TOURISM AUSTRALIA GLOBAL MARKET MONITOR

MARCH 2009

Introduction:

This report updates Tourism Australia's assessment of the impact on Australian tourism of the Global Economic Slowdown. This is the third of these reports since November 2008 and includes intelligence from a wider range of tourism industry operators. We thank everyone who contributed their time to complete our surveys.

Executive Summary:
The outlook for Australian tourism in 2009

In late December 2008, the Tourism Forecasting Committee released its new forecasts for inbound, domestic and outbound tourism. For 2009 the TFC forecast falls in inbound arrivals of 4.1 percent, domestic visitor nights of 0.9 percent and outbound departures of 2.9 percent. [1]

Australian inbound tourism is not expected to do as well as the Australian economy in 2009. Overseas consumers' reaction to uncertainty about their continued employment and falling personal wealth is commonly to defer holidays or shift to shorter haul and short break destinations. In addition, the TFC predicts that business tourist arrivals (-7.3 percent) will perform noticeably worse than leisure tourism (-3.2 percent) as companies cut back on their travel budgets.

What makes the situation worse for Australian inbound tourism is that the expected falls in 2009 come off weak inbound tourism results for 2008 when arrivals fell by 1 percent. The economic environment for Australian inbound tourism changed radically in September 2008. The unfavourable environment for inbound tourism in the first eight months of 2008 was due to the very high level of the A$, fuel surcharges and airline load factors in peak periods. The unfavourable environment for inbound tourism since September 2008 is due to increased consumer uncertainty about continued employment, declining incomes and wealth – but is being partly offset by a much lower A$, reducing fuel surcharges, and airlines otherwise reducing airfares to fill seats.

We anticipate increased tourism marketing competition in our key markets, as airlines and National Tourism Offices seek to defend market share. Similarly, we expect that some Governments will seek to encourage their nationals to holiday at home.

[1] Source: http://www.tra.australia.com/content/documents/forecasts/Forecast%202008%20Issue%202%20Revised%20Edition%20_WEBSITE%20FINAL.pdf

After a very weak 2008 domestic tourism is forecast to be near flat in 2009 and will thereby provide vital support to Australian tourism businesses. However, in weighing this, Australian tourism businesses should recognise that domestic visitor nights in 2009 are forecast by the TFC to be 7 percent below their level a decade earlier in 1999.

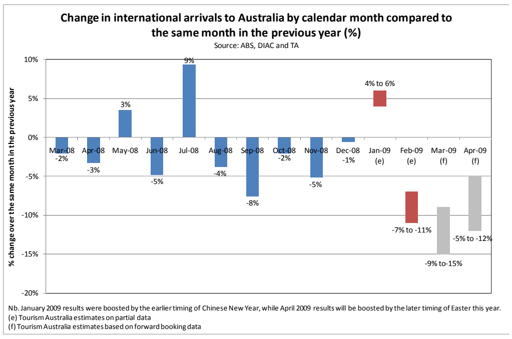
Australian tourism is yet to be fully impacted. Tourism Australia expects inbound tourist arrivals to be near flat (perhaps -4 percent to -2 percent) over January and February 2009 compared to the same period in 2008 (though the base period had an extra day). This reflects in part bookings made prior to late 2008 and some insulation for Australian tourism due to the fall in the value of the A$, falling airfares and fuel surcharges. In contrast, global international arrivals were down an estimated 6 percent in January 2009.

Price discounting in tourism is growing and this is a further impact of the global economic recession. Discounting is being led by airlines but is spreading to other sectors aiming at maintaining activity levels.

The low A$ is encouraging inbound visitors to spend more once they arrive. From the perspective of potential inbound visitors the Japanese Yen is buying more than 70 percent more A$ in late February than it was in July 2008, while the US$ is buying around 50 percent more A$ than it was in July 2008. The extra spending is expected to be most obvious in retail, attractions, tours and food and beverage expenditure. This should help to counter the impact on revenues of the price discounting that is underway in many tourism businesses.

Consumers are booking later, so data on future bookings is a less reliable guide to future demand than usual. Comparisons of bookings made for travel in March to April 2009 were expected to be considerably lower than in the equivalent periods of 2008.

Anecdotal evidence from operators on the basis of booking levels is that inbound arrivals over March to April might fall an average of 10 percent to 15 percent, however, late bookings could yet restore arrivals in this period to perhaps only a 5 percent fall – while worsening economic news could see the expected rush of late bookings dry up and so a 15 percent fall in arrivals in this period is realised. The following chart reflects TA's expectations for inbound arrivals in the first four months of 2009, including an indication of our uncertainty.



Each market and each segment is performing differently depending on its local economic conditions, currency shifts, marketing activity and airline seat capacity and airfare pricing. The following is a summary of broader trends, with the outlook for individual inbound source markets set out in the attachment at the end of this report.

[More detail on the data and analysis underlying conclusions in this report is available in a longer form of this report (indeed the longer report is recommended for readers with a strong interest in this subject) is available at: TA/GMM/Detailed Report.]

Tourism Australia's response to the global economic recession

Tourism Australia has stepped up its market monitoring to ensure that its strategic decisions are based on the most up to date information and that TA responds to challenges and opportunities facing the Australian tourism industry. In addition, this Global Market Monitor shares the most up to date information with the tourism industry to assist them in their strategic decision making.

A quarterly full review of all market performance will also be conducted within TA allowing TA to evaluate current plans and respond where necessary with shifts in marketing funding and prioritisation.
Our intention is to pursue a strategy in 2009/2010 which will focus on those markets which can deliver enough volume to minimise the decline in overall visitor numbers to Australia in the short term, and to take advantage of growth opportunities for the long term.

In a number of source markets Australian sales are expected to perform more strongly than sales to other competing long haul destinations due to the fall in the Australian dollar and more seat capacity and lower airfares to Australia.

The importance of the domestic market is even more evident in the current environment and it will be a strong focus of TourismAustralia's marketing activity over the coming months.

Tourism Australia's Annual Operating Plan is currently under development but key elements, which reflect our overall strategy as described above will include:

- Continued use of the Come Walkabout brand campaign over the next few months with a gradual transition to the next phase of that campaign toward the end of the year. This is a reflection of the positive consumer reaction as measured in brand health monitoring;
- Prioritisation toward those markets and market segments that are forecast to perform best in the next one – two years;
- Increased focus in trade and consumer communications on the improved value for money of a trip to Australia from a range of source markets for leisure and business event tourism;
- Increased cooperative activity with industry partners who are funding tactical campaigns to support delivery of inbound arrivals;
- Relaunch of the domestic No Leave-No Life campaign to boost domestic leisure overnight tourism;
- Maintenance of our previous local currency buying power in international markets in the remainder of 2008/09 (notwithstanding the large fall in the buying power of the A$).

The next Global Market Monitor is planned for the end of April 2009, following contact with survey respondents just after Easter.

The fall in the A$ expressed in terms of foreign currency buying power

Australians commonly express changes in exchange rates from the perspective of the rise or fall of how much foreign currency the A$ buys. However, inbound visitors express exchange rates in terms of the rise or fall in how much their own currency buys of A$. When the A$ falls against other currencies, the percentage change in the A$ purchasing power of foreign currencies is more than the change in the value of foreign currencies in A$s.

In July 2008, the A$ reached its peak level against many overseas currencies. The following table shows how many more A$ are purchasable with foreign currency between the average of July 2008 and the 19th of February. For markets like Japan the currency change is very large, with a 71 percent increase in the A$ purchasable with Yen since July - providing more optimism about inbound tourism even from this heavily recessed economy.

Table 1 - Change in the A$ buying power of foreign currencies from July 2008 to 19 February 2009

US$	50%
Euro	19%
Japanese Yen	71%
UK Pound	7%
NZ$	1%
Canadian $	21%
Hong Kong $	51%
Singapore $	33%
Malaysian Ringitt	33%
Korean Won	3%
Chinese RMB	50%
Trade Weighted Index	35%

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Sector Outlooks

Summary comments on the outlook for the business event market

Data from the ABS indicates that in the December quarter 2008 visitor arrivals with a main purpose of attending a convention/conference fell by 15 percent as total business arrivals fell 7 percent.

The longer lead time between the confirmation of a business event and the opening of the event provides some protection for business event organisers that events will occur as scheduled. However, the same protection does not ensure that expected delegate numbers for the event are delivered.

The Asia Pacific Incentives and Meeting Expo (AIME) was held in Melbourne in mid February 2009. Key findings from AIME were as follows:

- Lead times are getting shorter for the corporate meeting and incentive market.
- There is concern about some loss of business event activity – hotels are expecting the year to be down around 10 percent.
- Australia's value proposition is currently very strong as aided by the weaker A$.

Summary comments on the domestic tourism outlook

Domestic tourism had a very weak 2008. As a lower share of the domestic tourism business is booked well in advance, framing expectations for future domestic tourism is more difficult than for inbound markets. In addition, in contrast to inbound tourism, leading indicator data is not available for domestic tourism.

Feedback from Australian retail travel agents selling domestic product indicates small declines in bookings for travel in early 2009. Early and partial data for outbound tourism in January 2009 suggests a fall in total Australian departures of around 4-8 percent compared to January 2008. Falling outbound departures is reducing competition for domestic tourism.

Preliminary data from the Roy Morgan Holiday Tracking Study on intention to take short (1 to 2 nights) trips in Australia in the next 12 months was slightly stronger in December 2008 than it had been in December 2007. Intention to take longer trips (3 nights or more) in Australia in the next 12 months was also similar in December 2008 to what it had been in December 2007.

Informal feedback from State and Territory Tourism Organisations is that in many areas of Australia, domestic tourism operators were relatively busy in the traditional peak period for holiday travel of December/January. However, it appears that lower cost holiday options were often the first to fill up and higher priced holiday options struggled to gain sales – a reversal of the normal peak summer seasonal pattern.

Aviation impacts of the economic crisis and risks to inbound tourism in 2009

Airlines are being hit by the global economic crisis, particularly as sales to business travellers fall rapidly, and this is expected to cause important indirect impacts on Australian tourism.

Australia is continuing to enjoy aviation capacity growth. Tourism Australia now expects around 6 percent growth in international seat capacity to Australia in 2009. However, each month sees announcement of small reductions in capacity to Australia for later in 2009, most recently by Japan Airlines, Qantas and Singapore Airlines.

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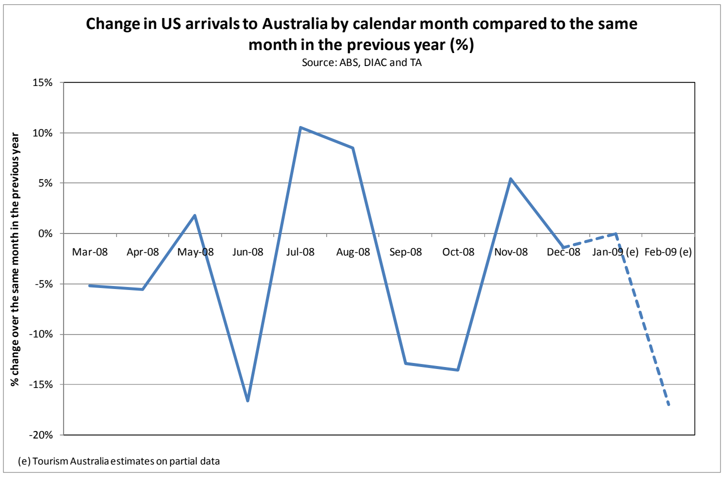
Individual Market Outlooks:

United States [3]

Tourist arrivals from the USA fell by 1.1 percent in 2008 and fell by 1.3 percent in December 2008 compared to the previous year. Tourism Australia estimates that USA arrivals were nearly flat in January 2009 but expects a fall in arrivals of between 15-19 percent in February 2009, compared to the same months in 2008.



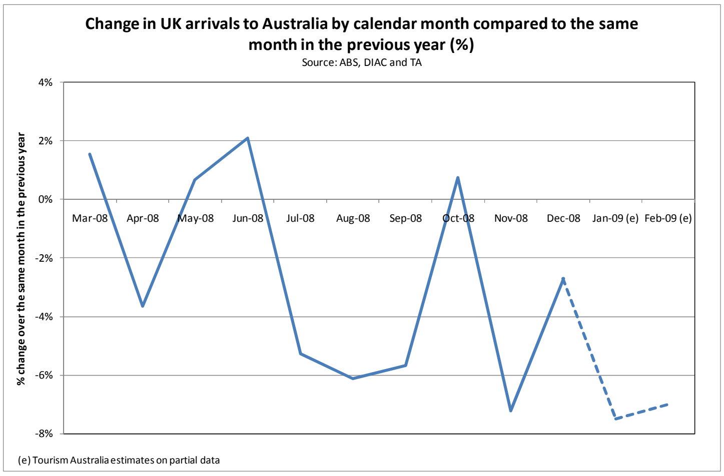
Visa applications appear to lead arrivals by one month, but this relationship was more variable in the USA in 2008 than for other markets. Total short term leisure and business visa applications are down slightly in December 2008 and January 2009 compared to the same months the previous year.

Feedback from sellers of Australia in the USA was highly varied. Some sellers were reporting small increases in sales in March and April and others 20 percent falls. The trend toward later bookings was identified, but some sellers noted that consumers were doing more research than previously so enquiry levels had held up well even as sales had fallen as conversion became more difficult.

Other sellers noted that consumers were more focussed on using frequent flyer points, so sales of airfares were falling. Some sellers commented on the much more competitive recent airfare pricing on the routes to Australia as a positive and it is expected that direct sales by airlines are increasing given the publicity of launch specials on V Australia and Delta Airlines and competing offers on Qantas, United Airlines and American Airlines.

United Kingdom

Tourist arrivals from the UK fell by 2.5 percent in 2008 and fell by 2.7 percent in December 2008 compared to the previous year. Tourism Australia estimates that UK arrivals were down 5 to 10 percent in January 2009 and expects a similar result for February 2009 (down from 5 percent to 10 percent),



[3] Comparisons of February 2009 arrivals with February 2008 arrivals are reduced by the extra day for the leap year in the base period. This is equivalent to a 3.5% reduction in February 2009 even if the days in February 2009 had on average the same number of arrivals as each day in February 2008.

compared to the same months in 2008.

Total short term leisure and business visa applications were down around 5 percent in December 2008 and January 2009 compared to the same months the previous year. Visa applications for leisure and business visas are a reasonable leading indicator for total arrivals from the United Kingdom, leading arrivals by one to two months. While a small sector of total UK arrivals (around 6 percent), Work Holiday visa applications increased by around 20 percent in December 2008 and January 2009.

The outlook for the UK market continues to soften, with bookings down significantly for travel in March and April (down around 10-15 percent). UK sellers noted a stronger trend to late booking in February than was apparent in December 2008.

> *We are finding both for Travel 2 and Travelbag that for all destinations - and Oz is no exception - people are booking much, much later. Most of the bookings we have been getting in Jan & Feb this year have been for Jan-April with very slow bookings for the rest of the year. The one exception is over the last few weeks as the Xmas flights have started to go on sale, we have seen strong sales for December.* (Source: Alasdair Farrimond, Stella Travel Services)

Other sellers noted that marketing efforts are being redirected toward a shorter 2-3 month advance booking period for Australia.

At the same time, UK sellers noted that falling airfares are assisting sales to Australia, aiding conversion of the notably lower level of inquiries. Tony Russell from Trailfinders noted that:

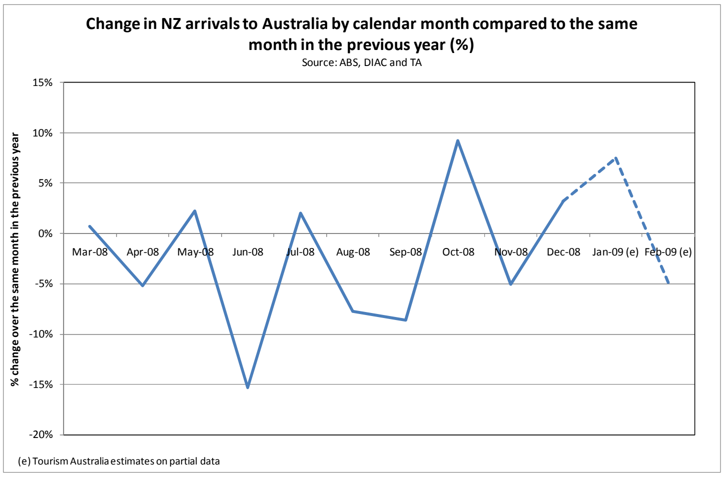
> *Trailfinders is confident that Australia will remain popular for both the first time and repeat visitor. Airlines are releasing fantastic fares to the market and lower fuel surcharges will only encourage more people to consider Australia for their next holiday.*

Finally, one UK seller noted the growing appetite by independent travellers for a good 'deal'. David Armour from Southern World Australia noted that:

> *FIT bookings are becoming more price conscious with a move from 5 star to 4 star accommodation and several agents are expecting "deals" from Australian suppliers...(as) hotels are being discounted in other parts of the world.*

New Zealand

Tourist arrivals from NZ fell by 2.2 percent in 2008 and grew by 3.3 percent in December 2008 compared to the previous year. Tourism Australia estimates that NZ arrivals were up 5 to 10% in January 2009 and between -3 percent and -8 percent for February 2009, compared to the same months in 2008. NZ, like Singapore and Hong Kong, has a high proportion of expatriate travel that makes predictions on partial data more uncertain.



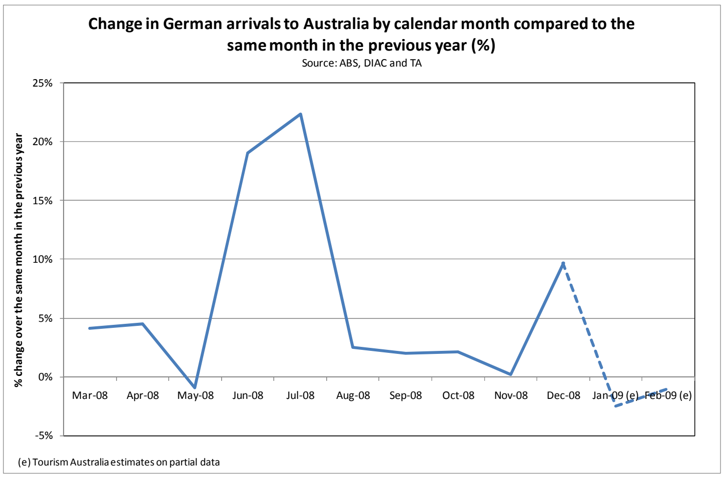
As NZ visitors don't require a visa before leaving NZ there is no data on visa applications for this market. Limited feedback was provided by NZ based sellers of Australia on future booking levels, which is partially explained by a short booking period. The NZ inbound market is also unique owing to its very high rate of repeat visitation (around 95 percent), and for being our only major short haul inbound market.

The NZ dollar is now buying only 1 percent more Australian dollars than it was in July 2008. However, Australia's relative exchange rate position has notably improved compared to key competing destinations such as the US$ and Asian currencies.

The most dramatic growth in NZ inbound arrivals in the last decade occurred in 2004 (up 23 percent) following the entry of Pacific Blue and Emirates to serving the Tasman. Total inbound arrivals from NZ are highly sensitive to changes in airline competition. Recently a flood of new airline seat capacity has been announced for the Tasman in late 2008 and early 2009. One airline suggested that the Tasman route is again looking like a "bloodbath" for airlines in 2009 which promises continued growth in arrivals from New Zealand. However, the recent entry of Pacific Blue and Jetstar into New Zealand domestic airline operations promises more competition on domestic airline services and increased competition from domestic New Zealand tourism.

Germany

Tourist arrivals from Germany grew by 6.1 percent in 2008 and by 9.9 percent in December 2008 compared to the previous year. Tourism Australia estimates that German arrivals were down 0 percent to 5 percent in January 2009 and expects between -3 percent and +1 percent in February 2009, compared to the same months in 2008.



Total short term leisure and business visa applications were down by 10 percent to 15 percent over December 2008 and January 2009 compared to the same months the previous year. Visa applications for leisure and business visas are a reasonable leading indicator for total arrivals from Germany, leading by around one to two months. The Working Holiday Maker sector represents around 10 percent of German arrivals and visa applications have increased from this sector by around 20 percent over December 2008 and January 2009 compared to the same months in the previous year.

Mixed comments were received from German based sellers but most are cautiously optimistic:

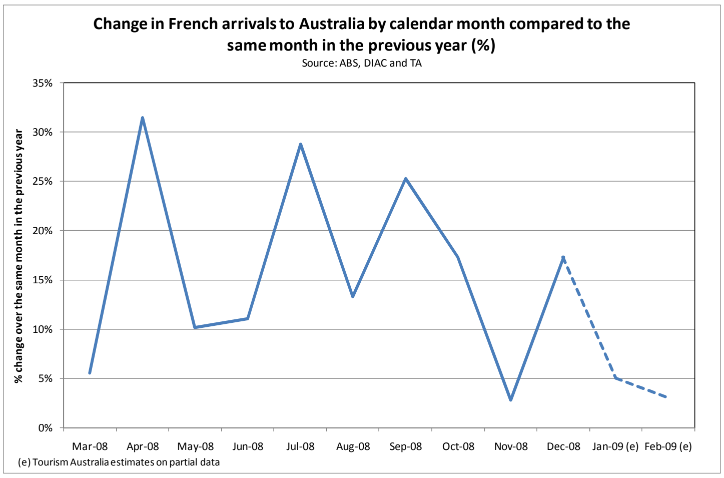
- *"The economic slowdown has less impact on passenger bookings (to Australia) than expected."* Dietmar P. Schulz from FTI Frosch Touristik
- *"Luckily the current world economic slowdown has not yet effected our business to Australia but we have to see what is happening on the long term since we are realizing that we are getting more and more short term booking and missing bookings for the periods later on in the year."* Joachim Voss from Meier's Weltreisen
- *"Australia is as cheap as ever (wholesalers' specials, airline specials)."* Steffen Albrecht from Karawane Reisen

- *"Due to increasingly lower airfare prices, interest in our niche (youth and student) is currently strong. They are less affected by the economic slowdown and have less worries about the future."* Andreas Siegmann from STA Travel
- *"People are waiting for specials - to save money".* Nicole Wittersheim from Thomas Cook

Some German sellers noted that while independent travel has held up well, group business is down. Part of the reason for this was that airlines and Australian ground content providers were more aggressively pricing to independent travellers than to group business.

France

Tourist arrivals from France grew by 16.5 percent in 2008 and by 17.1 percent in December 2008 compared to the previous year. Tourism Australia estimates that French arrivals were up around 5 percent in January 2009 and expects a similar result for February 2009 (1 percent to 5 percent), compared to the same months in 2008.

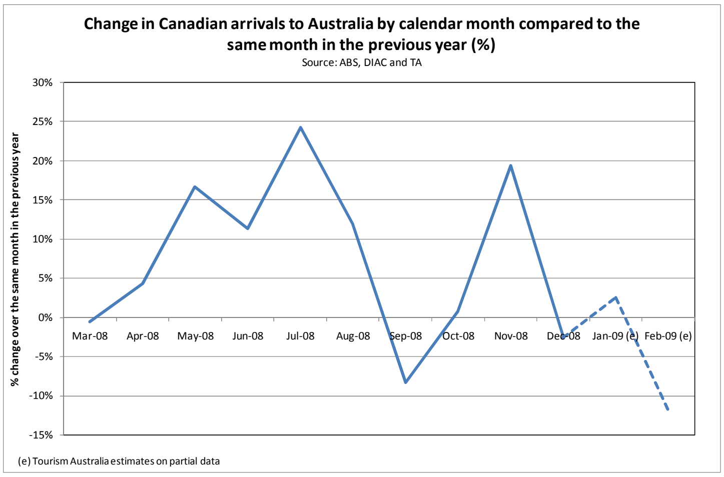


Visa applications from France grew between 5 percent to 10 percent over December 2008 and January 2009 compared to the same months in the previous year. The Working Holiday Maker sector represents around 15 percent of French arrivals, visa applications from this sector have increased by nearly 50 percent during this period. Visa applications for leisure and business visas are a reasonable leading indicator for total arrivals from France, but only lead arrivals by a month.

Key sellers of Australia in France commonly reported declines of around 10 percent in bookings for March and April 2009, though there was considerable variation among respondents.

Canada

Tourist arrivals from Canada grew by 8.7 percent in 2008 and fell by 2.6 percent in December 2008 compared to the previous year. Tourism Australia estimates that Canadian arrivals were up 0 percent to 5 percent in January 2009 but expects a fall of between 10 percent and 14 percent in February 2009, compared to the same months in 2008.



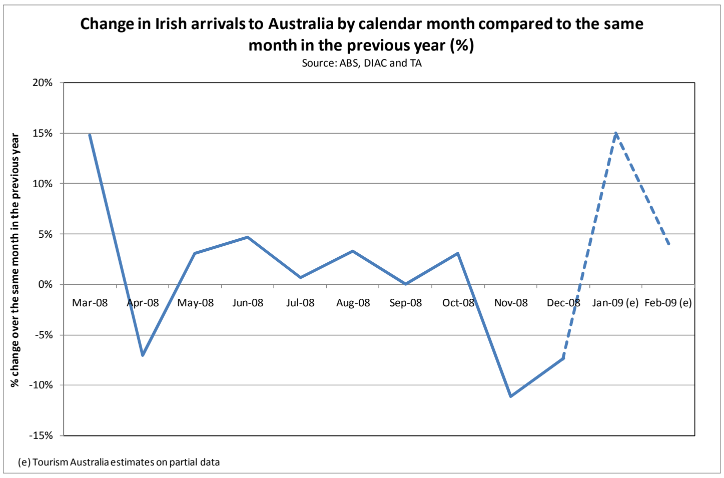
Applications for holiday and business visas by Canadians were down around 5-10 percent in December 2008 and January 2009 compared to the same months in the previous year. Visa applications for holiday and business visas are a reasonable leading indicator for total arrivals from Canada, leading by around one month. Working Holiday Maker visa applications are a comparatively small sector of 7 percent of total arrivals but have been up around 10 percent over December 2008 and January 2009.

David Armour from Southern World Australia noted that for the Canada market:

> *Although this current financial year 08/09 to June is booking OK, we are definitely seeing a slowdown in the forward bookings compared to the same time last year. FIT bookings are becoming more price conscious with a move from 5 star to 4 star accommodation and several agents are expecting "deals" from Australian suppliers because rates, especially with hotels are being discounted in other parts of the world.*

Ireland

Tourist arrivals from Ireland grew by 1.5 percent in 2008 and fell by 6.7 percent in December 2008 compared to the previous year. Tourism Australia estimates that Irish arrivals were up nearly 15 percent in January 2009 and expects a growth of 2-6 percent for February 2009, compared to the same months in 2008.

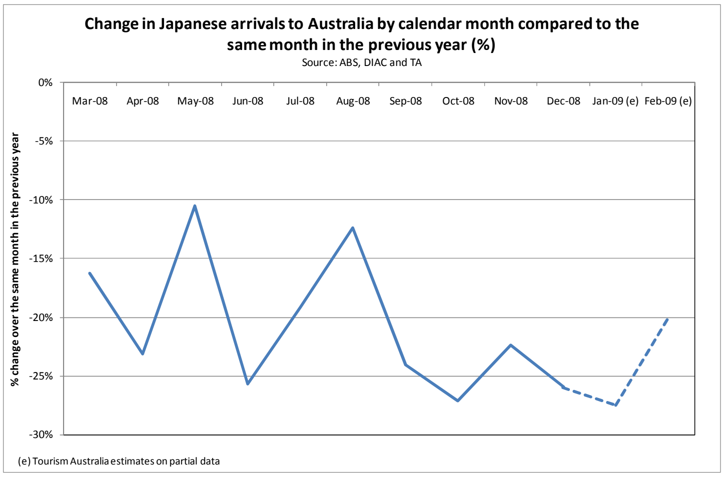


Visa applications from Ireland grew between 5 percent to 10 percent over December 2008 and January 2009 compared to the same months in the previous year. However, the Working Holiday Maker sector represents around 25 percent of Irish arrivals and visa applications have increased very strongly during this period (around 70 percent) – so other classes of visa applications are flat. Total visa applications for leisure and business visas are a reasonable leading indicator for total arrivals from Ireland, leading by around one month.

There was no feedback provided by Irish suppliers on bookings levels for travel in 2009. The split up of visa application data suggests that the share of Irish arrivals who are backpackers will increase, while the number of other Irish visitors to Australia will stay relatively flat in early 2009.

Japan

Arrivals from Japan have been declining for a number of years, and this decline accelerated in the first half of 2008 with the very high Australian dollar and increased fuel surcharges imposed by airlines.



Tourist arrivals from Japan fell by 20.2 percent in 2008 and fell by 25.9 percent in December 2008 compared to the previous year. Tourism Australia estimates that Japanese arrivals were down between 25 percent and 30 percent in

January 2009 but perhaps only 18-22 percent in February 2009, compared to the same months in 2008.

Visa applications from Japan fell by around 25 percent over December 2008 and January 2009 compared to the same months in the previous year.

However, the response of sellers of Australia in Japan suggests that the rate of decline in arrivals from Japan is set to moderate in the March to April period. Bookings of travel to Australia for the next two months are looking better now (though still negative at around 10-15 percent) than they did for the two months from mid December. This is despite further declines in airline seat capacity between Japan and Australia as Japan Airlines move to smaller aircraft for their Australian services in the coming months and the recent rapid worsening of the Japanese economic outlook.

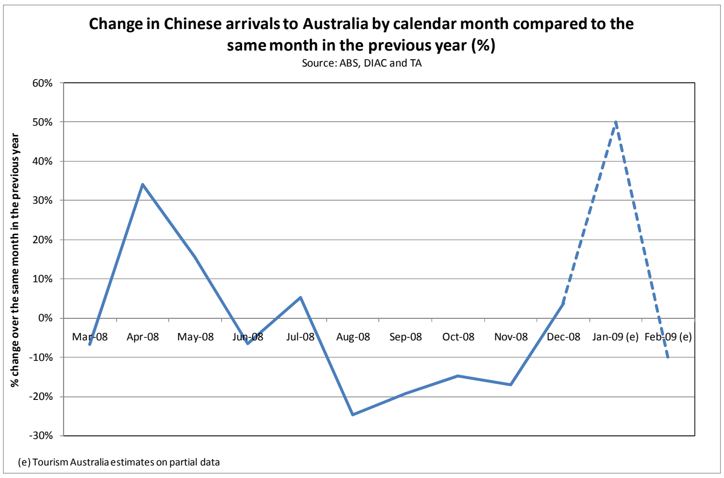
One Japanese seller noted that the economic crisis has impacted on all overseas travel, however the better exchange rate of the A$ has given Australia an advantage over other destinations. Similarly, another seller noted that bookings for travel to Australia are doing better than bookings for the USA or China. Less positively, it was also noted that the outbound family travel market is being increasingly affected by the economic slowdown, with this impact set to increase from April.

Fuel surcharges from Japan to Australia were previously at very high levels and as they are reduced this should support travel demand. In late February 2009 Japan Airlines applied to the Japanese regulators to drop the one way fuel surcharge from Japan to Australia from Yen 22,000 to Yen 3,500 for tickets issued after 1 April 2009. On a return flight to Australia this reduces the fuel surcharge on JAL by around A$600. Unfortunately, the extent and timing of this change might mean that travellers delay their travel from February and March to take advantage of the savings.

Kozo Yoneda from Jalpak International Oceania Pty Ltd noted that: *the impact of high value of Yen and lower fuel surcharge is a positive effect*.

China

The Chinese market went into decline around mid 2008, following the catastrophic Sichuan Earthquake and the Government's and public's reaction of cutting outbound travel. This trend was reinforced by a stay at home approach for the Beijing Olympics and the cancellation of the National Golden Week holiday period.



Tourist arrivals from China fell by 0.3 percent in 2008 and rose by 3.9 percent in December 2008 compared to the previous year. Tourism Australia estimates that Chinese arrivals were up by around 50 percent in January 2009 as boosted by the earlier timing of Chinese New Year (from February 2008 to January in 2009) and expects between a 9 percent and 13 percent fall in February 2009, compared to the same months in 2008. For the sum of the first two months we expect total growth in Chinese arrivals of around 10 percent.

Visa applications from China fell between 5 percent to 10 percent over December 2008 and January 2009 compared to the same months in the previous year. Leisure and business visa applications lodged to visit Australia lead actual arrivals by around a month.

There is considerable disparity in the bookings between sellers of Australia in China. However, the overall picture is that a shift to much later booking is underway and that March is likely to show much weaker growth than the first two months of the year. This conclusion of a coming slowdown is supported by the comparatively weak visa application data in December and January.

Feedback from sellers included that the impact of the economic crisis varies in the different geographic markets in China and according to the types of travellers. Guangdong Province for example is much less affected with more mature travellers and is continuing to sell comparatively well. Shanghai is more cautious and adopting a wait and see attitude, whilst Beijing has felt the effect more swiftly. Sellers also noted that the high end market is holding up better than the price sensitive travellers who are opting for Japan or elsewhere with cheaper airfares.

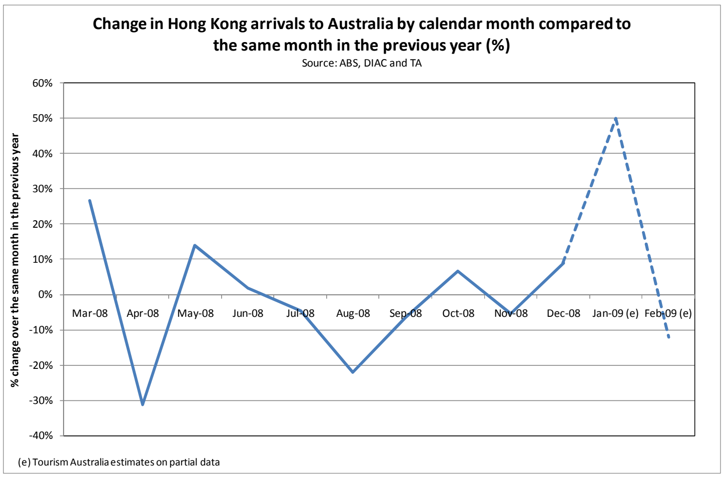
Sellers noted the benefit of the increased value of the Chinese currency in A$ and that airfares had become more competitive in recent months including with reduction in fuel surcharges. There was also feedback that the incentive market has performed strongly in the first two months of 2009, but is weakening now as companies cut back on their expenditure.

During April 2008, there was a large incentive group from Amway China of 7,200 participants to Melbourne. No equivalent size group is expected in April 2009 from China, so arrivals from China in April are expected to show a decline.

In late 2008, the China National Tourism Administration had expected total outbound tourism from China to return to growth in 2009. Given the significant role of the Government in influencing outbound travel from China, this was a very positive development for the outlook for arrivals to Australia from this market. However, the slowing domestic economy may lead the Chinese Government toward less active than previously planned encouragement of Government Tour Group & Business Tour Group business.

Hong Kong

Tourist arrivals from HK fell by 2.0 percent in 2008 and rose by 8.6 percent in December 2008 compared to the previous year. Tourism Australia estimates that Hong Kong arrivals were up by around 50 percent in January 2009 as boosted by the earlier timing of Chinese New Year (from February 2008 to January in 2009) but we expect between a 10 percent and 14 percent fall in arrivals in February 2009, compared to the same months in 2008. For the sum of the first two



months we expect an increase in Hong Kong arrivals of between 9 percent and 13 percent. There is more uncertainty around these predictions due to high levels of expatriate travel from this market on which we have no leading indicators.

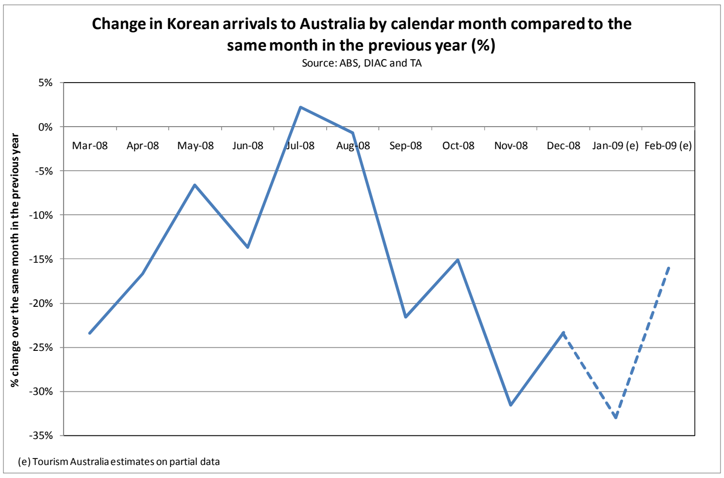
Visa applications from Hong Kong grew strongly by around 20 percent over December 2008 and January 2009 compared to the same months in the previous year. Visa applications are a reasonable leading indicator for total arrivals from Hong Kong by around one month.

There was a wide variation among sellers of Australia in Hong Kong on bookings for March and April. More commonly sellers noted that the large fall in the A$ and more competitive airfares with reduced fuel surcharges was helping to support sales.

Highlighting the interaction of tourism markets, the current slowing of inbound and outbound travel to/from UK/Europe and from Taiwan, China and Korea is expected to increase seat availability at the Hong Kong hub for Hong Kong travellers to Australia. In previous peak periods, seat availability for Hong Kong based agents wishing to sell Australian destinations has been very tight.

Korea

Tourist arrivals from Korea fell by 13.8 percent in 2008 and fell by 23.4 percent in December 2008 compared to the previous year. Tourism Australia estimates that Korean arrivals were down by around a third in January 2009 and expects a fall of between 14 percent and 18 percent for February 2009, compared to the same months in 2008.



The Korean market was in decline in the first half of 2008, before the Global Economic downturn. However, since September arrival comparisons with the previous year have become even less favourable.

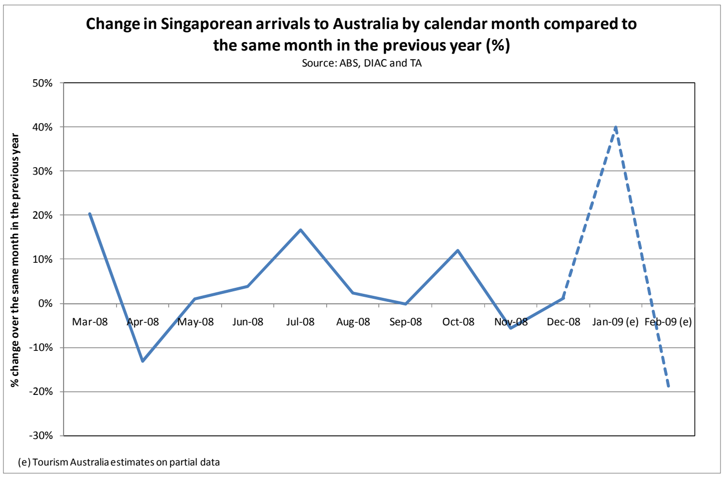
The economic situation and the depreciation of the Korean Won has further impacted on the outbound travel market. Total outbound from Korea to all destinations dropped 38 percent in December 2008 following a drop of 33 percent in November 2008.

Visa applications from Korea fell around 30 percent over December 2008 and January 2009 compared to the same months in the previous year. Leisure and business visa applications lodged to visit Australia lead actual arrivals by around a month. Visa applications for the large Working Holiday Marker sector (around 14 percent of all arrivals) are holding up far better being up by around 5 percent over December 2008 and January 2009 compared to the same months in the previous year.

Feedback from sellers of Australia in Korea is that the economic crisis is hitting bookings very heavily. It is common that these sellers are reporting 20 percent to more than 30 percent falls in bookings for March and April. One seller noted that sales to Australia faced a combination of negative factors including the deepening economic recession in Korea, weakened consumer sentiment and perceptions of a weak Korean currency making outbound travel more expensive. In reality the Korean Won is now buying 3 percent more Australian dollars than it did in July 2008, but when considering outbound travel Koreans are focusing on the very large loss of value for their currency against the US$ and Chinese RMB (nearly 50 percent) and Japanese Yen (around 66 percent).

Another Korean seller noted that the very bad economic situation in Korea is leading the consumer to prefer the very cheap product or short haul destination like China or Japan, while booking is now commonly occurring much closer to the date of expected travel.

Singapore



Tourist arrivals from Singapore grew by 2.7 percent in 2008 and by 1.1 percent in December 2008 compared to the previous year. Tourism Australia estimates that Singaporean arrivals were up by around 40 percent in January 2009, as boosted by the earlier timing of Chinese New Year (from February 2008 to January in 2009), and expects between a 16 percent and 21 percent fall in arrivals for February 2009, compared to the same months in 2008. For the sum of the first two months we expect Singapore arrivals to be down around 0-5 percent compared to the same months in 2008. There is more uncertainty around these predictions due to high levels of expatriate travel from this market on which we have no leading indicators.

Visa applications from Singapore fell slightly over December 2008 and January 2009 compared to the same months in the previous year. Visa applications for holiday and business visas are a reasonable leading indicator for total arrivals from Singapore. Commonly, the lead of visa applications is around one to two months ahead of total arrivals.

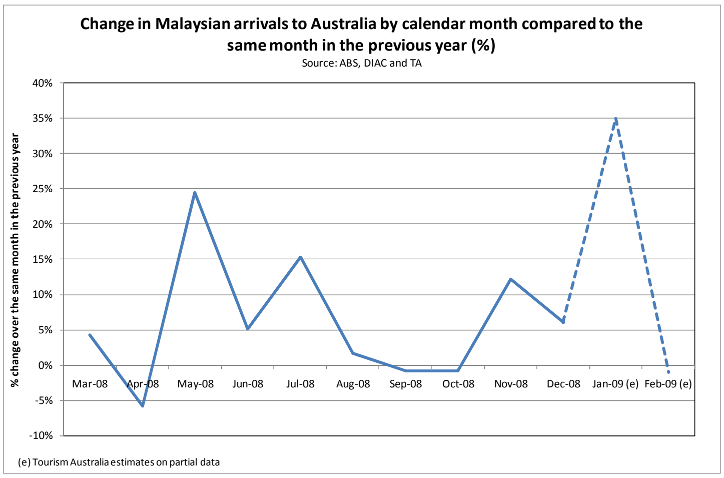
The Tourism Australia office in Singapore noted that the impact of the global economic crisis has been softened by the weakening Australian dollar. It is believed Australia has benefited at the detriment of other long haul destination such as Europe and USA.

Mixed comments were received from Australian inbound operators dealing with Singapore inbound business. One operator noted that 2009 will be a tough year with the cost of travel a big concern for consumers and leisure groups business slower – already hotels have been affected as rates have been dropping.

Another inbound operator noted that Singaporean travel to Australia in March/April was hard to predict. They are hoping travel in this period will be better than last year as there are many deals by airlines and agents to stimulate demand. The major consumer event Natas Fair is in March. Consumers are holding their bookings until Natas to get the deals in line with a more general move to book later.

Highlighting the interaction of tourism markets, the current slowing of inbound and outbound travel to and from UK/Europe and from China is expected to increase seat availability at the Singapore hub for Singapore travellers to Australia. In previous peak periods seat availability for Singapore based agents wishing to sell Australian destinations has been very tight.

Malaysia



Tourist arrivals from Malaysia grew by 7.3 percent in 2008 and by 5.9 percent in December 2008 compared to the previous year. Tourism Australia estimates that Malaysian arrivals were up by around 36 percent in January 2009 as boosted by the earlier timing of Chinese New Year (from February 2008 to January in 2009) and expects between -3 percent and 1 percent growth in arrivals for February 2009, compared to the same months in 2008. For the sum of the first two months we expect total growth in Malaysian arrivals of around 8 percent.

The global economic crisis is impacting consumer confidence and overall outbound from Malaysia for January was down however early indicators for Australia are positive. Airlines reported strong student traffic end January to February.

Visa applications from Malaysia grew by around 5 percent over December 2008 and January 2009 compared to the same months in the previous year. Visa applications for leisure and business visas are a reasonable leading indicator for total arrivals from Malaysia. Commonly, the lead of visa applications is around one to two months ahead of turning points in total arrivals.

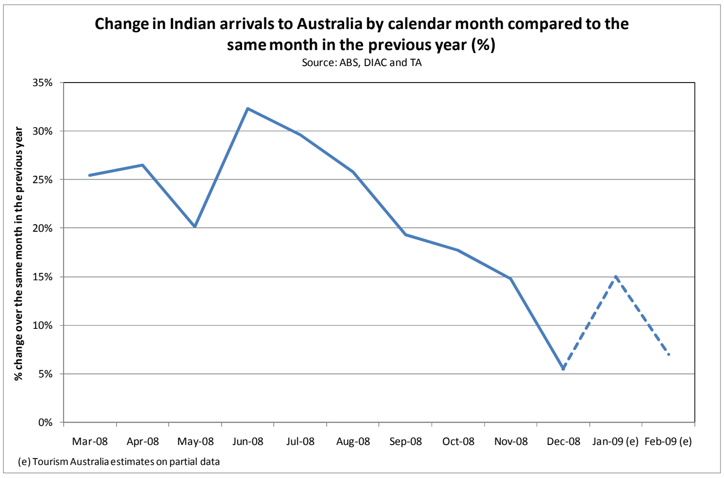
Malaysian based sellers of Australia reported little change in bookings for the March to April period compared to the same months in 2008. One operator noted that it was hard to predict travel in these months as bookings are later than usual and very competitive airfares in the market to Australia are encouraging a more favourable response to this destination. One seller noted that travel trends in Malaysia are dominated by price sensitive bargain hunting behaviour by consumers.

The inbound market from Malaysia is being significantly affected by the expansion of AirAsia X services to Perth and Melbourne during November 2008. Malaysia Airlines, the dominant carrier of inbound Malaysians is fighting hard to keep its position with less budget focussed travellers. Feedback from the Tourism Australia office in Kuala Lumpur is that overall outbound travel demand from Malaysia is expected to remain soft but that trade partners are hopeful the “airline price wars” will stimulate travel.

A Malaysian based seller noted that with the fierce competition between the national carrier and the low cost carriers, passengers have a choice of choosing between comfort and cost. Another plus point is with the favourable exchange rate, passengers will have more money to spend on food, shopping, souvenirs, etc. Given the increased role of AirAsiaX in servicing Australia it is expected that the independent travel market will perform comparatively well against group and package business in coming months.

India

Tourist arrivals from India grew by 22.0 percent in 2008 and by 5.8 percent in December 2008 compared to the previous year. Tourism Australia estimates that Indian arrivals were up around 15 percent in January 2009 and expect around 5 percent to 10 percent growth in arrivals in February 2009, compared to the same months in 2008.



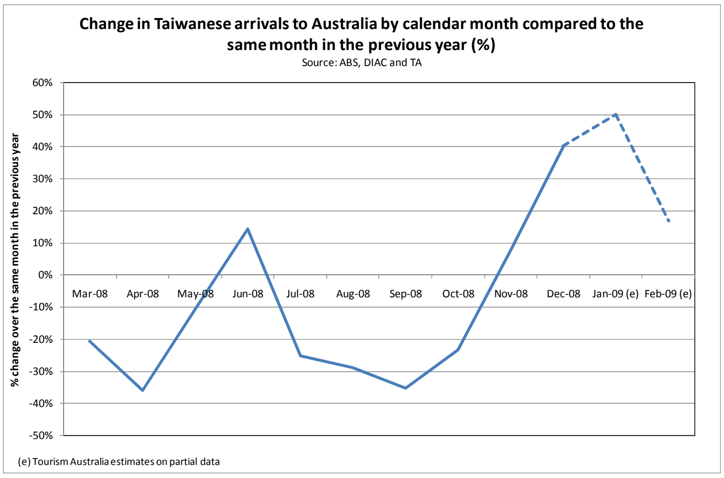
Visa applications from India were flat over December 2008 and January 2009 compared to the same months in the previous year suggesting the strong growth in arrivals from India may be 'coming off the boil'. The trend between visa applications and arrivals is less obvious than other markets which may be due to a high proportion of education and business visitors from this market.

Indian sellers of Australia reported flat to 20 percent increases in bookings for travel to Australia in March and April 2009 compared to the same months in 2008. A number of Indian sellers reported that Indian consumers are increasingly worried about the impacts of the Global Economic Crisis. One supplier noted that some consumers saw that the economic slowdown created the opportunity to have a break from business and reconnect with the family. Another supplier noted a definite slowdown in sales activity in the last four months as the economy slowed, with increased attention even by the very wealthy to get the best deal.

Reports from sellers indicate that the traditional February Honeymoon season in India saw healthy sales to Australia and that the "big fat Indian wedding remains alive and well despite the recession".

Taiwan

While this market has been weakening since 2005, recent shifts in the environment imply a less negative outlook at least in the short term. Tourist arrivals from Taiwan fell by 16.2 percent in 2008 but rose by 41.5 percent in December 2008 compared to the previous year.



Tourism Australia estimates that Taiwanese arrivals were up by around 50 percent in January 2009 as boosted by the earlier timing of Chinese New Year (from February 2008 to January in 2009) and expects around 15 percent - 20 percent growth for February 2009, compared to the same months in 2008. For the sum of the first two months we expect total growth in Taiwanese arrivals of around 30 percent. Arrivals in January were also lifted by China Airlines charter services to Cairns.

Visa applications from Taiwan grew by around 30 percent over December 2008 and January 2009 compared to the same months in the previous year. Visa applications for leisure and business visas are a reasonable leading indicator for total arrivals from Taiwan. Commonly, the lead of visa applications is only around one month ahead of turning points in total arrivals.

Responses from Taiwanese sellers of Australia had a generally positive outlook for March and April 2009 with perhaps 10 percent growth expected in arrivals compared to the same period in 2008. In part this reflects that last year was a low base period, but also that incentive business from Taiwan has picked up in recent months.

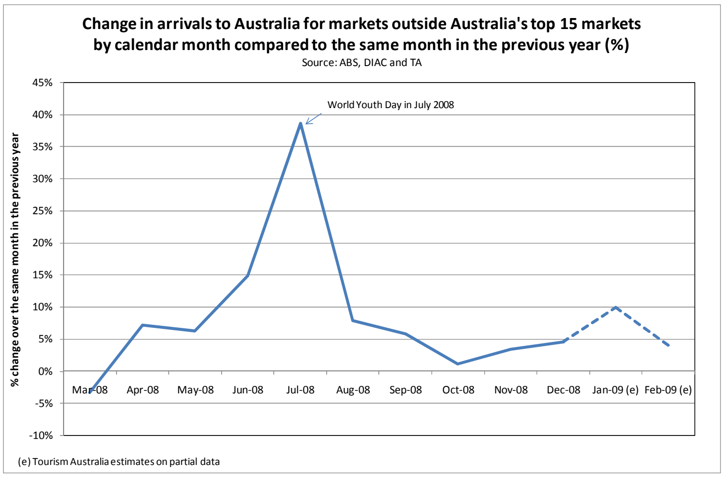
Feedback from Bee Ho Teow from ATM (Australia Tours Management) is that growth in the incentive market to Australia from Taiwan in recent months has been covering falls in the holiday market. However, she also notes that the incentive market is coming under increasing pressure as Taiwanese companies seek to cut back on the costs of their incentive trips.

The Taiwan market is considered highly price sensitive, and the 31 percent increase in the number of A$ bought by the Taiwanese dollar between July 2008 and 19 February 2009 will boost interest in visiting Australia. The Tourism Australia office also reports that there has been wide media coverage of the A$ decline. Growth has also come from an increase in seat availability with EVA Air increasing service to Brisbane.

Patterns of Taiwan outbound travel in 2009 will be affected significantly by the recent partial opening of direct flights from Taiwan to China beyond Hong Kong and Macau. Further liberalisation of Taiwan to China travel would reduce opportunities for arrival growth to Australia in 2009.

Other markets (outside the above 15)

Nearly one quarter of total arrivals in 2008 came from markets outside the top 15. While arrivals for the top 15 markets were down by 3.1 percent in 2008, arrivals for the other markets grew by 8.6 percent. In the month of December 2008 arrivals from outside the top 15 markets were up by 5 percent, as arrivals from the top 15 markets were down by 2 percent.



Tourism Australia estimates that total arrivals from markets outside the top 15 markets were up by around 10% in January 2009 and are expected to be up by around 2-6 percent in February 2009, compared to the same months in 2008.

Visa applications from markets outside the top 15 have shown small declines over December 2008 and January 2009 compared to the same months in the previous year. This suggests that arrivals from these other markets might slow in coming months.

These inbound markets are commonly at an earlier stage of development and improved air access and awareness of Australia can have a larger impact on arrival growth than has short term economic growth. However, in the longer term economic growth is a key driver of rapid arrival growth out of these markets. This reflects that markets like South Africa, Indonesia, South America, Vietnam and Eastern Europe commonly have a more unequal distribution of household incomes than our major markets. When economic growth occurs in countries with more unequal incomes there can be much larger growth in the numbers of households with the income to travel than the raw growth in GDP suggests.