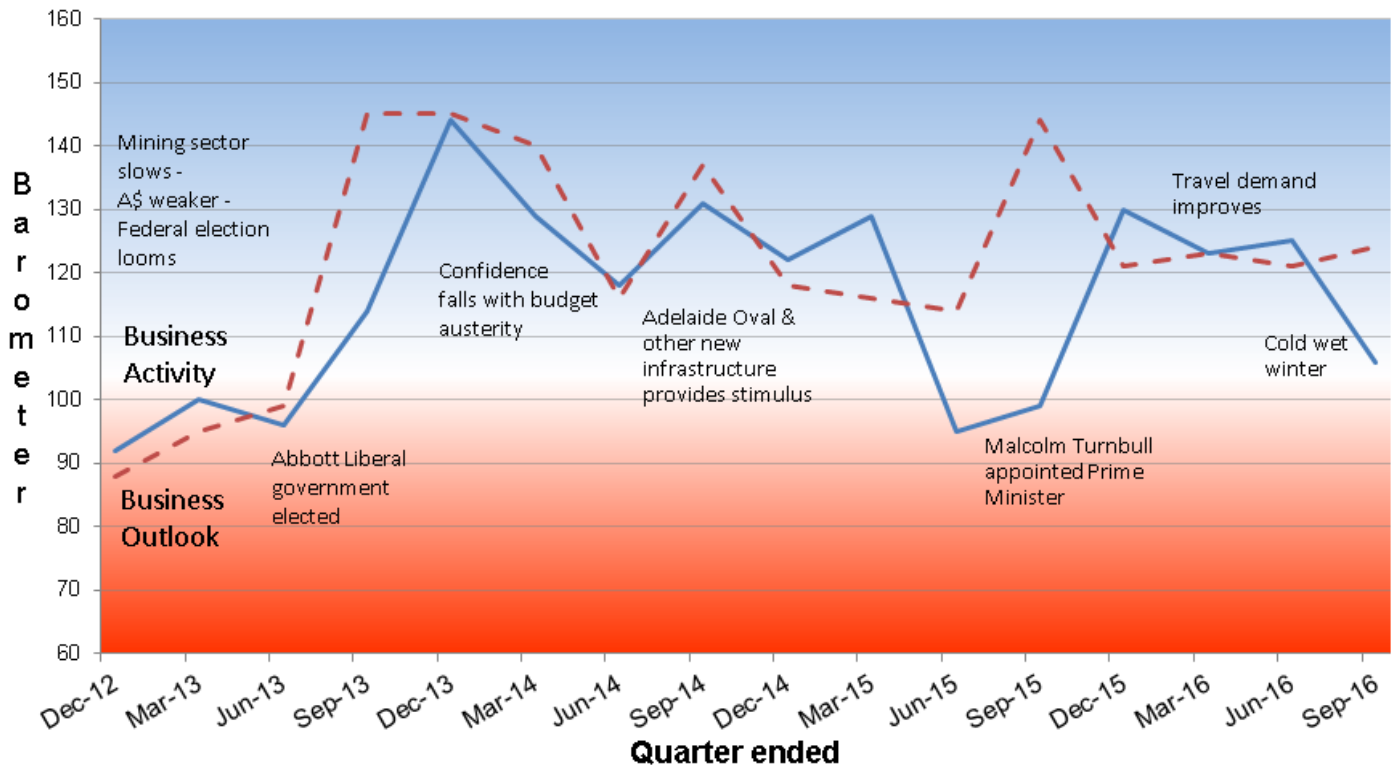


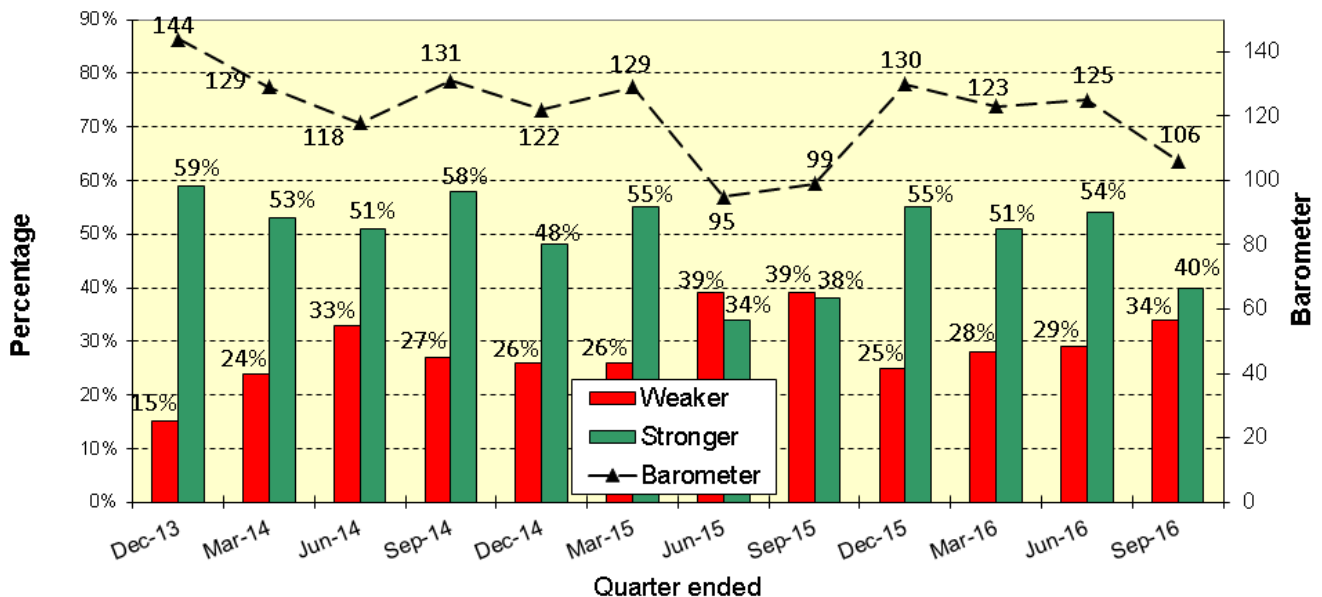
## South Australian Tourism Industry Council SA Tourism Barometer – September Quarter 2016



### Headline: Cold & wet winter dampens demand

The industry respondents suggested that tourism demand has contracted in the September 2016 quarter with the performance index down by 15% from 125 in the June quarter to 106 points in the September quarter. The result was influenced primarily by the cold wet winter and early spring. The outlook index remained positive however increasing slightly from 121 to 124 points. The national survey data for the 2015/16 financial year (NVS / IVS) also remain positive showing that visitor demand for SA was at record levels with domestic visitors up by 8% and international up by 10%.

### Business Activity in the Last 3 Months



In the September quarter of 2016 the proportion of survey respondents experiencing improved business activity when compared to the same period last year was 40% - down from 54% at the June quarter survey. The proportion experiencing weaker conditions increased slightly from 29% to 34%. The main factor impacting the result was the unusually cold and wet winter and spring experienced across southern Australia.

Factors underpinning positive performance were:

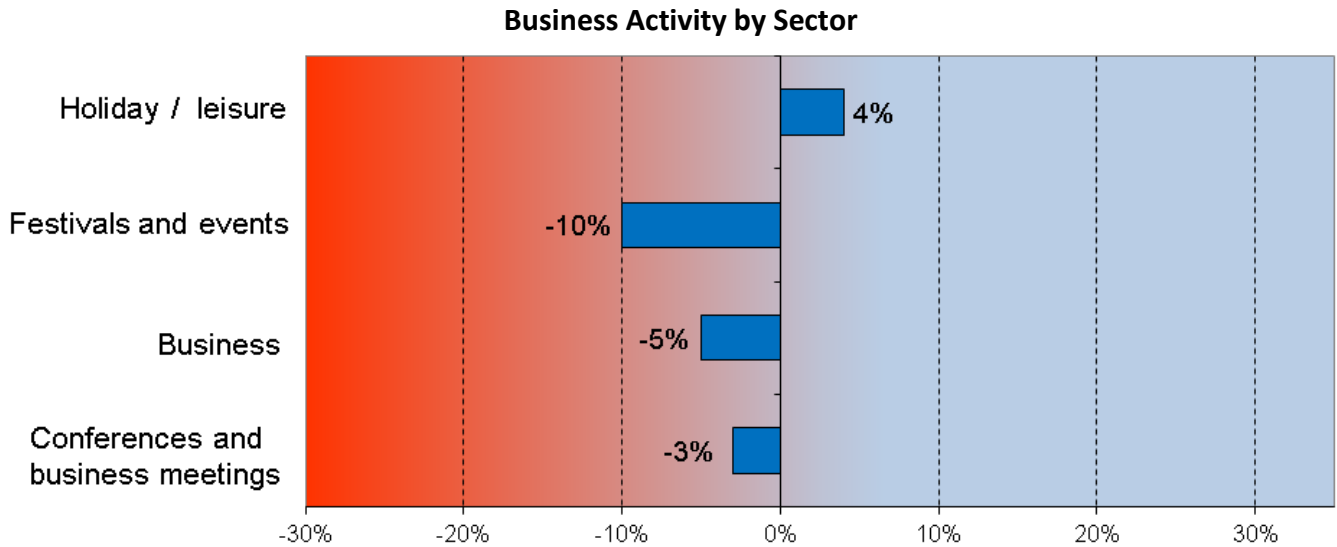
- The rain has been a positive for more remote areas with exceptional wild flowers and general greening.
- Increase in conventions / events at the Convention Centre.

- Increase in corporate bookings.
- International demand up.
- Received SATC funding to implement Asia strategy.
- Whales at Victor.

Less positively:

- Backpacker tax.

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



### Business Activity - Deviation from Mid Point of 100

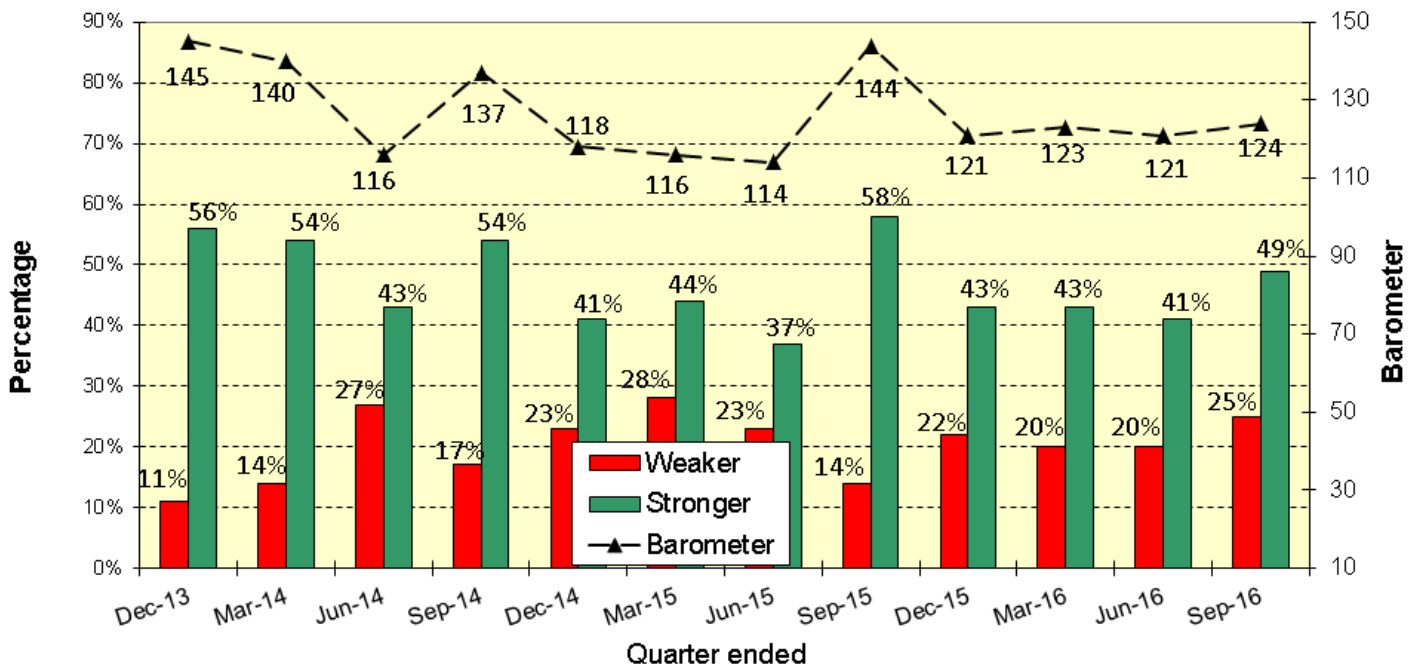
The holiday / leisure sector index was the most positive with an index of 104 points. The indicator was down however by 20% from 130 points at the June quarter survey. The other sectors were negative however with festivals and events -10 percentage points, the business sector – 5 points and the MICE sector – 3 points.

When compared with the previous quarter the index for the business sector was up by 16%, the MICE sector index was up by 1% while the index for festivals and events was down by 3%.

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 September quarter 2016 the short term business outlook rose slightly – from 121 to 124 points. The proportion expecting improved performance increased strongly from 41% to 49%.

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

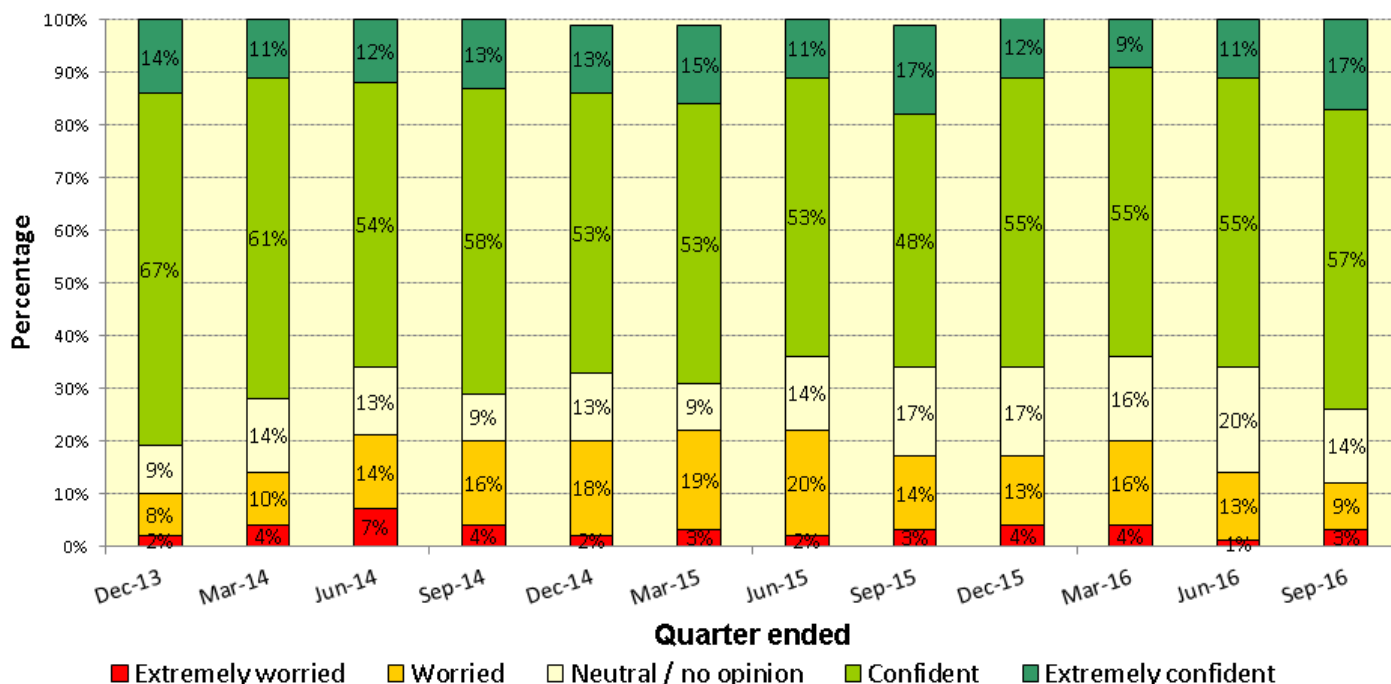
- Cancellations due to bad weather have been moved forward to the next quarter.
- Cricket test / other events.
- Direct flights from China.
- Developed an Asia strategy.
- Improved promotion via social media.
- Lower exchange rate.
- People are holidaying closer to home.
- Strong forward bookings.
- Warmer weather
- Water in Lake Eyre.

Less positively:

- Backpacker tax.
- Forward bookings soft.
- More Air B&B operators.
- New operators undercutting / reducing yield.
- Weaker local economy.

The outlook for the next 12 months was as follows:

**Business Outlook for the Next 12 Months**



In the September 2016 quarter survey, 17% of the respondents were ‘extremely confident’ regarding the prospects for the next 12 months and 57% were ‘confident’. The proportion ‘confident’ or ‘very confident’ (74%) was up strongly when compared to the results for the previous survey (66%).

Factors underpinning business confidence in the longer term were:

- Greening of the outback and water in the lakes.
- China Southern flying from Adelaide.
- Completion of the extended Adelaide Convention Centre and funding for convention bidding.
- Domestic demand is improving.
- Increasing product range and staff.
- Redevelopment of Kangaroo Island airport.
- Lower \$.
- Riverbank precinct.
- Tourism strategy for Port Adelaide.
- 10 year license for shark cage diving industry.

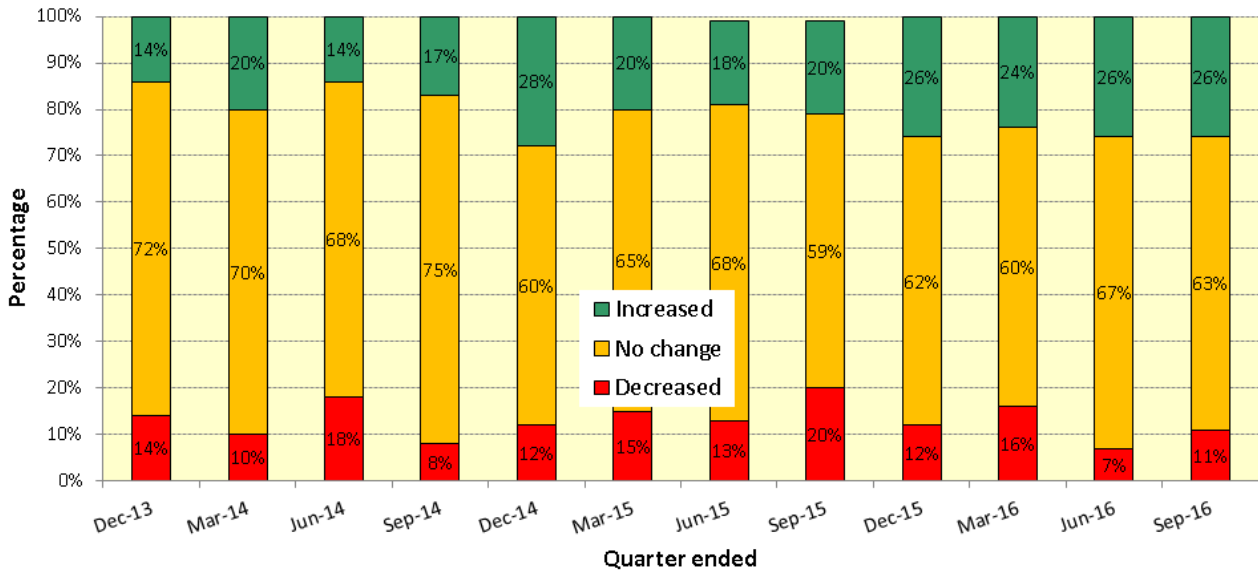
Less positive

- Backpacker market soft.
- Brexit may influence UK market.
- Financial pressure on retirees.
- Lack of business and consumer confidence.
- Ride sharing. APP development and booking services.
- Risk of major economic collapse is still high.

**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**

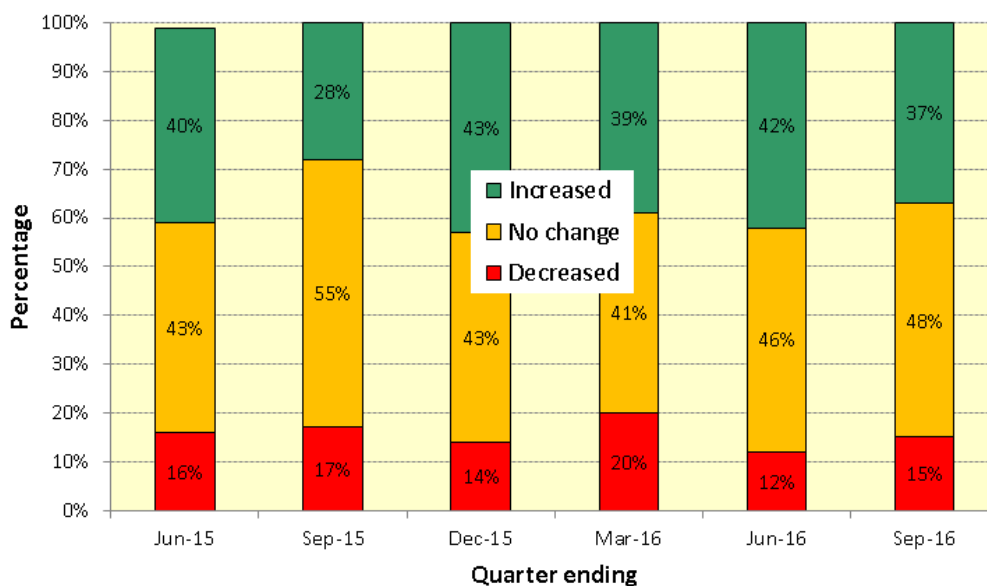


In the September 2016 quarter survey 26% of the respondents had employed additional staff in their business – consistent with the previous survey. The proportion that had employed fewer staff was 11% - up slightly from 7% at the June quarter survey. Further information regarding employment trends from 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.

**Wages Bill**



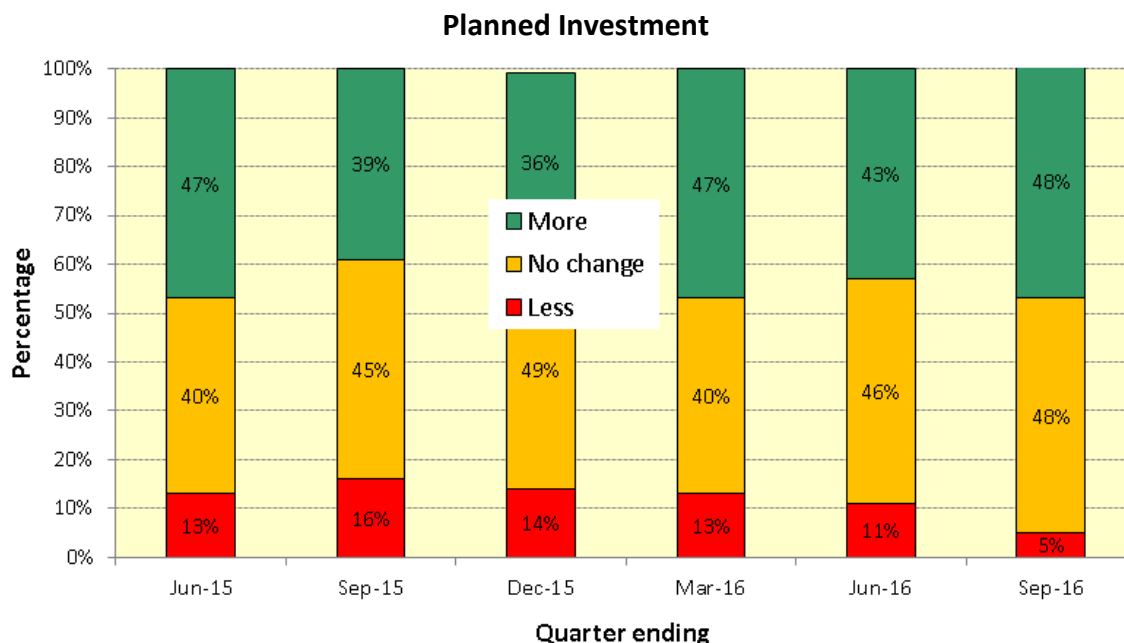
In the September quarter 2016 survey 37% of the respondents reported that their wages bill had increased – down slightly from 42% at the June quarter survey.

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

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

## 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 September quarter 2016 survey 48% were planning more investment in their business – up from 43% at the June quarter survey.

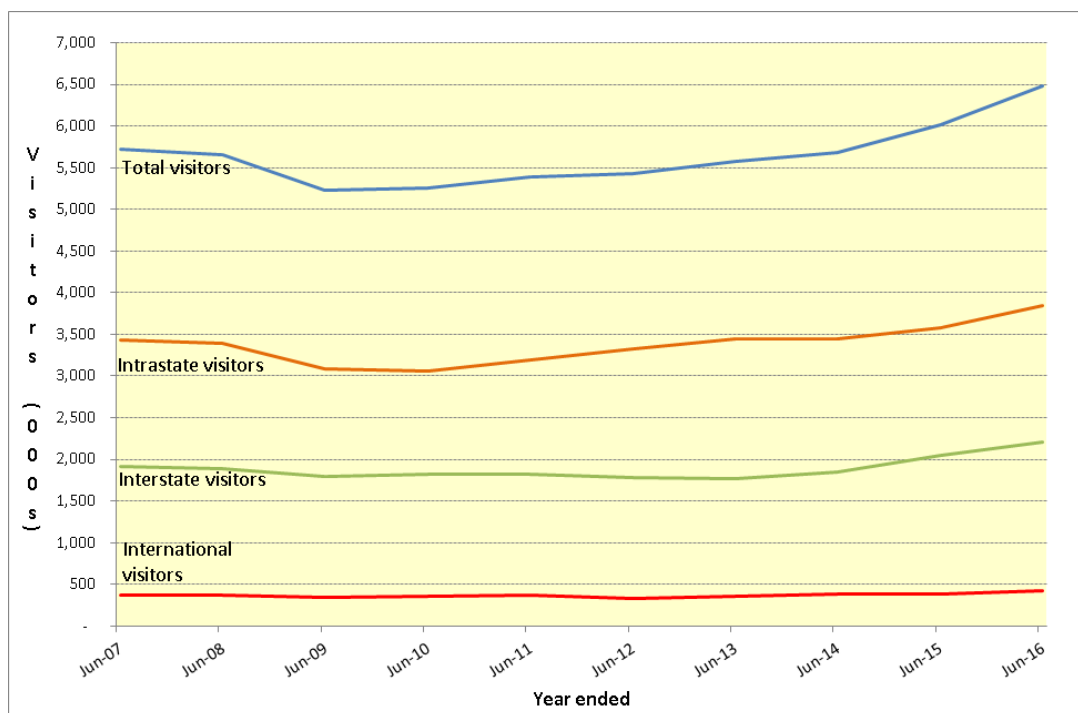
## About The SATIC Tourism Barometer

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 65 members responded to the September 2016 quarter survey. *Report prepared by independent research consultants – Greenhill Research and Planning.*

## Annual Performance to June 2016

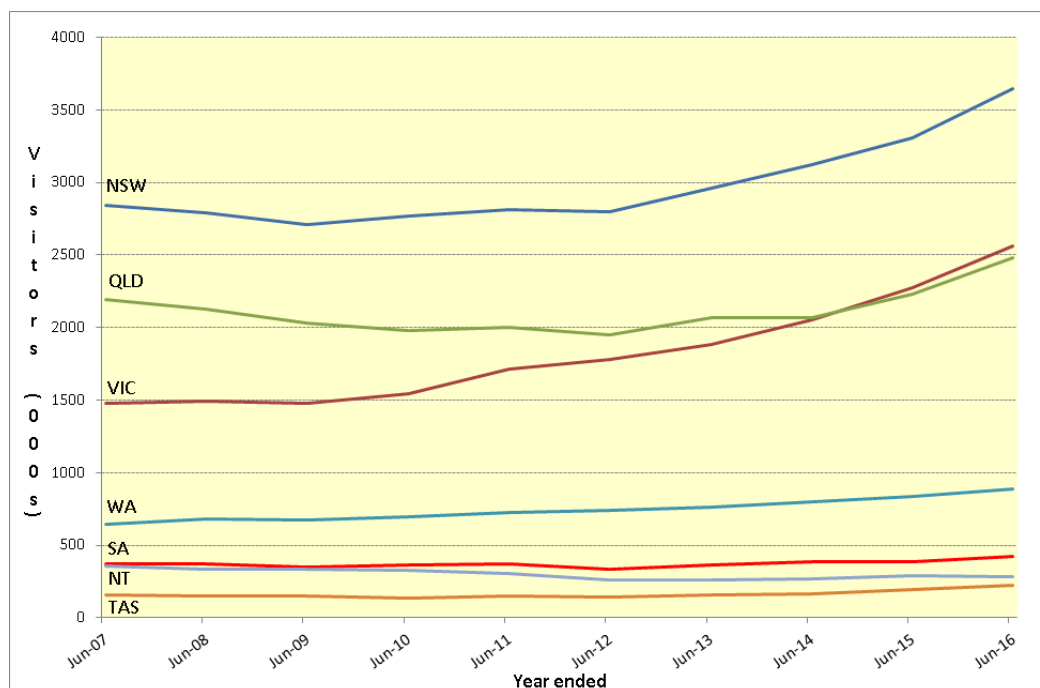
Information regarding travel demand in Australia is collected by Tourism Research Australia through two national sample surveys: the National Visitor Survey and the International Visitor Survey.

### Overview of Overnight Visitor Demand for South Australia



The number of interstate visitors to SA in the year to June 2016 was 2,211,000 – up 8% from the previous year – while the number of intrastate visitors was 3,847,000 – up by 8%. The number of international visitors was 422,000 – an increase of 10%. Overall visitor numbers increased by 8% to a record level of 6,480,000.

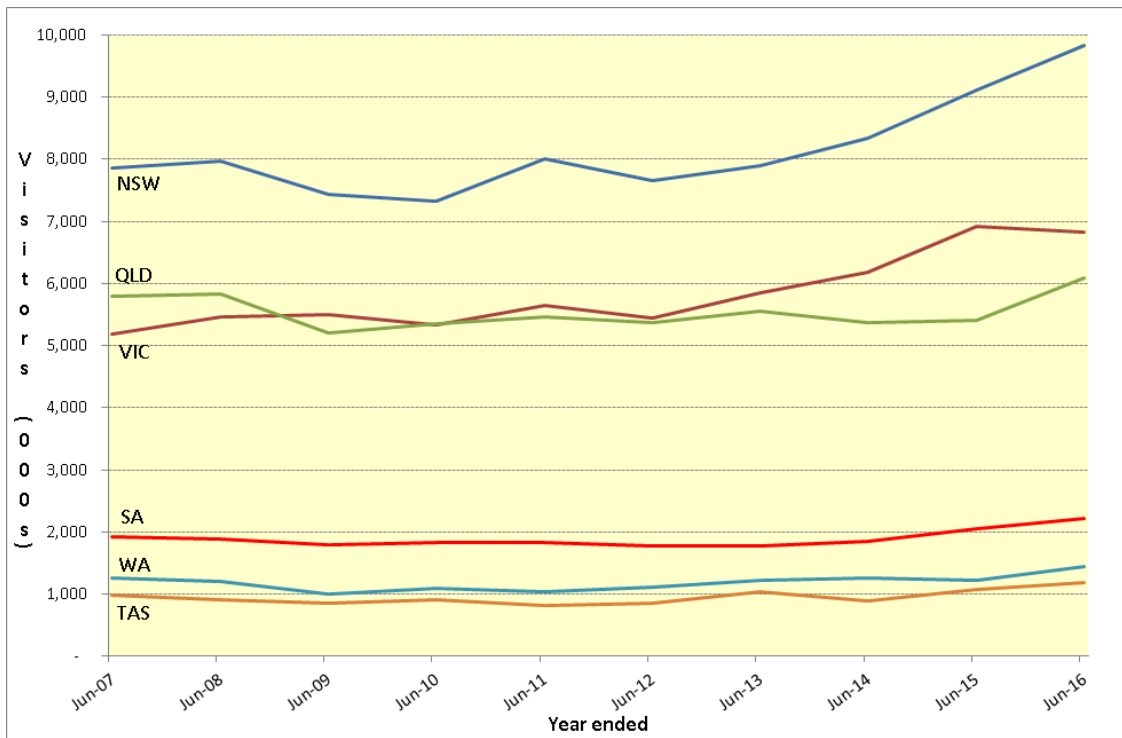
### International Visitors by State / Territory



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

In the year ended June 2016 the number of international visitors to South Australia increased by 10% – from 385,000 to 422,000. Nationally international travel demand grew by the same level - 10%. Over the ten year period from 2007 international visitation has grown most strongly in Victoria (up 84%), Tasmania (up 56%) and WA (up 44%). SA has increased by 22% over this period compared with 44% for Australia as a whole.

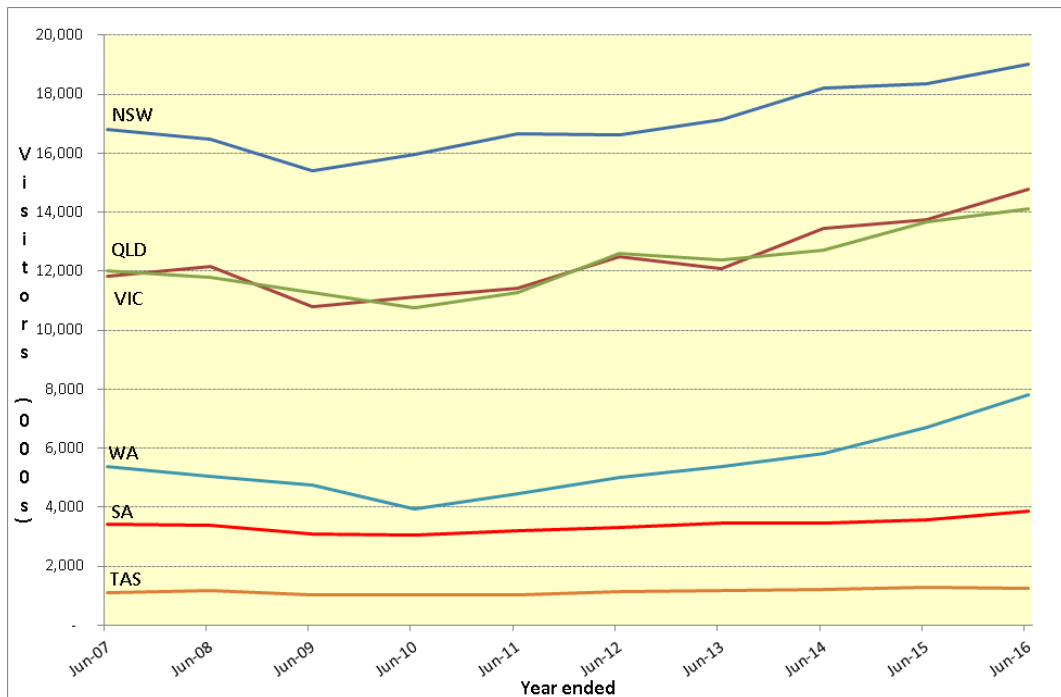
## Interstate Visitors by State / Territory



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

In the year ended June 2016 the number of interstate visitors to South Australia increased by 8% to reach 2,211,000 visitors. Nationally interstate travel demand grew by 8%. In the ten years since 2007 interstate travel has grown most strongly in WA (up 32%), Victoria (up 30%) and NSW (up by 25%). Interstate visitors to SA increased by 15% over the ten year period compared with 22% for Australia as a whole.

## Intrastate Visitors by State / Territory



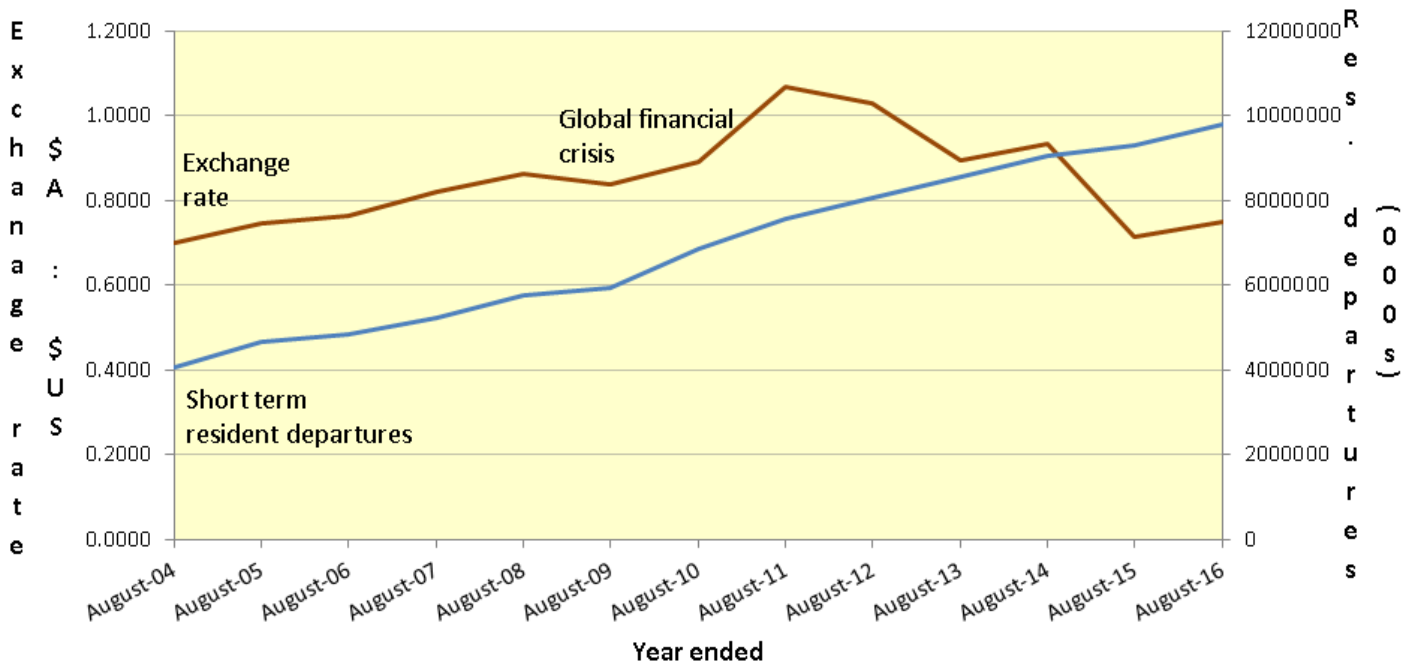
Tourism Research Australia. <http://www.ret.gov.au/tourism>. Travel by Australians. National Visitor Survey

In the year ended June 2016 the number of intrastate visitors in South Australia grew by 8% from the previous year to 3,847,000 overnight visitors. Nationally intrastate travel demand grew by 6%. Over the ten period from 2007 intrastate travel has grown most strongly in WA (up by 46%) followed by Queensland (29%) and Victoria (22%). South Australia has grown by 15% over this period compared with 28% 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



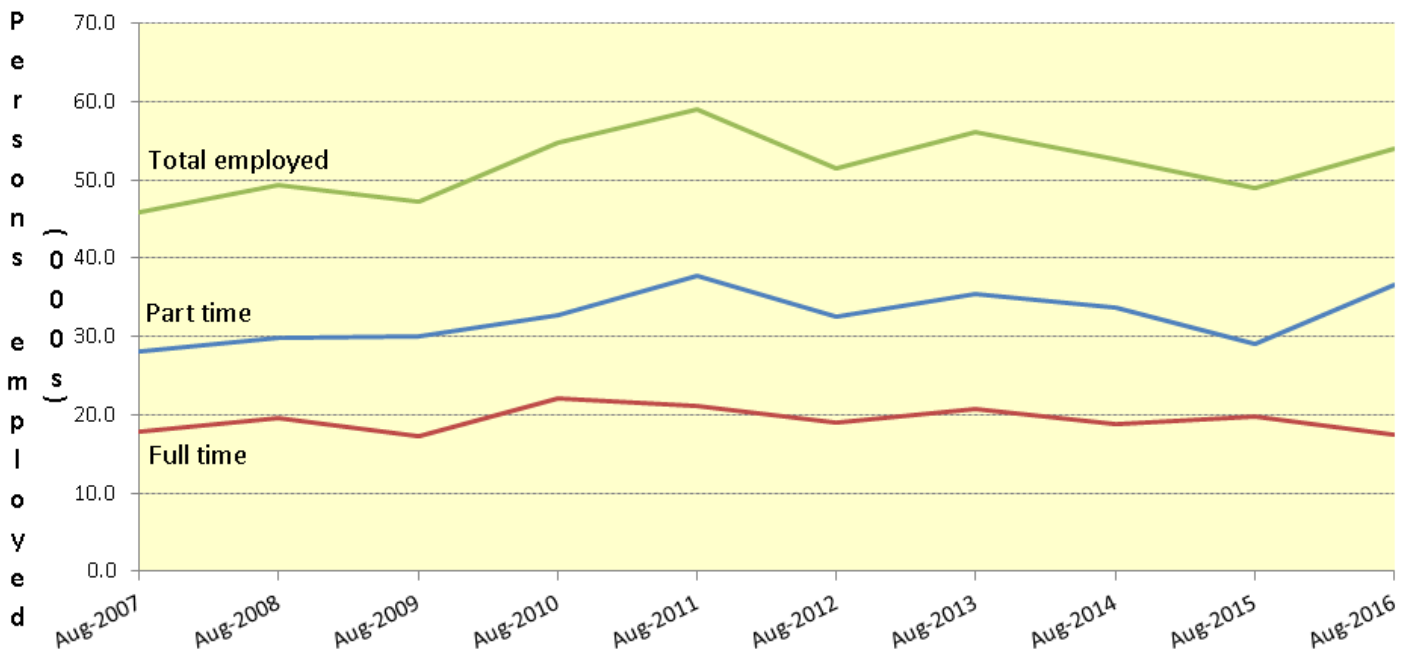
Source: Australian Bureau of Statistics Cat. 3401.0 - Overseas Arrivals and Departures.

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 August 2016 there were 9.79 million short term resident departures – an increase of 5.1% from the previous year. The trend in outbound travel shows no sign of slowing.

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 August 2016 (54,000) indicated a rise of 10% in the number of persons employed overall in the accommodation and food services sector when compared with August 2015. Full time employment (17,400) was down however by 12% while part time employment (36,500) was up 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.

### Adelaide Airport – Passenger Movements

Passenger movements through Adelaide Airport for the financial year 2015-16 and the previous year are presented below.

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

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.