



MEDIA RELEASE

MHRA APPEALS TO GOVERNMENT TO RECONSIDER UTILITY TARIFFS

The MHRA is once again appealing to Government to reconsider reviewing the utility tariffs in view of the upcoming parliamentary debate on the subject. The staggering increase in the utility tariffs has come at a time when tourism is at its weakest point ever. 2009 was one of the worst years and the tourism industry needs support and time until it recovers. The increases as announced are simply unsustainable even at the best of times, let alone at a time when many hotels and restaurants are battling to keep their heads above water.

The new tariffs are not just the result of the hike in the price of fuel, but the result of years of mismanagement and inefficiency in one of the most important institutions of our country, Enemalta Corporation. The industry is now expected to foot the bill for this mismanagement and inefficiency at the worst possible time! We are also concerned by the creation of the 'ARMS' division which is threatening and browbeating consumers and members of our association at a time when a helping hand would be more in order.

Enemalta's monopolistic and strategic position should invoke Government to ensure that it is managed in the most cost efficient manner by the very best people in the industry. The fact that this was not the case does not justify Government's policy to apply a full cost recovery model at one go. If we, in private industry, were to follow Government's policy and apply a full cost recovery model at one go, as Government did in the case of Enemalta, the economy would simply collapse!

In 2009, the hotel industry registered a 37% drop in its gross operating profit, and even worse in net results. Many of our members are finding it increasingly difficult to adhere to debt servicing obligations and ongoing capital investment programmes. The tourism industry last year was compelled to cut back employment levels - these cutbacks are estimated at 12 million Euros. The impact of the increased tariffs is estimated to cost the hotels and restaurants a conservative 17 million Euros, which will impact directly the bottom line. Such increases in our operational costs are simply not sustainable under present conditions.

The MHRA recognizes that Government is making every effort to secure an increase in the number of visitors to Malta this year. But, although there is a general expectation that the negative trends will begin to reverse in 2010, it is folly to believe that normality will be achieved before 2011. The market remains incredibly price sensitive and it will take time to achieve revenues similar to that

registered pre-2009. Returning to normality is not enough; hotels must also recoup losses registered in 2009 and 2010.

So far, and throughout the recession period, Government's decision making process was based on the principle of safeguarding jobs whilst encouraging investment. If Government were to revise the tariffs to a more reasonable level, it will be precisely achieving this. If however, Government pursues the imposition of these hefty increases, these will only achieve the contrary, and this will lead to loss of jobs and less investment in our tourism industry!

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Monday 22 February 2010

About MHRA

The MHRA has been established since 1958 and today represents 70% of all hotels in Malta and 35% of all restaurants, collectively representing an investment of over Euros 1.1 billion and employing in excess of 20,000 people. For the past 50 years the MHRA has represented the interest of hoteliers and restaurateurs on the Island acting as a lobby group to ensure that the policy decisions taken on the Island are in line with what the tourism industry needs to flourish. For more information about the MHRA visit www.mhra.org.mt or call (356) 21 318133. The MHRA is also a member of HOTREC and an Affiliate member of World Tourism Organisation