

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.

MasterCard's products and solutions make everyday commerce activities – such as shopping, traveling, running a business and managing finances – easier, more secure and more efficient for everyone.

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, TAXES HIGH ON INDUSTRY AGENDA

HIGHLIGHTS: SEPTEMBER QUARTER 2014

INDUSTRY LOOKS FOR SUSTAINED FALL IN DOLLAR

Industry has reported increases in expenditure and expectations of improved outlook following recent falls in the dollar. Industry is, however, concerned about how long the current fall in the dollar will continue and the impacts this has on forward planning.

TOURISM TAXES FRONT OF MIND

Concerns around tourism taxes have reached their highest levels in the history of the series. The impact of the Passenger Movement Charge and the costs of visas continue to weigh heavily on industry sentiment.

EXPECTATIONS HIGH FOR INTERNATIONAL TOURISM

Industry has registered historic high expectations for international tourism in Q4, with performance again outstripping expectations for the fourth consecutive quarter.



Tourism Australia – Freycinet Experience Walk, Tasmania

“A change in NSW liquor licensing laws has changed the night-time economy. This could have dire effects on our reputation with visitors.”

- Restaurant and catering sector

TOP INDUSTRY IMPEDIMENTS

Despite the falling dollar, the exchange rate has returned to the fore as the most pressing impediment for the tourism industry, with 45% of senior executives surveyed counting it among their top three concerns – on par again with 42% in Q2 2013, following several successive quarters of decline in importance.

Concerns regarding taxes and charges on tourists increased to historic highs, cited by 37% as a top impediment for their business – up 10 points from the same period a year ago.

Skilled labour remained on par as an impediment from a year ago, with 29% of respondents citing this as a key issue (+2pt). Meanwhile, the quality of retail offering surged in importance, up from 7% of respondents a year ago to 26%.

Around one in five executives also pointed to government support for business events bids, destination reputation, abnormal weather events and a lack of convention and exhibition facilities as key areas of concern.

In addition to the issues surveyed, other sources of business impediment named by respondents included consumer confidence, visa restrictions, aviation access, CBD congestion, visitor way-finding, liquor licensing laws and utility costs.

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



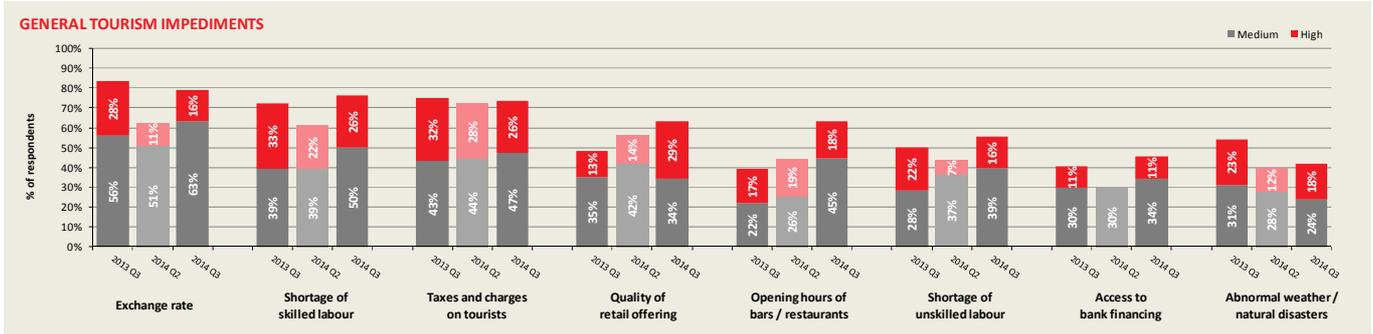


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Q: Are the activities of your business/organisation impeded by difficulties in any of the following areas? Please indicate the level of impact.



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

GENERAL TOURISM IMPEDIMENTS

The exchange rate is once again the number one issue cited by industry executives as having high or medium impact on the performance of their businesses. However, this share of respondents is down 5 points on the same period a year ago to 79%, with the proportion citing it as a high-impact issue falling from 28% to 16%.

A shortage of skilled labour was cited by 76% of respondents as being a high- or medium-level concern (+4pt), while 74% pointed to taxes and charges on tourists (-1pt). In both cases, the proportion of respondents citing the issues as having a high impact fell from around a third to just over a quarter.

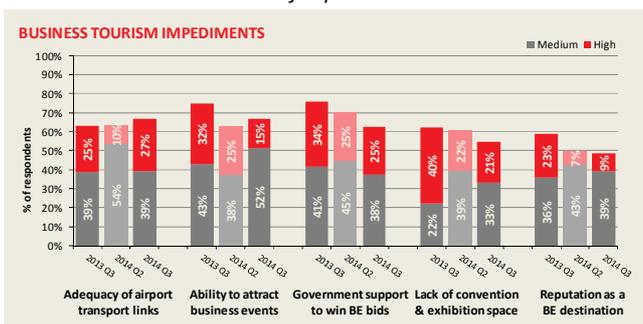
The issues to experience the greatest jumps in importance this quarter were the quality of retail offering (+15pt) and the opening hours of restaurants and bars (+24pt), both nominated by 63% of surveyed executives as being of moderate to high impact.

A shortage of unskilled labour gained 5 points to 55%, while access to banking finance gained a similar 5 points to 46%. Meanwhile, concern regarding abnormal weather events fell 12 points to 42%.

“Great potential if there is a coordinated approach from Federal and State bodies.”

- Accommodation and resorts sector

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.



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

BUSINESS TOURISM IMPEDIMENTS

The adequacy of airport transport links continued to persist as an issue of concern in the business tourism sector, with over two in three senior industry executives citing it as having a medium or high level impact.

A similar proportion also cited the ability to attract business events and government support to win business events bids as key issues, though these have declined in importance from a year ago.

Around half of respondents also pointed to a lack of convention and exhibition space and reputation as a business events destination as key concerns.

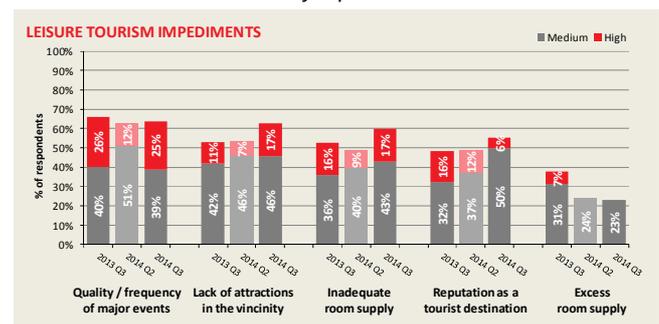
While most business tourism issues declined in importance year-on-year, it is worth noting relatively large proportions of respondents still believed these were business performance impediments.

LEISURE TOURISM IMPEDIMENTS

The quality and frequency of major events continued to dominate as the key issue in leisure tourism, with two-thirds of executives citing this as an important concern. A similar proportion also pointed to a lack of attractions.

Room stock was also a key issue: 60% of respondents cited inadequate room supply as a high or medium-level issue (+8pt), while only 23% pointed to excess room supply (-15pt). Meanwhile, concerns regarding destination reputation increased 7 points to 56%.

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.



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

TOURISM SENTIMENT INDEX

INTERNATIONAL TOURISM

The international tourism performance index remained at 126 points, consistent with the previous two quarters – 26 points above the baseline of what could be reasonably expected for this time of year and one of the most buoyant results on record.

This marks the fourth consecutive quarter of performance outstripping expectations, this time 8 points above the forecast made at the beginning of the quarter. Consequently, expectations remained equally buoyant for the December quarter, equalling 128 points on the index.

This corroborates with results from the latest *International Visitor Survey* conducted by Tourism Research Australia, which saw year-ending visitor expenditure increase by 9% and record visitor numbers in 15 key inbound markets – including double-digit visitation increases from China, the US, Singapore, Malaysia, Hong Kong, India and Germany.

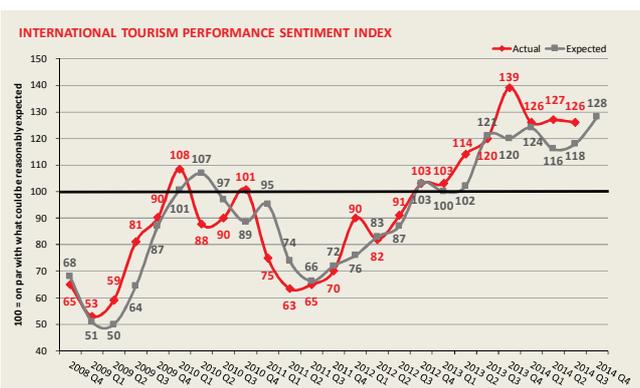


Tourism Australia – Ningaloo Marine Park, Western Australia

“Marketing is improving but some State budgets are under pressure and are limiting opportunity”

- Aviation sector

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?



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'.

“Stable and strong”

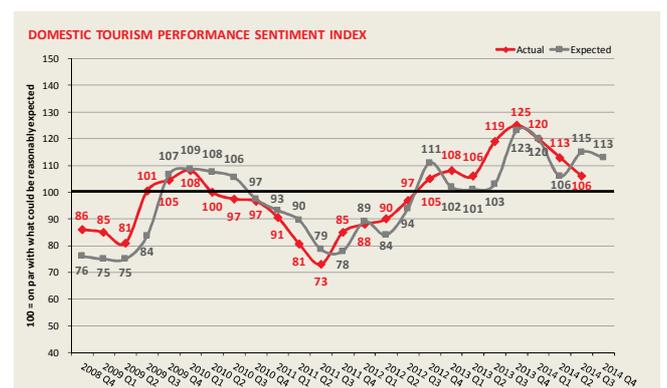
- Business events and conventions sector

DOMESTIC TOURISM

Domestic tourism sentiment dipped for the fourth consecutive quarter, but remained above the baseline of 100 at 106 points – 9 points below expectations set at the beginning of the quarter.

However, industry remained optimistic about the quarter ahead, with domestic sector expectations placed at 113 points on the index, echoing the relatively strong year-ending results of the latest *National Visitor Survey*, which saw a 4% increase in domestic overnight spending.

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?



“There is hope for domestic travel as the A\$ loses value against the US\$.”

- Accommodation and resorts sector



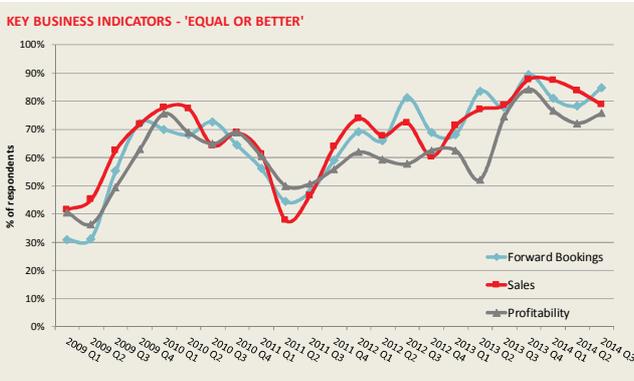
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KEY PERFORMANCE INDICATORS

Surveyed industry executives indicated forward bookings were among the healthiest they have seen since the inception of the survey, with 85% believing bookings were equal to or better than what could be reasonably expected for the time of year.

The sales metric declined for the third consecutive quarter, though 79% of respondents still believed this was equal to or better than usual, while the profitability indicator improved slightly on the previous quarter, with 76% of respondents believing this be relatively healthy.

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?

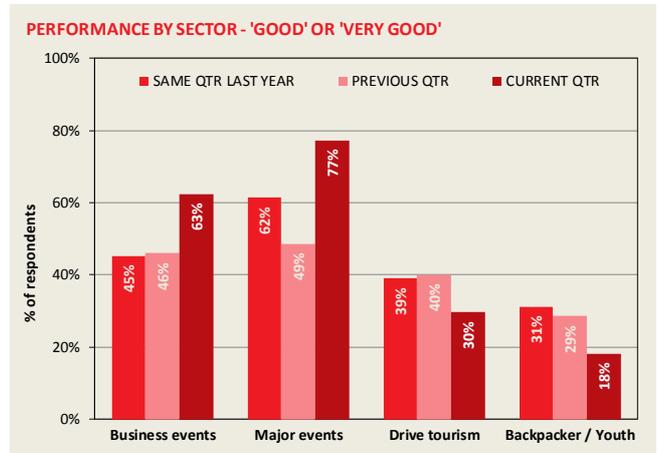


Positive perceptions of capacity to make major investments and to refurbish existing product remained above 70% despite slight dips, though industry has not again seen the exponential growth in these metrics found prior to the global financial crisis. Capacity to employ more staff improved slightly, with 63% of respondents saying this was equal to or better than usual for this time of year.

“Service improvements required to meet expectations set by premium price.”
- Restaurants and catering sector

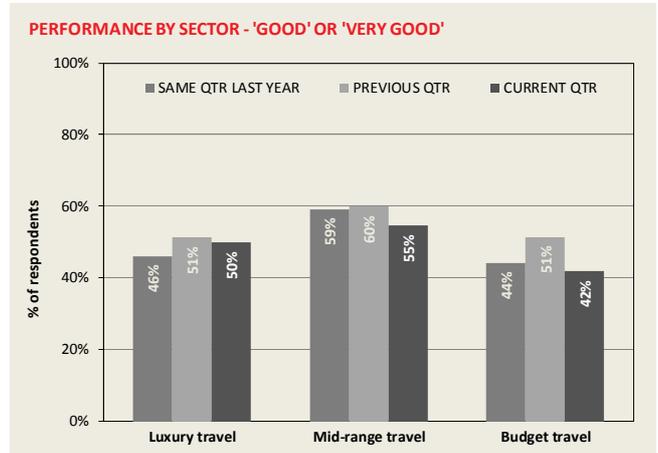
SECTORAL PERFORMANCE

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



Following quarters of decline, the performance of the major events sector has bounced back to its strongest position in the history of the survey – up 16 points from a year ago to 77% of respondents citing the health of the sector as good or very good.

Business events performed equally strongly, also at record highs with 63% of respondents rating the sector favourably (+17pt). However, the drive and youth sectors recorded double-digit declines.



The luxury travel sector improved 4 points over the previous year, with 50% of respondents citing its performance as good or very good.

Both the mid-range and budget travel sectors recorded slight dips, with 55% and 42% of respondents now citing the health of each sector as good or very good, respectively.

“Recovering from a low base but threatened by passenger movement charge. Australia is a very expensive destination.”
- Tourism marketing sector



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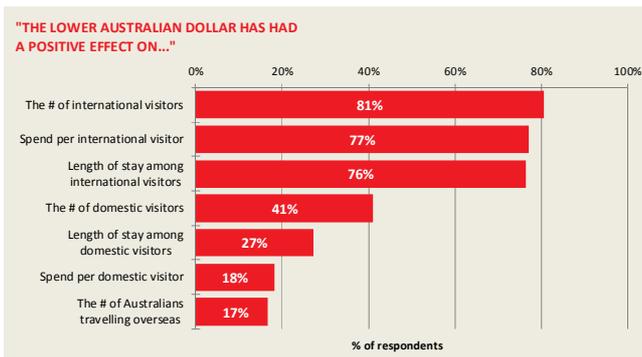
EXCHANGE RATE

The Australian dollar has eased from its record highs and is now near five-year lows. Indeed, the exchange has gradually waned in importance as a key concern for the tourism over successive editions of the survey.

We asked senior members of the tourism industry to cite the impact of this trend on their own businesses and found more than four in five seeing a positive effect on the number of international visitors. More than three-quarters also pointed to increased spending and length of stay by international visitors, reinforcing results of the international tourism sentiment index.

“The lower the dollar the better it is for our economy, people are willing to spend more when they are in Australia however it is not the determining factor in booking travel.”
- Tourism marketing sector

Q. How would you rate the impact of the lower AUD on growth in the following areas?

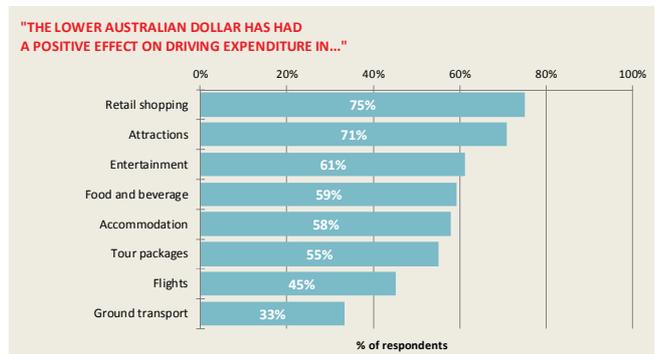


As the cost of international travel increases for Australians, 41% of respondents have also seen improvements in the number of people holidaying domestically. 27% have also experienced an increase in the length of stay among domestic travellers, while 18% cited an increase in domestic visitor expenditure.

However, 17% of surveyed executives have also seen an increase in the number of Australians travelling overseas – perhaps a testament to the strength of the demand for international travel among Australians, ingrained following several years of favourable exchange rates.

“International price competitiveness returning with the AUD but still lacks some quality in product.”
- Aviation sector

Q. How would you rate the impact of the lower AUD on driving the following categories of visitor expenditure?



Delving deeper into sectors of the tourism industry, we found 75% of respondents have seen a positive effect on retail shopping as a result of the waning Australian dollar, while 71% point to improved expenditure on visits to attractions.

More than half of respondents also pointed to positive results for visitor expenditure in relatively more discretionary categories including entertainment, food and beverage, accommodation and tour packages.

The transport sectors also fared positively, with 45% of respondents citing improved visitor expenditure on flights, in a boon to the aviation sector. Meanwhile, 33% also cited the same positive trends in spending on ground transport.



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