



THE MALTA CHAMBER

Annex E 7

Post-COVID19 Hospitality Think Tank Round Table

This exercise was carried out between June and July 2020.



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Report of Round Table Meetings

- Meetings held:** 3rd June, 2020 at 1500hrs (Zoom Meeting)
11th June, 2020 at 1000hrs (Zoom Meeting)
17th June, 2020 at 1000hrs (Zoom Meeting)
- Participants:** Justin Zammit Tabone (JZT) Chair, Julian Sammut (JS), Chris Hammet (CH), Miguel Spiteri (MS), Alex Scicluna (AS), Claude Camilleri (CC).
- In Attendance:** Diana Miceli (DM), The Malta Chamber



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A. Briefing Note

The economy was hit from November 2019 to January 2020 due to the political instability at the time particularly in Valletta. Moreover, the Covid-19 pandemic further exacerbated the situation for the hospitality industry throughout the island. It is pertinent to note that the demand pre-covid was very different to what it is today, and this will be a major issue for the sector. Some well run restaurants are running at 50% capacity (at most) whereas others are running at 30% capacity which is not sustainable in the long term. The economic downturn on the sector resulted in major concerns being voiced by the participants, having to write off 2020.

A.1 Main Concerns

1. It is estimated that insolvencies will occur with companies that have to pay **rent** rather than owning the land. As costs are much higher.
2. Although it is difficult to estimate the **percentage of insolvencies**, it is clear that smaller restaurants will have to close, as the **6-month moratorium** for repayments ends in October 2020, therefore as of November 2020 they will need to start repayments. Given that this **summer is going to be a difficult one**, it is highly unlikely that they will manage the loan repayments as of November 2020.
3. Another concern is the **financial issues** the public is facing with job losses and reduced salaries.
4. No **clear decisions** and **recommendations** are being given by the authorities, the **communication** by Government authorities **needs to be clearer**. The Government authorities need to inform the businesses at least 15 days notice before, in case of any new guidelines, to ensure that the resources are in place by the stipulated deadlines.
5. **New recruitment** to replace others that moved on are not befitting from the **Wage Subsidy** this is not sustainable going forward.
6. Employing **third country nationals** is becoming a problem, as they are mostly being expatriated, as they are not being allowed to shift from one company to another. It is understood that regulations stipulate that companies affecting redundancies will not be allowed to employ third country nationals anymore (this is making one consider making a maltese person redundant instead of a TCN). Maltese people are mostly working in other sectors, having a labour pool deficiency in Spring 2021.

B. Scenarios & Recommendations

B.1 Scenarios

1. For restaurants targeting tourists (depending on locality) participants chose Scenario 5.
2. For establishments attracting 85% locals chose Scenario 2.



B.2 Recommendations

1. The hospitality sector locally requires that the **Wage Subsidy** scheme is maintained until a vaccine is administered, thus until at least April 2021. Moreover, if staff decide to move on, their replacement needs to be able to use the Wage Subsidy to cover their wage costs.
2. A **VAT reduction** of 18% to 7% would stimulate the economy in this sector, and enable a faster economic recovery like other tourism sectors such as hotels. It is worth noting that VAT rates on restaurant bills in competing EU tourism markets such as a rule lower than in Malta, for instance in Cyprus - 9%, Croatia - 13%, France - 10%, Greece - 13%, Spain - 10%, Italy - 10%. Moreover, additional benefits include:
 - a. A reduction in prices for consumers, thus encouraging further expenditure in the sector which will in turn enable the sector to recover.
 - b. Less abuse by operators, enabling them to realign themselves and work within the law, thus countering the issue of VAT evasion and increasing the income for the Commission for Inland Revenue.
 - c. Less undeclared money in hand leading to less undeclared salaries which again translates into more National Insurance Contributions.
 - d. A more regularised sector will ensure that operators are working within the law and not abusing in any way.
3. **MDB Loan** providing '90% collateral' by the government needs to improve and ensure that collateral put forward by applicants does not exceed 20% of the loan amount.
4. **Clearer communication** is required by the Government Authorities with the economic operators of this sector.
5. Assistance to **all commercial tenants** should be increased to prevailing market conditions for each property in terms of rents and utilities in the short term.
6. With regard to employing **third country nationals**, it is important to ensure that the government is practical and ensures flexibility with the renewal of trained foreign staff and the possible importation of new foreign human resources - where maltese workers are not showing any initiative to fill up.
7. A **media campaign** is required to enable the population and incoming tourists to uphold responsibility and adopt the new norm. It is important to project to the public that the operators are conforming with Government guidelines and they are being executed very well.
8. It is being suggested that **restrictions in restaurants are relaxed further**, given that events are now being allowed to take place in full capacity.

For the economic operators having a **tourism clientele** (Scenario 5):

1. **Promote Malta as a Safe Destination:** Malta should be promoted as a destination that is safe to travel to, having protocols in place for every aspect of the tourism sector and highlight that we take safety very seriously, thus showing how Malta can cope with emergencies by using Video Promotion demonstrating our excellent health facilities, airports, transportation, restaurants etc.



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2. It is very important to **open the airport and cruise port** and keep them open. Closing them once again will be of great disadvantage to the sector. This matter may be countered with an **instant swabbing exercise** pre-travel or upon arrival, to ensure population safety.