

Yachting in Malta



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Yachting in Malta, the way forward

Wilfred Sultana & Associates, publishers of Yachting in Malta, last week organised a seminar on yachting in Malta with 'the way forward' as the theme. The conference was organised in collaboration with Transport Malta and the International Superyacht Society and had the Mediterranean Bank, S&D Yachts Ltd, Medcomms Ltd, Melita Marine Group, Kirton & Co Ltd, Palumbo MSY and The Palace Hotel as associate partners. Patrons were the Ministry of Infrastructure, Transport and Communications, the Yachting Services Business Section (Malta Chamber of Commerce, Enterprise and Industry), the Superyacht Industry Network – Malta and the Institute of Maltese Journalists (IGM).

Creating the right political and economic environment for the yachting industry



by Austin Gatt

The industry we have today did not just happen but is the result of hard work and the entrepreneurial efforts of many professionals, individuals and private companies who invested in this industry with courage, vision and passion.

Government played its part as well both at a macro and a micro level but there is no gainsaying the simple fact that the primary driver was, is and will remain the entrepreneur.

Political stability, EU membership, a clear commitment to support business development of high added value services, an attractive fiscal regime, a well respected flag, serious legislation and an efficient administration created the right environment. Constant investment in general, communications and maritime infrastructure, the focus of our economy on service oriented enterprises created the envelope for growth. Investment in the superyacht facility of the then Malta Dockyards proved to be the catalyst for the growth that we have witnessed in the past years.

However, that is the past and good as it might be it is no guarantee for the future especially in an industry that is as competitive as this one. So how, as a government, are we looking at the future?

I believe there are three basic levels that require addressing:

The first level is what I call the envelope. Yacht owners, especially superyacht owners, will not look at a country unless all that is not concerned with yachting is right for them. So we need to continue being regarded as a highly respectable provider of corporate, legal and financial services. We need a fiscal regime that is attractive to investors and financiers. We need good air connections, state of the art telecoms, high speed broadband and satellite communications. We also need to maintain a good environment and most of all we need to remember that this is a service industry where quality counts, where the client cannot be ripped off because he has a boat!

The second level is to maintain and increase our well-deserved reputation as a serious regulatory authority and flag while bending

over backwards to satisfy the justified requests of clients as efficiently as possible. It still astounds me that we are one of the very few jurisdictions that offer a 24 on seven service which I believe is the main reason why we are today the seventh largest flag in the world. In 2010 we again increased our tonnage by 18.24 per cent and I can assure you that that increase is due to new or near new builds. Specifically with respect to yachting, we have achieved a considerable increase in the registration of yachts over 24 metres and currently have a total of 261 superyachts registered under the flag. The recent launching of the revised commercial code gives us the confidence of more success in the future.

The third level is the need to have the right political initiatives that will create the right opportunities for the private sector to generate business. In this regard, I must mention that:

In the coming two, three years are spending close to €66m on breakwaters and wharfs;

We are committed to creating more marinas where possible, although the opportunities are restricted. We have spent money to examine the possibilities offered by practically every inlet in Malta and Gozo and we have put a cost to each possible initiative. That report has been public for the last two years but I still find yacht people who are not aware of it! The basic result is that most obvious areas will work out as too costly for all weather marinas and the only real, viable opportunity is the Sa Maison area. This project – where we are currently running an EIA at a cost of €300,000 – will provide up to 300 berths.

We have privatised marinas, re-fit yards and docks and will continue to privatise all remaining yachting infrastructure because we believe that this is a private sector preserve and that both government and Transport Malta should regulate and not operate

We will continue to help the industry promote itself internationally because we believe a private sector backed by a government commitment may give an edge over competitors. In the same vein we will assist the industry at all levels possible, the latest being the commissioning – by transport Malta – of a study measuring the economic contribution of the industry which will help us determine the best policies for the future.

Improve and develop further capabilities and invest in training and human capital. I am aware that MCAST has been very receptive to the idea of specialised training, the introduction of employment schemes and the setting up of courses for shore based marine careers. The issue of training and



The Maltese flag is the 6th largest fleet in the world and the second largest in Europe

education is crucial for the long-term sustainability of the industry but this will not happen unless you – the private sector – involve yourself directly with MCAST because it is only you who can define your future needs and it is only you who can guarantee the jobs that the students look for on graduation.

In conclusion Malta has achieved a lot and is very well positioned to make a higher leap and reinforce itself as one of the key players in this interesting industry. We have achieved considerable results but we need to identify which are the

unique opportunities within this industry that are more suited for Malta. The yachting industry presents an opportunity but that opportunity has to be viewed within the context of a larger marine industry with a wide spectrum of diverse segments all competing for the same infrastructure and resources.

If we do not find the right mix to address the challenges and go beyond this transitional time we risk losing what we have achieved or condemn ourselves to an eternal debate about more berthing and

duty free fuel.

The government is committed and will continue supporting initiatives from the private sector that are in line with an industry which is stronger, more selective and targets a higher level of value added and return opportunities.

I appeal for vision and the courage to change – that has always served this country best.

Dr Gatt is the Minister for Infrastructure, Transport and Communications



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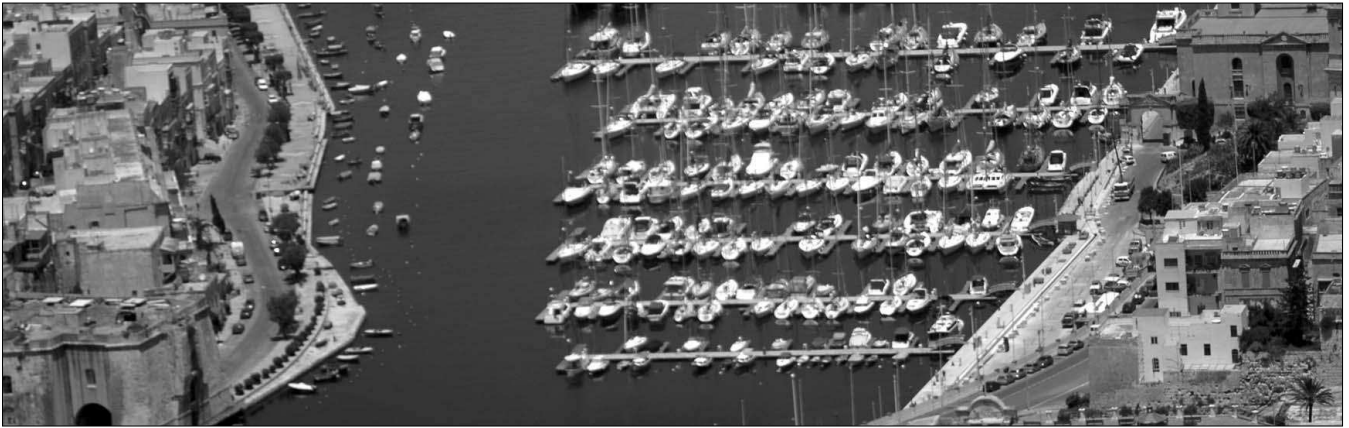
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Why Malta? A Captain's perspective

by Clive Carrington-Wood

The Captain of the Metsuyan IV spoke of his personal experiences while in Malta for the past six months while the superyacht was being entirely re-painted while extensive engineering works and a five-year special survey were also completed.

The Captain analysed the strengths, weaknesses, opportunities and threats of the facilities available for superyachts in Malta. The decision to choose Malta for the works required on the Metsuyan IV was based on the reputation of the country and recommendations by other fellow captains and also on personal nostalgia since his family were in Malta during the war.

In terms of strengths, Captain Carrington-Wood listed the long history of ship services and the large and experienced workforce capable of communicating in English, the extensive facilities, constant security services, deep harbour and plenty of sea-room. Moreover, the country was well-known in the media especially through the Rolex Middle Sea Race which attracts a lot of attention to Malta which has an ideal location in the centre of the Mediterranean.

Captain Carrington-Wood, identified the need to change work practices and bureaucratic processes, some lack of sensitivity towards job duration and Yard infrastructure which needs upgrading. In terms of opportunities, the high demand for local services was constantly growing and business worldwide was increasing thus allowing the possibility for specialisation.

The threats to the local yachting industry are posed by other yards around the world that provide a better, more efficient, cost-effective and technologically advanced service with more flexible labour. Malta's image is old-fashioned and lacks sophistication according to the Captain.

Finally he recommended that the Yards should continue to give priority to improving capacity, efficiency and infrastructure.

Mr Carrington-Wood is the Captain of the Metsuyan IV superyacht

Two years on – legal developments

by Ann Fenech

Dr Ann Fenech focused on the developments which have effected the yachting industry in Malta over the past two years since. She explained that locally we have seen the privatisation of the Msida Marina, the privatisation of the superyacht facility, and the privatisation of the Manoel Island Yacht yard.

Internationally the single most important event which effected the industry has been undoubtedly the global recession. This has had an effect on the liquidity of Ultra High Net Worth Individuals, which has in turn effected a number of yacht yards and builders and in turn the manner in which banks are prepared to support the yachting industry. It is this recession however which has reinforced the fact that Malta is a first class jurisdiction for yacht owners and their financiers.

She explained that when an owner chooses a flag for his yacht, the jurisdiction must not only satisfy the needs of the owner but must satisfy the needs of the financier who is going to put up the money for the purchase of the yacht. If the financier does not feel secure that in hard times the jurisdiction is going to protect him it is unlikely that he will support the choice of flag. She insisted that this is one of the main reasons why the Maltese flag has been so successful over the years and why today we should all be proud of the fact that there are over 40 million tons registered under the Malta flag.

A financier of a yacht under Maltese law enjoys a very privileged position. This is because a mortgage is an executive title equivalent to a judgement and therefore when the owner defaults on his mortgage payments the



mortgagee can proceed with taking possession of the yacht, he can sell the yacht privately, he can sell the yacht in a judicial sale, or he can sell the yacht in a court approved private sale. Dr Fenech explained how in the context of this past global recession many financiers have realised first hand how well the Maltese system really works.

Dr Fenech added that one very interesting development was the creation of the new Commercial Yacht Code launched in January of this year which certainly improved on the 2006 version making the Malta flag an ideal flag for owners who run their yachts as a commercial activity. She also discussed the difficulties which a number of yacht owners of Commercial registered yachts are experiencing on the

continent when these yachts are not used commercially. She stressed that it is crucial that owners get expert legal advice when registering their yachts and when deciding whether to register them commercially or privately precisely to ensure that owners do not face the very intrusive and often embarrassing situations when at their berth in Italy or France. She warned that if owners do not intend to use their vessels commercially then they should not be registered commercially and should be registered privately. In this respect Malta offers a very interesting VAT leasing structure through which VAT is paid on the perceived use of the yacht in EU territorial waters. This presents owners with substantial benefits and offers them the opportunity of obtaining a VAT paid certificate at the end of the structure. On the other hand if owner

Dr Fenech concluded by giving her views on an ECJ case involving the Duchy of Luxembourg v. The Bacino Chartering Company. She said that this case was causing alarm in the industry however she insisted that the judgment is limited to a particular scenario and one alone and it would be a huge mistake for persons in the industry to apply the dictum in the Bacino to other scenarios. She underlined the fact that the Bacino Judgement merely confirmed that VAT has to be paid by a private charterer who charters a yacht for his private use. That is as far as the Bacino goes and no further.

Dr Fenech is vice-chairman, Yachting Services Business Section (Malta Chamber of Commerce, Enterprise and Industry) and managing partner at Fenech and Fenech Advocates

A cluster of industry service providers, the achievements and future

by Gino Cutajar

In 2007 seven local companies involved in the superyacht repair services with the assistance of Malta Enterprise have established the Super Yacht Industry Network Malta, with the objective to promote the industry and raising awareness about the high value added being provided by its members ranging from engineering to complete fit-outs.

The Superyacht Industry Network Malta is being recognised by the industry players and government entities and has established a quality charter on good working practices for the yacht repair industry.

For the past three years we have been participating annually in Europe's leading industry event, the Monaco Yacht Show and acted as a platform for networking between members and other similar international industry players and institutions.

The Superyacht Industry Network Malta was instrumental in keeping the industry alive during the long privatisation period of the State yacht yards.

With the privatisation of the yacht marinas, Manoel Island Yacht Yard and Superyacht Services, they will soon embark on a marketing drive to promote their facilities. This, together with the efforts of Transport Malta to increase the Malta Yacht registry, will in the very near future reflect in an increase of business.

The industry must be competitive and give good value for money to entice super yacht

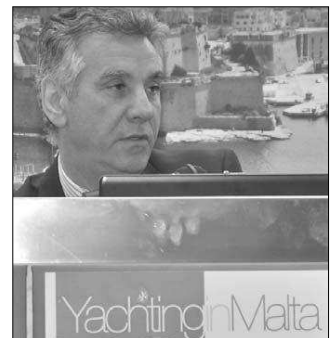
owners to travel to Malta for winterising and doing their repairs here. Superyachts are mini luxury ships and it is an industry requirement for high standard of finish and service. Following the Superyacht Industry Network Malta quality charter is an assurance for quality services and workmanship to super yacht owners and operators.

Satisfied owners, captains and engineers will be our ambassadors and guarantee of future business and growth. Thus we must ensure a constant supply of specialised skilled and qualified labour availability and we have to create awareness on careers that the yachting industry offers.

The Superyacht Industry Network Malta has taken the initiative and is exploring training opportunities to ensure the constant supply of human capital. We have opened dialogue with MCAST and ETC to develop specialised training and apprentice schemes for the yachting sector.

The Institute of Tourism Studies could also play a role in establishing training courses for yachting crew, stewards and hostess. The Network is also promoting good working practices and attitude, being flexible and receptive, following Health and Safety protocols and honouring time frames are all requisites for the industry.

For the yachting industry to evolve into another economic pillar for Malta we have to continue with our marketing efforts. The Superyacht Industry Network Malta will continue to participate in the Monaco Yacht Show



and extend its efforts to attend other related conferences and shows.

In conclusion being part of the Superyacht Industry Network Malta is crucial as it gives a collective approach to the yachting repair industry. The Network constantly keeps up to date with industry requirements to develop Malta as a superyacht repair centre of excellence.

The Superyacht Malta Brand depends on all involved in the industry and a holistic approach is fundamental for Malta's success in this niche market.

Mr Cutajar is the President of the Super Yacht Industry Network Malta and a director of Cutricio Marine



Talitha G

photo: Capt. Laurence Dalli – Malta Ship Photos

The way forward is all there for the taking

by Wilfred Sultana

I recall two years ago, meeting the challenge of the first ever yachting seminar was so exciting. On this second time around, the challenge was there, but I must admit the sentiment was most hesitant.

This was probably natural because after the ardent response of the wide spectrum of different professions making up the industry to the first seminar, the expectations were high for this second conference.

Two years ago the industry's interest were superbly represented during the seminar by the Yachting Services Business Section. This year this representation is further strengthened with the involvement of the Super Yacht Industry Network – Malta. Two entities which besides being concerned with the interest of their respective members have as a common aim the success of the Malta industry.

Having various organisations working separately for a common aim is normal and healthy but there are occasions and times where synergy is indispensable. Is there a need for combined efforts? Are the two organisations I referred to and represented on today's panel the only entities having as their priority the success of the local yachting industry?

In 2008, the year of Malta's last general elections, the Yachting Services Business Section presented a Memorandum to political parties meant to create the ultimate environment for a collective endeavour, Government and industry, to give yachting in Malta the right bearing on its course to success.

Relatively soon Malta will be gearing up for another general election where again the yachting industry will have to take stock of the situation analysing the 2008 pre-election projections, the actual accomplishments and the matters still to do.

I believe that such would be an appropriate occasion where a collective approach by the different entities involved in the industry should work together in presenting a 'united front' Memorandum to political parties.

Such endeavour augurs well for the setting up of a structure hosting the different entities involved in the industry whose mission would be a collective effort to improve our product. Work together to find how we can



be more competitive; identify our shortcomings, assess our true potential, and recognise the international market demands to make headway into the challenging future. In such a structure all entities will retain their individuality yet collectively the industry in total would definitely benefit.

I speak not as service provider, and I have never been one, but since my introduction on the maritime scene more than 35 years ago I have humbly striven to be of service to the yachting industry and its community. Here I proudly say that throughout these years I was afforded respect and the support and confidence to expose and promote the endeavours of the industry.

This year's seminar was another moment of support and confidence, an initiative which could only materialise thanks to the cooperation of various sources.

I wish to express my appreciation to Transport Malta, the Ministry of Infrastructure, Transport and Communications, the Malta Tourism Authority, the sponsors, the yachting industry and to a number of other individuals and collaborators.

On an international level, I wholeheartedly thank the International Superyacht Society for their support and involvement which is not only that of providing speakers of standing but give the local seminar a more global exposure through their esteemed marketing network.

The profound cooperation of the International Superyacht Society means we are working along with the sole organisation serving and representing the large yacht industry worldwide. With some 400 members the Society represents individuals and companies who have been recognised for their leadership and dedication to raising the standards of design construction, maintenance, repair and operation of large yachts.

Mr Sultana was the host of the seminar

Economic assessment of the superyacht industry in Malta – extract of a study prepared for Transport Malta

by Michel Ganado

Michel Ganado, a senior consultant at PwC with over 22 years business advisory experience, gave an overview of a recent economic study, commissioned by Transport Malta, to assess the local superyacht industry's competitive situation, establish its current economic contribution, and determine its short-run growth potential.

Mr Ganado explained that, in its recent state, the local industry generates approximately EUR31m worth of direct gross output per annum, which in turn generates circa EUR26m worth of total gross value added (including, direct and indirect value added, as well as value added generated through induced household consumption).

It is estimated that the direct and indirect employment generated by this industry is circa 500 full-time equivalents. In addition, there are fiscal flows of approximately EUR8m per annum generated from the VAT structure, tonnage taxes and registration fees.

The study demonstrated that because of spare physical capacity for superyachts, the industry is likely to be very responsive to increased demand. It is estimated that even without additional capital investment, the industry has the potential to grow by approximately 60 per cent, thus reaching direct output of circa EUR49m. In this regard, the industry can benefit greatly from increased marketing initiatives.

Mr Ganado outlined a number of key trends in the international scene that can be leveraged by the local superyacht industry. These include an increase in demand for wintering activity in the Mediterranean, increased demand for refits and overhauls, increased trans-Mediterranean crossings with the emergence of new cruising grounds in the Eastern Mediterranean, coupled with significant growth in chartering activity.

The local industry's main strengths are not to be underestimated and include the infrastructural assets to cater for the larger yachts greater than 100m in length; a cost-effective English speaking work force; a strategic geographical location; a prominent maritime reputation; and an attractive flag and VAT structure. Mr Ganado cautioned however that the emergence of other industries locally and reduced investment in human resources is increasing



wage inflation in the industry and could erode this competitive advantage if not addressed.

Traditionally the superyacht industry has been closely linked to the buying habits and preferences of High Net Worth Individuals. By 2009 there were an estimated 5,400 superyachts globally. While High Net Worth Individuals have considerable disposable income they are extremely demanding and in order to be successful, a superyacht destination needs to ensure that high quality and efficiency levels are maintained at all times. Reputation, word of mouth and personal relationships are of paramount importance within this reasonably small and insular industry.

Given the importance of managing these relationships and reputation at a national level, the report stresses the importance of promoting the clustering concept in the local industry. This should focus on increasing economies of scale, ensuring that a strict quality and efficiency charter is respected, increasing the variety of specialities available and providing yacht owners with a one-stop-shop facility that offers them a quality and efficiency guarantee across all interconnected services. It is also vital for the industry to consolidate their marketing initiatives further, by devising and adopting a cluster level marketing strategy and brand.

By balancing any further marketing spend with the need to also improve the product offering, Malta has the opportunity to establish itself as a leading superyachting destination within the Mediterranean.

Mr Ganado is a business advisor at PricewaterhouseCoopers

Fundamentals in building a successful package for the superyacht industry

by Bransom Bean

Bransom Bean is an American who has been living in the Isle of Man for almost 25 years. As a member of the board of the International Superyacht Society, he spoke on how Malta could position itself as a recognised world class superyacht centre of excellence. Most importantly, he observed that Malta already has most of the necessary attribute and indeed some that more prominent yacht centres actually lack. He pointed out that Malta had already come a long way but must not stop now.

A business coach and former US Navy Submarine Naval Officer Bean took the perspective of a coach looking at Malta's opportunities within the framework of a business plan.

He began by emphasising that it

was essential the Maltese companies that are already in the superyacht business must stay united with the government of Malta and operate as a cohesive team to the highest standards. The business of superyachts of superyacht is unique Bean said where, "Perfection is not good enough, tomorrow is too late and money is no object.

"Remember, no one absolutely must own a superyacht," he observed, reminding also that although superyachts are now over 500 feet long and charter for up to \$1m per week, they are completely different from commercial/ Naval vessels. He emphasised therefore that indeed those who work with both vessel types, particularly shipyards and repair facilities, must keep them very separate if they are to attract superyacht business.

"The possibility of clouds of grey

paint and dust from sandblasting settling into perfect multimillion dollar paint jobs and workers' greasy boots clumping across pristine teak decks is more than any superyacht captain can bear to think about regardless of price," he said.

Malta is of course located geographically on established routes yachts sail between recognised western Mediterranean superyacht ports and new cruising grounds in Croatia. The object then Bean said was to develop and promote internationally a brand that entices owners and Captains to select Malta for wintering, refit and chartering.

The flag of Malta is already recognised around the world by lenders and other Flag States and in fact Malta already has more yachts on its register than some more



recognised superyacht centres around the world while local service providers such as Maltese law firms already provide world class advice on ownership and complex VAT structures.

Finally Mr Bean compared Malta to specific other superyacht centres including the Cayman Islands, Fort Lauderdale, the Isle of Man and Monaco, noting that among that group, Malta lacked only a remarkable and recognised brand.

So he concluded by challenging the audience, the industry and the government of Malta to unite as a

team joining forces with the International Superyacht Society and other global stakeholders to "Get the word out and even more yachts coming to Malta."

"Malta's most important unique selling point is the Maltese people and their spirit down through the ages of rising to challenges, so in fact Malta actually already has everything it needs to excel as a superyacht centre."

Mr Bean is the chief executive officer of Fine Focus Limited and director of the International Superyacht Society, Florida, USA



Enigma

photo: Capt. Laurence Dalli – Malta Ship Photos

Malta yachting industry, then, now and in the future



by Roland Darmanin Kissaun

Roland Darmanin Kissaun has been in the yachting industry for the past 45 years being the managing director and shareholder of one of Malta's yachting enterprises up to 2002 before retiring and acting as a consultant to the company and a growing number of foreign companies interested in what Malta has to offer with regards to the yachting industry.

At the early stage of Malta's yachting industry, in the 1960s, the authorities did not realise the potential and importance of this development and the construction of marinas and other yachting related facilities like yards was given very little importance.

Growth was small but steady until 1989 when the government started realising the importance of increasing berthing facilities

and a 700 berth marina in Msida was built.

This in turn attracted the interest of local businessmen who set up servicing and ancillary facilities for yachtsmen, and as the industry developed, several foreign yachts were attracted to Malta and used our island as their home port. The local yacht yards had very skilled craftsmen who had learnt the trade of boat building and yacht repair and the cost of yacht maintenance and repair was much lower than that in other neighbouring countries. Today this situation has been enhanced even further with the help of our educational system and training centres. Not only do we have skilled tradesmen but also very qualified technicians who are able to work on today's modern high tech superyachts. The Malta Superyacht Industry Network has also done a very good job of promoting these services by helping to boost the demand for these services and creating a market for young tradesmen and technicians.

The ever increasing demand has developed into a healthy industry creating employment for local labour and generating foreign income to the island.

Malta has always enjoyed several advantages over other neighbouring countries as it is English speaking, politically stable, has good weather conditions and professional service providers. I have recently updated my previous edition of the Malta Cruising Guide for yachts men that is circulated to several yachts overseas portraying the beautiful cruising locations around our clear un polluted waters. Several superyacht operators have been pleasantly surprised while cruising around our islands with owners and guests on board and have returned and spread the word around. We are now seeing more superyachts anchoring in our bays during the summer months while the owners and guests also spend time ashore. This is the real five-star tourist that Malta can proudly attract and satisfy.

In 2003, Malta attracted a lot of interest, when we introduced Vat on yachts at the rate

of five per cent, as a concession previous to the accession of full membership in the EU.

Yachts from 12m to Super Yachts were visiting Malta during the six months concession to avail themselves of these facilities.

Approximately 500 yachts visited Malta during that period which gave owners and captains the opportunity to see for themselves what Malta has to offer and since then more yachts made Malta a regular stop during the cruising season and created a bigger demand for wintering facilities.

In 2005/2006 the introduction of a very favourable leasing structure started attracting more superyachts to our shores to facilitate their inclusion in this structure.

We have, till now still a small number of marinas where yachtsmen become permanent Maltese residents who enjoy marina living, the magic marina environment that seem to make stress disappear. Malta has always been ideally situated for this purpose but regrettably this potential was never fully realised.

But that was the past and the present and future look much brighter with the authorities taking a keen interest in this industry and taking a very active part in international shows to promote Malta as a yachting haven.

Government is privatising the existing marinas and projecting new areas where new marinas could be located. The State owned yacht yards have also been recently privatised with plans for investment in modern facilities and infra structure. This augurs well for the future of the industry as we have a constant increasing demand for berthing facilities and yacht refit and repair.

Malta can also boast of having the fourth largest maritime directorate and one can realise this growth in the number of Maltese registered yachts when visiting international superyacht shows, events or foreign marinas where the Maltese Flag is very evidently prominent on some of the largest superyachts afloat.

The local yachting industry is fast recovering from the effects caused by the world

economic crisis. In fact Malta was very well positioned in terms of cost/quality of yacht related services and facilities to attract several large yachts to Malta during these hard financial times.

Spending on leisure is constantly increasing and this is not surprising as leisure is broadly related to the curiously linked growth phenomena, affluence, shorter working hours, retirement and increasing longevity.

Economically speaking, Malta is undeniably one of the most successful of the island nations having professionals in all services and financial sectors and is ideally situated having regular scheduled flights to most European countries. The introduction of low-cost airlines has made travel to and from our island even more affordable and convenient. This latter development has helped attract large yachts to winter in Malta whose foreign crew could now travel home more frequently to spend time with their families.

The exceptional trading capabilities of the Maltese and our resolve to enter the world market place has brought about considerable social changes. In order to compete internationally education has had to develop which in turn gave rise to the need of Maltese travelling overseas for business, which has caused a generation keen to emulate certain societies amongst those of their developed trading partners.

Gleaming white yachts have become a common site in our local marinas and provide a stark contrast to the traditional scenes of every day Maltese life. Maltese youngsters have been attracted to take up careers in the yachting industry and are working as crew on superyachts. Several Maltese captains would use Malta as their port and most likely fly the national flag around the oceans promoting Malta as an all round yachting hub and the new home for superyachts in the Mediterranean.

Mr Darmanin Kissaun is the chief executive officer of S&D Yachts