

# Social partners protest against new energy tariffs

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The government's plans to increase energy tariffs elicited strong protests from all of the social partners. Both trade unions and employer organisations agreed that such tariffs could reduce Malta's competitiveness and result in substantial unemployment. In November 2008, 20 trade unions participated in a march to call for a revision of the proposed tariffs. After several meetings, the issue appeared to have largely been settled by the end of November 2008.

## New utility tariff regime

In October 2008, the Maltese government presented the social partners with five alternative models regarding the introduction of electricity and water tariffs to replace the existing surcharge system; this development followed the state announcement in July that these surcharges were to increase ([MT0807019I](#)). The government declared that an increase in the utility rates was needed instead of the existing tax subsidies to [Enemalta Corporation](#), which generates and distributes electricity in Malta. In fact, the Minister for Infrastructure, Transport and Communications, Austin Gatt, stated that in 2007, despite a surcharge on the existing bills, Enemalta still registered losses and required a subsidy of €150 million.

According to the government, the public was currently subsidising energy for 120 companies; this situation would have to stop with the change in the system. Malta's Prime Minister, Lawrence Gonzi, explained that, in line with the principles of social justice, the government would seek to help families most in need.

On 28 October 2008, the government officially announced the reform in the regime of utility tariffs, which was to come into force retrospectively on 1 October 2008. The government outlined that the new tariffs would be based on the following four principles.

- Buyers will pay the full amount for their consumption of water and electricity.
- Subsidies will only be given to those who are truly in need.
- Taxes will be used for investment rather than for subsidies.
- Incentives will be adopted to reduce the overall consumption.

The government stated that the existing surcharge capping for large businesses with high consumption would be gradually phased out over a three-year period. In addition, 26 major companies would receive assistance when their bills exceed surcharge capping so that the amounts would not rise by more than 40%. The government explained that the new domestic tariffs would result in an increase of between 55 cents and €1.80 per person per week for electricity, and between 83 cents and €1.19 per week for water.

## Reactions of social partners

The announcement generated a chorus of disapproval from the social partners, who highlighted that the procedure adopted for the revision of the tariffs was not based on consultation; moreover, the trade unions and employer organisations were concerned about the adverse effects that the increased prices would have on the economy. On 29 October 2008, the Malta Council for Economic and Social Development ([MCESD](#)) issued a short statement noting that it had not been properly consulted by the government on the tariffs issue. The MCESD Chair, Sonny Portelli, stated that the council was disappointed as it felt that the government did not take notice of its recommendations. Furthermore, MCESD insisted that the government should take the necessary measures to alleviate the burden of the new tariffs.

## Protest actions

In the meantime, a mass rally was organised by the Labour Party (Partit Laburista, [LP](#)) – which is the opposition party in the current parliament – in the capital city of Valletta on 10 November 2008. The General Workers Union ([GWU](#)), Malta's largest trade union, was the only social partner attending this rally, which gathered a large crowd of people. GWU also planned to hold a protest against the tariffs on 13 November. However, in a press conference attended by senior officials of GWU, the Confederation of Malta Trade Unions ([CMTU](#)), the Union of United Workers (Union Haddiema Maghqudin, [UHM](#)), the Malta Union of Teachers ([MUT](#)) and the Malta Union of Midwives and Nurses ([MUMN](#)), it was decided that the protest would be postponed to the following day and all trade unions would take part.

Thus, on 14 November 2008, 20 trade unions participated in a demonstration in Valletta against the government's proposals to increase the utility tariffs. The protest was not well attended, probably as a result of the bad weather; nevertheless, it was still deemed as historic due to the large number of trade unions participating. The march, led by GWU, included a resolution stating that the new bills would undermine the standard of living of Malta's population.

## Employers highlight economic concerns

Employer organisations did not take part in the above mass rallies. However, the major employer groups – including the Malta Employers' Association ([MEA](#)), the Malta Federation of Industry ([FOI](#)), the Malta Chamber of Commerce and Enterprise ([COC](#)), the Malta Hotels and Restaurants Association ([MHRA](#)), and the Malta Chamber of Small and Medium-sized Enterprises ([GRTU](#)) – issued statements urging the government to revise its decision. The employers feared that the government's actions would decrease the competitiveness of Maltese industries, with the potential consequence of increasing unemployment.

MHRA argued that the changes would result in hotels having to pay an unsustainable increase of 56% in their utility bills. FOI underlined that a sudden economic shock would reduce business confidence levels and investment expansion. Furthermore, FOI expressed a view shared by many social partners that the financial problems in the electricity, gas and water supply sector were due to the mismanagement of Enemalta and the Water Services Corporation ([WSC](#)), rather than to international oil prices.

Before the government's decision on 28 October 2008, MEA had urged the state administration to act cautiously and postpone the revision of the utility rates until March 2009. According to the employer organisation, the government should postpone the target of a balanced state budget and instead focus on 'shielding industries from the global crises', as the governments of other countries are doing.

GRTU announced that it would take the matter to court and to the European institutions as it could not accept cross-subsidisation, resulting in small and medium-sized enterprises (SMEs) having to pay for the capping of large industries. GRTU ordered its members not to pay excess fees if these tariffs were imposed without amendments agreed by the employer body.

The social partners argued that the change in the utility bills coincides with a global financial crisis and that the government should have been wary of implementing such changes. Moreover, the state should take into consideration the fact that the price of crude oil had decreased substantially in the last months of 2008.

## Revised deal proposed

Despite the declared ‘final decision’ about the tariffs presented on 28 October 2008, the talks between the government and social partners continued throughout the month of November. In a meeting held on 22 November between several trade unions and Prime Minister Gonzi, the unions called for:

- the introduction of the tariffs to be postponed to January 2009;
- abandoning the increase in meter charges;
- a rise in the consumption ceiling in order to benefit from price reductions;
- an increase in the eco-reduction system – that is, a price cut in the tariffs of households which consume low levels of electricity.

Following this meeting, on 24 November, Prime Minister Gonzi wrote a letter to the trade unions outlining the points agreed with the unions. The prime minister explained that the latest changes would result in 15,394 more families benefiting from eco-reduction, amounting to 138,333 domestic accounts out of a total of 190,342 such accounts.

## Tensions arise between trade unions

UHM, which is the largest trade union within CMTU, expressed its satisfaction about the revision exercise. The President of CMTU, William Portelli, concurred with this view. However, UHM’s apparent attempt to take the credit for the government’s revisions irritated the other trade unions, especially GWU.

Subsequently, 11 other trade unions, including GWU, issued a statement in which they declared that they needed further clarification with regard to the new document before pronouncing themselves on it. One of these trade unions was MUT, an affiliate of CMTU. This incident sparked friction between the confederation and MUT, the second largest union within its fold, with the teachers’ union declaring that it had no confidence in the CMTU leadership. In December 2008, MUT announced that it was leaving CMTU, after the latter had suspended it.

Thus, the issue of the utility tariffs, which at one point proved to be a source of unity among the Maltese trade unions, ultimately led to a rift between them. This tension was not confined to the two organisations usually at loggerheads with each other – namely, GWU and UHM – but also infiltrated the ranks of CMTU.

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