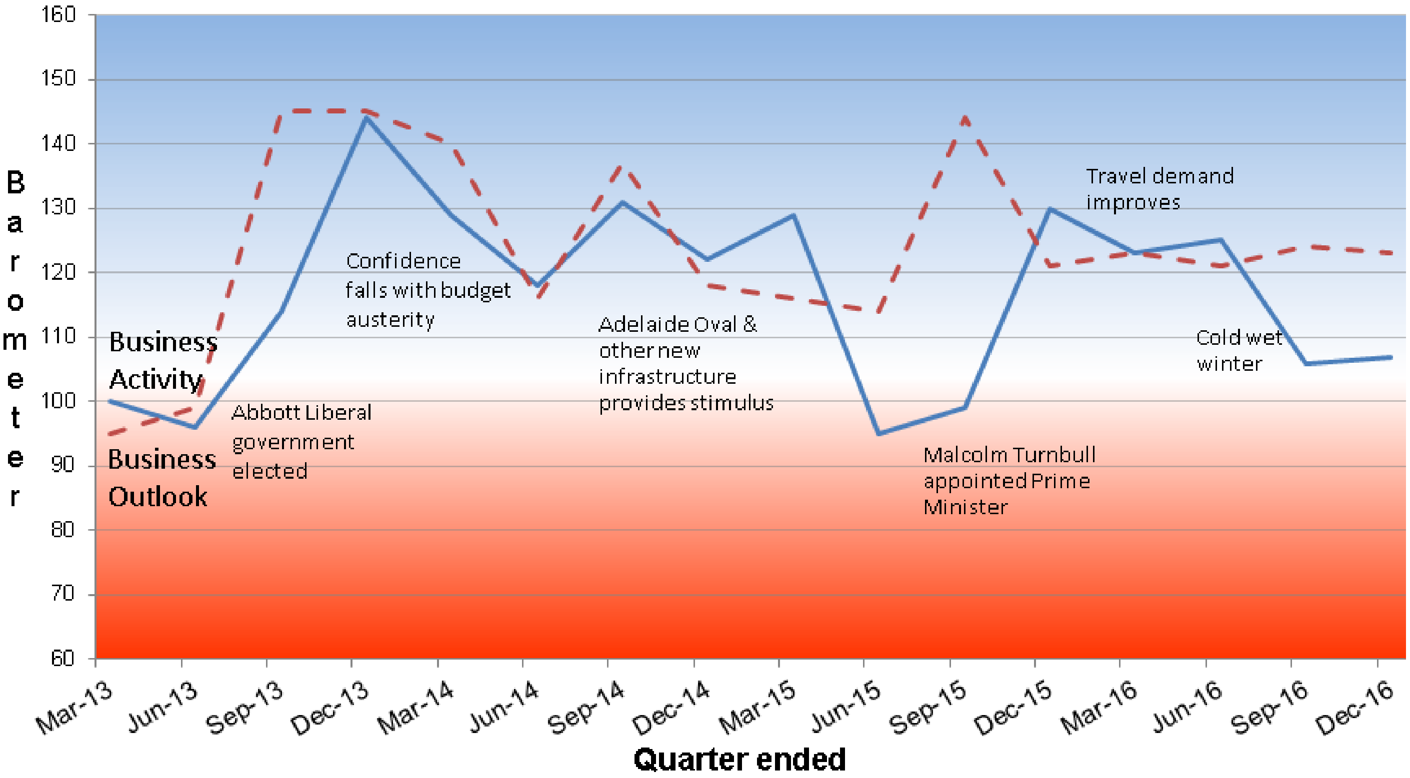
South Australian Tourism Industry Council
SA Tourism Barometer – December Quarter 2016

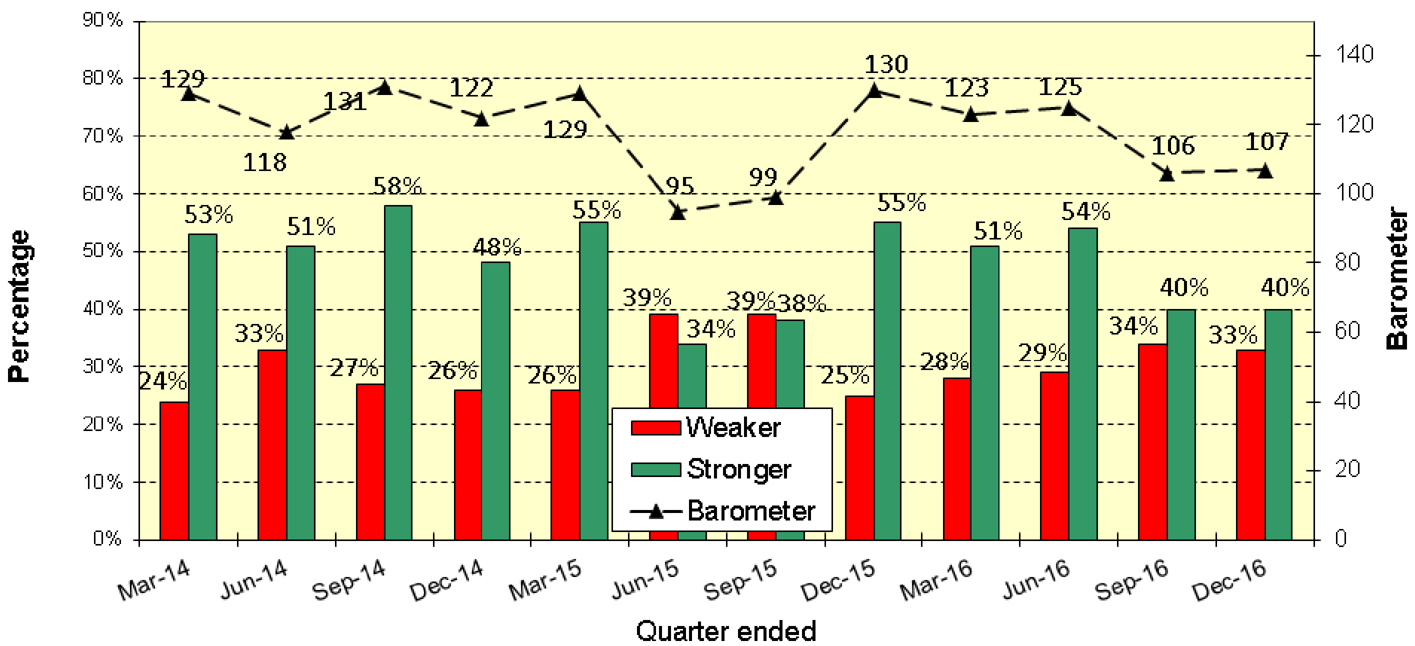


Headline: Industry remains confident despite impact of extreme weather events

The SATIC tourism barometer remained in positive territory for the December 2016 quarter with virtually no change in the performance index or the short term outlook index. While the volatile weather had some impact on demand for some areas the industry sentiment was positive with confidence supported by the coming events season, completion of the Convention Centre, new international flights into Adelaide, increasing awareness of Adelaide internationally and growth in the international market.

Demand continues to be strong with IVS and NVS data for overnight visitors in South Australia for the year ended September 2016 at record levels.

Business Activity in the Last 3 Months



In the December quarter of 2016 the proportion of survey respondents experiencing improved business activity when compared to the same period last year was 40% - same as the September survey. The proportion experiencing weaker conditions was also consistent with the previous survey at 34%.

Factors influencing performance for the quarter were:

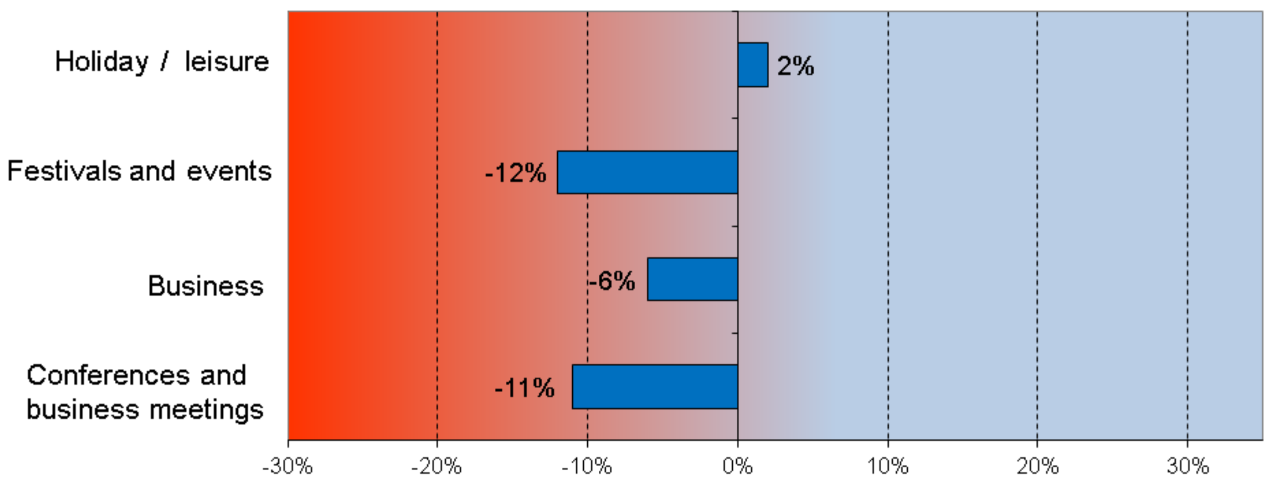
- Events – Pt Adelaide Vintage Festival, cricket
- Growing awareness of Adelaide internationally e.g. Lonely Planet ranking
- Growth in international demand
- Marketing by SATC
- Recommencement of Wallaroo – Lucky Bay Ferry Service.

Less favourably

- Extreme weather / power outages
- Adverse reporting of high river levels (Murray River)
- Bush fires / closure of Great Ocean Road impacted demand in Limestone Coast over Christmas period
- Downward pressure on pricing.

The respondents were asked for which market sectors activity had increased or decreased.

Business Activity by Sector



Business Activity - Deviation from Mid Point of 100

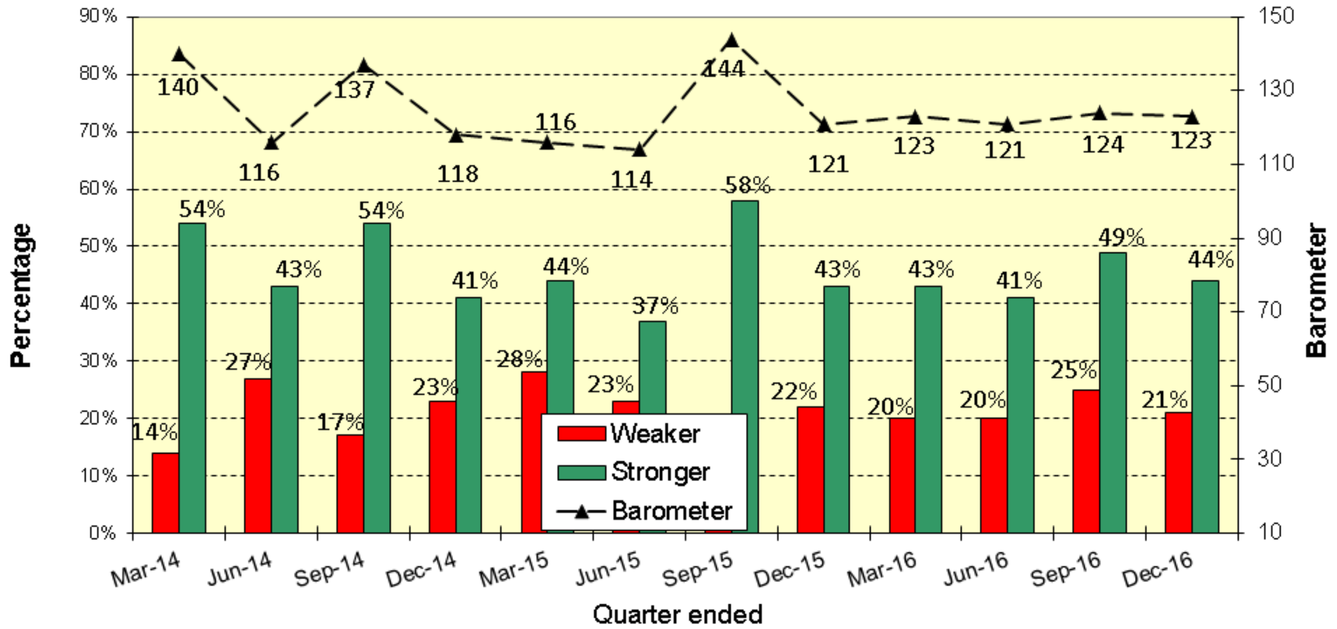
The holiday / leisure sector index was the most positive with an index of 102 points.

When compared with the previous survey the holiday / leisure sector was down by 2%. The other sectors were also down slightly from the previous survey with festivals and events –down 2 percentage points, the business sector down 1 point and the conference and meetings sector down 8%.

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.

Business Outlook for the Next 3 Months



In the December quarter 2016 the short term business outlook index at 123 points was consistent with the results observed over the previous 4 surveys. The proportion expecting improved performance however was down from 49% in the September 2016 quarter to 44% in the December quarter.

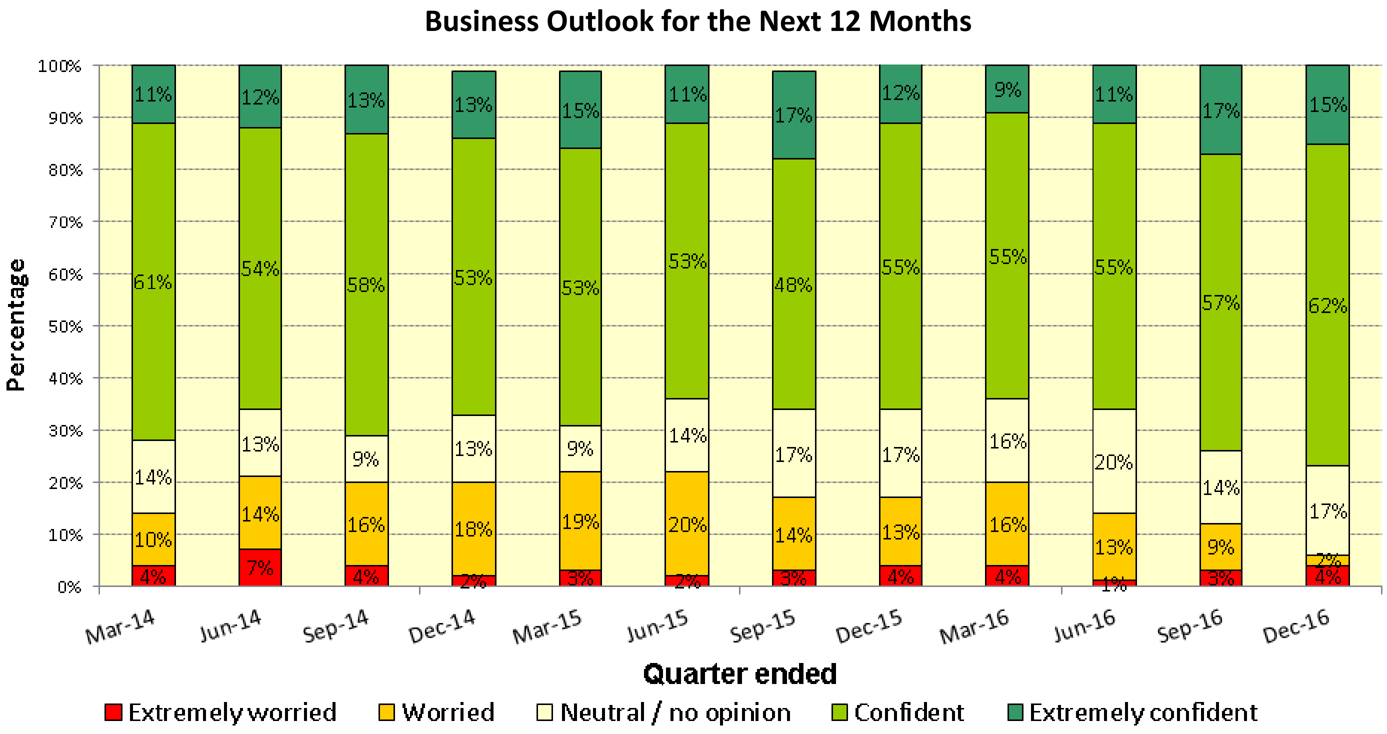
Factors influencing the outlook for the short term included the following:

- China Southern flying to Adelaide
- Forward bookings up
- High number of bids in the pipeline for the Adelaide Convention Centre
- Leveraging festival season
- New businesses opening in Port Adelaide
- Positive reviews / social media
- Promotion – more vouchers and specials
- Publicity regarding high river levels a positive for the Riverland (other comments suggest this has been a negative)

Less positively:

- Clash of events (Masters Games and Day on the Green).
- Corporate sector is weak.
- High electricity costs.
- Increasing number of unregulated accommodation providers in the market.
- Lack of support for the day tour market.
- Ride share options – Uber, Go Catch, Ingogo, Oiii.

The outlook for the next 12 months was as follows:



In the December 2016 quarter survey, 15% of the respondents were ‘extremely confident’ regarding the prospects for the next 12 months and 62% were ‘confident’. The proportion ‘confident’ or ‘very confident’ (77%) was again consistent with the previous survey although up slightly (from 74%).

Factors underpinning business confidence in the longer term were:

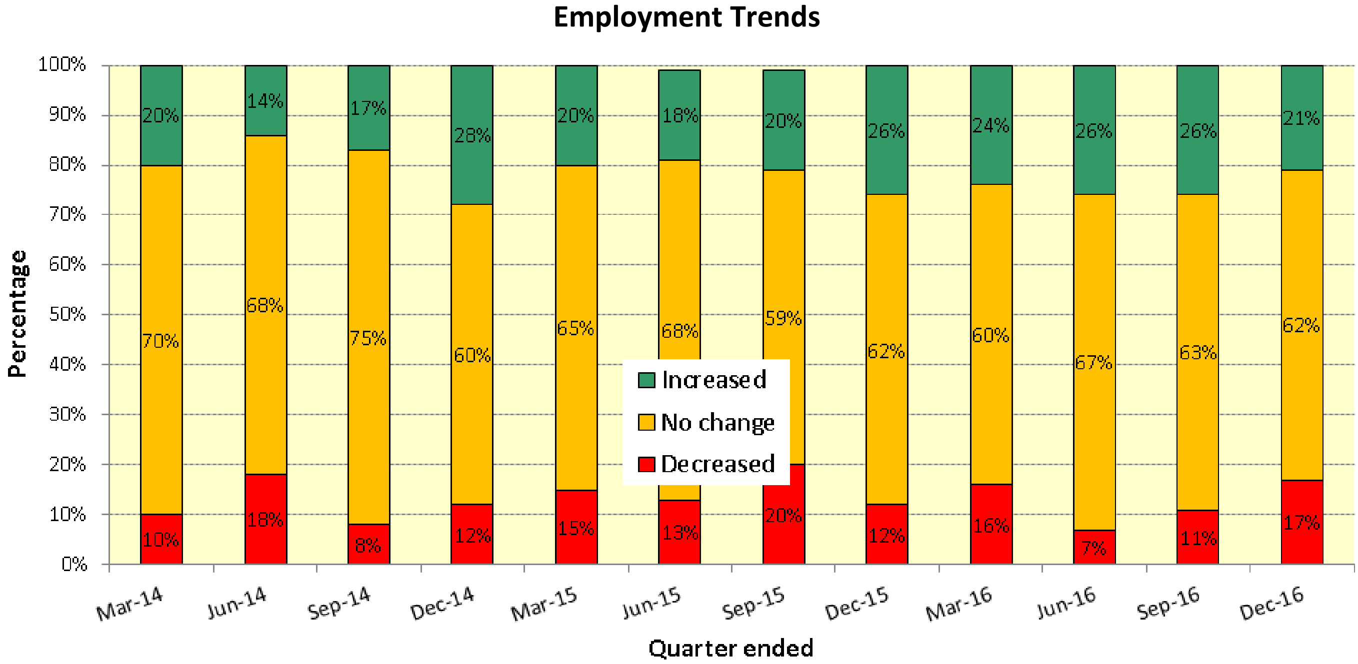
- China Southern and Qatar flying into Adelaide.
- Completion of the Adelaide Convention Centre in July 2017 and outlook for large conferences in Adelaide.
- Cruise ships.
- Development in Port Adelaide - Northern Economic Plan, City of Port Adelaide Enfield Economic Development Strategy, City of Port Adelaide Enfield Tourism Plan and Western Region Tourism Destination Action Plan.
- Domestic market / grey nomads continuing to grow.
- Interest in wine / wine tasting.
- Marketing by State and regional bodies.
- Social media / Facebook having a positive impact.

Less positive

- Increase in accommodation supply expected second half of 2017.
- Input costs – power, labour, penalty rates.
- Lack of enforcement of regulations regarding 'underground' accommodation providers.

Employment

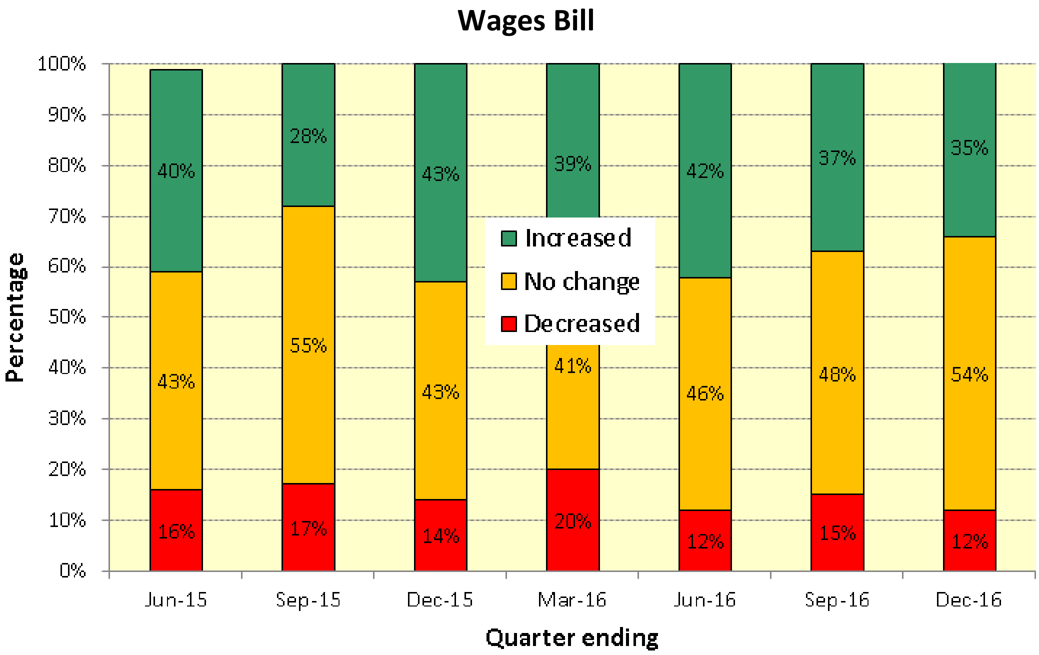
Respondents were asked whether the number of people employed in their business had increased, decreased or remained the same when compared to the same period last year.



In the December 2016 quarter survey 21% of the respondents had employed additional staff in their business – down from 26% at the previous survey. The proportion that had employed fewer staff was 17% - up slightly from 11% at the September quarter survey and 7% at the June 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.

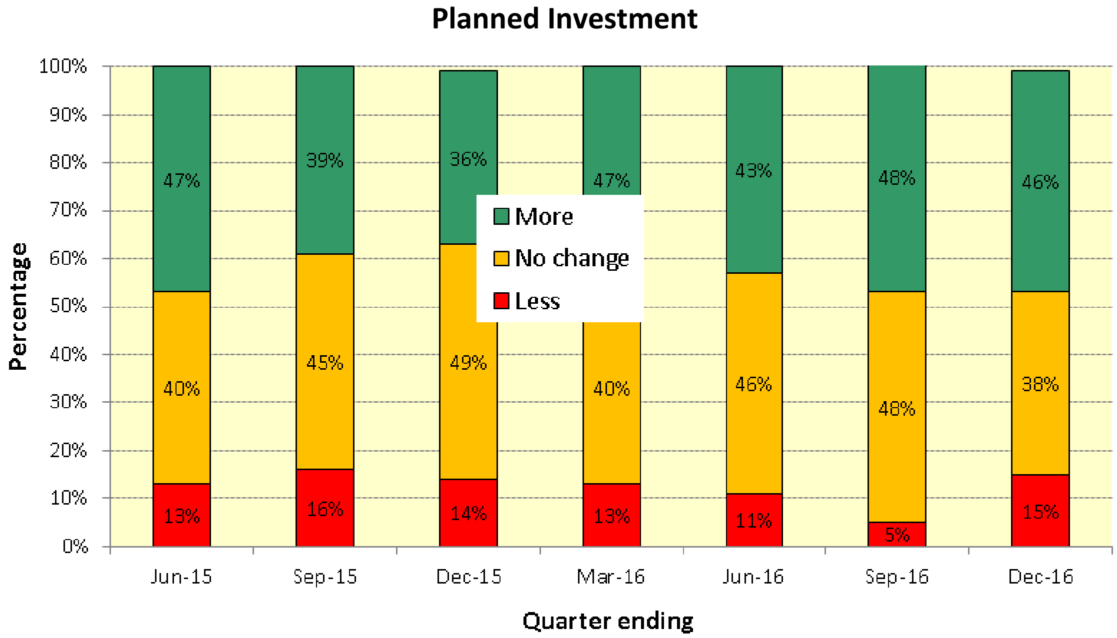


In the December quarter 2016 survey 35% of the respondents reported that their wages bill had increased – down slightly from 37% at the September quarter survey.

Increase in wage costs were in most cases related to pay increases while lower wages bill was due to employing fewer staff or requiring staff for fewer hours.

Investment

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 survey 46% were planning more investment in their business – down slightly from up from 48% at the September quarter survey.

About The SATIC Tourism Barometer

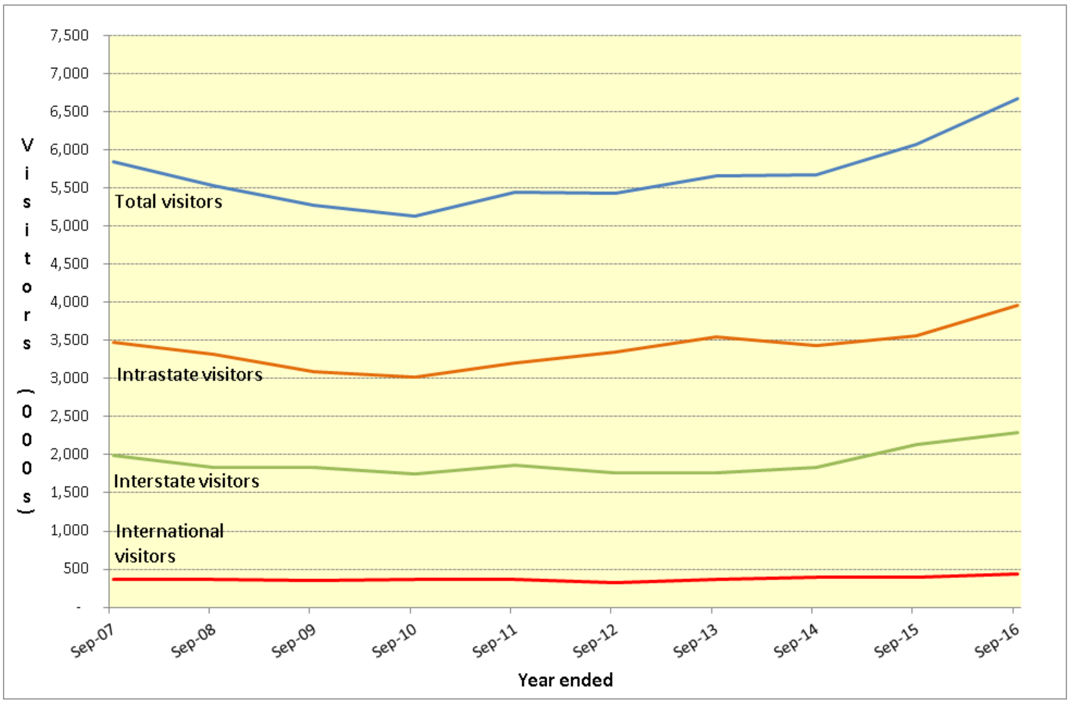
The SATIC Tourism Barometer is a quarterly survey of SATIC members designed to measure recent activity levels and the outlook for the future. The Barometer survey is conducted on-line and a total of 52 members responded to the December 2016 quarter survey.

Report prepared by independent research consultants – Greenhill Research and Planning.

Annual Performance to September 2016

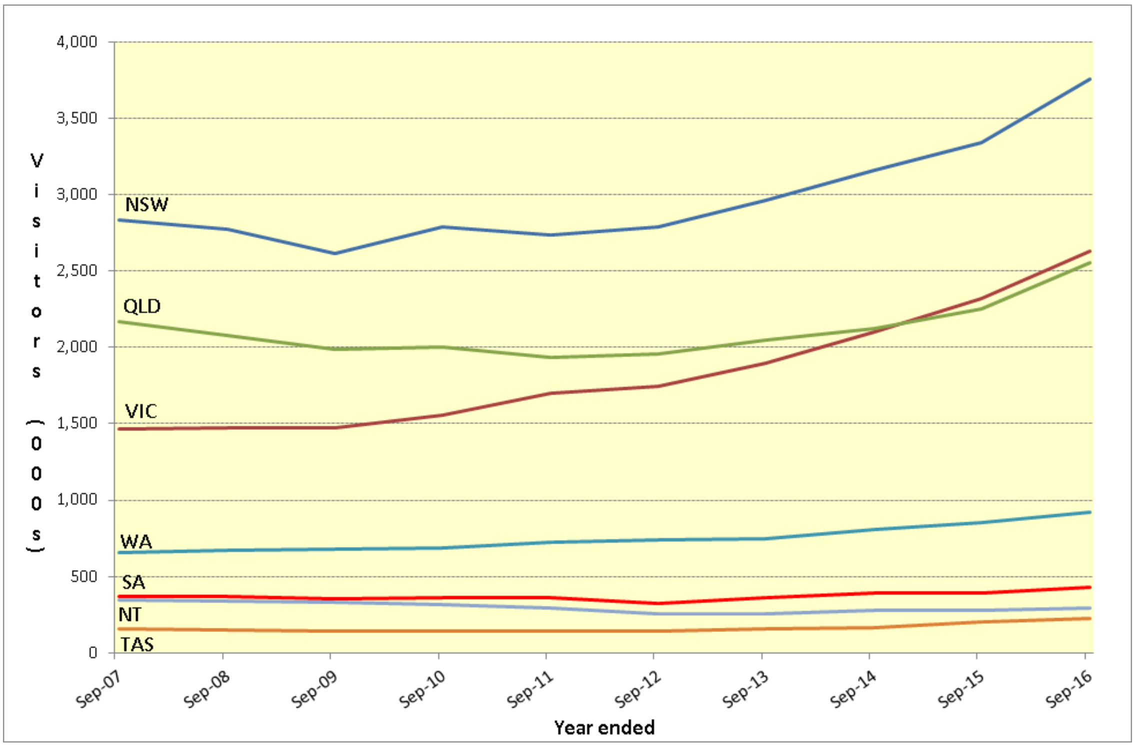
Information regarding travel demand in Australia is collected by Tourism Research Australia through two national sample surveys: the National Visitor Survey and the International Visitor Survey.

Overview of Overnight Visitor Demand for South Australia



The number of interstate visitors to SA in the year to September 2016 was 2,294,000 – up 8% from the previous year – while the number of intrastate visitors was 3,954,000 – up by 11%. The number of international visitors was 430,000 – an increase of 10%. Overall visitor numbers increased by 10% to a record level of 6,678,000.

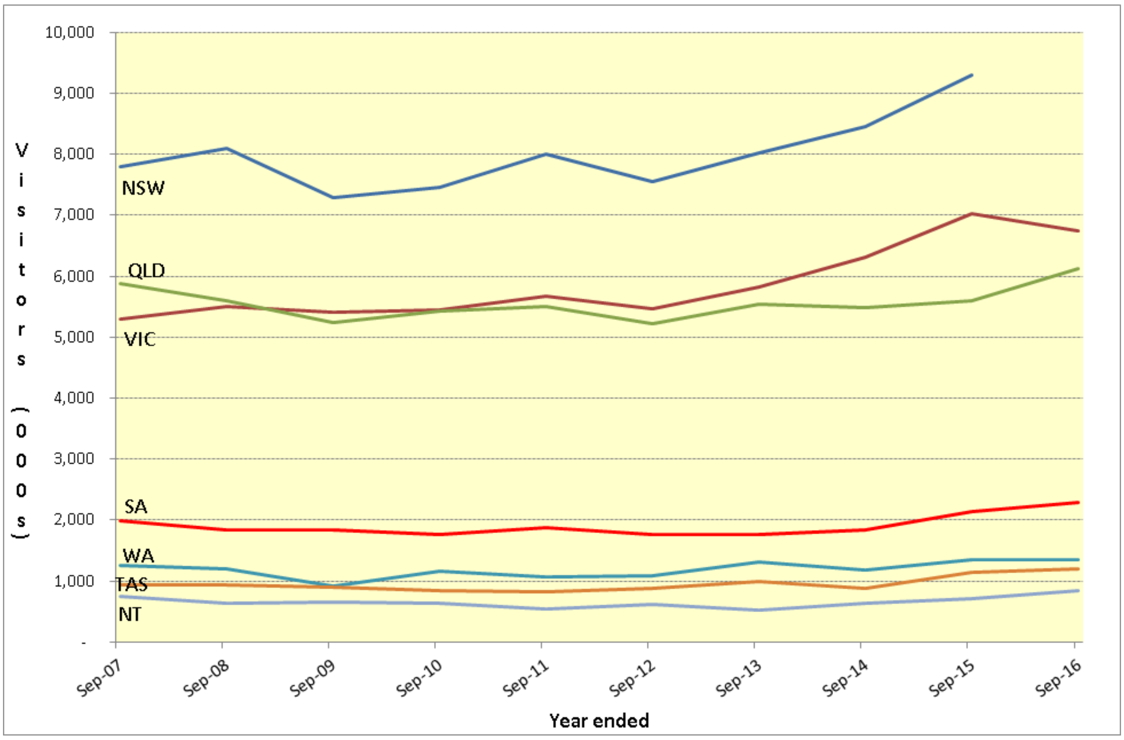
International Visitors by State / Territory



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

In the year ended September 2016 the number of international visitors to South Australia increased by 10% – from 392,000 to 430,000. Nationally international travel demand grew by 12%. Over the ten year period from 2007 international visitation has grown most strongly in Victoria (up 79%), Tasmania (up 44%) and WA (up 40%). SA has increased by 16% over this period compared with 44% for Australia as a whole.

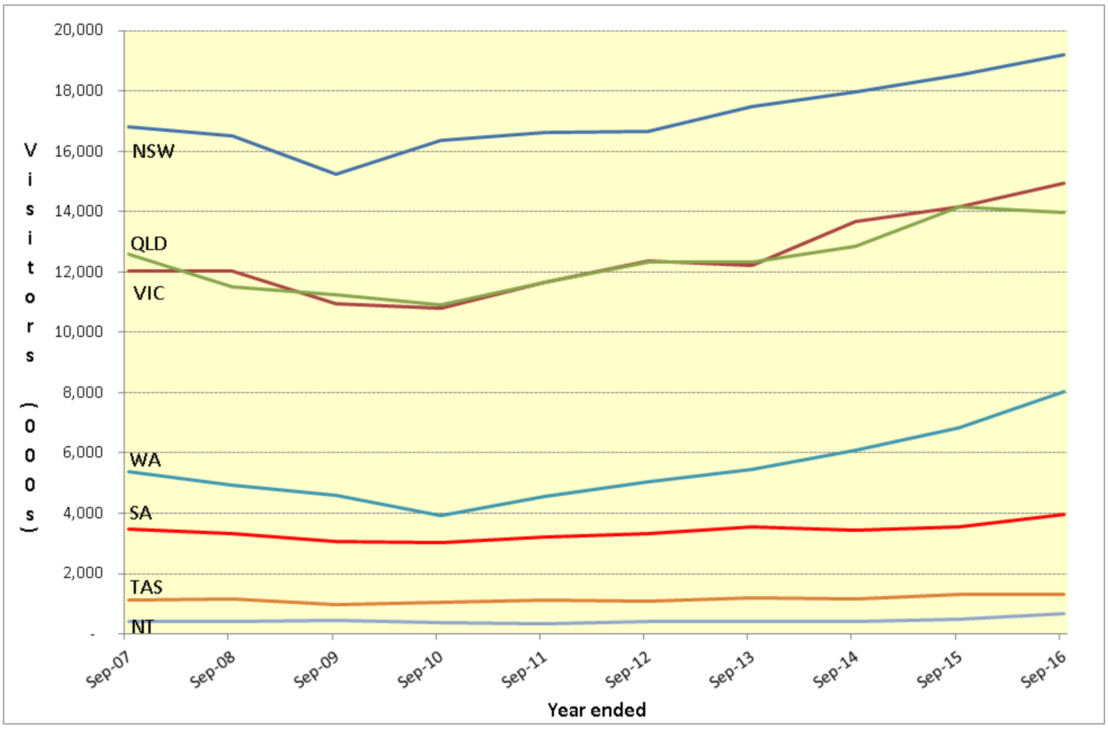
Interstate Visitors by State / Territory



Tourism Research Australia. http://www.ret.gov.au/tourism. Travel by Australians. National Visitor Survey. Figures for NSW not published.

In the year ended September 2016 the number of interstate visitors to South Australia increased by 8% to reach 2,294,000 visitors. Nationally interstate travel demand grew by 5%. In the ten years since 2007 interstate travel has grown most strongly in Tasmania (up 29%) and Victoria (up 27%). Interstate visitors to SA increased by 15% over the ten year period compared with 19% for Australia as a whole.

Intrastate Visitors by State / Territory



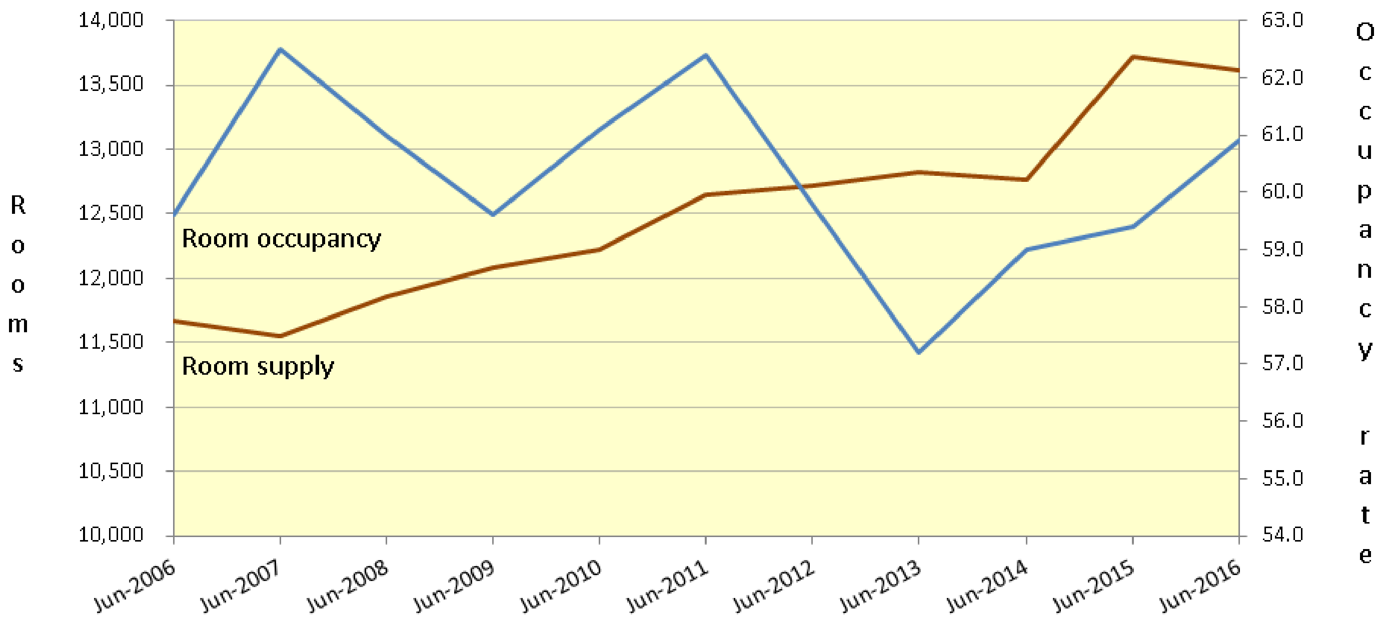
Tourism Research Australia. http://www.ret.gov.au/tourism. Travel by Australians. National Visitor Survey

In the year ended September 2016 the number of intrastate visitors in South Australia grew by 11% from the previous year to 3,954,000 overnight visitors. Nationally intrastate travel demand grew by 5%. Over the ten period from 2007 intrastate travel has grown most strongly in the Northern Territory (up by 67%) followed by Western Australia (up by 50%). South Australia has grown by 14% over this period compared with 16% nationally.

Other Indicators

The Australian Bureau of Statistics conducts the Survey of Tourist Accommodation which provides data relating to room supply, occupancy and takings for accommodation establishments with 15 or more rooms.

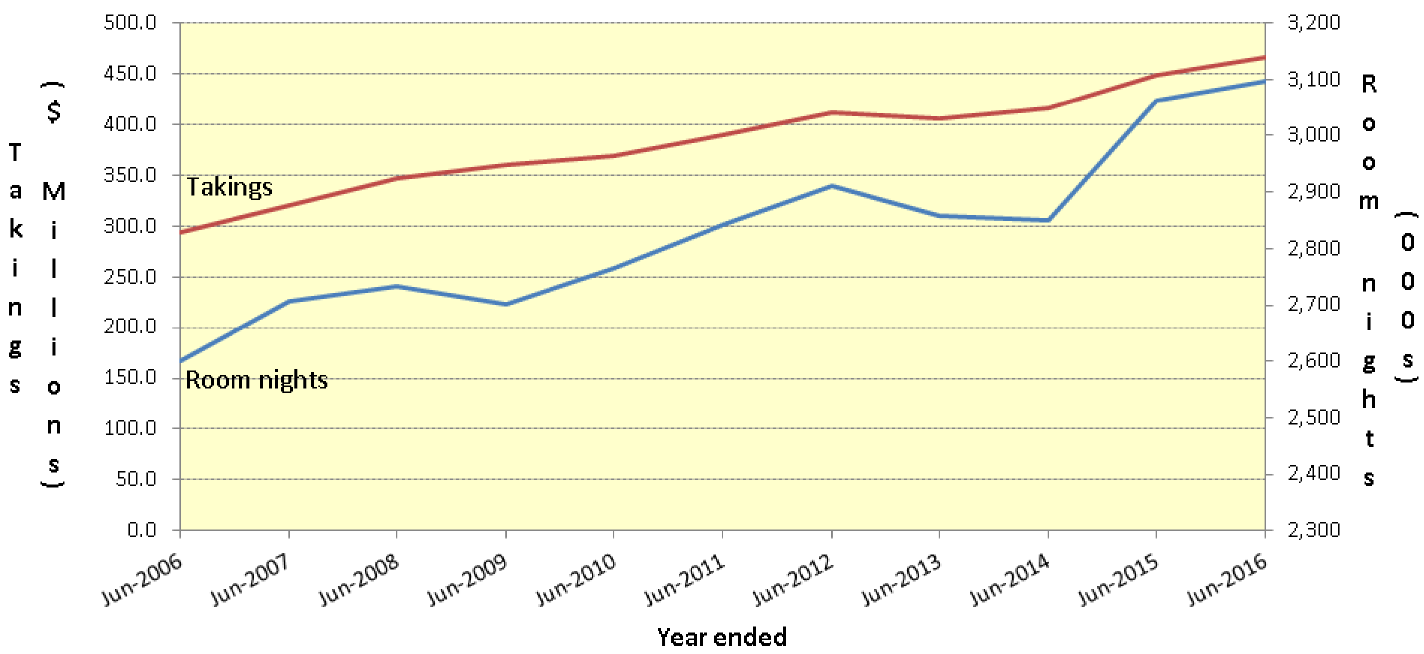
Tourist Accommodation - Room Supply and Occupancy



ABS. Cat. 8635.0. Tourist Accommodation, 2015-16.

The accommodation data indicates that following a significant increase in the supply of rooms in South Australia in the year ended June 2015 (up 7.5%) there was a slight contraction in the year to June 2016 with the number of rooms falling from 13,723 to 13,617 – a decline of 0.8%. The occupancy rate was up – from 59.4% for the June quarter 2015 to 60.9% for the June quarter 2016.

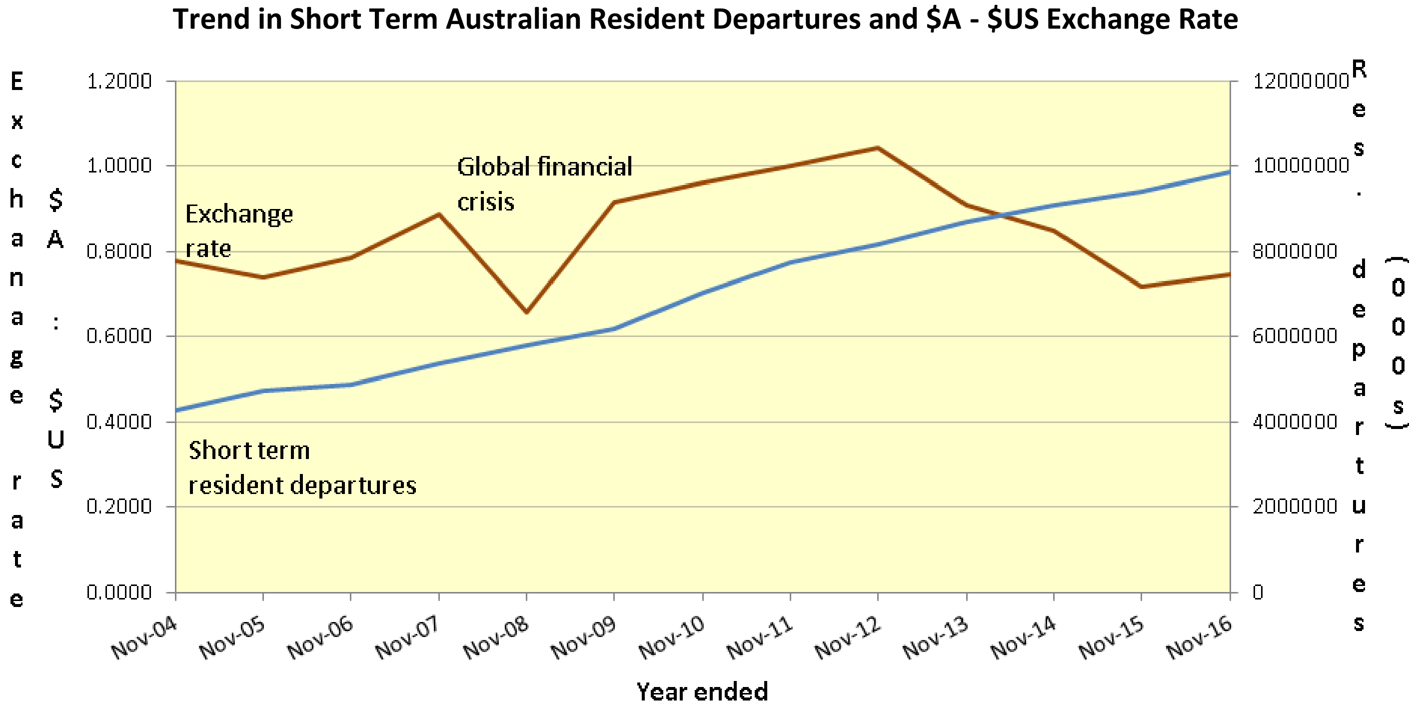
Tourist Accommodation - Room Nights Sold and Takings



ABS. Cat. 8635.0. Tourist Accommodation, 2015-16.

Following an increase of 7.5% in the number of room nights sold in the year ended June 2015 the growth in demand was more subdued in 2015/16 with room nights increasing by 1.1% to 3,096,000. Takings from accommodation increased by 3.9% to reach $466.1 million.

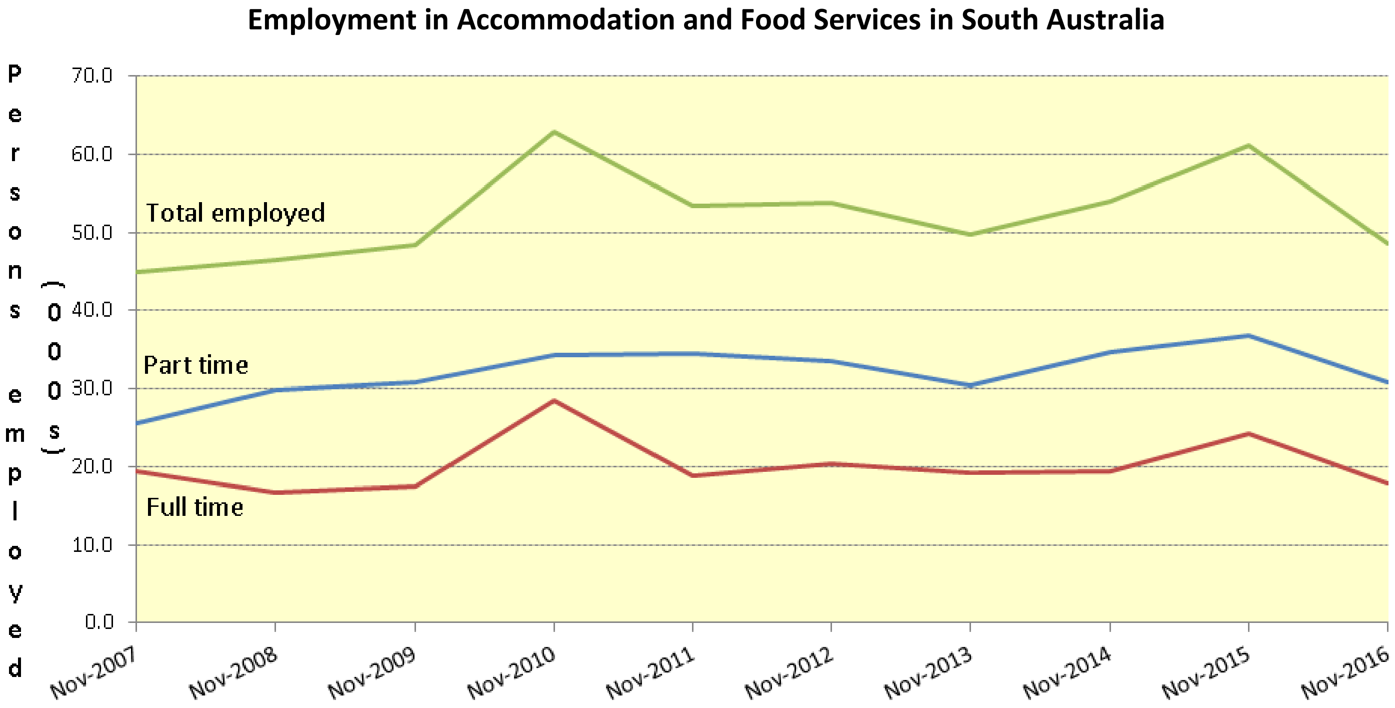
Information regarding short term overseas departures by Australian residents is published by the Australian Bureau of Statistics.



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 2016 there were 9.89 million short term resident departures – an increase of 5.2% from the previous year. The trend in outbound travel shows no sign of slowing. The decline in the $A : $US exchange rate from 2012 reversed in the most recent year.

The Australian Bureau of Statistics 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 2016 (48,600) showed a sharp fall in total employment with the number of persons employed in the accommodation and food services sector declining by 21% when compared with November 2015. Full time employment (17,800) was down by 27% while part time employment (30,700) was down by 17%.

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 financial year 2015-16 and the previous year are presented below.

Pax (000s)	2015-16	2014-15	% change
Domestic *	7,035	6,907	1.9%
International	858	936	-8.3%
Total	7,893	7,842	0.7%

Source: Adelaide Airport - * includes regional

Domestic movements were up by 1.9% while international passenger movements contracted by 8.3%.

International passengers returned to positive growth during Q4 FY16 with an increase of 0.1% following the introduction of the Qatar Airways daily Adelaide-Doha service on the 3rd of May which increased capacity by 32,000 seats for the quarter. This was partly offset by Malaysia Airlines decreasing from a weekly to a 4 per week service.

The (-8.3%) decline in passengers observed over the financial year reflects the cancellation of the daily Air Asia X service in January 2015. Combined with the Malaysia Airlines reductions in September 2015, there was a net reduction of 10 services per week to Kuala Lumpur.