

TTF-MASTERCARD TOURISM INDUSTRY SENTIMENT SURVEY

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TOURISM & TRANSPORT FORUM

Tourism & Transport Forum (TTF) is a national, member-funded CEO forum, advocating the public policy interests of leading corporations and institutions in the Australian tourism, transport and investment sectors.

MASTERCARD

MasterCard is a technology company in the global payments industry, operating the world's fastest payments processing network connecting consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories.

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ABOUT THE SURVEY

The *TTF-MasterCard Tourism Industry Sentiment Survey* is an independent measure of key industry themes and trends. The survey is distributed to senior staff within TTF's membership organisations and other leading tourism businesses around Australia.

Cover image: Tourism Australia – Freycinet Experience Walk, Tasmania

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EXCHANGE RATE & TAX WORRIES LINGER AS TOURISM REPUTATION CONCERNS GROW

HIGHLIGHTS: MARCH QUARTER 2015

EXCHANGE RATE CONCERNS REMAIN

Despite the general depreciation in the Australia dollar, concerns about the negative impact of the currency remain. This could, in part, be as a result of the currency not depreciating by as much against key tourism source countries such as New Zealand, United Kingdom and Europe.

TOURISM REPUTATION UNDER PRESSURE

One of the big movers of the quarter was the rise in concern about the reputation of Australia as a desirable tourist destination. This highlights the importance of maintaining consistent and well-funded marketing campaigns.

STRONG INTERNATIONAL RESULTS HELP OFFSET SOFTER DOMESTIC OUTCOMES

Industry leaders reported a slight dip in overall performance during the March quarter, as near historical highs in the international tourism sentiment index were offset by another decline in the domestic tourism index.



Tourism Australia – Freycinet Experience Walk, Tasmania

“With the exchange rate differential we should be seeing greater volumes of domestic and overseas tourists to Australia”

- Tour Operators & Travel Sales

TOP INDUSTRY IMPEDIMENTS

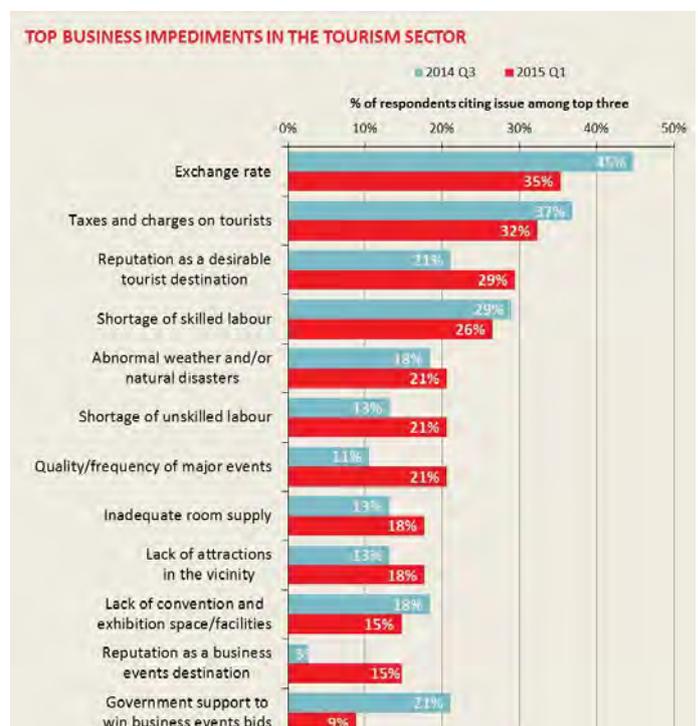
The exchange rate remained the top concern for members for the first quarter of 2015. On a positive note, the level of concern is lower than that recorded in the previous survey. Persistent concern about the currency could be due to the performance of the A\$ against the cross-rates. For example, in the first three months of the year the A\$ depreciated 6.9% against both the US\$ and Chinese yuan. However, the depreciation was less against the UK£ (2.0%) and NZ\$ (2.6%) and the A\$ appreciated 4.8% against the Euro.

The impact of taxes and charges on tourists remains around historical highs, being cited by 32% as a top impediment for their business – down only slightly from the previous survey.

The third ranking concern was Australia’s reputation as a desirable tourist destination (29%). In addition, concern about Australia’s reputation as a business events destination recorded the largest rise between surveys – up 12 percentage points. These two results point to the need for governments to maintain or increase marketing funding.

Other notable concerns were access to labour, with over 1 in 5 respondents nominating skilled (26%) and unskilled labour (21%) as one of their top three impediments.

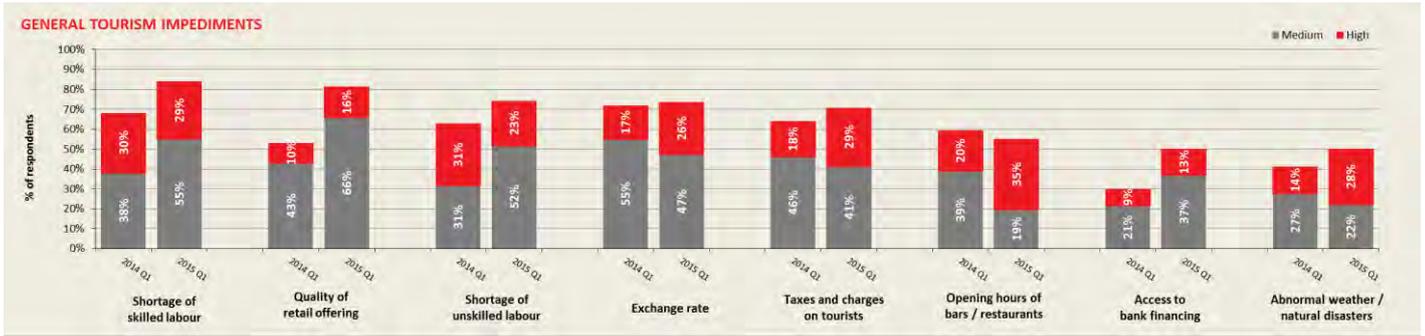
Q: Which are the three most significant impediments for your business or organisation at this time?





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Q: Are the activities of your business/organisation impeded by difficulties in any of the following areas? Please indicate the level of impact.



NB: Ranked by sum of 'medium' and 'high' impact for latest quarter.

GENERAL TOURISM IMPEDIMENTS

The easing of concerns about the exchange rate was more strongly evident in the survey when respondents were asked to nominate the level of impact an impediment was having on their business – in terms of high, medium or low.

In this question a shortage of skilled labour was identified as the impediment having the greatest impact on tourism businesses. 84% of respondents nominated this as either a high or medium impact, up from 68% a year ago. Unskilled labour shortages are also a concern – coming in at third place in the combined result rankings (74% versus 63% a year ago).

The survey also highlighted the strong links between retail and tourism, with 81% of respondents indicating a high or medium impact from poor quality retailing offerings. This is up strongly from 53% for the same time last year.

Slightly more respondents had a high or medium level of concern about the exchange rate (74%) compared to a year ago (72%) but overall this had slipped to the fourth highest combined result.

BUSINESS TOURISM IMPEDIMENTS

Tourism operators are increasingly concerned about the ability to attract business events. A total of 71% of respondents said this acted as a high or medium impediment to their business - up from 65% a year ago.

Adequacy of airport transport links recorded the second highest combined result – at 61%, similar to the 64% reported a year ago.

LEISURE TOURISM IMPEDIMENTS

Room supply issues are seen as a major impediment to the leisure tourism sector. Inadequate supply had a high or medium impact on 61% of respondents – almost unchanged from a year ago. Similarly, only 28% said excess room supply was having a high or medium impact on their operations.

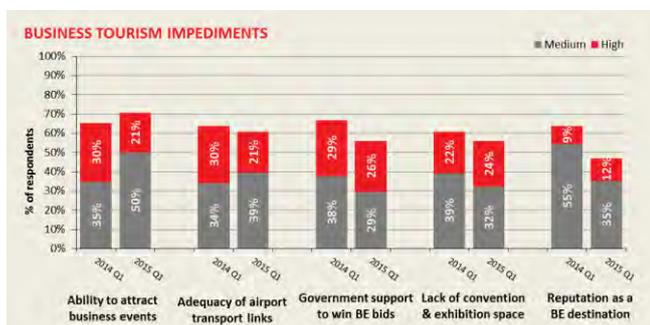
Over the past year, more respondents have become concerned about the lack of nearby attractions for visitors – at 61%, up from 55% a year ago.

There has also been a slight lift in respondents seeing the reputation of an area as a tourism destination as an impediment in the past year, from 53% to 58%.

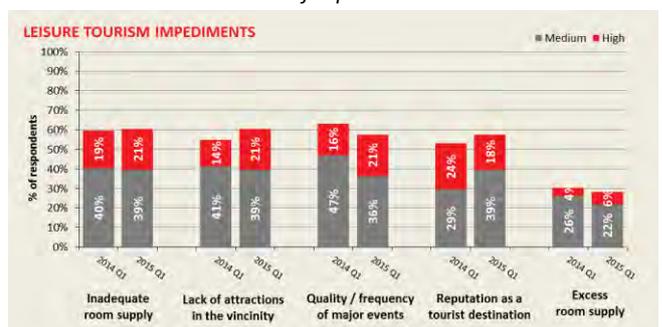
“Poor consumer confidence is impacting on domestic travel. Confidence declined after the last Federal Budget and is still struggling to return to 2014 numbers.”

- Aviation

Q: Specifically relating to the **business tourism sector**, are the activities of your business/organisation impeded by difficulties in any of the following areas? Please indicate the level of impact.



Q: Specifically relating to the **leisure tourism sector**, are the activities of your business/organisation impeded by difficulties in any of the following areas? Please indicate the level of impact.



TOURISM SENTIMENT INDEX

INTERNATIONAL TOURISM

It was a good start to the year for those tourism operators that depend on international visitors.

The international tourism performance index rose strongly in the first half of the year, up 10 points to 132 points. This is almost at the record high level of 139 points, recorded in 2013Q3. The performance index has now been at or above 120 points for the last seven quarters.

Problems with the processing of overseas visitor information by the ABS mean the industry is still awaiting confirmation of this positive performance in the official data for late 2014 and the start of the year.

Looking ahead, performance is expected to fall off in the next three months. However, overall performance levels are still expected to be well above 100. This means conditions are still expected to stay above 'normal' conditions for that time of year.

DOMESTIC TOURISM

Domestic tourism sentiment dipped for the fifth consecutive quarter, it is now only just above the baseline of 100 at 101 points. This was 6 points below the expectations for the first three months of the year.

These soft conditions are consistent with Tourism Research Australia's latest National Tourism Survey. In 2014, domestic overnight holiday travel was flat with trips down 1% and spend steady at \$26.5 billion. Over the same period, the number of domestic day trips was also flat at 164 million trips, while expenditure decreased by 2% to \$18 billion. The purpose of travel for domestic tourism showing most growth is visiting family and friends, which saw an 11% increase in the number of trips to 29.4 million. VFR trips now account for 36% of all domestic trips, compared to 34% in 2009.

This run of declining performance is now starting to impact on expectations for the future. When asked about expectations for 2015Q2, businesses now expect an index of 100 – that is, the quarter will be equal to what could reasonably be expected for this time of year.

"We have focused on the Chinese market for the past 2 - 3 years and this is now starting to show benefit."

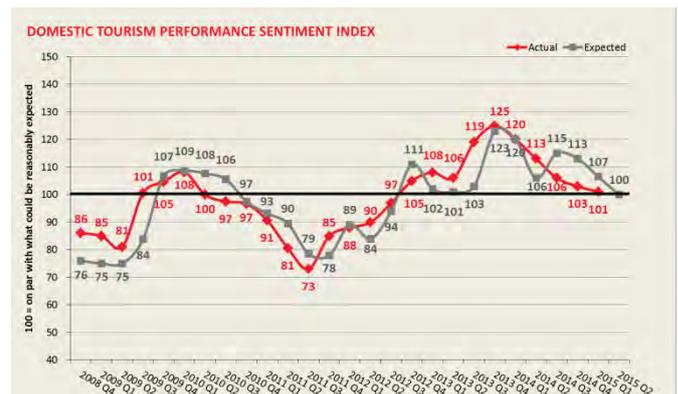
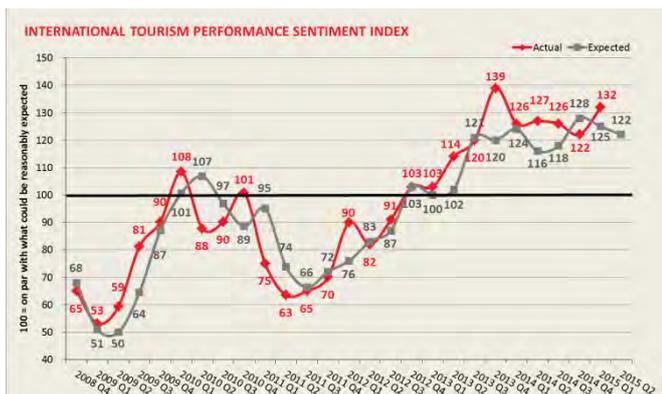
- Restaurants and catering

"Generally good - domestic opportunities with the declining Australian dollar driving people to explore in their own backyard!"

- Cultural, Amusement & Wildlife Attractions

Q: What is your assessment of international tourism performance in your destination/business for the current quarter and your expectation for future performance for the next quarter compared with what you would reasonably expect for this time of year?

Q: What is your assessment of domestic tourism performance in your destination/business for the current quarter and your expectation for future performance for the next quarter compared with what you would reasonably expect for this time of year?



The Tourism Sentiment Index is derived by assigning a value of 0 to 'much worse' responses, 50 to 'worse', 100 to 'equal', 150 to 'better' and 200 to 'much better'. A value of 100 therefore means that the performance across businesses is 'equal to what could reasonably be expected for this time of year'.



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KEY PERFORMANCE INDICATORS

Forward bookings remain at high levels, with 85% of respondents saying that these are either equal to or better than they would expect at this time of year.

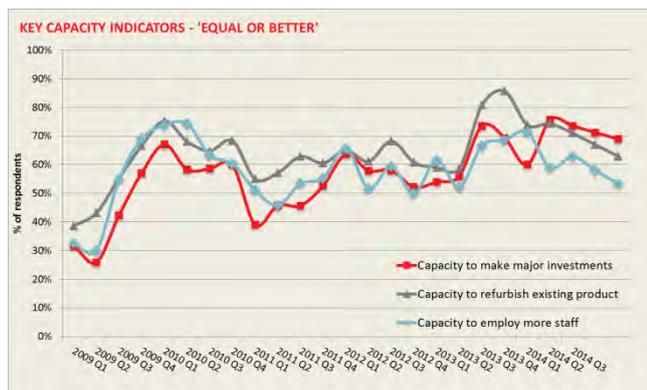
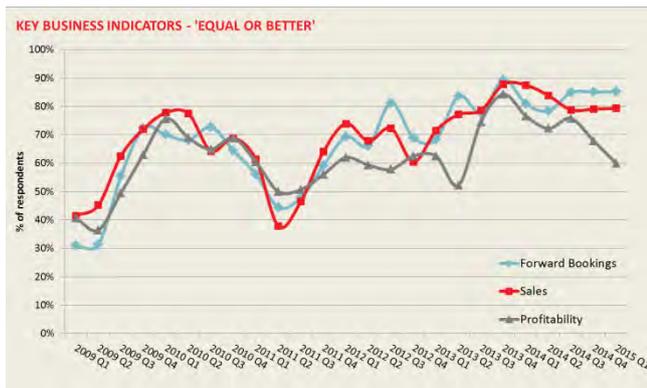
It is a similarly positive story for sales, which have stabilised for the past three quarters at 79%, following a slide from the highs of late 2013 and early 2014.

Capacity indicators all recorded slides during the March quarter, which continues recent patterns.

Of particular concern is the three quarters of declines in the tourism sectors capacity to employ more staff. Only 53% say conditions are equal to or better than they would expect at this time of year. This is down from a recent peak of 71% a year ago.

“People are reluctant to spend, but still want to travel overseas.”
- Accommodation and resorts

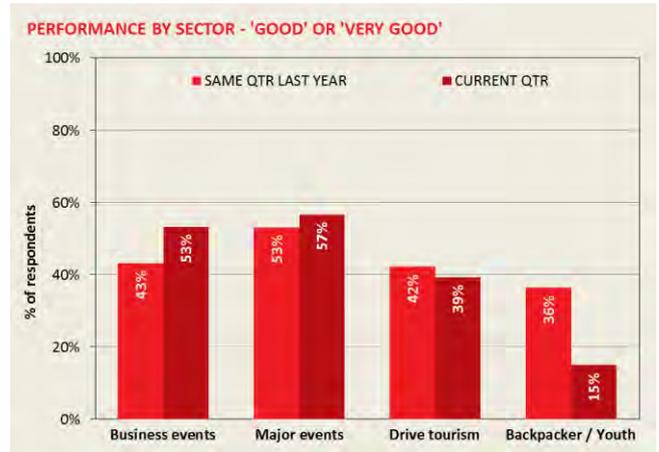
Q: How would you rate the current status of your business in the following categories compared with what you would reasonably expect for this time of year?



“High pricing due to bed shortage and margins now slightly being offset by A\$’s decline.”
- Aviation

SECTORAL PERFORMANCE

Q: How would you rate the performance of the following sectors?



Both the business events and major events sectors reported improved conditions in the first three months of 2015, compared to the same quarter a year ago. Drive tourism performance has slipped slightly over the year, with just 39% of respondents believing the sector’s performance is good or very good.

The big mover over the year has been the backpacker/youth market, which has deteriorated significantly. Only 15% of respondents said conditions were good or very good, down from 36% a year ago and a recent peak of 45% in 2013Q3. Budget travel is also down, with only 30% of respondents reporting good or very good performance in 2015Q1.

The other end of the market is performing much better, with 62% of respondents reporting luxury travel was good or very good. This is up from 50% in the same quarter last year.

Mid-range travel is down 5 percentage points from 60% to 55% over the past 12 months.



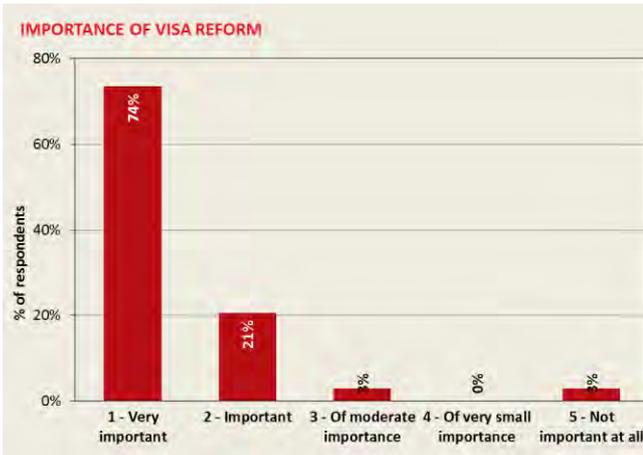
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VISITOR VISA SYSTEM

This quarter’s special focus area addressed Australia’s visitor visa system.

The key message from industry leaders is that visa reform is needed in Australia, with 74% saying they believed reform was very important for the future success of the tourism industry.

Q. How important is reforming Australia's visitor visa processing system to the success of the tourism industry?



Reform in this area needs to look at a range of matters. Respondents identified the need for faster processing times as their top priority, followed by lowering the cost of visas. Other priorities include reduced complexity and providing application forms in non-English languages.

“Working holiday visa grants have contracted by at least 10% as a result of the visa fee being too high”

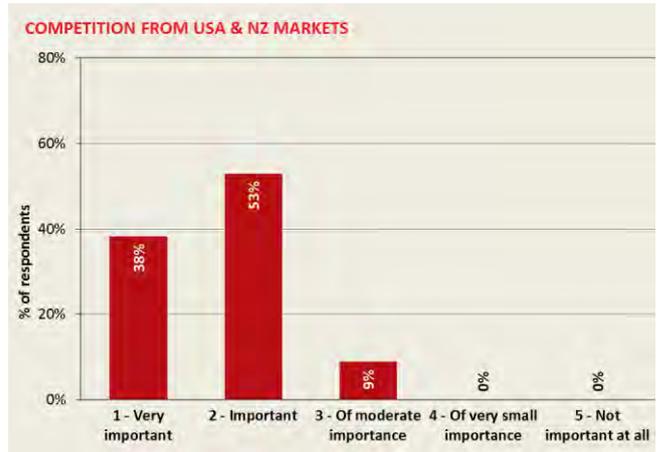
- Accommodation and resorts

The Australian tourism sector needs to also closely monitor actions being taken by other countries as major destination countries work to attract visitors from fast growing markets such as China.

Over 90% of survey respondents indicated that they are concerned about moves by USA and NZ to make it easier for visitors from China to travel to these countries.

For example, the United States offers 10-year multiple-entry visas to Chinese visitors.

Q. How concerned are you by competitor destinations like USA and NZ making their visa applications easier for visitors from key markets like China?



There have been some recent positive changes to Australia’s visa system for visitors from China, which TTF has welcomed.

The move to a permanent online application system for Chinese visitors, by the end of 2015, will help to drive repeat visitation from what are now the highest-spending category of visitors coming to Australia.

Similarly, an extension of the current trial for Chinese tourists to allow three-year, multiple-entry visas for approved visitors will also be supportive of growth in this important market.

Nevertheless, more work needs to be done.

Australian visitor visas for Chinese citizens still cost a minimum of \$130, making them almost seven times more expensive than visas for visitors from Hong Kong, Japan, Malaysia and the US.

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