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The impact of low cost airline operations to Malta

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ABSTRACT

In 2006 the controversial step was undertaken by the Maltese government to provide incentives for new routes with the intention of attracting low cost carriers to fly to the Islands. This paper examines the impact that low cost airline operations are likely to have on the volume and profile of passengers visiting Malta. The focus is on whether the low cost carriers are merely facilitating existing custom in terms of tourism flows, or whether they are attracting a different kind of visitor. The analysis uses data from a number of air transport and tourism sources and concentrates on the UK; the largest tourist market and where the low cost carriers are likely to have the greatest impact. Initially the effects of low cost carriers to date are examined and then there is an assessment of the longer-term impacts investigating recent developments of other low cost routes from the UK. The evidence shows that traffic to Malta increased significantly in 2007 but these additional travellers do not seem to be more interested in history or culture, nor do they take shorter trips or travel more in off-peak times. This is unlike the situation at a number of other European destinations where the introduction of regular low cost services has provided the flexibility for short break cultural tourism to develop.

1. Introduction

Tourist numbers to Malta have been stagnant for a number of years and the Government is looking at ways to diversify the tourist industry. Therefore in 2006 the controversial step was taken to provide price incentives for new routes with the intention of attracting low cost carriers (LCCs) to fly to the Islands. Ryanair began operating services from Luton airport. It has subsequently introduced other routes to Malta and additional airlines, including easyJet, have also started flights to this destination.

It is the aim of this paper to examine the impact that LCC operations are likely to have on the volume and profile of passengers visiting Malta. In particular an assessment is made as to whether the LCCs will merely facilitate existing custom in terms of tourism flows to Malta, or whether they will attract a different kind of visitor. The implications of this are very important for Malta as it is aiming for a slow re-alignment of its tourism product from packaged 'sun and sea' holidays towards cultural/heritage tourism.

2. Overview of tourism and air transport in Malta

In 2007, Malta attracted 1.2 million tourists who spent Lm 454 million (€1058 million) in the country (National Statistics Office – Malta, 2008). This is a large volume of visitors for a country of just 400 000 people. As a consequence, the tourism industry as defined by the World Travel and Tourism Council (WTTC) is a major contributor to the wealth of the country with the overall travel and tourism economy generating around 22% of GDP and 27% of employment in 2007 (World Travel and Tourism Council, 2008). Fig. 1 shows the origins of tourists and it can be observed that over a third of these come from the UK, partly due to the historic ties with this country. The next largest markets are Germany and Italy.

Malta has traditionally focused on being a sun and sea destination, with key seaside resorts at St. Julians, Sliema and St. Pauls Bay. It thus competes with EU countries such as Italy, Spain, Portugal and Greece, as well as with other non-EU Mediterranean countries like Tunisia, Turkey and Morocco which offer this type of product. As a result of the high dependence on the sun and sea product, the tourism demand is highly seasonal with around two-thirds of all tourists arriving between the months of May and October. Moreover the length of stay is relatively long at around nine nights. Virtually all these tourists arrive by air at the one international airport at Luqa (MLA). Many of these travel on the national carrier Air Malta, which handled 55% of all passengers at the airport in 2007. The rest of the tourists use a mixture of foreign scheduled and charter airlines.

Fig. 2 shows that there was a significant rise in tourist numbers between 1987 and 1994 but since then numbers have fluctuated and there has been very little overall growth. This is perhaps a relief to the growing number of Maltese who feel that the

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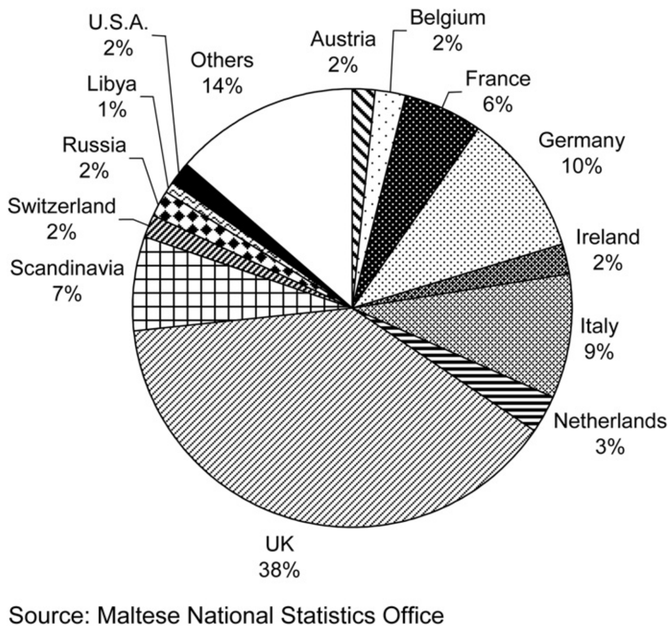

Fig. 1. Origin of tourists to Malta 2007. Source: Maltese National Statistics Office.

Islands' environment is unable to accommodate more tourists (Camilleri, 2004). After agreeing to adhere to 'a limited growth' scenario identified by a carrying capacity assessment, the government is committed to restricting further growth in the summer months. But they are encouraging growth in the off- and shoulder-seasons. To achieve this, the government is looking at diversification of the industry since in addition to the sun and sea resorts, there are a number of cultural attractions on the Islands. These include the walled cities of Mdina and Valletta, Neolithic temples and an impressive urban heritage dating from the period when the Islands were controlled by the Order of the Knights of St. John. The latest figures from the Malta Tourism Authority (MTA) suggest that only 16% of Maltese arrivals (around 190 000) are motivated to visit primarily by the island's history and culture although these do tend to visit more in the off-peak months (MTA, 2005; Mintel, 2006). Short break tourism (trips of 1–3 nights) which is very often associated with cultural and urban tourism accounted for just 8.7% of all visits in 2005 (National Statistics Office – Malta, 2008). Other market segments have also been emphasised in recent years, including English language learning (currently 10% of arrivals), dive tourism (5%) and conference and incentive travel (5%). All of these types of tourism, and emerging segments such as medical tourism, have possible growth potential, although the traditional leisure segment still accounts for the majority of all arrivals (MTA, 2005).

In association with efforts to diversify tourism in terms of purpose of visit, the Maltese Government has long held ambitions to attract a more affluent consumer to Malta, to lessen the Islands' reliance on tour operators, to assist the seasonal dispersion of visitors and to encourage custom from different generating markets. As part of these policies, the government introduced price incentives for new routes to encourage LCCs to fly to the island in 2006 and to expand the country's air links with European destinations. This was a very controversial move given the high dependence of Air Malta on tourism traffic to the island and has created a major competitive challenge which the airline has to address (Zammit, 2008). The latest Tourism Policy for the Maltese Islands (2007–2011) includes an explicit attempt to justify the recent changes via reference to both tourism and wider economic policy objectives. The Tourism Policy cites accessibility as a key issue and includes the following statements:

1. We want to increase accessibility to and from Malta, not only for tourism but also for other economic activities.
2. We want to attract new business carried by these carriers and which is not at the expense of existing business.

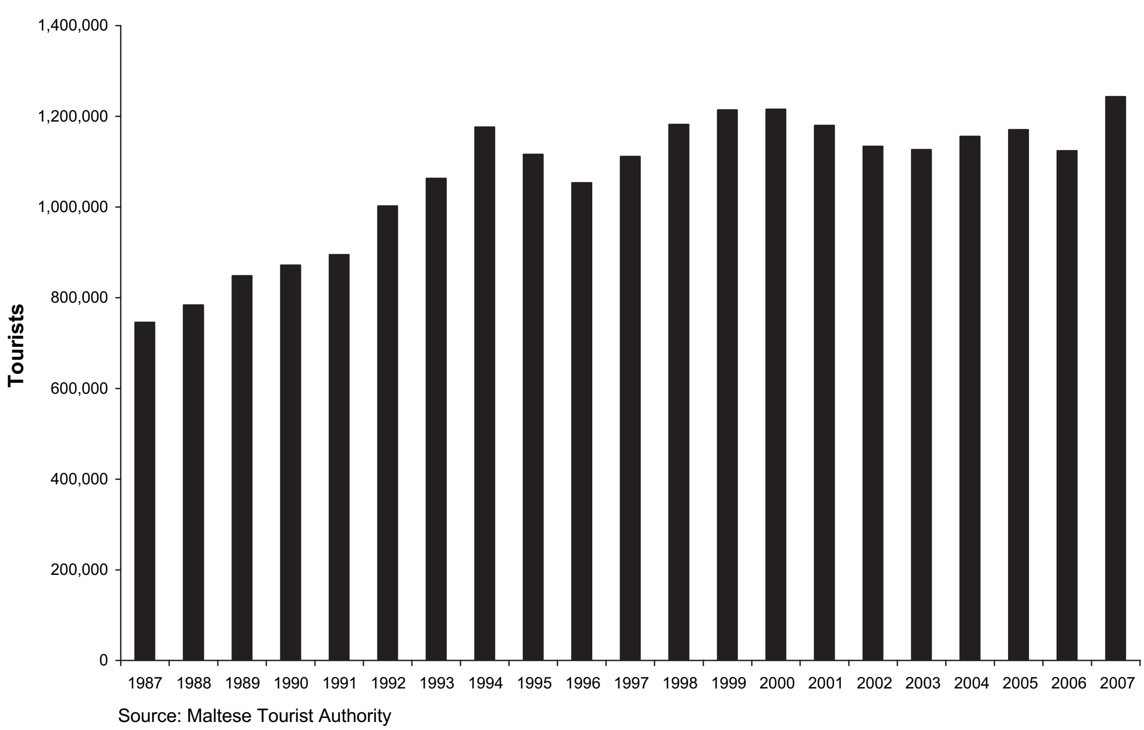

Fig. 2. Number of tourists to Malta 1987–2007. Source: Maltese Tourist Authority.