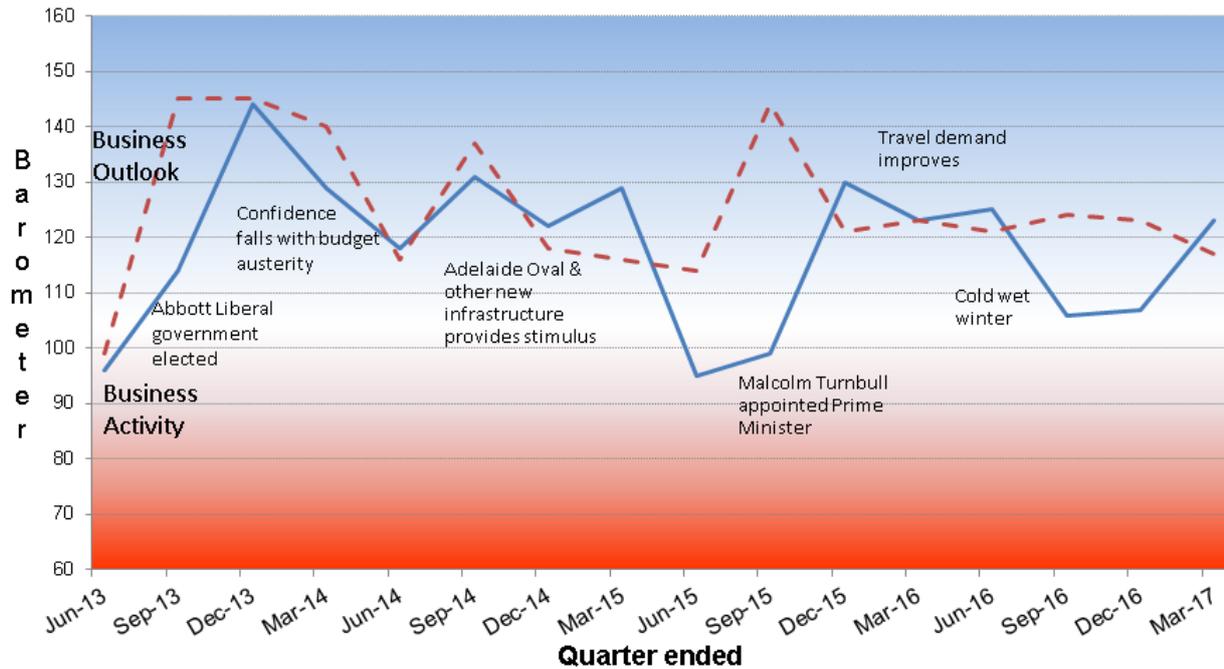


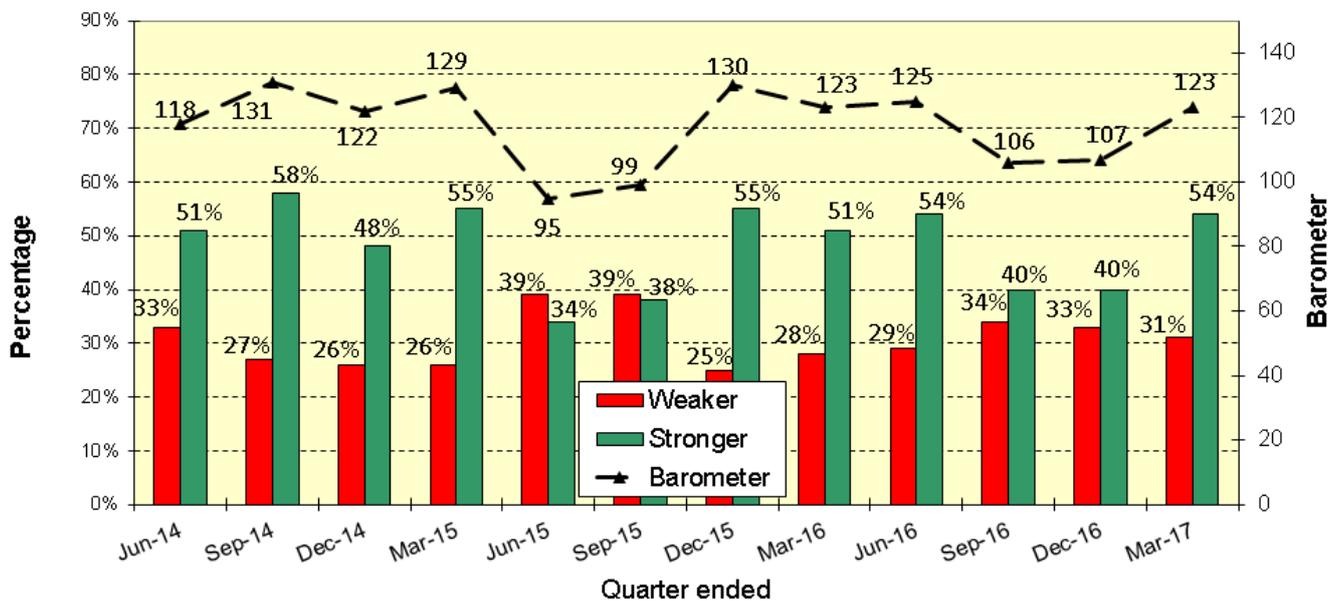
South Australian Tourism Industry Council SA Tourism Barometer – March Quarter 2017



Headline: Operators Report Strong Demand

The SATIC tourism barometer for the March 2017 quarter jumped by 15% to 123 points as 54% of the respondents reported growth for the quarter. The environment was stronger across all sectors including festivals and events, business and conferences and meetings. Figures from Tourism Research Australia show that the level of demand continues to grow with domestic and international visitor numbers for South Australia increasing in calendar 2016.

Business Activity in the Last 3 Months



In the March quarter of 2017 the proportion of survey respondents experiencing improved business activity when compared to the same period last year was 54% - a substantial increase from the December quarter survey. The proportion experiencing weaker conditions was down slightly from the previous survey at 31%.

Factors influencing performance were:

- Events season - Adelaide Fringe / Festival, Clipsal 500, Penfolds Events Sunday series.
- Exposure on sites such as WikiCamps.
- Improved digital distribution.
- Incentives.
- Increase in air capacity.
- Increase in visitors from USA.
- Perfect China initiative / increase in Chinese visitation.

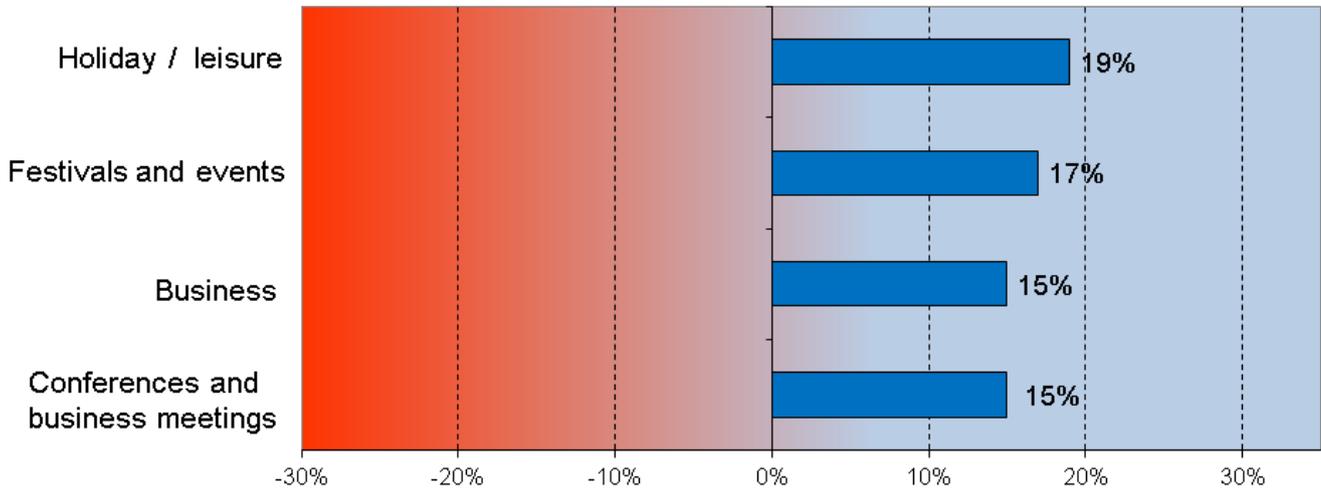
- Promotion by the SATC.

Less favourable:

- Lack of water in Lake Eyre and fewer tour groups compared with 2016.
- No Wilpena Under the Stars this year.
- Royal Croquet Club outside the CBD was detrimental this year.
- High Murray River & perception that houseboats unavailable.
- Accommodation for interstate workers has dried up.
- Easter was in March in 2016.
- Yields down due to increased supply.

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

Business Activity by Sector



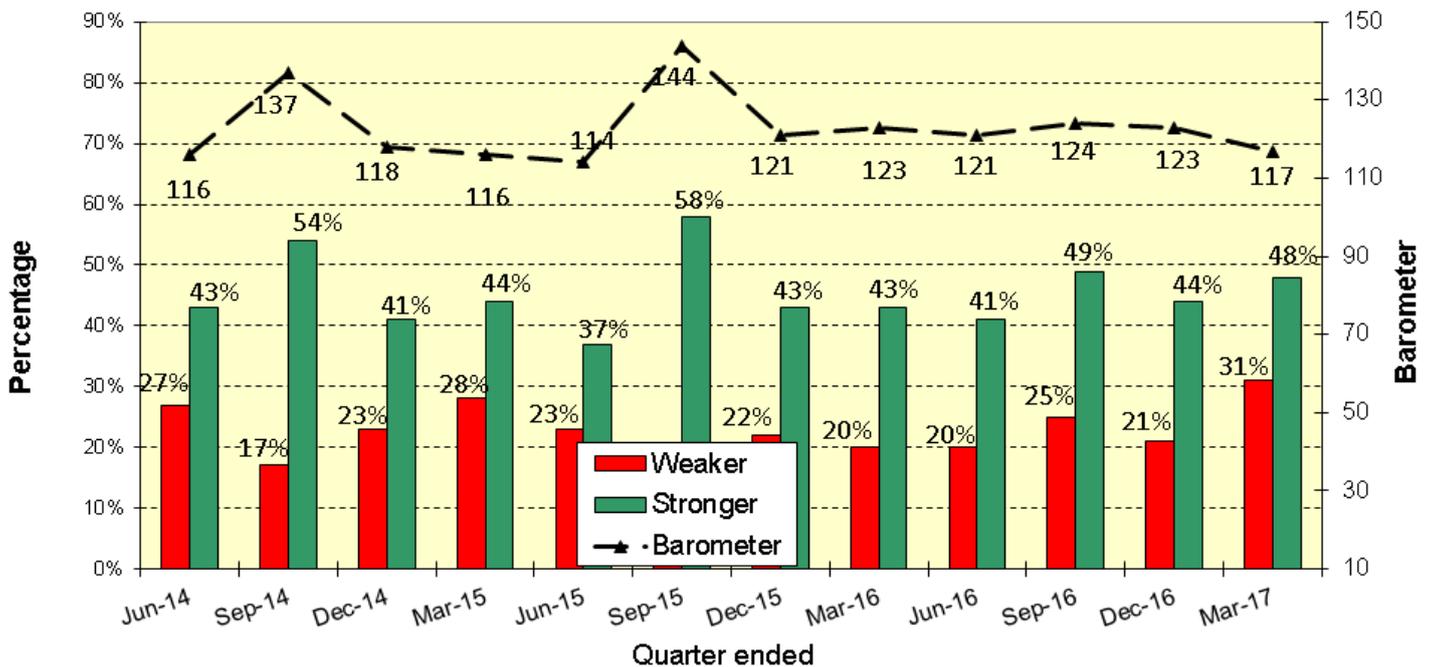
Business Activity - Deviation from Mid Point of 100

All of the sector indices were positive with the indices 15 or more points above the mid-point. When compared with the previous survey the holiday / leisure sector was up by 17%, the festivals and events indicator was up by 33%, business by 22% and conferences and business meetings up by 29%.

An index above 100 indicates growth with more businesses experiencing an increase from this market when compared to those experiencing 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 2016.

Business Outlook for the Next 3 Months



In the March 2017 quarter the short term business outlook index was 117 – down by six points from the December quarter survey. The proportion expecting improved performance was up from 44% to 48% however this was outweighed by a larger increase in the proportion expecting weaker performance – which increased from 21% to 31%.

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

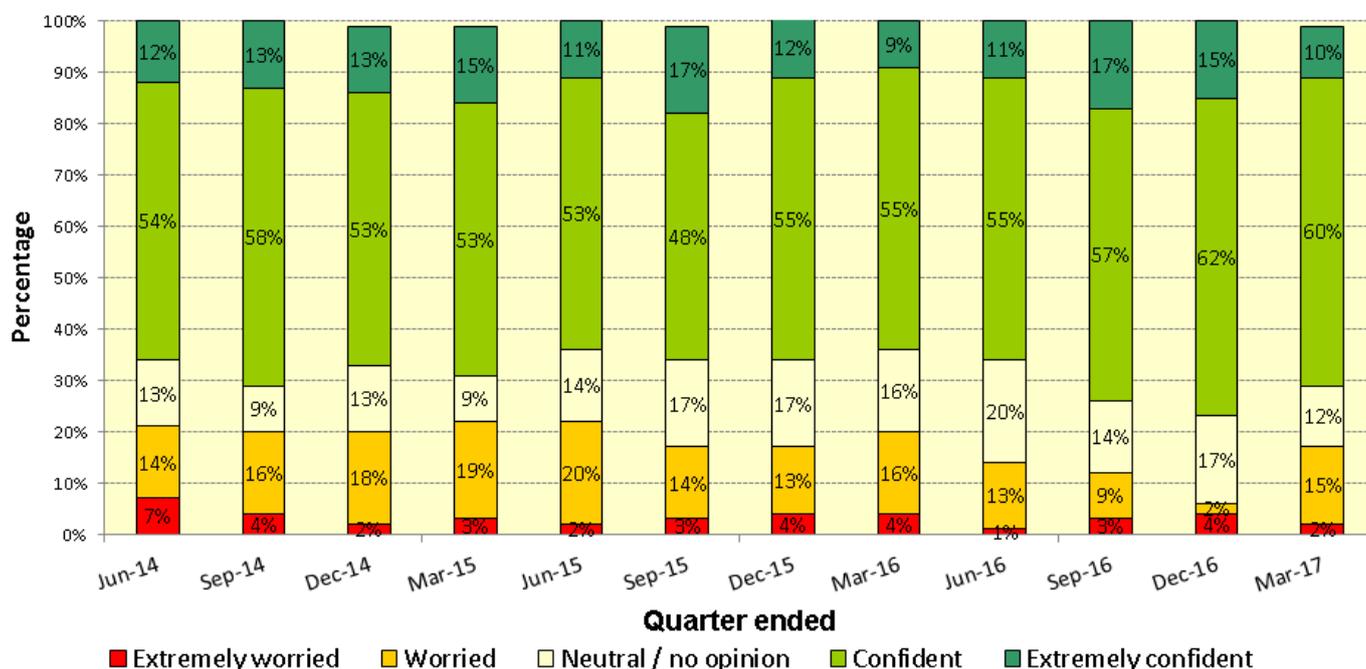
- Advertising / promotion.
- Forward bookings are strong.
- Further product development.
- Increase in interest in Adelaide for incentive and conference business.
- Peak season for red wine.
- Perfect China incentive / increased push into Asia.

Less positively:

- Forward bookings down.
- Coach traffic is down.
- Fewer events than last year.
- Oversupply of function and event venues as Govt. has relaxed license conditions for restaurant and small bars.

The outlook for the next 12 months was as follows:

Business Outlook for the Next 12 Months



In the March 2017 quarter survey, 10% of the respondents were ‘extremely confident’ regarding the prospects for the next 12 months and 60% were ‘confident’. The proportion ‘confident’ or ‘very confident’ (70%) was down by 7 points when compared to the December 2016 survey (77%).

Factors underpinning business confidence in the longer term were:

- Airport upgrade will improve access for KI.
- Attendance at consumer shows.
- Domestic market is strong – more people travelling locally rather than going overseas.
- Enquiries and forward bookings.
- Improved distribution online.
- Large conferences and Ashes test.
- More bid wins for conferences and event.
- Stage 2 of the Adelaide Convention Centre – incentives from China and Indonesia.
- Upgrades to property and more efficient cost management of supplies.

Less positive

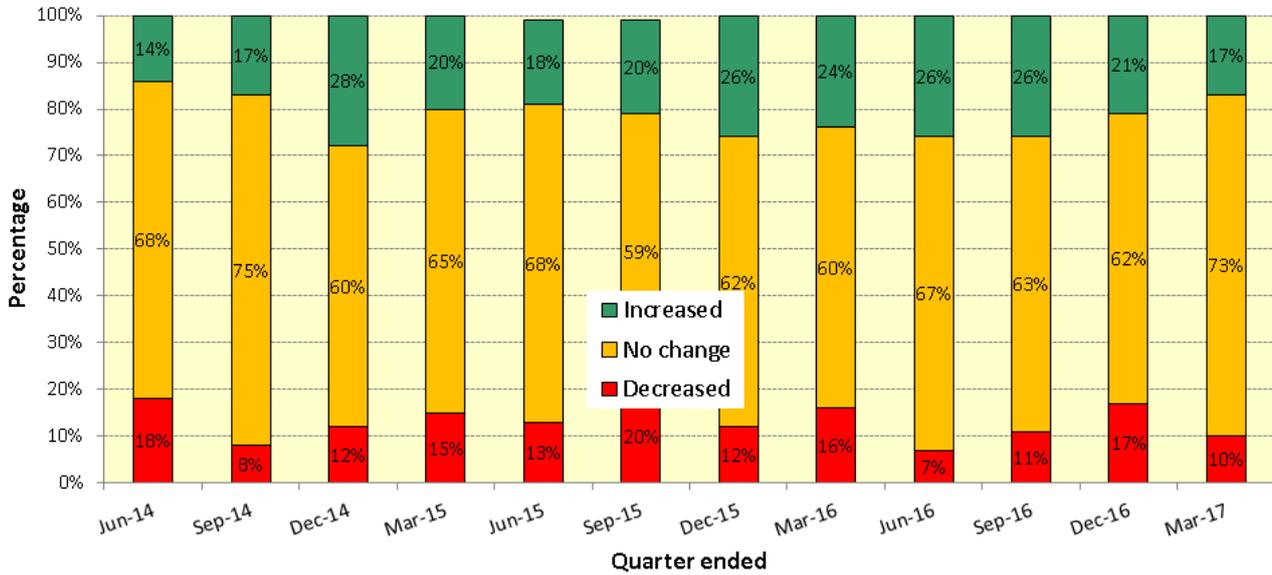
- Backpacker market down in regional areas.
- Consumers lack confidence.
- Enquiries are down.

- Issues regarding reliability of supply and cost of power / energy.
- New supply of accommodation in Adelaide.
- Outlook for houseboats is poor.
- Over supply of restaurants and small bars.
- State economy is weak.

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.

Employment Trends



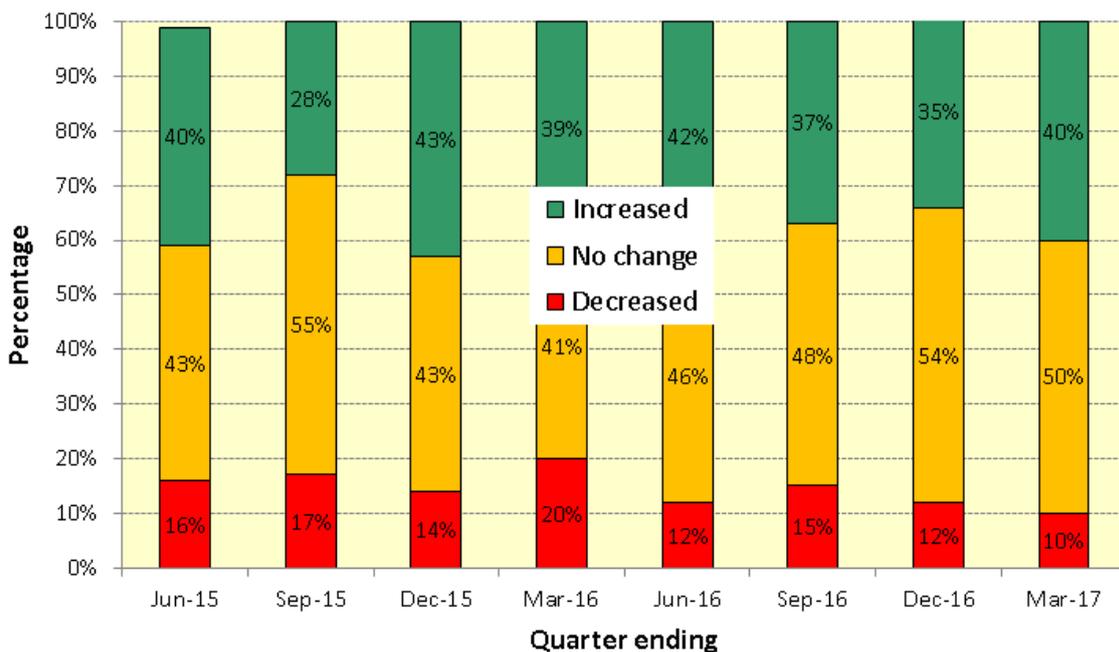
In the March 2017 quarter survey 17% of the respondents had employed additional staff in their business – down from 21% at the previous survey and 26% at the September 2016 survey. The proportion that had employed fewer staff was 10% - also down from the December 2016 quarter (17%).

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.

Wages Bill



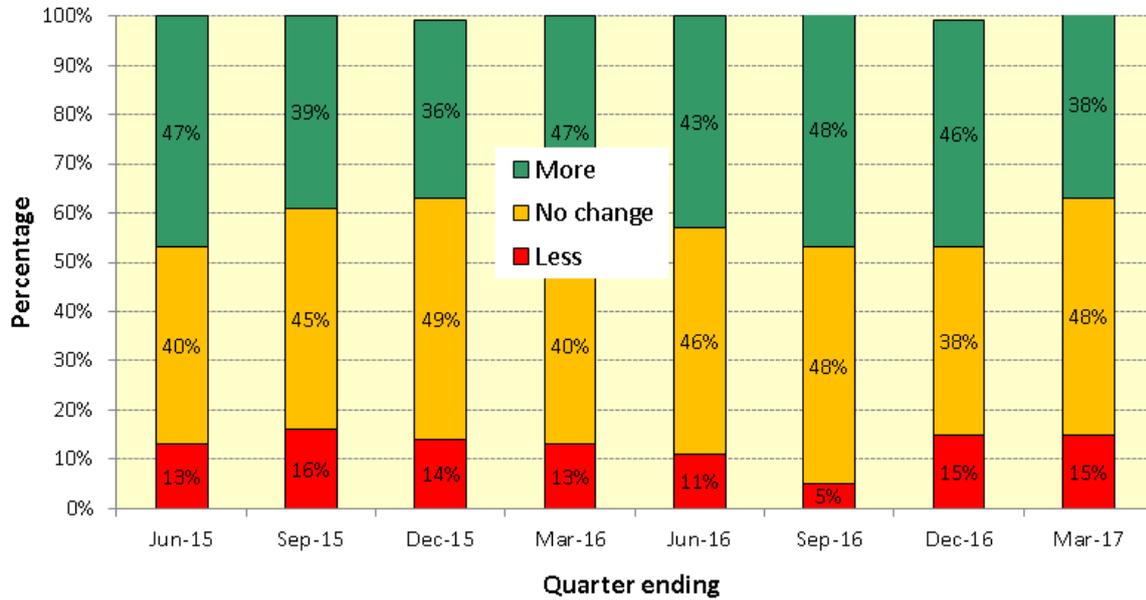
In the March quarter 2017 survey 40% of the respondents reported that their wages bill had increased – up from 35% at the December quarter survey.

Increase in wage costs were in most cases related to increase in demand and employing additional staff / hours while a decrease 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.

Planned Investment



In the March quarter survey 38% were planning more investment in their business – down from 46% at the September quarter survey.

About The SATIC Tourism Barometer

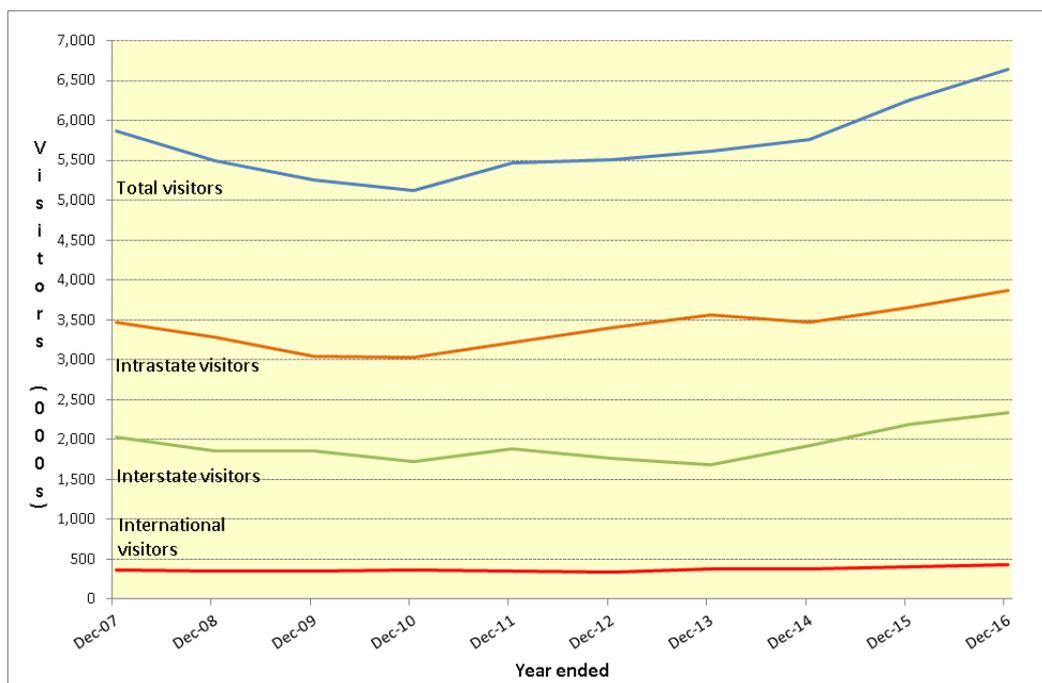
The SATIC Tourism Barometer is a quarterly survey of SATIC members designed to measure recent activity levels and the outlook for the future. The Barometer survey is conducted on-line and a total of 48 members responded to the March 2017 quarter survey.

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

Annual Performance to December 2016

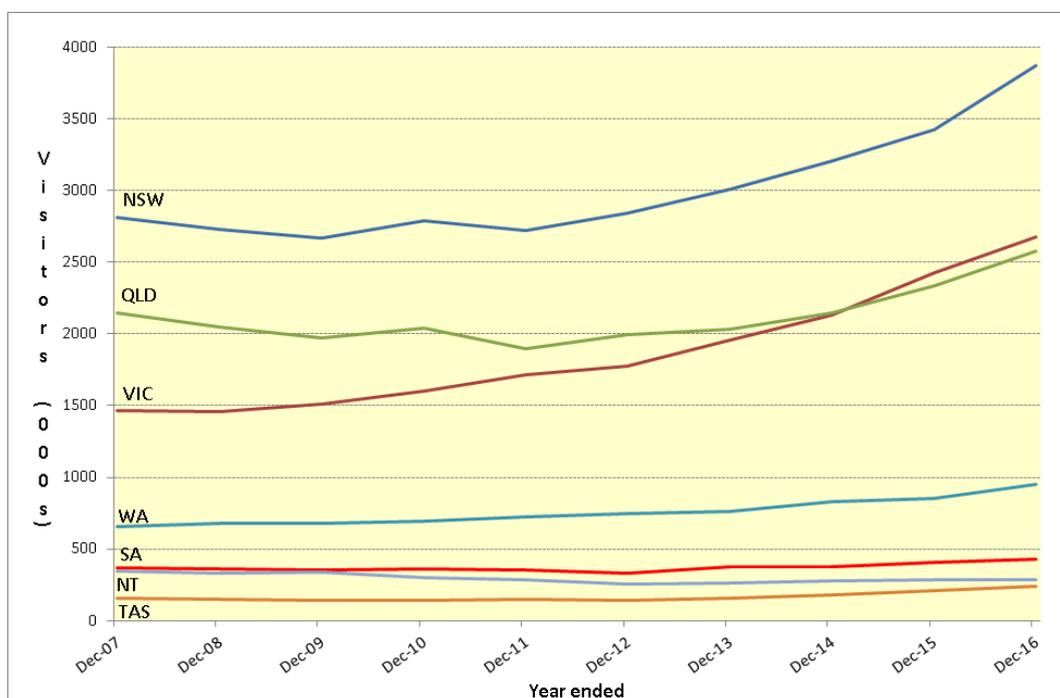
Information regarding travel demand in Australia is collected by Tourism Research Australia through two national sample surveys: the National Visitor Survey and the International Visitor Survey.

Overview of Overnight Visitor Demand for South Australia



The number of interstate visitors to SA in the year to December 2016 was 2,338,000 – up 7% from the previous year – while the number of intrastate visitors was 3,866,000 – up by 6%. The number of international visitors was 432,000 – an increase of 6%. Overall visitor numbers increased by 6% to 6,636,000 – down slightly from the record level recorded in the year to September 2016 of 6,678,000.

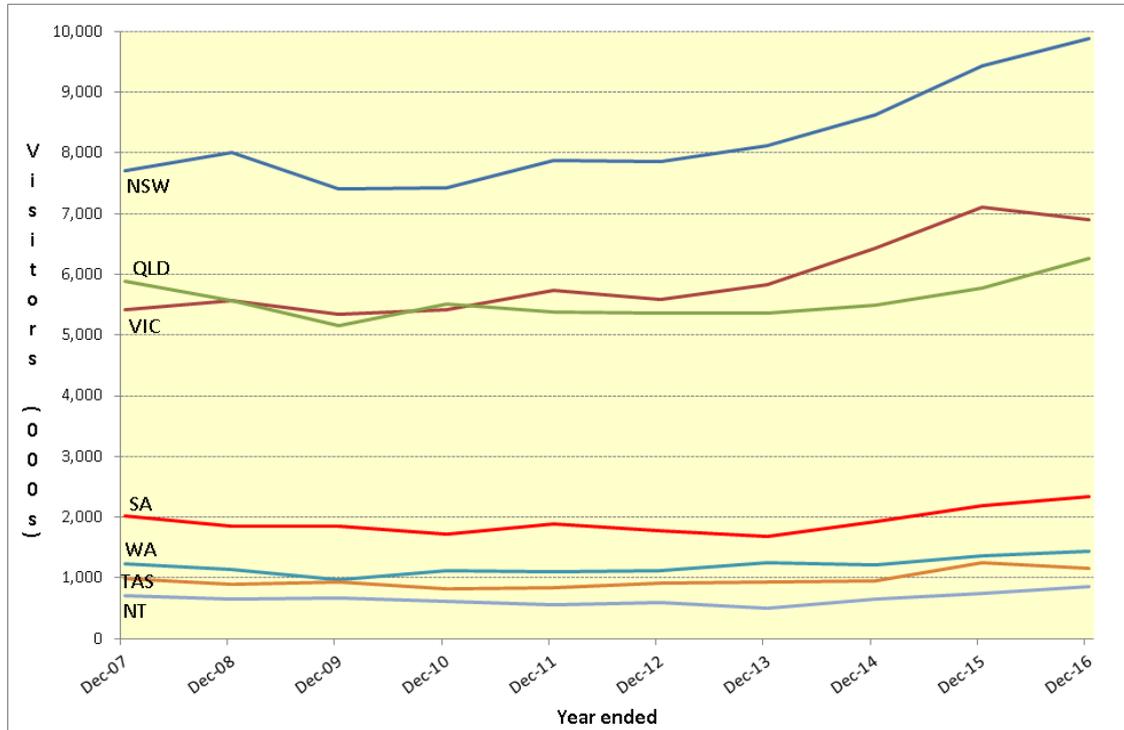
International Visitors by State / Territory



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

In the year ended December 2016 the number of international visitors to South Australia increased by 6% – from 408,000 to 432,000. Nationally international travel demand grew by 11%. Over the ten year period from 2007 international visitation has grown most strongly in Victoria (up 83%), Tasmania (up 51%) and WA (up 46%). SA has increased by 18% over this period compared with 48% for Australia as a whole.

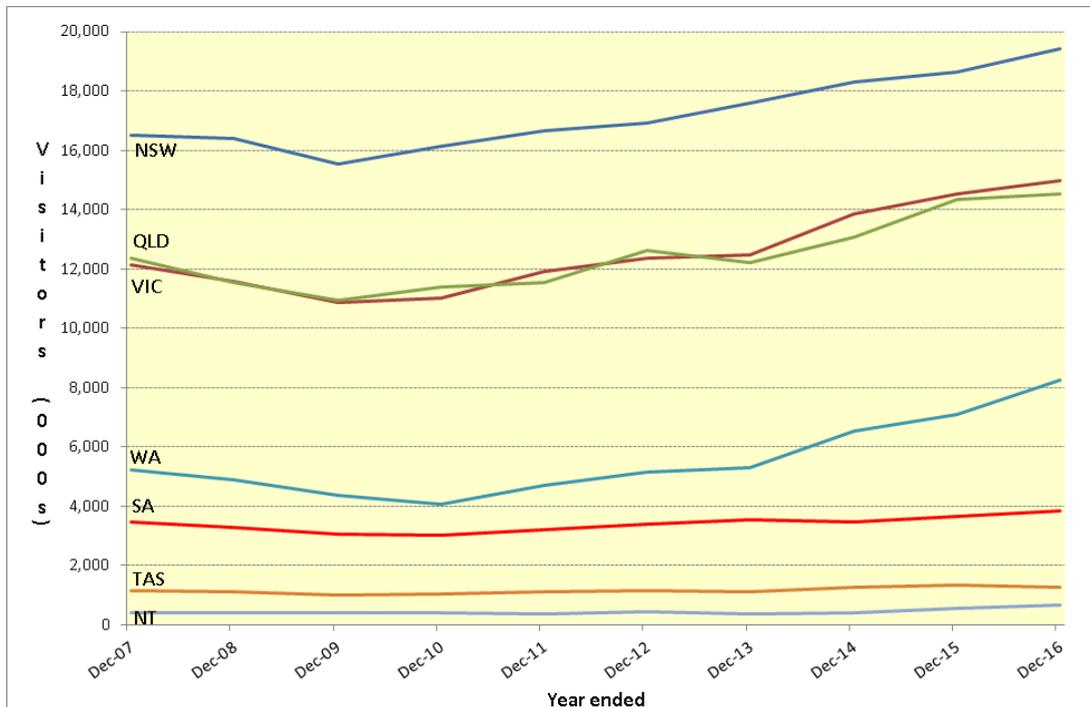
Interstate Visitors by State / Territory



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

In the year ended December 2016 the number of interstate visitors to South Australia increased by 7% to reach 2,338,000 visitors. Nationally interstate travel demand grew by 4%. In the ten years since 2007 interstate travel has grown most strongly in New South Wales (up 28%) and Victoria (up 27%). Interstate visitors to SA increased by 15% over the ten year period compared with 20% for Australia as a whole.

Intrastate Visitors by State / Territory



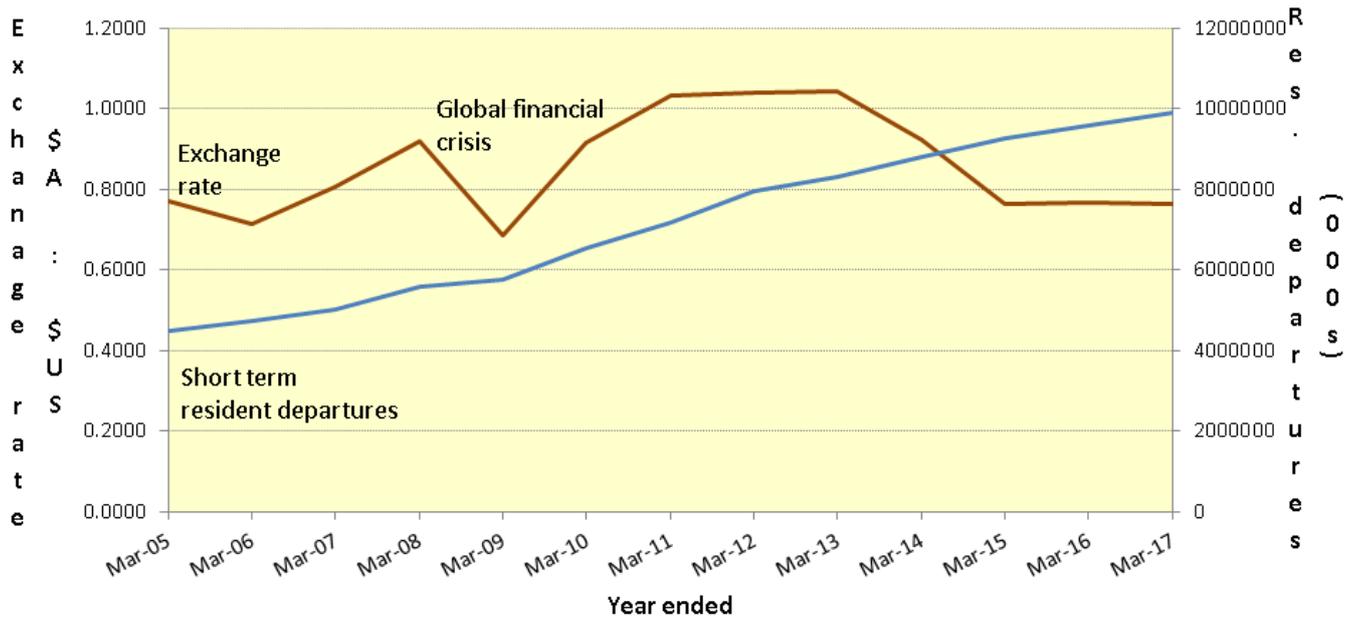
Tourism Research Australia. <http://www.ret.gov.au/tourism>. Travel by Australians. National Visitor Survey

In the year ended December 2016 the number of intrastate visitors in South Australia grew by 6% from the previous year to 3,866,000 overnight visitors. Nationally intrastate travel demand grew by 4%. Over the ten period from 2007 intrastate travel has grown most strongly in the Northern Territory (up by 59%) followed by Western Australia (up by 57%). South Australia has grown by 11% over this period compared with 23% 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



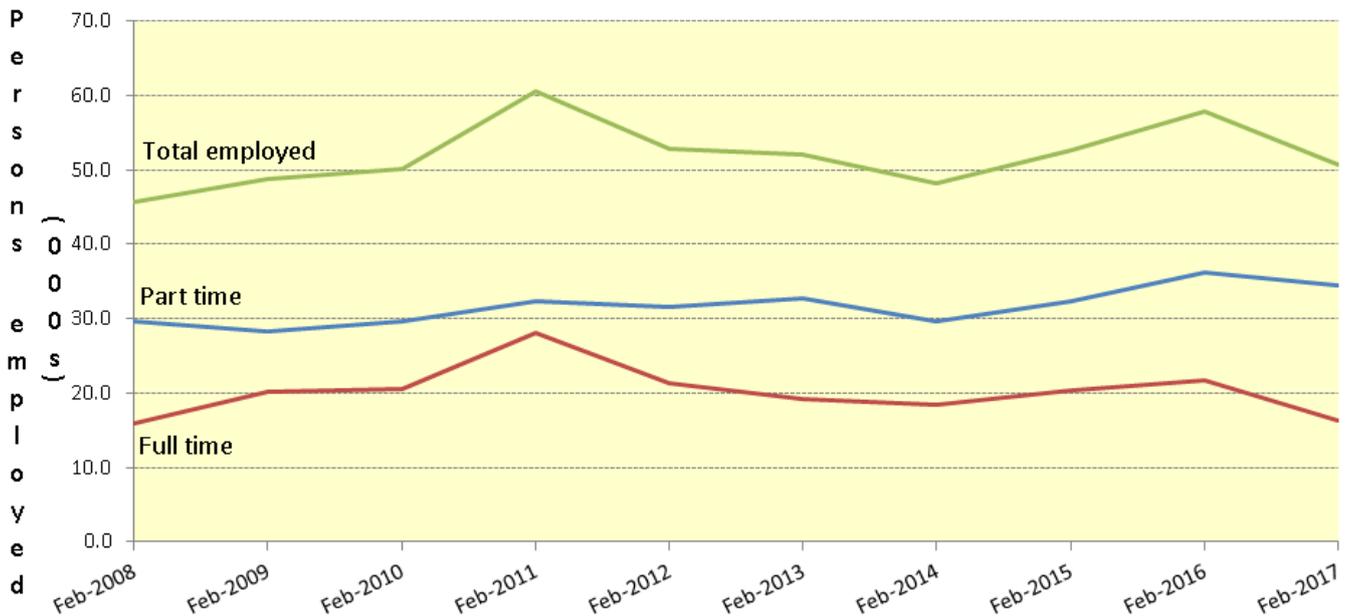
Source: Australian Bureau of Statistics Cat. 3401.0 - Overseas Arrivals and Departures.

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 March 2017 there were 9.90 million short term resident departures – an increase of 3.3% from the previous year. While outbound travel continues to grow the rate of increase has slowed somewhat when compared to the last survey (5.2%). The decline in the \$A : \$US exchange rate from 2012 has plateaued over the last 2 years.

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 February 2017 (50,700) showed a fall in total employment with the number of persons employed in the accommodation and food services sector declining by 12% when compared with February 2016. Full time employment (16,300) was down by 25% while part time employment (34,400) was down by 5%.

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.