Mauritian Tourism Sector

Issues, Prospects & Challenges

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Contents

• Overview of Mauritian Tourism Industry: Facts & Figures
• World Tourism Industry: Health & Prospects
• MRU Tourism Industry: Competition & Performance Analysis
• Main Issues & Challenges Confronting our Industry
• Conclusions & Recommendations
• Likely Impact of MP decisions on the Sector
• Questions & Answers
1. Overview: Tourism as a Pillar of Our Economy

- **Marketing Strategy:** White sandy beaches, deluxe hotels & warm/friendly mauritian welcome
- **MRU Tourism Industry:**
  - 8.2% of GDP aiming 10% in 2013 Budget Speech
  - Employment: 35,000 direct, 15,000 indirect
  - Forex Earnings: Rs 45 bn
  - 115 hotels, 13,000 rooms, 10,000 informal rooms
  - 980,000 tourists (FY 2013)
  - New Airport can handle 2 M
  - Rs 8 Bn Direct Govt Revenues (fees, licences, taxes etc.)

**Main Markets:**
- Europe (75%)
- S. Africa (13%)
- India (6%)

**Budget Speech 2010:** Engine of Growth of Economy for Next 5 Yrs
2. World Tourism Industry: Prospects

(Based on UN World Tourism Organisation Report 2013, Q2 using Tourist Arrivals as Performance criteria) - RESILIENT

- GLOBAL – Doing well despite economic crisis: 3-4% (2013)
- Europe – 2 to 3%
- Asia & Australasia – 6 to 7 % (China & India – Double digits)
- Americas – 4%
- Latin America – 5%
- Middle East – 4%
- Africa & IO Region – 6 to 7%

Better Prospects for 2014 onwards as world economic crisis recedes
3. Mauritius Tourism Sector Analysis: Performance Criteria

- Tourist Arrivals
- Tourism Receipts
- Revenue Per Passenger/stay
- Hotels Occupancy Rates
- Stock Market Prices
- Operators profitability & balance sheets
- MRU v/s Competition v/s World

Be Very Careful on which Criteria to Use as Prime Indicator! Contradictions & Wrong Pointers?
Mauritian Tourism Sector Analysis:
3.1. Tourist Arrivals - Raw Figures

Definition of a tourist: A non-resident spending at least 1 night

<table>
<thead>
<tr>
<th>Yr</th>
<th>Arrivals</th>
<th>Maldives</th>
<th>Sri Lanka</th>
<th>Reunion</th>
<th>Seychelles</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>907,000</td>
<td>675,889</td>
<td>494,010</td>
<td>381,500</td>
<td>161,273</td>
</tr>
<tr>
<td>2008</td>
<td>930,500</td>
<td>683,012</td>
<td>438,470</td>
<td>396,400</td>
<td>159,000</td>
</tr>
<tr>
<td>2009</td>
<td>871,400</td>
<td>685,852</td>
<td>447,890</td>
<td>421,900</td>
<td>157,500</td>
</tr>
<tr>
<td>2010</td>
<td>934,800</td>
<td>791,949</td>
<td>654,477</td>
<td>420,300</td>
<td>174,500</td>
</tr>
<tr>
<td>2011</td>
<td>964,600</td>
<td>931,000</td>
<td>855,975</td>
<td>471,268</td>
<td>194,753</td>
</tr>
<tr>
<td>2012</td>
<td>965,400</td>
<td>931,333</td>
<td>1,005,605</td>
<td>460,000</td>
<td>208,358</td>
</tr>
<tr>
<td>2013 (F)</td>
<td>980,000</td>
<td>958,027</td>
<td>1,120,000</td>
<td>445,000</td>
<td>225,000</td>
</tr>
<tr>
<td>Avg inc p.a.</td>
<td>1.3%</td>
<td>7%</td>
<td>21%</td>
<td>3%</td>
<td>7%</td>
</tr>
</tbody>
</table>

MRU growth overwhelmingly outclassed by every competitor
MRU & REU similar patterns: France Dependence & Reduced Growth
### Mauritian Tourism Sector Analysis: 3.2 Tourist Arrivals Geographic Distribution

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Change (%)</th>
<th>Europe Incl. REU</th>
<th>India</th>
<th>China</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>907,000</td>
<td>15</td>
<td>76%</td>
<td>4.7%</td>
<td>1%</td>
<td>0.9%</td>
</tr>
<tr>
<td>2008</td>
<td>930,500</td>
<td>2.5</td>
<td>76%</td>
<td>4.7%</td>
<td>0.9%</td>
<td>1%</td>
</tr>
<tr>
<td>2009</td>
<td>871,400</td>
<td>-6.5</td>
<td>79%</td>
<td>4.5%</td>
<td>0.8%</td>
<td>1%</td>
</tr>
<tr>
<td>2010</td>
<td>934,800</td>
<td>7.3</td>
<td>77%</td>
<td>5.3%</td>
<td>0.8%</td>
<td>1%</td>
</tr>
<tr>
<td>2011</td>
<td>964,600</td>
<td>3.1</td>
<td>75%</td>
<td>5.6%</td>
<td>1.6%</td>
<td>1.6%</td>
</tr>
<tr>
<td>2012</td>
<td>965,400</td>
<td>0.1</td>
<td>72.5%</td>
<td>5.7%</td>
<td>2.1%</td>
<td>2.2%</td>
</tr>
<tr>
<td>2013</td>
<td>980,000</td>
<td>2.2</td>
<td>70%</td>
<td>6%</td>
<td>2.5%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Eurozone crisis prompted Govt to push for DIVERSIFICATION from EURO to BRIC tourists. But Operators realised the merit too late (2012), to the Benefit of the likes of Sri Lanka, Seychelles, Maldives & Reunion
Mauritian Tourism Sector Analysis: 3.3 EUR-GBP Depreciation & Tourism Revenues

- 60% Total tourism receipts are in Euro
- 10% in GBP

EUR/MRU & GBP/MRU exchange rate movement (end of Yr, SBM Bank Buying)

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 Sept</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR</td>
<td>40.43</td>
<td>43.99</td>
<td>41.91</td>
<td>39.12</td>
<td>36.58</td>
<td>39.68</td>
<td>40.54</td>
<td>0%</td>
</tr>
<tr>
<td>GBP</td>
<td>55.58</td>
<td>45.22</td>
<td>46.42</td>
<td>45.88</td>
<td>43.70</td>
<td>48.56</td>
<td>48.16</td>
<td>-14%</td>
</tr>
</tbody>
</table>

EUR & GBP Depreciations appear to have impacted Tourism Revenues
However, EUR rate today = 2007 rate (MRU Tourism Record Year)
### Mauritius Tourism Sector Analysis:
3.4 Actual Tourism Receipts

Source: BOM Statistics

<table>
<thead>
<tr>
<th>Yr</th>
<th>Gross Receipts (MRU bn)</th>
<th>% Incr</th>
<th>Revenue/Tourist MRU</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>40.7</td>
<td>27.4%</td>
<td>45,000</td>
</tr>
<tr>
<td>2008</td>
<td>41.2</td>
<td>1.3%</td>
<td>44,300</td>
</tr>
<tr>
<td>2009</td>
<td>35.7</td>
<td>-13.3%</td>
<td>41,000</td>
</tr>
<tr>
<td>2010</td>
<td>39.5</td>
<td>10.7%</td>
<td>42,400</td>
</tr>
<tr>
<td>2011</td>
<td>42.7</td>
<td>8.1%</td>
<td>44,300</td>
</tr>
<tr>
<td>2012</td>
<td>44.4</td>
<td>4.0%</td>
<td>46,000</td>
</tr>
<tr>
<td>2013</td>
<td>44.6</td>
<td>0.0%</td>
<td>45,500</td>
</tr>
</tbody>
</table>

Despite substantial Depreciation of Eur & GBP against MRU, Revenues have been rising yr after yr except in 2009.
Mauritian Tourism Sector Analysis: 3.5 Hotels Occupancy Rates

Defined as (Total Rooms sold/Total rooms available)

<table>
<thead>
<tr>
<th>Yr</th>
<th>Occupancy Rate (%)</th>
<th>No of rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>76</td>
<td>10,857</td>
</tr>
<tr>
<td>2008</td>
<td>68</td>
<td>11,488</td>
</tr>
<tr>
<td>2009</td>
<td>61</td>
<td>11,456</td>
</tr>
<tr>
<td>2010</td>
<td>63</td>
<td>12,075</td>
</tr>
<tr>
<td>2011</td>
<td>65</td>
<td>11,925</td>
</tr>
<tr>
<td>2012</td>
<td>62</td>
<td>12,527</td>
</tr>
<tr>
<td>2013</td>
<td>65</td>
<td>11,977</td>
</tr>
</tbody>
</table>

Occupancy rates have been affected by Euro crisis but also by increased Supply (additional hotels & rooms)
Mauritian Tourism Sector Analysis:
3.6 Operators Performance & BS (Facts)

* 4 Largest Hotel Groups, representing 40-50% of entire Hotel industry

<table>
<thead>
<tr>
<th></th>
<th>NMH</th>
<th>Sun Resorts</th>
<th>Naïade</th>
<th>Constance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue (Rs m)</strong></td>
<td>8,110 7,622 6,833 7,402</td>
<td>3,650 3,597 3,195 3,547</td>
<td>3,714 3,095 2,671 2,751</td>
<td>2,007 1,979 n/a n/a</td>
</tr>
<tr>
<td><strong>Op. Profit (Rs m)</strong></td>
<td>1,222 1,071 1,124 1,765</td>
<td>372 535 484 671</td>
<td>357 421 133 327</td>
<td>244 163 n/a n/a</td>
</tr>
<tr>
<td><strong>PBT (Rs m)</strong></td>
<td>603 803 810 1,368</td>
<td>230 205 226 234</td>
<td>14 46 -365 277</td>
<td>-178 -192 -147 -68</td>
</tr>
<tr>
<td><strong>TAX (Rs m)</strong></td>
<td>0 0 108 158</td>
<td>-9 -2 -3 46</td>
<td>-21 33 2 7</td>
<td>2 -25 0 0</td>
</tr>
<tr>
<td><strong>PAT (Rs m)</strong></td>
<td>582 726 702 1,210</td>
<td>17 207.0 230 361</td>
<td>35 13 -367 276</td>
<td>-180 -166 -147 -68</td>
</tr>
<tr>
<td><strong>Loans &amp; Liab (Rs m)</strong></td>
<td>16,834 17,023 13,879 10,992</td>
<td>7,875 6,936 6,469 5,099</td>
<td>6,489 6,843 4,505 4,375</td>
<td>4,549 4,351 n/a n/a</td>
</tr>
<tr>
<td><strong>Equity (Rs m)</strong></td>
<td>12,827 12,233 11,100 10,872</td>
<td>5,436 4,634 4,503 4,513</td>
<td>3,597 3,492 3,262 3,658</td>
<td>2,694 2,870 n/a n/a</td>
</tr>
<tr>
<td><strong>Debt/Equity Ratio (%)</strong></td>
<td>1.31 1.39 1.25 1.01</td>
<td>1.45 1.50 1.44 1.13</td>
<td>1.80 1.96 1.38 1.20</td>
<td>1.69 1.52 n/a n/a</td>
</tr>
<tr>
<td><strong>Reported Gearing</strong></td>
<td>0.96 0.97 0.82 0.53</td>
<td>0.5 0.5 0.49 0.39</td>
<td>0.59 0.61 0.43 0.38</td>
<td>n/a n/a n/a n/a</td>
</tr>
<tr>
<td><strong>Share Price (Rs)</strong></td>
<td>53 82 110 140</td>
<td>26 48 53 70</td>
<td>17 26 26 53</td>
<td>23 30 35 50</td>
</tr>
</tbody>
</table>

* Raw figures extracted from published accounts

Analysis tells A LOT about the industry’s true state of affairs. Details on Next Page
Mauritian Tourism Sector Analysis: 3.7 Operators Profitability & BS (Inference)

Some unmistakable points emerging:

- **Revenues** increasing (industry definitely not facing disaster)
- **Operating Profits** (computed before interest payments) are OK
- Despite Rs 85 bn Revenues over 4 yrs, **Corporate Tax** paid to Govt have been negligible
- Extra-ordinarily **high increases in loans/debts** level since 2009 (**INTEREST ↓**)  
- Debts exceed **Revenues and Equity levels** by several times
- Authorities **failed** to see operators’ dishonest creative financial accounting piling up loans through incorrect **GEARING** Ratios (should be max. 50%)
- **SUCH UNSUSTAINABLE DEBT LEVELS** = Serious Risk to our Hotels Industry, Banking sector, and may cause systemic financial crisis if unchecked
- Requires swift, **immediate action** from Authorities (MOF, BOM, FSC)
### Mauritius Tourism Sector Analysis:

#### 3.8. Stock Market Prices (Rs)

Four largest hotel groups rep. about 40% of entire hotels industry

<table>
<thead>
<tr>
<th>Company</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>NMH</td>
<td>140</td>
<td>110</td>
<td>82</td>
<td>53</td>
<td>80</td>
<td>-45%</td>
</tr>
<tr>
<td>Sun Resorts</td>
<td>70</td>
<td>53</td>
<td>48</td>
<td>26</td>
<td>35</td>
<td>-50%</td>
</tr>
<tr>
<td>Naiade</td>
<td>53</td>
<td>26</td>
<td>26</td>
<td>17</td>
<td>28</td>
<td>-50%</td>
</tr>
<tr>
<td>Constance</td>
<td>50</td>
<td>35</td>
<td>30</td>
<td>23</td>
<td>23</td>
<td>-55%</td>
</tr>
</tbody>
</table>

Source: Stock Exchange of Mauritius (end of yr)

**MARKET IS SMART!**

Sharp Declines in stock prices = Result of massive debts following Decreasing interest rates?
Mauritian Tourism Sector Analysis: 3.9 Competitor Analysis

Marketing Mix

- White sandy beaches
- Exotic honeymoon destination
- Good/Luxury Hotels
- Tropical Climate
- Same target markets: Europe, China, India, Russia
- Actively promoting Weddings
- Conferences, Film shootings
- Diversification strategy to BRICS
- Incentives & Grants on Events

Fierce Competition: COMPETITIVE ADVANTAGE is VITAL for SUCCESS

- Seychelles
- Sri Lanka
- Maldives
- Reunion
- South Africa
- Indonesia
- Thailand
- Bali
Mauritian Tourism Sector Analysis: 3.10 Competitors’ Competitive Advantage?

Each of our Competitor has a definite Competitive Advantage in their Marketing Mix.
Mauritian Tourism Sector Analysis:
3.11 Does MRU have any Competitive Advantage?

High Airline Ticket Pricing
Oligopolistic competition
MK set the price and others follow. MK hikes price by 5% every yr

Small Tourism Hinterland
Small Island, Tourism largely dependent on foreign arrivals
Over-dependent on crisis-crippled EUROPE
Very limited natural, historic/cultural sites

Serious Internal Problems
- Unsustainable debts levels
- High cost structure
- Operators Conservative Attitude
- Late to Diversify into BRIC
- 3rd most Expensive hotel pricing dest. in World (2013 Int. Report)

Limited All Access
Restrictive Policy by Govt
to protect MK- AF (shareholder) has considerable influence on MK strategy and alliances.
Recently MK pulled out of major tourists markets such as Italy, Germany, Australia, Swiss

Yield Management & Seats availability when most needed
MK deliberately blocks seats in hope of fetching higher prices. Often potential tourists unable to buy a seat at regular prices opts for another destination

Environmental Concerns
Beach erosion, Deteriorating quality of our lagoon, ecosystem & wetlands damage, Growing illegal constructions, Too many buildings close to the sea has changed our beautiful landscape
Water shortage in peak periods

Safety/Security & Negative Publicity by Internat. Media
Rising crimes, thefts & murder in hotels;
Deteriorating law & order in the country. Regular negative publicity by international media & in Facebook

In a Volatile Travel Industry, Why Choose MRU over Others?
Mauritius Tourism Sector Analysis
3.12 Facts from Recent International Reports


• “Mauritius loses its number one spot in the regional rankings (Sub Saharan Africa), overtaken by the entry of the Seychelles this year. Overall out of 140 countries it is ranked 58th (down from 53\textsuperscript{rd} in 2011) compared to 38\textsuperscript{th} for Seychelles.

• The country has seen its price competitiveness decline significantly (ranked 75th, down from 18th in the last assessment of 2011)—primarily the result of increasing hotel and fuel prices and high air ticket prices, taxes and airport charges.

• Additionally, in terms of challenges, the country’s environmental sustainability has received a weakened assessment, of particular concern given the importance of the natural environment and ecosystem for the country’s leisure tourism”.

Bad Signal to Potential Tourists, particularly EURO based, who are crisis struck, But Are also becoming more Environmental conscious
Mauritius Tourism Sector Analysis

3.13. Facts from Recent International Reports

Average hotel prices by country in H1 2013 compared with H1 2012

<table>
<thead>
<tr>
<th>Destination</th>
<th>Rank</th>
<th>H1 2013</th>
<th>H1 2012</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oman</td>
<td>1</td>
<td>£186</td>
<td>£174</td>
<td>7%</td>
</tr>
<tr>
<td>Monaco</td>
<td>2</td>
<td>£184</td>
<td>£202</td>
<td>-9%</td>
</tr>
<tr>
<td>Mauritius</td>
<td>3</td>
<td>£171</td>
<td>£152</td>
<td>13%</td>
</tr>
<tr>
<td>Russia</td>
<td>5</td>
<td>£147</td>
<td>£145</td>
<td>2%</td>
</tr>
<tr>
<td>Singapore</td>
<td>8</td>
<td>£142</td>
<td>£136</td>
<td>4%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>9</td>
<td>£141</td>
<td>£142</td>
<td>0%</td>
</tr>
<tr>
<td>Utd Ar. Emirates</td>
<td>10</td>
<td>£138</td>
<td>£132</td>
<td>5%</td>
</tr>
<tr>
<td>Australia</td>
<td>15</td>
<td>£120</td>
<td>£115</td>
<td>5%</td>
</tr>
<tr>
<td>USA</td>
<td>18</td>
<td>£118</td>
<td>£113</td>
<td>4%</td>
</tr>
<tr>
<td>Canada</td>
<td>21</td>
<td>£108</td>
<td>£106</td>
<td>2%</td>
</tr>
<tr>
<td>South Africa</td>
<td>24</td>
<td>£104</td>
<td>£115</td>
<td>-9%</td>
</tr>
<tr>
<td>France</td>
<td>25</td>
<td>£104</td>
<td>£104</td>
<td>0%</td>
</tr>
<tr>
<td>Japan</td>
<td>35</td>
<td>£92</td>
<td>£97</td>
<td>-5%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>36</td>
<td>£92</td>
<td>£107</td>
<td>-14%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Destination</th>
<th>Rank</th>
<th>H1 2013</th>
<th>H1 2012</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxembourg</td>
<td>37</td>
<td>£92</td>
<td>£98</td>
<td>-7%</td>
</tr>
<tr>
<td>Egypt</td>
<td>38</td>
<td>£92</td>
<td>£73</td>
<td>25%</td>
</tr>
<tr>
<td>Germany</td>
<td>42</td>
<td>£90</td>
<td>£87</td>
<td>3%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>47</td>
<td>£87</td>
<td>£87</td>
<td>0%</td>
</tr>
<tr>
<td>UK</td>
<td>48</td>
<td>£86</td>
<td>£84</td>
<td>3%</td>
</tr>
<tr>
<td>Argentina</td>
<td>50</td>
<td>£81</td>
<td>£90</td>
<td>-10%</td>
</tr>
<tr>
<td>India</td>
<td>51</td>
<td>£81</td>
<td>£86</td>
<td>-6%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>52</td>
<td>£78</td>
<td>£71</td>
<td>10%</td>
</tr>
<tr>
<td>China</td>
<td>53</td>
<td>£77</td>
<td>£75</td>
<td>2%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>55</td>
<td>£76</td>
<td>£75</td>
<td>1%</td>
</tr>
<tr>
<td>Tunisia</td>
<td>56</td>
<td>£73</td>
<td>£60</td>
<td>22%</td>
</tr>
<tr>
<td>Philippines</td>
<td>57</td>
<td>£71</td>
<td>£69</td>
<td>4%</td>
</tr>
<tr>
<td>Thailand</td>
<td>59</td>
<td>£69</td>
<td>£68</td>
<td>2%</td>
</tr>
</tbody>
</table>

  Survey carried out by HOTELS.COM – the World’s No 1 online hotel rooms seller

Are we increasing our Competitive Advantage by hiking Prices? Or is it to Compensate for MRU Appreciation?
Mauritius Tourism Sector Analysis
3.14 Facts from Recent International Reports

Can We Afford to Increase Prices when we are already Uncompetitive
And when our Direct Competitors are Reducing theirs?

Source: http://press.hotels.com/hotel-price-index-h1-2013/
Mauritian Tourism Sector Analysis:
3.15 Issues with Diversification Strategy

• Diversification Strategy: Substitution from EUR to BRIC tourist
  A one to one substitution will not be enough because
  - **Revenues per Euro Tourist = 2 x BRIC tourists**
  - EURO tourists spend avg 14-21 nights
  - India tourists spend avg 7 nights
  - Chinese tourists spend 4-5 nights

• Diversification strategy requires appropriate targets so that loss from EURO is adequately compensated.

• This means more focus on Revenues than on Tourists arrivals. Alternatively, if we will lose 200,000 Euro tourists in the next 3 yrs, we need to target at least 400,000 extra BRIC tourists

Need to Be Extremely Careful with Tourist Arrivals Targets
Mauritian Tourism Sector Analysis:
3.16 Issues with Diversification Strategy

If Targeting Chinese tourists, Make Sure We Know what ATTRACT them!

Source: http://press.hotels.com/hotel-price-index-h1-2013/
4. Conclusions: Recap of Main Issues & Problems

- Sector is struggling BUT prospects for growth exist with recovering Europe, booming BRICS and Africa

- Main Problem areas of the sector are:
  - too high level of debts – corporate structure
  - high hotels prices by world standards
  - high cost of airline tickets
  - restrictive air access policy
  - insufficient airline seats to satisfy demand during peak periods
  - operators inability to control their costs
  - late into diversification and still hesitant
  - depreciation of Eur/MRU due to Euro crisis, but situation improving
  - high cost of Euro loans from local banks
  - diversification strategy: One Euro tourist requires 2 chinese/indian tourists for a no worse-off situation
  - tendency for more loans as interest rates decrease?
5. Recommendations

Industry Operators
1. Continue Diversification strategy BUT without neglecting Europe
2. Know who you are targeting and what will attract them to MRU
3. More Competitive hotel pricing to reduce losing potential clients
4. Use E-marketing & Direct selling and reduce costly participations to fairs
5. Re-engineering hotels corporate structure (debt/equity ratio) to max. 60%
6. Re-engineering industry operations to bring down costs with more emphasis on performance & Profit related pay across all employees (not necessarily sack)

Air Mauritius & Policy Makers
1. More Competitive air ticket prices to attract more tourists
2. Cautious Yield Management, Not to detriment of tourism development
3. Consider resuming flights to major tourist destinations (Italy, Germany etc.)
4. Open air access to enable MRU become a regional travel hub
5. A medium term coordinated & Monitored holistic Tourism Development Strategy

BOM/FSC/MOF
1. A regulatory mechanism to compel operators stick to a max. 60% debt/equity ratio (important risk management for entire financial system of MRU)

1. An in-depth Risk Assessment analysis/study of the financial impact on banking sector & economy if Tourism were to be hit by a shock (e.g. terrorist, operators go bust etc.)
6. Final Note: Impact of Interest Rate Changes on Tourism Sector

Assuming interest rate change has negligible impact on Exchange Rates irrespective of theory of international Interest Rate Parity

Other Assumptions:
(a) Industry sector outstanding Debt from local banks: Rs 40 bn
(b) 60% of total debts is denominated in MRU currency
(c) 75% of the MRU currency debts are on variable interest rates

Then, 1% (100 basis points) change in local interest rate will have an impact of \((40 \text{ bn} \times 0.6 \times 0.75 \times 0.01) = \text{Rs 180 m}\) on operators’ financial accounts i.e. **0.40%** of their annual Revenues

100 basis points will impact by Rs 180 m (0.4% of Gross Revenues)
50 basis points : Rs 90 m (0.20% of G Revenues)
25 basis points : Rs 45 m (0.10% of G Revenues)
End of Presentation

Thank You
Questions & Answers