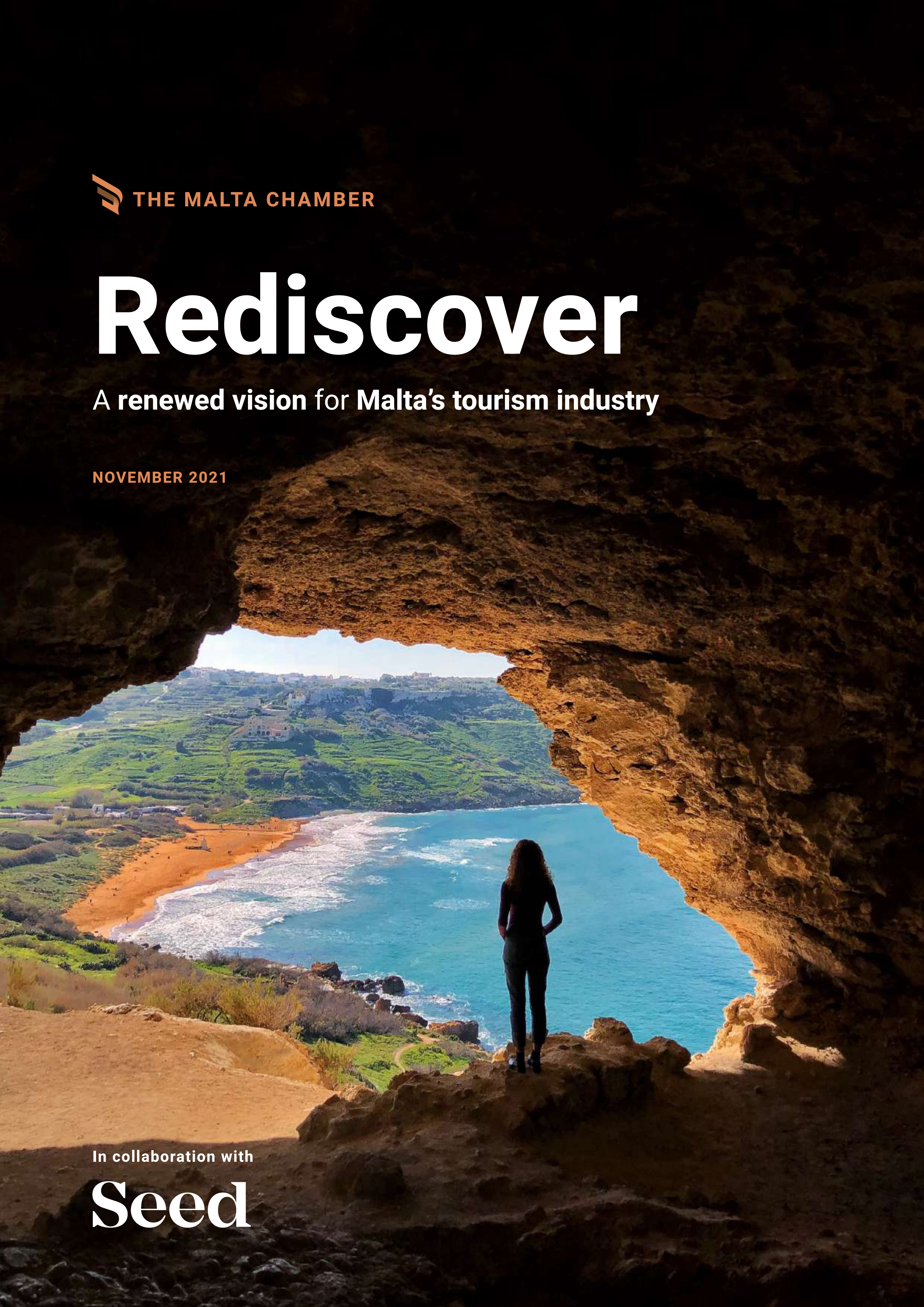
THE MALTA CHAMBER

Rediscover

A **renewed vision** for **Malta's tourism industry**

NOVEMBER 2021



In collaboration with

Seed

Forewords

The COVID-19 pandemic has made us appreciate things that we previously took for granted. Among these is tourism, a mainstay of our economy that is often referred to as one of the traditional sectors, when it actually needs to be one of the most innovative sectors.

Our biggest asset is our people; our next best assets are our favourable climate and our rich heritage. Tourism is an industry built on our best assets. It is an industry where we have unique selling points, and where the quality of the experience that we provide is entirely within our control. Success or failure is entirely of our own making. Our only element of dependency in tourism is connectivity. Once a tourist gets here, the onus is completely on us.

The hallmarks of a positive touristic experience are not rocket science. Basics such as high standards of cleanliness and upkeep of public spaces, convenient transport and communication facilities, nice views, good food, and pleasant and attentive customer service, are all within our reach if we commit ourselves to delivering. For many years, we were happy to see the numbers of tourists growing without bothering too much about the quality of their experience. But those days are over. The post-COVID tourist will be more sensitive to comfort and hygiene, more aware of his surroundings, and more environmentally conscious. The quality of the experience will matter more than ever, because travelling today requires greater effort. This is the opportune time for us to make the required qualitative leap in tourism.

One of the characteristics of a holiday in Malta is that, due to the islands' small size and relatively high population density, it is truly an immersion experience where you mix with the locals virtually all the time. This means that to make a qualitative leap in tourism, we need to make a qualitative leap in the way we live and interact with each other and with our surroundings.

Tourism is also the world's widest window on Malta. At a time when we really need to rebuild our reputation as a country, we cannot underestimate the impact that the quality of our visitors' experience will have on our branding and positioning on the international stage. No international marketing campaign can come anywhere close to the first-hand experience of a country that remains with a person forever. Let's make sure that our tourists will have good reason to be our best ambassadors.

It is in this spirit that the Malta Chamber of Commerce, Enterprise and Industry, supported by Seed, has embarked on a prioritisation of quality tourism among its strategic objectives. This document lays out the concerns, ambitions and aspirations of the whole tourism ecosystem, and provides a framework on which to build our future vision for the tourism industry and our qualitative leap as a nation.

Marisa Xuereb
President, The Malta Chamber of Commerce, Enterprise and Industry

Forewords

As the COVID-19 pandemic developed into a worldwide economic crisis, it is fair to say that one of the main casualties of the ensuing economic fallout has been the tourism industry. Decisively, Government stepped in to support the industry survive this predicament, but this subsistence was always considered to be temporary and that eventually the industry would have to chart its own way to recovery and long-term growth. Against this realisation, the Malta Chamber of Commerce, Enterprise and Industry, wasted no time calling upon several industry stakeholders to come together to propose a renewed vision for the industry that builds on past hard-earned success, whilst ensuring a more sustainable approach to growth. This proposed vision addresses three key components which are critical for Malta to relaunch its tourism sector into a changed international landscape.

To start with, the development and adaptation of Malta as a popular tourist destination depends heavily on maintaining good connectivity. This is crucial both in preserving the key source markets that have traditionally bolstered our tourist arrivals but more importantly, within the current scenario of a restart, as an opportunity to develop new routes and establish new source markets. A diverse source market base allows for a swifter recovery as well as reduce dependence on certain markets.

Connectivity however is only as effective as our weakest link and unless we up our game, we could soon find ourselves upstaged by the competition. There is no doubt that Malta's potential as a tourist destination is second to none. However, we have long been distracted by the record growth in numbers, and despite the significant investment undertaken to improve the Malta offering, quality and experience remain very elusive in our narrative. Now is the time to revaluate where we are, and what we want to do and where we want to be. Nurturing a customer focused mindset and developing our core competencies are a good start to bringing out our best as a country and as a people.

As COVID-19 taught us, flexibility in responding to changing conditions and realities is going to be more critical moving forward. Effective response and business adaptation to changing market realities will translate into improved performance and increase the chances of survival both in terms of a COVID-19 triggered re-start as well as in terms of remaining relevant within the trade and ensuring business longevity. Technology plays a critical role here, not only within the context of having an online sales presence but also from a business operational and organisational aspect. Similarly, the vast data collected by operators can be translated, using data analytics, into meaningful business intelligence to help businesses make informed decisions and adapt to observed changing trends.

This report provides an evidence-based strategy to achieve the required transformation, mapping a clear strategic direction backed by the individual actions that need to be put in place to get there. Achieving this together will thrust the industry to its rightful place as a key contributor to Malta's social and economic development.

Dr. Marthese Portelli
CEO, The Malta Chamber of Commerce, Enterprise and Industry

Forewords

Pursuant to the aims and objectives set out in its mandate, the Malta Chamber Tourism Operators Business Section embarked on a number of initiatives to influence policy towards achieving sustainable targets in tourism. In a very complex tourism value chain, often over-simplified in public discourse, it is important that all stakeholders achieve a financial, environmental and socio-cultural sustainable path towards offering a quality experience to tourists visiting our islands.

At this juncture, where the industry is still reeling from the aftershocks of the COVID-19 pandemic, the business section felt that now is the time for all stakeholders to come together and chart a renewed vision for Malta's tourism industry.

The Malta Chamber stepped up to this call for action, providing a forum for all the different agents of the tourism value chain to share their experiences and make their own recommendations that feed into a tourism transformation policy that is underpinned by sustainability. To this end, the business section set up a taskforce of tourism experts and has partnered up with Seed to carry out a review of existing local and international tourism policies, economic trends, and sectoral data, as well as embark on a broad consultative process with the main sectoral and industry stakeholders to understand the pain points, aspirations, challenges, and the opportunities Malta can exploit.

After four months of consultation, we are now pleased to present more than 120 strategic recommendations and action points which will set us apart from our competitors and help the tourism industry thrive within a changing landscape.

In presenting this report I would like to take this opportunity to thank my colleagues in the business section committee, the Malta Chamber council and staff, the taskforce members, Seed and last but not least, all the stakeholders that have contributed towards this vision.

Alan Arrigo
Chairperson, Tourism Operators Business Section
The Malta Chamber of Commerce, Enterprise and Industry

TASKFORCE MEMBERS

Douglas Barbaro Sant

Josef Formosa Gauci

Genevieve Abela

Joe Galea

Julia Aquilina

Forewords

Rediscover is a vision and strategy for the tourism industry, charted by the tourism industry.

As we look back at the pandemic and the economic cost it has impinged on societies and households alike, the tourism industry remains one of its largest economic casualties. With tourism playing such an important economic role, directly and even more so indirectly, the COVID-19 effects have been significant. Recovery will take time amid the uncertainty around new virus variants.

The crisis in such an important industry should serve as an opportunity. One to reform, rediscover and reset the industry on a sustainable path that enhances Malta's offering, experience, and journey. Other countries are embarking on similar exercises and therefore it is critical for Malta not to be complacent but to make the necessary adjustments, investments, and reforms to not only overcome this turbulent period but to shore up the resilience of such an economic pillar.

It is precisely for this reason that Seed partnered with the Malta Chamber of Commerce, Enterprise, and Industry. As a research-driven advisory firm with a focus on applied economics, we embarked on an extensive consultation process with all stakeholders across the sector and a thorough research exercise into the tourism industry, consumer trends, Malta's tourism performance and international tourism destinations to deliver a holistic vision for the sector to deliver one common goal; sustainability of the sector which makes Malta a destination of choice for high quality, value for money and a memorable customer experience and journey that is delivered by skilled and passionate people.

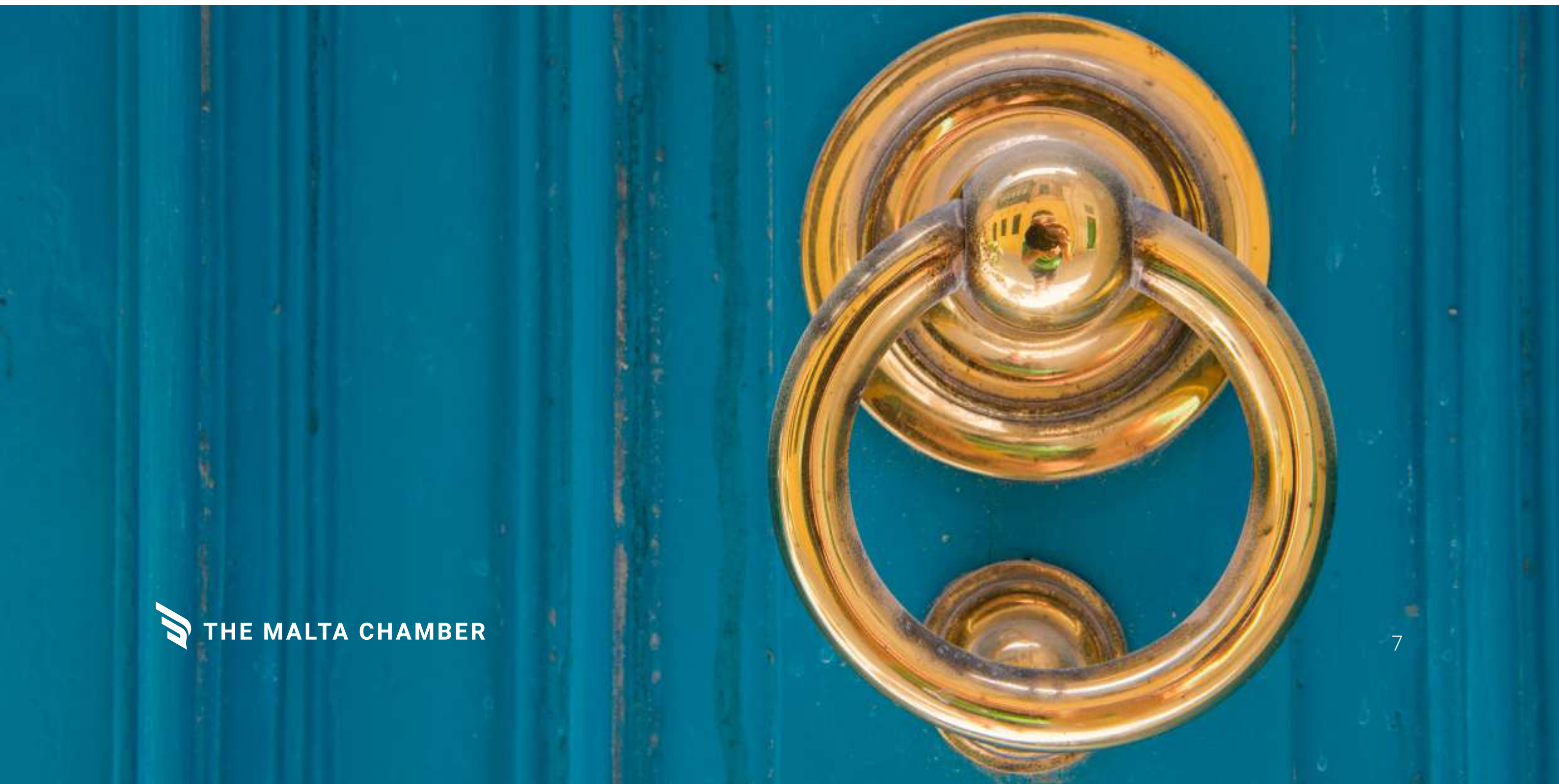
Much has been done in recent years to improve Malta's tourism offering and experience. Increased connectivity, infrastructure, new niche markets, reduced seasonality and much more have all contributed to the record performance of Malta's tourism industry over the past few years. However, the challenges ahead of us need to be tackled and the industry needs to adapt to survive in the long-term.

At the heart of *Rediscover* is growth via quality, authentic visitor experiences and a memorable customer journey. In other words, highlighting those aspects of our assets and heritage that are uniquely Maltese, be they contemporary or more traditional, and delivering them to the highest possible standards at each point of the customer journey. Being a customer-centric industry, our focus is also on investing in the human resource to ensure this experience throughout the journey.

On behalf of Seed, I would like to thank everyone who has given their time, energy, and passion to help shape the strategy. *Rediscover* is a vision for the industry, by the industry and we hope that this document will steer national debate and action towards future-proofing Malta's tourism industry.

JP Fabri
Partner, Seed

CONTENTS



BACK TO CONTENTS

Executive Summary

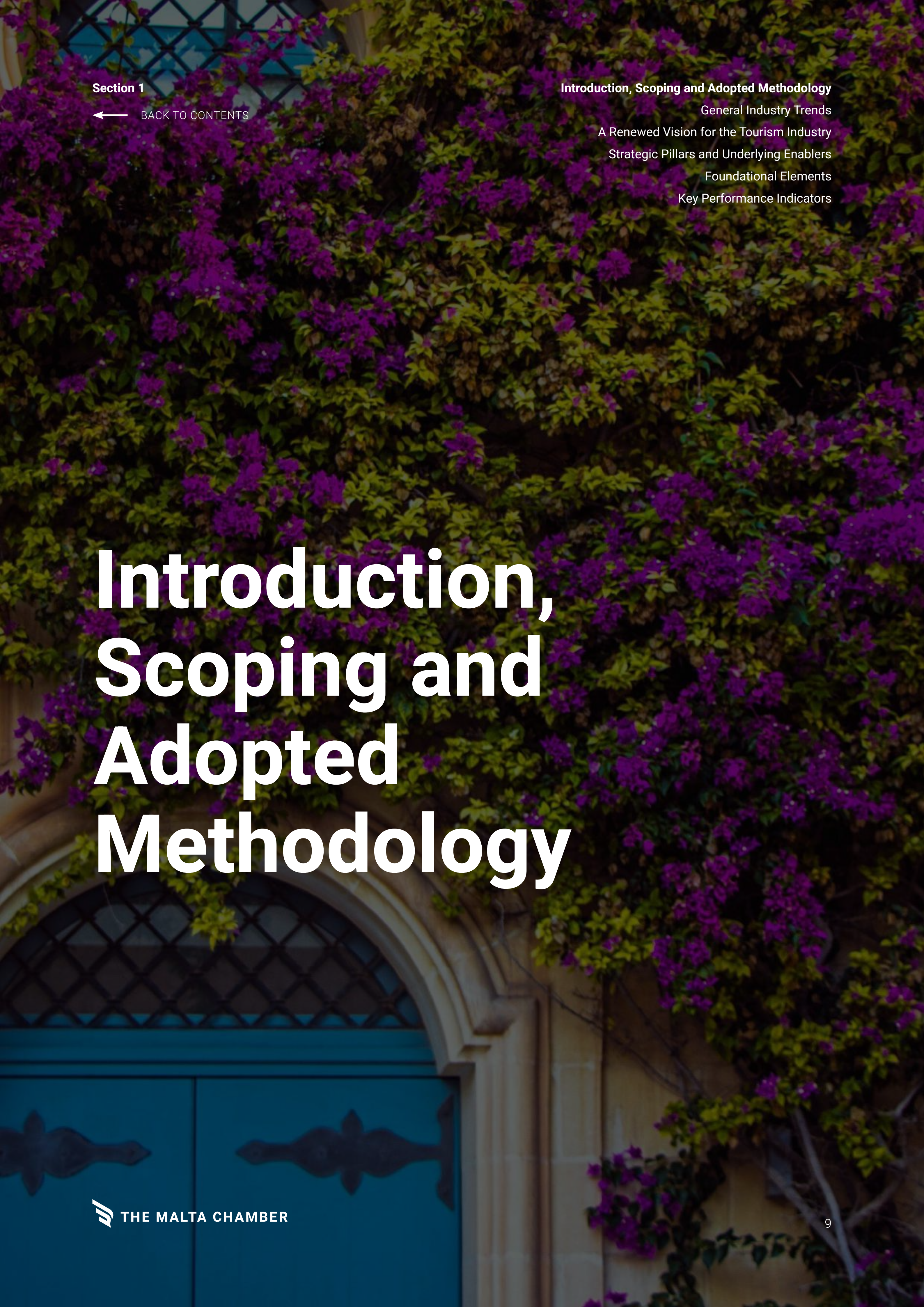
This report takes a deep dive into the tourism industry in Malta, where it currently stands, how it has got here and, most importantly, where it is heading. It is an unflinching assessment that spans across the tourism value chain, taking in not only the local ecosystem, but also the global and regional trends that are driving the industry and which increasingly call for an urgent reappraisal of tourism policies and strategies. Some of these changes are accelerating as the industry painfully recovers from the devastating effects of the COVID-19 pandemic, indicating how this shared global experience is changing the face of travel and shifting consumer demands and expectations. Against this complex backdrop, 'updating' or 'modifying' an existing strategy to deliver more of the same clearly does not cut it. Reinvention and innovation are called for.

This rationale was the premise for this report, which is why we have framed it as a transformational strategy, developed within a robust research methodology. This identified three key areas of initial research aimed at establishing an in-depth understanding of the industry, and the drivers, trends and challenges that define it. These three areas were (i) a comprehensive assessment of the local context, including an economic analysis as well as a SWOT analysis, (ii) a data-driven analysis of industry trends, and (iii) a broad review of tourism strategies in other countries, particularly competing destinations in the region. Research methods included desk research and statistical analysis, as well as intensive stakeholder consultations which proved indispensable in grasping the local context. The data and insights generated by this process provided a firm basis for the development of a vision for the industry, mapping out the critical actions needed to achieve this. A reduction in seasonality, and a shift towards a quality, service-oriented destination, lie at the heart of this vision.

The report then focuses on three key objectives, or pillars, which support this vision, and which aim to align the local market with emerging trends and changing consumer demand, while establishing the foundation for green and sustainable growth. These pillars are strongly interlinked and consist of improving the customer journey, mainly by encouraging authentic and unique experiences and building the right capabilities to get there. If we want Malta to be a truly competitive and memorable destination, then the customer journey needs to evolve in line with consumer expectations – this requires a product defined by a quality experience that cannot be replicated in any other destination, a concept far removed from the sun and sea label that has long been our main selling point.

This analysis is further informed by a set of overarching foundational elements which are critical to achieving the strategic vision. These include the values and principles that should steer a reinvented industry, as well as the fundamental shifts that must drive it: increased connectivity, strategic diversification and targeted investment.

Based on these core objectives, the strategy then sets out the enablers that are needed to work towards all three objectives. These enablers were identified and analysed within a firm strategic framework to ensure relevance and clarity. The report then concludes with a series of recommendations under each enabler – in each case these first define the strategic direction, followed by the required actions. Key performance indicators are identified in each case, to allow for ongoing monitoring and measurement of progress achieved.



Introduction, Scoping and Adopted Methodology

Background

Tourism remains one of the most important economic pillars of the Maltese economy. Contributing directly and indirectly to close to a fifth of economic activity and thousands of jobs, tourism is a central component of Malta's economic fabric.

After several years of record growth and increased connectivity, as well as reduced seasonality with Malta continuing to strengthen its image as an all-year round destination, COVID-19 hit. The global pandemic highlighted the fragility of the industry as all human and social activity came to a grinding halt.

At a time when recovery has started but the dynamics and trends of the industry have changed, Malta stands at a crossroad.

The time is now to…

…reconsider how we see ourselves as a nation...

…reconfigure our organisations and economic sectors...

…reword the narrative we tell ourselves and the world...

…rediscover.

Scope

With an expertise in applied economic analysis and policy together with a research driven mind-set, Seed believes that this is the opportune time for Malta to reset its tourism vision and strategy.

COVID-19 has brought the world to rethink its various strategies on the back of the rapid transformations that are happening and will continue to happen. Transformation is going to be what distinguishes the winners from the losers.

As part of its contribution to national debate, Seed partnered up with The Malta Chamber of Commerce and Industry and the Tourism Operators Business Committee to research and present a transformation map for the tourism industry in Malta.

We believe that this is a unique opportunity for the country to unite, discuss and chart a way forward for such a critical sector and economic pillar. This is our contribution to the debate. A contribution that is research-driven and built bottom-up after a broad consultation exercise with all main stakeholders.

Methodology

Given our intention to plot a truly transformational and holistic strategy for the tourism industry, we designed a robust research methodology to ensure that all relevant inputs were factored into its development. The key elements of this methodology are presented below:

Understanding
the local context
• Economic analysis
• Economic impact of industry
• SWOT analysis of industry

Understanding
the challenges
• Global trends
• Local trends

Understanding
what countries are doing
• Analysis of what other countries are doing to transform their industry

Vision for a transformed sector based on the following pillars:
Jobs & Skills • Productivity • Innovation • Digital • Green Approach • Sustainability

Specify aims for the industry

Action plan for the industry which will include:
Current position • Desired position • Metrics to track progress

Based on this methodology, our research was conducted using two key integrated processes.

The first building block was a thorough desk review of the main tourism policies, consumer and economic trends driving the sector, together with a detailed analysis of the latest industry data.

This entailed an exhaustive 360° assessment of the policies, trends and dynamics that are shaping the local sector. In addition, we analysed international industry and policy trends on several levels, with a particular focus on competing destinations in the region.

Methodology

This comprehensive desk research framed a compelling context for the second phase of the research, which involved a broad consultation initiative with all main sectoral and industry stakeholders. This comprised a series of structured interviews and focus groups, in which we heard directly from the industry's operators and other representatives on their pain points, aspirations and challenges, as well as the opportunities that they believe Malta can tap into.

A total of 29 stakeholders and industry experts were consulted across several focus groups and structured one-to-one interviews.

The Federated Association of Travel & Tourism Agents	*Institute of Tourism, Travel & Culture *Department of Arts, Open Communities and Adult Education *Department of Public Policy		Malta Entertainment Industry & Arts Association	Federation of English Language Teaching Organisation Malta	ES Hotels Malta	Malta International Airport
Institute of Tourism Studies	Association of Catering Establishments	Malta Tourism Society	Yachting Services Business Section	Air Malta	Valletta Cruise Port	Gozo Tourism Association
Malta Business Bureau	Nature Trust	Maltese Olympic Committee	VBL Group	Sport Malta	Malta Chamber of SMEs	Professional Diving Schools Association
Malta Police Force	Allied Rainbow Communities	Allelon	Koptaco Coaches Cooperative	Malta Football Association	Westin Dragonara Resort	Malta Union of Tourist Guides

Based on the quantitative and qualitative outcomes of both processes we set out to build a renewed vision for Malta's tourism industry, defining a series of evidence-based strategic recommendations which will provide the basis of the necessary transformation for the industry.

General Industry Trends

General Industry Trends

The roots of an effective strategic vision are derived from a thorough understanding of all the forces at play within an industry.

The tourism industry presents a multitude of constantly developing facets, from technological advancements to local and international legislative developments, stemming from an ever-increasing drive towards achieving more sustainable growth.

To this end, a comprehensive analysis of the industry was undertaken through a multilayered top-down nested approach, aimed at holistically integrating industry trends and characteristics at the international and local levels, to serve as the foundation on which a strategic framework for the local tourism industry can be shaped.

An in-depth market analysis using a top-down nested approach

Megatrends	Global trends
Tourist	Tourist profile
Region	Analysis of what other countries are doing to transform their industry
Malta	Local trends
	Economic impact of the Industry

Megatrends

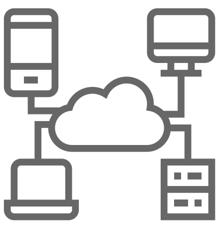
WORLD TOURISM TRENDS

Global tourism has grown significantly in recent decades, on account of globalisation and technological advancements that have led to cheaper airfares, facilitated travel planning and arrangements, and made it possible to share travel experiences with family and friends back home in real time. While that growth is projected to continue, shifting environmental considerations, technological innovations, and changing demographics are amongst the most prevalent megatrends likely to dramatically transform the face of tourism in the next decades.

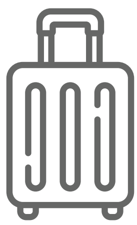
These megatrends capture significant, globally relevant, social, economic, political, environmental and technological changes over the long-term horizon. Based on a 2017 OECD high level meeting on *Tourism Policies for Sustainable and Inclusive Growth* and backed by a review of recent literature and data, four key megatrends have been identified to likely transform tourism in the future.

EVOLVING VISITOR DEMAND

GREEN TOURISM GROWTH



ENABLING TECHNOLOGIES



TRAVEL MOBILITY

Megatrends

EVOLVING VISITOR DEMAND

Over the next few decades, the structure of the visitor economy will evolve as income and education levels increase in emerging economies, gender imbalances are addressed, the global population continues to age, and new consumer groups emerge. Combined, these factors will impact the propensity to travel as well as the expectations of travellers. Although expected to grow at a slower rate than in the past, the world population is forecast to rise from 7.4 billion in 2015 to 9.7 billion in 2050, driven namely by growth in developing countries.

Changing demographics will have a major impact on visitor demand in coming years. In particular, trends such as the continued growth of the global middle class and ageing populations mean that the global population will generally be richer and older in the decades ahead. Additionally, the rise in prominence of emerging generations will further upend current considerations that fuel the tourism market. Indeed, Millennials and Generation Z will become key forces in mobility and their travel behaviour could lead to significant shifts in the tourism market.

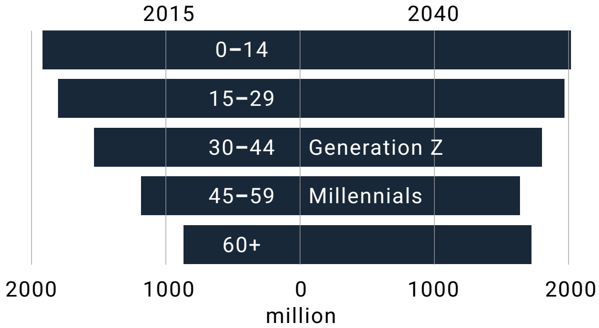
As a result of these trends, not only will the way people travel change, but their needs and demands are likely to be quite different when compared with tourism today – prompting new opportunities, and challenges, for the future, and a likely shift away from a currently dominant western view defining travel, holidays and related practices.

Key trends related to the evolving visitor demand

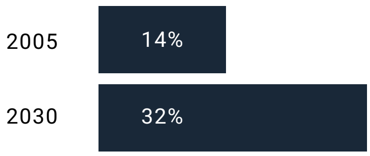
World population

7.4 billion in 2010
9.7 billion in 2050

Population - age compostion



A growing world middle class

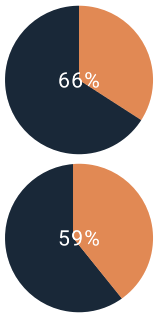


Population 60+

0.9 billion in 2015

1.7 billion in 2040

Working age population



Source: OECD (2018) Tourism Papers No. 2018/02

Megatrends

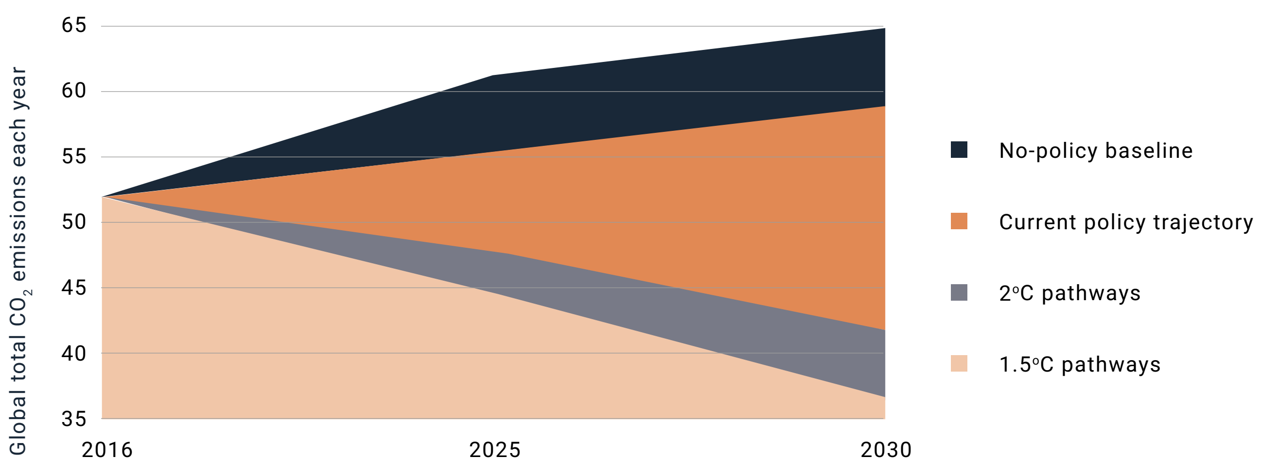
GREEN TOURISM GROWTH

The consequences of climate change will be felt across the travel and tourism sector over the coming decades. Existing tourism models in many countries will be challenged as the physical environment is altered and extreme weather events become common. For instance, much of international tourism occurs in coastal regions, which are under significant threat of storms, flooding and tidal surges.

Southern destinations such as Malta are likely to face extreme heatwaves in the summer seasons, and northern destinations that rely on outdoor winter activities will face shorter periods of snowfall, leading to potentially larger seasonal variations for many countries. For both government and industry, this will require a serious rethinking of how travel activities are offered and how tourism is managed over the long-term.

Key trends related to sustainable tourism growth

Global total greenhouse gas emissions in 2025 and 2030 under different scenarios



Source: OECD (2018) Tourism Papers No. 2018/02

Megatrends

ENABLING TECHNOLOGIES

New technologies continue to reshape markets and sectors around the world, and the pace and scale of disruption appears to be hastening. From the sharing economy to the Internet of Things (IoT), to autonomous vehicles and artificial intelligence, and blockchain technology to big data analytics, a range of new and emerging innovations are promising to unlock more opportunities for people around world.

Together, these trends could make travel more affordable, efficient and accessible to many people. The reconceptualisation of intermediaries likely means that long-standing models of tourism in areas like accommodation or travel agencies will continue to be radically reshaped, with more travellers connecting directly through a technological platform with a service provider, rather than dealing with a hotel, a booking agent or professional travel agent.

To this end, digital platforms have enabled for the proliferation of the sharing economy. The latter have undoubtedly grown quickly over the past 10 years to capture a sizeable portion of economic activity, with most growth notable in transport and accommodation, but continues to extend to many other sectors.

Key trends related to the enabling technologies

HOME-SHARING

RIDE-SOURCING

VIRTUAL REALITY

AI & VIRTUAL ASSISTANTS

REAL-TIME TRANSLATION SOFTWARE

AUTONOMOUS VEHICLES

BLOCKCHAIN TECHNOLOGY

DINING & TRAVEL EXPERIENCE

Megatrends

TRAVEL MOBILITY

Travel facilitation measures in particular, including customs and immigration policies and visa requirements for visitor entry, are key components in ensuring ease of mobility between destinations. When these processes are made time-consuming, expensive or bureaucratic, they can act as disincentives for travel to that destination.

Indeed, a destination can be made more desirable when such processes are instead streamlined and efficient.

When managed effectively, transport and tourism synergies can improve visitor mobility to and within destinations, enhance visitor satisfaction, and help to secure the economic viability of local transport systems and services by servicing both residents and tourists. Ensuring that the medium-to long-term needs of the tourism industry are considered by governments as part of transport access and infrastructure planning can help to maximise and spread the socio-economic benefits of tourism more widely and manage visitor impacts over time.

Megatrends

FUTURE TRENDS

Tourist Trends

TRENDS & CHANGING DEMAND BEHAVIOURS AFFECTING TRAVEL

With travelers' desire for new experiences, the rapid global technological advancements, climate change, and other dynamics, the travel and tourism industry is constantly transforming. From experiential and transformative travel to automation and Bleisure trips, there are new opportunities tourist operators should focus on.

Pent-up demand for leisure travel

- Accumulated savings as a result of lockdowns
- Revenge travel given the lost 2020

Focus on hotels with wellness and spa

- Travellers look to unwind after a grim 2020
- Hotels with wellness programmes and spa facilities expected to benefit

Disruption in business travel

- Business expected to lag behind leisure travel
- Business needs are reassessed (shifting to online etc.)
- Bleisure travel is a growing tourism trend where people traveling for work or business include some leisure time at their destination

Increased health & safety compliance levels

- Increased levels of hygiene required by guests
- Technology that reduces contact with frequently touched surfaces

Alternative accommodation on the rise

- Smaller boutique hotels and non-collective accommodation favoured
- Offer flexibility in privacy (size) and location

Demand for flexible cancellation policies

- Flexibility to cancel or amend reservation encourages bookings
- However, risk of double bookings exists

Tourist Trends

CHANGING TOURIST PROFILE

The majority of tourists visiting Malta (47%) in 2019 were influenced by digital media or through the recommendation of friends or relatives (37%). Connectivity also played an important role in shaping tourist decisions, with 43% visiting Malta on account of good flight connections.

With 81% of total inbound tourists visiting Malta on holiday, travel for business purposes also grew by 5% between 2018 and 2019. Of those who visited the Islands, 25% stated that Malta exceeded their expectations, 67% claimed that the Malta experience lived up to their expectations, whilst 9% were left disappointed with their holiday in Malta.

Socio-Demographic Profile

The average age of tourists visiting Malta is 51 years old.

Age groups:
20% are under 25 years
40% are between 25-44 years
30% are between 45-64 years
10% are older than 65 years

49% visited for the sun and sea or cultural experience

Growing trends:
16% came to Malta for sun
11% for a cultural experience
8% to visit friends and relatives
7% came for business
8% for diving and other sports
5% for wellness
3% to study English

74% visited for the first time

74% of tourists in 2019 visited Malta for the first time.

48% of total guest nights in private accommodation

The majority still opt to stay in collective accommodation, however the shift towards private accommodation is clear, as this accounted for 48% of total guest nights in 2019.

30% booked a package holiday

A vast majority of tourists booked a non-package holiday, with only 30% opting for a traditional package holiday.

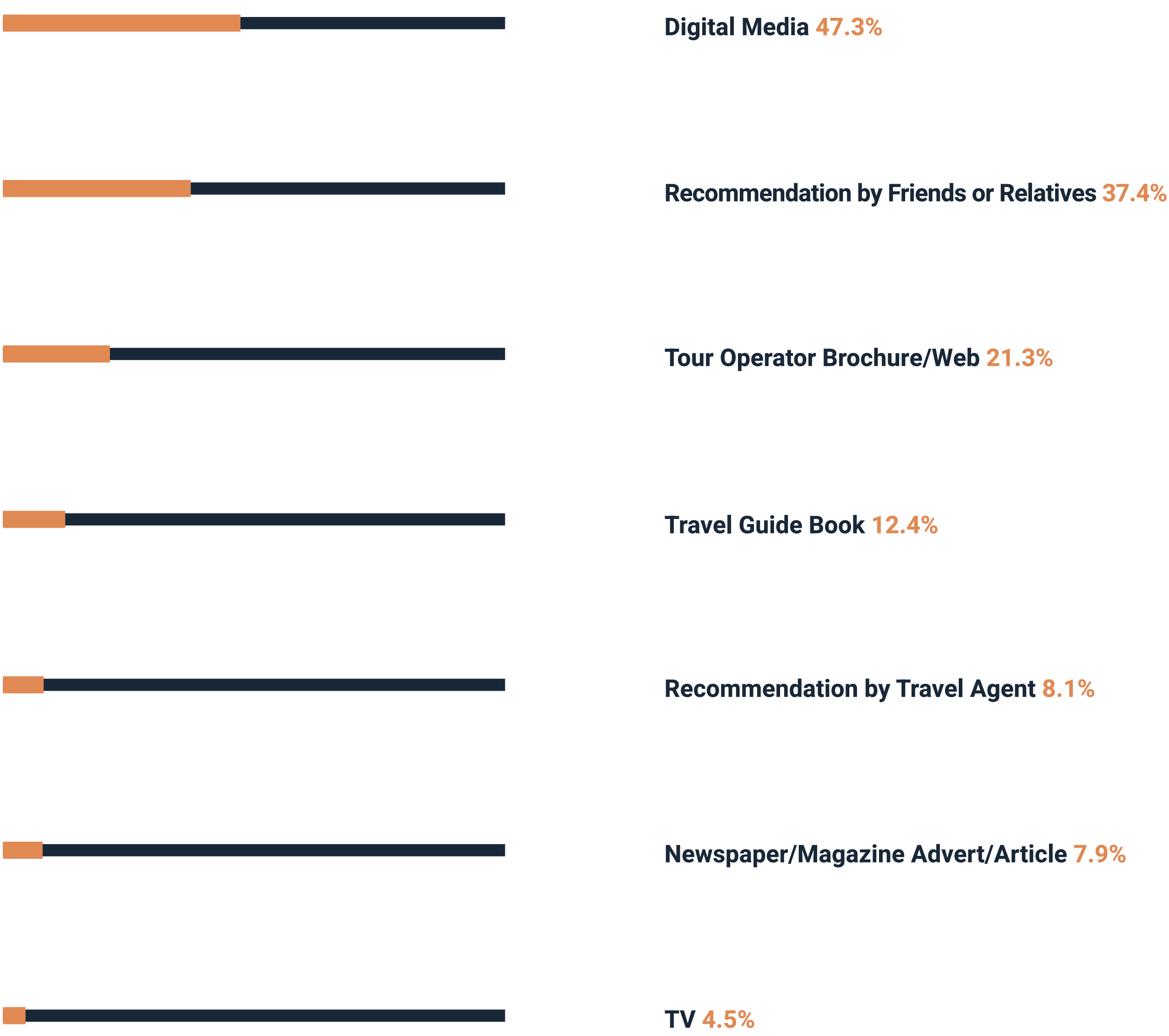
43% influenced by good flight connections

The main criteria influencing choice of destination for tourists who visited Malta in 2019 was the opportunity to visit a new destination, with this being mentioned by 60% of tourists.

Source: MTA, NSO, 2021

Tourist Trends

DESTINATION CHOICE INFLUENCERS



Source: NSO & MTA Traveller Survey 2019

Regional Trends

REGIONAL TOURISM TRENDS

In 2019, the Mediterranean region fared amongst the best performing regions in Europe in terms of tourist arrivals when compared to 2018. With an average growth rate of 6%, the Mediterranean region comes at 2 percentage points higher than Europe and the world as a whole. However, this region was also worse hit by the pandemic, seeing arrival numbers falling by 74%, compared to 69% for Europe and 73% for the entire world.

Malta was one of the best performing countries in the Mediterranean, both when compared to its competing neighbours in the region, as well as with the rest of Europe and the World. Tourist arrivals grew by 6% in 2019, with Turkey and Tunisia being the only two Mediterranean countries recording a higher growth rate. In 2020, tourist arrivals in Malta fell by 76%, in line with Greece and Spain, although trailing behind Italy, Croatia and Turkey. The worse hit tourist destination in the region was Cyprus at -84%.

Percentage changes in tourist arrivals

	19/18	20/19
World	4%	-73%
Europe	4%	-69%
Mediterranean	6%	-74%

	19/18	20/19	2019
Malta	6%	-76%	2.8 Million
Cyprus	1%	-84%	4 Million
Croatia	4%	-68%	17.4 Million
Italy	5%	-61%	64.5 Million
Greece	4%	-77%	31.3 Million
Spain	1%	-77%	83.5 Million
Turkey	12%	-69%	51.2 Million
Tunisia	14%	-79%	9.4 Million

Source: UNWTO, world tourism statistics, 2021

Regional Trends

STRATEGY REVIEWS OF KEY TOURIST DESTINATIONS

Throughout the years, countries all over the world have devised strategies and allocated resources towards identifying unique selling propositions to differentiate their tourism product, and further develop and grow their tourism industry. Enjoying warm and sunny climates for most of the year, tourism strategies in many Mediterranean countries have typically revolved around promoting "sun and sea" tourism as their main service offering. With seismic events such as the Covid-19 pandemic, coupled with continuously evolving consumer behaviours and shifting global trends, new strategies are now being designed on renewed fundamentals of growth that are underpinned by a long-term vision which promotes sustainability, higher quality and more diversification of product. The following is a high-level presentation of the key strategic directions being taken by key tourist destinations in the Mediterranean region. A more detailed analysis is annexed to the end of this report.

Overall Strategy

Cyprus	Croatia	Italy	Greece
Focus on quality not quantity Extend season over the full year Promote tourism in less visited regions of the island Promote niche tourism	Strengthen competitiveness and sustainability Develop smart skills for innovative and sustainable tourism Develop entrepreneurship in tourism value chain Promote digitalisation and innovation Differentiate tourism product and services	Enhance natural and cultural heritage assets Make the tourism experience visitor-centric Innovate to add value to tourist experience and create smart tourism jobs Ensure integration and interoperability of resources and strategy across value chain	Improve the competitiveness, quality, authenticity, resilience, and sustainability of the tourism product Boost investment in high quality accommodation with a low environmental footprint Ensure that all developments are in line with the UN SDGs
Spain	**Turkey**	**Tunisia**	
Transform Spain into model of sustainable growth Protect natural and cultural heritage on which the sector depends Widen collaboration and involvement of all stakeholders Strengthen PPP mechanism Support state of 'permanent adaptability' in line with fast-moving trends	Diversify product in line with changing consumer trends Innovate digitally to create smart destination Extend tourist season Raise service quality Attract high spend visitors Increase length of stay	Develop quality-based tourism in a sustainable framework Diversify product in line with regional specificities Improve service quality through targeted training programmes	

Source: Seed's proprietary research

Malta Trends

TOURIST ARRIVALS AND GUEST NIGHTS

The number of tourist arrivals during the period between 2010 and 2019 increased by 1.4 million to reach a record number of 2.75 million tourist by the end of 2019. This amounts to an average annual growth rate of 8.3%. Similarly, bed nights increased by more than 8 million during this period, representing an average annual growth rate of 6.3%.

Period of sustained growth, pre Covid, which exceeded 2.7 million tourists

Source: NSO, 2021

Malta Trends

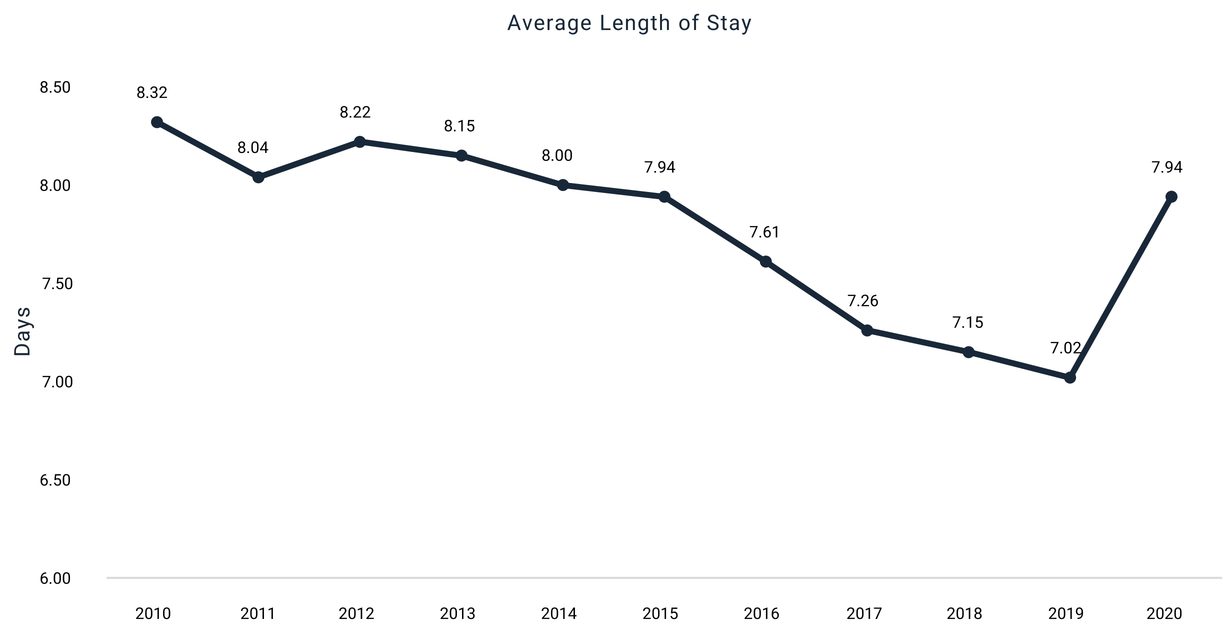
LENGTH OF STAY

Tourist arrivals increased at a faster rate than tourist guest nights, resulting in lower average length of stays.

Average length of stay between 2010 and 2019 decreased by 17% to 7.02 days.

Tourists staying in collective accommodation spent an average of 6 days in Malta, which is less than the 9-day average spent by those opting for private accommodation.

Average length of stays continue to get shorter



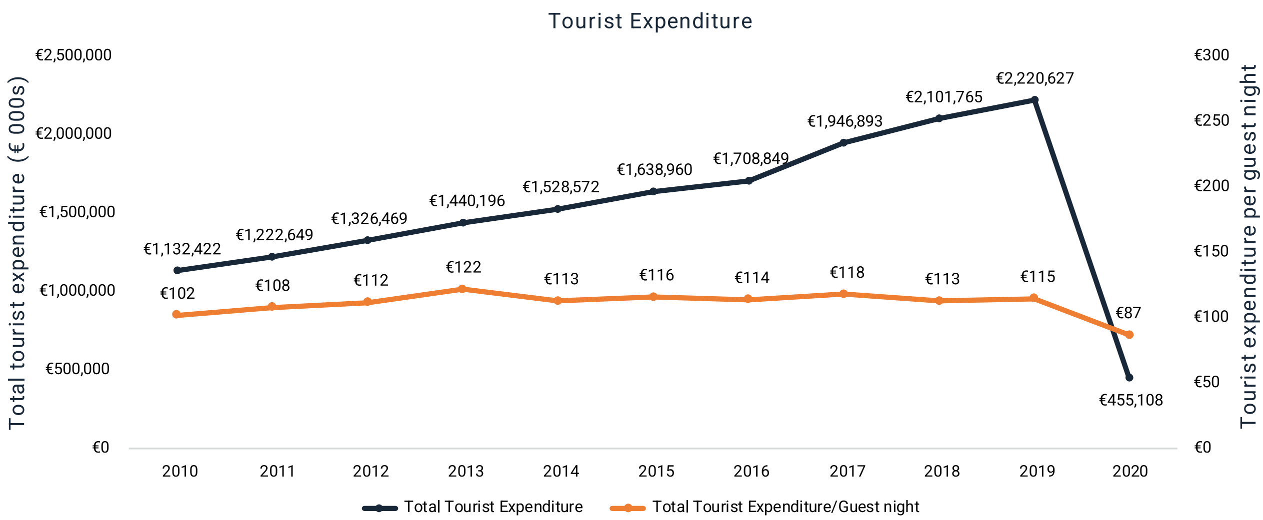
Source: NSO, 2021

Malta Trends

EXPENDITURE

In view of these results, tourist expenditure grew by €1.1 billion over the ten-year period between 2010 and 2019 to reach €2.2 billion by end of 2019. However, the increase in expenditure has been primarily driven by volume rather than spend, with tourist expenditure per guest night remaining rather flat for the past years. This said, travel costs have been on the decline because of low-cost carriers and more out of tourist expenditure was being directed to other expenditure items, including accommodation and restaurants.

Growth in overall expenditure driven by volume not spend



Source: NSO, 2021

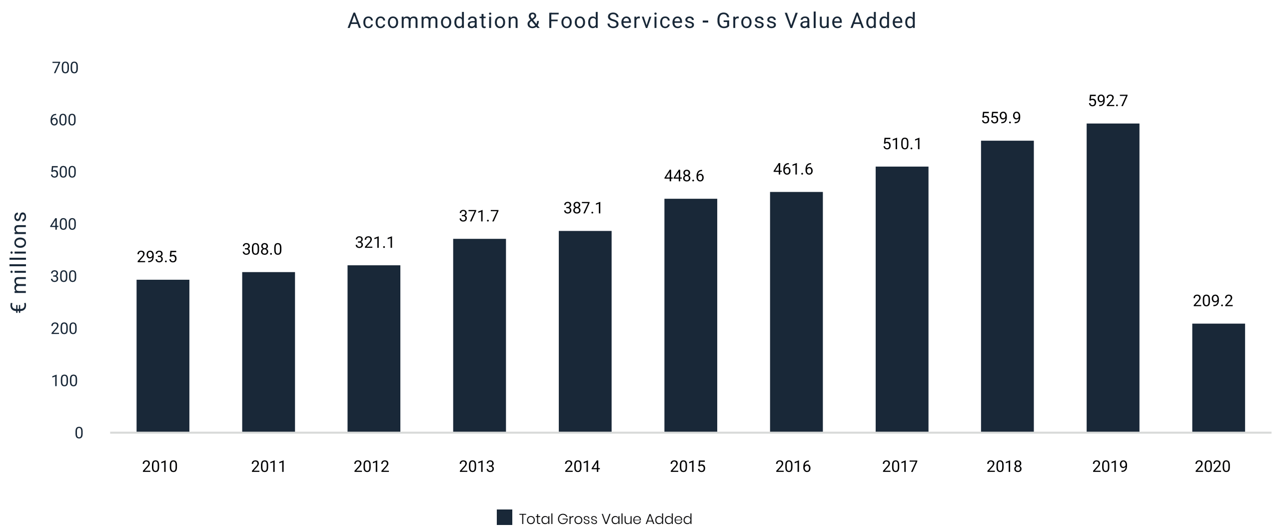
Malta Trends

ECONOMIC CONTRIBUTION

On the back of these results, the accommodation and restaurant sector has been growing on average by 8.1% annually during this reference period and by 2019 accounted for close to 5% of the total economy. To meet this increased demand, registered employment within the accommodation and restaurant sector also increased substantially by more than 5,200 employees and today the sector directly employs more than 19,000 employees.

Whilst tourism is estimated to directly account for around 5% of the economy in 2019, the industry feeds into multiple other sectors. Retail trade, for example is a major recipient of tourism activity. So is transport and the entertainment sector. Taking into account these indirect effects results in an overall contribution towards the economy of around 12%, which goes up to 17% if the induced contribution is also added up (Understanding the Economic Contribution of Tourism in Malta: A Literature Review, I. Cassar; K. Vella; S. Buttigieg, 2017).

Unarguably, tourism has been the worst-hit sector in 2020, taking the full brunt of the COVID-19 crisis. With travel bans in place for most part of the year, tourist numbers and bed nights fell to an all-time low, reporting just above 600,000 tourists and 5 million nights in 2020. Tourist expenditure plummeted from €2.2 billion in 2019 to €455 million in 2020 with the sector's GVA contracting by more than 64%. As a result, the sector's share of the total economy in 2020 stood at just 1.8%, down by 3.1 percentage points over the previous years. Latest indications for 2021 suggest that the sector has started to rebound although the ensuing uncertainty and changing health protocols continue to delay the industry's full recovery.



Source: NSO, 2021

A Renewed Vision for the Tourism Industry

Sustainability in growth.

Our vision for tourism is holistic in nature and covers several dimensions. However, the goal and aim of the vision is **sustainability**. We believe that any economic development, in any sector, needs to be sustainable in the long-term for it to truly lead to improved outcomes.

The successful realisation of this vision, building on our existing leading position, would mean that by 2030 Malta would be established as:

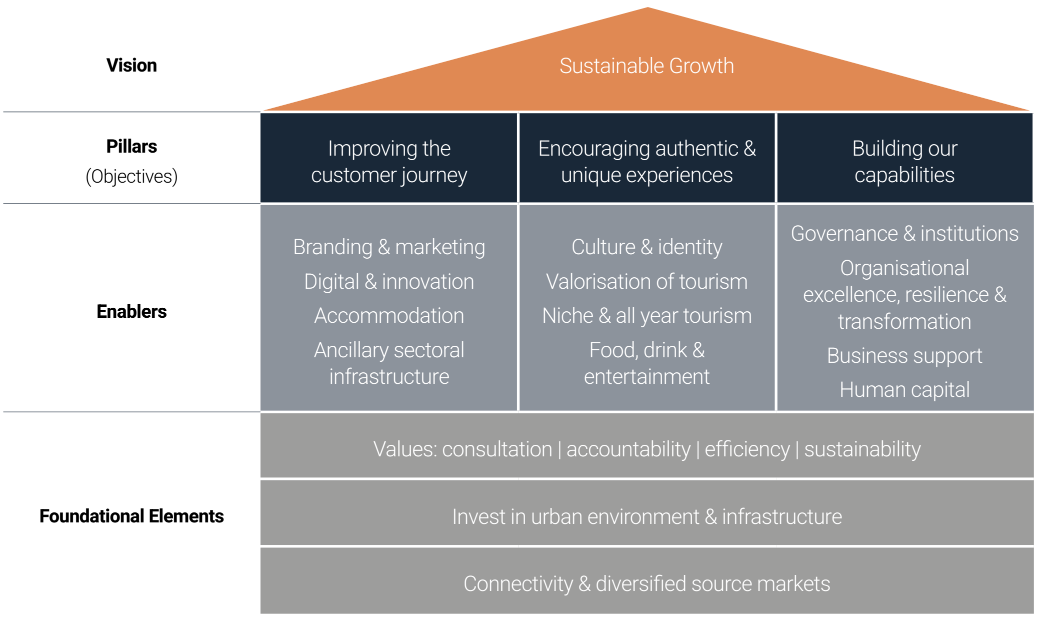
- **a year-round destination, reducing its seasonality**
- **a quality destination, attracting tourists that contribute to the economy**
- **a service-destination, with tourist operators embracing digital transformation and service delivery upgrades**

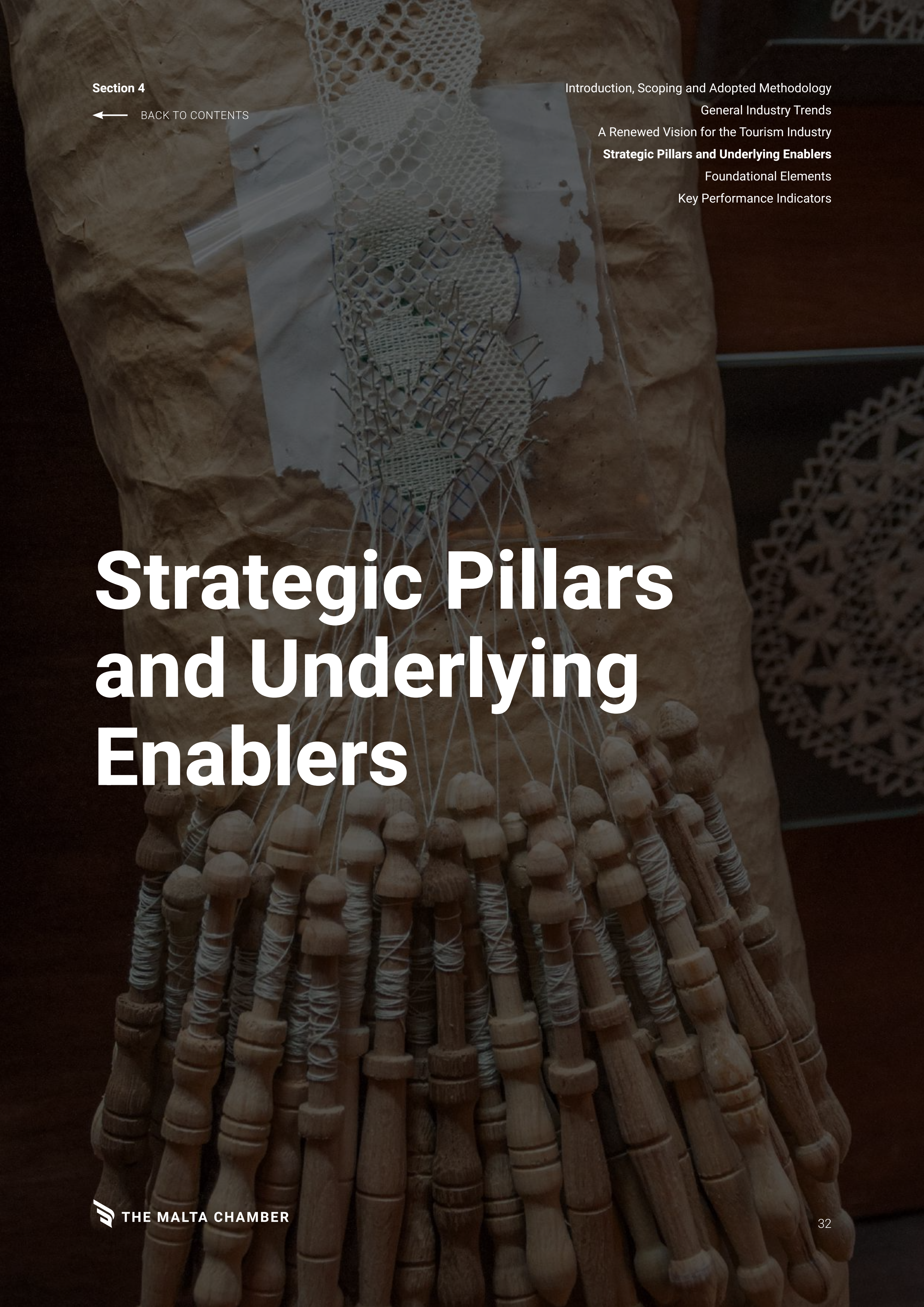
To this end, and based on our research, we believe that a renewed vision for Malta should be based on three main pillars:

- **Improving the customer journey**
- **Encouraging authentic and unique experiences**
- **Building our capabilities**

Several key enablers drive each of these pillars, rooted in a series of distinct and critical foundational elements. A series of strategic recommendations are identified for each enabler under the respective pillars. These are supported by action points which are required for their effective implementation, which can be tracked on a yearly basis against key performance indicators which are identified wherever applicable.

Strategic framework for Malta's tourism industry





BACK TO CONTENTS

Strategic Pillars and Underlying Enablers

Pillar 1:
Improving the customer journey

Tourism is a journey, and the tourist is the main protagonist. The journey is all about touchpoints that start way before the actual holiday and include the brand of the country, the messaging, the booking, the information available and all the direct touchpoints once the tourist lands. The journey and the experience are constantly evolving as new communication channels emerge and new digital technologies shape our daily life. Ensuring that the customer journey is smooth is a cornerstone of any tourism policy and strategy. As a country, we need to embrace and deliver a unique customer journey all-throughout the lifecycle of a tourist.

Improving the customer journey

BRANDING & MARKETING

A brand is an asset that must be managed by a distinct and varied set of channels in order to achieve the desired objectives. One key dimension of any country's brand is how well its tourism industry is performing, as this directly correlates with how well promoted a country is internationally and the positioning of its image in the market. Globally, country brands are commonly measured through extensive market research, surveys and opinion studies.

One of the most referenced brand assessments is the Country Brand Ranking, developed by Bloom Consulting, which covers 198 unique country and territory brands. It is based on 4 distinct variables, related to the tourism industry, which together provide the country ranking.

These include:

Variable 1

Economic Performance

Economic success, whether obtained intentionally by a tailored strategy or not, is the most important aspect in measuring an effective country brand as tourists will travel to a country that has a stronger appeal and greater attractiveness as a tourist destination.

Variable 2

Digital Demand

It is estimated that 65% of global leisure travellers use the Internet as a trusted source of information when choosing a travel destination. For this reason, Bloom Consulting measures the total online search volume for tourism-related activities and attractions within the country to assess the online behaviour and decision-making processes of tourists. It analyses online tourism-related search data across 47 brandtags, each comprising destination-specific keywords correlated to accommodation options, general tourist information and specific activities.

Variable 3

Country Brand Strategy (CBS)

The third variable evaluates the accuracy of the strategic positioning of the national tourism organizations (NTOs) of all 198 countries and territories included in the ranking. Bloom Consulting measures an NTO's accuracy by means of formulae that compare the most popular brandtags for a specific country to the most heavily promoted brandtags by that country's NTO.

Variable 4

Online Performance

Given the importance of digital strategic positioning and communication in the success of a country brand, the final variable assesses the NTO's website analytics, as well as social media data to analyse and evaluate the total online presence of a country brand.

Improving the customer journey

BRANDING & MARKETING

Against these variables, Malta ranks 22nd place out of a total 42 countries within the European region in the latest version of this index, falling 3 places from the previous edition. Spain tops the list, and expectedly followed by UK, Italy, France and Germany, whose marketing resources are quite significant and whose place within the travel industry, as key European markets, is very difficult to challenge. Turkey, Greece and Croatia, which are popular Mediterranean destinations, also rank among the top 10 countries for their tourist product branding. Cyprus, comes in at 25th place.

Meanwhile, in terms of brand strategy, Bloom Consulting gives Malta an 'A' CBS rating which suggests that Malta's strategic and promotional positioning is strongly focused on tourism related brandtags with the highest demand as measured by total online searches from international tourists.

Top 10 Country Brand Ranking

1	Spain
2	United Kingdom
3	Italy
4	France
5	Germany
6	Turkey
7	Portugal
8	Switzerland
9	Greece
10	Croatia
22	**Malta**

CBS Rating

Very Strong	AAA
Strong	AA
Slightly Strong	**A**
Very Good	BBB
Good	BB
Slightly Good	B
Slightly Weak	CCC
Weak	CC
Very Weak	C
Poor	D

Source: Bloom Consulting Country Brand Ranking 2019 | 2020 (Tourism Edition)

Improving the customer journey

BRANDING & MARKETING

Recommendations

STRATEGIC DIRECTIONS:

- Continue promoting the destination, especially in the off-peak months, highlighting its safety, unique identity, cultural richness and high-quality offering.
- Increase collaboration between the Malta Tourism Authority (MTA) and the local private sector to ensure that Malta's ongoing promotion strategies and campaigns are based on effective and consistent communication and consultation. The industry feels that the MTA should channel more of its marketing efforts through MTA licensed operators, rather than focus on providing this support to feeder operators.
- Implement a dedicated marketing strategy for Valletta as a destination in its own right, focusing on its unique culture and heritage.
- Implement a dedicated marketing strategy for Gozo, targeting specific niche areas and activities.
- Continue exploring different, unconventional promotional platforms - influencers, vlogs, citizen media - to promote Malta's unique culture and way of life.
- Encourage repeat visits to the destination and drive visitors to become promoters of the destination. With 37% of tourists visiting Malta having been influenced by friends or relatives, word of mouth (sometimes through social media platforms) remains the best form of advertising.
- Explore twinning opportunities between Malta and Sicily to promote the two destinations jointly in certain long-distance markets such as the USA.

"Valletta is one of Malta's gems and offers a very strong proposition to our tourism product. It also serves as one of the best examples of fusion between public and private investment, underpinned by a coordinated and strategic vision which should become the blueprint for regeneration in other tourist hotspots."

Andrei Imbroll Chairperson at VBL Group

Improving the customer journey

BRANDING & MARKETING

Recommendations

ACTION POINTS:

- Incentivise direct marketing by licensed entities to market their product, and by default the destination, by way of a grant of up to €25,000 per year to be used on pre-approved parameters governing foreign marketing campaigns.
- Seek artists, producers and other content creators who have an international appeal and who may be interested in promoting Malta.
- Design a loyalty scheme aimed at increasing return visits by offering free or discounted rates within a certain time window at a variety of attractions and transport mobility services. This could be integrated within the current Malta Pass but would need to add more attractions, and the attractions themselves need to be varied from time to time.
- Encourage venues, attractions, accommodation and other operators to offer a 'referral' scheme of some sort drawing on options already available for other applications which use automatic generated unique code identifiers to redeem points, discounts or cash. Such schemes need to be accessible by both B2C and B2B selling distribution channels.
- Incentivise the adoption of an industry driven NPS (Net Promoter Score) to increase and improve insights into the visitor experience – this will provide a measurable basis for monitoring visitor satisfaction as well as the required information to design timely and effective strategic responses to any emerging issues.

Improving the customer journey

DIGITAL & INNOVATION

The digital revolution has transformed the economy and society, starting off with the development of a connected economy, characterized by mass take-up of the Internet and the roll-out of broadband networks and more recently through the increasing use of digital platforms as business models for the supply of goods and services. Today, the adoption and integration of advanced digital technologies such as fifth generation (5G) mobile networks, the Internet of things (IoT), cloud computing, artificial intelligence (AI) and big data analysis means that we are moving from a hyperconnected world to one of digitalised economies and societies. It is a world in which the traditional economy, with its organisational, productive and governance systems, overlaps or merges with the digital economy, with its innovative features in terms of business models, production, business organization and governance. This results in a new, digitally interwoven system in which models from both spheres interact, giving rise to more complex ecosystems that are currently undergoing organisational, institutional, and regulatory transformation.

Digital technology is evolving from playing a mere support role in the process system into a strategic role in the decision-making system. This evolution will become a key factor for businesses pursuing higher quality and efficiency. To unbundle digital transformation and what firms need to do, it is important to trace some of the key technology drivers that are enabling this transformation:

Demand prediction and pricing optimisation [AI]

Prediction models can be used to determine stocking levels and staffing requirements. In tourism related sectors, AI could be used to optimise pricing levels based on a range of modelling techniques.

Automated Inventory Monitoring and Management [IoT]

Various IoT devices can be used to automate inventory monitoring including cameras, RFID tags, and other IoT sensors. Alerts can be configured to automatically alert or initiate a process to replenish inventory if required.

Voice activated and interactive waiter and concierge systems [AI and IoT]

Many waiter and concierge services could be transformed into interactive, software-based systems which continue to give the perception of human interaction. This can be achieved using both voice activated and enabled systems as well as chat-bot like interfaces. Not only is this a solution to the issue of human resources, however it also provides a more efficient service for clients. Different IoT devices and interfaces can provide different means of interacting with clients and automating processes.

Live translation tools [AI]

The tourism industry requires staff that are ideally versed in various languages. However, beyond a general human resourcing problem, it is even harder to find staff able to communicate in languages often required to ensure effective communications with customers. Live translation tools and systems could be used to automatically translate between clients and staff, thus widening the pool of potential staff.

Improving the customer journey

DIGITAL & INNOVATION

Recommendations

STRATEGIC DIRECTIONS:

- Educate the sector on the importance of digitalisation and work towards altering the perception of this trend as being an opportunity to enhance skills and job quality, rather than a threat to employment. Digitalisation will not only improve the customer journey and the customer experience but can serve as an essential tool to facilitate operations.
- Support enterprises in the digitalisation of their internal processes, including through the provision of financial and/or technical support, in order to drive efficiency in the private sector.
- Encourage the smart use of emerging technologies such as AI, IOT, 5G Network and Augmented/Virtual Realities, amongst others, to increase the value of the customer journey and improve the organisational excellence of operators in the sector.
- Incentivise the use of technology to improve sanitary standards and safety by reducing human intervention in cleaning and similar processes.

ACTION POINTS:

- Carry out a sectoral review to measure its digital readiness and then identify all opportunities for digital transformation.
- Allocate funds and technical resources to ramp up digitalisation and innovation efforts, including those within public sector organisations. The objective is for systems to be API (Application Programming Interface) ready to secure effective connectivity across all industry operators.
- Introduce a smart and open-source Tourism Observatory which enables the use of big data and advanced business intelligence tools to monitor Malta's tourism performance, including projections and scenario modelling for planning purposes.
- Use digital and smart billboards (similar to those used by TM for transport information) in tourist hotspots to provide real time tourist information, including certain do's and don'ts with respect to the surrounding environs and host community, expressed in a friendly and hospitable manner.

"For Maltese museums and cultural institutions aspiring to stay relevant, the way forward is Phygital. The equilibrium of digital and physical experiences holds potential to reach new and traditional publics irrespective of time and geographic location."

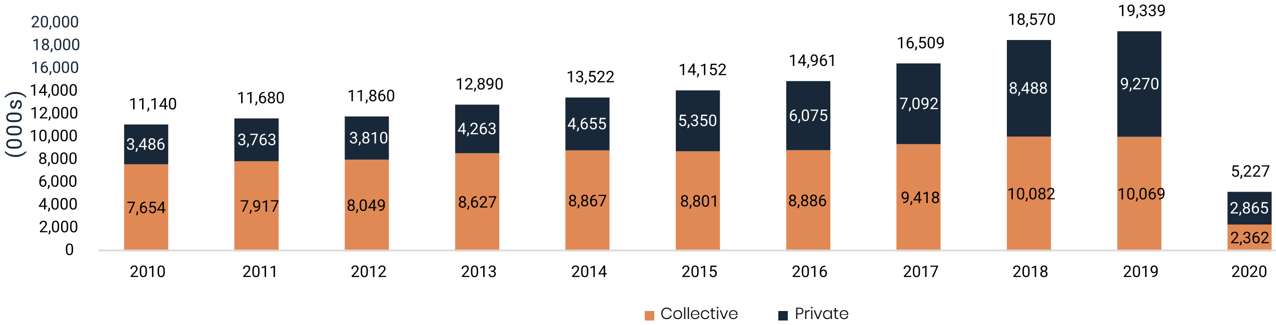
Sandro Debono Department of Arts, Open Communities and Adult Education, Faculty of Education | University of Malta

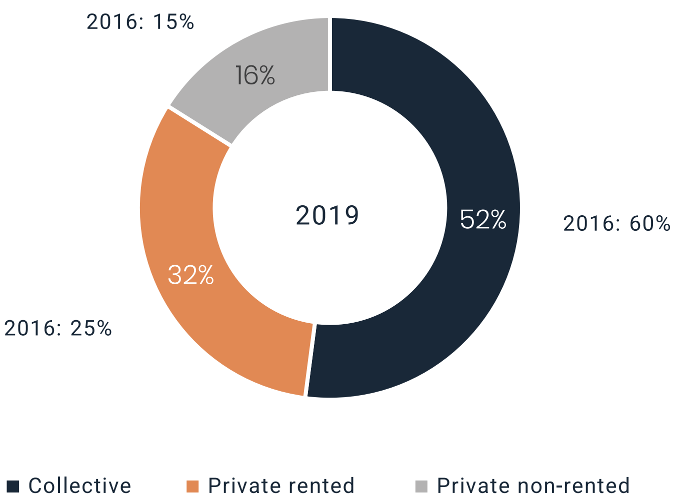
Improving the customer journey

ACCOMMODATION - TRENDS

The steady increase in guest-nights over the past ten years was most pronounced in the private accommodation sector. Private accommodation grew by 166% in 2019, when compared to 2010, and accounted for 48% of total guest nights. On the other hand, guest nights in collective accommodation increased by a far more conservative 32% over the same period.

Tourist Accommodation - Split by Collective and Private (2010-2020)





Source: NSO, 2021

Private accommodation is split between rented (such as AirBnB) and non-rented. 16% of all guest nights are spent in non-rented accommodation, mostly relating to the growing expat community which is attracting visits from family and friends who typically stay with their host.

Private rented, Airbnb type of accommodation, accounted for 32% of guest nights in 2019, with hotel accommodation accounting for the remaining 52%. Adjusting for guest nights spent in private non-rented accommodation puts the share of guest nights spent in collective accommodation at 62%. Notwithstanding this adjustment, the shift from collective to private rented accommodation remains very much evident, with the share of collective accommodation guest nights in 2016 having been close to 70%. On the other hand, the share of guest nights spent in private rented accommodation, following this adjustment, increased by 8 percentage points, from 30% in 2016 to 38% in 2019.

Improving the customer journey

ACCOMMODATION - KEY DEVELOPMENTS FOR AIRBNB IN MALTA

The changing trend in tourists' preference to stay in private accommodation is a global phenomenon and not exclusive to Malta. Since its establishment in 2008, Airbnb has emerged as a major global player in linking property owners with prospective visitors. In essence, the shift to private accommodation may reflect increasing attention to the concept of value for money, and visitors searching for more experiential tourism and authentic local experiences.

Platforms such as Airbnb provide guests with various benefits such as simplicity of use, lower daily rental rates, peer review and user feedback, as well as access to localities not typically used to host tourists. Property owners, on the other hand, benefit from having access to a wider customer base that allows them to unlock and monetise their spaces whilst at the same time retaining the flexibility that comes with short-term rentals.

Locally, the platform has contributed to the growth in tourist numbers, by increasing the total bed stock particularly during the summer months, at a time when collective accommodation was operating at full occupancy and growing tourist numbers had exceeded the country's carrying capacity. With the supply of beds in both collective and private accommodation gradually catching up with a stabilising level of tourist arrivals, collective accommodation establishments started to experience a slowdown in tourist arrivals as far back as 2018, with annual growth in hotel guest nights turning negative by January 2019. This development is leading to a pronounced divergence between collective and private accommodation decisions and there have been calls by various hoteliers to regulate this segment, in particular to standards and taxation, observing that unregulated short-term lets is altering the level playing field to which hotels are expected to abide.

Total Listings

In 2019, there was a total of 8,761 Airbnb listings in Malta and Gozo.

Price characteristics

The average price per listing in 2019 was €80 per night.

Factors which influence the price of a listing are:
Extra bedroom – increase of 27%
Extra guest – increase of 6.5%
Pool availability – increase of 21%
Sea views – increase of 14%

Occupancy

Airbnb listings are estimated to have an occupancy rate of close to 70%.

Dwelling type

63% of Airbnb listings in Malta are 'whole-dwelling listings', 33% are private rooms, and the remaining 4% being shared rooms. Whole-dwelling listings are comprised of apartments (63.5%), houses and townhouses (15.8%) and villas (4.6%).

Several hosts on Airbnb have multiple listings.

Night availabilities

Properties listed on Airbnb are able to accommodate close to 8 million night stays.

Distribution of listings

Listings are distributed widely across Malta and Gozo, although concentrations remain around traditional tourist areas and resort towns.

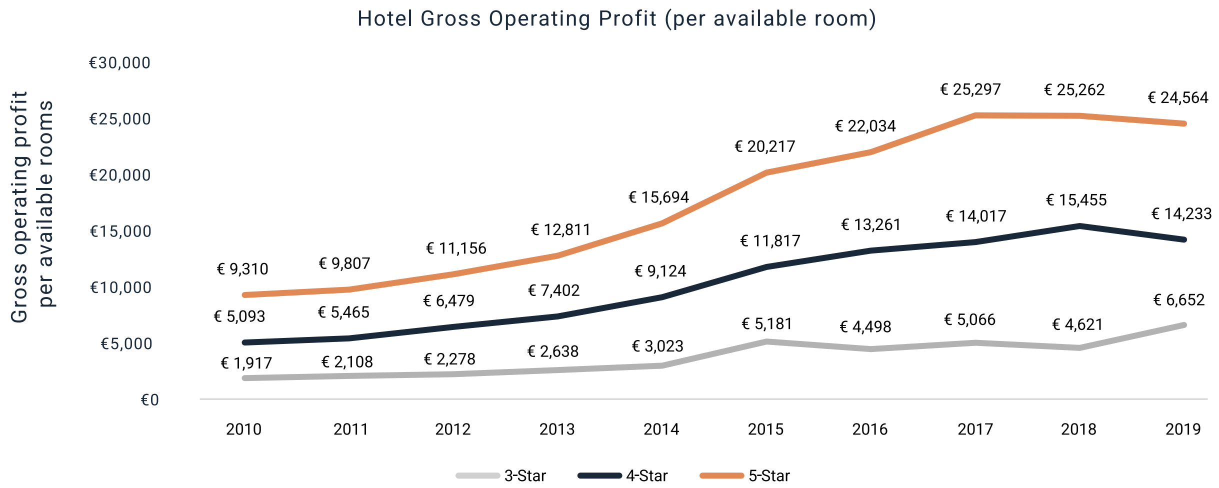
Source: Central Bank of Malta (R.Ellul, 2019)

Improving the customer journey

ACCOMMODATION - HOTEL PERFORMANCE

Hotel profitability more than doubled over the past 10 years, increasing at an average annual rate of 8% for 3-star hotels and by 6% each year for the 4-star and 5-star categories.

However, profitability levels for 4-star and 5-star hotels appeared to have already plateaued pre-COVID, on account of the ever-growing shift towards non-hotel accommodation and compounded further by the increase in hotel bed stock supply.



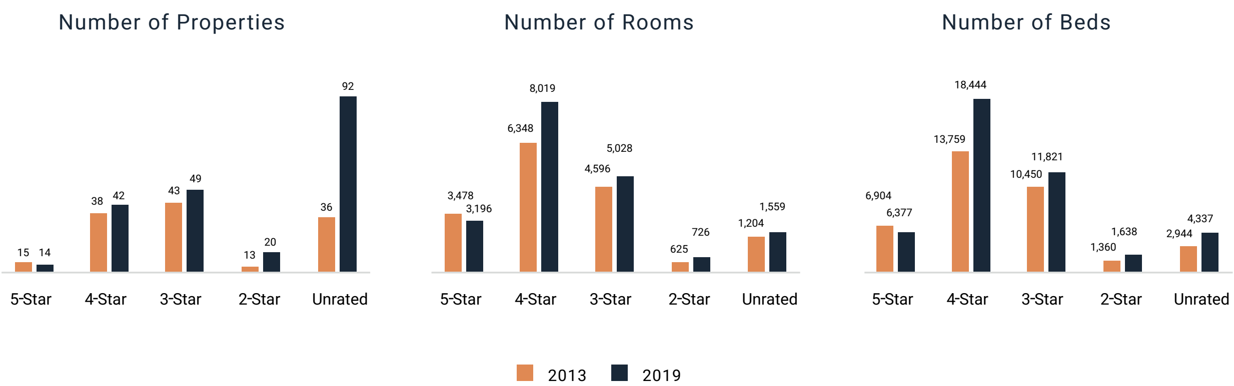
Source: Deloitte Hotel Survey

Improving the customer journey

ACCOMMODATION - BED STOCK

In fact, between 2013 and 2019, the total number of hotel rooms increased by 2,277, with the number of beds increasing by 7,200. The majority of new properties (+60) operating in the collective accommodation sector were unrated. Most of them are boutique hotels, for which the MTA has no specific classification. This increase translated into an additional 355 rooms and 1,393 beds.

The 4–star category accounted for the largest nominal increase in rooms and beds across all categories, over this period, increasing by 1,671 rooms and 4,685 beds, making up 73% of the total growth in rooms and 65% of the total growth in beds.



Source: NSO, Collective Accommodation Statistics, 2020

"One of the most pressing challenges facing the country today, which could have serious ramifications on industry, is the likely threat of over-supply. It is therefore urgent that we take stock of all planned and approved projects, and the structural problems they could create, if market demand falls short of investors' expectations."

Alan Arrigo Chairperson at Tourism Operators Business Section |
The Malta Chamber

Improving the customer journey

ACCOMMODATION - BED STOCK

According to the MTA (Tourism in Malta, Facts and Figures 2019), there were 55,597 licenced beds available in 2019, including licensed third-party properties rented as private accommodation. This accounts to roughly 20.3 million available bed nights. Not factoring in the unlicensed properties and adjusting for guest nights spent in non-rented private accommodation, it is estimated that pre-COVID the industry already had 4 million excess bed nights available.

Meanwhile, the Malta tourism strategy 2021-2030, published for consultation earlier this year, suggests that the licensed bed stock could go up to 100,000 by 2030 if all tourist accommodation projects currently in the pipeline had to materialise. This would result to roughly 36.5 million available bed nights. At the same time, the best case scenario presented in the consultation document projects a maximum number of 3.2 million annual tourist arrivals by 2030, which under current operational constraints and with size related limitations could already prove to be an optimistic estimate. Assuming a 7-day average length of stay would generate roughly 22.4 million guest nights, which is 14.1 million nights short of the projected capacity. Accordingly, this would result in an unprofitable occupancy of 61.3%. Adjusting for those that would stay in private non-rented accommodation, currently 16% of all guest nights, would result excess capacity of available bed nights to increase to 17.7 million. Adding unlicensed bed-stock would dilute occupancies even further, which according to the consultation document would stand at close to 50%.

	Tourist Arrivals	Tourist guest nights	Average length of stay (in days)	Guest nights spent in collective or private rented accommodation	Estimated number of licensed beds	Estimated number of licensed bed nights	Excess number of bed nights
2019	2,753,239	19,338,860	7	16,230,780	55,597	20,292,905	4,062,125
2030	**3,200,000**	**22,400,000**	**7**	**18,816,000**	**100,000**	**36,500,000**	**17,684,000**

Source: NSO, MTA, Seed's estimates

Improving the customer journey

ACCOMMODATION

Recommendations

STRATEGIC DIRECTIONS:

- Set moratorium on applications for tourist accommodation. This should apply with immediate effect to any future applications. Applications that have been approved but are still at a planning stage as at the date of enactment of the moratorium should be reviewed by the MTA in terms of alignment with the sector's new strategy and vision, with investors incentivised and supported to revise plans as required to conform more effectively with same, allocating due weight to the overarching strategic principles of quality and sustainability.
- Restructure current licensing regime to reflect new accommodation concepts and quality standards that match target clientele.
- Revisit hotel star classifications, also in the wake of the growing boutique hotel concept, focusing on raising the quality standards for all properties.
- Address longstanding licensing and enforcement challenges in the non-collective properties segment to ensure high quality standards in line with MTA requirements.
- Create specific incentive schemes for the upgrading, repurposing and renovating of properties to target specific niches; this will also contribute to raising the standards for lower star category properties.

ACTION POINTS:

- Update star requirements particularly those concerning 'moveable' characteristics of properties; this can be done through a legal notice without requiring a change in the Malta Travel and Tourism Services Act. All 'immovable' characteristics of properties need to remain enshrined in the main legislation.
- Enhance and tighten enforcement of standards in hotel accommodation to avoid any sustained deterioration in said standards, particularly in conditions of an increased bed stock since this may lead to price dumping and a subsequent drop in standards which will harm the general image of the destination.
- Update the Tourism Act to reflect new realities concerning the industry, accommodation trends and niche segments.
- Drive an educational campaign to increase the number of host families; mainly targeting young families and pensioners who could benefit from extra income at their particular stage in life.
- Introduce incentives for those ready to host ELT students.

Improving the customer journey

ANCILLARY SECTORAL INFRASTRUCTURE

"A successful tourism strategy is one that encompasses all the different dynamics of a complex operational system, including ancillary supporting services such as transport."

Kevin Vella Chairperson at Koptaco Coaches Cooperative

Tourism is a multi-faceted sector and as Malta continues to build its portfolio of diverse and niche sub-segments, it is imperative that the right infrastructure is available for each segment.

In fact, the customer journey is highly dependent on the availability of quality general and segment-specific infrastructure. For Malta to compete effectively and to build a name and image for itself, infrastructure investment needs to be seen as a priority.

To this end, our recommendations are built on the premise that to attract quality tourists, especially in niche areas, Malta requires to have the infrastructural capacity to deliver on its promise of an exceptional customer journey.

"Over the years Malta has managed to build a very strong cruise liner industry, initially as a port of call but more recently also as a homeport. Building on this success now requires better coordination on the ground to manage cruise liner calls and the resultant surge in passenger volumes, whilst also exploring new ways of selling the attractions Malta has to offer, away from the more popular sites and the customary day time excursions."

Stephen Xuereb CEO at Valletta Cruise Port

Improving the customer journey

ANCILLARY SECTORAL INFRASTRUCTURE

Recommendations

STRATEGIC DIRECTIONS:

- Support industry with more and better infrastructure and facilities for conferences and exhibitions. A permanent convention center built in close proximity to all the main tourist amenities remains critical to the development of a fully-fledged MICE segment.
- Increase marine protection to safeguard sea quality from pollution and the effects of marine activities such as overfishing, all of which are starting to have a negative impact on the local diving sector.
- Invest in 'soft mobility' networks, such as cycle tracks, walking trails and cultural routes.
- Invest in the necessary infrastructure to expand the adventure and sport tourism niches.
- Ensure the ongoing maintenance of current infrastructure, such as shore dive access sites, which are critical for the diving sector especially in the shoulder months.

ACTION POINTS:

- Incentivise the repurposing of public and private properties (especially in dilapidated areas) for the purpose of establishing the necessary infrastructure to service certain niches and create new market opportunities.
- Partner with established branded exhibitions to create a regional edition of key international events.
- Launch the first marine reserve park in the area earmarked off Cirkewwa. It is important that these parks have the necessary resources and equipment to monitor activity and enforce regulations.
- Institute a pre-determined carrying capacity limit for boats in popular beaches around the islands and install ecological moorings that are properly attached to the seabed and managed by Transport Malta. This approach would not only bring about a better organisation of boat moorings inside bays but would also serve to protect the seabed from further damage, which ultimately protects the bay's ecosystem.
- Enable licensed operators to purchase tickets for ferries, museums and other attractions directly through their API system without the need for physical tickets (see Digital and Innovation).
- Extend opening hours for main attractions, such as St. John's Co-Cathedral and other museums in Valletta, especially during the busy summer months and allow for pre-bookings online. Such measures are intended to better manage tourist flows, cut down on queues and ultimately provide an overall better tourist experience.
- Integrate admission data in the most popular attractions with the current VisitMalta app to inform users in real-time of peak visiting hours, whilst also recommending less busy slots; this will assist both tourists and agents plan their itinerary better.

Pillar 2:
Encouraging authentic and unique experiences

Travel has always been about experiencing different cultures, people, cuisines, histories and adventures. Consumers today are becoming more discerning, and travellers want more from their trips than just laying on a beach, visiting an overcrowded tourist site or walking through a museum. The modern savvy traveller wants more than the average tourist experience.

Experience tourism is becoming the norm because consumers would rather spend their money on experiences and not on things. Travelers want to connect with a place on an emotional level, and as a result, it becomes much more than settling for a busy trip packed with a full itinerary in all the touristy hot spots. For many, travel is seen as a way of understanding and appreciating alternative ways of life, learning new things about cultural and natural landscapes, and even as a means of self-discovery.

The emphasis now is on seeking out activities that appeal to niche personal interests rather than on checking must-see sites and monuments off the to-do list. The travel industry today must therefore offer more than just a product. It must offer and promote life-enriching experiences and it must evolve to meet and capitalise on this experiential purchasing trend.

"Incoming agents and destination management companies deliver experiences to guests from B2B customers with varied expectations and standards. It is only by supporting this sector directly that we can ensure quality experiences throughout the guest stay in Malta."

Iain Tonna President at The Federated Association of Travel & Tourism Agents

Encouraging authentic and unique experiences

CULTURE & IDENTITY

Malta's culture is truly unique due to the location of the archipelago and the influence of numerous occupations throughout the islands' long history. Within a mere 316 square kilometres, Malta, Gozo and Comino offer much more than picture-perfect sun, sea, and sand. For the more erudite traveller, the islands represent an enchanting journey through the annals of history, culture, and the very heart of Mediterranean civilization.

The influence of different cultures from different eras is deeply infused in the Maltese people's way of life.

Geographically straddling both Europe and Africa, the Maltese identity has roots in both continents. With a history dating some 7,000 years, the Maltese islands are crammed with striking remnants of the past.

Malta bridges the past with the present and the cultures of Europe with those of the Arabic world. Ultimately, Malta offers a unique Mediterranean experience and any vision for tourism needs to not only respect this but embody our culture and identity.

Our People

Malta is known for its hospitality and its passionate people. The people of Malta are proud and have a strong sense of identity. The Maltese are renowned for their warmth, hospitality, and generosity to strangers.

Our Culture

Malta's culture is reflected in a mixture of Arab and European traditions. Malta's cultural influences stem largely from the country's history of foreign domination and the influence of the Roman Catholic Church. Folk traditions have evolved mainly around the festa that celebrates the patron saint of a village, which is marked by processions, band marches and fireworks.

Our Trade and Crafts

Maltese trades and crafts make up a huge part of this island's rich history, traditions and culture. Most date back several centuries, and although some are unfortunately a dying art, there are many people and artisans who are keeping these traditions alive. Maltese crafts include the art of bizzilla, filigree, weaving, clock-making and glass blowing.

Our Traditions

Carnival is one of the oldest traditions in Malta, dating back to the Knights of St John. New artistic creations are born while traditions are kept alive and revived, particularly with the introduction of satire, a welcoming addition to the historical Maltese Carnival. Traditionally, Carnival sets the stage for a period of spiritual reflection which reaches its climax during the traditional Good Friday processions and the unique Easter celebrations on a typical spring Sunday morning.

Our Cuisine

Maltese food is rustic in character, full of flavour and colour typical of a central Mediterranean Island. The food is influenced by Malta's proximity to Sicily and North Africa. Traditional food accompanies the Maltese people through life, along with a glass of local wine.

Our History

Malta's strategic location has led to it playing a vital role in the struggles for dominance in the Mediterranean region. As a result, Maltese society has been molded by centuries of foreign rule by various powers. Most recently, Malta gained its independence from Britain in 1964, joining the European Union in 2004 and adopting the Euro in 2008.

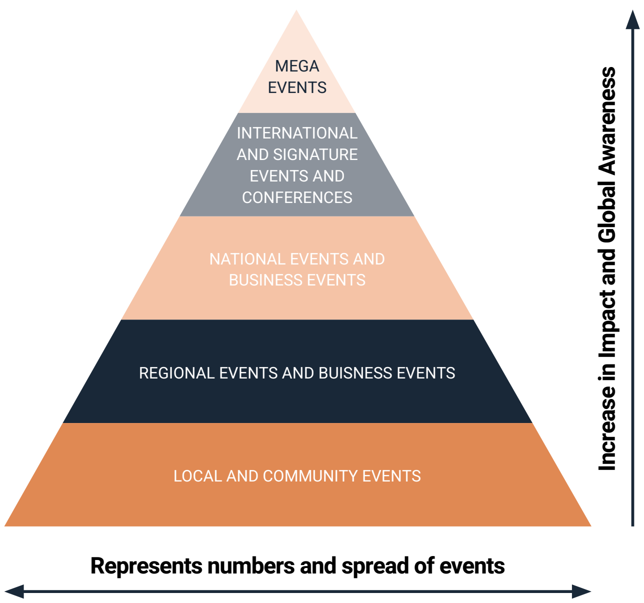
Encouraging authentic and unique experiences

CULTURE & IDENTITY

Recommendations

STRATEGIC DIRECTIONS:

- Redesign the tourism product and redefine branding and communications accordingly to shift the focus to quality, authenticity, history, safety, sustainability, and value for money. The Malta experience must be presented as one that is difficult to find elsewhere and therefore unique, true to its own identity, and not a copy of something else.
- Stop any development from further undermining Malta's natural and cultural assets. Gozo deserves special protection status in this regard to conserve what ultimately makes it unique and different from Malta.
- Halt any further encroachment of ODZ land to preserve the islands' natural and cultural assets.
- Invest in rural areas and villages to promote holistic and sustainable tourist experiences, centring around agritourism, typical cuisine and cultural/heritage sites in the vicinity.
- Build better support for local talent within the arts and culture sector to develop Malta's identity through more homegrown projects, highlighting Malta's authentic identity, heritage and contemporary history.
- Retain the current portfolio approach to events and festivals. As illustrated below, this essentially comprises a carefully curated mix of free and paid events of various types and categories offered across Malta and Gozo throughout the year. Crucially, MTA's role should remain as an enabler and facilitator of events and not as an actual or perceived organiser.



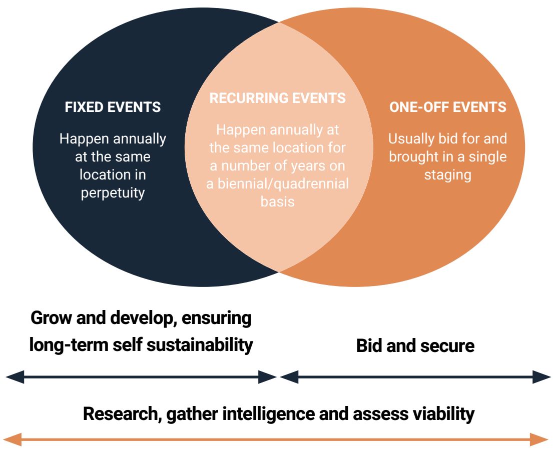
Encouraging authentic and unique experiences

CULTURE & IDENTITY

Recommendations

ACTION POINTS:

- Focus on unique and more varied events that sustain the sector and are true to the local identity. The proposed strategy classifies events and festivals into three categories, allowing for a variety of large and small; music, sport and culture; fixed, recurring and one-off events to be identified and supported.



Importantly, events need to be self-sufficient in the long term and MTA support should only be considered as a form of seed funding, guided by the following underlying principles:

- Measuring and reporting the impacts of events is fundamental to the success of this strategy and a critical area for future planning.
- A detailed and transparent three-year support plan ought to be prepared in order to apply for this seed money towards new original events. Events that do not mature after three years should no longer be supported and released funds should be directed towards new and/or other events/ activities.
- Events need to be planned and promoted early to give enough lead time to generate interest from abroad.

- Provide incentives, in the form of tax credits, to attract donations from private individuals and organisations towards public cultural heritage. This will create an additional financial resource pool for the restoration of other historic places that might not be top priority for Government (e.g. countryside chapels, rural windmills etc.) but which would have a strong connection with businesses and locals in the area, town or village. This scheme could then be administered by local councils to enhance community collaboration in the initiative.
- Facilitate more temporary exhibitions of hidden gems, art, silverware, and other historical artefacts which are privately owned by supporting leading cultural NGOs such as Fondazzjoni Patrimonju Malti.
- Explore opportunities for loaning more exhibits from museums abroad to boost the local museum scene. This will create new experiences for tourists and locals alike, while drawing more visitors to museums where they can then discover the permanent collections housed there. This was successfully done some years back with the Terracotta Warriors exhibit loaned from China.

Encouraging authentic and unique experiences

VALORISATION OF TOURISM

"Tourism needs to be managed in a professional manner to ensure that it is sustainable, responsible and attracts the visitor who wants to be at the destination. Rethink, redevelop and restore tourism carefully and safely."

Julian Zarb President at Malta Tourism Society

There is no doubt that tourism is an important economic pillar. Total tourism expenditure in 2019 registered more than €2.2 billion, over 11% of Malta's GDP.

Yet, despite its importance, several stakeholders have highlighted the fact that the Maltese are no longer valorising the industry as well as employment in the industry.

There are several reasons for this including limits to Malta's carrying capacity of tourists as well as economic trends and new sectors that have provided broader career choices.

Given that tourism is here to stay, stakeholders believe that the Maltese need to fall in love again with the concept of tourism and for them to value even more its importance to the economy. Also, career guidance and more specialised streams in tourism will also support more Maltese going into the sector especially as the country moves up the value chain of tourists.

Our belief is that sustainability and tourism valorisation go hand-in-hand. The more sustainable the model is, the more valorised it becomes and if locals start to value the industry more, for its contribution and impact, they will also contribute towards its sustainability.

"To deliver an excellent tourist experience and quality service requires a concerted effort by all stakeholders to galvanise excellence in our human capital and to drive more people towards pursuing a career in tourism. Through its strategic plan for 2021-2025, ITS is committed to continue improving the quality and inclusiveness of education and skill development, through the delivery of higher education courses, as well as practical training programmes aimed towards upskilling the current workforce."

Pierre Fenech CEO at Institute of Tourism Studies

Encouraging authentic and unique experiences

VALORISATION OF TOURISM

Recommendations

STRATEGIC DIRECTIONS:

- Improve the overall quality of the hospitality and tourism education segment and instil a sense of pride when pursuing a career in hospitality. Locals must feel that it is a career worthy for the Maltese since they are very much an integral part of the authentic Malta offering and the service delivered to tourists.
- Enact the necessary by-laws and encourage sustainable practices to ensure tourism is not negatively affecting the host community, especially in the light of increasing tourist arrivals and a growing local resident population in what was already one of the most densely populated countries in Europe.
- Address the concerns local communities when organising large events to minimise negative external effects.

ACTION POINTS:

- Develop ongoing campaigns in secondary and post-secondary schools to promote careers in hospitality.
- Develop a national education campaign highlighting our civic responsibilities to keep Malta clean, to be courteous, kind and helpful towards others. These qualities need to be rekindled since they are tied to Malta's long-standing tradition for being very hospitable as a country, an attribute that is under pressure as we fast become more cosmopolitan.
- Provide better information to tourists, particularly those staying in private accommodation located in villages, to respect the law, village life and local communities. The message is to encourage tourists to experience authentic village life by being aware of customs and traditions. This information could be communicated by property owners, and this would be stipulated as a licensing requirement. As proposed under the 'Digital and Innovation' enabler, digital tools could also help in this process.
- Introduce criteria set out by the MTA to reduce the inconvenience to local communities, for the organization of events which seek out public funding support. Furthermore, access to future funding should be made conditional on previous events adhering to requirements put in place to safeguard local community interests.

Encouraging authentic and unique experiences

NICHE & ALL-YEAR TOURISM

Over the years Malta has been quite successful in developing a number of key niche markets for the local tourism industry, diversifying its product offering to reduce its overall reliance on sun and sea travellers whilst at the same time enhancing the overall experience of the destination. Today Malta can boast of an established English Language Travel (ELT) sector with strong international contacts and undisputed industry knowledge and experience, a diving sector which competes very well with other diving destinations, and a M.I.C.E (Meetings, Incentives, Conventions and Exhibitions) segment with proven organisational track record of various events, amongst other niches.

Despite these hard-earned achievements, COVID-19 exposed several inherent vulnerabilities reminding us of the stark reality that no success should be taken for granted, particularly in the face of competition from established and emerging destinations which have started to focus more on quality, experiences and product authenticity.

Against this backdrop, it is very important for the country to continue positioning itself among other market leaders in the respective segments, through sustained investment, direction and support. Banking on our strengths, it is likewise important to continue developing the overall tourism product by diversifying into other novel niches.

"Close to half of all student arrivals coming to Malta to learn English pre-2020 are adults, whose stay in Malta is typically triple the amount of days spent by the average tourist. Accounting for approximately 8.1% of all tourist guest nights and around 6.5% of total tourist expenditure in 2019, the ELT sector has become a key segment of the local tourism industry."

Rebecca Bonnici Chairperson at Federation of English Language Teaching Organisation Malta

"Our diving product competes very well with other destinations in the Mediterranean region, however the sector is also facing several structural challenges and environmental concerns which need to be addressed within a broader tourism strategy."

Simon Sciberras Chairperson at Professional Diving Schools Association

Encouraging authentic and unique experiences

NICHE & ALL-YEAR TOURISM

"Malta prides itself of being among the safest countries and ranks first in terms of Equality Rights for the LGBTIQ community, however still lacks a strategy and vision to match up the expectations set by other major competing destinations. A renewed tourism vision should include an LGBTIQ strategy for tourism that is owned and driven by the local community especially in the run-up to host EuroPride in Valletta in 2023 and beyond."

Clayton Mercieca President at Allied Rainbow Communities

"Malta's mild winter weather provides a strong proposition for international sporting events and training camps to be held on the Islands, creating the potential for a new tourism niche in the shoulder months."

Maria Vella Galea Director of Media at Maltese Olympic Committee

"Gozo needs to offer its own unique experience and must therefore specialise into areas of growth that can live up to our environmental aspirations."

Joe Muscat CEO at Gozo Tourism Association

"The yachting sector has yet to be recognised as an integral constituent of Malta's tourism offering, despite it estimated to generate approximately €100million a year (not including revenue derived from flag registration and tax). A renewed tourism strategy should look into developing the right ecosystem for this niche sector to thrive as part of Malta's offering to high-end and luxury tourism through improved infrastructure and investment in human resources at key government departments that support this sector."

Alison Vassallo Chairperson at Yachting Services Business Section | The Malta Chamber

Encouraging authentic and unique experiences

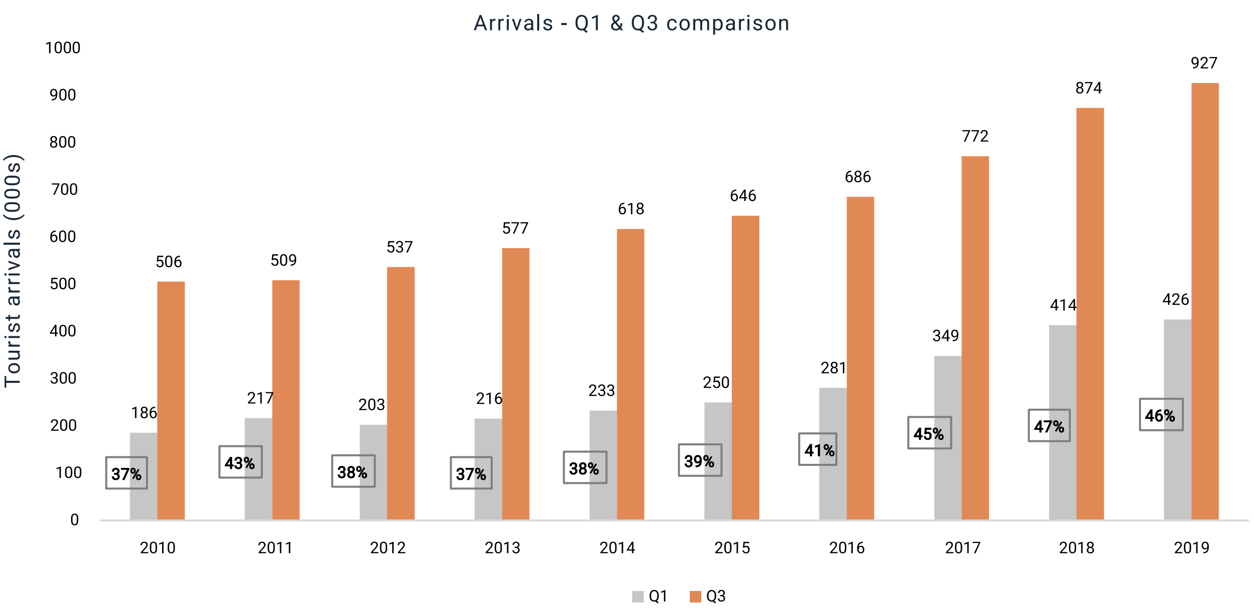
NICHE & ALL-YEAR TOURISM

On the back of a more diversified portfolio of visitors, seasonality is becoming less pronounced in the shoulder months.

With more than 50% of tourists travelling to Malta for sun and sea, the period between July and September continue to be the busiest period of the year in this regard.

However, seasonality has become less pronounced over the past 10 years.

The share of tourists arriving in the first quarter, expressed as a percentage of tourist arrivals in quarter three increased by 9 percentage points over the period under review, from 37% in 2010 to 46% in 2019.



Source: NSO, 2021

Encouraging authentic and unique experiences

NICHE & ALL-YEAR TOURISM

Recommendations

STRATEGIC DIRECTIONS:

- Incentivise the development of wellness and holistic medicine tourism, agribusiness, arts tourism and gastronomy niches.
- Brand Malta as a perfect destination for sports tourism all year round but especially in the shoulder months where colder countries are not suitable places to train. An opportunity to hold a number of international events, such as triathlons, that would showcase Malta's climate, beauty and diversity.
- Increase promotion for the MICE segment which is known to generate higher than average tourist spend and important tourism traffic in the shoulder months.
- Develop a greater focus on unique selling points during mild winters, such as shore dives and the utilisation of sun and sea for sporting events, which could extend seasonality into the shoulder months.
- Capitalise on Malta's achievements and positive record in LGBTIQ rights to further the tourism product in this niche, providing an experience that aligns with the expectations set in promotional campaigns as well as those provided by other major competing destinations.
- Promote Gozo as a digital nomad destination.
- Develop the ITS Gozo campus into a specialised vocational tourism institute and design new specialised education courses to be offered in Gozo, different to those offered in Malta, to drive education tourism.

ACTION POINTS:

- Engage with local insurance companies to promote rehabilitation stays in Malta through their contacts with foreign partners and underwriters as a key health tourism initiative.
- Introduce tax incentives for yachts to berth and visit Malta, and for yachts to start charters from the islands; develop the right infrastructure and invest in human resources at key government departments that support this sector.
- Consider online visa processing for ELT students and MICE groups in countries where Malta does not have a consular presence.
- Modify the work and study visa to decrease processing time, making it available to students sooner rather than after 12 weeks of study – this will bring Malta in line with all other destinations offering this benefit. This could also help alleviate the employment challenges faced by other sectors.

Improving the customer journey

FOOD, DRINK & ENTERTAINMENT

The culinary scene in Malta goes from strength to strength with a delectable spread of Maltese and Mediterranean cuisine and many excellent restaurants in which to savour it.

Maltese cuisine is a cultural experience. Heavily influenced by Italy, particularly Sicily, but with a dash of Arab/North Africa and a hefty pinch of Malta's own, Maltese cuisine has evolved over time with a selection of local fresh ingredients and typical dishes.

The food scene continues to gather momentum in Malta on several levels. Artisan producers have benefitted from various funds to improve their production and processing, young chefs are passionate about farm-to-fork and valorising Malta's local produce whilst chef-restaurateurs are championing new concepts. Restaurants serving global cuisine have mushroomed over the island together with a growing number of bars. The onset of the Michelin Guide in Malta has added a touch of class and standards to the scene. Also, winemaking has improved immensely with several small wineries sprouting and becoming destinations in their own right adding to the experiences that one can savour locally.

Given its touristic appeal, there remains an opportunity to really exploit the culinary and gastronomy scene, which will ultimately enrich the Malta experience and continue to form an integral part of the night economy.

On the back of a growing culinary scene, Malta's night economy has evolved significantly in recent years, shifting away from solely being linked to the clubbing and partying scene and morphing into an industry that caters for a broader and more diverse profile of tourists. Having said this, more needs to be done to improve the level and variety of entertainment options on the islands. This requires a regulated, planned and strategic direction and calls upon all stakeholders to engage each other in creating the right ecosystem that ensures a unique and authentic experience for those visiting Malta whilst at the same time safeguarding the rights of local and neighbouring residents.

"Undoubtedly, Malta's restaurant scene is today recognised among the Mediterranean hotspots for foodies but people are also becoming more discerning and we need to remain ahead of our game to continue offering unique culinary experiences. To this end we need to be guiding and directing future generations towards catering careers. Only then can we truly strive to provide a full authentic Maltese experience."

Matthew Pace Secretary at Association of Catering Establishments

Improving the customer journey

FOOD, DRINK & ENTERTAINMENT

Recommendations

STRATEGIC DIRECTIONS:

- Incentivise the development of gastronomy niches.
- Establish and maintain a sustainable ecosystem that supports the entire value chain of the night economy.

This means balancing the needs of those who work at night, those who want to party, as well as the resources and supporting services required to efficiently manage the night economy. This calls for an integrated approach involving the engagement and initiative of the following stakeholders.

Enjoy the night	Work in the Night	Manage the Night
Concert-goers	Licensed Premises Owners	Police
Clubbers	Bartenders	Fire Safety
Restaurants	Security Guards	Health Service
Theatre-goers	Creative Industries Employees	Security Industry
Transport Passengers	Public Transport Workers	Environmental Health
Late Night Gyms	Hospitality Sector Employees	Social Service Professionals
	Late Night Workers	Local Councils
	Taxis & Mini Cabs	

"The arts and creative sector is ripe with opportunity to become one of Malta's novel niche markets, especially post recovery, and should therefore be at the core of a renewed tourism strategy."

Howard Keith Debono President at Malta Entertainments Industry & Arts Association

Pillar 3:
Building our capabilities

In the years that followed EU accession, Malta's economy registered significant growth and has witnessed a transformation towards a diversified base of services sectors. Nevertheless, Malta remains inherently limited in scale and despite the investment in human capital, supporting services and infrastructure over the past decades, growth in certain services sectors, one of which is tourism, has outpaced this development. Several operators in the sector have lamented the increasing operational constraints, triggered mainly by the critical shortage of staff, which is hindering their prospects to growth and is also starting to impact the quality of service offered. Unaddressed, this predicament could potentially impact Malta's attractiveness as a tourist destination and could threaten the sustained growth and development of the sector.

On one hand, little can be done to fully address the inherent limitations of Malta as dictated by its geographical characteristics. Malta will always remain a small, densely populated island on the periphery of Europe. Notwithstanding this, some of the impacts can be mitigated if certain decisions are taken at the political level. This requires a holistic approach with a national long-term strategy built on a vision of where we want the country to be in the next decade or so.

Building our capabilities

GOVERNANCE & INSTITUTIONS

As already discussed, tourism is characterized by the multiple, different, and diverse stakeholders. As a result, governance and institutional mechanisms become critical to the proper management, direction and steering of the sector which transcends various other domains.

The domains are diverse as they include strategy development, educational institutions, regulatory & licensing as well as enforcement.

Mapping out the different stakeholders, one realizes the spread of such actors. With the MTA growing in size and scope it today not only looks at promotion and access but is also a licensing and regulatory authority. We believe that it is time to restore the MTA to its core function. The MTA should focus much more on being an enabler and a specialised visibility and promotional agency that builds unique capacity in the digital marketing and branding of the country and its offering.

The cultural side of tourism is characterized by a small set of actors that are all focused and specialised in their own respective domains and have together contributed, together with the private sector, to a much healthier cultural scene.

From an educational component, tying in with employment challenges, more needs to be done to ensure a healthy pipeline of skilled workers and students that are employed-ready.

Tourism, as a sector, transcends several other sectors and governance stakeholders. Therefore, a multi-stakeholder approach to governance is needed with a central coordinating body that can ensure that the sector is properly governed and steered in the right direction. Having the right governance structures will also support the industry recover from setbacks.

To operate effectively, the institutions and governance structures require to be resourced well.

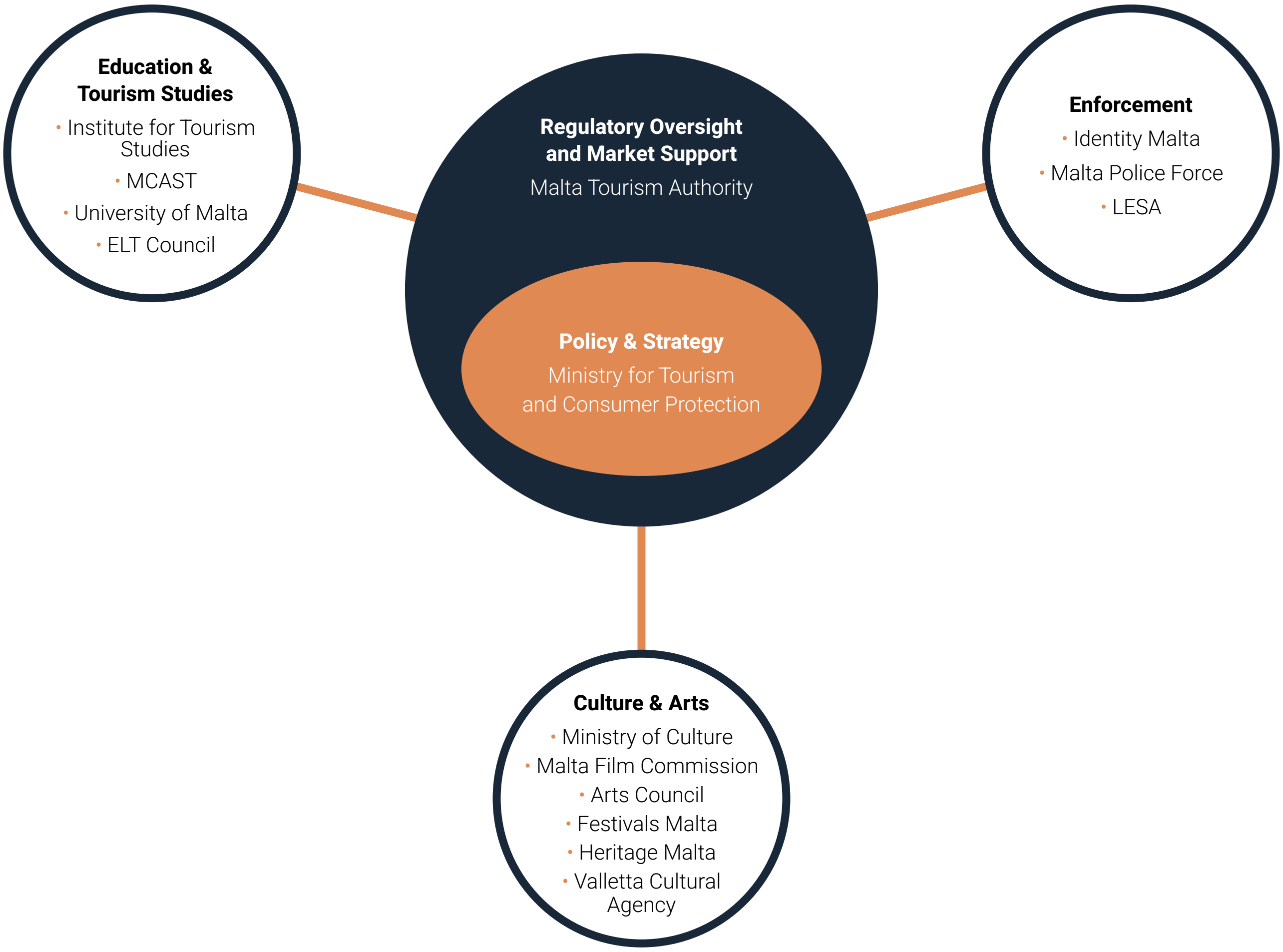
"Achieving long-term sustainability and attaining a long-run vision depends heavily on having the right institutional set-up and political commitment and support, as well as the right organizational capacity to meet the demands and expectations of a changing industry. Now is the time to walk the talk and drive this vision home."

Abigail Mamo CEO at Malta Chamber of SMEs

Building our capabilities

GOVERNANCE & INSTITUTIONS

Institutional landscape



Building our capabilities

GOVERNANCE & INSTITUTIONS

Recommendations

STRATEGIC DIRECTIONS:

- Revisit MTA's role as an enabler in the industry through a proportionate allocation of funds for the support of events all year-round, in line with framework proposed under the 'Culture and Identity' enabler.
- Reposition MTA's role as a regulator which enforces licensing standards and promotes best practices, as opposed to its current perceived status as a competitor with the private sector.
- Reassess MTA's international and local function. Whilst MTA's international presence should continue to focus on promoting Malta in general, locally MTA should be product / segment driven with targeted units and specialists representing key niches.
- Foster greater communication across the different entities within the public sector, as well as between the public and private sectors; this will ensure a closer alignment of a strategy and vision for the industry based on collaboration rather than competition.
- Ensure more centralised oversight and quality control by integrating resources and having a more holistic development of the product over time, based on an overarching strategy which promotes quality and sustainability.
- Review current governance frameworks to clarify roles and responsibilities in key functions and ensure coherence and consistency across all public sector entities active in the tourism sector.
- Foster an environment which empowers local artists to be creative through adequate support by MTA. The creative industry has the opportunity to complement the tourism industry, enhancing the overall product particularly in the shoulder months.
- Ensure that Malta's reputation of being a safe place to visit is maintained.

Building our capabilities

GOVERNANCE & INSTITUTIONS

Recommendations

ACTION POINTS:

- Create an online platform where all licensed agents can put in their rates and availabilities if they wish to have their website bookable – this will be done through API (see Digital and Innovation). This open system will replace the current practice of appointing one or two global websites to book accommodation since this ultimately increases the overall commission paid by hoteliers and travel intermediaries licensed by the MTA and will signal a truly industry-enabling MTA.
- Set up a dedicated unit at MTA to carry out more inspections of licences. The current practice of self-regulation, especially in sensitive sectors such as diving, is too high-risk.
- Set-up an inter-ministerial function at OPM to establish effective liaison between all ministries with a direct or indirect role in tourism, including the - tourism, education, culture, home affairs, environment and Gozo portfolios.
- Grant more autonomy to the ELT Council in policy making through a stronger representation at MTA and a wider strategic remit.
- Improve communication and coordination between the arts and tourism portfolios to create better synergies between the two. A starting point could be the replacement of Consumer Protection by the Arts in the portfolio of the Minister for Tourism.
- Strengthen general policing and law enforcement:
    - Extend community policing, which is reaping positive results, to tourism zones in core areas and patrols in close residential areas. Police out on the beat should be given basic training in how to respond to visitor queries, including some basic knowledge of other languages as well as some awareness of the sites of interest particular to their beat.
    - Employ civilians within the police force to handle certain roles in tourist hotspots and relieve police resources to focus on law enforcement duties.
    - Further devolve certain powers to other entities, e.g. LESA, TM, to alleviate stretched police resources.

Building our capabilities

ORGANISATIONAL EXCELLENCE, RESILIENCE & TRANSFORMATION

The industry is built on the hard work and investment made by thousands of entrepreneurs that built tourism-focused enterprises.

The only constant is change and for business to remain successful they need to be resilient and able to transform to continue reaping the opportunities that change brings about.

Change is not always easy to deal with, as COVID-19 has shown. Therefore, enterprises need to be more resilient to shocks, especially since tourism is heavily dependent on external forces.

As various forces of change are also impacting economies and sectors, tourism operators need to invest in their capacity to embrace such changes and transform themselves before being forced to. Therefore, increasing the managerial capacity of tourism operators is central to the long-term sustainability of both the businesses and the sector in its entirety.

Loans subject to Moratorium
(Number of loans; EUR Millions; percentage)

	AS AT DECEMBER 2020			AS AT MARCH 2021		
	Volume of loans	**Outstanding amounts** € millions	**Share in sector's outstanding loans** %	**Volume of loans**	**Outstanding amounts** € millions	**Share in sector's outstanding loans** %
Hoseholds	1,176	110.5	1.7	750	65.9	1.0
Manufacturing	45	8.2	3.7	21	8.5	3.9
Construction	30	18.2	2.9	21	21.9	3.4
Wholesale & retail trade	125	28.0	4.3	60	18.9	2.8
Transportation & storage; information & communication	50	18.4	6.2	35	3.6	1.2
Accommodation and food service activities	220	204.9	40.4	119	126.5	23.9
Real estate activities	129	181.3	17.8	88	56.5	5.6
Other	210	131.2	6.5	113	119.6	5.9
Total	**1,984**	**700.8**	**6.0**	**1,206**	**421.4**	**3.5**

Source: Central Bank of Malta, 2021

Building our capabilities

ORGANISATIONAL EXCELLENCE, RESILIENCE & TRANSFORMATION

COVID-19 presented an enormous multi-faceted challenge to the tourism industry. It also highlighted the importance of having the right financial and cash management strategies in place.

The government invested heavily in supporting tourism operators during this time. The Government also supported enterprises through moratoria on loans. By the end of December 2020, there were 220 loans held by the accommodation and food services sector subject to a moratorium, amounting to €204.9 million, or 29.2% of total loans outstanding to Maltese residents. At 40.4% the accommodation and food services sector also had the highest share of loans that were subject to a moratorium relative to the total number of outstanding loans held by the sector as at the end of December 2020. The number of beneficiaries and the value of loans subject to a moratorium gradually declined, suggesting that some businesses resumed regular loan repayments, signalling a recovery in income flows and, for some, the expiration of the moratoria period.

Looking ahead, building resilience, and implementing transformation processes within the organisations is critical to have a stronger and more sustainable tourism industry.

"Increased connectivity, product investment and the development of new niche markets have all contributed to the record performance of Malta's tourism industry. However as we have all come to realise over the past two years, no success can be taken for granted. In this context, we must rethink the future of tourism by converting the social, cultural and economic value of the sector into initiatives that build resilience, drive organisational excellence and ultimately contribute towards sustainable growth."

Glenn Fenech Senior Consultant at Seed Consultancy

Building our capabilities

ORGANISATIONAL EXCELLENCE, RESILIENCE & TRANSFORMATION

Recommendations

STRATEGIC DIRECTIONS:

- Incentivise and support niche segments to embark on MI (Market Intelligence) initiatives to make informed decisions; increase a general awareness of the need to adopt a more evidence-based decision-making approach based on statistical information.
- Maintain the importance of ensuring high industry standards on both product and service levels provided, notwithstanding the current shortage of skills.
- Embrace digital transformation (see Digital and Innovation) and investment in eco-friendly technologies.
- Promote and improve the standard of English locally, to ensure the full immersion experience of tourists mixing with locals. The education system needs to ensure that Malta remains bilingual, and more effort needs to be directed towards learning additional languages.

ACTION POINTS:

- Support market intelligence initiatives undertaken by operators through appropriate MTA sponsorships in order to drive niche segments to start collecting their own intelligence on market performance, trends and outlook.
- Work towards ensuring that all workers in the tourism industry are certified at an appropriate level, either through formal education, training or through experience (see skill-card proposal in Human Capital).
- Retain the training and upskilling incentives launched by the MTA during COVID-19 for workers in the tourism sector. At the same time, implement a Continuing Professional Development (CPD) requirement to ensure that all workers need to have at least 20-30 hours in CPD each year.
- Develop free introductory courses about Malta and hospitality which can be provided to individuals taking up employment in the industry. These will include a basic knowledge of Malta and its attractions while highlighting the role of all workers as ambassadors for Malta.
- Introduce licensing for niche professionals, e.g. wedding planners. This has to be carried out within the wider proposed revision of the Tourism Services Act (see Accommodation).
- Continue providing green incentives, such as subsidy schemes or tax benefits to Maltese businesses (particularly hotels and other accommodation units) to stimulate investment in energy and water efficient technologies during renovation and construction.

Building our capabilities

BUSINESS SUPPORT

Like any other business, tourism operators require access to the right business support. Having a supportive and conducive business environment will help companies invest and operate more effectively.

This means that from administrative point of view, the business support, especially by Government authorities need to continue improving and be sensitive to the realities of tourism operators. The continued digital transformation of the public service is key especially in areas of licensing and service delivery.

Access to finance is also key for operators to thrive. SME operators have been found to be at a disadvantage in Malta due to higher rates of interest and access to capital markets has supported some of the largest operators. However, the majority of them are microenterprises and bank financing is not always possible. Here the role of the Malta Development Bank cannot be understated as it can support operators trying to access funds. Financing schemes tied to renovation, retrofitting and transformation should be supported.

This also ties into the role of European Union funding which can be an in important source of financing and co-investment. As Government is about to launch the new funds and schemes, it is being recommended that tourism-specific schemes are launched, and the application process is simplified and streamlined as much as possible.

"As Malta prepares to start implementing the Next Generation EU recovery funds and new EU financing package for 2021-2027, MBB remains committed to continue supporting the local business community, through its vast experience in EU funding programmes and ties with Pan European networks and European partners."

Joe Tanti CEO at Malta Business Bureau

Building our capabilities

BUSINESS SUPPORT

Recommendations

STRATEGIC DIRECTIONS:

- Provide easier access to finance through grants or tax incentives for start-ups and projects promoting local culture and heritage.
- Support industry players to obtain bank loans through Malta Development Bank guarantees.
- Develop the necessary legislative framework needs to promote and support investment by the private sector when developing niche sectors, e.g. agri-business.
- Provide better support to potential beneficiaries of EU funds: more awareness and direct guidance is needed throughout the funding cycle.

ACTION POINTS:

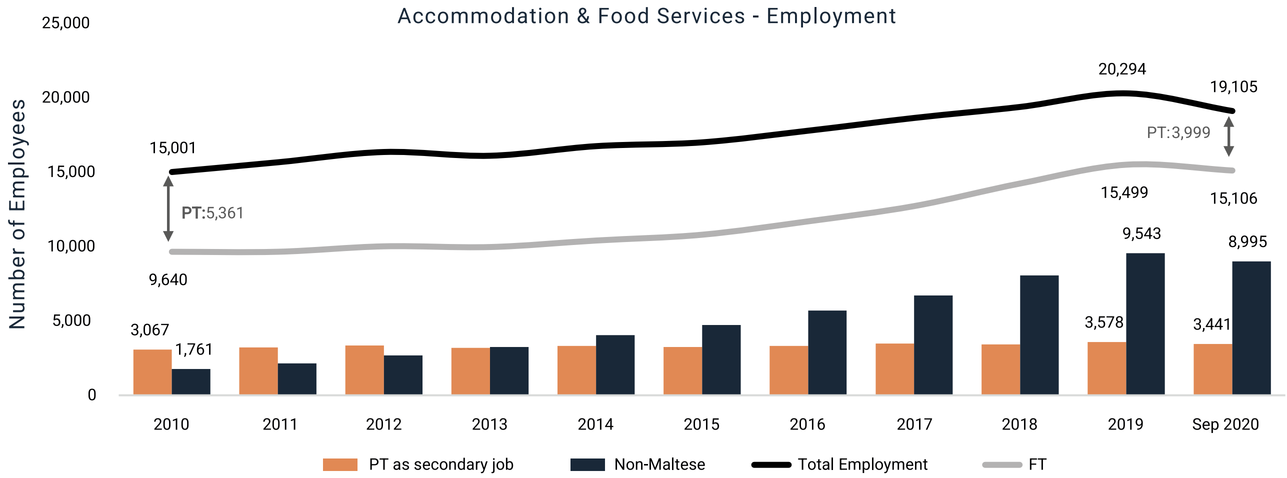
- Lower VAT on all tourist services, including restaurants, to 7%. Whether the company provides a B2B or B2C service for tourism purposes, the VAT rate should be 7%, unless the product or service being offered is already 0%/VAT exempt, as is the case for tuition in the ELT sector. Incremental income from VAT reduction should be diverted towards improvement in salaries.
- Remove the VAT exception to the General Rule for MICE services supplied to taxable persons to bring Malta in line with other jurisdictions, such that the reverse-charge ruling would apply, without an 18% VAT charge.
- Develop a credit worthiness score sheet, possibly owned by the Central Bank of Malta, for tourism related products and services, such that tourism operators can assess their own credit worthiness and take steps to improve their score, and subsequently their financing capabilities.
- Implement a user-friendly digital tool that facilitates the EU-funding application process. This will address the current reality which sees a number of enterprises and operators failing to take advantage of EU funds due to the administrative burden incurred. This is proving to be detrimental, especially to small operators who are often unable to find their way through the process.

Building our capabilities

HUMAN CAPITAL

Tourism is a service-driven industry depending largely on human resources. Having the right skill-set to operate in the industry is also critical and an important component of the customer journey.

Despite this, tourism operators have found significant challenges in staffing, particularly locally. The industry had to resort more and more to foreigners and with COVID-19 even this has become challenging with resource constraints limiting businesses from operating efficiently and effectively. There is no doubt that the industry will continue to depend on migrant workers and more streamlined procedures especially for circular migrants will be welcome together with retention policies and schemes that will be supported by Government.



Source: Jobsplus, 2021

"One of the most pressing challenges facing the accommodation sector today is the critical shortage of staff, which is already at breaking point for some operators. Unless we address this growing concern today, operations will be severely impacted and with it the standards we so much aspire to maintain. We also risk losing out on business when we return to pre-COVID levels because we wouldn't have the resources to manage the demand."

Etienne Saliba Director at ES Hotels Malta

Building our capabilities

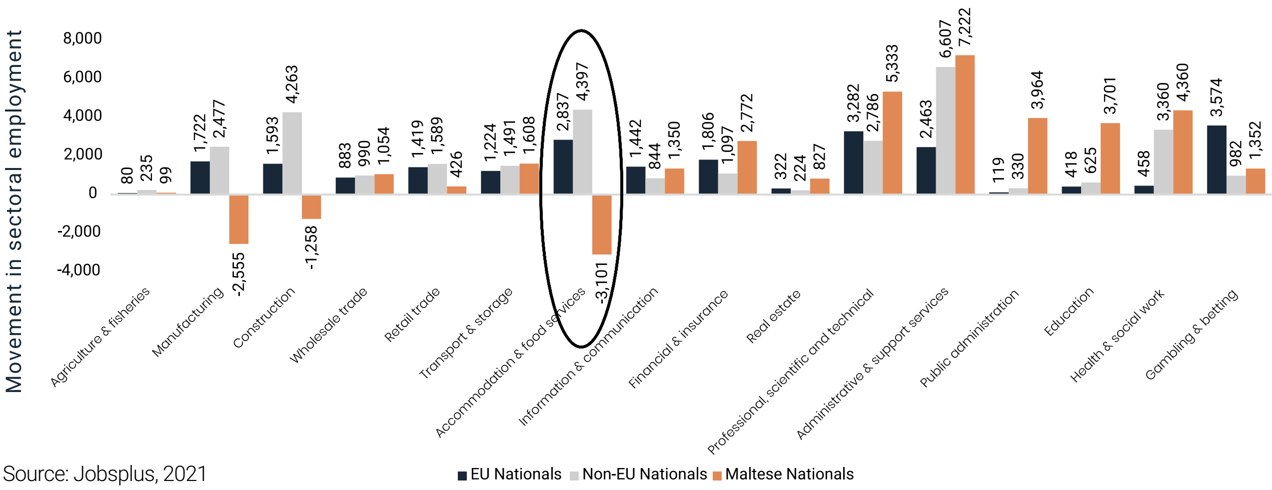
HUMAN CAPITAL

Registered employment within the accommodation and restaurant sector increased considerably by more than 35% between 2010 and 2019, an equivalent of 5,293 employees. Positively, the sector is also a major employer of people wanting / needing to work a secondary job, with more than 3,578 individuals holding a secondary part-time in the sector in 2019.

However, in the wake of disruptions to the industry and heightened uncertainties, triggered by the COVID-19 pandemic, and despite Government's wage supplement support to protect jobs and bolster the labour supply, the accommodation and food services sector by September 2020 had lost roughly 5.7% of the 2019 staff complement on account of both Maltese and non-Maltese employees leaving the sector during this period. This corroborates the shortage of staff challenges that many operators in the catering industry are claiming to be facing as they eagerly open-up for business.

Meanwhile, as already intimated, most of the new jobs created in the sector between 2010 and September 2020 were taken up by EU and non-EU nationals as the number of Maltese employed within the sector fell by around 3,100 employees during this period. The number of non-Maltese workers, on the other hand, increased by more than 7,200, partly to match the increased demand for skills and also to compensate for supply shortfalls created by the reduction of Maltese employees as a result of retirement or churn to other sectors. To this end, 47% of the sector's workforce today is non-Maltese.

Movement in sectoral employment by nationality 2020/2010



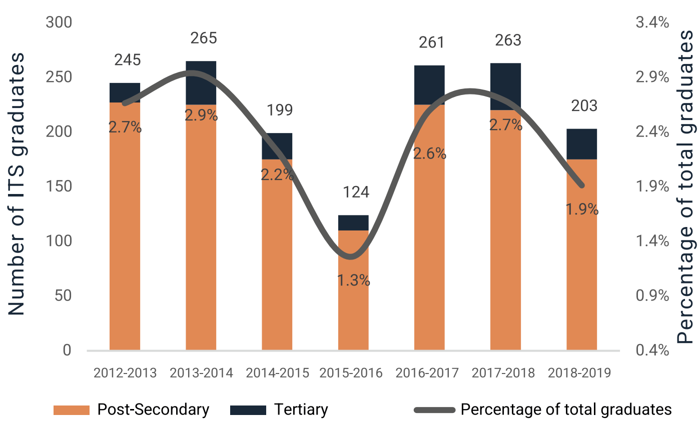
Source: Jobsplus, 2021

Building our capabilities

HUMAN CAPITAL

Apart from having the resources, the right skill-set is even more critical. Here, educational institutions need to be further aligned with demands from the industry and abreast of global trends in the industry.

The uptake of tourism related courses has been quite low over the past years, clearly highlighting a significant skills gap in a sector which has otherwise been growing by an average of 8% annually. To this effect, roughly only 2% of all graduates in 2019 have followed a tourism related course at University, MCAST or ITS and this has been more or less the case throughout the period under review.



Source: ITS, 2021

Besides weighing on the shortage of skills ready for the growing needs of the sector, the situation is also impinging on the quality aspect of the overall tourist product with many operators having no other option but to recruit untrained employees in order to continue providing their service. Against this reality, the workplace is becoming increasingly more important in the development and transfer of skills required by the industry and is it therefore important to support sector led training.

Finally, educational and communication campaigns to introduce younger students to the industry and the prospects a career in tourism can offer will also support the long-term sustainability of the sector.

"Tertiary institutions are committed to continue working with the industry to develop the right skill sets required for today and tomorrow. This is especially critical as we shift our focus more towards attracting quality and promote experiences."

Marie Avellino Director at Institute of Tourism, Travel & Culture | University of Malta

Building our capabilities

HUMAN CAPITAL

Recommendations

STRATEGIC DIRECTIONS:

- Stop unnecessary public sector employment immediately. This is not only unsustainable from a public finances perspective, but it is also draining talent from the sector which could cripple the whole operational structure of the industry.
- Review sectoral working conditions and wage structures to make it more attractive for people to join and remain in the local tourism sector. This is particularly imperative given improving working conditions in other key local economic sectors and in tourism sectors abroad.

ACTION POINTS:

- Offer tax incentives in favour of irregular working hours/ days such as adjusting tax bands in favour of those working shifts.
- Consider equivalence of overtime and part-time for tax purposes.
- Consider a zero-income tax rate for full-time students working part-time in the industry.
- Build more partnerships between ITS Malta and other training institutes abroad to create opportunities for internships aimed at attracting foreign students to Malta for training and work experience, backed by a retainment strategy to encourage some to stay beyond their training period.
- Offer fiscal incentives to non-accommodation operators to provide paid internships and apprentice opportunities.
- Implement practical traineeship and vocational training funded programs in the tourism sector for early school leavers to boost their skills and employability.
- Recognise prior learning and on-the-job skill acquirement through the introduction of skill cards. The tourism sector is characterised by a number of employees who have acquired their skills through experience. Skill cards will give formal recognition to these employees, advancing their prospects within the sector whilst also incentivising them to build further their skill base.
- Simplify work permit process for non-European nationals applying to work in the industry. Consider introducing a sponsored temporary work permit, which is subject to becoming permanent upon receipt and processing of all required documents.
- Launch a program targeting former workers in the tourism sector who have moved to other sectors with the aim of attracting them to return to the industry; this should be based on an initial study into the drivers for the long-standing churn that has characterised the sector, including the use of tracer studies where appropriate.

Foundational Elements

Foundational Elements

A clear strategy is a key ingredient for successful economic and entrepreneurial initiatives. The proposed strategy for the local tourism sector is grounded to the following main foundational elements.

Connectivity

Increased connectivity to the rest of the world and ease with which tourists can now travel to Malta.

Investments

Significant investment in the sector by both government and the private sector.

Diversification

Less reliance on the traditional core inbound markets and a more diverse profile of visiting tourists.

Values

Values and principles steer behaviours and guide decision-making.

"Malta has been very successful in opening up to new inbound source markets, diversifying our tourist portfolio and reducing our reliance on the more traditional markets. COVID-19 and the ensuing health protocols have stalled developments on this front, with the UK market becoming all the more important in 2021. Going forward, it is critical that we continue diversifying our tourist market base to ensure that we are less exposed to specific market shocks."

Michael Camilleri Kamsky General Manager at Westin Dragonara Resort

Foundational Elements

VALUES Consultation | Accountability | Efficiency | Sustainability

As already discussed, tourism is multi-faceted and with different stakeholders. It is also a critical industry for the economy and is the main source of income for many businesses and families. Given that it is all about interactions between different actors, principles and values are needed to guide their behaviour. Values and principles are always needed, at all levels, not only to steer behaviours but also to guide decision-making.

Principles come before means and goals. They determine which goals are valid, ethical, and reasonable. Stakeholders should start by identifying the fundamental principles and go on from there to deduce the goals to be pursued before they finally turn to the means. Principles also can serve as a yardstick, something to relate to when we evaluate current practices and suggest reforms.

We believe that, given the multi-stakeholder approach and the importance of the sector, articulating the underlying values and principles supports consensus between stakeholders and provides clear direction to the industry.

To us, the following values and principles are central to the industry:

Consultation

Stakeholder engagement through consultation and participation leads to inclusivity in policymaking and beyond. For a sector like tourism that impacts the broader economy and population, consultation is central to its success and long-term sustainability. Tourism is impacted by a host of other areas and domains and therefore consultation needs to be a value that is lived across the policy spectrum transcending areas of focus.

Accountability & transparency

The sector is heavily dependent on government action and support including funds. It is critical that accountability & transparency are given their due importance whereby policymaking and decision making are tracked, measured, and analysed. Only this will ensure a feedback loop to ensure that policies are always aligned and designed to reach the objectives.

Foundational Elements

VALUES Consultation | Accountability | Efficiency | Sustainability

Efficiency & frugality

The efficient use of public resources and high-quality fiscal policies for economic growth and stability have become prime policy concerns. Various developments, heightened by the global pandemic, have exerted even more pressure on national budgets. In addition, small island states suffer from a limited resource and talent pool which further calls for the efficient use of resources. Popular sentiment also calls on governments to be efficient in resource use.

Sustainability

Being a multi-faceted and cross-cutting concept, sustainability is seen as a goal, condition, an ethic, a process and even a management practice. Two definitions of sustainability are in widespread use. It is seen as development, which "meets the needs of the present without compromising the ability of future generations to meet their own needs"; and as "a kind of development that provides real improvements in the quality of human life and at the same time conserves the vitality and diversity of the Earth" (IUCN, 1991). Sustainability is also important for small states due to their inherent vulnerability and limited resources and is a major policy concern and focus.

Foundational Elements

VALUES Consultation | Accountability | Efficiency | Sustainability

Recommendations

STRATEGIC DIRECTIONS:

- This vision must be rooted to our national identity which draws strength from values that have been passed to us from generation to generation; a nation of proud people who hold dear hard work, enterprise, a love for life and a strong sense of community and hospitality. The economic success registered over the most recent years may have shifted our priorities away from these core values leading towards a more individualistic, at times indifferent society. Now might be the right time to rediscover our national identity and continue building our economy and society on what truly makes us Maltese; our values. This stage definitely calls for a debate on our contemporary national identity.

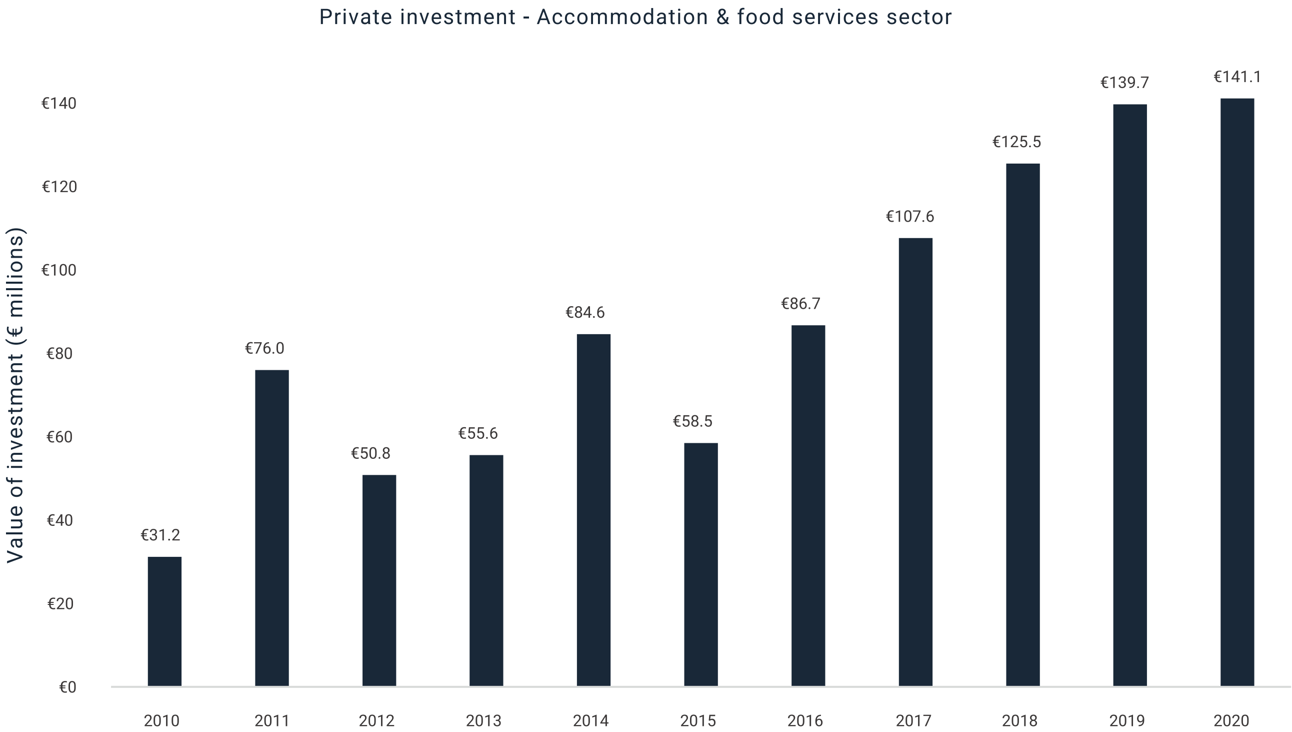
Foundational Elements

INVESTMENT

Tourism is heavily dependent on infrastructure, both general national infrastructure but also sector or niche specific.

Government has invested heavily in general and specific infrastructure over the years, aided by European funds.

Investment is also underway in several infrastructural projects including energy, water, road and restoration projects. Private investment has also been increasing steadily over the years, on the back of strong confidence in the sector by existing operators and new investors.



Source: NSO, 2021

Apart from their direct economic impact, such investments augment Malta's tourism product offering and are important in maintaining Malta's attractiveness.

A sustained and diversified infrastructure investment programme needs to be rolled out together with the maintenance of such investments. As the country continues to develop its niche sectors, specific infrastructural requirements need to be identified and invested on.

Foundational Elements

INVESTMENT

Meanwhile, like many other sectors, tourism faces a range of significant sustainability-related challenges. In fact, as green and sustainable tourism grows in importance internationally, significant investment will be required to provide the accommodation, transport and other tourism-related services and infrastructure necessary to meet expected demand, while enhancing economic, social and environmental outcomes. This will require an integrated approach across many departments (e.g. transport, environment, agriculture, innovation, education, tourism) and levels of government (national, regional, local), with input and support from industry. To this end, investment will play a critical role in managing this growing tourism in a sustainable manner, simultaneously offering environmental and social benefits, as well as opportunities to generate significant returns.

The possibilities for investment are wide ranging and include public and private investment in low carbon transport options and the construction of resource efficient tourism infrastructure, as well as initiatives to support innovation, promote the adoption of responsible business practices that utilise REMS (Room Energy Management Systems) technologies and encourage the integration of tourism businesses into low carbon and sustainable tourism supply.

Foundational Elements

INVESTMENT

Recommendations

STRATEGIC DIRECTIONS:

- Ensure policies are in place to design and implement infrastructure that can support the tourism sector without putting any further strain on limited resources.
- Protect Malta's visual aesthetic and townscapes that are unique to the Maltese islands and the only means to continue providing a genuine visitor experience. To ensure the island's distinctive features are maintained, a policy that establishes a requirement of design according to context is vital, such that the finishings and facades of properties would take aesthetics fully into account.
- Incentivise environmentally friendly and high-quality refurbishments.
- Embark on a Visual Pollution Initiative – the aim of this long-term programme is to promote an 'aesthetic Malta'- by eliminating any 'visual pollution' starting from tourist areas and extending to other regions. This will focus on four main pillars: outdoor signage and furniture; pollution and the planting of more trees; land use and protection; and architecture. The first priority is a 'dark spot' elimination programme where the most critical spots and elements across the island are detected, documented and prioritised according to the urgency and importance of an aesthetic makeover.
- Upgrade cleaning programs with an emphasis on regular street cleaning and washing. Use IoT to be notified when bins are full and need emptying and then use the data to analyse which area may need more frequent cleaning and address accordingly.
- Develop initiatives and projects directed towards improving mobility and transport infrastructure.
- Ensure infrastructure sustainability that takes into account waste management, water supply, sewage and energy.
- Maintain a four-ferry service complement for Gozo but replace all vessels with hybrid ones and continue supporting fast ferry shuttle service.
- Renew commitment to position Gozo as an eco-island.
- Intensify the regeneration of Valletta and inner harbour area.

Foundational Elements

CONNECTIVITY

Route connectivity & increased frequencies are major supply-side requirements to ensure Malta's success in tourism.

In 2019, Malta was directly served by some 130 airports. In the immediate aftermath of COVID-19 Malta was left with only 64 connections to other airports after having lost more than 60 direct routes in 2020. In some cases, retained connections had to cut down on frequencies and reduce flight schedules, further reducing Malta's seat capacity.

This said, connections to major European airports such as Frankfurt, London and Paris, flown mainly by Air Malta, remained operational, renewing calls for Malta to have a strong, commercially sustainable national carrier which continues to hold the country's best interests.

Encouragingly, Malta has started to slowly rebuild its connectivity, by reinstating important routes that were lost during 2020, such as Dubai, along with new additional connections.

Direct Connections to Malta (2021 vs 2019)

Lost connections from 2019

Retained Connections from 2019

New Connections added in 2021

Source: MIA, June 2021

Foundational Elements

CONNECTIVITY

Having direct connectivity, with good frequencies, to main international airports such as Frankfurt, London, Dubai and Istanbul, links Malta to the rest of the world and opens up access to new markets in Asia and South America which are important not only to diversify but critical to certain niche segments such as ELT.

Building back our connectivity, therefore remains high on the country's agenda for recovery in a post-pandemic age.

Air Connectivity

Directly connected to 130 airports in 2019

TOP 10 AIRLINES passenger movements
Ryanair
Air Malta
EasyJet
WizzAir
Lufthansa
Turkish Airlines
Jet2.com
Alitalia
Emirates
British Airways

TOP 10 AIRPORTS passenger movements
London - Gatwick
Rome - Fiuminico
Frankfurt
Catania - Fontanarossa
Manchester
Munich - Franz Josef Strauss
London - Heathrow
Istanbul
Barcelona - Aeropuerto El Prat de Barcelona
Vienna

Source: MTA

"Over the years, the correlation between seat capacity deployed on routes operated to Malta and the success of the tourism industry on the island has been very clear. Looking ahead, it is imperative that we continue working with partner airlines to maintain capacity, whilst prioritising the achievement of a balanced business mix as an integral pillar of a sustainable recovery. Having a product which sets us apart from other island and Mediterranean destinations is also crucial to our recovery, so we need to continue investing and upgrading every facet of our offering."

Alan Borg CEO at Malta International Airport

Foundational Elements

CONNECTIVITY

In 2009, Air Malta was by far the most dominant airline operating to Malta, accounting for 58% of total seat capacity during that year as well as over 50% of total passengers flown to and from Malta.

With the advent of low-cost carriers, which started flying to Malta in 2006, Air Malta and other legacy carriers inevitably started to lose market share. By 2020, only 34% of seat capacity was supplied by the national airline.

On the other hand, low-cost airlines, comprising primarily of Ryanair, have been steadily capturing more of the market share in both seat capacity and flown passengers. In terms of seat capacity, Ryanair's market share grew from 7% in its initial years of operation to Malta to 43% in 2020, surpassing Air Malta's share by 9 percentage points. The shift towards low-cost carriers is also mirrored in flown passenger traffic with the share of passengers flying low-cost increasing significantly over the past decade to the extent of having the lion's share of the market from 2015 onwards. Notwithstanding, this ubiquitous competition between different airlines, average seat load factor, increased from 69.3% in 2009 to 81.8% in 2019.

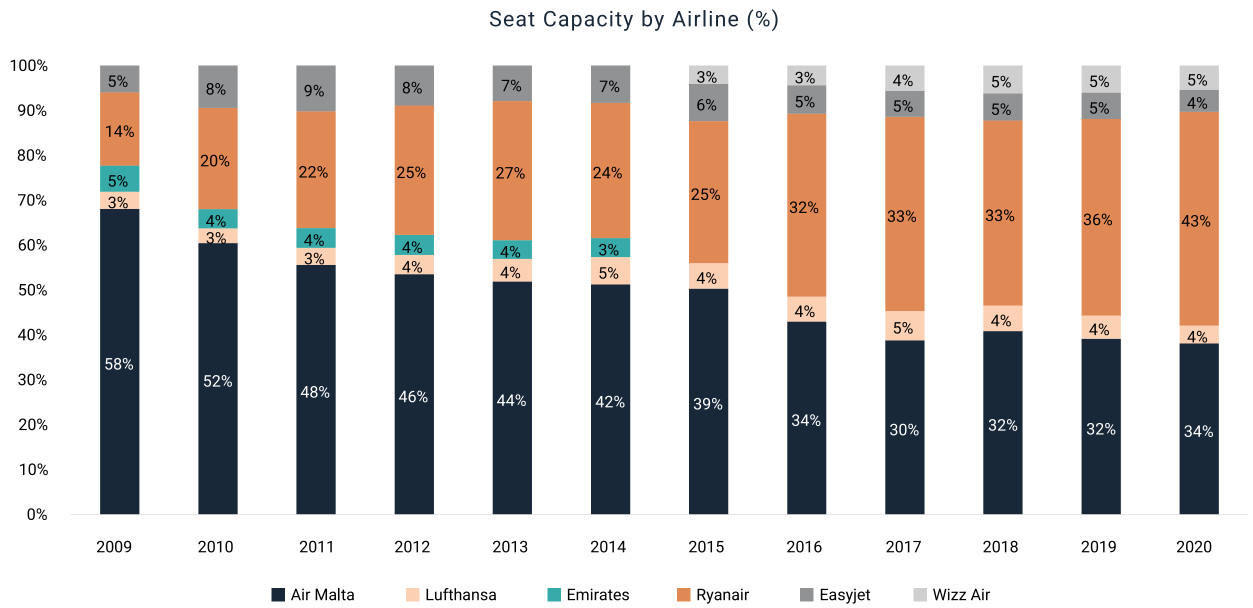
Today, there is no quandary to the importance of low-cost carriers operating to Malta and competing with other legacy carriers. The success of past tourism records is to a great extent owed to their growing presence. Despite this, the need to maintain a strong national carrier remains imperative for Malta's socio-economic development as has been testament throughout the years, serving in many ways as a national brand ambassador. It is likewise important for route development to ensure that there are opportunities for other legacy and hybrid airlines to consider flying to Malta.

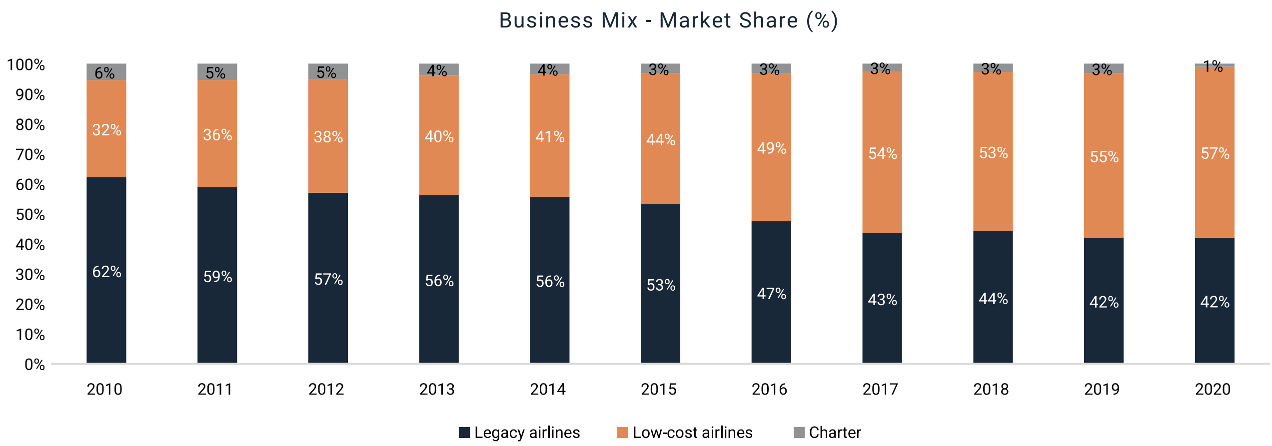
NUMBER OF SCHEDULED & CHARTERED FLIGHTS	NUMBER OF SEATS	SEAT LOAD FACTOR
Year 2009: 26,303	Year 2009: 4,208,822	Year 2009: 69.3%
Year 2019: 51,910	Year 2019: 8,937,432	Year 2019: 81.8%
Year 2020: 18,952	Year 2020: 3,073,469	Year 2020: 56.9%

Source: MIA, 2021

Foundational Elements

CONNECTIVITY





Source: MIA, 2021

Foundational Elements

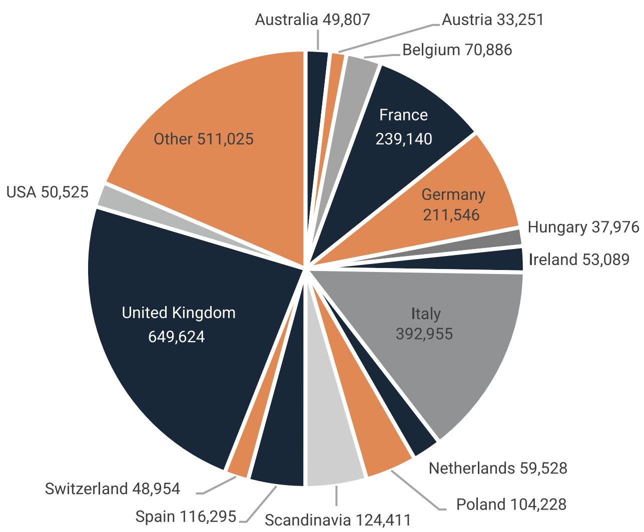
DIVERSIFICATION

Inbound Source Markets

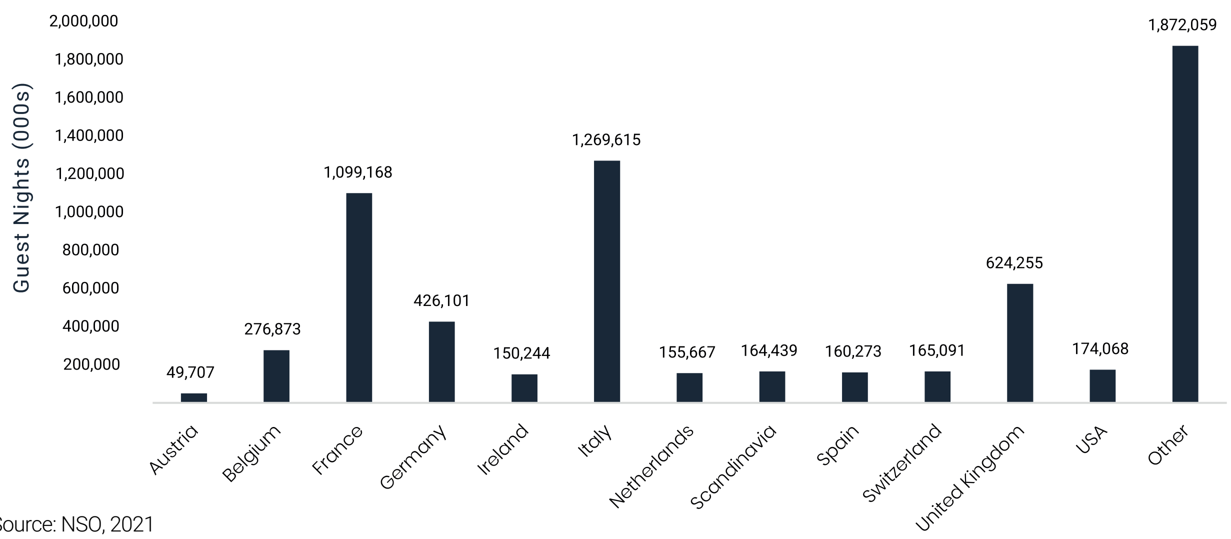
On the back of increasing connectivity, Malta's tourism sector has managed to diversify significantly into new source markets, with 16% of tourists coming from outside the EU.

Growth in tourism numbers was driven by a mix of traditional and non-traditional markets. UK, Italy, France and Germany, are the main source markets for inbound tourists in Malta, making up 53% of the sector. These markets grew collectively by 52%, or 3.4 million guest nights, between 2010 and 2019. However, there has also been a significant growth in new markets, with 16% of all inbound tourists coming to Malta from non-EU countries.

2019 Nationality Mix (Arrivals)



2010 vs 2019 - Increase of 6.6 million guest nights



Source: NSO, 2021

Foundational Elements

CONNECTIVITY & DIVERSIFIED SOURCE MARKETS

Recommendations

STRATEGIC DIRECTIONS:

Manage Malta's business mix in route development by ensuring there is a role for a strong, commercially viable national carrier free from political influence whilst also continue to encourage other niche airlines to connect and operate to Malta. The strategy for connectivity should be one which:

i. Pushes Air Malta towards holding key city airports while Ryanair, EasyJet and Wizz Air retain their foothold in regional airports, also ensuring that there are opportunities for airlines like Air France, Aeroflot, Emirates, Qatar, British Airways and Lufthansa, amongst others.

ii. Enhance route development and marketing support, which has been critical to the success registered in recent years, by directing more support towards securing winter and long-term commitments.

iii. Find a role for Malta Med Air.

"Air Malta will continue to serve the Maltese Islands by providing connectivity to core European markets, major airports and cargo hubs whilst also ensuring the airline's long-term commercial sustainability."

David Curmi Executive Chairperson at Air Malta

Key Performance Indicators

Key Performance Indicators

TO MEASURE SUSTAINABILITY IN TOURISM

The successful implementation of these strategic recommendations and action points would render Malta's tourism industry into a sustainable business model, spurring it to reclaim its position as one of the country's main economic contributors and as a leader amongst competing destinations in the region. To ensure that this is achieved in the shortest possible time, the Malta Chamber, through its Tourism Operators Business Section, will take it upon itself to monitor progress on an annual basis, gauging success through sustainability targets. For this reason, the document is also proposing a number of key metrics that could be developed and used to measure the industry's trajectory towards sustainability, and ultimately the effective implementation of this proposed vision.

PROPOSED METRICS:

- Continue addressing seasonality; measured as the ratio of arrivals between quarter one and quarter three – currently tourist arrivals in quarter one account for 46% of tourist arrivals in quarter three.
- Continue developing tourist product beyond sun and sea focus – currently at 49% of all tourist arrivals.
- Continue bolstering non-traditional inbound source markets – in 2019 53% of the sector was made up of traditional inbound source markets.
- Maintain healthy occupancy levels and average daily rates to ensure profit sustainability – average occupancy levels in 2019 hovered around 80% with average daily rates for 5-star and 4-star hotels standing at €169 and €76 respectively.
- Develop and improve score on digital readiness index (see Digital and Innovation).
- Increase share of MTA's budget that goes towards building the sector's organizational excellence and improving quality*, rather than towards drive for more volumes.
- Decrease chronic shortage of skills and resources in the industry defined on the basis of an initial skills gap analysis that will be reviewed periodically.
- Develop and improve Net Promoter Score (see Branding and Marketing).

* defined as the totality of features, characteristics and experiences of the tourism product and a degree of business excellence that bears on the ability to satisfy a specified set of attributes in meeting or exceeding customer expectations.

BACK TO CONTENTS

Conclusion

Malta, like many other countries with a similar economic reliance on tourism which we assessed during our research, is emerging from a period of strong growth in the sector. This growth was predicated on ever-increasing visitor numbers, and, in many cases including Malta, was based on tried and tested formulae for attracting visitors. This was reflected in our branding and promotion, the types of hotels we developed, the events we organised and the markets we targeted. Many elements worked well for a number of years, keeping arrival numbers high and activity strong. However, even before the sudden onslaught of COVID-19, it was becoming apparent that this approach was gradually losing sight of emerging trends. Key among these were an increasingly demanding and discerning consumer, which included a new focus on green travel and changing mobility systems. In addition, just like virtually every other sector, tourism has been disrupted by tech advancements, which have revolutionised every facet of travel, from the ways in which prospective visitors scope out potential destinations, through the tools they use to plan and book their trips once the destination is selected, to how they experience their visit once they arrive.

A core element across these changes is sustainability, now necessary more than ever due to the environmental challenges all countries face, together with the rise of an informed consumer who will opt for environmentally responsible choices wherever possible. This means prioritising quality over quantity, which will mean stepping up the value and authenticity of our product to provide a more meaningful visitor journey. Diversifying our offering is also key, since a predominant reliance on sun and sea will no longer suffice to generate the sustainable growth that is needed and also counteracts the aim to reduce seasonality.

It is very clear that a failure to respond to these changes will slowly but very surely lead to the stagnation of Malta's tourism industry and decrease our competitiveness against other destinations in the region. Our research highlights how many of these are rethinking their traditional strategies to prioritise sustainability, quality and an enhanced customer experience, based primarily on protecting and presenting each country's distinct culture and heritage as a unique selling point. Malta cannot afford to fall behind this crucial curve.

This report provides an evidence-based strategy to achieve the required transformation, mapping a clear strategic direction backed by the individual actions that need to be put in place to get there. Key to this are the capacity-building measures that will position the industry to level up as required – these must be prioritised to ensure a consistent and effective approach to implementation.

BACK TO CONTENTS

Annex | Country Strategy Reviews

STRATEGIC DIRECTIONS

SUSTAINABLE GROWTH

Cyprus	Croatia	Italy	Greece
Target higher-spending segments Shift away from sun & sea model to year-round destination Distribute visitors more evenly geographically	Shift away from sun and sea model to year-round destination Target higher-spending segments to level out volume growth	Prioritise natural heritage protection Distribute tourism more evenly by promoting less well-known areas	Shift away from sun and sea model to year-round destination Attract quality and reduce volume by promoting unique and authentic tourism experiences
Spain	**Turkey**	**Tunisia**	
Shift away from sun and sea model towards a digitally smart and specialised product Protect natural and cultural resources as key assets	Shift away from sun and sea model to year-round destination Reduce volumes by developing high-quality niche tourism experiences	Shift away from sun and sea/ holiday package model to diversified, quality destination Focus investment on quality niches in non-coastal zones to ease congestion	

STRATEGIC DIRECTIONS

BRANDING & MARKETING

Cyprus	Croatia	Italy	Greece
Rebrand Cyprus as a 'Premium Destination' Focus brand on promise of a genuine & authentic experience Promote authentic visual aesthetic across the island Develop network of quality experiences	Rebrand Croatia as a unique destination rather than sun and sea proposition Promote natural and cultural heritage Focus on niches that capitalise on rural assets rather than only coastal attractions	Maintain focus on natural/built heritage as key attractions Shift from established attractions to lesser-known assestss Create and promote personal, unique experiences reflecting consumer trends	Redesign tourism product to reflect quality, authenticity, resilience, sustainability and value for money
Spain	**Turkey**	**Tunisia**	
Shift branding away from sun & sea to showcase natural and cultural resources Showcase unique, authentic facets of product Develop a smart/digital tourist experience as a competitive differentiator	Focus on diversification and innovation in product highlighting selected niches Enhance digital dimension Promote tourism in less congested regions Promote unique quality experiences to target high-spend visitors	Rebrand as quality destination promoting unique culture, history, and tradition Focus on developing new niche activities	

BACK TO CONTENTS

STRATEGIC DIRECTIONS
DIGITAL & INNOVATION

Cyprus	Croatia	Italy	Greece
Establish tourism data analytics capability	Incentivise 'smart tourism' products & services across the value chain	Digitalisation of value chain to create a national digital culture and tourism ecosystem. Enhance use of data analytics through creation of dedicated unit.	Digital Transformation Plan developed to create a digital tourism ecosystem.

Spain	Turkey	Tunisia	
Digital transformation prioritised across the value chain Enhanced use of data analytics through creation of dedicated unit Emphasis on forecasts and projections	Digitalisation strategy prioritised across the value chain. Launch digital platform integrating all site Create data analytics & intelligence capacity	Digitalisation strategy prioritised across the value chain. Develop integrated digital tourism platform	

STRATEGIC DIRECTIONS
ACCOMMODATION

Cyprus	Croatia	Italy	Greece
Reverse sub-standard, ad hoc tourism development Impose holistic, centralised planning capacity to ensure alignment with overall strategy Incentivise use of traditional Cypriot architectural elements	Introduce quality classification system private accommodation on par with hotels Attract international hotel brands to boost quality supply	Overhaul of hotel classification system to focus on sustainability and accessibility Prioritise developments in over those in congested zones	Investment to be focused on high quality accommodation with a low environmental footprint New legal framework introduced to regulate private accommodation

Spain	Turkey	Tunisia	
Shift development from coast to less congested regions Less focus on new builds in congested areas Invest in upgrading existing locations	Major development boom in hotel industry Major expansion in presence of international hotel groups	Shift from large-scale, all-inclusive coastal tourism zones to smaller quality accommodation sites in areas with stronger links to the community Sharp rise in high-end, small-scale offerings in inland regions	

BACK TO CONTENTS

STRATEGIC DIRECTIONS

INFRASTRUCTURE

Cyprus	Croatia	Italy	Greece
Investment focused on developments to support niche travel Shift tourism development away from congested coastal zones towards undervalued regions	Overdevelopment in tourism zones identified as major issue Development diverted away from congested zones Major emphasis on transport infrastructure (road and rail)	Special Tourist Mobility Plan drawn up to invest in a 'soft mobility' network	New regulations imposed to improve spatial distribution of developments. Licensing regime revised to incentivise high-quality developments Maritime connectivity being improved through upgraded ports network
Spain	**Turkey**	**Tunisia**	
Restricted development in high-intensity city destinations due to sustainability concerns Major investment in high-speed rail network to facilitate internal tourist mobility	Major investment in transport infrastructure to increase domestic tourism and improve internal tourism mobility Further investment in Istanbul and Galataport airports to increase capacity	Major focus on transport segment, including roads, maritime, rail and urban transit systems	

STRATEGIC DIRECTIONS

NICHE GROWTH

Cyprus	Croatia	Italy	Greece
- Cultural tourism - Health & wellbeing - MICE - Religious tourism - Agritourism - Weddings & honeymoons - Sports tourism (especially cycling) - Gastrotourism	- Cycling tourism - Cultural tourism - Birdwatching - Hiking - Agrotourism - Gastrotourism	Maintain focus on established niches Promote lesser-known cultural products Promote rural tourism at a community level to through funding scheme for villages Increase focus on niches dependent on rural resources Increase focus on gastrotourism	New legislation introduced to support niche products Initiatives to highlight lesser-known areas and assets during the shoulder months Spa, sports, rural, religious, MICE, and health tourism identified as key growth opportunities
Spain	**Turkey**	**Tunisia**	
Maintain focus on established niches such as MICE, group travel, cruise, individual business, and urban Increase focus on undervalued niches that support sustainability such as culture, touring, religious, adventure, ecotourism and sport	- Religious - Cultural - Geothermal - Medical - Health & Well-being - MICE - Cruise Liner Tourism - Sports (esp. cycling) - Gastrotourism	- Saharan tourism - MICE - Health & Wellness - Golf - Culture & tradition - Senior holidays - Adventure holidays - Sailing tourism - Gastrotourism	

BACK TO CONTENTS

STRATEGIC DIRECTIONS
ORGANISATIONAL STRUCTURES

Cyprus	Croatia	Italy	Greece
Creation of dedicated agencies with specific remits Enhance PPP collaboration mechanisms	No information	Enhanced executive role for Tourism Agency Agency reconstituted as a public economic entity in 2016	Inter-Ministerial Working Groups set up to improve co-ordination between the Ministry of Tourism and other ministries with particular focus on niche segments
Spain	**Turkey**	**Tunisia**	
Structures created for enhanced stakeholder collaboration Dedicated unit for PPP development and promotion Post-COVID Task Force including private and public sectors to facilitate mitigation	Create agency with cross-sectoral executive board to enhance collaboration with private sector	Restructure Tunisian National Office for Tourism to increase efficiency and boost PPP capacity. Create a dedicated FDI unit for tourism	

STRATEGIC DIRECTIONS
CONNECTIVITY

Cyprus	Croatia	Italy	Greece
'Open Skies' Policy to extend number of originating airports and aircraft operators Incentive scheme to promote new routes, increase Winter traffic and secure long-term volume	Strong investment in modernisation and expansion of major airports Process underway to identify strategic partner for Croatia Airlines	New airline set to take over from Alitalia in October 2021	Drive to enhance aviation route network Investment in upgrading the national marina network
Spain	**Turkey**	**Tunisia**	
Focus on increasing route connections to less popular cities, particularly in the interior and in the North Major investment in Madrid and Barcelona airports to increase capacity	Promote connectivity to new markets to ease reliance on Russia and other established markets Provide high-quality cruise liner infrastructure	Prioritise internal tourist mobility to attract visitors to other regions Direct investment towards rail, aviation, maritime and road segments Open Sky agreement with the EU in final stages	

BACK TO CONTENTS

STRATEGIC DIRECTIONS
INVESTMENT

Cyprus	Croatia	Italy	Greece
Dedicated funding agency to: - facilitate take-up by tourism industry of EU funds under the European Commission Investment Plan - direct investment towards strategic priorities in line with overall strategy	Dedicated fund set up to develop quality visitor attractions Major drive underway to attract FDI for transport infrastructure projects	Tourism Investment Fund set up to attract private sector investment in public assets in need of development	EU funds allocated to create sustainable tourist ecosystems in key island destinations
Spain	**Turkey**	**Tunisia**	
High levels of FDI concentrated in accommodation construction Rising growth in FDI for digital tourism solutions	Major drive to attract FDI through fiscal incentives and focusing on less developed regions Domestic investment focused on conservation of natural & cultural heritage to upgrade existing sites and rehabilitate new attractions	FDI centred around investment by multinational hospitality brands Increase private sector investment and collaboration in infrastructure projects	

STRATEGIC DIRECTIONS
HUMAN RESOURCES

Cyprus	Croatia	Italy	Greece
Chronic lack of qualified resources As part of its Sustainable Tourism strategy Government completed skills forecast for the hospitality sector looking ahead to 2030; specific training targeting skills gaps being developed at vocational and academic levels	National network of regional tourism learning hubs	Drive to create quality jobs in the cultural sector	Specific plan launched to develop human resources across the value chain tied to higher salaries as incentive Comprehensive overhaul of tourist guides' education and licencing system
Spain	**Turkey**	**Tunisia**	
Strong emphasis on entrepreneurship and innovation in the sector Specific lines of credit for young entrepreneurs with proposals aligned with overall strategy	Low service quality and poor communication skills identified as major issues Targeted training programme using voucher system for employees in F&B/hotel accommodation segments	Training needs analysis carried out in consultation with the industry Upgrade training standards and content for tourism sector	

THE MALTA CHAMBER