



**THE MALTA CHAMBER**

## **Annex E 1**

**Post-COVID19 Tourism 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:** 3<sup>rd</sup> June, 2020 at 1630hrs (Zoom Meeting)  
10<sup>th</sup> June, 2020 at 1630hrs (Zoom Meeting)  
17<sup>th</sup> June, 2020 at 1630hrs (Zoom Meeting)
- Participants:** Alan Arrigo (AA) - Chair, Simon De Cesare (SDC), Winston J. Zahra (WJZ), Colin Aquilina (CA), Ivan Mifsud (IM), Claire Zammit Xuereb (CZX), Sue Pisani (SP), Andrew Mangion (AM), Simon Naudi (SN).
- In Attendance:** Diana Miceli (DM),



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## A. Briefing Note

The COVID-19 Crisis brought the Tourism Sector to a major halt, nonetheless, not all participants were impacted in the same way.

In order to ensure a better representation of the sector the participants opted to split the Tourism Sector into the following Categories:

1. Accommodation
2. Leisure Incoming Tourism Operators
3. English Language Teaching (ELT)
4. Destination Management Companies (DMCs) & Meetings, Incentives, Conferences, and Exhibitions (MICE) suppliers
5. Outgoing Tourism Operators
6. Cruise Port of Calls and Homeporting

### A.1 Main Concerns

The following are some concerns which were raised by the participants of the Round Table:

- *Second & Third Wave of Covid-19:* Overall there is a concern on what will happen should Covid-19 cases start to rise again. The lack of visibility on behalf of the government is of concern to most players in this sector.
- *Airline Route Regeneration and Development:* Overall there is a concern that airlines seem less interested in servicing Malta and severely cutting the routes and frequencies that airlines used to land at the airport.

### A.2 Concerns according to Category

#### A. Accommodation:

- *Hotel Insolvencies:* In terms of bricks and mortar hotels there is a 10-20% risk of insolvencies, nonetheless, many jobs will be lost in the interim if the wage subsidy is terminated. If hotels own their own land and do not have the added burden of rent, they may survive. Those having to pay rent will definitely suffer and may result in becoming insolvent.
- *Price Wars:* It is a very common strategy amongst accommodation operators, to resort to slashing prices in order to attract demand. This think tank believes that the introduction of price wars amongst operators will undermine sustainability, decrease quality and ultimately destroy the hotel industry.



## B. Leisure Incoming Tourism Operators

- *Insolvencies*: it is envisaged that 15-25% of the intermediaries such as agents and the lower end of the value chain will become insolvent, with another 5-10% chance for the higher value chain to become insolvent. This is mainly due to deposits held at suppliers being locked and not returned to the operators, who in turn try to keep the final B2B customer (and ultimately the tourist) to travel to Malta have opted to refund.
- *Route Development*: The secret to Malta's resounding success

## C. English Language Teaching (ELT)

- *Restrictions to Third Country Nationals*: Third Country Nationals (TCN) play a very important role financially in the profitability of local ELT schools during the low period as the duration of their stay is generally between three to nine months. Should authorities only consider creation of safe corridors between certain European regions, we would also like to propose that travel for TCNs be allowed from any region as soon as the health authorities deem it safe to receive learners from such countries.
- *Very late restart and slow recovery*: Due to a number of factors, primarily the lack of proper marketing carried out during the schools' forced closure and owing to the unpredictable nature of the spread of this virus locally making it impossible to plan ahead, ELT schools will most probably experience only a fraction of what we are used to over high season for 2020. Hopefully our schools should start getting back on their feet in the last quarter when it is a known fact that, even under normal business circumstances, ELT schools usually experience losses. Furthermore, with the mandated closure of our schools, over the past 3 months we have had to endure hefty unprecedented losses which will require a substantial amount of time to recover. This means it will be very difficult for ELT schools to handle further operational losses brought about by the onset of significantly lower volumes of students. 2021 numbers are expected at best to be around the 50% mark of what we managed to attract to Malta in 2019, gradually increasing to an 80-100% return by end of 2023.

## D. DMC & MICE:

- *Survival of Category*: 50% of DMCs and industry suppliers will become insolvent. This category has been severely hit as a result of Covid-19, and it will take the longest to recover post-Covid 19.
- *Lack of legacy airline routes to major cities*: The MICE business highly depends on direct routes by legacy airlines to the major cities (London, Paris, Frankfurt, Munich, Madrid, etc) with a rotation that includes Thursday and Sunday.



E. Outgoing Tourism Operators (OTO):

- *Travel Directive (EU) 2015/2302<sup>1</sup> puts the booking commitment on the OTOs:* insolvencies will happen especially if the OTOs have suppliers refusing to refund the costs to the OTO, but the OTO has to refund the client still. For instance, Air Malta has over 40,000 refunds to process, however, it does not have the liquidity and the manpower to process such refunds. This is therefore, causing a major financial burden on OTOs. It is worth noting that, as soon as covid-19 hit, most EU Member States started amending the Directive by issuing either legal notices or introducing specific support measures to help the industry. Malta has made any attempts to mitigate this situation, however this was met with infringement procedures by the EU Commission.
- *Insolvency Fund:* in case of 1 insolvency, all other OTOs have to pitch in. Government intervention in case of an insolvency, will be too late. Moreover, foreign operators are also becoming insolvent thus also impacting Maltese operators as they will not recover funds from insolvent foreign partners.

F. Cruise Port of Calls and Homeporting:

- *Losing the Cruise Sector:* The cruise sector may not see insolvencies, as there are few ground operators in the sector, however, it will be very difficult for Malta to resume the tourism flow it had pre-Covid19. Issues that did not help were: ships registered locally were turned away and others were not allowed to lay-up offshore or come alongside for provisions and/or effect crew changes during the Covid-19 crisis. This situation led them to seek a safe port elsewhere, and countries like Greece, Cyprus, Gibraltar and Marseilles took advantage of this situation and cruise lines took note of this. They will also remember that Malta was not there for them in their hour of need!

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<sup>1</sup> Directive (EU) 2015/2302 of the European Parliament and of the Council of 25 November 2015 on package travel and linked travel arrangements, amending Regulation (EC) No 2006/2004 and Directive 2011/83/EU of the European Parliament and of the Council and repealing Council Directive 90/314/EEC.



## B. Scenario & Recommendations

### B.1: Scenario/s:

The RT participants in the Accommodation, Leisure Incoming Tourism Operators, English Language Teaching (ELT) agree that Scenario 2 is the most likely scenario for their category within the Tourism industry in the Medium term.

However, the DMCs & MICE, Outgoing Tourism Operators and Cruise Port of Calls and Homeporting agree that Scenario 4 is the most likely scenario for their category within the Tourism industry in the Medium term.

### B.2: Recommendations to Jump-Start the Tourism Sector - Promoting Malta as a Tourism Destination

#### Short-Term Recommendations

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 etc. - it is important to emphasise that Emergency Response Protocols are in place should a Covid case arise anywhere (ex: on a cruise ship / in a Hotel). Malta should learn from the mishandled PR seen in Japan and the USA. A leaflet promoting Malta for the leisure category found as Annex A to this Document, was distributed recently, and it is recommended that the same is carried out for the different niche markets such as: Accommodation, MICE, ELT, Cruise Port of Calls and Home Porting.
2. *Maintain Government Support:* (Wage Supplement Scheme) until a vaccine is administered, in order to avoid and minimise unemployment, definitely until April 2021 until the sector is back on its feet.
3. *Kick-off a Rigorous Marketing Campaign promoting Malta:* Heavy investment in a world wide marketing campaign promoting Malta, the airport and cruise terminal facilities as safe is of utmost importance to attract tourism to our shores. Malta should attract middle eastern countries where there are direct flights to UAE and Qatar, this is an opportunity for both flights and cruises.
4. *Incentivising / Subsidising and Diversifying Airline Routes:* Malta should focus on retaining, incentivising or subsidising as well as diversifying travel routes for airlines to operate locally Malta. Thus, attracting more tourism to our islands. It is important that specifically for the MICE and Group business, a Thursday to Sunday rotation to major European cities is of high importance for the Incoming operators and DMCs to attract high quality tourists to the island.
5. *Lower VAT to 7%:* for all travel related services including intermediaries and transportation, thereby attracting tourism to Malta.



6. *Clear communication on planning:* Ensure that tourism stakeholders are aligned with the communication strategy of the authorities before it is published and that they can emphasize with the final tourist.
7. *Incentivise Digitisation and Improved Technology:* continue to incentivise Digitisation and Improved Technology for stakeholders operating in the local sector.
8. *Tax Losses carried back:* It is certain that a large portion of tourism operators will lose money in 2020, yet towards quarter 4 of 2020, these same operators would need to pay the final tax balance for the calendar year of 2019. Given this particular scenario, this think tank (and I believe it is also a proposal by Malta Institute of Accountants and Malta Institute of Taxation) that the government gives companies the ability to carry back tax losses to the profits of 2019, rather than only to carry forward. This would give the industry a very good liquidity boost and decrease insolvencies.
9. *State Aid Conditions:* It is recommended that all Government state aid schemes as well other loan guarantee schemes should have a clause whereby companies issue timely refunds to all B2C and B2B customers. This will give confidence to travelers to re-book the island and also reduce the risk of supply side insolvencies.
10. *Develop a Tourist Tracking Safety Application:* Incoming tourism should be promoted as safe and the implementation of technology for repetitive and contactless operations are carried out digitally. For instance, to ensure travel safety measures to Malta, an incoming tourist would have a seamless operation through his/her phone from checking in from abroad, all the way to arrival to Malta, airport transfers, hotels and tourist attractions. The self-checking kiosk by the Government / the MTA would offer a centralised and positive guest experience for the whole destination. This exercise would further enable contact tracing in case of a Covid-19 outbreak and would also act as a point of information for tourists including contact details in case of health hazards. The implementation of such an Application would be a gamechanger for the Tourism Sector as it will give insight for better policy development, and if promoted well and linked to an incentive for the tourist to opt-in and share his / her data, thus countering GDPR concerns.

## Long-Term Recommendations

1. *A National and Holistic Tourism Strategy:* this is the perfect opportunity to address the shortcomings of our industry covering the longer-term 2022-2030. The economy and tourism stakeholders are now dependent on the number of tourists +2.5million and going below this mark will jeopardise the sector. The strategy should address the type of industries that contribute the most to the economy that Malta wants to invest in, therefore repositioning the country in terms of tourism product development. It should include the *type of tourist* the country is to attract and consider diversifying further too, especially to ensure that the country does not result in over-tourism as seen in recent years, as well as the *type of accommodation* that is required to operate and ensure a *quality product* (for instance attracting a more luxury high-spend tourist to key areas on the island like St. Julian's and Valletta). Moreover, the sector should see an emphasis on sustainability, to better promote mindfulness and experiential travel. The Strategy should communicate planned actions well in advance and executed



together with all tourism stakeholders. The Maltese Government and Industry should work together with all relevant stakeholders to devise and ensure the sustainability of the industry at large.

2. *Better use of Tourism Data:* The Government should analyse past data on local travel to draw on past learnings and understand better future travel trends. Whenever direct flights were established, tourists followed. Therefore, the Government and the Malta Tourism Authority should realign budgets for route retention and development, thus providing marketing budgets to tour operators and airlines, in order to ensure that tourists are brought back to our shores.
3. *Focus on Quality:* this is of utmost importance and it should be maintained through enforcement without favour, lack of enforcement will result in requiring a lower quality for the sector to survive.
4. *An upgrade of the Local Infrastructure:* is required to sustain the sector and its clients, particularly as regards *mobility and transport, wifi and internet* infrastructure as well as the *upgrade of the environment, promoting pedestrianisation and more open spaces.*
5. *Pausing PA Applications & Raising Standards:* It is also recommended that the Planning Authority should try to halt applications for a while, unless the applications provide added value. Standards in the building industry together with enforcement continue to remain a priority overall, in order to attract and retain tourism.

### B.3 Recommendations for different Categories of the Tourism Sector

#### A. Accommodation:

1. The accommodation sector locally requires that the Wage subsidy scheme is maintained until a vaccine is administered, thus until at least April 2021.
2. Reintroducing grants and tax incentives for reinvestment into hotels.
3. Introduce and enforce proper Regulation of rental accommodation to create a level playing field.
4. Maintaining a healthy supply of rooms to a realistic demand, this will balance the pressure on the rates hotels charge.
5. Carry out a Carrying Capacity Exercise for future rooms to come on stream is essential to engage with stakeholders to look at a future strategy. This may be a Section within the National Strategy.

#### B. Leisure Incoming Tourism Operators:

- a. *Lower (from 18% to 7%) VAT rate:* This think tank believes that lowering the VAT rate for all travel and ancillary activities from 18% to 7% such that all the tourism eco-system is on a level playing field in terms of VAT exposure and that this saving is passed on to the consumer. With demand severely depressed, a lower VAT rate would not only put Malta on a better position as other countries are already lowering VAT rates but also boost Malta's demand as prices to the consumer decrease.
- b. *Tourist Tracking Safety Application:* Incoming tourism should be promoted as safe and the implementation of technology for repetitive and contactless operations are carried out digitally. For instance, to ensure travel safety measures to Malta, an incoming tourist would have a seamless



operation through his/her phone from checking in from abroad, all the way to arrival to Malta, airport transfers, hotels and tourist attractions. The self-checking kiosk by the Government / the MTA would offer a centralised and positive guest experience for the whole destination.

This exercise would further enable contact tracing in case of a Covid-19 outbreak and would also act as a point of information for tourists including contact details in case of health hazards. The implementation of such an Application would be a gamechanger for the Tourism Sector as it will give insight for better policy development, and if promoted well and linked to an incentive for the tourist to opt-in and share his / her data, thus countering GDPR concerns.

### C. English Language Teaching:

- a. *Consider allowing all Third Country Nationals to travel to Malta for the ELT sector:* Should authorities only consider creation of safe corridors between certain European regions, we would also like to propose that travel for TCNs be allowed from any region as soon as the health authorities deem it safe to receive learners from such countries.
- b. *Wage Supplement:* The think tank believes that the current government wage support scheme should be maintained for a minimum of 12 months from the reopening of our schools and the reopening of the airport to commercial travel. This is necessary as a minimum in order to allow schools to sustain operations and their overall feasibility without making most of their staff redundant due to expected sharp decrease in student numbers. We estimate it will take at least 12-18 months before sustainable volumes are reached for the overall viability of the sector. We are predicting a long and slow recovery period for the numbers of travellers/students to return to their pre-COVID state; not before 2023.

We also recommend that NI payments be made cost neutral in order to alleviate the payment burden that the schools are facing, thus ensuring that there will be little or no redundancies. This can be done if the NI for both employer and employee is temporarily waived and the period for which no NI would have been paid will be credited for pension purposes. In other words, if 40 years contributions are necessary for a full pension, and employees in our sector would have their NI contributions suspended for a year, 39 years contributions will make it sufficient to qualify for a pension. We see this as a viable solution to ensure a higher survival rate of this industry.

- c. *Direct Support for Commercial Rents:* Many schools rent their premises, and some rent more than one building from a number of landlords. The reality has been that some landlords are sympathetic in the circumstances and offered a percentage credit to assist lessees during closure. Others simply refused to do anything on these lines and the full rent has been demanded. While €2,500 rent relief was already granted by the government, some establishments pay by far much more every month having multiple buildings. For this reason, we also urge the government to consider assisting the ELT industry by introducing grant schemes, such as those being implemented in France and Australia. *We are therefore requesting that the government covers 1/3 of all rents for 2020 to ensure sustainability of our operations.*



#### D. Outgoing Tourism Operators:

1. *Travel Directive (EU) 2015/2302*<sup>2</sup>:
  - a. Strong harmonisation efforts are required for the industry to create standard cancellation protocols in the case of force majeure such as Covid-19. Alternatively, legislation which applies only to travel agents and / or tour operators needs to be updated to mitigate the current scenario. The EU Commission has already issued a number of Guidelines and Support Measures to rectify the imbalance caused by the Directive<sup>3</sup>, clearly showing that this Directive failed to address such situations. Legislation amendments should include that agents are to provide refunds to consumers when such refunds are given by suppliers. Moreover, Government backed schemes and/or aid should be tied to refunds given to B2C and B2B customers.
  - b. For OTOs operating on the basis of block commitment contracts, the situation is critical, because if agents fail to refund the OTO, then the local operator will either have to reimburse from personal funds or file for insolvency. The Maltese Government should look into the measures implemented by Denmark whereby an *ad hoc* legislation invoked grants as per EU Commission Guidelines<sup>4</sup>. This would require changes to the Insolvency Fund.
2. *Insolvency Fund*: this fund requires various amendments to optimise its implementation:
  - a. The Maltese Government should follow the Danish-model, whereby the Danish Government put together EUR100million, and is giving the money to OTOs to refund clients (only if bookings are non-refundable) - this was approved by the EU Commission. The Danish model requires all operators to provide a guarantee, bond and annual contributions to the Insolvency fund which are in proportion to the operator's revenue, rather than an equal amount amongst all operators. We believe this is a more equitable solution.
  - b. Currently, foreign travel agents not operating locally are being allowed to register in Malta and increase the exposure of the local Insolvency Fund. This mechanism should be improved to ensure that the local market is not placed under additional pressures and at a disadvantage when compared to foreign travel agents registered locally. Therefore, the think tank suggests that the Insolvency Fund removes the requirement that the other operators pitch in, in case of an insolvency as it would incentivise high risk behaviour and allow the Insolvency Fund to borrow on the open market (via for example Government backed bonds) in times when the fund is in deficit.
  - c. The Insolvency Fund should consider including other travel operators such as airlines in a separate fund under its management to mitigate the risk of airlines going under and exposing OTOs and consumers where they would lose the money spent on the unflown flight as well as the purchase of a new ticket.
3. *IATA Financial Ratios*: Currently there is a discrepancy between the IATA rules which govern all IATA accredited travel agents and the local rules emanating from the Insolvency Fund subsidiary

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<sup>2</sup> Directive (EU) 2015/2302 of the European Parliament and of the Council of 25 November 2015 on package travel and linked travel arrangements, amending Regulation (EC) No 2006/2004 and Directive 2011/83/EU of the European Parliament and of the Council and repealing Council Directive 90/314/EEC.

<sup>3</sup> [https://ec.europa.eu/competition/state\\_aid/what\\_is\\_new/TF\\_consolidated\\_version\\_as\\_amended\\_3\\_april\\_2020.pdf](https://ec.europa.eu/competition/state_aid/what_is_new/TF_consolidated_version_as_amended_3_april_2020.pdf)

<sup>4</sup> [https://ec.europa.eu/competition/state\\_aid/cases1/202023/286250\\_2162043\\_37\\_2.pdf](https://ec.europa.eu/competition/state_aid/cases1/202023/286250_2162043_37_2.pdf)



legislation. The IATA model was established by the airlines back in 1945, consisting of 290 airlines, primarily major carriers, representing 117 countries. The IATA's member airlines account for carrying approximately 82% of total available seat miles air traffic. All travel agents wanting direct access to the airlines booking system need to be IATA accredited therefore, agents would need to adhere to rules before operations, liquidity ratios and end of year profitability. We believe that the Fund should only admit operators that have similar ratios as per IATA rules.

#### E. DMCs & MICE Suppliers:

This category of the Tourism Sector was severely hit, and will take longer to recover thus resulting in high unemployment rates. In order to jump start this sector, it is recommended that:

- a. The Government should *incentivise high value businesses* in this sector that focus on incoming conferences, with VAT refunds and rebates on expenditure in the shorter term.
- b. *Consider Meeting, Incentives, Conferences and Events as a complex package that is not travel related*: The think tank believes that Malta should adopt the strategy that Spain and Portugal have adopted already to incentivise future business. With a possible recession looming and with the advent of virtual meetings, it will be harder to secure future MICE business, thus Malta should consider that all MICE activities, even if they include accommodation and/or transportation as a complex package and thus not consider them under the Tour Operator Margin Scheme (TOMS). This would in effect, make the place of supply deemed where the customer is established and thus DMCs would be on a level playing field at an EU level. MBB should also help the Chamber in pushing this as the EU has asked for comments on a future revised TOMS scheme.
- c. *A level playing field is required at local level*. The same anomaly also exists on the local scene where an AV company can charge a foreign company at 0% VAT due to reverse charge mechanism (as explained above) but a DMC can't because would need to apply the TOMS rules and charge at 18%. This makes the provision of the exact same service to the exact same foreign company, artificially more expensive for the DMC. It is the DMC that attracts the foreign companies to Malta and in turn uses the AV suppliers, so it is of utmost importance that we do not kill the DMC which ultimately promotes the event to come to Malta.
- d. For MICE to be further incentivised, *foreigners should feel safe and willing to travel to Malta*. Therefore, the Government may promote and incentivise such MICE activities overseas, by increasing the marketing budget allocated to Conventions Malta.
- e. *Health guidelines* need to be issued on how to handle MICE events, and any costs incurred as a result of such guidelines should be subsidised by the Government as far as possible.

#### F. Cruise Port of Calls and Homeporting:

- a. A *holistic approach* is required to mitigate the cruise sector by having a dedicated department within the MTA to own and be proactive in the sector, as it deserves more attention, to avoid loss of business to other countries.
- b. The Valletta Cruise Port needs to have *more visibility from the health authorities* in order to be able to attract port of call and home porting business from cruise liners towards Valletta. Otherwise,



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other ports with a clear plan and strategy by their authorities will take advantage and attract business their way. It is truly a matter of who acts the quickest.

- c. Attention to this category of the Tourism Sector will in turn *strongly and positively impact Valletta* as a locality in terms of retail, hospitality and accommodation. It is worth noting that the Valletta business community has seen a 70% reduction in commerce due to the lack of cruise liners<sup>5</sup>. Moreover, homeporting results in the take up of hotel beds, and pre/post cruise clients tend to return on leisure holidays. Shore excursions and experiences are a window into our culture and also serve as a teaser for future visits.
- d. We have to strive to create a *Contact Free Culture* at least for the near future until the new norm is well defined.
- e. *Clarity in Communication* from Destination to Industry and Industry to Destination will be one of the keys to a successful execution of safe and enjoyable guest/visitor experience.
- f. To project a confidence-building approach to the cruise industry, the most important thing at this crucial stage, is to have clear *emergency protocols* which are underwritten by the MTA/Ministry for Tourism and Health Department that can be shared with them as soon as possible. Furthermore, they need assurances that the authorities would *not refuse* any promoted services being offered by the industry, as this would spell “The End”.

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<sup>5</sup> Be Informed - COVID-19 (Coronavirus) Bulletin of 19th June 2020 by the Malta Chamber and CiConsulta.