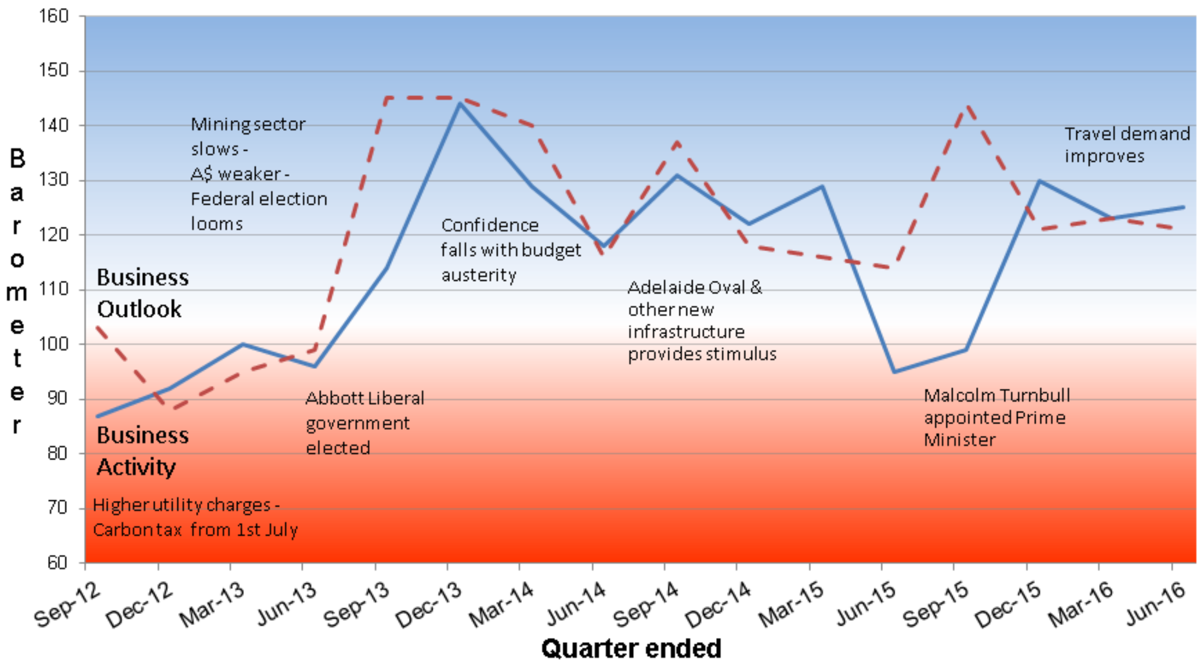
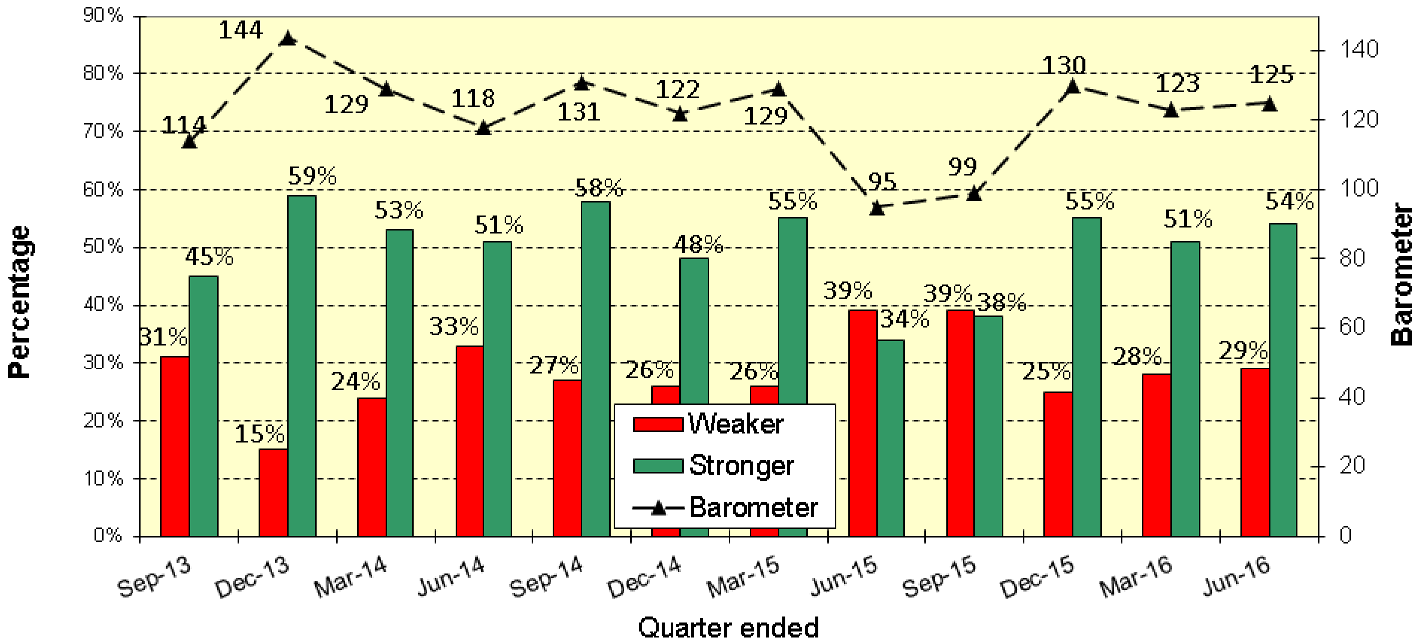
South Australian Tourism Industry Council
SA Tourism Barometer – June Quarter 2016



Headline: Indicators Point to Continuing Improvement and a Positive Outlook

The tourism activity and outlook indexes for the June quarter continue to be positive with most respondents reporting improved performance. Positive factors for the industry were the Riverbank precinct in Adelaide, events including conferences and business events and good weather for the school holidays. The federal election was said to have kept people at home to some degree while some sectors such as houseboats were said to be underperforming. The NVS / IVS visitor statistics for the year to March 2016 reached an all-time record of 6.36 million overnight visitors for the State. Analysis of CPI data suggests that the weaker dollar is yet to translate into higher international travel costs.

Business Activity in the Last 3 Months



In the June quarter of 2016 the proportion of survey respondents experiencing improved business activity when compared to the same period last year was 54% - up slightly from the March quarter (51%) and consistent with the December 2015 quarter survey (55%). The proportion experiencing weaker conditions increased slightly from 28% to 29%. The barometer has been reasonably consistent over the last three quarters.

Factors underpinning performance were:

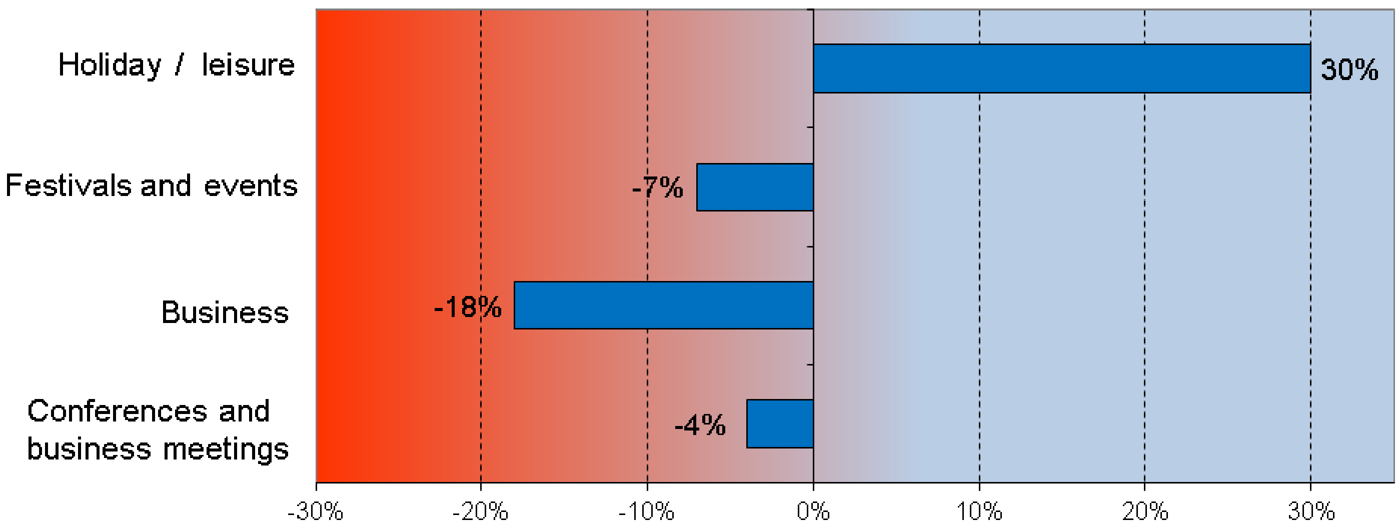
- Continuing development of the Riverbank precinct.
- Conferences / business events.
- Good weather during April school holidays.
- Masters games / sporting events / other events.

- Nature based travellers.
- Online booking system.
- Private events / weddings.
- Social media / digital marketing.
- Water in Lake Eyre.

Less positively:

- Economic down turn effecting work related travel in some regions.
- Federal elections.
- Houseboat industry still struggling post drought.
- Over supply of function and event capacity.

Business Activity by Sector



Business Activity - Deviation from Mid Point of 100

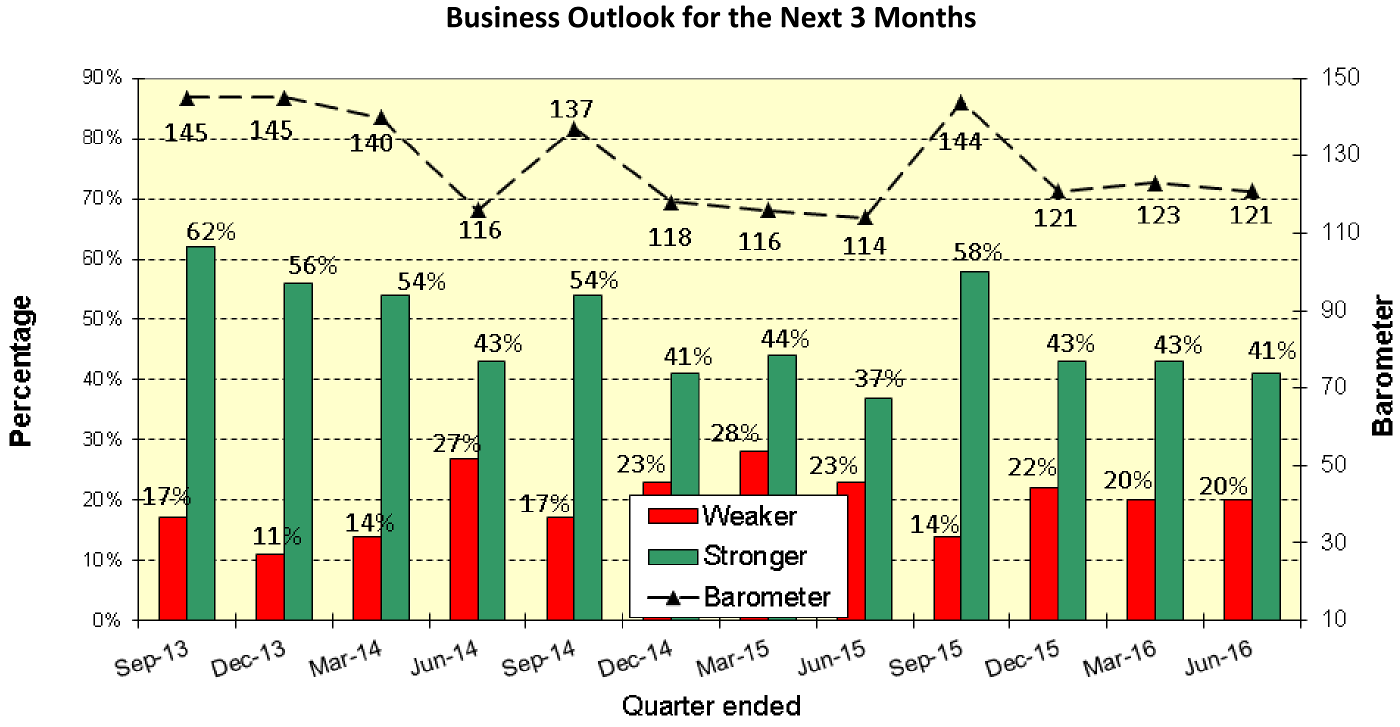
The holiday / leisure sector index was positive with a business activity index of 130 – 30 percentage points above the midpoint.

The other sectors were negative however with festivals and events -7 percentage points, the business sector – 18 points and the MICE sector – 4 points.

When compared with the previous quarter the sector index for holiday/ leisure was up by 4%, the index for festivals and events was down by 4%, the business index was steady while the MICE sector index was up by 4%.

An index above 100 indicates growth with more businesses experiencing an increase from this market when compared to those experience contraction. An index below 100 indicates more businesses experienced weaker conditions.

The respondents were asked whether they expected business conditions to be stronger or weaker over the next three months when compared to the same period in 2015.



In the June quarter 2016 the short term business outlook was down slightly – falling from 123 to 121 points. The proportion expecting improved performance fell from 43% to 41% while the proportion expecting a contraction was steady at 20%.

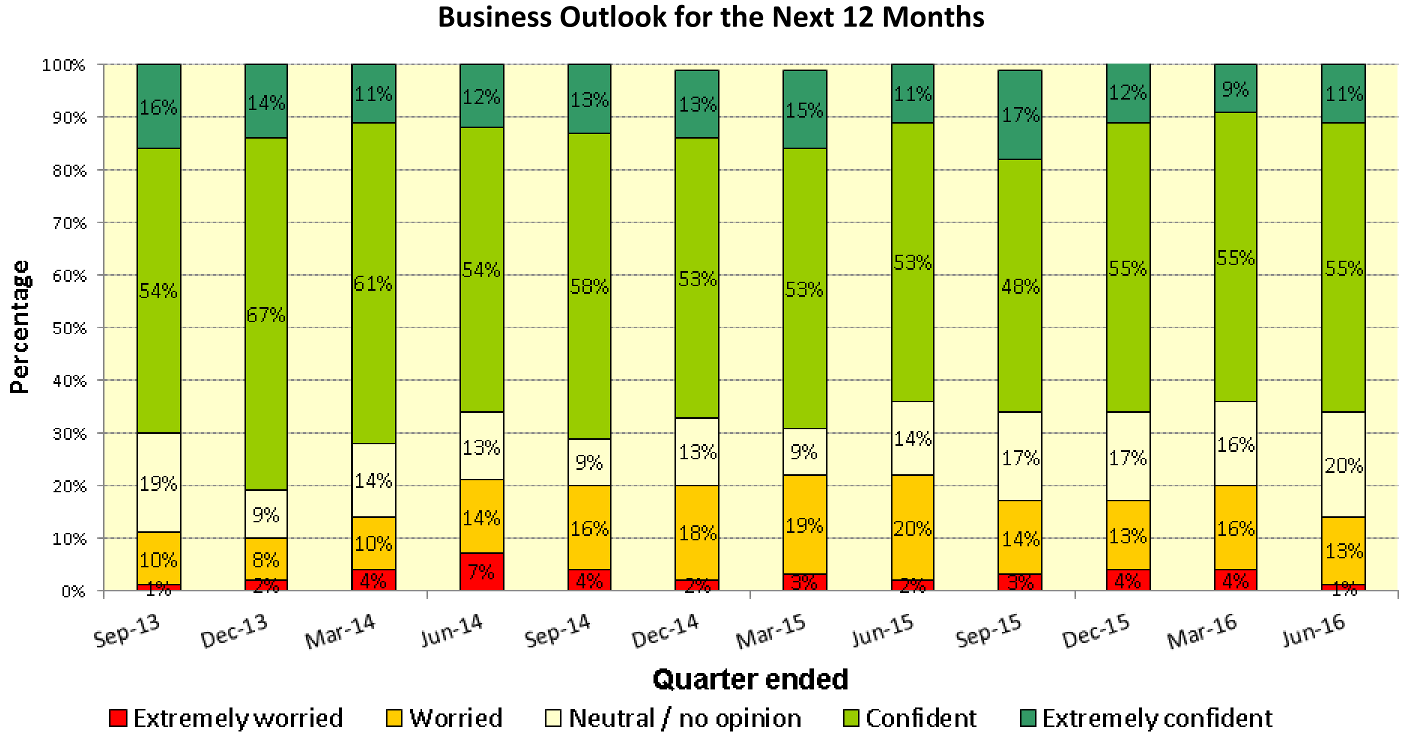
Factors influencing the outlook for the short term included the following:

- Bonjour Barossa / other events.
- Election will be over.
- Forward bookings for spring are positive.
- Heritage tours in Port Adelaide.
- Promotion of Kangaroo Island as a winter travel destination.

Less positively:

- Negative PR regarding Whyalla.
- Cold winter this year.
- Forward bookings are poor.

The outlook for the next 12 months was as follows:



In the June 2016 quarter survey, 11% of the respondents were 'extremely confident' regarding the prospects for the next 12 months and 55% were 'confident'. The proportion 'confident' or 'very confident' (66%) was up slightly on the results for the previous survey (64%).

Factors underpinning business confidence in the longer term were:

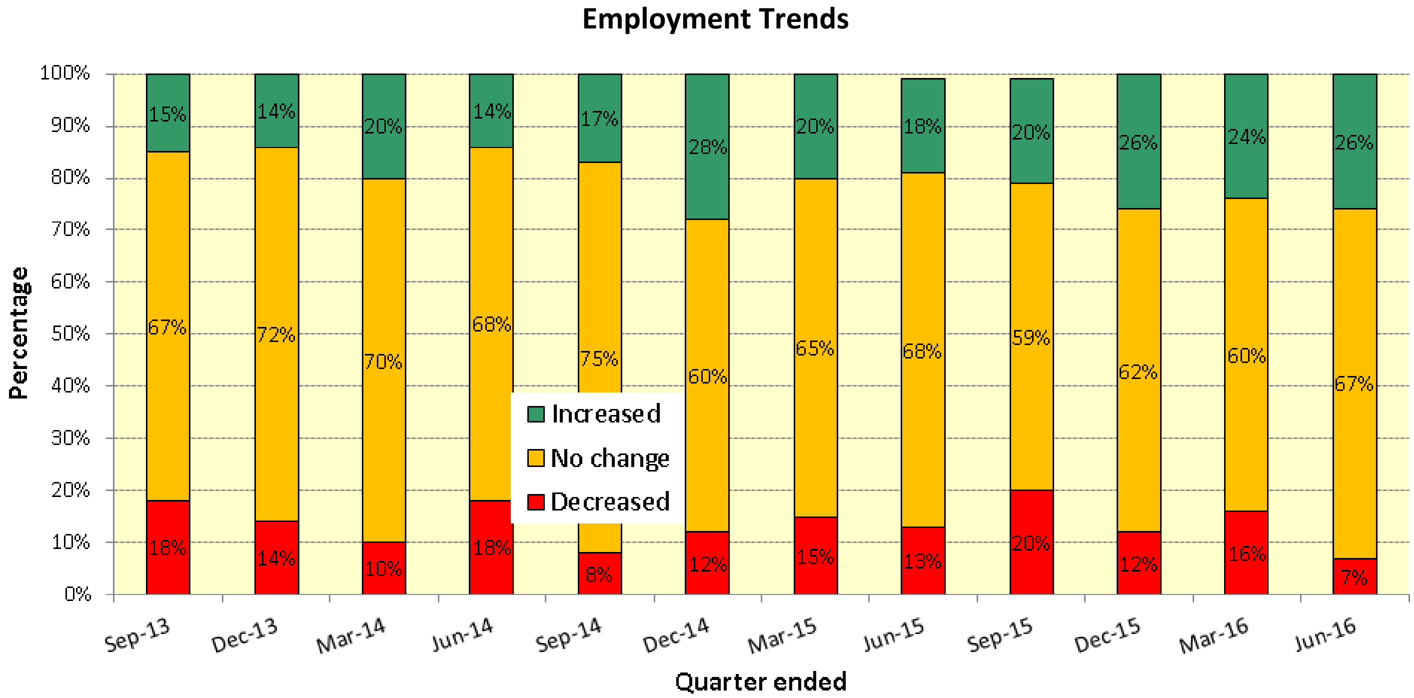
- Impact of regional infrastructure upgrades.
- Increase in bidding activity and the number of events in Adelaide and elsewhere.
- Investment in product development.
- Major projects in Port Adelaide – incl. including: Quest Apartments; State Government building bringing 500 public servants to the Port; Fort Largs redevelopment; Adelaide International Bird Sanctuary.
- Stronger client base.
- Weaker dollar will attract more international visitors.

Less positive

- Economic outlook globally is shaky.
- Future of visitor services at Innes NP.
- Penalty rates / wage increases holding back business development.
- Reduction in tourists visiting central Australia.

Employment

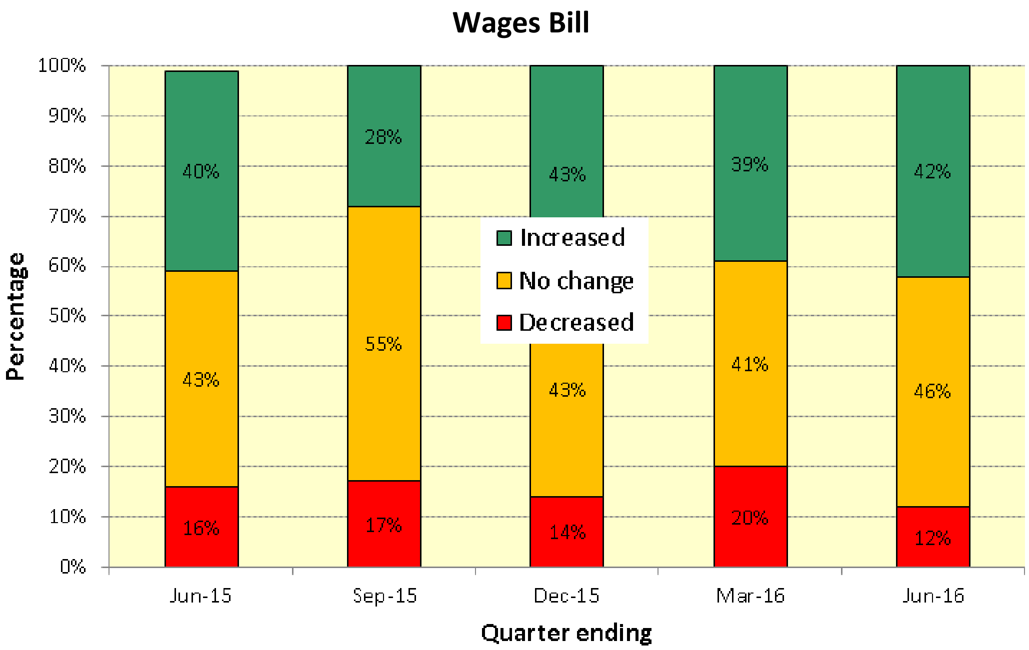
Respondents were asked whether the number of people employed in their business had increased, decreased or remained the same when compared to the same period last year.



In the June 2016 quarter survey 26% of the respondents had employed additional staff in their business – up slightly from 24% at the previous survey. The proportion that had employed fewer staff was 7% - down from 16% at the March quarter survey. Further information regarding employment trends from the ABS Labour Force survey follows.

Wages

The SATIC Barometer for the June 2015 quarter included a new question asking whether the respondent's wages bill, when compared to the same quarter last year, had increased or decreased.



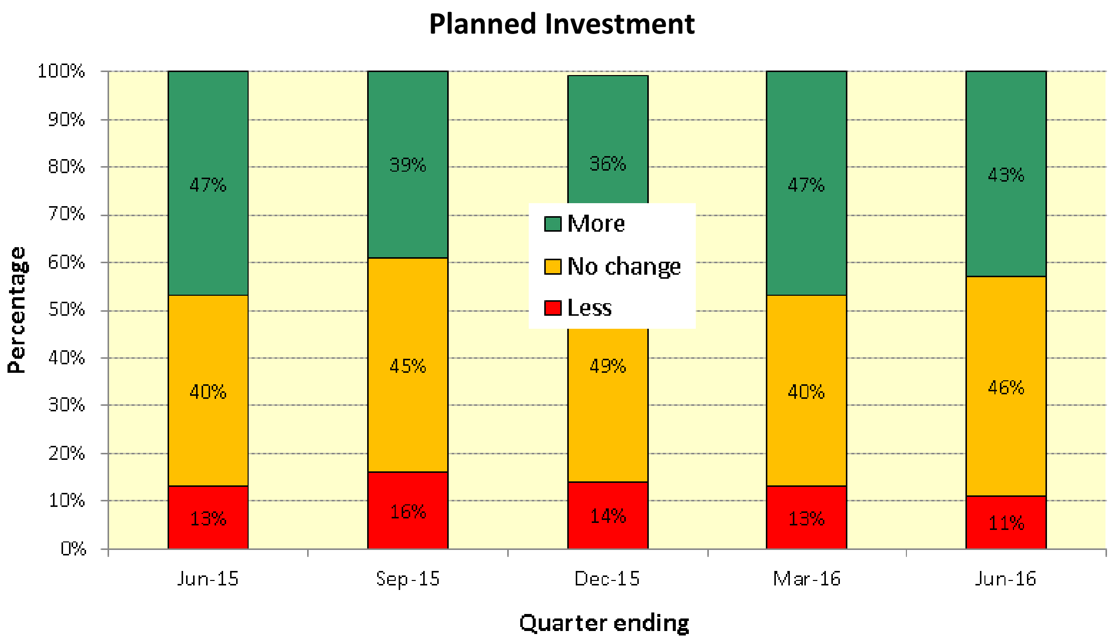
In the June quarter 2016 survey 42% of the respondents reported that their wages bill had increased – up from 39% at the March quarter survey.

In most cases an increase in wages was due to the cost of servicing increased demand. Increased wage rates were also mentioned.

A lower wage bill was generally associated with lower levels of demand.

Investment

A new question was also introduced in June 2015 where the respondents were asked whether they were planning more or less investment in their business over the next 12 months compared to the previous 12 months.



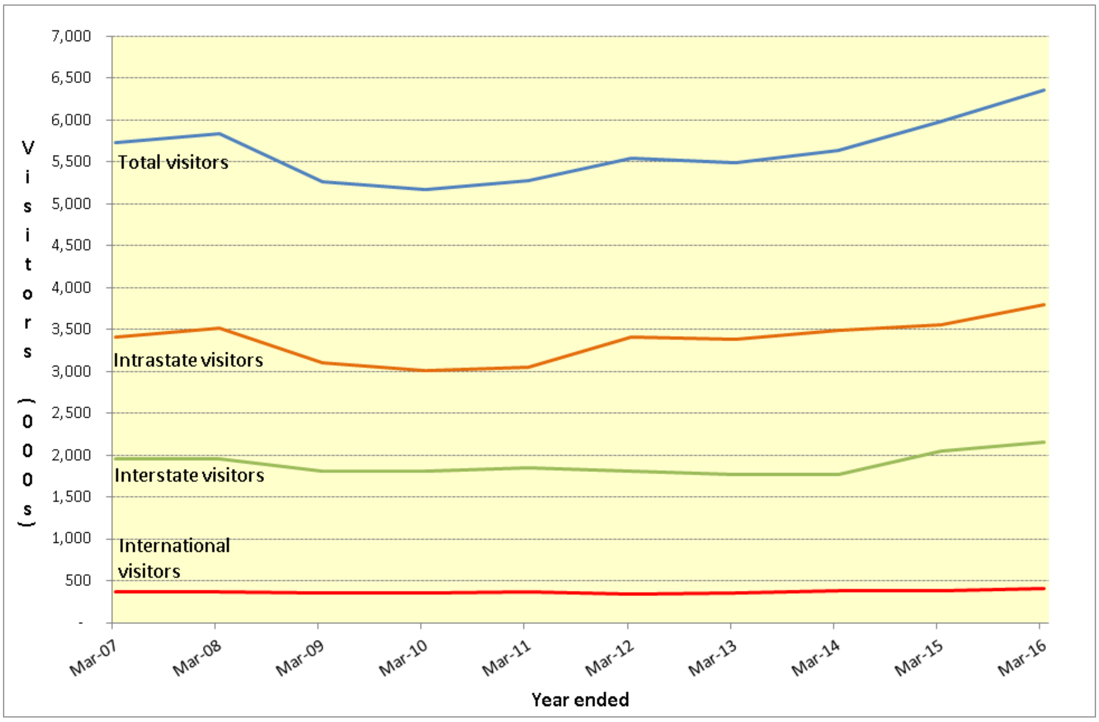
In the June 2016 quarter survey 43% were planning more investment in their business – down slightly from 47% at the March 2016 quarter.

About The SATIC Tourism Barometer
The SATIC Tourism Barometer is a quarterly survey of SATIC members designed to measure recent activity levels and the outlook for the future. The Barometer survey is conducted on-line and a total of 76 members responded to the June 2016 quarter survey.
Report prepared by independent research consultants – Greenhill Research and Planning.

Annual Performance to March 2016

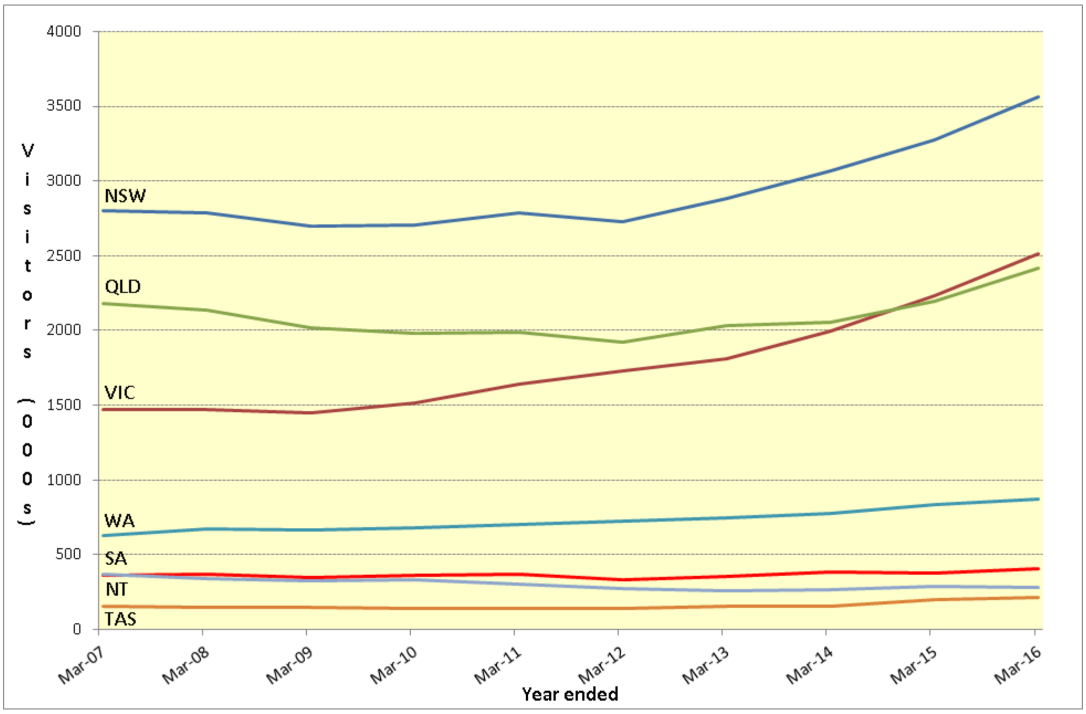
Information regarding travel demand in Australia is collected by Tourism Research Australia through two national sample surveys: the National Visitor Survey and the International Visitor Survey.

Overview of Overnight Visitor Demand for South Australia



The number of interstate visitors to SA in the year to March 2016 was 2,151,000 – up 5% from the previous year – while the number of intrastate visitors was 3,803,000 – up by 7%. The number of international visitors was 410,000 – an increase of 8%. Overall visitor numbers increased by 6% to a record level of 6,363,000.

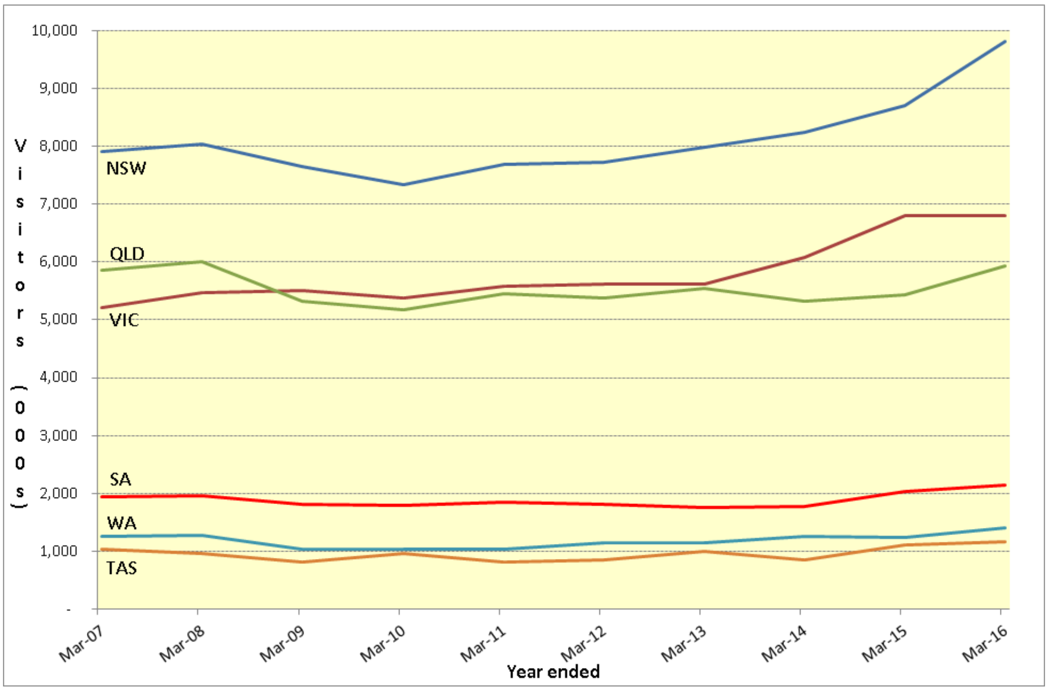
International Visitors by State / Territory



Tourism Research Australia. http://www.ret.gov.au/tourism. International Visitors in Australia. International Visitor Survey

In the year ended March 2016 the number of international visitors to South Australia increased by 8% – from 381,000 to 410,000. Nationally international travel demand grew by 9%. Over the ten year period from 2007 international visitation has grown most strongly in Victoria (up 71%), Tasmania (up 41%) and WA (up 39%). SA has increased by 12% over this period compared with 38% for Australia as a whole.

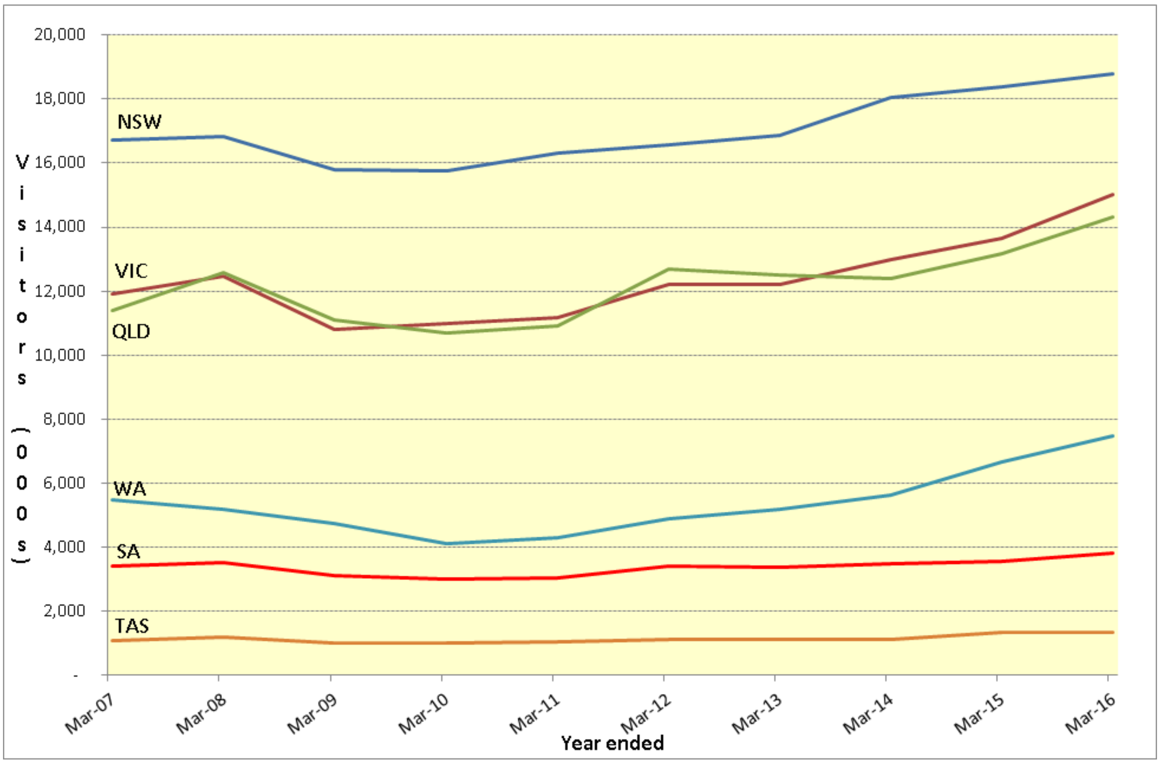
Interstate Visitors by State / Territory



Tourism Research Australia. http://www.ret.gov.au/tourism. Travel by Australians. National Visitor Survey

In the year ended March 2016 the number of interstate visitors to South Australia increased by 5% to reach 2,151,000 visitors. Nationally interstate travel demand grew by 8%. In the ten years since 2007 interstate travel has grown most strongly in Victoria (up 30%) and NSW (up by 24%). Interstate visitors to SA increased by 10% over the ten year period compared with 17% for Australia as a whole.

Intrastate Visitors by State / Territory



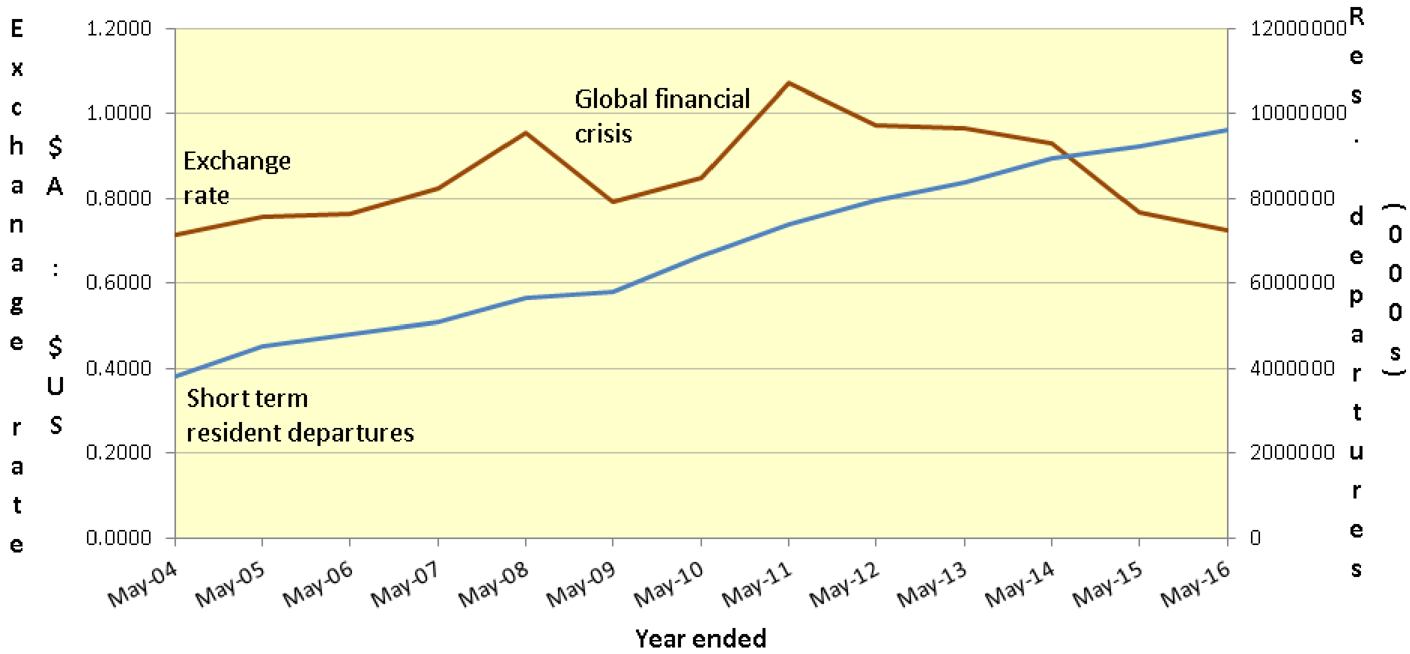
Tourism Research Australia. http://www.ret.gov.au/tourism. Travel by Australians. National Visitor Survey

In the year ended March 2016 the number of intrastate visitors in South Australia grew by 7% from the previous year to 3,803,000 overnight visitors. Nationally intrastate travel demand grew by 7%. Over the ten period from 2007 intrastate travel has grown most strongly in WA (up by 37%) followed by Victoria and Queensland – both up by 26%. South Australia has grown by 11% over this period compared with 25% nationally.

Other Indicators

Information regarding short term overseas departures by Australian residents is published by the Australian Bureau of Statistics.

Trend in Short Term Australian Resident Departures and $A - $US Exchange Rate

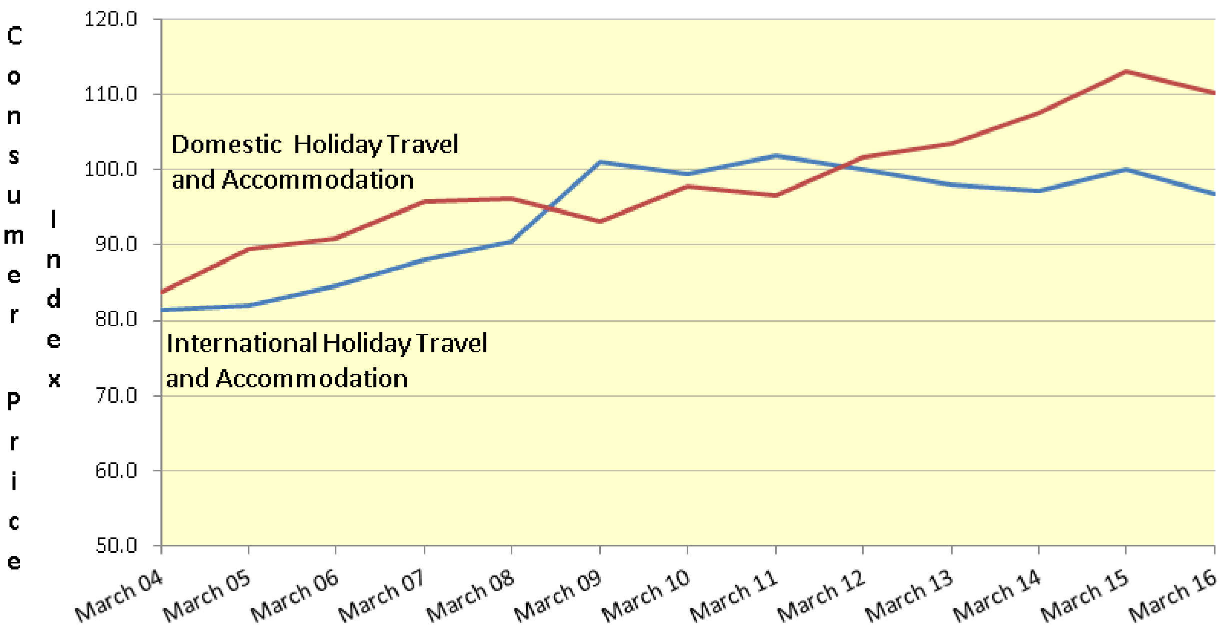


Source: Australian Bureau of Statistics Cat. 3401.0 - Overseas Arrivals and Departures.
Reserve Bank of Australia. http://www.rba.gov.au/statistics/frequency/exchange-rates.html The data is the specified point in time and does not represent the interim periods.

In the year ended May 2016 there were 9.63 million short term resident departures – an increase of 4.2% from the previous year. The $A has fallen against the $US however the trend in outbound travel by Australian residents continues to rise.

The ABS also publishes information regarding the relative cost of domestic and international travel.

Consumer Price Index – Domestic and International Travel



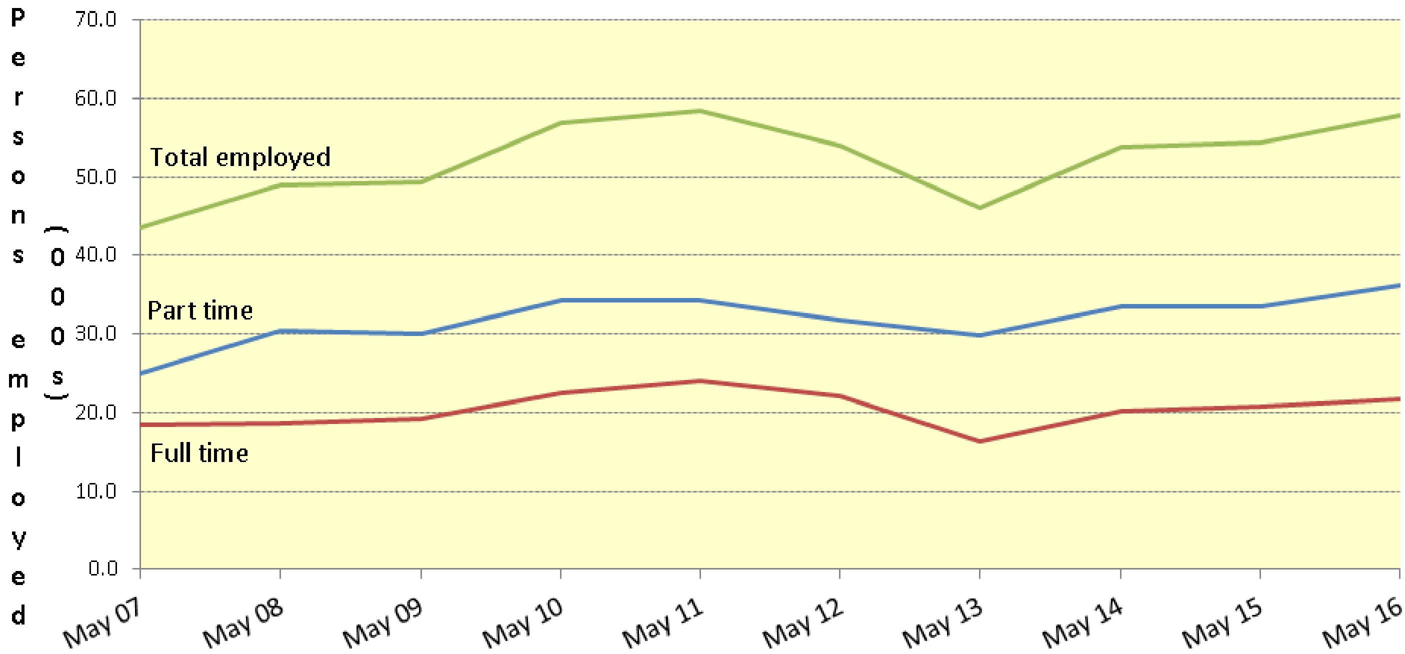
ABS Cat.6401.0 Consumer Price Index, Australia. Table 7. CPI: Group, Sub-group and Expenditure Class, Weighted Average of Eight Capital Cities.

The data from the CPI suggests that the impact of a weaker dollar has not translated into higher international holiday travel costs.

The CPI for international travel has in fact contracted by 4% over the period since March 2009 compared to an increase of 18% in the CPI for domestic travel.

The Australian Bureau of Statistics publishes information regarding employment across a range of industry categories. At State level accommodation is combined with food services.

Employment in Accommodation and Food Services in South Australia



Source: Australian Bureau of Statistics. Cat. 6291.0.55.003. Labour Force Australia, Detailed.

The Labour Force figures for South Australia for the month of May 2016 (57,900) indicated a rise of 6% in the number of persons employed overall in the accommodation and food services sector when compared with May 2015. Full time employment (21,800) was up by 4.5% while part time employment (36,100) was up by 7.5%.

Since May 2013 the number of persons employed, both full time and part time, has increased by 26%.

Due to the seasonal nature of employment in the accommodation and food services industries annual comparisons may vary depending on the point in time at which the comparison is made.