# Africa Mauritius

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# Continental shift is vital to secure a bright future

**The traditional economic reliance on distant trading partners must give way to forging stronger links closer to home, says *Javier Blas***

Mauritius broke from its colonial masters in the UK 45 years ago, but its economy has remained strongly linked to Europe. First it was sugar; then it was textiles; even the tourists who started to arrive at the Indian Ocean island off east Africa in the early 1980s came mostly from Europe.

Now, many in the country recognise this situation must change.

Xavier-Luc Duval, finance minister, says the future is to diversify from over-reliance on Europe, and look closer to home. "We know our future; it is Africa," he says in an interview with the Financial Times, adding: "All the time [in our history] we have been far from our markets. For the first time we are next to our markets".

The strategic shift, which started in mid-2012 and has now accelerated, is partly a recognition that sub-Saharan Africa – for years seen as an economic basket case – is starting to develop.

The IMF forecasts the region will grow at more than 5 per cent this year, and almost 6 per cent in 2016. But the shift is also evidence that the island's old markets – Europe for tourism, sugar and textiles; and India for financial services – will not continue to drive economic growth.

Bhavik Desai, analyst at Port Louis-based Axys Stockbroking, says the country's traditional markets "are saturated", agreeing with the finance minister that the future is Africa.

Mauritius believes that Africa offers four big opportunities.

First, the island could become a "gateway" for foreign direct investment, thanks to its strong offshore financial centre and favourable taxation.

Second, it could act as a hub for merchandise, using its port to link with markets in Asia.

Third, it could relocate some of its textile industry into the continent; and, finally, it could invest in sugar production in African countries from Mozambique to Kenya.

"We believe we can act as a platform for Africa," says Azad Dhomun, a veteran banker in Mauritius who is the country's first roving ambassador to Africa. "Everyone has realised that Africa is the future," he adds.

The change of direction, which has strong support from the local business community and the opposition parties, is the latest in a series of efforts to reinvent the Mauritian economy.

The country's developmental "pillars" – sugar or textiles, for example – have come under pressure from world economic events in the past, but each time the island has been able to develop a new one.

Half a century ago, Nobel-prize winning economist James Meade told the island, which at the time was almost entirely dependent on sugar, that its outlook for peaceful development was "poor". History – or Mauritius itself, as the local population likes to say – proved him wrong.

Nowadays, Mauritius is one of the most developed African countries, boasting a mix of a powerful financial sector, continuing sugar and textile industries, and attractive tourist resorts. The island-state's economy, in GDP per capita terms, is in fifth place in Africa at nearly $9,000, only behind commodity-rich Equatorial Guinea, Botswana and Gabon, and thinly populated Seychelles. As the African Development Bank puts it: "Mauritius, as a strong reformer, . . . has achieved notable structural transformation from a single-crop economy."

But, as happened half a century ago, the naysayers are once again warning of economic perils: the tourism sector, reliant on Europe, is suffering and textiles have a tough battle competing with lower-wage producers such as Vietnam and Bangladesh.

The financial offshore centre, an

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New path: the government in Port Louis wants to expand trade in Africa Reuters

## Inside »

# Old guard keeps door bolted on a scene crying out for change

**Politics** The opposition sees the government as weak and vulnerable, writes *Peter Chapman*

With the 2015 elections creeping closer, all politically interested eyes in Mauritius fixed a few weekends ago on the modest municipal buildings of Quatre Bornes, a small town about 20 minutes' drive from the capital, Port Louis.

Scheduled to speak in the main hall was Paul Bérenger, the leading opposition figure upon whom much will depend when the elections come. Mr Bérenger has been fighting a battle against cancer and his appearance confirmed his return to the political scene. He arrived to a packed auditorium, loud cheers and an audience eager to hear him speak on "Socialism today".

Aside from the fact his animated speech was delivered in Creole, it would have been at home on British university campuses of the mid-1970s.

Mauritian politics operates in its own Darwinian valley. The winds of Thatcherism, Reaganism and monetarism appear largely to have swept by its shores and its leaders profess to be social democratic. Mr Bérenger, leader of the Mauritian Militant Movement (MMM) and a former prime minister, is a *soixante-huitard*, having been a student in Paris during the 1968 political unrest.

The elections may turn on the machinations of prime minister Navin Ramgoolam, a skilled coalition builder whose Labour party rules thanks to a tenuous parliamentary majority. Mr Ramgoolam governs in league with the small Parti Mauricien Social Démocrate (PMSD) of Xavier-Luc Duval, his finance minister.

"This renders the government weak, fragile and vulnerable," says Alan Ganoo, parliamentary spokesman for the MMM. "It is unable to take initiatives and instead has to negotiate with its partners."

Mr Ganoo cites several events that, he says, have brought into question the government's effectiveness: flash floods in March and a bus accident, both of which caused deaths; and a Ponzi scheme that led to many people losing their savings. The vice-chancellor of the University of Mauritius was also removed amid questionable circumstances, he says, with little notice taken by the government of opposition complaints.

Such matters, which in a larger country might not be handled at government level, can leave the impression that Mauritius is outgrowing its politics. On the one hand its leaders have to deal with local affairs; on the other with how many flights Air Mauritius plans to put on to the Malagasy Republic in pursuit of official policy to "open up" Africa, before the island's competitors do.

Some question whether the island's politicians have the dexterity and world view to handle affairs from the parish pump to the scramble for Africa. "The right people are not being chosen for the big jobs," says one high-ranking member of the Mauritian business community.

"The choice may depend on whether you're a Hindu or a Muslim, which caste you come from or just generally who you know," he says.

There is also the question of the ages of the island's leaders. Mr Ramgoolam and Mr Bérenger are heading towards their 70s, while Anerood Jugnauth of the Militant Socialist Movement – and for a while a coalition partner with the prime minister after the elections of 2010 – is well into his 80s. "Where is the new blood?" asks the businessman.

'The right people are not being chosen for the big jobs. The choice may just depend on who you know'

Some point to Mr Duval, a young-looking 55, as a face of the future. The finance minister responds that he is happy with his present position in the coalition: "We know each other well by now," he says of his PMSD and the prime minister's Labour party. "We get along," he adds, pointing to his senior job as proof.

Some overseas political observers on the island are less certain. They wonder if, come the elections, Mr Ramgoolam would prefer to be on board with the larger MMM and – if his audience at Quatre Bornes was anything to go by – the charismatic Mr Bérenger.

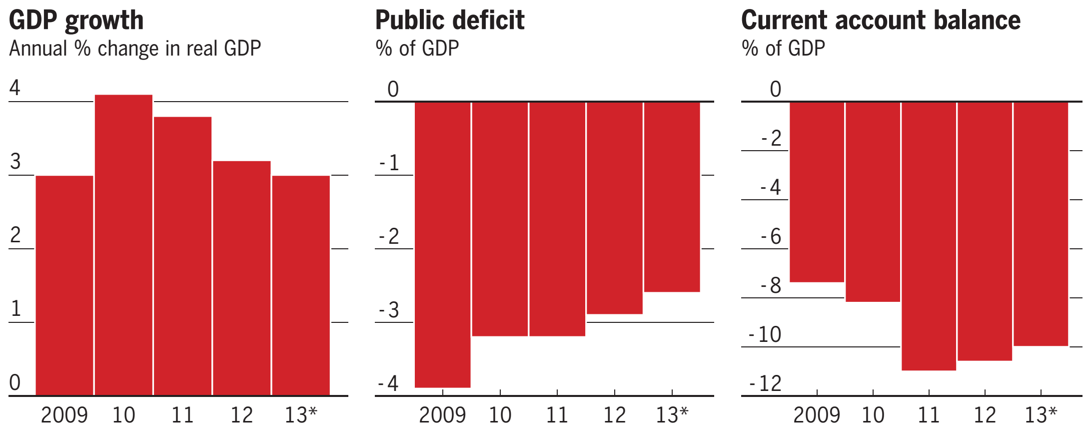
A consensus view is that the government will serve out its term until 2015. "We won't call for demonstrations on the streets," says Mr Ganoo. "We will wait for elections whenever they come and are confident the people will vote for change."

Business leaders are the first to agree that such change would probably be within a narrow range. As such, they say, it would maintain the political continuity that makes Mauritius a largely safe place for its people, visitors and overseas investors.

It is akin to one of the slogans that the main opposition challenger Mr Bérenger might have heard on the barricades of Paris in 1968, albeit from the anarchist faction: "No matter who wins, the government will get in."

**Mauritius** An island in profile

| | |
|---|---|
| Population | 1.29m |
| Annual growth rate | 0.48% |
| Workforce | 610,000 |
| Unemployment | 8% |
| Currency | Mauritian Rupee (Rs/MUR) |
| Exchange rate | Rs29.15 per USD |
| GDP | Rs344.1bn |
| GDP per capita | Rs266,500 |
| Budget deficit | 2.6% of GDP |
| Public debt | 54.2% of GDP |
| Inflation | 4% |
| Reserves | 7 months |

Source: IMF; African Development Bank; Axys Stockbrokers; FT research * Forecast FT graphic

# Slowed growth raises concerns

**Economy**

Uneven expansion has started to create fears of a bubble, writes *Javier Blas*

From his office at the top of the Bank of Mauritius tower in Port Louis, Rundheersing Bheenick, the bank's governor, has a bird's-eye view of the capital: the buzzing harbour, new waterfront developments, construction cranes and heavy traffic below.

The economy looks strong. Inflation is under control, unemployment low by African standards and the public deficit shrinking.

"In the sixth year of the global financial crisis, [economic] growth above 3 per cent is nothing to scoff at," Mr Bheenick says. "We have enjoyed positive growth, year in, year out, since the crisis started," he adds.

The IMF's latest report on the country echoes this sentiment, saying "economic growth has been resilient in an adverse external environment". The African Development Bank says "growth momentum has eased" though the economy "has held up well against the persistent global economic turbulence".

The business community, opposition parties and many Mauritians feel such views are too rosy. Raj Makoond, director of the Joint Economic Council, a private umbrella group of the top business organisations in the island nation, summarises the opinion of many: "Our economic growth has been below its potential for the past four years".

The opposition is less polite. Alan Ganoo, parliamentary leader of the Mauritian Militant Movement, says the growth forecast for the country is "diminishing" and unemployment "growing" while investment "continues to decline".

The truth is that growth, which averaged 4-5 per cent in the 2000-08 period, has slowed to 3-4 per cent since the global financial crisis.

The Mauritius Chamber of Commerce and Industry forecasts that, at about 3 per cent, growth will be the lowest since 2005 this year, the third in a row of slower expansion.

The island is suffering the impact of the crisis in Europe, its main trading partner. Local businessmen say the country has to grow 3.5-4 per cent a year to provide jobs for young people.

Some "new" sectors, notably the financial and banking industries and the information and communication technology (ICT) sectors, are doing well. Axys, a local brokerage, forecasts that banking will grow 5.5 per cent this year and ICT by 8 per cent.

The "old" economy is enduring tougher times. Textiles contracted in 2012 and are set to grow 1.5 per cent this year. From stagnation last year, tourism may grow a paltry 0.5 per cent in 2013. Construction, which is linked to tourism, is expected to shrink.

The government and central bank have to deal with a two-speed economy. Some bankers fear that a move to prop up one sector could fuel a bubble in another.

Credit is growing fast in an economy that has high indebtedness in some quarters, notably hotels and property. The central bank estimates credit to the private sector is growing this year at a double-digit rate, far faster than the increase in real economic activity.

This worries Mr Bheenick: "It is time for us to be prudent," he says. [We] do not want to create disorderly financial conditions."



# Continental shift vital for a bright future

Continued from Page 1

economic engine over the past decade, is also at a crossroads as Mauritius and India renegotiate a tax agreement that dates back to 1983 and which, over recent years, has underpinned its professional services companies. For some, particularly in the business class, there is a sense of crisis around the corner.

Hence all eyes have turned to Africa as the solution to the economic slowdown. "Mauritius is centred in a golden triangle of growth, linking the Middle East, Asia and Africa," Mr Duval told lawmakers last year during his annual budget speech in parliament.

"Today, we see a world that is split: the west is struggling, the east is rising and Africa is awakening," he added.

The view is shared by Rundheersing Bheenick, governor of the Bank of Mauritius, who points out that a "more prosperous and safe Africa" allows businesses to plan long-term for their investments in the continent.

Yet the Africa strategy has its problems. The first is competition.

The recent surge in foreign investment in Africa has triggered a race among offshore financial centres to sign deals to reduce the tax bills of overseas groups and protect their investment on the continent.

Mauritius, Singapore and Luxembourg have rushed to secure agreements. Last year, Africa received $50bn in foreign direct investment, more than double the level of 10 years ago, according to the UN.

In Port Louis, the Mauritian capital, Gilbert Noel, a lawyer at Appleby, one of the world's largest providers of offshore legal services, says Mauritius will face more competition in Africa than it did in India. "Other offshore centres, such as Singapore and the British Virgin Islands, are also interested in the same market," he notes.

Mr Duval, from his vantage point at the finance ministry, says more than half of Mauritius's offshore sector is already targeting Africa. "Mauritius is being used as a conduit into Africa," he says, adding that on top of double-tax agreements, the island offers "democracy, arbitration services [and the] experience people want".

The country, which over the past decade has accounted for 40 per cent of all flows of foreign direct investments into India thanks to its favourable tax deal with New Delhi, has already signed 19 tax deals with African countries and is negotiating another three.

Mauritius also has in place 19 investor protection agreements in Africa and is in talks to conclude six more.

The second problem is "connectivity". Direct daily flights to Africa link Mauritius with South Africa and Kenya only. Ken Poonoosamy, managing director of the government-backed Board of Investment, says: "It is imperative to increase our connectivity [with Africa] via sea and air."

Local business executives say the island fails to compete with the likes of Dubai, whose flag carrier, Emirates, flies to 23 cities in Africa. Johannesburg and Nairobi are also better connected to the rest of the continent than Mauritius is, as they, too, seek to become regional financial centres.

The executives add that Port Louis's small harbour does not match the sophisticated ports of Dubai and Singapore. In Mauritius's quest to become a "gateway to Africa", much remains to be done.

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# Dispute with India offers chance to change focus

**Offshore** Directing investment into Africa is a priority, says *Javier Blas*

When the office park of Ebene, the centre of Mauritius' financial offshore industry, was inaugurated in 2005, India's prime minister presided over the ceremony.

The presence of Manmohan Singh was evidence of the deep links between India and the offshore industry of Mauritius. Over the past decade, the island has channelled more than 40 per cent of all foreign direct investment into India, worth some $75bn, thanks to a favourable double-tax avoidance agreement with New Delhi. Dozens of Mauritian firms have served as trustees and provided professional services for more than 20,000 companies that used the island as their base to invest in the once booming economy of India.

But just eight years since Mr Singh cut the ribbon at the opening ceremony, the lawyers, bankers and accountants who work at the Ebene centre have shifted their attention from India to Africa.

Yet, rather than a recognition of Africa's potential, the shift towards the continent initially had more to do with a clash with India about the benefits of the double-tax agreement, which some Indian lawmakers claim costs New Delhi up to $500m a year in tax avoidance.

Double taxation agreements allow companies to pay taxes in the country of legal residence, usually a low-tax jurisdiction such as Mauritius, rather than in the country where the physical operations are based.

In Mauritius, international companies using the island as their legal headquarters for investments elsewhere face a flat rate of corporation tax of 15 per cent. But generous foreign tax credits mean most companies will pay a net effective tax of only 3 per cent. On top of this, companies face no capital gains tax and no withholding tax on dividends, interest and royalties.

Port Louis and New Delhi have been negotiating for six years to come up with a new version of the tax deal but have yet to reach a compromise.

The uncertainty has put off investors, with money adopting a wait-and-see attitude, executives say. Mauritius says it has gone "the extra mile" to accommodate the views of India, offering a "limitations of benefit" annex to the double-taxation deal that will reduce its effectiveness. India has yet to reply to the latest proposal from its neighbour. As the tensions between Mauritius and India continue, Africa's economic growth has started to attract more foreign direct investment into the continent, offering Mauritius an opportunity to sidestep India and take its offshore business elsewhere.

Kee Chong Li, chief executive of Mauritius International Trust Co, an Ebene-based offshore business, says that the island "can play an important role in channelling" the surge in foreign direct investment into Africa "in a tax-efficient manner".

Last year, Africa received $50bn in foreign direct investment, more than double the level of a decade ago, according to the UN.

The surge comes as economic growth in sub-Saharan Africa accelerates, attracting global companies from Coca-Cola to IBM.

Sridhar Nagarajan, chief executive of Standard Chartered Bank in Mauritius, says the island can become the access route for investors in Africa.

"Mauritius is in the same position as a gateway for Africa as Singapore was 20 years ago as a gateway for Asia," he says.

The shift is beginning to have a meaningful impact on the island's offshore financial industry. Richard Arlove, chief executive of Ebene-based Abax Corporate Services, an offshore business, says that, in dollar terms, Africa has outgrown India over the past year: "We are focusing more and more on Africa."

Mauritius benefits in Africa from some of the same tax deals that propelled its offshore business in India. The island has already signed 19 tax deals with African countries and it is negotiating another three. On top of this, Mauritius has signed 19 investor protection agreements, which can minimise the risk of nationalisation in Africa by forcing fair compensation and arbitration. It is negotiating another six accords.

The island faces competition, nonetheless, from rival offshore centres such as Singapore, the Seychelles and, to a lesser extent, Luxembourg and the Netherlands, which are racing to obtain a slice of the African cake.

The opportunity to channel foreign direct investment into Africa faces another big obstacle. While Mauritius and India are well connected, the airline links between the island and the continent are very limited,

Moving on: the offshore industry in Ebène favours a continental shift imagebroker/Alamy

## Stock market plays star role

From parochial beginnings a little over two decades ago, the Mauritius stock exchange has become one of the most respected in the sub-Saharan region. Now it has every incentive to grow further as the island seeks to prise wide a "gateway to Africa".

The Mauritian strategy to become an offshore hub for business on the African continent is central to the stock market's efforts. "I go and talk about it a lot," says Sunil Benimadhu, the exchange's chief executive.

"Roadshows are the best way. In New York, you talk to specialist brokers who deal in emerging markets. I'll be in Dubai in September explaining why Africa is the hotspot now; London in October."

The exchange began in 1989 with five local companies listed and a market capitalisation of about 3 per cent to Mauritius's gross domestic product. "We're revolving around 75 per cent today which means that the stock exchange is relevant to the economy. It was over 100 per cent before the financial crisis."

From four years ago, with Mauritius developing itself as an offshore trading platform, the stock market realised it had to change.

"We've moved from an equity-based domestic market to being a multi-asset class international exchange. We've launched a number of global funds and global businesses. We have African mining companies interested and are now listing ETFs in gold and eventually derivatives." This fits with Mauritius's aim of diversifying its operations and building on skills acquired while developing its reputation as a centre, mainly for companies investing in India.

**Peter Chapman**

*This article is in full online at www.ft.com/reports*

# Sensitive treaty talks open way to looser historical ties

**India links**

Pressure to curb offshore industry is straining relations, says *Peter Chapman*

The relationship between Mauritius and India dates back to the early 19th century, when thousands of Indians came to the island as indentured workers on its sugar plantations. Many stayed on and form the largest ethnic group in the population.

Mauritians of Indian stock are intensely proud of the link. During recent celebrations marking India's independence from Britain, the English language press was full of articles flattering India on its development since Jawaharlal Nehru spoke of its "tryst with destiny" back in 1947.

Privately, the grumblings of Mauritian politicians and businesspeople about the relationship suggest that the island faces a tryst of its own. It might not be with destiny – since such are the commercial and cultural ties that they are unlikely to snap irrevocably – but at least with the recognition that they might be relaxed as Mauritius looks elsewhere to find friends, notably in Africa.

"Enough is enough" is a summary of the reaction in Mauritius as India questions the longstanding tax treaty between the countries and presses Mauritius to curb its offshore industry. Mauritians call it their "global business" industry, a less loaded term for a regime that offers favourable tax rates and a well ordered base for international companies, many of which use the island to invest in India.

"This is how business is carried out globally," says Rama Sithanen, former finance minister and now head of International Financial Services, which helps companies to set up operations in Mauritius in order to invest elsewhere. Most companies do not directly invest into a country, they look for a "tax-efficient jurisdiction . . . We offer that with everything above board".

It is unfair of the Indians to suggest Mauritius is nothing but a tax haven, Mr Sithanen adds. The Mauritian government "needs to have a non-discrimination clause put in the treaty".

In his view, the long negotiations with India on the issue need to be "raised to a higher level" than that of fiscal bureaucrats and minor officials. To finance ministers? "Higher still".

The two countries' leaders have to get to grips with this problem and rise above the petty quarrels of those beneath them: "This situation has to result in a win-win for both sides."

*This article is in full online at www.ft.com/reports*

# Chinese visitors help in rediscovery of paradise

**Tourism** Diversification is plugging the gap left by a drop in the number of European holidaymakers, write *Javier Blas* and *Peter Chapman*

**Adapt or die: Mauritius has repackaged itself as a destination to suit a variety of tourists** Alamy

A sense of crisis is hardly what greets visitors to the resorts dotted around the coast of Mauritius. In Flic en Flac in the southwest, for example, tourists loll in number by their hotel pools between bouts of paddling in the Indian Ocean; in northern Grand Baie, the approach by sea is towards tranquil white sands and grand houses in the shelter of pine and palm trees.

At his office in the centre of Port Louis, the capital, Michael Yeung Sik Yuen, the tourism minister, reels off the latest statistics on tourist arrivals, assessing the picture they present in pragmatic fashion.

"We have to adapt to this world," he says, noting a sharp fall in visitors from France: "You adapt or you die."

Since the economic crisis of 2008, Mauritius has had a hard job filling the gaps left by a drop off in numbers of European holidaymakers coming to the island. Hotels have a lot of empty rooms and a high level of debt, having greatly expanded during the pre-crisis boom.

In response, the government, tour operators and the hotels have pursued what amounts to a joint strategy of adaptation to survive.

While hoping for a revival in European demand for long-haul holidays in paradise-like destinations, they have diversified towards less traditional markets. Among them are the United Arab Emirates, Russia and other former Soviet states and, in particular, China.

The crisis of recent years has been a real one. Tourism accounts for about a tenth of the gross domestic product of Mauritius and, alongside sugar, the financial offshore industry and textiles, is one of the island's so-called "pillars" of development.

The number of tourists arriving last year grew by just 0.1 per cent to 965,000, far below the forecast five years ago of 1.5m by this time.

Tourist numbers from France, the island's main market, were down by nearly 10 per cent in the first seven months of 2013. "In a market of 260,000 [French visitors] last year, imagine a fall of 10 per cent," says Mr Yeung Sik Yuen. "You feel it."

The island's hotels are suffering, says Francois Eynaud, president of Veranda Leisure and Hospitality, a large local hotel group. Mauritius has a serious "problem of overcapacity", he adds.

> 'We need two Chinese to replace each tourist from Europe we lost'

"Tourist arrivals are not growing fast enough to [match] the construction of new rooms."

Hotel executives estimate that the number of rooms has grown by more than a third since 2007, while tourist arrivals have more or less stagnated. Occupancy rates, which hit a record 76 per cent the year before the financial crash, are forecast to be 60 per cent this year.

Hence the attraction of the Chinese market. Yet Mauritius was slow to spot its potential, compared with some of its Indian Ocean competitors in tourism.

"The Maldives started well before 2008," says Mr Yeung Sik Yuen. "Also the Maldives are closer to China. We started about 2010; since last year Mauritius has become more visible on the Chinese market."

Last year, 20,000 Chinese tourists came to Mauritius, the minister adds; this year "we'll probably reach 45,000".

"Since January, we have had two direct flights a week from Shanghai and one from Beijing since July," says Mr Yeung Sik Yuen

"We've had a lot of advertising, workshops, press trips and familiarisation trips for tour operators. We hope to at least double [the number of tourists from China] each year."

"We desperately need the Chinese," says Mr Eynaud. That said, tourists from such emerging markets have some way to go before they match up to what Mauritians have come to expect from their traditional European visitors.

"We need two Chinese to replace each European tourist we lost," observes Jocelyn Kwok, chief executive of the Association des Hoteliers et Restaurateurs of Mauritius. On average, Chinese holidaymakers spend just four to five days in the country, against eight for a French tourist and 12 for a Briton.

The response of some hotel groups has been to offer large discounts. Critics have often suggested that this would threaten Mauritius's position as a competitor with the Caribbean for wealthy clientele.

Today, the impression is that with Mauritius diversifying from its long-standing European markets, its best approach is not so much aggressive price wars as adopting different prices for different regions to the benefit of its tourism overall.

"We're putting bigger emphasis on other new markets for us, for example the CIS [former Soviet Union] countries," says Mr Yeung Sik Yuen. For Russia, "so far it is a question of direct routes. We have approved four flights a week for Aeroflot, but are awaiting a green light from their country." Mauritius was also concentrating a "lot of effort" on the Czech Republic.

"Our market in the UAE increased by 78 per cent in the first seven months of the year," he adds. "We're having a lot of familiarisation trips and roadshows in different Middle Eastern cities."

Rather than damaging the Mauritian brand, "this is the solution", argues Mr Yeung Sik Yuen. Different prices between groups "will fill a hotel – Asians, [people from] the Middle East, Europeans", he says.

"The model has changed." Before, Mauritius was only really working in the European market, whereas today it is working in many others.

"There is a crisis but we are adapting. The situation is improving."

## Air Mauritius National flag carrier continues flight into turbulence

Around the halls of Mauritian power, the word of the moment is "connectivity" – with Africa, Europe, Asia and the world. For a small dot 1,000km east of Madagascar, it is a natural concern.

What is Air Mauritius doing about it? The national flag carrier is assailed from many sides: from politicians, as it struggles to maintain its economic health; from hoteliers complaining that it does not provide affordable flights; and from individual travellers, for that matter, disturbed to find they have a mid-row seat for a 12-hour flight on a plane so jammed that the prospects of getting an aisle appear as remote as the island they are flying to.

Air Mauritius is "playing its role" in the government's "gateway to Africa" strategy, says Dass Thomas, chairman. He highlights more flights to Kenya and daily services to South Africa. As for Asia, Air Mauritius had its first flight to China in 2011 and now has nine a week.

Mr Thomas answers questions with deliberation and the air of one who has been through the corporate mill. He served a lengthy period with British American Tobacco and has had 13 years in the airline industry.

What of the fleet? Air Mauritius needs new planes and more of them. I recall my problem getting an aisle seat and some inspired screen work by airport desk staff to find me one. The personal service is good.

"We have to work with our assets," says Mr Thomas, "be they people, aircraft or knowledge, in order to make the airline profitable".

Air Mauritius lost 8.1m pre-tax in the second quarter, against a loss of 10.2m in the same period of 2012. New aircraft would be a "game changer; we are in talks with Boeing and Airbus".

Because it wants to buy fuel-efficient planes, the delivery of the A350 from Airbus, for example, would not be until 2020. Fuel efficiency is vital, as the airline spends 160m a year on fuel, which compares with the national health budget.

The opening this month of a new airport terminal should remove the problem of bottlenecks for passengers. (Conceivably, too, the hour and a half pre-dawn wait I had at immigration on my arrival at the old terminal.)

What of a strategic partner for Air Mauritius to help it with its problems? The airline has been in contact with a range of airlines including BA, Air France, Etihad and Singapore, yet the recent example of Etihad buying a 40 per cent stake in Air Seychelles and promptly moving in its own management team was not an option.

"In no way would the government cede control to a strategic partner." The Air Seychelles case is "high in mind".

Air Mauritius is something of a political football: "It's not an easy position to be in," Mr Thomas admits, fondly remembering his time in tobacco: "the most efficient industry in the world".

Running a national airline does not work quite so smoothly.

**Peter Chapman**


**Air Mauritius: under pressure**