



MEDIA RELEASE

MHRA'S REACTIONS TO ANNOUNCED BUDGET 2010

Through this budget Government has recognised the strength and immediacy of the tourism multiplier effect on national revenues and employment – however rising costs remain a concern.

MHRA is pleased to note that in this budget Government has addressed the two main issues which are critical for the success of the industry. It welcomes the additional funds Government has allocated for the National Marketing effort as this shows a commitment for the continuation of increased marketing and for the introduction of additional new routes to Malta. This will help keep up the marketing momentum registered in 2009 and should further encourage the industry itself to also continue to invest more money in marketing. It will also help drive employment levels and national revenues, 60% of which are non hotel related and go directly and indirectly to businesses that support the hotel industry.

MHRA also welcomes the announcement of a number of infrastructural and capital projects which will not only help to improve Malta's image but will also help in improving Malta's competitiveness with other destinations. It is hoped that these projects will be initiated immediately and will be well managed in order to minimize any disruption which would adversely affect tourism during such critical times.

MHRA has been relentlessly requesting Government to seriously address the issue concerning the proper upkeep, cleanliness and general maintenance of the island and is pleased to note the announcement of what has been referred to as the Environmental Upgrade Committee which should address these concerns. The MHRA pledges its full support towards helping to ensure that this Committee address the impeding issues without delay and encourages government to launch the initiatives immediately so that much of the work can be carried out in the months ahead prior to the summer season of 2010.

The initiatives and schemes to help the small and micro enterprise as announced in this budget is a step in the right direction and could be beneficial to a number of small operators, particularly in the restaurant industry. It is hoped that this scheme will be extended more broadly to reach other SMEs.

MHRA's concerns relate to increases in the operating costs for next year particularly arising from the COLA increase and the electricity tariffs. The hotel and catering industry is very labour intensive with payroll representing anything between 35-45% of its operating revenues and over 60% of the cost base. The announced increases will represent a substantial

rise in running costs which in no way can be recovered due to the very aggressive downward pressures currently being experienced on hotel rates.

The uncertainty of the increase in the electricity tariffs is of concern as this will precipitate the cost problem further and will continue to widen the gap between rising costs and the recurrent drop in revenue. At a time when the market is very much price driven, the industry is in no position to increase its rates and recover rising costs and consequently the industry is constrained to absorb all increases which is unsustainable in the long-term.

MHRA reiterates its objection to the introduction of the 50 cents tax per guest night as of April, and feels that this will have a very significant adverse affect on the industry. Furthermore MHRA is not clear how Government intends to collect this tax from tourists when over 30% of tourists visiting the island stay in private homes or apartments and not in hotels. MHRA strongly urges Government to abandon the introduction of this tax and re think the idea completely.

MHRA urges Government to ensure that the industry will not be burdened by the introduction of any additional government induced expenses or increases not announced in the budget for 2010, which would only continue to erode the viability of the entire industry. MHRA's president Mr George Micallef said "MHRA will concurrently continue to work very hard together with the Parliamentary Secretary for Tourism, MTA, Government in general and all other stakeholders, so as to ensure that the best possible results are achieved in the tourism industry locally, an industry which has far reaching consequences on employment levels and the revenues generated for the whole island. The multiplier effect of the tourism industry and the immediacy of the effect of that multiplier on the economy is second to none and the industry can be the basis of economic recovery going forward."

Tuesday, November 10, 2009

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.