

PRESS RELEASE

MHRA 53rd Annual General Meeting:

‘Challenging winter for tourism’ – MHRA President George Micallef predicts

- **MHRA unveils its new brand identity, appoints Tony Zahra as its new President and Andrew Agius Muscat as its new CEO**

There is a storm brewing ahead of us and we need to work together and be prepared to overcome it, outgoing MHRA President George Micallef told hotels and restaurants owners and distinguished guests at the Association 53rd Annual General Meeting.

In his last address as President of the Malta Hotels and Restaurants Association, Mr Micallef said that the economic pressures will no doubt influence the number of visitors to our islands next year, and given Malta’s high exposure to the core European economies - which represent our main trading partners - tourism and indeed the economy, may well end up suffering.

“But the concerns at present of the local tourism industry are not strictly limited to the economic turmoil in Europe, as, in our case, these are compounded further by the uncertainties linked with our national airline.”

Against the backdrop of this year’s AGM theme ‘Beyond the Next Wave”, Mr Micallef stressed on the importance that Malta will have a decisive plan of action that sets clear targets including the number of tourist arrivals for next year. This will allow us to identify gaps that need to be filled and also quantify the necessary funding and track our performance, argued the outgoing MHRA President.

This year’s AGM also has a particular historical perspective as the association has unveiled its new brand identity. This year’s AGM also coincides with the end of Mr Micallef’s term as President and the election of Tony Zahra as the new President of the organisation. The CEO of the MHRA, George Schembri has also retired and the new CEO, Andrew Agius Muscat addressed the AGM for the first time. The AGM was also addressed by Parliamentary Secretary for Tourism, the Environment and Culture Mario de Marco and Opposition Main Spokesperson for Tourism Gavin Gulia. The Keynote Speaker of this year’s AGM was Oliver Graue, Editor-in-Chief of the prestigious *BizTravel* Publication. *BizTravel* is a leading German magazine focusing on business travel and MICE-planning.

In his address Mr Micallef spoke about the trend of a declining shorter average stay which is affecting the number of nights spent in Malta.

In fact, Mr Micallef pointed out, if we take a look at the last decade, tourist's arrivals to Malta increased by 21%, while for the same period, nights spent in Malta have only increased by 6%.

"This market trend continues to prevail, and if we look at this year's figures, the 7% increase in arrivals registered between January to September, translates to a 4% increase in occupied bed nights. This indicates that increasingly, the revenue-maximizing variable for the tourism industry is becoming the number of nights spent, not the volume of tourist arrivals, as more spent nights generally translate into a higher volume of tourist expenditure. We really have no control over this market trend, and the only way to make up for the shortfall in bed-nights, is by way of increasing tourist arrivals to Malta. This however makes our challenge even more difficult."

Mr Micallef did not mince his words when he outlined that the critical success factor remains seat capacity: "I feel that I need not underline the robust correlation between the number of airline seats and the number of tourist's arrivals to Malta. The MHRA recently undertook a study to investigate the affects of drops in seat capacity, and amongst other things, it showed that for every 1000 seats drop, arrivals will go down by 630 in winter months to 770 in the summer months. Needless to say, the number of passengers drop can vary depending on the source market, but in any case the losses percolate down various economic sectors, including government earnings. Hotels are most vulnerable to seat volatility as it directly affects their occupancy levels. In fact the Hotels overall profitability is mainly driven by improvements in the number of nights spent not rates, with circa 60% of their profitability attributed to occupancy and the remaining 40% to room rates."

So what are up against this winter? Answering this pertinent question, Mr Micallef said that the airline seat capacity is down by almost 11% on last year, which in itself is a worrying indicator. Most important source markets for Malta, like UK, Italy, France and Spain are all under economic pressures.

In a nutshell, Mr Micallef warned, the winter ahead of us appears to be tough with large tour operators and online travel agents reporting late booking trends and a market which is extremely price sensitive. MTA is however stepping up its efforts to address these issues.

The indicated seat capacity for next summer appears to be similarly to the one of this year, but it may be too early to determine this exactly, at this stage.

In this scenario, maintaining growth figures is a huge challenge and the Malta Tourism Authority needs to continue working with Air Malta and all other airlines, including low cost carriers to support increased seat capacity from underserved markets.

"We simply cannot afford to miss out on any single opportunity to get business to Malta, and this risk is real. This implies that the Malta Tourism Authority will require additional funds to make up for the shortfall in seat capacity and to increase arrivals for next year. It has been unequivocally proven that the additional funds, invested in tourism were immediately paid back in the form of government earnings and multiplier economic benefits, and should not be considered as an expense of public funds. Ultimately it is the role of government to evaluate the benefits accruing to the economy through further investment as opposed to the risk of significant losses the economy as a

whole can suffer, as a result of substantial drops in tourist arrivals.

“As we have been saying all along we must ensure that Air Malta retains its role in the economy, and a minimum of 50%+ share of the tourism market. However the restructuring process needs to be concluded soonest as it has been left pending for far too long. We welcome recent developments and strong vote in favour of the early retirement schemes as announced which augur well.

“This is the time when all the stakeholders need to work closer together to find a long term solution to our national airline. However it is also crucially important that nothing comes in the way of the commercial side of the airline’s operation. Air Malta needs to appreciate that tour operator business, which still represents over 40% of our arrivals to Malta remains hugely important to the tourism industry and indeed the economy. The MHRA sees Air Malta and the MTA as the two most important strategically state owned organizations for tourism, and in this regard it is absolutely necessary that they improve their working collaboration. Air Malta has to appreciate that MTA can be its most valuable and strongest partner and that the tourism industry cannot afford otherwise.”

Mr. Micallef concluded saying that over the years, tourism has proved to be a resilient industry, but nothing could be taken for granted as nothing is achieved without sheer hard work.

Concluding his last speech as President of the Association, Mr Micallef introduced Tony Zahra as the new President and Andrew Agius Muscat as the new CEO of the MHRA.