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In an interview with 'Le Defi' published on 15th May 2019, the CEO of Beachcomber Resorts & Hotels, Gilbert Espitalier-Noel, shares his critical analysis of the tourism industry. Stakeholders need to pull themselves together to overcome a difficult environment and to align with regional competitors who are coming up with better solutions to the same challenges.

Signs of decline

Tourist arrivals are down by 0.1% for the first four months of 2019, against a growth target of 3.6 per annum. Traditional markets, such as Reunion, UK and South Africa are slowing down and the Bank of Mauritius blew the whistle back in February by announcing a 15% drop in tourism revenues. Can the tide be turned?

Gilbert Espitalier-Noel claims that the local hotel industry has always charted its way through cycles.

'The last three year cycle produced a strong growth which allowed hotels to climb back to prices prevailing before the 2008 financial crisis. Mauritius benefited from the difficulties which affected countries facing the Arab Spring uprisings. But those countries, such as Morocco, Egypt and Turkey, are now back on track. With a rapidly rising number of hotels, the Maldives are bringing prices down in order to secure occupancy rates. At the end of the day, market forces should restore the balance and stabilize the situation.'

Some of our traditional markets are facing uncertainties, such as the UK with Brexit, and South Africa with the recent elections. The decline in arrivals from those countries is temporary and the trend should be reversed over the next few months. The rise in arrivals from Germany – statistically, our second most important market – is due to a sharp increase in cruise ships docking in Mauritius. When those arrivals are excluded, Germany also shows a decreasing trend.'

Need for regulation

'In addition, the market positioning of Mauritius is currently threatened by the proliferation of holiday rentals such as AirBnB. Out of 5,000 such accommodation facilities less than 800 are registered with the Tourism Authority and the Mauritius Revenue Authority. Those facilities offer close to 15,000 rooms, more than the 13,000 hotel rooms available on the market. Some of those rooms are sold for less than 20 € per



night. We are therefore facing a double challenge: a drop in the number of tourist arrivals combined with lower average spending.

The time has come to regulate this informal sector by imposing minimal quality requirements as well as safety and environmental standards equivalent to those in force in hotels.'

Environmental challenges and upmarket image

'We must understand that tourists first choose Mauritius as a destination before booking their hotel. As a destination, we need to address issues such as poor urban planning, careless citizens' contribution to pollution, lack of concern for lagoon preservation and beach erosion, political interference in services such as the taxi industry, beach anarchy, stray dogs... All of those seriously damage our image.'

Is Mauritius losing competitiveness as compared to regional competing destinations such as Seychelles and Maldives?

Gilbert Espitalier-Noel believes that there are choices to be made if Mauritius wants to retain the upmarket image which has been developed over the past 50 years. '

'This goes with constraints : we need to move beyond political correctness and promote discipline at all levels, in order to protect the natural beauties of the island, to meet the legitimate expectations of visitors in terms on privacy on hotel beaches, to fight coastal erosion, failing which Mauritius will lose its competitiveness. Some of our Indian Ocean competitors deal with those issues more efficiently than we do.

Mauritius has more to offer than its direct competitors. Its natural and cultural heritage must be preserved and enhanced. Tourists travel first and foremost to experience the exceptional beauty of our beaches. To maintain our status as an upmarket destination, we need to protect our beaches which are affected by coastal erosion, a global phenomenon. With our consultants, we have launched a multi-million rupee programme to rehabilitate the Trou-aux-Biches beach. The fight against coastal erosion should become a national priority and call for a national response.'



Setting up a global strategy

'There is a permanent and smooth line of communication between the tourism operators and the Ministry of Tourism. However, the need for a global strategy incorporating all stakeholders, including the authorities and Air Mauritius, is stronger than ever. Over the past 50 years, our national airline has been the main partner of hotel operators. Air Mauritius cannot take all the blame for the decline in arrivals from China over the past 2 years. Asian destinations such as China require a specific approach. With a targeted support from the State, Air Mauritius could increase flights and bring in an additional 50,000 Chinese tourists to Mauritius every year. The money they would spend would exceed the investment. To achieve that, tourism operators alongside with the Mauritius Tourism Promotion Authority (MTPA) would need to invest more to enhance the visibility of Mauritius in major Chinese cities.'

'Because of limited air services, our visitors from the African continent still come from just South Africa. Until recently, operators did not see much potential in other African markets, but with an emerging middle class - which was non-existent 15 years ago - things are changing. The time has come to focus more on Africa.'

Financial highlights

For the year ending on 30th September 2018, NMH generated a turnover of MUR 10.1Bn and operating profits of MUR 1.74 Bn. Will 2019 figures show an improvement?

At this point in time, Gilbert Espitalier-Noel does not want to comment on results to be announced at the end of the current financial year, on the 30th of September 2019.

'For the first 6 months, we have generated a turnover of MUR 5.637 Bn with a profit after tax of MUR 571M. Our operations in Mauritius will continue to be affected by the fall in demand and by the weakness of the EUR and of the GBP. In contrast our hotel operations in Morocco are performing much better.'

As regards the possibility for the Bank of Mauritius to purchase foreign currency from tourism operators at a fixed rate, it is hard to say whether such a radical move is required. The fact remains that for many years the slow rise in productivity has been compensated by depreciating the MUR against other currencies.

We are currently facing a weak increase in productivity, salary increases and revenue stagnation in MUR. Due to the competitive environment, we cannot afford to increase our prices in EUR or GBP. We have two



solutions: either to significantly improve productivity or to generate higher revenues in MUR. Whilst there is no consensus, we cannot move forward with the burden of stagnating productivity and of a strong local currency.'

Reducing debt

In 2018, interests accounted for 50% of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of the Group. A number of measures are being implemented to reduce the Group's debt to fair proportions:

'Over the first 3 months of 2019, the Group's debt remained constant, around MUR 15 Bn. From MUR 3 Bn in 2008, the debt jumped to MUR 18 Bn in 2014. The leap was the consequence of high investments in Morocco, reconstruction of our Trou-aux-Biches property and purchase of land at Les Salines. Those investments were launched just before the 2008 financial crisis. As a result, the Group had to face an increase in debt and lower operating profits between 2010 and 2015. Recent measures brought the debt down to MUR 15 Bn, and we are working on new measures to bring this debt further down, although it is too early to comment on those.

By end 2017, we came forward with a plan to restructure the Group's debt. Several financial tools were deployed, including three types of bonds. As a result, we managed to boost the refurbishment of our properties, even though we are experiencing delays on account of the specifications of the debt.

The new developments in Seychelles and Les Salines shall not constitute an additional burden. Whilst the Seychelles property was incurring yearly losses of MUR 100 M before closing down in 2018, rental of this same property to Club Med will start to bring in significant profits as from 2021. The debt contracted for the refurbishment of the hotel will be ring-fenced to minimize risks.

The Resort at Les Salines will be financed by Beachcomber Hospitality, a company jointly held by NMH (55%) and GRIT (45%) and created in order to support the Group's expansion without further burdening its finances. This new property will feature a golf course and villas alongside the hotel, and will create numerous jobs, both direct and indirect.

At the end of the day, reducing the debt from MUR 15 Bn to MUR 10 Bn over the next four years is a realistic goal. Should conditions be optimal, things could move very fast. We are exploring several avenues but I do not wish to disclose more as we are dealing with highly sensitive information'



Public responsibility and citizen awareness

Hotel operators can help to address issues such as beach degradation. But when it comes to pollution in public places the authorities need to face their responsibilities. Furthermore, the awareness of the public must be raised.

'It is a fact that hotel beaches and gardens are amongst the cleanest and best maintained on the island. However, hotels cannot manage public places even though we are always ready to cooperate when our assistance is needed. The authorities need to take charge of public places for cleanliness. Unfortunately, numerous members of the public thoughtlessly contribute to pollution, probably expecting the authorities to clean up after them. Whilst the efficiency of garbage collection could be improved, the fact remains that our beaches would be cleaner if they were not littered in the first place by members of the public. We need to raise the awareness of Mauritian citizens in that respect.

I am surprised and even upset by the resentment expressed against new hotel developments and the hotel industry at large. About 120,000 Mauritians depend directly or indirectly on this industry for a living. Some critics come from direct beneficiaries. It is impossible to have it both ways. If we want to attract high spending visitors, we must be prepared to give them the privacy they expect on the beach. People cannot be jealous about those beaches allocated to hotels and overlook the fact that some of our most beautiful beaches are actually public beaches. Those public beaches must be maintained and kept clean at all costs, to provide Mauritians with the space to fulfil their legitimate aspirations to sea-side activities.

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