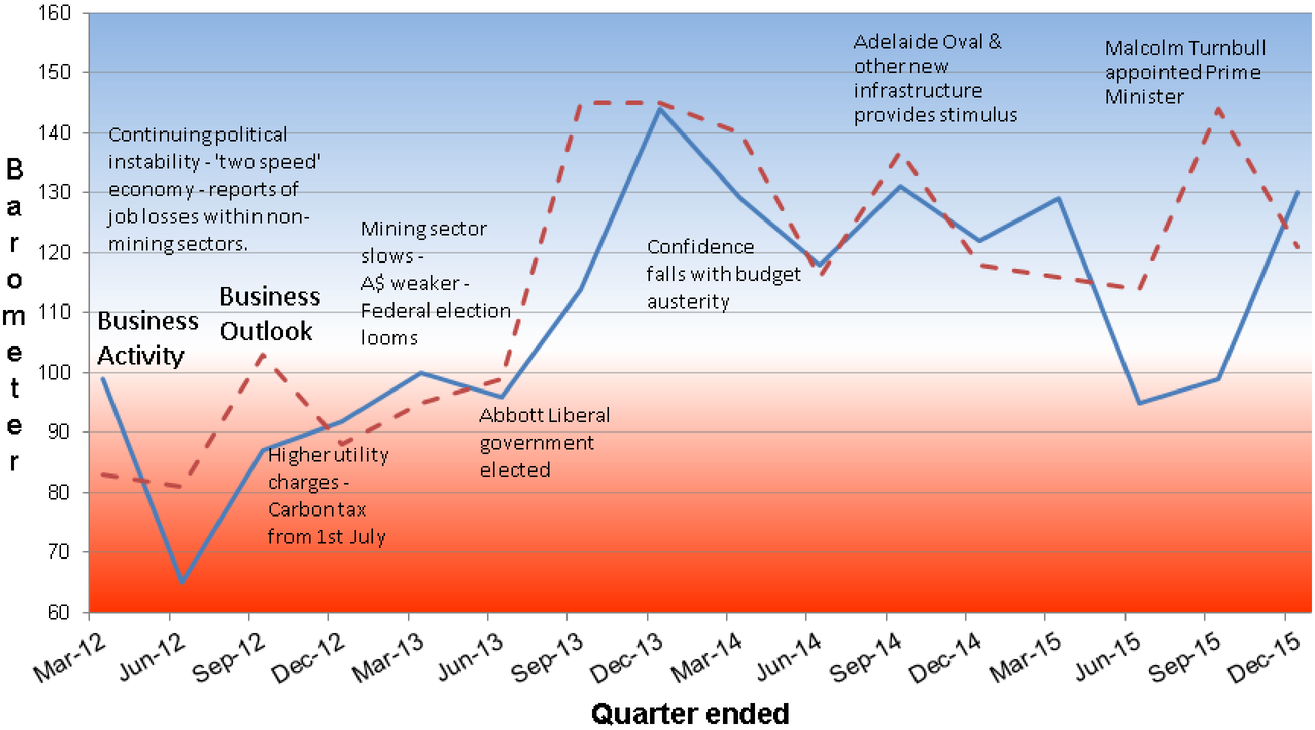
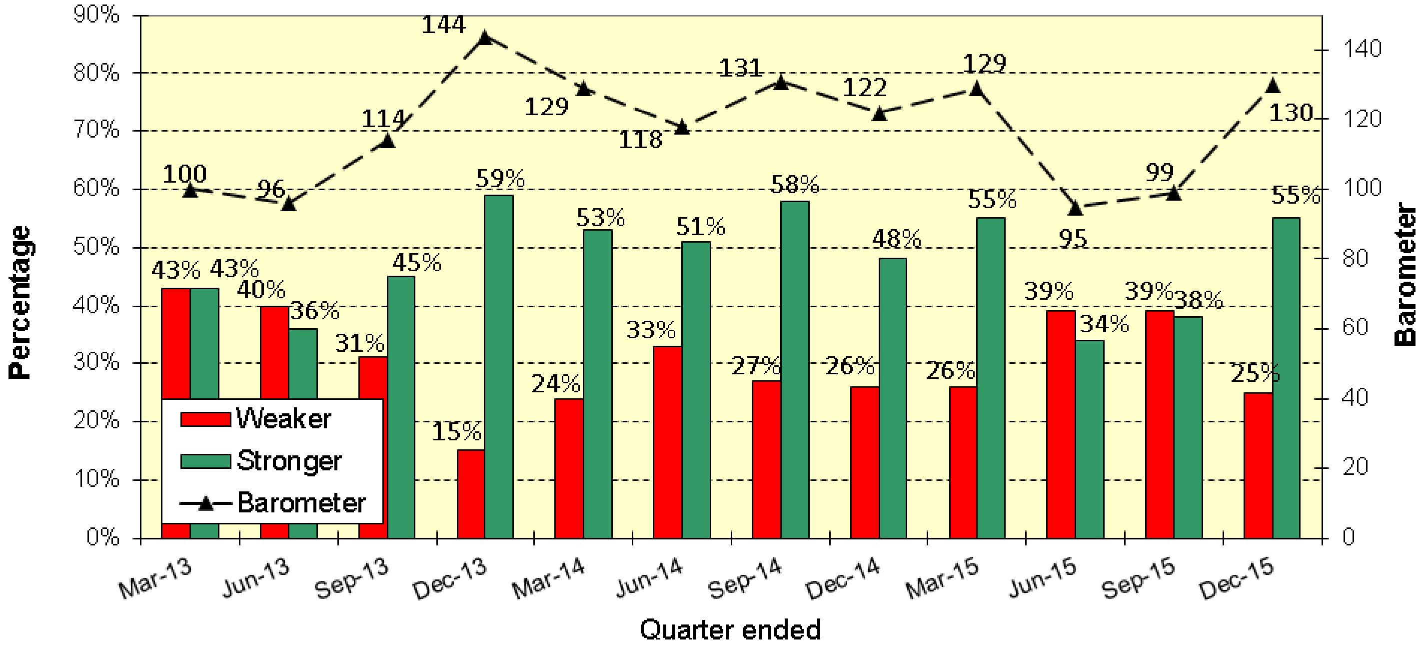
South Australian Tourism Industry Council
SA Tourism Barometer – December Quarter 2015



Headline: Tourism Indicators Point to Continuing Improvement

In the December 2015 quarter the Business Activity index rose by 31% - from 99 to 130 points. In contrast the Business Outlook index was down by 16% - falling from 144 points to 121. The improved performance was attributed to a sense of rising consumer confidence, an increase in the number interstate travellers, events including corporate events and the impact of the Riverbank precinct developments. The survey results are supported by a range of other data with interstate visitors in the year to September 2015 up by 16%, room nights sold in accommodation in the year ended June 2015 up by 7% and Labour Force data showing employment in accommodation and food services up by 13%.

Business Activity in the Last 3 Months



In the December quarter of 2015 the proportion of survey respondents experiencing improved business activity when compared to the same period last year was 55% - up from 38% at the June quarter survey. The proportion experiencing weaker conditions fell from 39% in the September quarter to 25%.

Factors underpinning performance were:

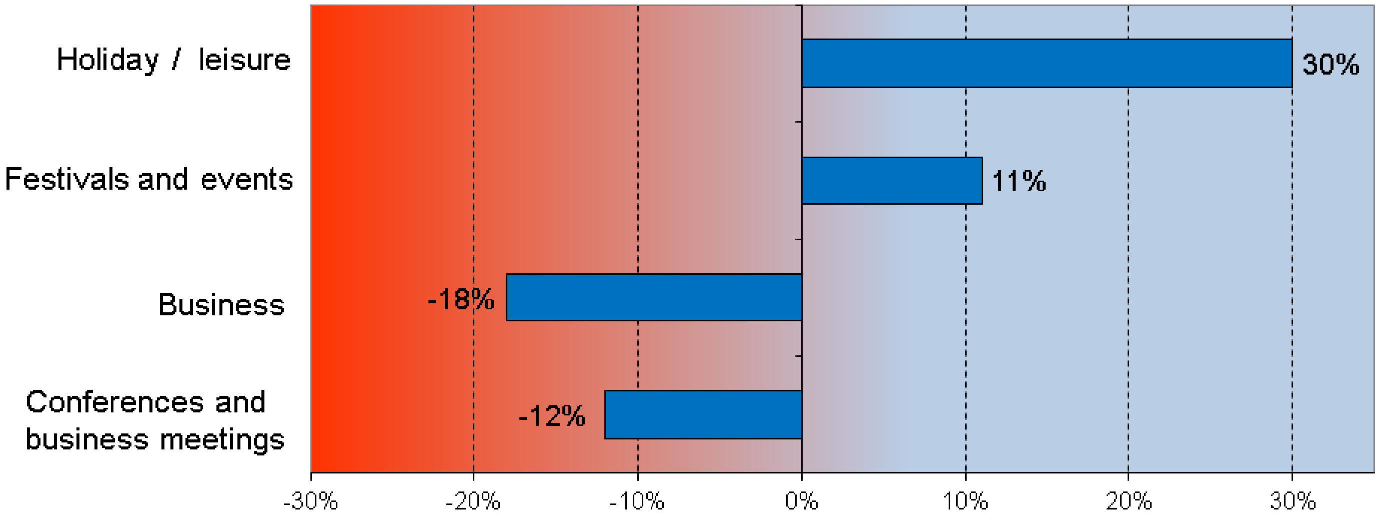
- Cruise boats
- Interstate visitors

- Events in Adelaide – AC/DC, cricket
- Dreamtime – 120 key international buyers
- Port Festival & 'piratisation' of Port Adelaide
- People are more relaxed / confident
- Repeat business / building client database
- Australian dollar
- Scoupon marketing campaign.
- Higher occupancy rates giving better yield
- Riverbank precinct

Less positively:

- Weaker backpacker market
- Summer heat came early in the season – tourers went home early
- Less disposable income
- Tour / charter demand down
- Mining downturn.

Business Activity by Sector

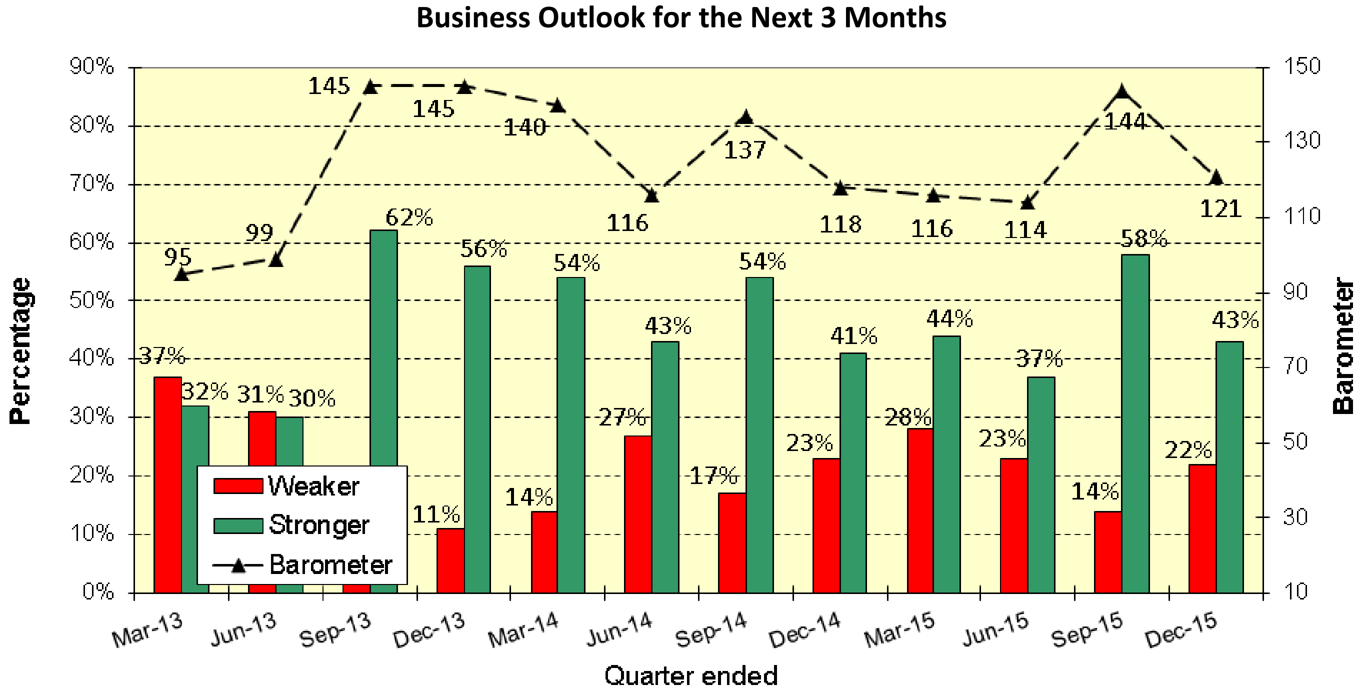


Business Activity - Deviation from Mid Point of 100

The holiday / leisure sector index and the festival and events index were both positive with holiday leisure + 30 points and festivals and events + 11 points. Business and MICE sector indexes were negative however indicating contraction in these sectors with business – 18 points and MICE – 12 points.

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 2014.



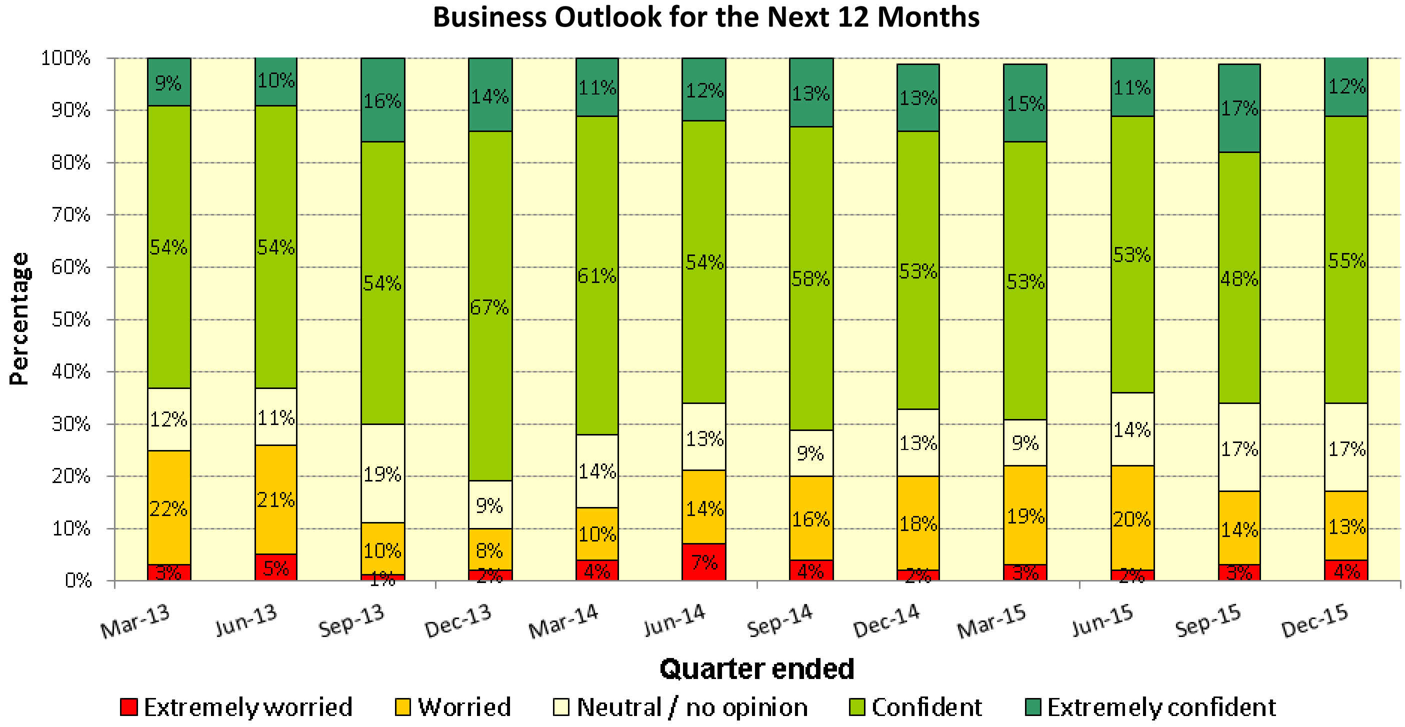
In the December quarter 2015 the short term business outlook fell by 23 points – a decrease of 16%. The proportion expecting improved performance fell from 58% to 43% while the proportion expecting a decline increased from 14% to 22%.

- Other factor influencing the outlook for the short term included the following:
- Events season – Festival & Fringe, Jerome's Laneway, Endeavour replica
- Consumer confidence is up
- Cycling
- Advanced bookings up
- January has been strong
- Water in Lake Eyre
- Weaker dollar
- Awards and reviews
- Easter is in March this year

Less positively:

- Early Easter is too soon after the summer holidays
- Cost of travel to Kangaroo Island
- Backpacker market is weak
- Economy is weak – grape prices low
- SA travellers not spending due to economic weakness

The outlook for the next 12 months was as follows:



In the December quarter 2015 survey, 12% of the respondents were 'extremely confident' regarding the prospects for the next 12 months and 55% were 'confident'. The proportion 'confident' or 'very confident' (67%) was consistent with the previous survey (65%).

Factors underpinning business confidence in the longer term were:

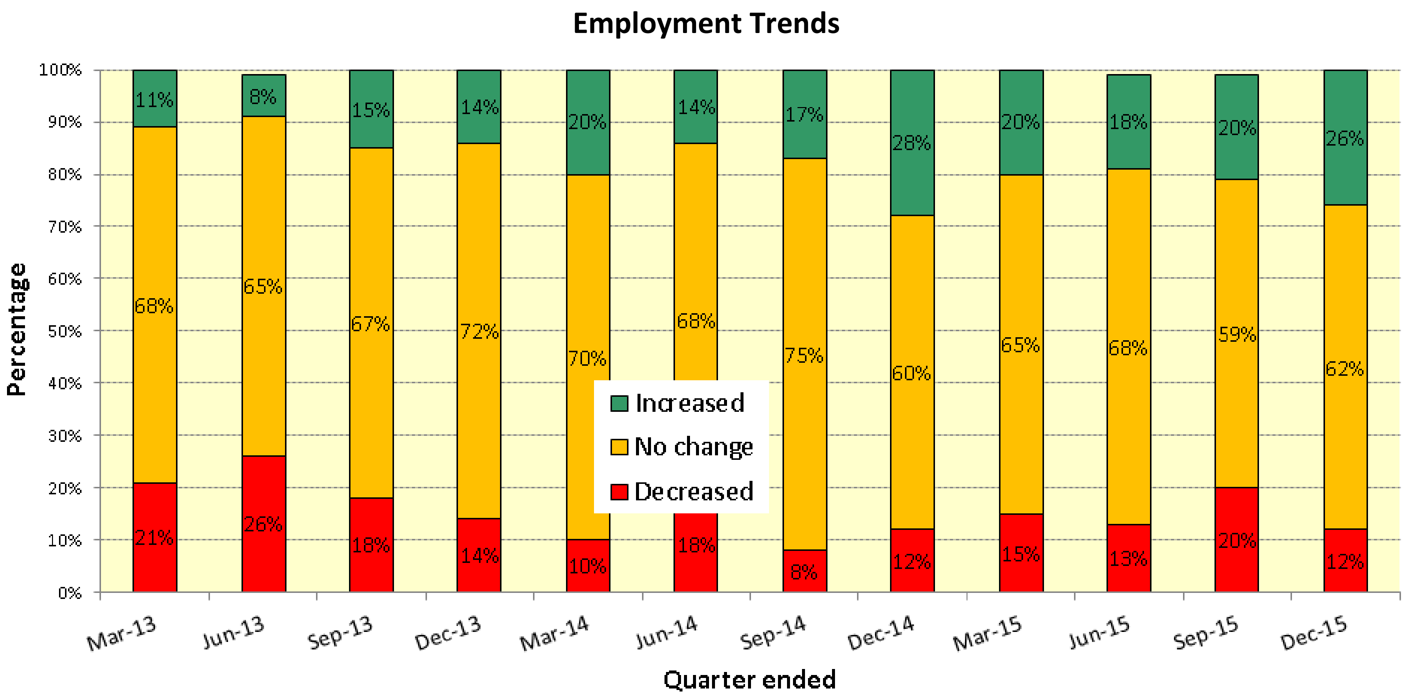
- Developing a digital strategy.
- Bid wins for conference and business events above target – supported by new infrastructure.
- Building a dedicated VIC web site for the region.
- Continuing product development in the Barossa.
- Council has an increasing focus on tourism.
- Forward bookings for the year are strong.
- Exchange rate and lower fuel prices.

Less positive

- Competition from unregulated share houses and air BnB.
- Low return from budget travelers.
- Declining share market / potential for economic downturn.
- Increased supply of accommodation in Adelaide.

Employment

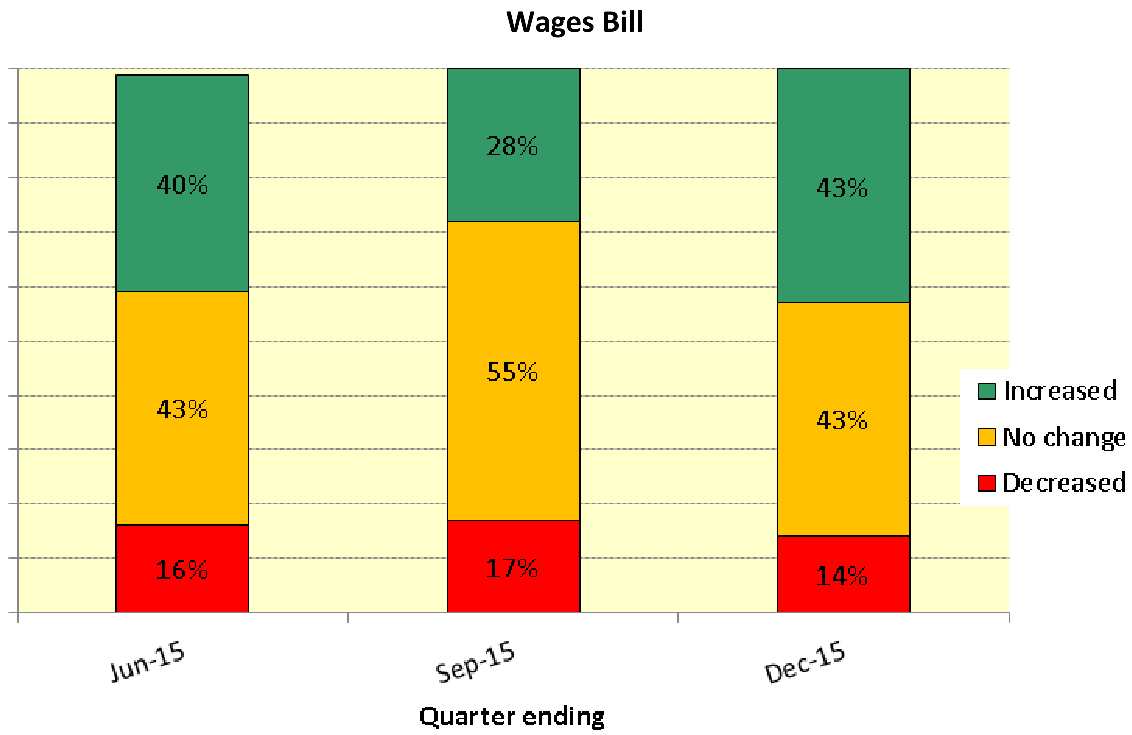
Respondents were asked whether the number of people employed in their business had increased, decreased or remained the same when compared to the same period last year.



In the December quarter 2015 survey 26% of the respondents had employed additional staff in their business – up from 20% at the previous survey. The proportion that had employed fewer staff fell from 20% to 12%. 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.

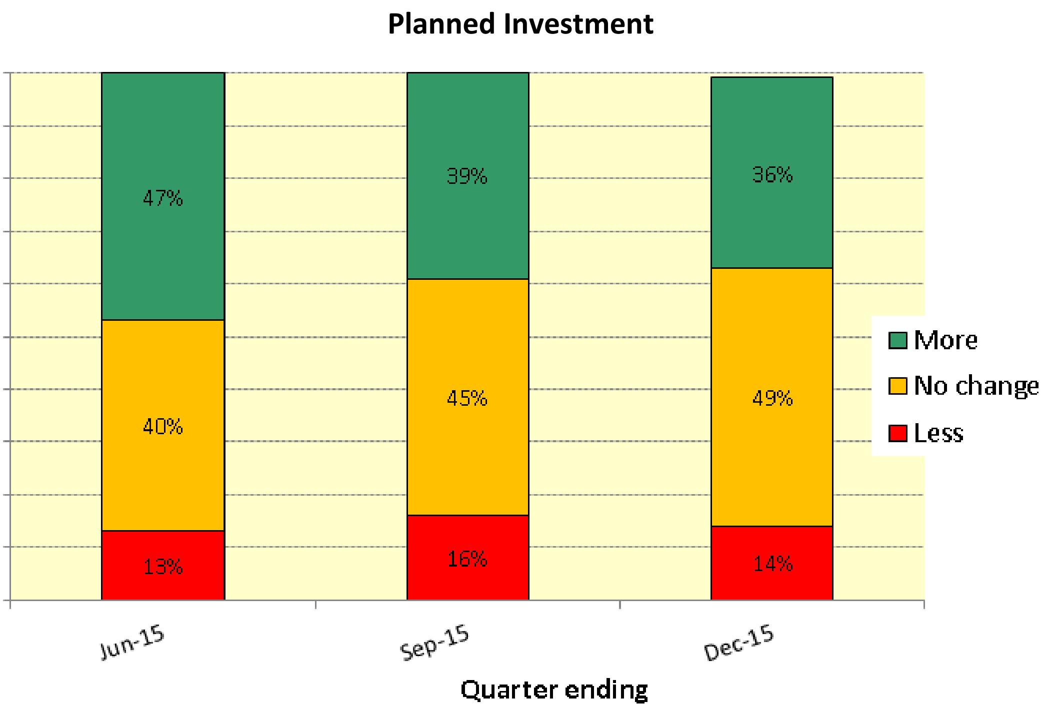


In the December quarter 43% of the respondents reported that their wages bill had increased – up from 28% at the September.

Where an increase in wages was reported this was due to, in most cases, an increase in the number of staff or the number of hours worked associated with an increase in demand. Hospitality award increases were also mentioned in some cases.

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.



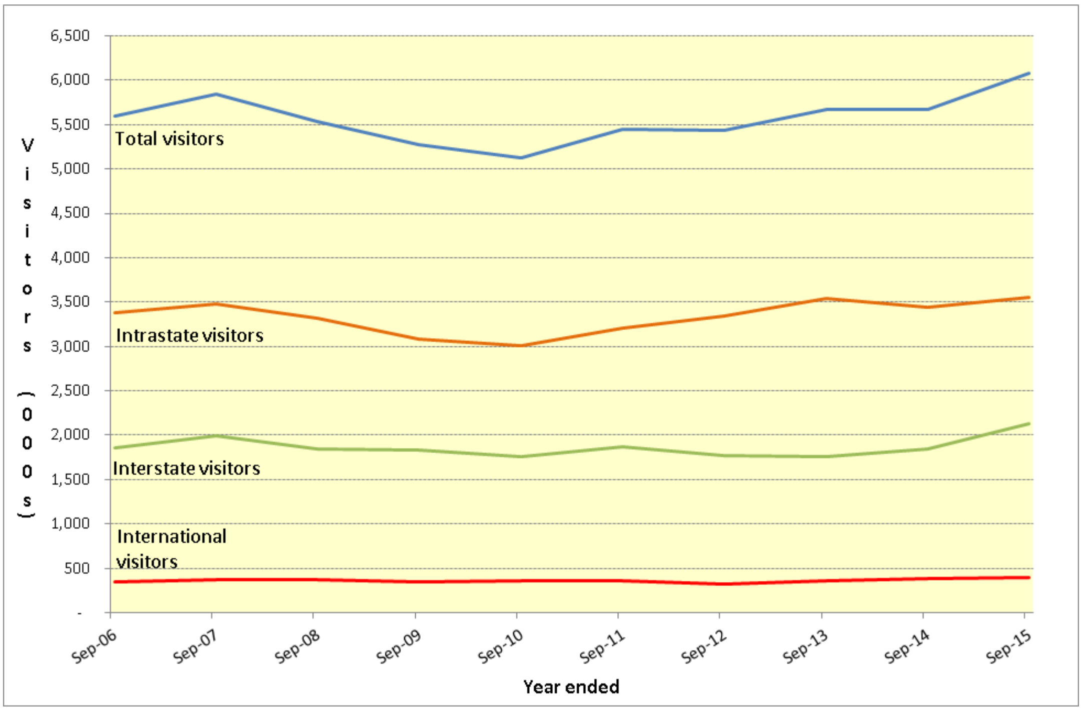
In the December quarter 2015 39% were planning more investment in their business – down from 47% at the June quarter.

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 77 members responded to the December 2015 quarter survey.
Report prepared by independent research consultants – Greenhill Research and Planning.

Annual Performance to September 2015

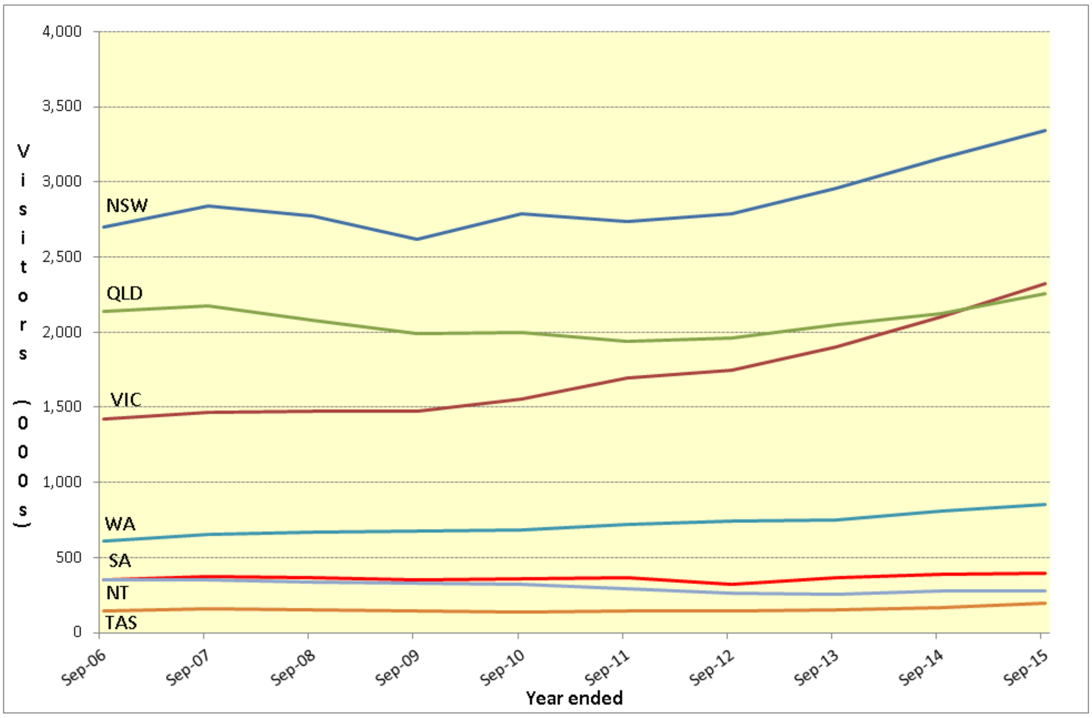
Information regarding travel demand in Australia is collected by Tourism Research Australia through two national sample surveys: the National Visitor Survey and the International Visitor Survey.

Overview of Overnight Visitor Demand for South Australia



The number of interstate visitors to SA in the year to September 2015 was 2,132,000 – up 16% from the previous year – while the number of intrastate visitors was 3,556,000 – up by 3%. The number of international visitors was 392,000 – a slight increase (< 1%) from the previous year. Overall visitor numbers increased by 7% to 6,080,000.

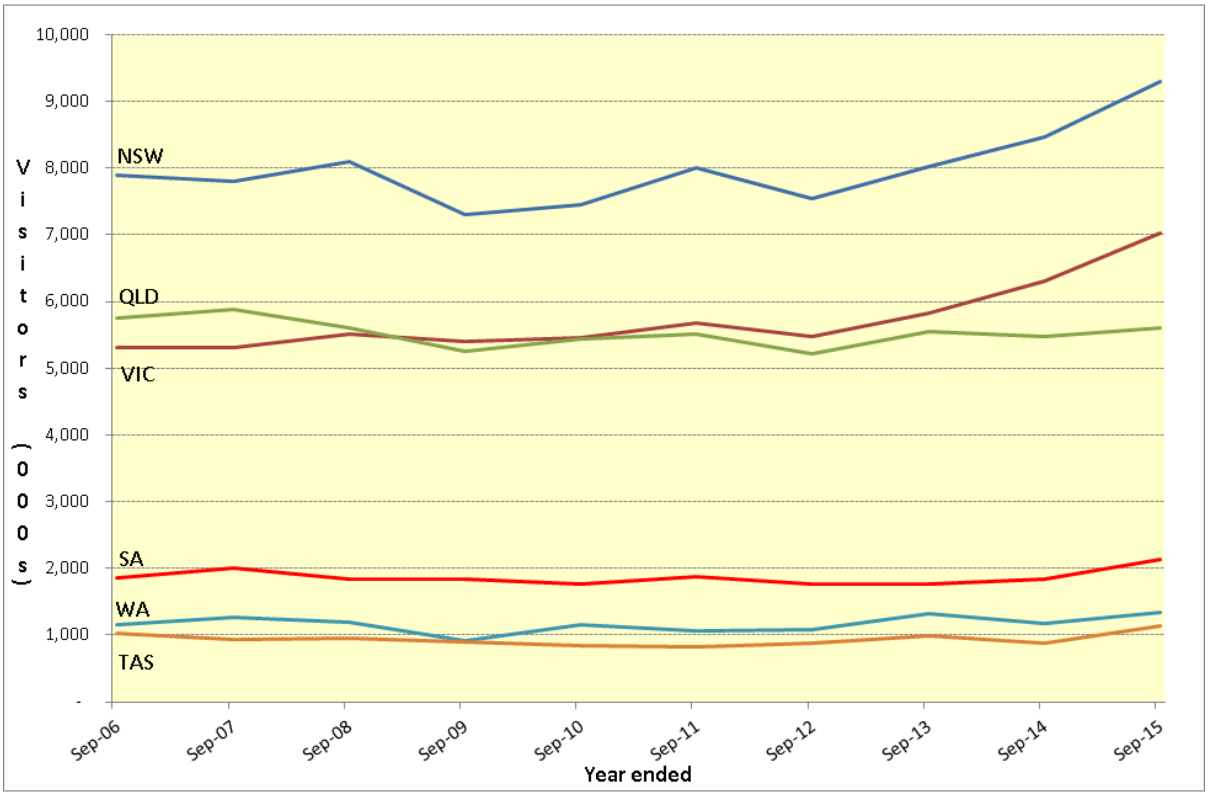
International Visitors by State / Territory



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

In the year ended September 2015 the number of international visitors to South Australia increased slightly – from 390,000 to 392,000 visitors. Nationally international travel demand grew by 7%. Tasmania recorded the highest percentage increase (up by 19%). The eastern seaboard states continue to experience strong growth with the number of international visitors to Victoria exceeding Queensland.

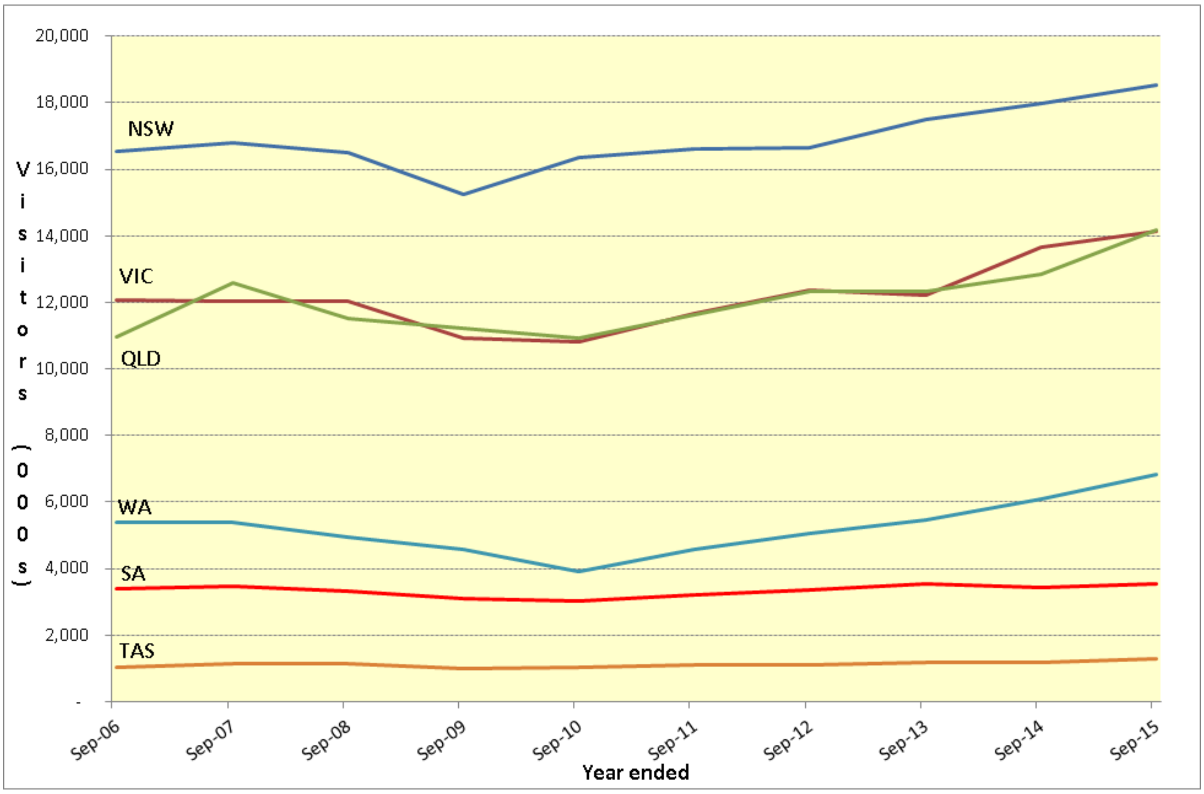
Interstate Visitors by State / Territory



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

In the year ended September 2015 the number of interstate visitors to South Australia increased by 16% to reach 2,132,000 visitors. Nationally interstate travel demand grew by 9%. Interstate demand for SA grew more strongly than all other States and Territories with the exception of Tasmania (up by 29%).

Intrastate Visitors by State / Territory



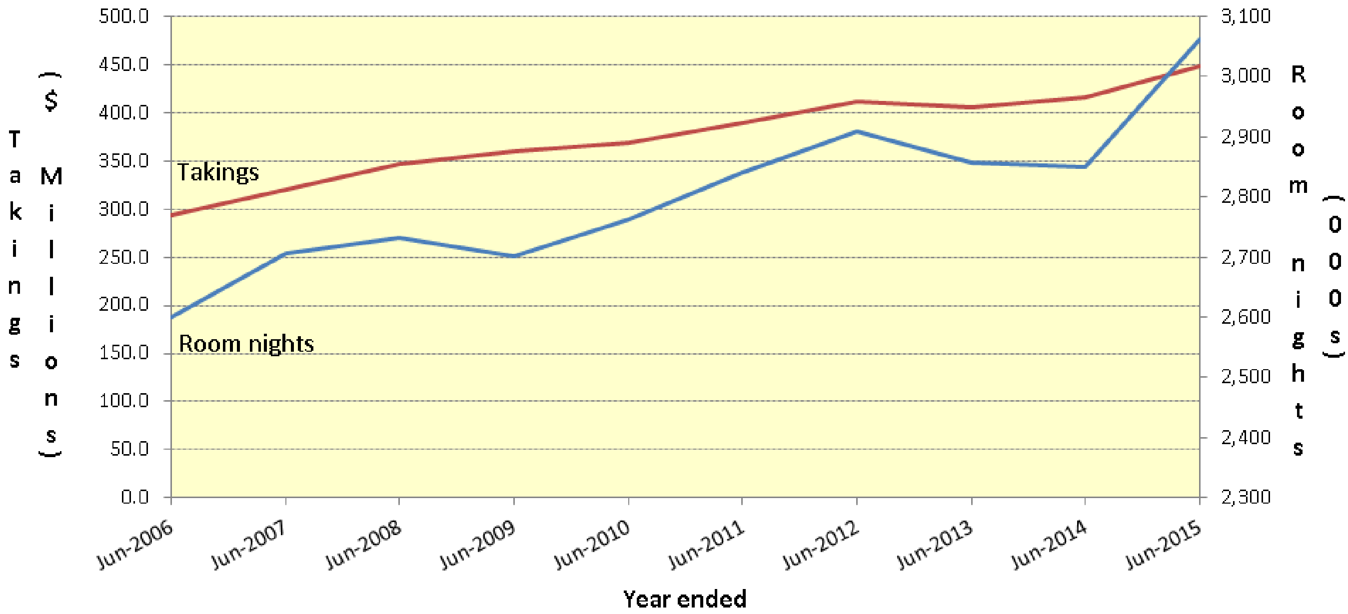
Tourism Research Australia. http://www.ret.gov.au/tourism. Travel by Australians. National Visitor Survey

In the year to September 2015 intrastate visitors in South Australia grew by 3% from the previous year to 3,556,000 overnight visitors. Nationally intrastate travel demand grew by 6%.

Other Indicators

Information regarding the performance of the accommodation sector in South Australia is published by the Australian Bureau of Statistics. The data is now published annually with results for the 2014/15 fiscal year published in December 2015.

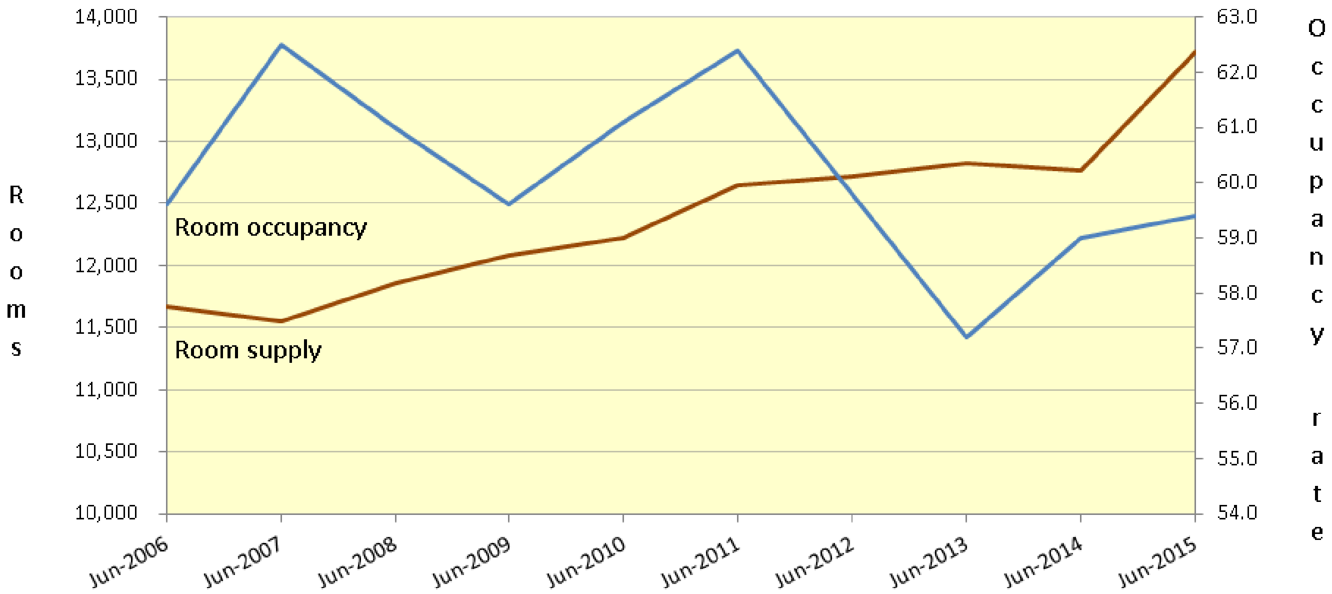
Room Nights Sold and Takings from Accommodation



ABS. Cat. 8635.0. Tourist Accommodation, 2014-15.

In the 12 months to June 2015 the number of room nights sold in hotel, motel and serviced accommodation establishments in South Australia offering 15 or more rooms increased by 7% - a substantial increase over the long term trend of 2%. Takings from accommodation also increased by 7% over the year.

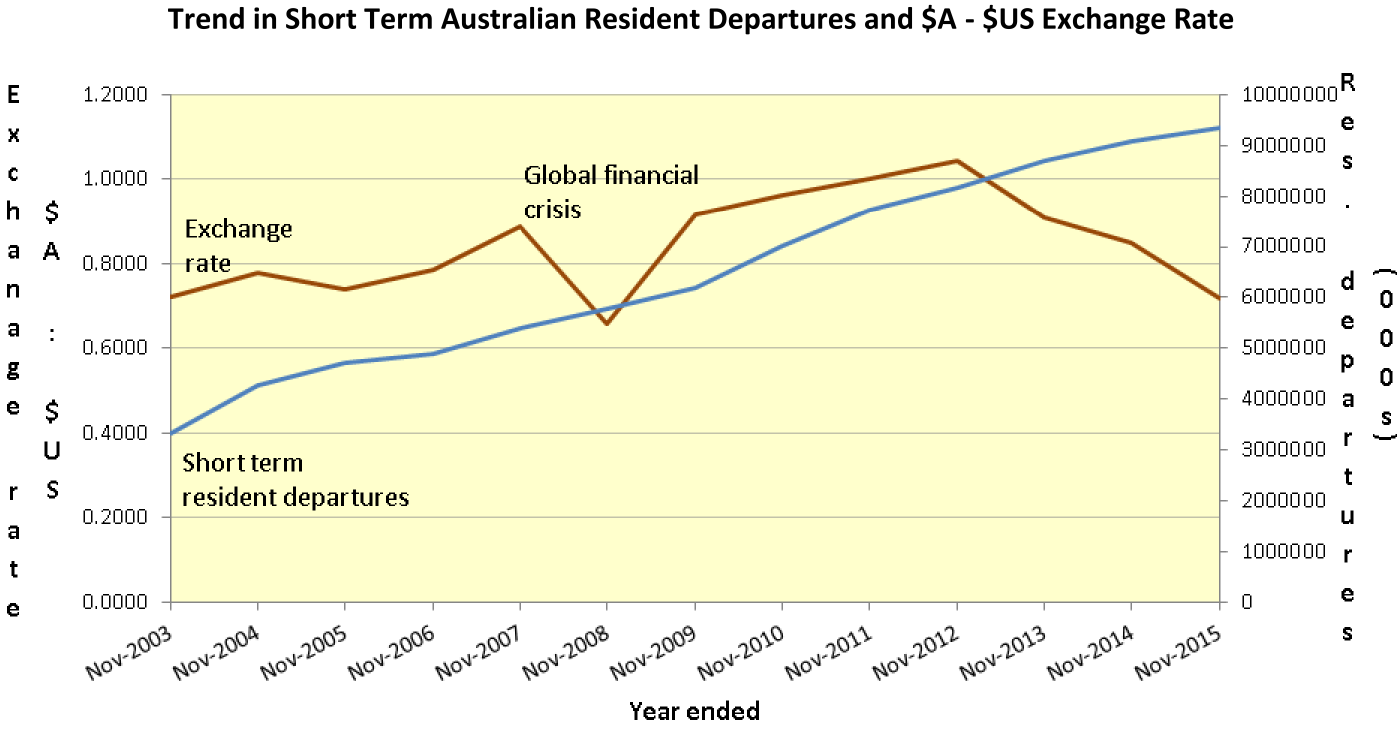
Room Supply and Occupancy Rate



ABS. Cat. 8635.0. Tourist Accommodation, 2014-15.

In the 12 months to June 2015 the supply of rooms in hotel, motel and serviced accommodation establishments in South Australia offering 15 or more rooms also increased by 7% - again above the long term average of 2%. Occupancy rates while falling to 57.2% in the June 2013 quarter have rebounded to 59.4% in the June 2015 quarter.

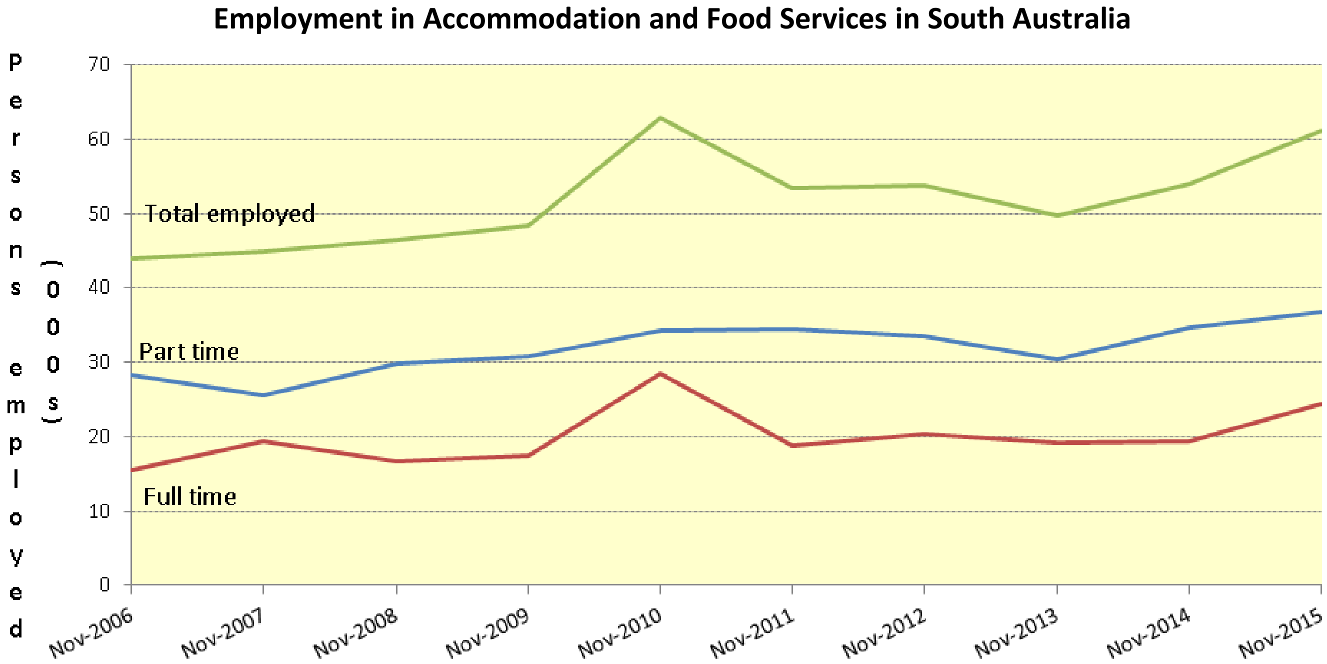
Information regarding short term overseas departures by Australian residents is published by the Australian Bureau of Statistics.



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 November 2015 there were 9.36 million short term resident departures – an increase of 2.9% from the previous year. While the $A continues to fall against the $US the number of Australians travelling overseas has continued to rise.

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



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 November 2015 indicated a rise of 13% in the number of persons employed overall in the accommodation and food services sector when compared with November 2014. Full time employment was up by 26% while part time employment was up by 6%. 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.

Adelaide Airport – Passenger Movements

Passenger movements through Adelaide Airport for the period July to Dec 2015 and the equivalent period in 2014 are presented below.

Pax (000s)	July To Dec 2015	July To Dec 2014	% change
Domestic	3,334	3,277	1.7%
International	432	495	-12.6%
Regional	262	288	- 9.0%
Total	4,029	4,059	-0.8%

Source: Adelaide Airport

International passenger movements were down by 13% while domestic movements were up by 2%.

Domestic growth is said to reflect increases in low cost capacity with an additional 69,000 (+3.4%) supply of seats in the December quarter 2015 when compared with the previous equivalent period.

International passenger movements slowed primarily due to the cancellation of Air Asia X's Kuala Lumpur service of 25 January 2015.

International demand will be boosted by a new service between Qatar and Adelaide that will be introduced from May 2016. The service will contribute an estimated $41 million annually and an extra 228 jobs to South Australia.