

21st December 2022

To the attention of DG Competition:

This is the joint feedback from the Malta Business Bureau and its parent organizations, the Malta Chamber of Commerce, Enterprise and Industry, and the Malta Hotels and Restaurants Association, to the public consultation on the draft Regulation on de minimis State aid rules.

The organisations consider that while the increase in de minimis state aid from Eur200,000 to Eur275,000 is positive, this merely compensates for inflation. The revised rate is far from the flexibility that businesses require in tangible support, particularly at such economically challenging times. We believe that at least for state aid investments related to the green and digital twin transition, a higher de minimis threshold should be considered. As a policy this would be in line with the current targeted review of the General Block Exemption Regulation (GBER). The exceptional higher amount will also be capped to continue safeguarding competition in the Single Market.

We also note that there is no in-built methodology within the Regulation to factor-in inflation in the coming years, particularly as it is bound to remain substantially high, at least for the foreseeable future. On this note, given that this Regulation is expected to be in place between 2024 and 2030, the organisations consider it would be appropriate to include a mechanism that would reflect inflation periodically, or at least as part of a mid-term review, rather than awaiting the end of term of the Regulation.

Furthermore, and most importantly, the Regulation should factor in the specific economic reality of companies operating from island states and regions, which are substantially disadvantaged compared to European companies located on the mainland due to higher air/sea freight transport costs that are inevitable. A higher de minimis threshold for companies operating from islands will partly cushion the impact of insularity and allow industries to be more resilient. In the absence of state-aid to mitigate costs such as transport, the trend of de-industrialisation from islands will increase, risking thousands of jobs and concentrating economic activity around few economic sectors instead, particularly tourism, which is highly seasonal.