

Social partners criticise lack of consultation on utility surcharge

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Trade unions and employer organisations have expressed concern that the revised water and electricity surcharge will adversely affect Maltese families and industry, and have complained about the lack of consultation. Social partners represented on the Malta Council for Economic and Social Development agreed to present the government with a set of proposals on how to reduce the burden of the new tariffs.

Government announcement

On 1 July 2008, the Maltese government announced in parliament that the surcharge on water and electricity bills was being increased from 50% to 95%. The increment in the surcharge came as no surprise, as it has been imposed at varying levels on such bills for the last three years to compensate for the continuous increase in the international price of oil. Indeed, it had been indicated by the Minister for Infrastructure, Transport and Communications, Austin Gatt, that it could rise to as much as 115%.

However, all of the social partners on the Malta Council for Economic and Social Development (MCESD (<http://www.mcesd.org.mt>)) voiced their disquiet at the fact that the government had announced the surcharge without prior consultation with them. In reaction to this criticism, the government pointed out that the MCESD members had attended two presentations which had explained the economic context within which Enemalta, the public energy company, was carrying out its operations and hence the need for a revision of the surcharge. Secondly, the government claimed that the mechanism which was used to calculate the surcharge had been decided after long and intensive consultations in the MCESD as far back as 2005 and that, since the same formula had been kept, no further consultation was necessary.

In fact, discussions will soon be underway for a decision on a new mechanism which would also revise the basic tariffs. To this end, the MCESD members have already initiated meetings to come up with proposals which will be presented to the government by the MCESD Chair, Sonny Portelli.

Trade union response

However, this does not mitigate the social partners' concern at the current situation. The three largest unions – the General Workers' Union (GWU (<http://www.gwu.org.mt>)), the Union of United Workers (Union Haddiema Maghqudin, UHM (<http://www.uhm.org.mt/home.aspx>)) and the Malta Union of Teachers (MUT (<http://www.mut.org.mt>)) – asserted that the purchasing power of Maltese workers and pensioners will be substantially reduced. GWU, while condemning the government's unilateral decision, urged all social partners to act in a spirit of social justice and dialogue in order to minimise the effect of the government's decision on the Maltese people.

For its part, UHM urged the government to be open to the citizens' opinions and carry out an in-depth assessment of the impact of its decisions. UHM also expressed its belief that the surcharge should be abolished and the price of water and electricity should be reflected in the actual tariffs. This change should come into effect after all of the necessary studies on the impact of the new tariffs have been completed.

Employers' reaction

The fact that the capping of the surcharge will be retained for large industrial enterprises and the hotel sector has been welcomed by the Malta Federation of Industry (FOI (<http://www.foi.org.mt>)), the Malta Employers' Association (MEA (<http://www.maltaemployers.com>)) and the Malta Hotels and Restaurants Association (MHRA (<http://www.mhra.org.mt>)). However, all three organisations have criticised the fact that increased water and electricity costs incurred by local suppliers and service providers who fall within the category of small and medium-sized enterprises (SMEs) – who are not protected by such capping – will imply higher costs for their own products and services. This will lead to three possible consequences: an increase in prices, hence reducing competitiveness; a scaling down of operations; and a reduction in revenue.

The General Retailers and Traders' Union (GRTU (<http://www.grtu.org.mt>)), the main representative of SMEs in Malta, insists that besides costs incurred by suppliers and service providers, the surcharge will result in at least a 2% rise in the price of commodities that need refrigeration, in addition to overall operational increases. GRTU claims that, while large companies will be exempt from the surcharge increase, the new tax will have an adverse effect on SMEs like supermarkets and small shops.

FOI and MEA were among the first social partners to prepare a list of practical proposals whereby business concerns would rely less on fossil fuels and convert a substantial part of their operations to dependence on renewable energy sources. Suggestions include incentives towards the purchase of electric vehicles for those involved in product distribution and the installation of solar-powered vehicle-recharging stations. Further proposals involve the redeployment of redundant shipyard workers in the production and installation of photovoltaic cells and solar water heaters across the island, thus creating employment in a lucrative, new niche area.

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