THE MALTA CHAMBER

FEEDBACK BY THE MALTA CHAMBER

Call for Evidence on the Aviation Strategy

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The Malta Chamber of Commerce Enterprise and Industry welcomes the opportunity to be able to reply to the Call for Evidence on the Aviation Strategy.

We note that since the 2015 Aviation Strategy[1], **the global aviation industry has faced severe, compounding crises,** led by the unprecedented disruption of the COVID-19 pandemic and a structural supply-chain crisis. These have been exacerbated by escalating geopolitical conflicts, pressure to decarbonise, and ongoing cost inflation leading the European Union's aviation sector to navigate unprecedented volatility.

Despite this, the EU aviation sector has maintained very high standards of **aviation safety and security** confirming that safety regulation and oversight is working with close collaboration between Member States, the European Commission and EASA.

Increasingly, civil aviation infrastructure and airspace is being shared with the **military** and perhaps further regulation might be required in this regard to ensure harmonisation and efficiency without impinging on State sovereignty. With **safety** being paramount in aviation, having very high standards of safety and security gives the European Union the advantage of maintaining the same levels to avoid complacency, while being able to focus the Aviation Strategy on other areas.

The Malta Chamber favours an Aviation Strategy for the European Union built on 3 pillars: Connectivity, Competitiveness and Sustainability.

1. Connectivity

Being an island state, 98% of Malta's connectivity comes from air transport. This is why sound air transport connectivity is very important and crucial for Malta's national competitiveness. This competitiveness depends on long-term stable connections to mainland Europe and beyond. This safeguards freedom of movement and economic growth and would encourage foreign direct investment in Malta.

The 2015 Aviation Strategy acknowledged that growth in air transport was happening outside the EU with the centre of gravity shifting East to Asia. Meanwhile IATA highlighted loss of within-Europe regional connectivity[2]. In the past 10 years, the amount of very short-haul routes has actually decreased by 15%. Among the routes removed, 91% had provided fewer than 20,000 seats in the previous year. **This underlines how smaller, lower-volume routes are particularly exposed to changing market dynamics and increasing external cost pressures**. Specifically on Malta, IATA[3] highlighted that 75% of routes cancelled in the past 10 years had fewer than 20,000 seats. This is why concrete targeted measures are required to ensure stable regional connectivity.

Public Service Obligations (PSO) might not necessarily be the right fit to ensure this and in this regard, Malta is a classic example where crucial air connectivity is not ensured through Public Service Obligations. The recently issued draft revised Guidelines on State Aid to the air transport sector[4] seek to eliminate support for start-up routes going forward. If this goes through, Malta's connectivity will suffer as the alternative of PSO is not well suited for Malta's needs.

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[1] https://eur-lex.europa.eu/legal-content/EN/AUTO/?uri=CELEX:52015DC0598
[2] https://www.iata.org/en/publications/economics/chart-week/chart-of-the-week-2-april-2026/
[3] https://www.iata.org/en/iata-repository/publications/economic-reports/regional-air-connectivity-in-malta/
[4] https://competition-policy.ec.europa.eu/document/download/002abf69-b66c-43f9-9aa8-6504233003c6_en?filename=Draft_revised_Air_Transport_Guidelines_2026.pdf

Post-COVID the European Commission President stressed the need for resilience of EU airlines and yet, since then, several airlines ceased operations across the EU leading to a certain amount of loss of connectivity proving that resilience is not necessarily there. **Thus, one looks forward to a situation where laws and regulations have resilience of the sector in-built in them. For the islands and peripheries, the demise of any airline could well mean the loss of long-term stable connections and any such loss hurts.**

Separately from the Aviation Strategy, the European Commission is developing[5] the first comprehensive, coordinated strategy specifically targeting EU islands and communities. Expected to be formally adopted by Summer 2026, the Islands Strategy will only work (where connectivity is concerned) if the Aviation Strategy complements it. In this regard, all aviation initiatives, policies and future regulation need to assess the impact on island territories through an insularity test (and in some cases a double insularity test).

As the pandemic has shown, ultimately for islands, air links are a lifeline for cross-border health, territorial integration, social cohesion and economic activity. Even in the absence of tourism, the few airlines that operated were instrumental in providing much needed connectivity not only for passengers but also cargo particularly where medical supplies, perishables and Just-In-Time cargo are concerned. **For an island, cargo connectivity is also of crucial importance due to the dependency of certain businesses on imports and exports by air, particularly the aerospace, pharmaceutical, healthcare and high value manufacturing industries.**

Similarly, the EU Sustainable Tourism Strategy[6] explicitly recognises air transport as a vital enabler of European connectivity. However, since 50% of tourism in the EU arrives through air transport, it seeks to balance this through aggressive climate and decarbonisation goals. **For island economies like Malta where 97% of in-bound tourism depends on air transport, aggressive decarbonisation measures will only serve to hurt their economies.** It is thus stressed that any Aviation Strategy should seek to mitigate such impacts. This is required so that islands and peripheral territories remain fully integrated in the Single Market.

In addition, the taxation of aviation fuels over and above market-based measures only serve to punish those territories particularly dependant on air transport. The current fuel crisis further drives the point that these provisions in the review of the Energy Tax Directive[7] should be removed and a permanent exemption be granted.

Finally, for too long at EU level, policies have promoted a shift to other modes of transport. This has led to certain policies that risk leaving islands behind due to a one-size-fits-all approach. For instance, certain EU programmes like Discover EU[8] which originally included all modes of transport, now only grant rail passes (with strict exceptions to those living on islands). **This discourages air travel for those living in mainland Europe from visiting islands leading to an impoverished experience**. A return to co-modality (where all modes of transport co-exist) would ensure fairness and a situation where no island Member State, island or peripheral territory is left behind.

[5] https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/16992-EU-strategy-for-islands_en
[6] https://transport.ec.europa.eu/tourism/transition-eu-tourism/sustainable-eu-tourism-shaping-tourism-tomorrow_en
[7] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021PC0563
[8] https://youth.europa.eu/discovereu_en

2. Competitiveness

The competitiveness of the EU airline industry has been impacted by a shift in the centre of gravity for airport hubs and carriers to the East, particularly Asia. In this area the once EU's leadership position is lagging behind.

Firstly, one area that has significantly contributed to this state of affairs is the **high administrative burden and cost for industry created through EU regulation**. Some examples are

1. The **EU ETS**[9] which sees EU airlines pay several times over what their non-EU counterparts for CO2 emissions. A tonne of CO2 should have the same price-tag whether emitted within the EU or outside it. Legislation should seek to bridge this anomaly;

2. **Refuel EU Aviation**[10] that led to a situation where airlines were made to foot the bill for compliance costs of fuel suppliers for mandated SAF and has led to increased costs due to inconsistencies with the Renewable Energy Directive[11] and the EU ETS. The EU needs to harmonise ReFuelEU Aviation with the EU ETS and Renewable Energy Directive while establishing a cost-sharing framework or subsidy mechanism, so airlines do not unfairly bear 100% of the fuel suppliers' compliance and SAF production costs.

3. In the area of **passenger rights**, a realistic consumer protection regime that balances passenger rights with a reduction in cost burden for airlines is necessary. The EU should therefore update passenger rights regulations to introduce a tiered compensation cap for extraordinary operational disruptions and a standardised cost-sharing model, protecting consumers without placing the entire financial burden on a single carrier.

Secondly, in a highly regulated sector like aviation, **industry needs to be given ample time for implementation and crucial/critical infrastructure needs to be in place to ensure there is no disruption**. Examples include:

1. The **uneven implementation of the Entry-Exit Scheme at EU airports** that risks hurting the seamless passenger throughput at airports;

2. The **tardy implementation of infrastructure for the reporting of non-CO2 emissions**. This will risk the quality of reporting and place undue pressure on airlines;

Future legislation should ensure that enough time is available for proper implementation. The aviation sector is a compliance-driven sector that struggles when the right tools are not in place in a timely manner.

Thirdly, agility is also of the essence. The recent closure of the Strait of Hormuz led to the creation of the Accelerate EU[12]. Following this, guidelines[13] were issued to the aviation industry serving as an interpretation of existing law. However, **alleviation measures have yet to be taken to tackle the very**

[9] https://climate.ec.europa.eu/eu-action/carbon-markets/eu-emissions-trading-system-eu-ets_en
[10] https://transport.ec.europa.eu/transport-modes/air/environment/refueleu-aviation_en
[11] https://energy.ec.europa.eu/topics/renewable-energy/renewable-energy-directive-targets-and-rules/renewable-energy-directive_en
[12] https://energy.ec.europa.eu/strategy/accelerateeu-strengthen-eu-energy-resilience_en
[13] Guidance to support EU transport sector affected by the Middle East crisis

high fuel prices that are impacting the industry with serious risks not only to its competitiveness but also to its very sustainability.

Fourthly, the competitiveness of the industry also depends on **high quality jobs in aviation**. Shortages have been experienced in the whole aviation ecosystem particularly in the aftermath of the pandemic leading to certain sectors not recovering the same service levels that the industry was used to pre-pandemic. **Policies that promote the attractiveness of the aviation industry are largely absent at EU level.** These are badly needed because the sector faces an acute shortage of pilots, cabin crew, engineers, and air traffic controllers, exacerbated by the prohibitive costs of training and fragmented certification standards between EASA and international bodies. The EU must establish dedicated funding mechanisms and public-private partnerships to subsidise specialised aviation education and modernise simulation infrastructure. Moreover, mutual recognition of training certifications must be streamlined to facilitate workforce mobility. By actively supporting training academies, the EU can attract a diverse next generation of talent, close critical labour gaps, and ensure that the workforce is fully equipped to operate increasingly digitalised and automated systems.

Fifthly, the EU's competitiveness relies heavily on a robust Maintenance, Repair, and Overhaul (MRO) sector, which serves as a backbone for aircraft airworthiness and engineering excellence. **The MRO industry is currently grappling with severe global component shortages, prolonged turnaround times, and soaring material costs driven by supply chain vulnerabilities, besides skills shortages, as already mentioned.** European strategy must actively support MROs by fostering localised component manufacturing, accelerating part certification processes, and providing targeted financial incentives for facility digitalisation. Furthermore, as the industry transitions toward next-generation and eco-efficient aircraft, specialised funding is critical to upskill technicians in advanced composites and alternative propulsion technologies. Neglecting the MRO segment risks creating structural bottlenecks that will compromise fleet availability and diminish the EU's overall aviation autonomy.

Sixthly, **the resilience of the EU aviation market is fundamentally tied to the viability of its Air Operator Certificate (AOC) holders, who navigate an increasingly complex regulatory landscape**. Operational competitiveness is frequently strained by bureaucratic inefficiencies, fragmented national oversight, and rigid aircraft leasing frameworks. To safeguard market agility, the European Commission must streamline AOC certification procedures, harmonise safety management audits, and eliminate cross-border administrative hurdles for wet and dry-leasing arrangements. For peripheral and island jurisdictions like Malta, maintaining an attractive, stable, and flexible AOC registry is vital to anchoring regional carriers. Without a regulatory framework that reduces compliance overheads for AOC holders, EU-registered airlines will lose ground to non-EU competitors operating under more dynamic regimes.

Seventhly, a competitive aviation ecosystem requires a sophisticated legal infrastructure capable of managing complex international transactions, aircraft financing and regulatory compliance. **Legal professionals within the EU aviation sector face significant hurdles due to the lack of harmonisation in cross-border laws, varying national interpretations and cumbersome asset repossession frameworks under the Cape Town Convention**. The EU Aviation Strategy should aim to standardise legal interpretations across Member States to provide corporate stability and attract international aircraft leasing structures, amongst others. By modernising and unifying the legal and regulatory framework, the EU can significantly reduce litigation costs, accelerate complex cross-border joint ventures, and offer a highly predictable legal environment that encourages global aviation finance to remain within Europe.

To **future-proof aviation**, the EU must resolve issues holistically, address supply chain bottlenecks, ramp up funding for AI and digital innovation and build modern, next-generation aircraft and infrastructure, all supported by legally binding ground-handling service levels and transparent airport charges.

Taking all the above in consideration, The Malta Chamber cautions that **regulatory overreach into commercial freedoms will ultimately undermine the aviation sector's global competitiveness**, because preserving market flexibility is essential to ensure airlines can operate efficiently and sustain long-term economic growth.

3. Sustainability

The industry has aimed for Net Zero by 2050. This goal of reducing its environmental footprint can only be achieved if all stakeholders including regulators assist industry during the energy transition.

In this regard the European Green Deal was instrumental in creating mandates, but it lacked meaningful incentives that would assist the industry in reaching this goal without crippling it.

The fuel crisis has exposed the lack of security of supply within the EU not only for SAF but also for jet kerosene[14]. The same mistake should not be repeated for SAF in order to ensure a resilient Energy Union for aviation. If commercial production for e-SAF does not start in the EU at a large industrial scale, mandates in Refuel EU Aviation need to be removed in this area.

With regards to non-CO2, more scientific certainty is required as evidenced by ANCEN[15] (Aviation Non-CO2 Expert Network), an expert task group set up by EASA. This should be taken into account in any future regulation.

In view of the SAF flexibility mechanism accorded to fuel suppliers under Refuel EU Aviation, a book and claim system is required for airlines to be able to claim emission reductions under the EU ETS.

Meanwhile auctioning revenues from the EU ETS should be fully reinvested in the industry to bridge the gap between the higher price of SAF and the price of jet kerosene.

Finally, sustainability is more often than not frequently understood to mean environmental sustainability or limited to the ESGs. **The Malta Chamber reiterates that true environmental sustainability is impossible if punitive policies bankrupt airlines. The EU must incentivise the energy transition, particularly to safeguard vulnerable island economies.**

[14] https://www.iata.org/en/iata-repository/publications/economic-reports/europes-widening-jet-fuel-deficit-challenges-for-airlines-fuel-supply-security/
[15] https://www.greenairnews.com/?p=8914

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About The Malta Chamber

The Malta Chamber of Commerce, Enterprise and Industry is the independent voice of the private sector in Malta. Its principal mission is to actively represent companies from all economic sectors and ensure that entrepreneurs enjoy the best competitive environment and regulatory conditions possible for the conduct of business.

For the purposes of delivering on its mission, it has a well resourced in-house policy department that engages in desk research which complements feedback generated through its internal network of vertical and horizontal policy committees for the production of policy position papers.

The Chamber is the longest established Social Partner in Malta – having been established in 1848. It is the only Employer organisation that is recognised by the Laws of Malta (Commercial Code Cap 13). As a result of its merger with the FOI in 2009, it is also the strongest represented Employer body on such national boards as the MCESD, ERB, ME, MEUSAC and others.

Housed within its historic Exchange Buildings in Valletta, the Chamber serves as a natural home for SMEs and large enterprises alike and across all business sectors. Through its active internal structures, the Chamber enables effective communication across all stakeholders as well as ensuring a series of value-added services to business not least in the field of internationalisation.

The Chamber is affiliated to Eurochambres and BusinessEurope. It is also part of the Enterprise Europe Network which enables it to offer practical value-added services to members and clients through the support of around 600 business support organisations from more than 64 countries, with the principal aim of helping small companies seize the unparalleled business opportunities in the EU Single Market.

The Malta Chamber is certified by the Malta Competition and Consumer Affairs Authority to comply with the requirements of MSA ISO 9001:2015.