

The role of SMEs in Tourism - The Particular Case of Malta and the Development of the Tourism Activity.

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Background

Tourism is, traditionally, known as "The People Industry". We refer to it as an "Industry", yet, many are now referring to it as a socio cultural activity because of the opportunity this offers for intercultural cooperation and experiences.

In a study carried out by the Plan Bleu Project in November 2012¹ both the European Investment Bank (EIB) and the Association of the Mediterranean Chambers of Commerce and Industry (ASCAME), acknowledged the important role played by SMEs in the development of sustainable tourism activity in Mediterranean Countries.

The EIB has devoted a growing share of its activities in the Mediterranean (63% in 2011). In recent years the EIB has given 2 300 SMEs in the Mediterranean partner countries the benefit of its technical expertise and financial support, which has led to more than 30 000 jobs.

"Tourism is a key sector of the economy on the southern and eastern shores of the Mediterranean, where it employs directly and indirectly more than 20 million people and is the main source of foreign exchange for the non-oil-exporting countries. With its natural and cultural heritage, together with its favourable climate, the Mediterranean region is the world's leading tourist destination and in 2010 accounted for some 11% of the GDP of the nine southern and eastern countries of the "common sea"²

Despite these advantages, the future of this sector is facing political and economic uncertainties that particularly highlight the need to modernise the policy regarding what this sector can offer in the southern Mediterranean countries and to create new financial instruments. From this point of view ecotourism is an obvious but ambitious solution, as it implies product diversification, making the most of the environmental and cultural advantages, and increasing the professionalism of the key players and service providers.

During a press conference to announce the EIB and ASCAME initiative in 2012, Mr de Fontaine Vive stated: "In the light of the economic and social difficulties facing the Mediterranean countries involved in the democratic transition process, it is crucial to create conditions that are conducive to investment and to support businesses in their sustainable development projects. Tourism is a key growth and employment sector for the future of these countries, calling for decision-makers, key players and financial partners to be effectively mobilised". Mr Choucair pointed out that "tourism is the oil of the Mediterranean. Some countries exploit it as best they can, while others are still failing to make the most of this valuable resource. The partnership between ASCAME and the EIB must encourage greater mobilisation of economic actors in favour of sustainable tourism, which will create jobs and promote development"³.

¹ Reference: 2012-172-EN 26 November 2012

² www.eib.org (30.06.2014)

The Case Study : Malta and Gozo

These islands are situated in the centre of the Mediterranean Sea and for centuries have provided a strategic base for maritime traffic through this busy waterway. This position has also brought a number of colonialists to these islands including the Knights of St John and the British. Throughout the period of colonisation, the Maltese have always sought to gain some kind of economic benefit and this is evident, more than anytime, in the 19th and early 20th century as we can read in the numerous visitor accounts of Valletta, the walled town (which you will soon be visiting later today). During the early part of the 20th century Valletta boasted a number of small hotels (around 50 in number) that can only be described today, as Boutique Hotels. These were family owned and run, supporting these hotels at this time there was also a thriving city of shops, commission agents and even cigar manufacturers. But the British period in Malta and Gozo also meant that a broader number of wholesalers and dock workers depended on the activity around the Grand Harbour as well as the whole island - this also included transportation, manufacturing and services (such as cleaners, hotels and catering).

After Independence in September 1964, the Maltese Government embarked on a strategy of growth and economic and social expansion based on three pillars - Tourism, The Dockyard and Agriculture and Industry. Fifty years on, it is Tourism that has resisted most proficiently from the changes that have occurred throughout these last turbulent times! Starting from a figure of 40,000 visitors per annum in 1964 the visitor arrival today is 1.4 million visitors today, more than three times the local population of both islands (400,000). Though the industry was developed in a top down fashion between 1958 and 1987, the industry has always been seen as the major employer (circa 9000 direct employment) and a 25 % contribution to the GDP. But one of the most important issues that expresses the real importance of this activity, today, is the impact that tourism has both on the social as well as the wider, multiplier level.

Between 1964 and 1987 the tourism activity has depended on a number of incentives and initiatives for enhanced Business development. In the growth years of the 1960's, the Government offered a number of incentives under the Aids to Industries Act (1967) which saw a vast improvement in existing and new bedstock, investment from international hotel chains such as Hilton, Sheraton and The Kursaal Group. This period also saw the initial steps taken for one of the island's most successful SME to a multi national group of hotels and tourism enterprises - The Corinthia Group. The incentives brought a number of other small businesses - restaurants, bars, coffee shops, fast food outlets and souvenir shops to support the tourism activity. During the 1960's the old RAF air base at Ta Qali near the old town of Mdina was transformed into a Crafts centre where a number of crafts people also set up their workshops and retail outlets and which is widely visited by visitors today.

Gozo also has its fair share of success stories when it comes to business development and the SMEs. Over sixty years ago, the island offered a quiet retreat for both the foreign and domestic visitor (as , indeed, it still does today). The island had a number of small guest houses offering very homely and personal service to the visitor and the whole aspect, today, could be termed community based.

Today's Scenario

Though the industry has grown , over the past half a century, from 40,000 to 1.4 million visitor, this has brought with it an increase in demand of the core and ancillary services, an

increase on the suppliers for those services and a search for innovation and continuous improvement. In a report prepared over ten years ago⁴, it was stated that there were some 20,000 small medium enterprises in Malta and Gozo, related to the tourism activity.

Some €10 million were allocated to a Grant Scheme for Sustainable Tourism Projects by enterprises, including small and medium sized enterprises. This scheme directs funds towards the economic development of the tourism sector and is intended to support product upgrades, enhance accessibility, increase innovation, strengthen marketing initiatives and promote tourism projects that aim to tackle current challenges in an environmentally and socially responsible manner.

Tourism needs to be sustained if it is to maintain the momentum it has reached in recent years, every destination needs to ensure that they are the first choice for visitors, that those visitors want to be there and not happen to be there. If we want to make a destination like Malta and Gozo a real people industry, then it needs the ownership of all stakeholders, particularly the local community. Tourism is not an industry, it is a socio cultural activity that can create opportunities for small and medium sized businesses, unique attractions, authentic experiences and , above all, economic and social benefits for all those concerned. Governments are there to direct the strategy and policy which was agreed and developed with all stakeholders. For effectiveness, tourism needs to be an inclusive process. We all need to make this happen together.

Thank you

Appendix : Notes for reference

Malta is often portrayed as a safe and pleasant environment. Moreover, the smallest EU State was consistently ranked amongst the top countries in the world for its quality of life index. According to a latest economic impact report by the World Travel and Tourism Council (WTTC, 2014), last year the travel and tourism industry in Malta has contributed to 13.6% of the country's GDP. This figure is expected to rise by 5.6% during this year. WTTC (2014) reported that the tourism industry alone has generated more than 25,500 jobs, directly. This figure is forecast to grow to 27,000. It translates to 15.5% of the total employment in Malta and Gozo. Arguably, positive results do not come by chance. In the last decade the Maltese governments' concerted efforts may have helped to ensure that our tourism industry remains a major contributor to the Maltese economy. The fruitful and collaborative relationships among tourism stakeholders also augur well for the sustainability of our tourism industry. Malta's national tourism policy (2012-2016) builds on proactive frameworks of previous policies, whilst keeping pace with contemporary trends in travel and tourism.

A recent report (2013) by the economic policy department within the Ministry of Finance aimed to establish a strategy for accommodation development, whilst taking into account the type of accommodation required, the optimum mix, market developments, the market segments, limiting factors and environmental considerations. A number of actions have already been undertaken or are being dealt with in this regard. Emphasis is being placed on supporting investment in tourism product development by the private sector. This is being accomplished through the allocation of €120 million of EU structural funds (from the 2007-2013 programming periods) and additional national funding. Some €10 million were allocated to a Grant Scheme for Sustainable Tourism Projects by enterprises, including small and medium sized enterprises. This scheme directs funds towards the economic development of the tourism sector and is intended to support product upgrades, enhance accessibility, increase innovation, strengthen marketing initiatives and promote

⁴ NOORDAN S. and SMID S. Tourism in Malta (IBM 23 December 2012)

tourism projects that aim to tackle current challenges in an environmentally and socially responsible manner.

Given that a large number of tourism businesses in Malta are operating either directly in tourism or in related sectors; it is important to maintain or increase current tourist numbers and tourism earnings. While there is scope for any increase during the peak summer months, there remains room for significant improvements during the shoulder months. In response, Malta is seeking to attract tourists from a spread of markets which will be attracted by niche products. Some market segments may respect Malta's unique heritage and may have the propensity and the resources to spend more. Malta is striving to make the islands more accessible for all. Two EU co-financed Calypso projects were implemented between 2009 and 2013. The first one focused on research analyses which define the present product offering. This project also identified certain areas which have to be addressed in order to untap the social tourism market. The Maltese tourism product and service quality can be differentiated to attract visitors with personalised services and accessibility needs. The second project was approved in 2011. Its major objectives was to assess the degree of accessibility within selected tourist zones around the Maltese Islands. It has also given recommendations for improvements. A special allocation was directed to the maintenance and promotion of rural localities by supporting the establishment of walking trails and small scale infrastructural interventions which, in turn improve rural and natural areas. This latter project is being co-funded through the European Agricultural Fund for Rural Development.

The Malta Tourism Authority (MTA) is increasingly focusing its energies on environmental initiatives. Today's travellers are becoming more demanding on sustainability issues and green travel. This may pose a number of challenges for the industry practitioners to constantly update their methods of operation to be in line with the constantly changing market requirements. Eco-certification is the national scheme which ensures the environmental, socio-economic and cultural sustainability of hotels in the Maltese islands. It has been recognised by the Global Sustainable Tourism Council as fully reflecting the GSTC criteria. The scheme was launched by the Malta Tourism Authority in 2002. Some 16.2% of hotel accommodation establishments, covering 3, 4 and 5 star categories (accounting to 32% of beds) in Malta are eco-certified (MTA, 2014).

In spite of the record figures in terms of tourist arrivals, bed nights and tourist spending, the tourism stakeholders are very aware that not everything in the garden is rosy. The ToM Business Supplement reported (27th March) about a number of unlicensed accommodation establishments who last year evaded VAT and taxes. It goes without saying that such accommodation establishments may have not been subject to any form of quality control on their product. Such unlicensed accommodation establishments may have also created some distortions in price structures, particularly for hospitality enterprises. Interestingly, another ToM article (25th March) featured a summary of some findings from an MTA research about the highs and lows of tourism in Malta. For instance, it reiterated the importance of improving aesthetics in Maltese tourism zones. It reported that eight per cent of visitors said they would not return to Malta. Apparently, some informants complained of a dirty environment, excessive building, bad experiences with accommodation, poor transport and unfriendly locals. This same article hints that MTA may set up quality assurance structures as it wants to measure sustainability. It mentions some of the challenges of the tourism industry and makes a few recommendations which resonate with the national policies.

In conclusion, this contribution suggests that frequent situation analyses (and longitudinal studies) may possibly give a better picture of our product offering and service quality. Certain findings may be an eye-opener for some stakeholders as there are some issues which will have to be addressed in the foreseeable future.

Reference

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