



## Carrying Capacity Study for Tourism in the Maltese islands

February 2024



Operational Programme II – European Structural and Investment Funds 2014-2020  
“Investing in human capital to create more opportunities and promote the well-being of society”  
Project part-financed by the European Social Fund  
Co-financing rate: 80% European Union; 20% National Funds



# Deloitte Public Policy Program - Why are we here?

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## Public Policy Program Contact

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## Purpose

Deloitte actively participates in policy discussions on some of today's most important socioeconomic and environmental challenges, seeking outcomes that serve the public interest.

## Activities

The program aims to:

- Serving the public interest through the development of projects, research and studies that promote social progress and sustainability.
- Promoting the dialogue and collaboration between Deloitte, policymakers (at European, national and local level) and other actors such as business associations, research centers and universities, foundations and third sector organizations.

## Policy Topics

The DCM Public Policy program is structured around 6 key policy topics – the BRIDGE approach, impacting socio-economic progress and development in the Central Mediterranean area.



**Business accountability**



**Inclusive workforce**



**Growth through innovation**



**Rethink education**



**Digital society**

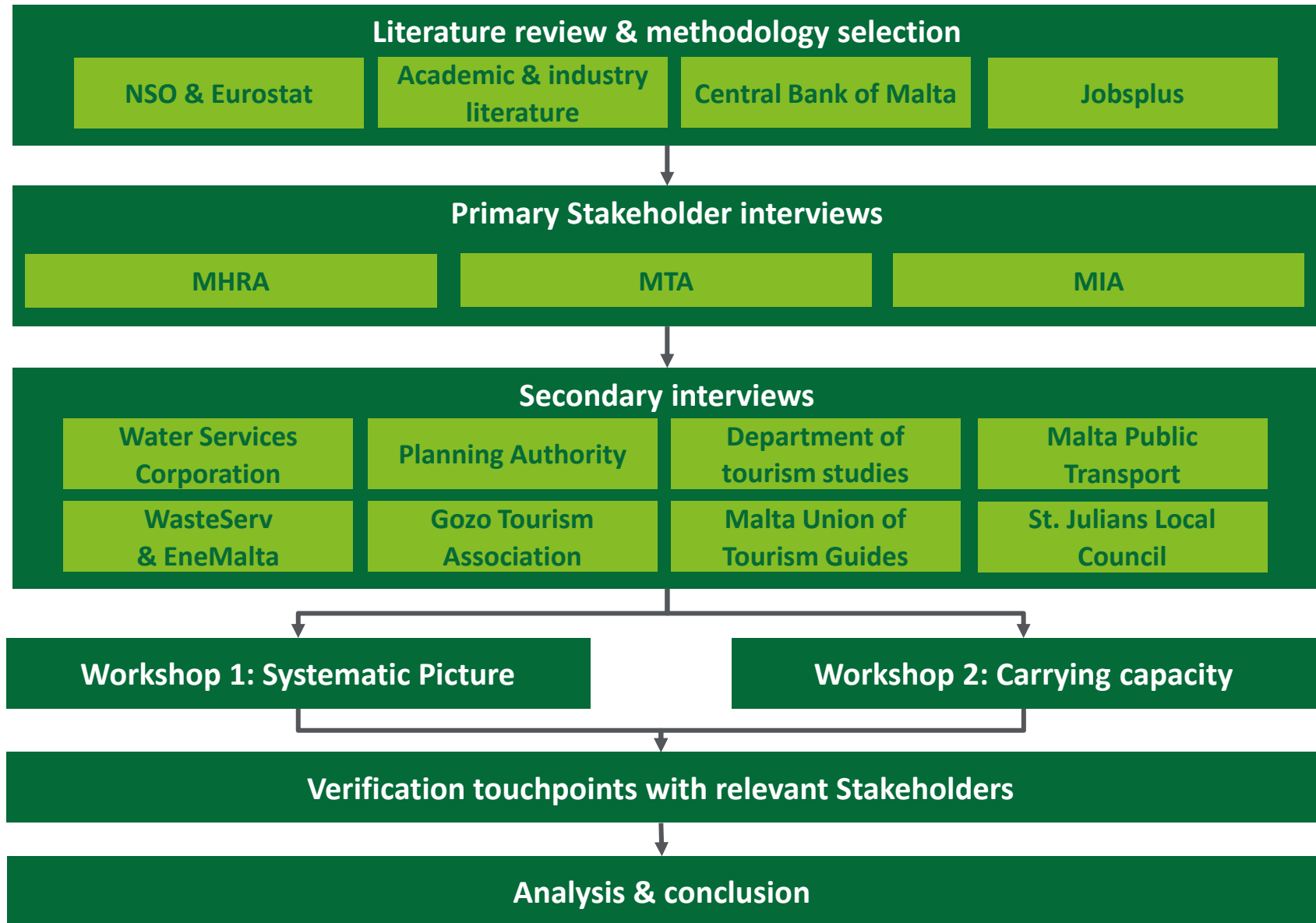


**Environment & sustainable  
development**

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**Michael Zarb**  
Public Policy Leader Malta

# Methodology



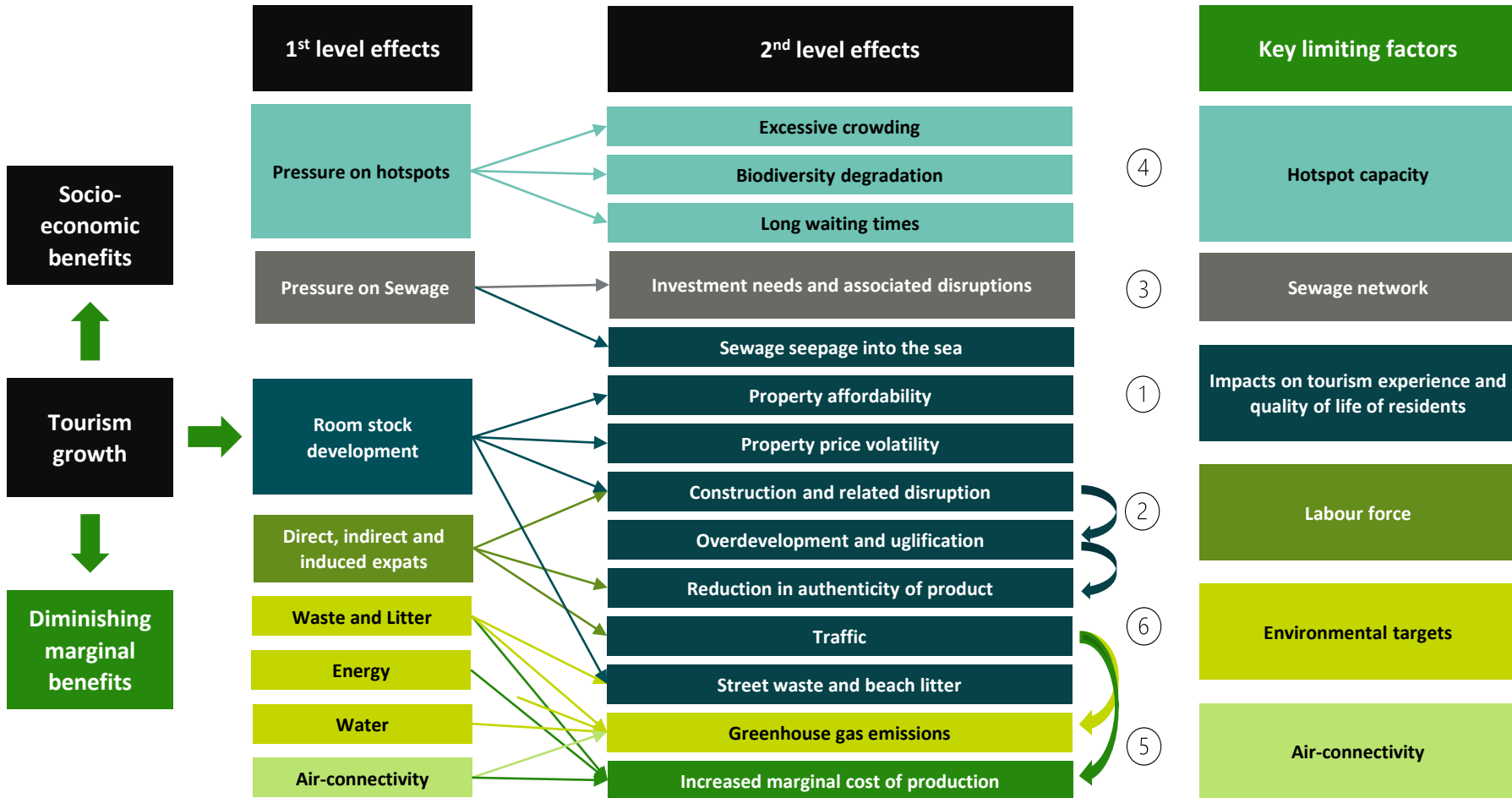
**Limiting factors**

## Six key limiting factors impact Malta's ability to receive more tourists

Tourism growth produces significant economic benefits; however, growth also places stress on key resources leading to impacts that increase the marginal socio-economic cost of the sector.



# Six key limiting factors and relative effects

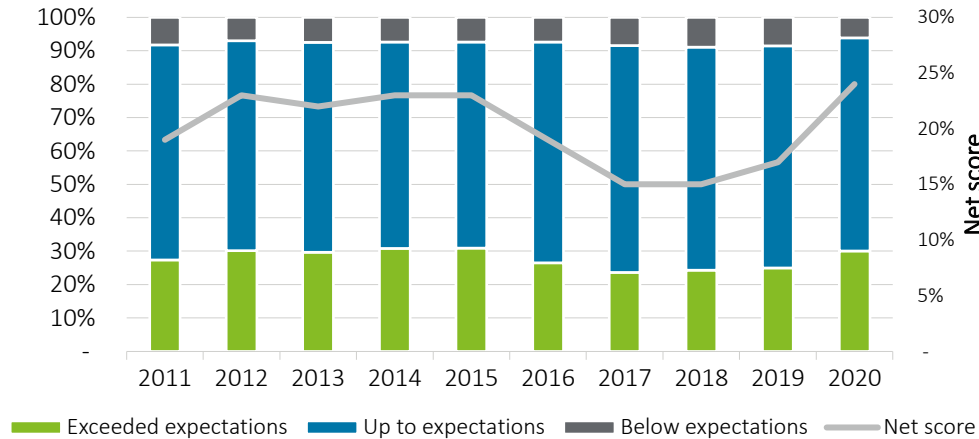


*\*The arrangement order of issues does not indicate priority but is instead arranged to ease the flow of connected ideas.*

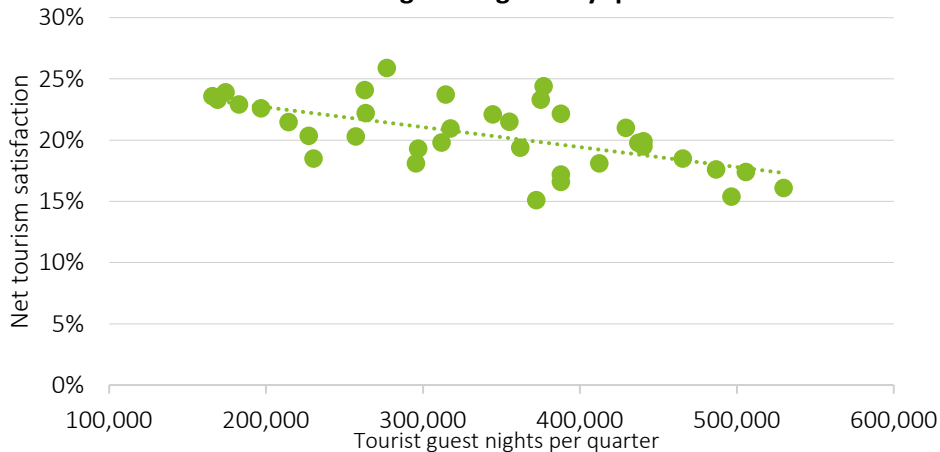
# Tourism experience and quality of life of residents is impacted by volume

Already at 2019 tourism levels, tourists' and residents' satisfaction were impacted by excess volume. Improved tourism management and focused investments are required to sustain growth.

Overall tourism satisfaction rating



Tourism satisfaction vs. tourist guest nights - by quarter



## Findings

- Traffic, littering, waste management, poor urban environment (overdevelopment and uglification) and the lack of authenticity noted as key issues.
- Attracting additional volumes is increasingly difficult.
- Social media increases exposure from negative individual experiences.
- Signs of waning enthusiasm from residents in tourism hot spots.

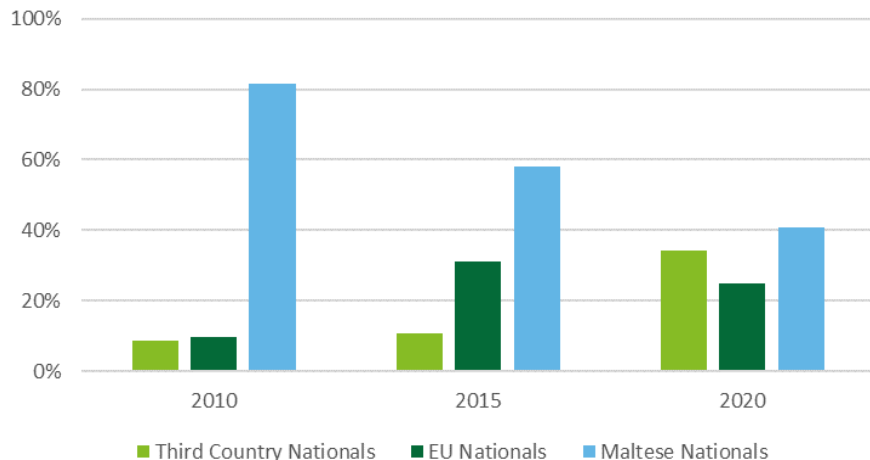
## Key recommendations

- Moderate supply growth to align to product development
- Increase distribution of tourism activity
- Improved management of tourism hotspots
- Regulation overhaul to allow push to quality
- Rationalization of growth

# Labour force limitations hamper and condition tourism growth

Difficulty recruiting locally has made the sector reliant on expats – contributing to population growth which in turn aggravates the satisfaction issues noted earlier

Composition of the labour workforce in the tourism sector



## Illustrative Type 2 impacts of further growth using existing model

	Sc1: +60%	Sc2 +70%	Sc3 +80%
Incremental direct expats	9,738	11,050	12,362
Incremental indirect & induced expats	3,292	3,736	4,180
Incremental residential units	6,516	7,394	8,272

Note: the table above includes direct, indirect and induced impacts as estimated through a Type 2 input output model

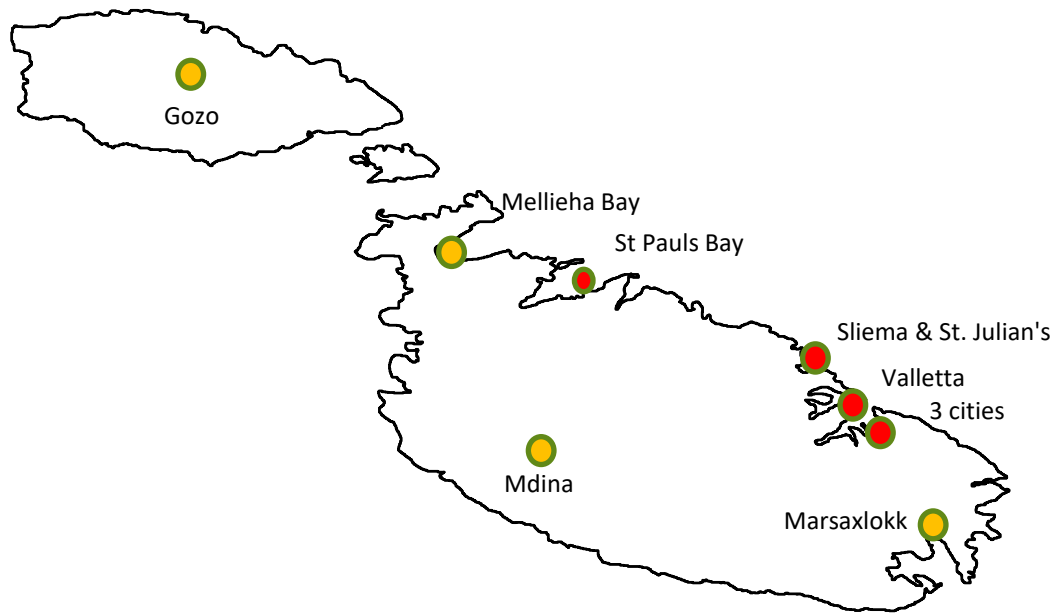
## Findings

- The total number of Maltese working in the sector reduced from 7,974 in 2010 to 5,964 in 2019. In 2019, only around 40% of workers in the sector were Maltese. This:
  - reduces the authenticity of the tourism product;
  - adds infrastructure pressures (e.g traffic and sewage from population increase);
  - More residential dwellings to house expats (overdevelopment and uglification).
  - Impact compounded by indirect and induced effects from population growth.

The growth scenarios examined in the study are based on an examination of PA permits (approved & in process).



Sewage is seeping into swimming bays in certain areas due to network deficiencies Stakeholders, including the Water Services Corporation (“WSC”), explained that already in 2019, sewage seepage into the sea occurs in certain areas due to infrastructural capacity issues



	Sc1: +60%	Sc2 +70%	Sc3 +80%
Additional water discharge in sensitive areas	1,142	1,332	1,522
Capacity increase in sensitive areas	49%	57%	65%

### Findings

- Sewage network operating vastly beyond designed capacity in certain key tourism areas leading to sewage seeping into the sea in important tourism area.
- Undergoing upgrades in densely populated requires significant funds and is disruptive.
- Historical sites (e.g. VLT) present unique challenge.
- WSC has not yet secured funding.

### Key recommendations

- Data sharing and harmonization of tourism development policy to existing constraints.
- Synchronization of infrastructural developments to minimize disruption.
- Revised development guidelines to manage more severe situations.

In 2019, key tourism assets and hotspots were crowded relative to benchmarks  
Supporting further growth in a sustainable manner requires an overhaul of visitor management practices in key sites and the introduction of strong control and mitigation measures.

	Average visits per day per hot spot in August				Density m <sup>2</sup> per visitor				
	2009	2015	2019	Size of Hot Spot area ('000 m <sup>2</sup> )	2009	2015	2019	Sc1	Sc2
<b>Beaches</b>									
Mellieha	2,855	3,559	4,401	30	10.5	8.4	6.8	4.5	4.3
Golden Bay			3,350	16			4.8	3.2	3.0
Ramla Bay		1,713	2,178	15		8.8	6.9	4.6	4.3
Comino			4,580	4			0.8	0.5	0.5
<b>Historical areas</b>									
	2009	2015	2019	Size of Hot Spot area ('000 m <sup>2</sup> )	2009	2015	2019	Sc1	Sc2
Valletta	6,233	8,672	12,021	429	68.8	49.4	35.7	23.8	22.3
Mdina	4,908	6,772	9,309	120	24.4	17.7	12.8	8.6	8.0
Three Cities	2,272	2,964	5,031	388	170.6	130.8	77.0	51.4	48.2
Citadel / Victoria		4,392	6,323	150		34.1	23.7	15.8	14.8
<b>Urban areas</b>									
	2009	2015	2019	Size of Hot Spot area ('000 m <sup>2</sup> )	2009	2015	2019	Sc1	Sc2
Sliema	4,530	5,688	6,795	470	103.7	82.6	69.2	46.1	43.2
St Paul's Bay	3,864	4,988	6,187	512	132.6	102.7	82.8	55.2	51.8
St Julians	3,343	4,029	5,007	273	81.7	67.8	54.6	36.4	34.1
Marsaxlokk	3,185	4,278	5,895	132	41.4	30.8	22.4	14.9	14.0
Paceville	1,489	1,688	1,743	177	119.2	105.1	101.8	67.9	63.6

## Findings

- Excessive peak crowds relative to benchmarks in key beaches, key historical areas, and key urban areas.
- Excessive congestion at Mgarr also noted as a significant issue by stakeholders.

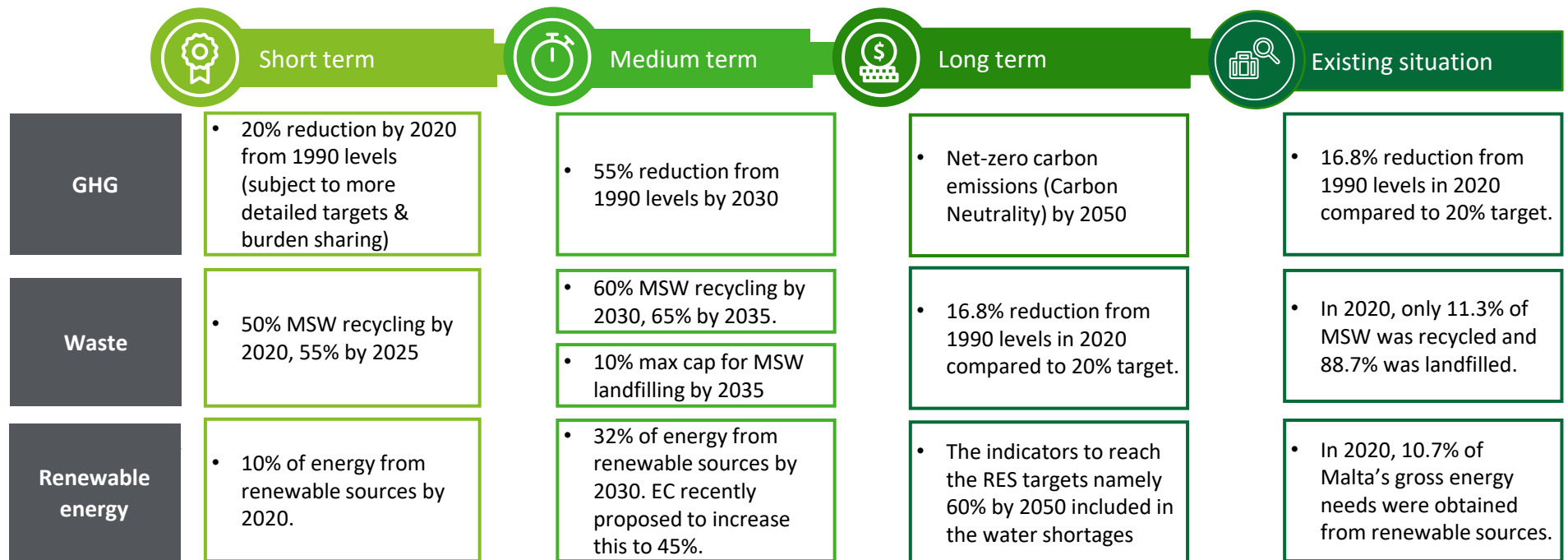
## Key recommendations

- Track visitor movements and undertake site specific carrying capacity assessments
- Mechanisms to control visitation to vulnerable and sensitive sites
- Digital tools to provide visitors with prior visibility of crowds and queues.
- Dedicated tourism management zones prioritizing tourism management in hot spots.

# ECB forecasts that Malta will not hit its GHG targets

Achieving environmental targets whilst sustaining rapid tourism growth poses a considerable challenge when considering Malta's current position relative to such targets

## Summary of EU Targets

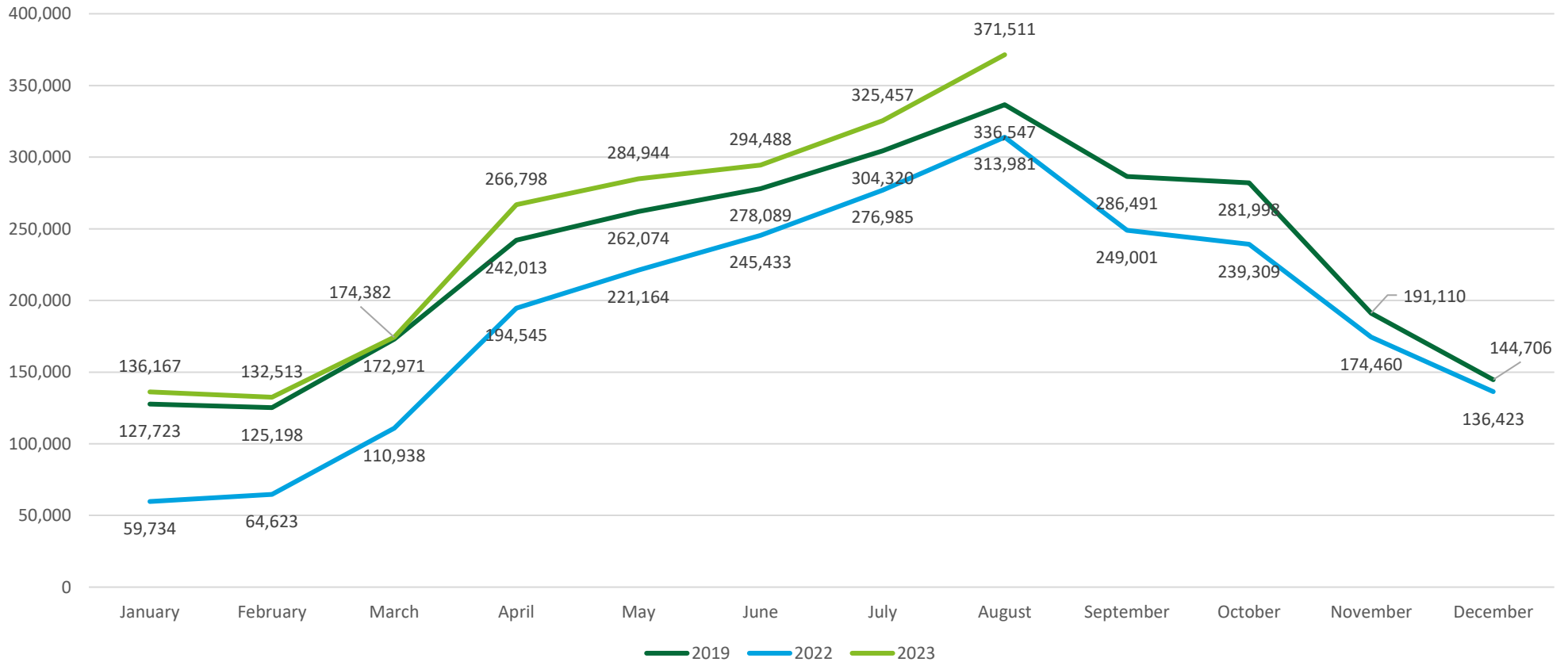


**Key demand-side and connectivity considerations**

# Total tourist arrivals

Full recovery of pre-covid Tourist arrivals is on track with almost 2 million arrivals between January and August this year, surpassing the corresponding period in 2019 by almost 140,000.

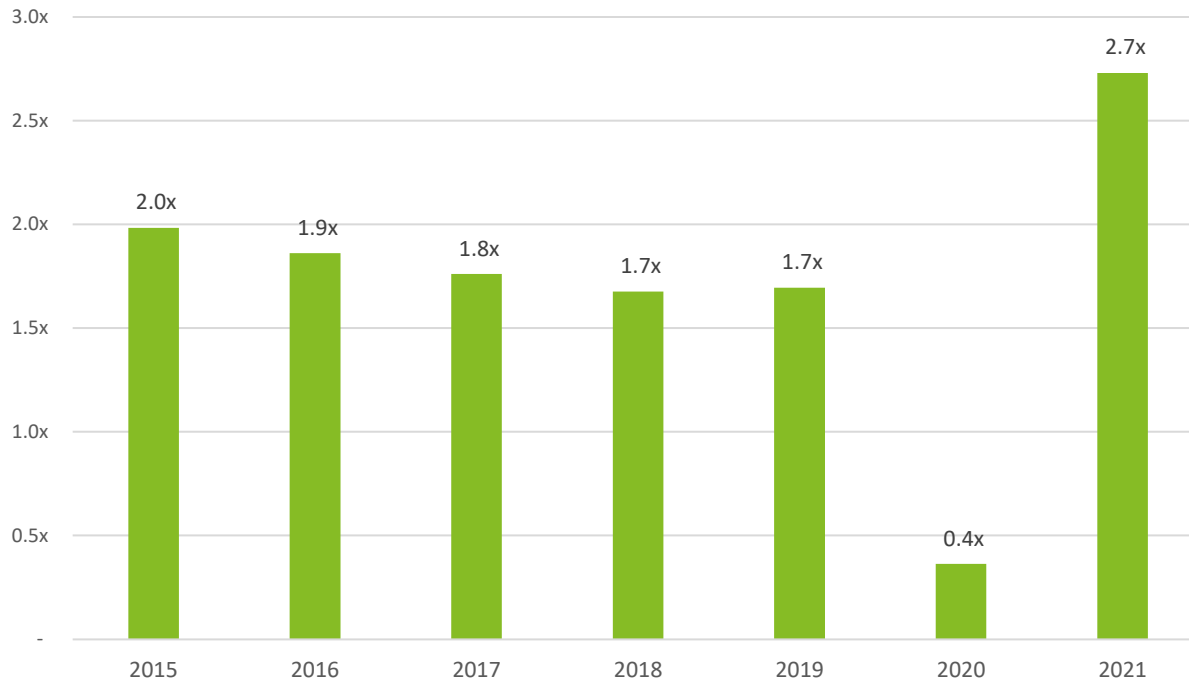
Total Monthly Inbound Arrivals



# Flattening seasonality patterns beyond 2019 levels is not easily achievable

Achieving significant growth by improving winter performance alone is not realistic. For every added flight in winter, airlines request between 1.5 to 2 additional flights in summer.

**Total flights: Summer to Winter ratio**



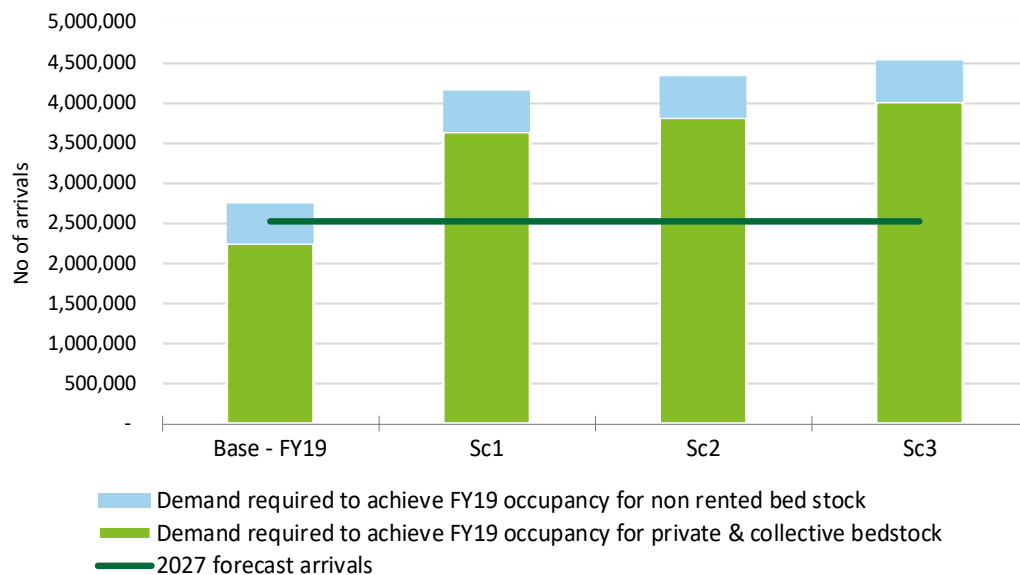
## Findings

- Growth in winter routes contributed to tourism growth pre-covid.
- Stakeholders claim that this trend has saturated – new winter routes require a commitment for between 1.5 to 2 summer slots.
- This has been aggravated by Covid-19. Airlines now have more bargaining power.
- Growing tourism arrivals without impacting peak demand seems unlikely.

# Supply growth is expected to significantly outpace the recovery in air-connectivity

A financial risk posed to the sector exists, however understanding this in more detail requires the consideration of various mitigation circumstances

Expected 2027 arrivals vs. Demand required for existing trend in bedstock capacity



1 • **Supply timeline:** Room stock increases will be paced over the next 5 or 6 years, with the majority of increases stemming from large and complex projects that are expected to come online later within this timeline.

2 • **2019 was a record year:** The 2017 – 2019 period represents record levels of occupancy and hotel profitability. Lower occupancy and profitability levels may be sustained without dire consequences.

3 • **Increased preference for hotels:** Post-covid results show an increased preference for hotel accommodation over private accommodation. This trend may or may not persist.

4 • **Rate increases and cost savings:** Post-covid results show that rate increases and cost savings measures have mitigated a significant portion of the impact of reduced occupancy.

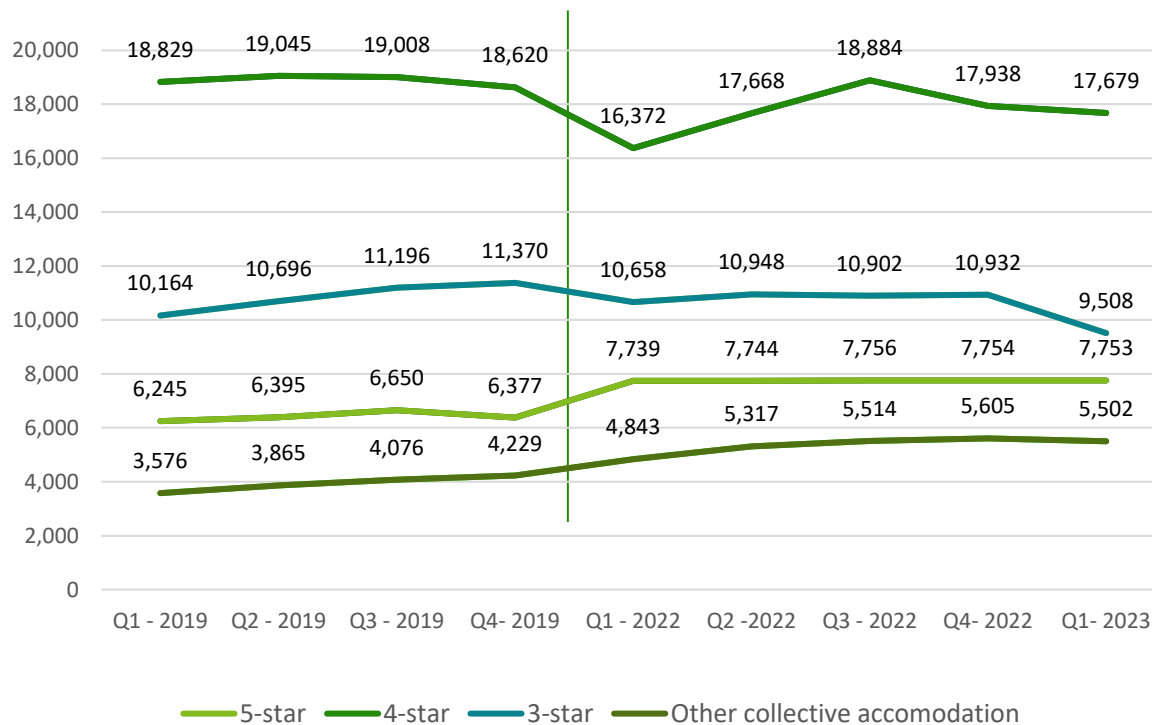
5 • **Removal of dated room stock:** As natural process of oversupply will entail the closure of dated room stock and the change of use of such property, without any significant financial or economic consequences. This has already begun.

Implied average occupancy	Sc1	Sc2	Sc3
Collective accommodation	54%	51%	49%
Private accommodation	39%	38%	36%

# Total bed-stock in collective accommodation

Available hotel bed-stock in 2022 was 8.8% higher than 2019; + 24% in 5 star + 57% in the non-stared accommodation.

Total bed-stock by accommodation category



## Findings

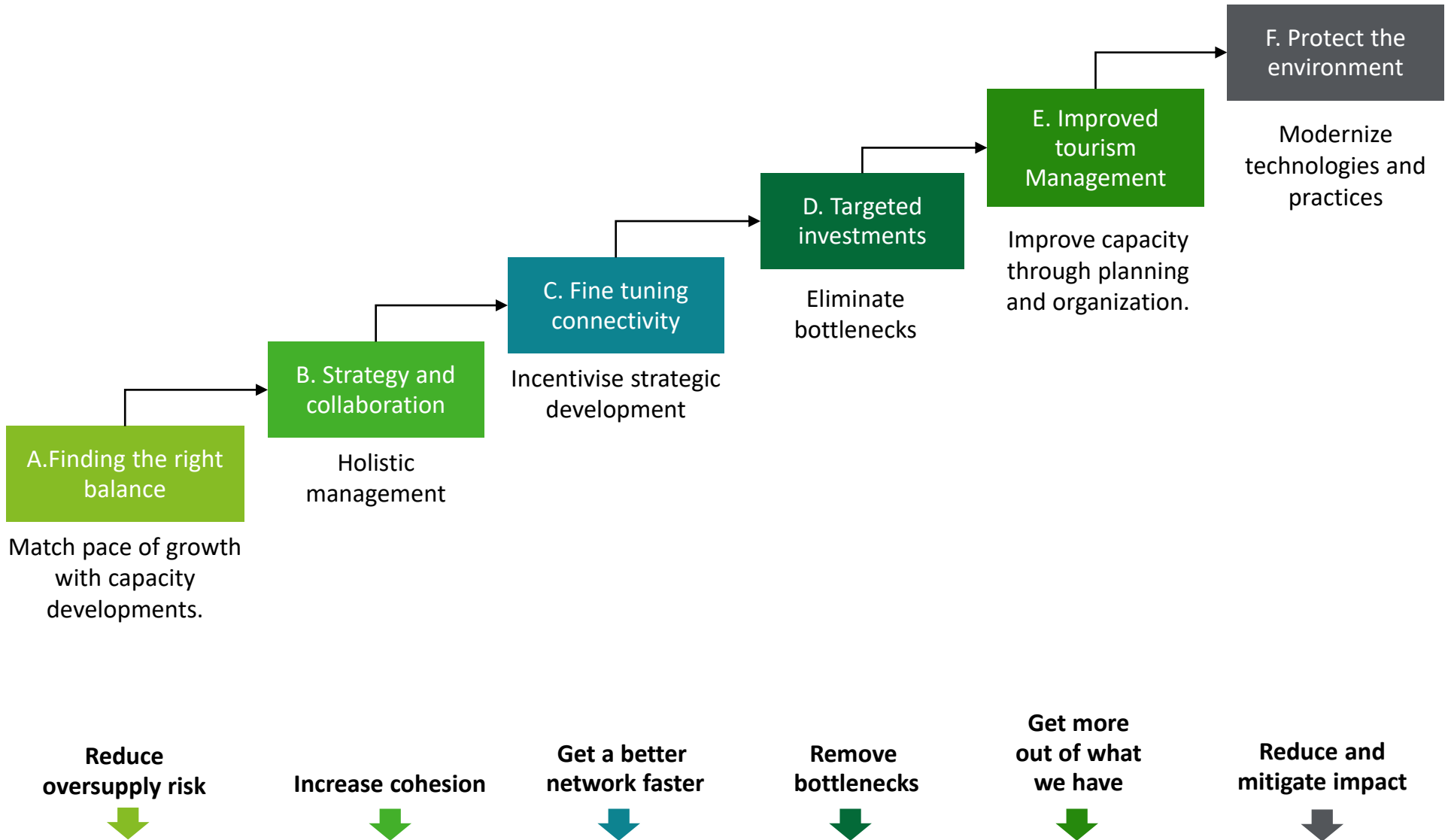
- Total bed stock had stabilised between 2019-21, mainly due to many operators undergoing major refurbishments.
- Most growth originated in the – non-stared accommodation
- Growth in terms of bed stock expected to increase exponentially from Q2 2023 and over the next 12-24 months especially in the 4-Star category e.g AX ODYCY 618 rooms, Qawra Palace Hotel (570+), Ramla Bay Hotel in 2024 (600+), Hardrock Hotel (370 rooms) etc.
- Although pipeline bed-stock is set to increase drastically, two crucial point to be made are:
  - Timeline when project becomes effective.
  - Typology of Hotel being built/refurbished.



## Key Recommendations

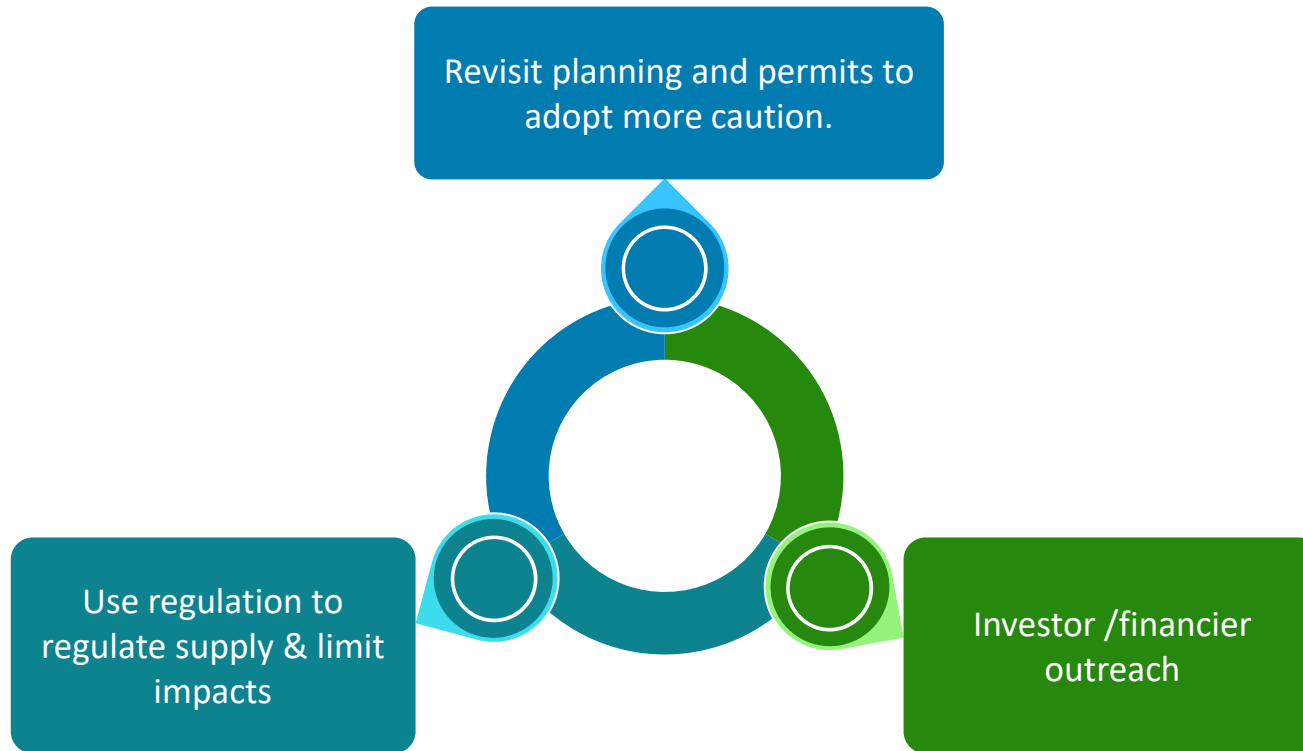
# Recommendations

Finding the right balance for a sustainable tourism growth



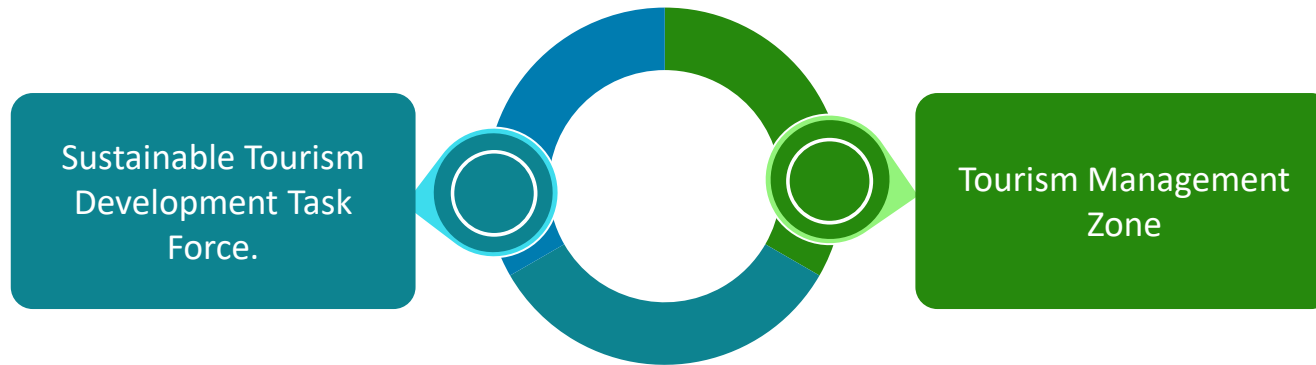
# Recommendations | Finding the right balance

Sustainable tourism growth requires us to balance growth against capacity developments



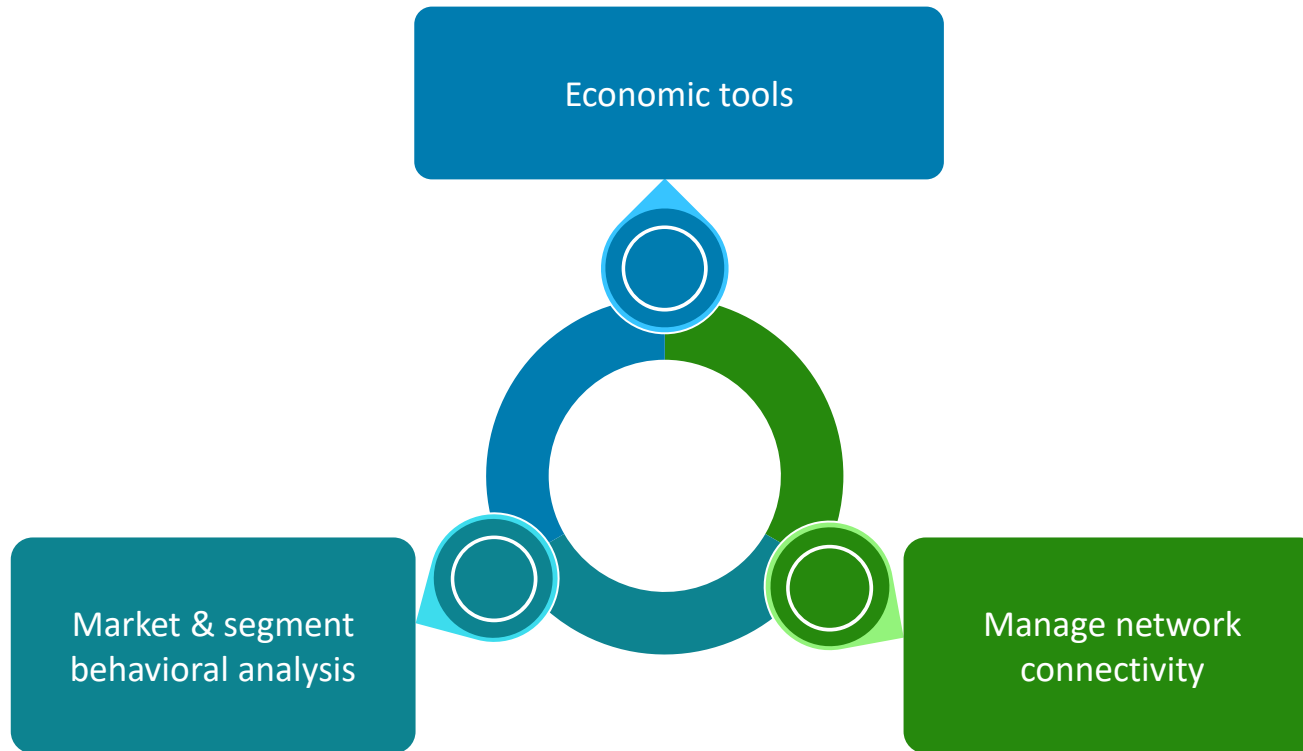
# Recommendations | Strategy and collaboration

Greater focus on holistic tourism management can help balance conflicting priorities



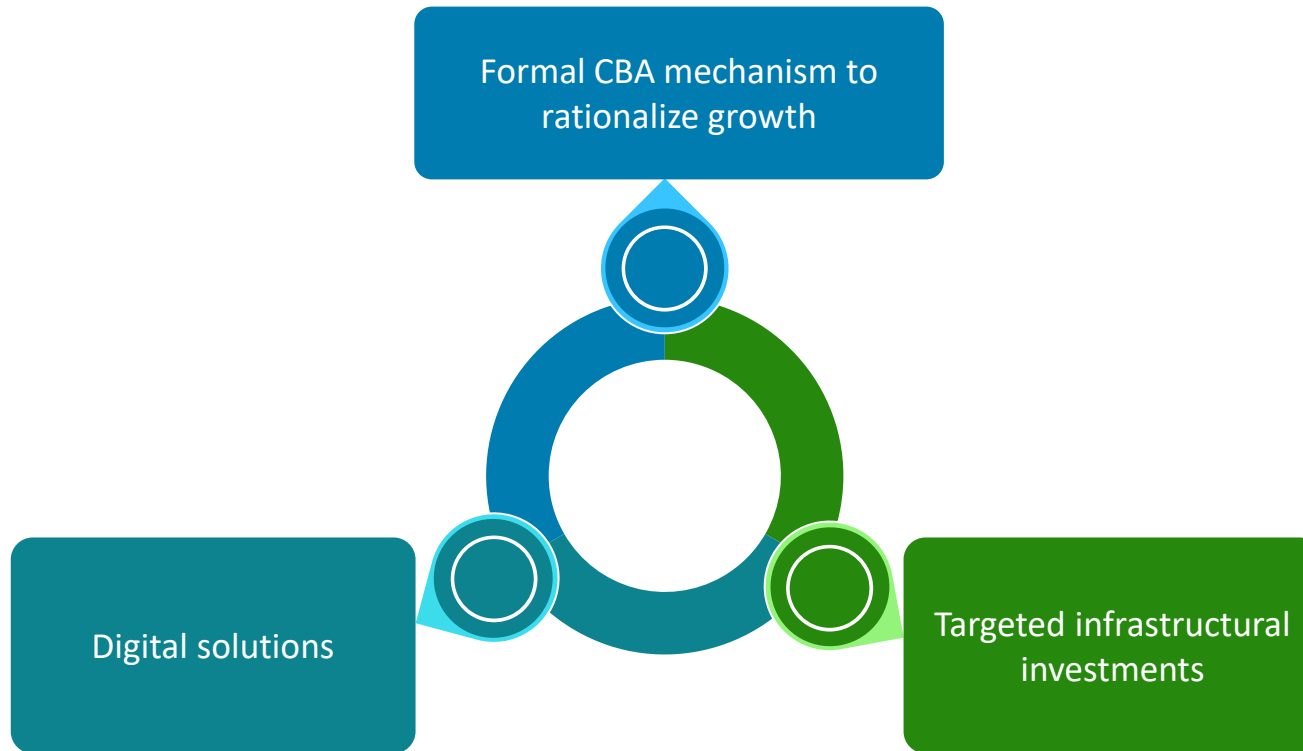
## Recommendations | Fine tuning connectivity

Malta's tourism strategy and growth needs to be balanced against air-connectivity changes, which currently are largely out of policy maker's sphere of direct influence



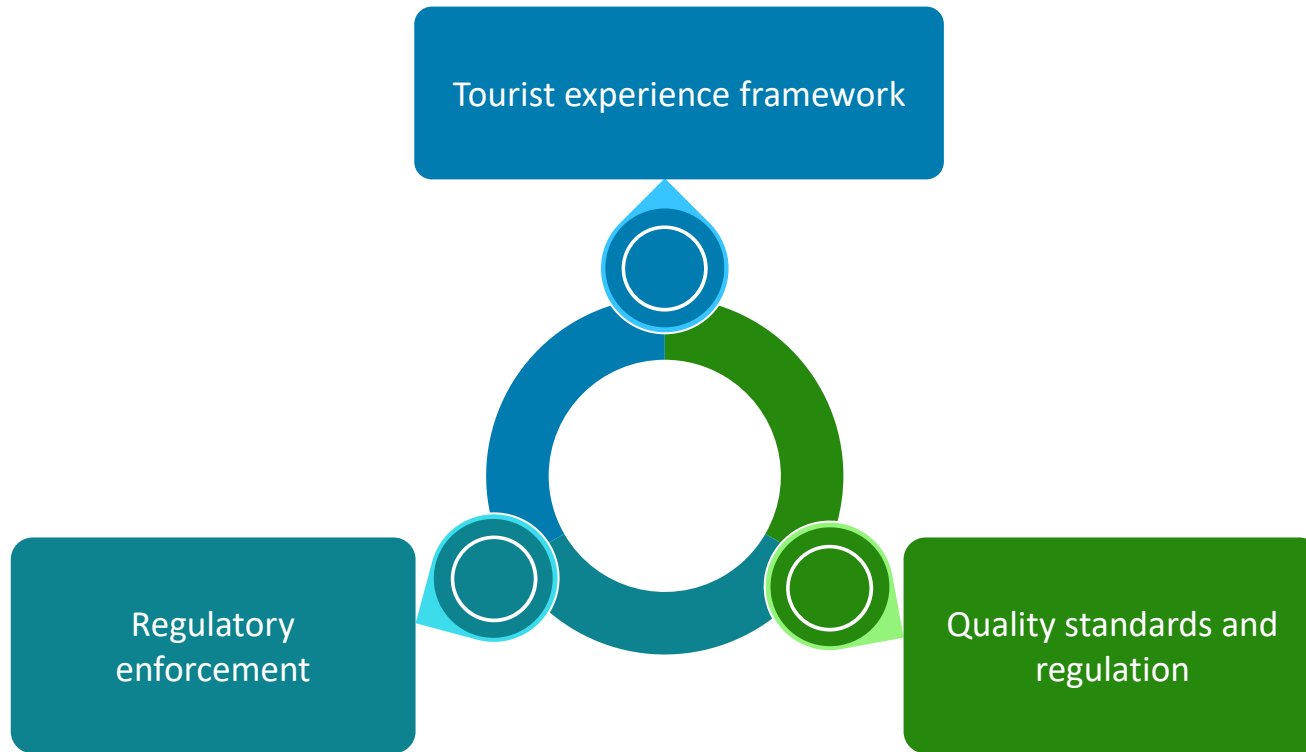
## Recommendations | Targeted investments

Targeted investments can help elevate key limiting factors however such investments need to be carefully balanced against their socio-economic cost



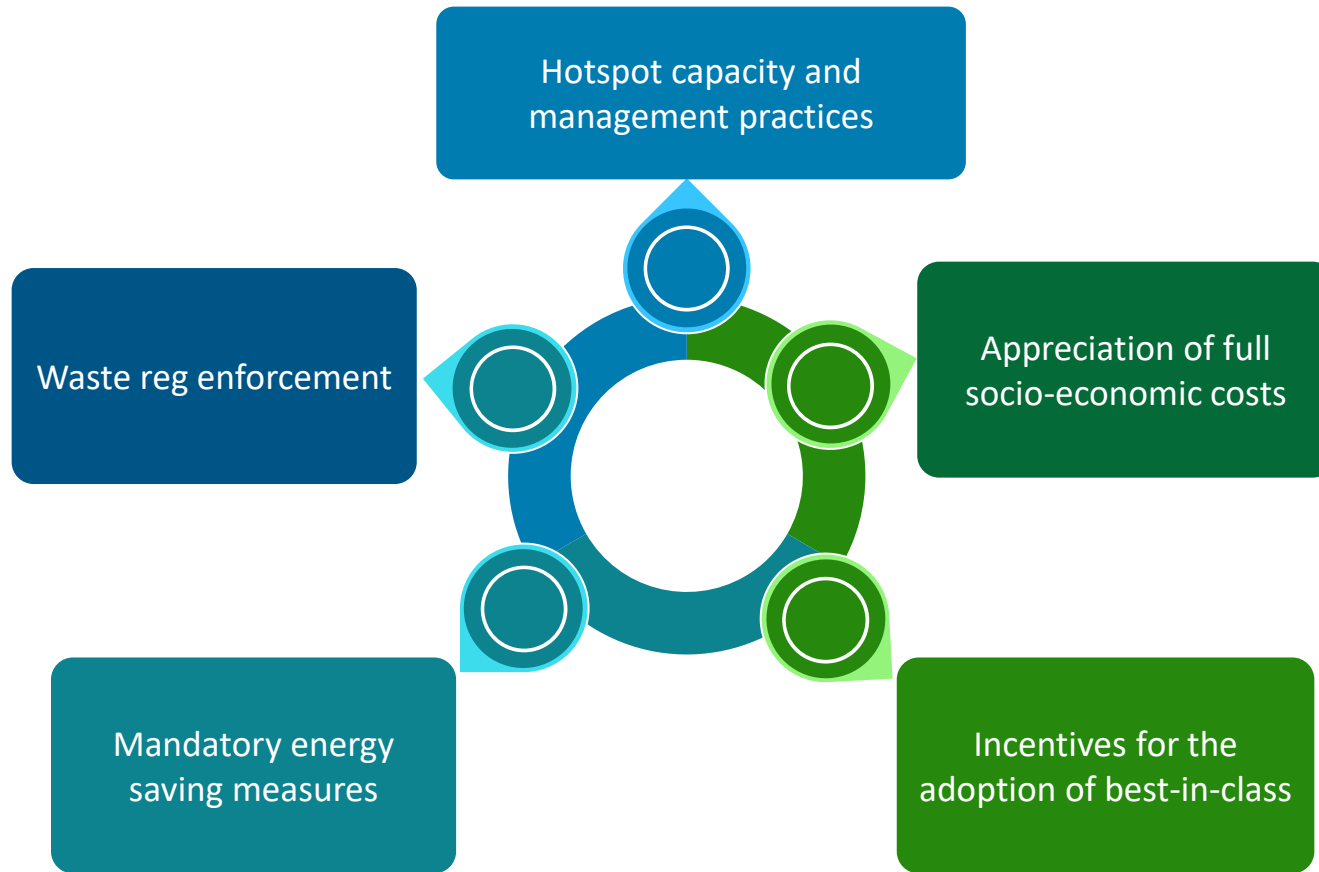
# Recommendations | Improved tourism management

To avoid degrading our product, arrivals growth needs to be balanced against investments in the management of the tourism experience



# Recommendations | Protect the environment

A significant improvement in managing the sector's direct environmental impact is to find a sustainable balance







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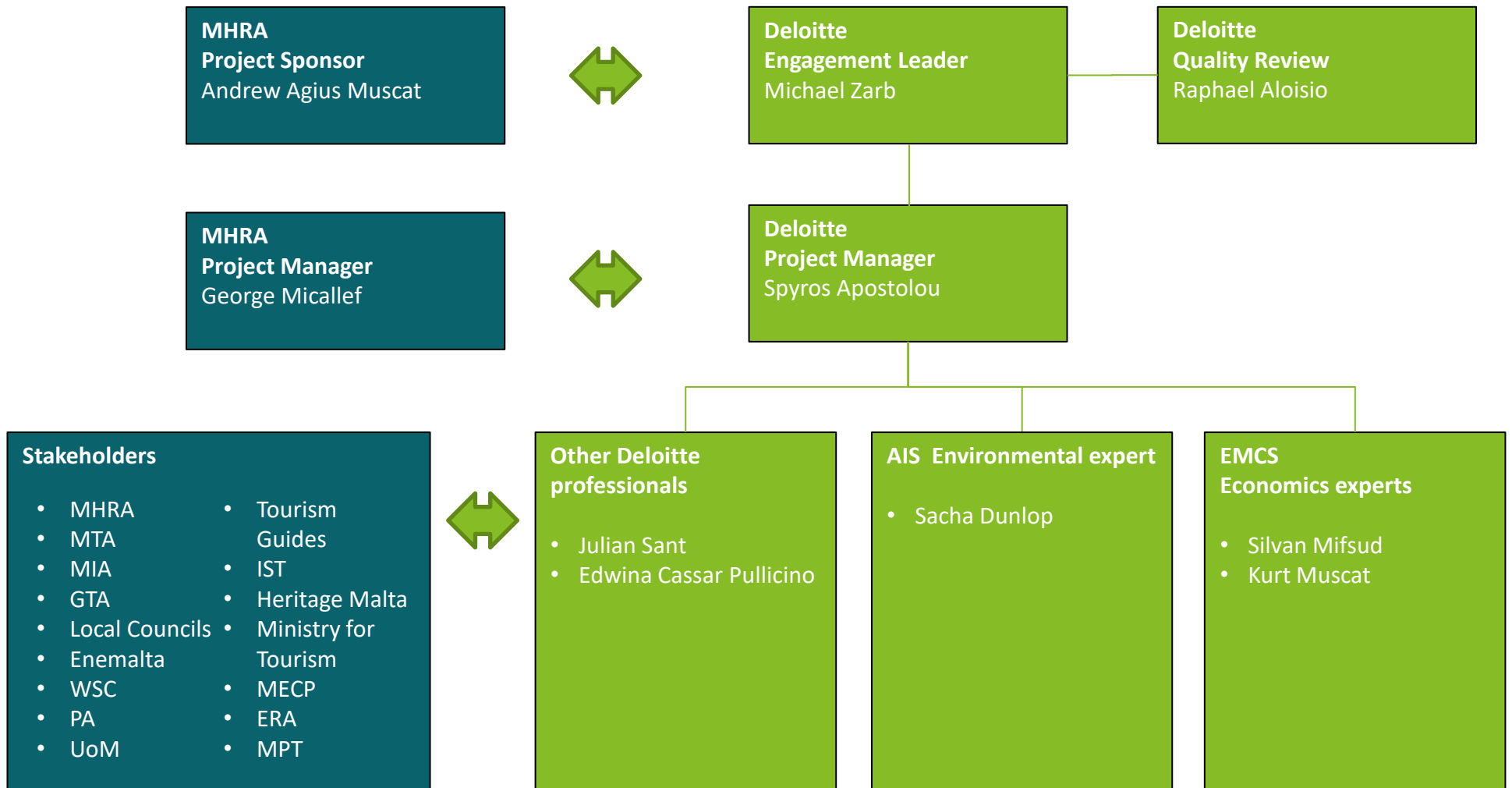
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# Team



# Consultations & Workshops

Consultation meeting were performed with 16 stakeholders

Stakeholder	Contact Details of Interviewee	Meeting Request	Meeting Held
MHRA	Andrew Agius Muscat (CEO), George Micallef, Simon De Cesare	Meetings with MHRA were performed on a continuous basis – including a weekly progress meeting	
Malta Tourism Authority	Leslie Vella (Chief Officer Strategic Development / Deputy CEO), Kevin Fsadni, Director of Product Development, Tania Sultana, Head of Research	15/12/2021	28/01/2022
Malta International Airport	Justine Baldacchino, Sustainability & Analytics Manager – delegated by Alan Borg, CEO	03/02/2022	23/02/2022 13/04/2022
Gozo Tourism Association	Joseph Muscat, CEO	03/02/2022	08/03/2022
St Julians Local Council	sangiljan.lc@gov.mt	04/02/2022	08/03/2022
Enemalta	John Caruana - delegated by Steve Farrugia, Executive Director Projects   Distribution & Projects Department	23/02/2022	11/04/2022
Water Services Corporation	Ivan Falzon (CEO) Stefan Riolo, Head of Strategy Stefan Cachia	14/03/2022	22/3/2022 14/04/2022
Planning Authority	Silvio Farrugia	23/02/2022	15/03/2022
Malta Union of Tourism Guides	Frans van Avendonk	04/02/2022	15/02/2022

# Consultations & Workshops

Consultation meeting were performed with 16 stakeholders

Stakeholder	Contact Details of Interviewee	Meeting Request	Meeting Held
University of Malta	Marie Avellino, Institute for Tourism Travel and Culture	04/02/2022	11/02/2022
Institute of Tourism Studies	Andrew Debattista	04/02/2022	11/02/2022
Heritage Malta	Melvic Zammit, Manager Communications – delegated by Noel Zammit	04/02/2022	18/03/2022
Ministry for Tourism and Consumer Protection	Ramon Deguara, Director General Cleansing and Maintenance		08/04/2022
Ministry for Environment, Climate Change & Planning (MECP)	Romina Sciberras, Senior Manager, Policy Development and Programme Implementation Directorate	04/02/2022	11/03/2022
Environment & Resources Authority	Kevin Mercieca, Director Environment & Resources and Acting CEO	04/02/2022	23/03/2022
Malta Public Transport	Konrad Pule Diane Oswald	04/02/2022	09/02/2022
Ministry for Gozo		04/02/2022	n/a
Valletta Local Council		04/02/2022	n/a
Rabat Local Council		04/02/2022	n/a

# Consultations & Workshops

Two main workshops were performed with the key stakeholders

Workshop	Systemic Picture	TCC Workshop	TCC Workshop - follow up
Date	22/03/2022	11/04/2022	14/04/2022
Participants	<ul style="list-style-type: none"> <li>• MHRA               <ul style="list-style-type: none"> <li>○ Andrew Agius Muscat, CEO</li> <li>○ George Micallef</li> <li>○ Simon De Cesare</li> </ul> </li> <li>• MTA               <ul style="list-style-type: none"> <li>○ Leslie Vella, Chief Officer Strategic Development / Deputy CEO</li> <li>○ Kevin Fsadni, Director of Product Development</li> <li>○ Tania Sultana, Head of Research</li> </ul> </li> <li>• MIA               <ul style="list-style-type: none"> <li>○ Justine Baldacchino, Sustainability &amp; Analytics Manager – delegated by Alan Borg, CEO</li> </ul> </li> <li>• GTA               <ul style="list-style-type: none"> <li>○ Joseph Muscat, CEO</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• MHRA               <ul style="list-style-type: none"> <li>○ Andrew Agius Muscat, CEO</li> <li>○ George Micallef</li> <li>○ Simon De Cesare</li> </ul> </li> <li>• MTA               <ul style="list-style-type: none"> <li>○ Leslie Vella, Chief Officer Strategic Development / Deputy CEO</li> <li>○ Kevin Fsadni, Director of Product Development</li> <li>○ Tania Sultana, Head of Research</li> </ul> </li> <li>• MIA               <ul style="list-style-type: none"> <li>○ Justine Baldacchino, Sustainability &amp; Analytics Manager – delegated by Alan Borg, CEO</li> </ul> </li> <li>• GTA               <ul style="list-style-type: none"> <li>○ Joseph Muscat, CEO</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• MHRA               <ul style="list-style-type: none"> <li>○ George Micallef</li> <li>○ Simon De Cesare</li> </ul> </li> <li>• MTA               <ul style="list-style-type: none"> <li>○ Leslie Vella, Chief Officer Strategic Development / Deputy CEO</li> <li>○ Kevin Fsadni, Director of Product Development</li> </ul> </li> </ul>