

The Malta Flag: A 40-Year Success Story

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Malta – An International Centre of Excellence

Malta's efforts to establish itself internationally as a centre of excellence are reaping success. The islands' financial services sectors - and this will include insurance, gaming and investment services - are flourishing, having had the benefit of a political decision taken some years back for the islands to develop in this direction. The maritime services sector, on the other hand, preceded the financial services sector: a long maritime tradition, quite evident from the islands' colourful history, coupled with a foremost reputation and modern facilities, has placed Malta at the forefront of maritime nations worldwide.

Capable of providing professional maritime expertise in a multitude of scenarios, Malta can today pride itself as being one of the more attractive international maritime centres in the Mediterranean. Not only has the number of ships flying the red and white flag with an eight-pointed cross increased over time, but Malta's maritime sector in the larger context can offer a complete range of services, from ship registration to ship repair, cruise liner harbours to cargo port facilities and a budding yachting infrastructure.

Shipping and the Malta Flag

The shipping sector has been an integral part of the Maltese economy for a considerable number of decades, having seen a revived impetus in more recent years. The geo-strategic location of the Maltese archipelago, at the very heart of the Mediterranean, is ideally placed to service the shipping industry.

On the other hand, Malta has an internationally recognised registry that is the second largest in the European Union and the eight largest in the world. It is the experience and status garnered throughout the years, coupled with the dependence on the Malta flag (which is seen as an important source of income for a small jurisdiction such as Malta), that has made most ship owners confident about the fact that they will receive a bespoke service when choosing to fly the Malta Flag. Apart from offering 24/7 assistance, the Malta Flag Administration offers relatively easy access to the decision makers and a 'can-do' approach that has become synonymous with the Malta brand.

Quality, Flexibility, Safety and Affordability

Malta is conscious about the precarious economic climate which the shipping industry finds itself in and knows all too well that choice of flag decisions are often driven by cost-related factors, as well as an efficient service that is responsive to the interests on ship owners, charterers and financing banks. Registration costs and the fees of service providers in Malta have remained highly affordable and the savings can be substantial.

In recent years the Malta Flag has gained in popularity, especially after shedding its FOC status and opting to become an EU quality flag. Today, Malta's call sign is that of a 'flag of confidence', flowing naturally from Malta's determination to propagate a policy of safe ships and clean seas. Malta has, since 2006, been proud to be on the Paris MOU 'White List', endorsing the Flag's good repute. What effectively this translates into is that vessels flying the Malta Flag are less likely to be detained in European ports and charter rates for Malta-flagged vessels can be negotiated favourably. Safety standards are taken as a priority and it is these factors together with a strong, dedicated legislative backdrop and stable government that has also ensured that financial institutions feel confident in granting credit facilities to Malta-registered vessels, well aware that their interests are secured by an effective and solid Maltese statutory mortgage.

The Flag offers a number of options to ship operators including flexibility as to the nationality owning company of the vessel (it does not necessarily need to be a Maltese company) and imposes no restrictions as to the nationality of crew members serving onboard Maltese vessels.

The focus of the Malta Flag lies on quality rather than on numbers, offering reduced registration fees and tonnage tax to younger vessels. This policy has brought about a significant decrease in the average age of ships flying the Malta Flag. Generally speaking, Malta's tonnage tax regime is based on the EU's *Community Guidelines on State Aid to Maritime Transport* that promotes the interests of operators.

It is also worth pointing out that there are no restrictions as to the type of vessel that can be registered under the Malta flag and in this respect the Malta Flag Administration has readily accepted unconventional vessels under its Flag. Not to burden ship owners with additional costs, Malta has chosen to suffer the cost of the annual flag state inspections.



Maltese law provides for so-called bareboat charter registrations, both ‘in’ or ‘out’ of Malta. These types of registrations have been found convenient by operators in a multitude of special contexts, where divergent operational requirements demand a split registration.

Communication

Communication and accessibility is vital in an industry such as shipping: to serve this crucial requirement, Malta is well connected internationally by a network of Embassies and Consular offices that are available to tend to operators’ needs on behalf of the Malta Flag, as and when necessary. Moreover, Malta has the privilege of being a bi-lingual country, with English being the country’s business language. Thus, ship operators are guaranteed to be assisted by English speaking professionals and qualified specialists in the field who have the competence to hand-hold them through the registration process and offer operators the best possible solutions to cater for their particular needs and ongoing requirements.

Yachts

One recent phenomenon is the rapid growth in the registration of yachts (both commercial and pleasure) in Malta. This has come as a more recent, natural adjunct to the commercial ship registration incentive. This growth is by no means accidental, but the fruit of the determination to grow this sector, particularly when considering that Malta is perfectly placed to develop itself as a centre for the yachting industry generally. A number of yachts choose Malta as their base taking advantage of location and costs: wintering in Malta has become particularly popular amongst yacht-owners. Malta has kept an eye on recent developments of the super yachts market. Amongst other things, we have seen the construction of a number of modern marinas, set up around the backdrop of formidable bastions, many of them dating to the 16th century. We have also seen considerable investment being directed towards yacht repair and re-fit yards capable of servicing yachts as and when needed. Also generating quite some interest within the yachting community is the availability of tax planning structures, continuing to fulfil the ‘one-stop shop’ concept that Malta is striving to build in the yachting sector.

Local Support

The success of Malta shipping register is supported by numerous shipping-related service providers, including maritime lawyers, agents, brokers, insurers, accountants and banks offering comprehensive services to owners and operators of ships worldwide. Recent legislation, born only last year, has also made it attractive



to set up ship management entities in Malta and we are hopeful that this may prove to be another growth area for Malta in the near future.

The Malta Flag – A Success Story

On the international scene, Malta ranks as a major player in the shipping industry. Success does not come without effort. Malta is well aware that in order to continue succeeding in this industry, it needs to constantly reinvent itself, ensuring that it offers a high-quality product which is superior to that offered by its competitors. It needs to do this in a timely fashion, whilst ensuring that it retains a high level of operational efficiency while remaining economically attractive to operators in the industry.

