, the present Government committed itself to give the appropriate importance to the South of Malta. For this reason, over the next year, works will commence on Xatt is-Sajjieda, in Marsaxlokk, with a view that the traditional aspect of this fishing village be enjoyed in a more beautiful and better environment. Simultaneously, it is envisaged that projected works on the second phase of the promenade in Xgħajra, the promenade from Qajjenza to Birżebbuġia and the embellishment works on the Għadira promenade will be commenced.

Table 17: Systems for Rain Water Catchment

Our country's infrastructural environment is not only based on environmental embellishment works, but also on the need that the system of rain water catchment be improved upon and strengthened. Now that over the last years the works on the widening of the rain water channel from Qormi to Aldo Moro Road in Marsa were completed, last year saw the completion of the works on the last part of Aldo Moro Road to the Menqa. The works carried out include the cleaning of the water channel, the construction of embankments and



the erection of a bridge at the edge of Xatt il-Mollijiet. These works have already borne the desired results and the residents of the Marsa, Qormi and surrounding areas are in a position to confirm this.

During this year works were also carried out in order to rehabilitate the Valley which from Burmarrad leads on to the Salini area. In these last months the first part of this channel was completed and it is envisaged that once the relative permits are issued, works will continue on the remaining stretch to Burmarrad.

Once the risk of floods has been drastically reduced in Qormi and Burmarrad, we must now address the problems of the Birkirkara, Balzan, Lija and Msida areas once and for all. We have planned out an ambitious project costing 70 million euro (Lm30 million) which is co-financed by the European Union. Next year the first phase of this project will commence.

Table 18: Restoration Works

Restoration works over the past year varied from chapels in various localities, amongst which, the San Girgor Chapel in Żejtun, the Santa Ubaldeska Chapel in Paola, the Kappella tas-Salvatur in Kalkara, the Madonna tal-Grazzja Chapel in Qrendi, the San Mikiel u San Bażilju Chapel in Mqabba and the Santa Marija Chapel in Bubaqra in Żurrieq. Extensive and delicate works were also completed on the Sarrija Church in Floriana as well as restoration and consolidation works of the old Church in Siġġiewi. Restoration works are also being carried out on the facade of the National Library, on the facade of the Monte di Pieta building and on the building of the Public Registry. Together with these one must also include the elaborate works being carried out at Villa Francia in Lija and the restoration works on a part of the bastions at Santa Barbara Bastions in Valletta, on parts of the bastions at the entrance to Vittoriosa and the restoration works being carried out on the bastions at Sa' Maison in Floriana. During the coming year it is forecasted that restoration works will commence on the side walls of St. John's Co-Cathedral, on the Annunzjata Chapel in Kirkop, on the Kappella ta' l-Anġli in Żebbuġ, the Kappella ta' Qrejċa in Qormi and the San Luqa Chapel in Żurrieq.

Our country is renowned for the stretches of kilometres of fortifications, about 25 kilometres which mainly surround the three cities in the Cottonera area, Valletta, Floriana and Mdina. Over the centuries these structures have deteriorated for a number of reasons. Government has prepared the outline for a project, spread over a period of seven years, with a view to contain and repair this damage, and to restore these monuments. This is a project which will cost tens of millions of liri and it is also being considered that it be co-funded by the European Union. The plan also covers the fort at the Ċittadella in Gozo. In the coming days tenders are expected to be issued for restoration works on a part of the bastions underneath Palazzo Vilene in Mdina, in the area of the Cavalier of St John building in Vittoriosa and on the Bastions of Sant'Andrija and those of San Ġwann in Valletta.

Government also wishes that its authorities promote and preserve the identity of our localities. The MEPA scheme for the maintenance of wooden balconies was a success. As announced a few days ago, this scheme is to be extended to the core centres of all the country's localities, in the Urban Conservation Areas.

## **Agriculture**

I re-affirm that Government considers the agricultural sector as a strategically important one for our country. This Government understands the complexity of this sector in the context of our adhesion to the European Union, as well as in the context of international developments. An example of this is what is currently happening in wheat and cereals international markets with record prices.

This situation warrants analysis and new solutions, which solutions will not be found within the manner the agricultural

sector used to operate in the past. Nor are simple solutions which seem to ignore the fact that today Malta is a member of the European Union of any relevance.

An integral part of Government's strategy lies in the strengthening and further development of the chain which links the producer, the processor and the seller of the products. The subsidies and financial assistance mechanism is to be used to strengthen and to further develop this link. The Plan for Rural Development will provide approximately 100 million euro (Lm42.9 million) so that two major objectives may be reached – the development of the agricultural chain, production, processing and consumption as well as the protection of the environment by means of agro-environmental measures.

The plan forms part of this Government's general vision, whereby also in this sector we must continue to work in order to put the consumer's mind at rest that the Maltese product is a guaranteed good product and that it conforms to the highest standards.

## Fisheries

In the fisheries sector there have been developments which up to a few years ago were only a dream, amongst which are the opening of the first hardstanding facilities for fishermen in Marsaxlokk which was done with co-financing from the European Union.

The fisheries sector is a dynamic one and it requires an amount of research in order to ensure that our country remains among the foremost in this science. We have heard over the last few weeks how Maltese researchers at the Government centre of San

Luċjan obtained important results when they managed to reproduce amberjacks from the species bred at the fish farms.

Maltese fishermen are also benefitting from an additional adjustment in the price of diesel without customs duty, which almost doubled as from last May. For next year Government is investing 700,000 liri (€1.6 million) in assistance grants to fishermen out of funds co-financed by the European Union.

## Animal Welfare

Over the last year I had occasion to meet a number of volunteers who work in the field of animal protection. I thank them for the voluntary work which they perform with such dedication and determination. Here I wish to announce that we are voting the sum of 150,000 liri (€349,400) in order to help voluntary organisations in our country to manage the facilities where abandoned animals are kept. Together with the NGOs we shall also be implementing an initiative which aims at controlling the number of abandoned animals on our streets. Now that the permit has been approved, works will commence on the building of a centre at Ta' Qali which will incorporate a number of modern facilities for animals, including an after-care clinic and boarding kennels.

## **Our Country's Security**

Mr. Speaker

Maltese and Gozitan families appreciate the level of security which we enjoy in our society. This security has not been brought about by chance. Our forces of law and order are constantly involved in order to give us our peace of mind which in turn permits us to lead a peaceful life.

The Police Corps and the Armed Forces are today professionally organised, in European and international networks. They work in earnest to combat all that can be of threat to our country's security.

Amongst these threats there is the one which is caused by organised crime which involves the trafficking of persons, including the serious problem of irregular immigrants. Our country largely depends on the efficiency of all our Forces of Law and Order in order to address this problem. Our country depends on their efficiency and on the courage which they must show in very difficult and also dangerous circumstances.

It is for this reason that we are this evening proposing that we strengthen the security forces in our country.

I shall start with the Police Force. We feel that the time has come for the success achieved by the Police Academy be consolidated. Over the coming year, works will be commenced in relation to a new police academy which will be developed at Ta' Kandja complex. The specialised Police work requires a modern and trained corp and which keeps itself continuously updated. Government believes that this development shall lead so that whilst offering facilities of the best quality for the whole police,

the Corp will make another leap forward in the quality of its work.

I will now come to the Armed Forces. This year we have commenced a process of general restructuring so that our Armed Forces will be in a position to fulfil its duties in a more professional manner. This process is at a very advanced stage and should be completed in the very near future. As I have already stated, everybody knows and appreciates the hard and delicate work which is performed by the Armed Forces, especially in the realities that Malta is facing through irregular immigration. The Armed Forces are fully committed on a 24 hour basis each day in order to protect our territorial water. We also acknowledge the risks that our soldiers take in order to save the life of persons who find themselves in difficulties in the seas included in the zones where we are expected to render assistance. Government believes that this dedication is to be recognised. When it considered that the conditions of work were revised last almost fifteen years ago and it evaluated the huge developments there have been in the work of the Armed Forces, Government decided to improve substantially the work conditions of soldiers. With the new structure of pay and conditions of pay, Government believes that it will continue to strengthen the security of our country and encourage the Armed Forces in their difficult task. The new structure will come into effect on 1 January 2008.

Mr. Speaker

The Maltese population is grateful towards the police and the armed force, as well as to the Security Services, the Civil Protection Department and the Prison Officers Corps. This Budget increases the strong commitment on the part of the Government towards national defence and security in order to ensure that all Maltese and Gozitan families have peace of mind.

## **Solidarity**

### A Society where Everybody is Successful

Mr Speaker,

Our country has developed a social framework and health services such that everyone may have one's mind at rest in case of need. This budget continues to strengthen such framework, modernise it, and looks ahead as to how it may address those situations which up to now were not catered for.

In 2008 expenditure on the health and social benefits sectors will be increased by more than 26 million liri (€60 million) when compared to this year to almost 400 million liri (€932 million).

A modern Malta, with a strong economy which is creating wealth, which is enjoyed by all, especially by those who are most in need.

Mr. Speaker

We are conscious of the burden that oil prices exert on our families. We do not believe that we should increase taxation or the water and electricity rates in order to reduce the surcharge, as somebody else is suggesting. Last year we could have given out the 12 million liri (€28 million) which we granted in tax reductions and instead reduced the surcharge. Such a measure works against whoever realises the need that there should be no wastage and that energy sources should be used with full responsibility.

This notwithstanding, we felt the need to introduce benefits, because of energy prices, in order to assist persons whose income does not allow them to benefit from the income tax

reform. Whilst in previous years Government was spending around 800,000 liri (€1.8 million) in order to make up for the surcharge of those families who were dependant on social benefits, this year we allocated the sum of 3 million and three hundred thousand liri (€7.7 million) for this new benefit. We are helping more than 27,000 families with a low income, sick persons, persons with a disability and other humanitarian cases who need to consume more electricity and water than average. This benefit will continue to be granted in the coming year.

Mr. Speaker

I meet mothers and fathers who spend all their life and energies in order to keep up with the livelihood they wish for themselves and their children. Most Maltese families are diligent, work very hard, and do all they can to assume their responsibilities towards their work and towards their families.

Government recognizes the need to support our families because if we protect the family we shall also be protecting our society in its entirety.

This evening I am proposing to this House a number of measures aimed at helping Maltese families look ahead to the future with confidence.

### Reform in Children's Allowance Benefits

Government is proposing various measures in Children's Allowance benefits, for children under 16 years of age:.

1. We are doubling the Children's allowance for children under 16 years of age from the second child onwards so that this will be the same as that for the first child. The families of about 33,000 children will benefit from this measure.



2. We shall be helping families, with children, whose income is lower than the minimum wage by lowering the minimum income limit for Children's Allowance purposes to 2,000 liri (€4,658) from 2,770 liri (€6,452). The families of about 13,000 children will benefit from this measure.
  
3. Government is proposing that the minimum Children's Allowance payable is increased from 52 liri (€121,12) to 107 liri (€250) per year for each child. The families of over 3,000 children will benefit from this measure.
  1. This minimum of 107 liri (€250) in Children's Allowance will be paid for the first time to all children. The families of about 25,000 children, which currently do not receive anything, will benefit from this measure. This measure is intended to implement in a concrete manner a policy in favour of families who are bringing up children. The measure is also intended to recognise the share of the mother in the unbringing, who dedicates her energy in the upbringing of her children;

Table 19: Children's Allowance

For example, a family with two children under sixteen years of age with an income of Lm7,000 (€16,306) per year today receives Lm294 (€685) per year in Children's Allowance. With effect from 1st January 2008, this family will receive Lm392 (€913) per year in Children's Allowance, an increase of Lm98 (€228), or 33 per cent, more per annum. On the other hand, a family with three children under sixteen years of age with an income of Lm10,000 (€23,294) per year today receives Lm156 (€363) per year in Children's Allowance. With effect from the 1st January, 2008, this family will receive Lm300 (€698) per year in Children's Allowance, an increase of Lm144 (€335) per annum.

These measures mean an increase of Lm5 million (€11.6m), or almost 40 per cent more than the amount for 2007. This is an investment in order to help our families so that they continue to be the foundation of Maltese society. We would have preferred to improve even further the assistance granted to families who are bringing up children. However, as I explained at the beginning of this speech, this budget is extremely prudent in areas which involve expenditure.

### **Other Measures in favour of the Family**

We need to focus on families in particular situations. Consequently:

1. As of 1 January, Government will revise upwards, according to the cost of living increase, the maximum income, in order for a person to be able to qualify for the Supplementary Allowance.
2. The grant for persons who help in the upbringing of children who are not their own, the fostering allowance, is being increased by 5 liri (€12) to 17 liri (€40) per week;
3. The orphans allowance is to be increased by 4 liri and 74 cents (€11) per week to 20 liri (€47) per week.
4. A new deduction from income tax is being introduced in respect of children who attend private kindergartens up to a maximum of 1,000 euro (Lm429) per year. In this way Government will be refunding approximately 170,000 liri (€396,000) to parents whose children attend private kindergartens; and
5. With immediate effect, widows and widowers will be exempted from payment of stamp duty causa mortis on the part of the inheritance which is connected with their residential home, as long as the property is not sold before the death of the surviving spouse. This measure

is expected to cost around one million liri (€2.3m) per annum.

## Assistance in the Housing Sector

This evening I am also proposing other measures in order that we may continue to improve upon the policies which we put into effect these last years, whereby everybody is encouraged to become the owner of his own home. But we also wish to strengthen the assistance which is already being given to couples, especially young engaged couples, who purchase the first property for the purpose of their residence. Consequently:

1. Government is granting a subsidy, up to a maximum of 1 per cent, on the base rate of interest as established by the Central Bank if this is higher than 3.75 per cent. The subsidy will be given over a period of ten years on the purchase of the first residence the value of which is not higher than 50,000 liri (€116,468). As a result of this measure Government will be investing about 500,000 liri (€1.2m) in 2008 so that newly-wed couples may purchase their respective homes. In this way, we shall be reducing the impact of adverse interest rate movements;
2. With immediate effect the current rate of 3.5 per cent stamp duty on the first 30,000 liri (€70,000) in the case of purchase of property for personal residence is being extended to the first 50,000 liri (€116,468) for the first residence. In this way Government will leave approximately 420,000 liri (€978,336) in the pockets of those who purchase their first residence;
3. At present, parents who transfer land or property to their children for use of their residence are required to pay stamp duty on such transfer. Government believes that it should make it easier for families to help their children acquire their home. For this purpose, stamp duty on the

once-only transfer of one property from the parents to their children for the purposes that such property be used for personal residence purposes by such children is to be reduced by 1.5 per cent to 3.5 per cent on the part which is today being taxed at the rate of 5 per cent;

4. Preparations are in hand for the third issue of the Shared Ownership Scheme. This shall consist of 333 apartments with a commercial value of 14.5 million liri (€33.7 million).
5. During the coming year, the Housing Authority intends to continue investing about Lm 5.5 million (€12. 8million) in the building of new apartments; and
6. Government will be allocating half a million liri (€1.2 million)so that the Housing Authority will improve and extend its Equity Share Scheme for the purchase of the first residence. For this reason, the Authority will be financing up to a maximum of 14,000 liri (€32,611) from the price of a finished property, and up to 10,000 liri (€23,293) from the price of a property in shell form, the value of which (in both cases) does not exceed 50,000 liri (€116,468).

Mr. Speaker

Even here we must tread very carefully. But the measures I have announced should make a substantial difference to those engaged couples and families who require assistance mostly.

Senior Citizens

The largest group which participated in the preparation of this budget was made up of senior citizens. These people have toiled throughout their life for their country and we are duty bound to do all that is possible in order for senior citizens to remain active in all sectors of our society. We have listened carefully to senior

citizens and this evening I am proposing the following measures:

1. As from the first of January 2008, the cost-of-living increase which I shall be later announcing will be given in full to all pensioners. In order not to disrupt the two-thirds pension system, the one-third portion which up to now was not given will now be granted in the form of a bonus.
2. We have listened carefully to pensioners who receive a service pension or a services pension. The total expenditure in order for all these pensioners to receive the full two-thirds pension amounts to 17 million liri (€39.6 million) and will gradually increase to 24 million liri (€55.9 million) in a few years' time. Our country cannot afford to shoulder the cost of this increase in one instance. We have therefore decided to address this question by ignoring 200 liri (€466) from the service pension in the calculation of the social security pension. This measure shall make a difference to pensioners who have the lowest pensions. If the economic growth of our country continues at the rate we experienced this year, we will be able to repeat this step in future years in such a way that over a reasonable number of years we would have also solved this problem;
3. Government is also accepting the suggestion made by a number of pensioners to the effect that a person who has retired will be able to keep on working and earn any amount of income without any reduction in the pension. This measure is not to be construed as meaning that it is granting the right to a person to remain in the employment he had before reaching retiring age, unless

this is done on the basis of an agreement reached between the employer and the employee; and

4 A number of senior citizens and their families have requested that the expenditure made by them for private residential services be exempted from income tax. Government is allowing a maximum deduction of 2,000 euro (Lm858.60) per annum from the taxable income of the senior citizens or from that of their family members who may be paying for the service.

## Persons with a Disability and their Families

Everyone appreciates the special challenges which are faced by persons with a disability and their families. Government is committed to ensure that all necessary changes are made as early as possible next year so that our country may be in a position to ratify the United Nations Convention on the Rights of Persons with a Disability.

This evening I shall also be proposing a number of measures intended to help persons with a disability and their families.

1. Persons with a Severe Disability who are certified by the National Commission Persons with a Disability that they require a Personal Assistant will be assisted in such a way:
  - They shall be exempted from the payment for permits issued by the Employment and Training Corporation for the employment of a foreign personal assistant;
  - They shall be exempted from the payment of the social security contribution in relation to the employment of their personal assistant.

2. The Allowance for Children with a Disability will be increased from a maximum 5 liri (€11.65) per week to one fixed rate of 7 liri (€16.30) per week, an increase of more than 100 liri (€233) per year and will not remain subject to a means test. Over 600 families which currently are entitled to this benefit and other families which currently do not receive anything because they exceed the income threshold will benefit from this measure;
3. Over 2008, we shall ensure that all beaches with a Blue Flag status will be completely accessible to persons with a disability. Also, a plan is to be drawn up indicating how public sanitary conveniences will all become accessible within a determined period of time.
4. Government will be providing the necessary resources to Agenzija Sapport so that early next year a home for persons with a disability will open its doors and start operating in the community of Cottonera.
5. The vote for the National Commission Persons with a Disability is being increased by 20,000 liri (€46,587) so that more people will be able to make use of the Special Needs Service.
6. In the preparation of this budget, we took note of the recommendations of the National Commission Persons with a Disability and of various parents and workers regarding the day services for persons with an intellectual disability (known as Adult Training Centres, ATCs). This year these services have been taken over by the Agenzija Sapport with clear instructions that it must make the leap forward in quality which we all wish to have in the provision of these services. This Agency will be having at its disposal substantial funds from the European Social Fund for it to be able to develop day services for persons with an intellectual disability; and
7. The employment of persons with a disability remains one of the areas in which we are experiencing the biggest

challenges. Consequently Government has decided that, with effect from 1st January 2008, whoever employs a person with a disability registered with the Employment and Training Corporation will be exempted from the payment of the social security contribution for the first three years of employment. This measure will be in addition to any other scheme already operated by the Employment and Training Corporation as well the applicable schemes financed by the European Social Fund.

Mr. Speaker

Government is fully conscious of the fact that there is a lot more that may be done in this area. There is the public transport sector, wherein we are currently going through a process whereby over a number of year all public transport buses will be rendered accessible. There is the implementation of the Spiteri Report which I have already referred to earlier on in this speech. There are also the schemes financed by the European Social Fund. There is also the big challenge of educational services and training for persons with a disability once these persons conclude the period of obligatory education. I cannot state that I am satisfied with the rate of progress in this field. There are still too many people holding posts of responsibility with a mentality that holds back the degree of progress I would wish to see in this sector. If we change our attitude towards this area then all obstacles may be overcome. I truly believe in a Maltese society which provides all the required support to persons with a disability and their families so that such persons may be in a position to participate in all the spheres of our normal life.



## The Public Health Sector and Services for the Elderly

The public health services which we have developed in our country over the years constitute a unique characteristic of our society, a characteristic which makes us Maltese. The Maltese people know that when they need assistance, when a person is sick, the public health services are there. This is a sector to which we must give the greatest of attention and in an on-going manner:

- So that we may continue to sustain it;
- So that we remain amongst the best in the field;
- So that we may always cover in the best possible manner the most serious sicknesses; and
- In order to prevent sickness.

At the end of the day it is all the workers in the public health field that I, on behalf of the Maltese population most wholeheartedly thank, the workers who make the difference between an excellent service and a mediocre one. At the moment we are conducting intensive discussions with all the professionals in this field with the common aim of making a success of the transfer to the Mater Dei Hospital. I am convinced that there exist all the elements to conclude an agreement.

Mr. Speaker

Although what we have is acceptable, we want to continue to improve upon.

This evening I am proposing that the public health vote be increased by 6 million liri (€14 million) for the forthcoming year, not only in order to accomodate the new Mater Dei hospital, but also continue to improve upon public health services. We must give special attention to those areas where there are a number of

people waiting for an operation and to redouble our efforts in the fight against cancer.

The Mater Dei hospital was handed over to the Maltese Government by Skanska on Friday 29th June. Today everybody recognizes the high standards present in this hospital. There is great expectancy for the transfer of services from St. Luke's Hospital to the Mater Dei Hospital, which should lead to a situation whereby by the end of the year most important services will be provided by this hospital. I know that the professionals and all the workers are doing their very best so that the migration process which started as soon as the hospital was handed over to the Government be concluded. The transfer of a hospital is no joke. It is a complicated and very delicate process which involves sick people who require treatment and not being moved about. A process which necessarily takes time to be implemented. We are pursuing a detailed programme involving a sequential transfer of each department and service in order to ensure the safety of patients and employees, and at the same time ascertain that the migration process take the least time possible.

Training has been given to all hospital employees, about 3,800, which was one of the most engaging parts in the whole process. In this context I am happy to inform this House and the general public that, up to now, everything is proceeding according to the dates established in the migration plan.

### Extension of Services at Zammit Clapp Hospital

Since the request for services of rehabilitation treatment is constantly on the increase, a decision was taken to increase the number of beds which this service offers. Government will be building a new facility with 280 beds in Luqa, a project costing 12 million liri co-financed by the European Union. This means

that the number of beds will be almost five times higher than the number we have at present at Zammit Clapp. Plans have been drawn up and these have been submitted to MEPA for approval.

### Centre for Services related to Cancer

Zammit Clapp Hospital is being transformed into a Centre for Services related to Cancer. This will allow an increase in the number of beds in the oncology department and the installation of other modern equipment. With the transfer of oncology services from Boffa Hospital to Zammit Clapp Hospital, services related to the treatment of cancer will start being provided from a larger premises that offer better facilities both to the patients as well as to the employees.

Apart from all this the time has come to make an additional investment in medical equipment relating to cancer. A huge investment will be made in the purchase of two linear accelerators. This equipment requires a particular infrastructure and consequently a Radio Therapy Unit will be built inside Zammit Clapp hospital. This step ensures that we strengthen the excellent services and facilities that we already have for the treatment of cancer. Today this treatment compares very well with the treatment given abroad keeping in mind the fact that up to a few years ago we used to send our patients abroad. However, we also realize that there are huge developments in this sector, particularly in the type of medicine used to treat this disease.

## Combating Cancer

Government is determined that as a result of this development the fight against cancer will be as aggressive as possible.

The fight against cancer also requires preventive programmes both in the lifestyle we lead as well as in the early identification of the disease. As from next year we shall be introducing a national Breast Screening programme. With the digital equipment we now have inside the Mater Dei we shall be able to make use of foreign specialists without the need to send our patients abroad. Over the coming year we shall start focusing on women mostly at risk, namely women in the age bracket fifty to sixty years of age, thereafter, we will extend the programme to all women.

The National Plan against Cancer is being finalised, and this will give a direction to initiatives to be taken to combat cancer. The main objective is that importance be placed on prevention, screening and treatment in the oncological sphere.

## Reduction in the Number of Persons awaiting certain Operations

Government will continue to work hard so that we may address the problem relating to persons awaiting certain operations. Together with all the professionals concerned, definite targets shall be established regarding the period of time which may elapse before a patient is given that which he/she requires. No target will be allowed to be missed. This measure should ensure that all Maltese and Gozitans will receive medical services which they require within a period of time that is clinically acceptable.

Table 20:

The success we achieved in the medical field has brought about new challenges. We are now living a longer life. Degenerative sickness is on the increase and with it there has been an increase also in requests for new and more sophisticated interventions. As happens everywhere worldwide, the waiting lists have grown longer. Here, too, the importance of Mater Dei Hospital becomes apparent since from the beginning it was intended to offer solutions. Now that the new hospital has been completed, we have the tools to start applying these solutions. I am convinced that once we reach an agreement with medical doctors, nurses and other professionals we shall be operating new practices which will lead to reduce significantly the number of people awaiting certain health services.

At the Mater Dei hospital not only do we have double the number of operating theatres but, more importantly, we have dedicated operating theatres. This means that we shall be able to eliminate waiting lists, such as those for cataract operations, in the least possible time. We shall be in a position to double the number of cataract operations which we perform every year also as a result of carrying out operations in the afternoon. Consequently the waiting list for cataract operations should be eliminated in a period of three years.

We also have dedicated operating theatres in the orthopaedics section. Apart from this we have largely added to the number of beds which relate to operations which do require a convalescence of not more than one day. This will allow us to reduce the waiting lists in other fields to levels which compare favourably with other European countries.

## The Pharmacy of Your Choice Scheme

The "Pharmacy of Your Choice" scheme has been introduced by means of a pilot project in the Northern part of Malta aiming to extend the system throughout Malta and Gozo in the forthcoming year.

## Care for the Elderly

This evening I am proposing an expenditure of six million and two hundred thousand liri, (€14.4 million), an increase of one million liri (€2.3 million) over this year, on residential and community services for the elderly.

Over the coming year, the extensive modernisation programme for Saint Vincent de Paule hospital will be continued, whilst a child care centre will be established for staff who are employed in this facility.

The home for the elderly in Mellieha which started being built this year is expected to receive the first residents by April of next year. This home will add to the complement of seven already existing homes and will fill the void which exists in the northern part of Malta. The home will receive about 130 persons on the same criteria as the other homes, with priority being given to those persons who are mostly in need of this service. The concept of Private Public Partnership which is being used in the development of this home has led us to a situation where this home will be completed in record time. I have to make it clear that the elderly who will be making use of this home will not incur higher expenses than those related to other Government homes for the elderly.

## The Voluntary Services Sector

This year Government enacted the law on voluntary organisations with the aim of strengthening further the role of these organisation in our society. With the voluntary sector on the increase, there has also been an increase in its influence on Maltese society. There is no doubt that our country is enriched by the work undertaken by and the activities performed by the

voluntary organisations' sector in the democratic life of our country.

The next step is the setting up of the Office of the Commissioner for Voluntary Organisations as well as the Council for the Voluntary Sector.

Government will also increase the financing of voluntary organisations to 820,000 liri (€1.9 million), an increase of 90,000 liri (€209,644). The energy benefit is being extended to those voluntary organisations which offer shelter and residential care for free to families and persons with special needs.

## Revision of Tax Bands

Mr. Speaker

During the past hour and a half I have explained in detail how the taxes which the Maltese population pays will be spent.

The last measure that I will announce is on how we are going to reduce income tax in order to provide an incentive for work and economic growth.

This evening I will propose to this Chamber that we continue building upon what we started last year regarding income tax. We want to reduce the disincentive to work more. We want that the Maltese and Gozitan families pay less tax on work.

In last year's Budget we widened the tax brackets and reduced the disincentive that exists to work more. There were those who said we could have done more. But we wanted to be prudent.

On that day I had promised the Maltese and Gozitan population that if our country's economy continued to grow and we attained our financial objectives, Government would have continued with this important reform. Today, without taking any risks that might endanger what we achieved for our country, we are going to do more.

Last year, we extended the 15 per cent band from 1,000 liri (€2,329) to 2,250 liri (€5,241) in the case of a single computation and from 1,700 liri (€3,960) to 3,500 liri (€8,153) in the case of a joint computation. We did this in order to ensure that overtime is not taxed at a rate higher than 15 per cent.



It looks like we have managed to achieve this, but not totally. It looks like from a declared income of 12 million liri (€28 million) on overtime, there is still around one and a half million liri (€3.5 million) which is still taxed at 25 per cent. Hence, this evening I am proposing that the income tax bracket is extended, in such a way that the overtime is taxed at 15 per cent as much as possible.

But we are not going to stop here.

We are going to extend the income tax bands so that an additional 12 million liri (€28 million), over and above what we provided last year, are left in the pockets of employees and self-employed. This means that over a spread of two years we would have reformed significantly the income tax and we would have left an additional 24 million liri (€56 million) in the pockets of the Maltese and Gozitans.

We are going to extend the non-taxable bracket so that those who earn least do not pay tax. Hence, the non-taxable bracket, which last year we had revised upwards from 3,100 liri (€7,221) to 3,250 liri (€7,570) in case of single computation, is now being revised to 3,498.80 liri (€8,150). In case of a joint computation, last year we had increased the non-taxable amount to 4,500 liri (€10,482) from 4,300 liri (€10,016). Now we are going to extend this amount to 4,894.02 liri (€11,400).

In case of a single computation, the 15 per cent band will be extended by another 500 liri (€1,165) to 6,000 liri (€13,976) after last year we had extended this by Lm1,400 (€3,261). In case of a joint computation this will also start being taxed at a higher income level. The 15 per cent band is being extended from 8,000 liri (€18,634) to 8,800 liri (€20,498), an increase of almost Lm2,800 (€6,522) when compared to the situation previous to the reform of last year.

We are also going to widen the 25 per cent band. In case of a single computation we are going to extend the 35 per cent band rate by Lm1,400 (€3,261), to 8,157 liri (€19,000) from 6,750 liri (€15,723). In case of a joint computation the 25 per cent tax band will be widened to 12,000 liri (€27,952) from 10,000 liri (€23,294), an increase of almost 2,000 liri (€4659).

Mr. Speaker, everyone appreciates that the adjustments we are making are not slight. This change means that whoever earns less than 8,200 liri (€19,100) in case of single computation and 12,000 liri (€27,952) in case of a joint computation will no longer be taxed at 35 per cent. Thousands of employees and self-employed will benefit from this improvement in the tax.

Tables 21 and 22 represent the new tax bands for the joint computation and single computation respectively. Tables 23 and 24 represent the reduction in tax as a result of this revision.

Table 21: Joint Computation

Rates 2006		Present Rate		Rates 2008	Rates 2008
Income up to	Rate	Income up to	Rate	Income up to	Income up to
<i>Lm</i>	%	<i>Lm</i>	%	<i>Lm</i>	<i>Euro</i>
0-4300	0	0-4500	0	0-4894	0-11400
4301-6000	15	4501-8000	15	4895-8800	11401-20500
6001-7250	20				
7251-8500	25	8001-10000	25	8801-12020	20500-28000
8501-10000	30				
10000+	35	100000+	35	12021+	28001+

Table 22: Separate Computation

Rates 2006		Present Rate		Rates 2008	Rates 2008
Income up to	Rate	Income up to	Rate	Income up to	Income up to
<i>Lm</i>	%	<i>Lm</i>	%	<i>Lm</i>	<i>Euro</i>
0-3100	0	0-3250	0	0-3498	0-8150
3101-4100	15	3251-5500	15	3499-6010	8151-14000
4101-5000	20				
5001-6000	25	5501-6750	25	6011-8156	14001-19000
6001-6750	30				
6751+	35	6751+	35	8157+	19001+

Table 23: Separate Computation (Impact)

Income	Tax Reduction Budget 2007	Tax Reduction Budget 2008	Total Reduction
3,500	23	38	61
4,000	23	38	61
4,500	43	38	81
5,000	68	38	106
5,500	118	38	156
6,000	118	89	207
6,500	143	89	232
7,000	143	114	257
7,500	155	164	319
8,000	155	214	369
8,500	155	230	385

I will give some examples to explain what the changes that I am presenting this mean.

*A couple which will opt for a joint computation*

A couple that does not earn more than Lm8,000 (€18,635) each year will benefit from a tax reduction of up to Lm168 (€391) each year. If it earns between Lm8,000 (€18,635) and Lm10,000 (23,294) it will benefit from a tax reduction between Lm168 (€391) and Lm243 (€566) each year. If we add these benefits with

those of twelve months ago, this family will benefit from a tax reduction between Lm277 (€645) and Lm432 (€1,006) each year.

Table 24: Joint Computation (Impact)

<b>Income</b>	<b>Tax Reduction Budget 2007</b>	<b>Tax Reduction Budget 2008</b>	<b>Total Reduction</b>
4,500	30	0	30
5,000	30	59	89
5,500	30	59	89
6,000	30	59	89
6,500	55	59	114
7,000	80	59	139
7,500	118	59	177
8,000	168	59	227
8,500	168	109	277
9,000	193	139	332
9,500	218	139	357
10,000	243	139	382
10,500	243	189	432
11,000	243	239	482
11,500	243	289	532
12,000	243	339	582
12,500	243	341	584

*A couple which opts for a single computation or an unmarried person*

Those who earn between Lm5,000 (€11,649) and Lm8,000 (€18,635) will benefit between Lm38 (€88.5) and Lm214 (€498.5) each year. If we include also the reform of twelve months ago these will benefit from a tax reduction between Lm106 (€247) and Lm369 (€860) each year.

The message is clear. We do not want to tax work. On the contrary, we want to provide an incentive to work. We want to ensure that the economic advance of our country leads to strengthening our families.

## Conclusion

Mr. Speaker,

When I consider the responsibility I have, I cannot but think about the society which I would wish to pass on to our children and to their children.

I would wish to pass on to them a more beautiful country, with cleaner air and seas, with a strong economy, an educated people, with hardworking and flexible workers, a people who care for others, with a proper sense of community life. A welcoming country and people, who live in peace.

I wish to pass on to them, above all, families with a strong foundation. Families who are capable of giving to their dearest all and the best in everything.

I wish to pass on to them a Malta which is stronger in its values and in its beliefs.

I wish to pass on to them a Malta with more opportunities. Opportunities for everybody, also for those who are most vulnerable.

I wish to pass on to them a Malta in which they will be proud to live, and to be able to share it with whoever visits us.

In this budget we have continued to focus on the priorities that make a positive difference in the life of our families.

When three years ago I requested support from Maltese families, in the first budget I presented, I gave my word that if we work together we would be able to succeed.. In this context, we embarked upon a comprehensive plan, which involved

harsh choices. Today we are reaping the results which we have together achieved over these past three years.

This is a budget which builds upon the economic success we had over the last three years. A budget that also looks ahead towards more successes in the future.

This is a budget which supports our family without weakening our economic strength and our fiscal objectives. It is a budget which seeks a correct balance between what is going to be collected from taxation, what is to be borrowed, what we intend investing, and what we intend spending.

We shall be collecting less taxes from our families. We shall be investing the largest amounts of money we have ever invested in education, in public health, in the environment, in employment, and in Gozo. We shall be spending money in those areas most needed by the Maltese family.

We would have wished to have invested more in our families who are so hard working in order to enable them to give the best to their children. And this is what we will do if we continue to move in the direction we have taken.

We realize how important it is that each family will have the means to carry out all it needs this present day, and to plan for the better future of its children.

This is what Government has worked for and will continue to work for. For all Maltese and Gozitan families: I repeat all of them.

With all we have proposed this evening our country is fast approaching the time when we can afford a balanced budget. Taxes are going to be reduced, and expenditure will be focused more on the needs of our families. This evening we have given

proof that we can address today's needs while at the same time keeping our vision focused towards the future.

This is a budget which will continue to aim at a situation where we will have the best in the educational field, in health services, in quality tourism, in high value added manufacturing fields, in financial services, in informatics and communications, and in Gozo as an island with a unique attraction and experience.

This is the vision of a people, which is already being put into effect today - also as a result of this budget.

Mr. Speaker,

It is my privilege and honour to recommend this Budget to this Chamber. A budget that aims to further strengthen our country. A budget so that we may build families on strong foundations.