

Quarterly Market Update

Tourism Australia's Quarterly Market Update provides an update to industry on the current state of international tourism for Australia. This report covers International Visitor Survey data to June 2014, and Australian Bureau of Statistics data to September 2014.

November 2014



SHORT TERM INTERNATIONAL ARRIVALS SOAR TO NEW LEVELS

- According to the latest data from the Australian Bureau of Statistics, there were 6.8 million short term visitor arrivals to Australia in the 12 months ending September 2014, a rise of 8.2 per cent compared to the previous year.
- The latest International Visitor Survey (IVS) results show that international expenditure for 12 months ending June 2014 reached a record of \$30.1 billion, growing seven per cent.

Strong growth in inbound arrivals

International arrivals to Australia continued to register strong numbers, with 8.2 per cent growth in the 12 months to September 2014. This has been driven primarily by the strong performing Leisure sector, with Holiday and Visiting Friends & Relatives segments up 10 per cent and 13 per cent respectively. There was particularly strong growth in Holiday visitor arrivals in the September quarter from the UK up 8 per cent, USA up 22 per cent, Germany up 17 per cent, China up 14 per cent, Malaysia up 18 per cent, and India up 49 per cent. Arrivals from Japan recorded growth in the quarter, up four per cent, with Holiday visitation up 3 per cent.

International visitor expenditure surpassed \$30 billion

International visitor expenditure surpassed the \$30 billion mark during the year ending September 2014, up seven per cent year-on-year. Total visitor nights recorded over the same period had however been soft, up only one per cent. China remains Australia's highest valued market with total visitor spend at a record level of \$5.3 billion, followed by the UK at \$3.5 billion and the USA at \$2.6 billion. Growth in total visitor expenditure was recorded from most major markets with the exceptions being Japan, South Korea and India.

State of Industry 2014

Tourism Research Australia has published the fifth edition of the [State of the Industry](#) report. The report provides a review of the Australian tourism industry's performance in 2013-14 across a range of key indicators. According to the report, the Australian tourism industry is reportedly tracking at 18 per cent towards its 2020 goal. Results in the report also highlight the importance of tourism as a key contributor to the Australian economy, generating \$83.4 billion in overnight visitor expenditure (or \$102 billion including day trippers) and contributing 2.8 per cent to Australia's Gross Domestic Product.

Global consumer confidence

The latest survey findings from Nielsen show global consumer confidence reflects an outlook of cautious optimism, up one index point for two quarters in a row. Consumer confidence amongst North Americans improved the most during the quarter, matching Asia-Pacific's score in the survey. [Click here for the full report.](#)

Restaurant Australia campaign

Tourism Australia continues to roll out its Restaurant Australia campaign following launches to media and travel distribution partners at events in China, Hong Kong, South Korea, Singapore, India, New Zealand, the USA, the UK, Germany, France and Italy. During November, Tourism Australia in partnership with the States and Territories, hosted 86 key media and influencers from 16 key international markets on individualised itineraries to experience Australia's exceptional food and wine offering. Their visits culminated in Hobart on 14 November, as Tourism Australia hosted the 'Invite the World to Dinner' gala event at the Museum of Old and New Art (MONA) attended by the international influencers and invited guests. Prior to the gala event at MONA, a Marketplace event was held to provide the opportunity for media interviews with the influencers and Australian producers. Airline partners Virgin Australia, Singapore Airlines and Etihad Airways are supporting the Restaurant Australia campaign across the globe.

Business Events activity ramping up

Business Events Australia (BEA) deliver a targeted marketing and trade program to increase the consideration of Australia as a premium business events destination, with the overall objective of converting business for Australia.

The BEA team focus on the following:

- > Motivating the customer, utilising the Business Events Consumer Demand Project (BECDP) to effectively differentiate Australia
- > Delivering continuous, engaging dialogue with our customers
- > Delivering market insights and improved trade activities to assist industry in partnering with our activity to achieve the Tourism 2020 potential

Business Events arrivals remain fairly flat with spend up one per cent and arrivals down one per cent; although looking at particular markets there are significant jumps in spend with Malaysia up 28 per cent, UK up 12 per cent and Singapore up 10 per cent. The data shows reduced number of nights across the board, however spend per night and spend per visitor is reflecting positively.

Across Tourism Australia's key business event regions the teams are reporting on a general upbeat environment and are tracking robust bid/win information.

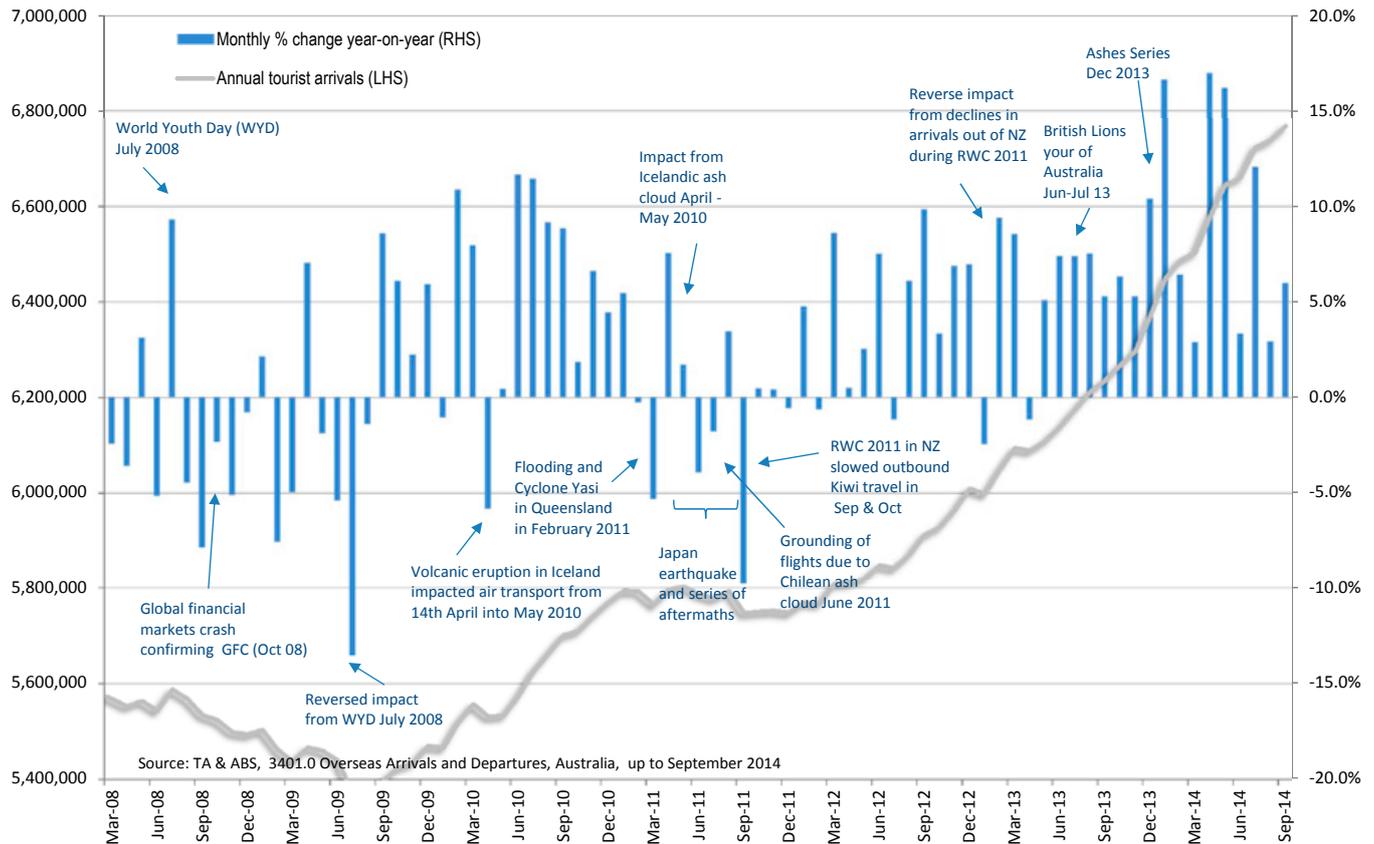
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Tourist arrivals to Australia (rolling annual) and monthly percentage change on previous year



Aviation Summary

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International aviation capacity growth to Australia continued to slow during the September 2014 quarter, up an estimated four per cent, compared to seven per cent in the June 2014 quarter and nine per cent in March 2014 quarter. The majority of capacity growth continued to be driven by South East Asia (Singapore, Malaysia and Indonesia), the United Arab Emirates and the USA. Capacity from China declined for the second consecutive quarter as airlines aim to improve yields. Airlines are increasingly adjusting their services based on seasonal demand; reducing frequencies during low season (e.g. Jetstar Osaka-Cairns, Malaysia Airlines) and deploying larger aircraft during peak months (typically December/January) or operating additional frequencies. A number of airlines have also recently delinked their Australian services such as Cathay Pacific, now operating non-stop services from Hong Kong to both Adelaide and Melbourne, Qantas non-stop Dallas-Sydney services (previously operated via Brisbane) and United Airlines non-stop Los Angeles-Melbourne services (previously via Sydney). Air India is also considering delinking its Delhi-Sydney/Melbourne services.

Overall load factors weakened slightly during the quarter suggesting slower growth will continue during the December 2014 quarter.

Key themes

- > Virgin Australia purchased the remaining 40 per cent stake in Tigerair Australia for A\$1.00. Tigerair Australia will retain its brand and could potentially launch short haul international services from Australia. Virgin Australia will be looking to turn around the airline's profitability, with the airline largely being unprofitable since it launched services in 2007.
- > ASEAN open skies is progressing with Indonesia and the Philippines reportedly the last two of the ASEAN countries signing up to the Single Aviation Market which is scheduled to be fully implemented by the end of 2015. This agreement is expected to improve access within these countries initially but then Australia is likely to benefit as more consumers become more familiar with travelling and start looking to travel further abroad to places like Australia.
- > A number of airlines have recently introduced the B787 aircraft into the Australian market during 2014, improving the operating economics of these routes. Airlines include Air New Zealand, United Airlines, Qantas, Jetstar and Qatar Airways. Scoot is also looking to deploy the aircraft on all its Australian services (Perth, Sydney and Gold Coast) by April 2015. Japan Airlines is also considering deploying the B787 aircraft on its Sydney services.
- > Aviation alliances continue to evolve. Recent examples include expanded Emirates and Jetstar/ Qantas agreements, expanded Virgin Australia and Delta Air Lines partnership in the USA and a new Air New Zealand and Singapore Airline's agreement. Airlines are also expanding partnerships with hotel reward programs (e.g. AirAsia BIG and HHonors) and events (e.g. Emirates and Australian Open tennis).

- > Tigerair Taiwan became Taiwan's first Low Cost Carrier (LCC), launching services in September 2014. This now means all North Asian markets have a LCC. However LCC penetration in North Asia remains much lower than Southeast Asia (around 10 per cent compared to 60 per cent) and liberalisation can be seen as a limiting factor. Regardless the outlook for LCCs in North Asia is positive as they expand services and partnerships.

Global aviation environment

- > Global aviation capacity growth continued during the September 2014 quarter, with mixed results across regions.
- > Middle Eastern carriers continued to report the strongest growth in demand (passengers travelled), up 15.8 per cent during September 2014. Average load factors also increased, suggesting strong demand for these additional services. Premium business traffic also remained strong.
- > Demand for Asia Pacific and Latin American carriers increased, up 4.8 per cent and 4.6 per cent respectively during September 2014. However average load factors fell slightly.
- > North American carriers reported one of the slowest growth rates with demand up only 2.1 per cent during September 2014. However the outlook is more promising with positive underlying trends in business activity and trade volumes.
- > Demand for European carriers increased 3.9 per cent during September 2014 however there early signs of economic weakness which could put downward pressure on demand in the coming months.
- > Domestic demand within China and India rebounded during the September 2014 quarter. While there has been a renewed confidence and stimulation by airlines in India, China has seen a strong increase in business activity.

Domestic aviation environment in Australia

Capacity growth in the Australian domestic aviation market continued to slow during the September 2014 quarter as expected. Despite minimal or no capacity growth, average loads remain relatively flat. Capacity declines continue to be focussed on high traffic mining routes such as Newman-Perth, Brisbane-Mount Isa and Brisbane-Emerald. Capacity growth is expected to soften during the December 2014 quarter as airlines try to improve average loads and yields and then rebound in early 2015.

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Change in international and domestic seats for year ended September 2014 for selected airports

The majority of Australian airports reported slower growth in domestic and international capacity to Australia during September 2014 quarter. Adelaide, Melbourne and Brisbane airports helped to boost overall international capacity growth into Australia, while Adelaide Airport also reported strong growth in domestic capacity.

% change on same month previous year		Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	YE Sep 14
Sydney	Domestic	1%	-1%	3%	4%	0%	0%	1%	3%	2%	0%	0%	0%	1%
	International	4%	4%	5%	6%	4%	3%	2%	1%	0%	-2%	-1%	-3%	2%
Melbourne	Domestic	1%	-2%	0%	0%	-2%	-1%	1%	3%	4%	0%	0%	1%	0%
	International	9%	8%	11%	12%	11%	10%	13%	10%	12%	13%	9%	7%	10%
Brisbane	Domestic	4%	4%	6%	4%	1%	3%	5%	4%	4%	0%	-2%	-1%	3%
	International	8%	11%	10%	9%	5%	4%	9%	5%	6%	7%	7%	4%	7%
Gold Coast	Domestic	-1%	-8%	-4%	0%	-3%	1%	-1%	7%	0%	3%	1%	-2%	-1%
	International	-2%	-2%	3%	8%	2%	1%	2%	5%	6%	2%	2%	-4%	2%
Cairns	Domestic	6%	5%	8%	7%	0%	0%	2%	2%	2%	-1%	-3%	-1%	2%
	International	-7%	-14%	-11%	-3%	-13%	-9%	-12%	-3%	-3%	-6%	-1%	-3%	-7%
Adelaide	Domestic	5%	-1%	1%	2%	3%	2%	4%	6%	8%	5%	6%	6%	4%
	International	12%	9%	20%	24%	12%	8%	19%	28%	32%	23%	22%	2%	17%
Perth	Domestic	3%	3%	3%	6%	7%	6%	4%	-1%	3%	-1%	-3%	0%	2%
	International	15%	12%	16%	19%	13%	11%	21%	8%	2%	4%	0%	5%	10%
Darwin	Domestic	2%	-1%	1%	5%	2%	7%	8%	6%	8%	3%	5%	7%	4%
	International	27%	27%	51%	52%	57%	42%	24%	26%	25%	-22%	-18%	-7%	19%

South and South East Asia

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Market	Arrivals (Year End Sep 2014)	% Change (Year End Sep 2014)	% Change (Jan to Sep 2014)	Spend (A\$000) (Year End Jun 2014)	% Change (Year End Jun 2014)
Singapore	368,400	14.4%	12.8%	\$1,080,571	7%
Malaysia	322,400	24.1%	23.7%	\$1,018,267	10%
India	189,800	14.6%	17.8%	\$752,019	-3%
Indonesia	149,800	7.6%	7.8%	\$638,379	5%

Source: Australian Bureau of Statistics & International Visitor Survey (Tourism Research Australia)

- **High rates of growth in visitor arrivals have continued across all South/ South East Asian markets for the 12 months to September 2014. Highlights include: 34 per cent growth in Holiday arrivals from India (49 per cent in the last quarter), and 33 per cent growth in Holiday arrivals from Malaysia.**
- **While visitor growth rates from the region are among the highest, expenditure from the region is growing at a slower pace and therefore yield development is a key opportunity going forward.**
- **The Business Events sector remains mixed across the region with Singapore and Malaysia posting strong results, but with slower growth being seen from India and Indonesia.**

Singapore is a consistent performer for Australia off a larger base than all other markets within the region. Growth in Holiday and Visiting Friends and Relatives (VFR) visitors continues to drive overall growth. The number of Holiday visitors increased 20 per cent in the year ending September 2014, while VFR visitors also increased 20 per cent, contributing to a robust Leisure segment for the market. Expenditure by Leisure visitors increased 18 per cent, and accounted for just over half of total spend out of the market in the year ending June 2014. Australia is also in a resurgent cycle for Business Events activities out of the Singapore market, with visitors up 10 per cent and spend in Australia up 4 per cent during the 12 months to June. Major agencies have reported significant increases in the number of Business Events planned, with several groups recently secured for remainder of 2014.

Tourism Australia's 'Restaurant Australia' campaign kicked off in Singapore in June at an event for media and distribution partners, which marked the launch of advertising in cinemas as well as digital and out-of-home media. Eleven key distribution partners are supporting the campaign with funding and promotional packages in their own channels. Six key food and wine influencers were recruited from Singapore to attend the 'Invite the World to Dinner' event in Hobart on 14 November. Tourism Australia also completed a co-operative airline campaign in digital media with Scoot in September.

Malaysian arrivals to Australia grew 24 per cent in the first nine months of 2014, driven by a 33 per cent increase in Holiday visitors, and a 19 per cent increase in VFR. Total spend from Malaysia surpassed the \$1 billion mark for the first time in the year ending June, an increase of 10 per cent, while Holiday spend grew at more than four times that rate, up 42 per cent. The rapid growth in Leisure travellers and associated expenditure is largely attributed to aviation expansion between Malaysia and Australia, with capacity growth of 41 per cent for the year ending August 2014.

Similarly, the Business Events sector out of Malaysia is on a strong growth trajectory, with arrivals and spend up 20 per cent and 21 per cent respectively for the year ending June 2014. This growth was likely due to companies organising trips ahead of Ramadan in July, taking advantage of the following Hari Raya holiday period. While Business Events arrivals and spend are up significantly, length of stay for these visitors has decreased as a result of shortened trips.

In Malaysia, Tourism Australia launched its 'Restaurant Australia' campaign in August at an event attended by 50 senior representatives from key distribution partners. To date, six key partners have introduced gourmet experiences into their marketing activities with many others also planning to have a food and wine focus in 2015. Three influencers from Malaysia visited Australia in November to attend the 'Invite the World to Dinner' event and key Malaysian media were hosted as part of the Margaret River Gourmet Escape from 21 to 23 November.

Visitation from India continues to grow, with Indian Holiday arrivals up 40 per cent in the nine months to September 2014 (and 49 per cent in the September quarter), an all-time high rate of growth from the market. Arrivals amongst the VFR segment from India were also up 17 per cent during the period. While Leisure visitors accounted for 66 per cent of arrivals from the India market, Leisure spend accounted for just 35 per cent of total spend which can be attributed to the large Education segment travelling to Australia from India. Leisure spend grew five per cent in the year ending June 2014, despite the double-digit growth in arrivals and nights. This is attributed to visitors staying with friends or relatives or at lower cost hotels. Consumer confidence in India was down two per cent in the September quarter of 2014 according to Nielsen¹, possibly due to the general elections. However, accelerated economic performance from India is forecast into 2015/16. Tourism Australia's marketing activities will continue to focus on attracting an affluent target audience in order to address the yield opportunity presented by the recent trend. Business Events performance is mixed from India with arrivals moving into positive territory, up three per cent, but spend in Australia remained down at 23 per cent for the year ending June 2014. A number of major events have taken place recently, including the Anchor Panasonic group of 840 passengers and the Rotary Convention of 717 passengers, which should be reflected in the market results going forward.

¹ Source: Nielson, Consumer Confidence; Concerns and Spending Intentions Around The World Quarter 3, 2014

South and South East Asia

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In India, the 'Restaurant Australia' campaign was launched in August across television, print, outdoor and digital media. Five leading tour operators supported the campaign, with their call-to-action featured across print and outdoor channels. A co-operative campaign with Singapore Airlines also ran during August resulting in a strong incremental increase in passenger bookings. Seven food and wine influencers from India attended the 'Invite the World to Dinner' event in November.

The Indonesian Presidential election in July appeared to have little impact on outbound travel. In the first nine months of 2014, Holiday visitor arrivals from Indonesia increased 13 per cent and VFR increased 16 per cent, however all other segments declined resulting in a total arrivals increase of 7.6 per cent. Leisure spend also outstripped growth from other segments, up 30 per cent in the year ending June, while total spend was up 5 per cent. Arrivals for Business Events increased six per cent, but spend in Australia was down 12 per cent. It is believed results were impacted by the weakened Indonesian Rupiah, resulting in reduced itineraries and shortened trips.

Tourism Australia, Garuda Indonesia and seven tour operators have aligned for a campaign running between October 2014 and June 2015. Garuda has provided compelling price point offers for consumers and tour operators to stimulate sales to Australia over the period. Three food and wine influencers from Indonesia were selected to attend the 'Invite the World to Dinner' event in November.

Aviation news

- > Tourism Australia and Singapore Airlines signed a new three year partnership in November that will inject another \$12 million into marketing Australia to the world. The deal will fund a range of tourism campaigns and promotions in seven key inbound markets including: Singapore, Malaysia, Indonesia, India, UK, Germany and China. Singapore Airlines will be the exclusive airline partner for all Restaurant Australia campaigns in Singapore, India, Indonesia and Malaysia as well as provide international flights for Tourism Australia's key Corroboree Europe trade event, which takes place in Adelaide in 2015.
- > In the year ending August 2014, direct capacity to Australia from Singapore increased by 11 per cent, 41 per cent from Malaysia and 24 per cent from Indonesia.
- > SilkAir announced it will commence three weekly Singapore-Cairns services starting May 30 2015, offering both business class and full service economy on B737-800 aircraft.
- > Qantas reduced capacity from Singapore to Brisbane and Sydney, deploying the smaller A330-300 aircraft on its Brisbane services and on selected Sydney services as of October 2014.

Industry news

- > In September, Tourism Australia's New Product Mission paired 96 sellers and 108 buyer companies in workshops and a networking function. Tourism Australia facilitated an opportunity for sellers to network with key distribution partners and airlines as well as meeting 149 front line agents during the retail training programme.
- > Malaysian Travel Fair (MATTA) was held in September 2014.
- > Tourism Australia's India Travel Mission (ITM), held in Jaipur in late August, exceeded its target with 147 delegates. The event provided an opportunity to promote the best of food and wine experiences in Australia, and to build a solid relationship with the leading Aussie Specialist agents from the Indian travel industry. 'Restaurant Australia' was also launched and promoted amongst leading Indian agents in attendance.

² Source: Department of Infrastructure and Regional Development.

Greater China

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**TOURISM
AUSTRALIA**

Market	Arrivals (Year End Sep 2014)	% Change (Year End Sep 2014)	% Change (Jan to Sep 2014)	Spend (A\$000) (Year End Jun 2014)	% Change (Year End Jun 2014)
China	789,300	10.5%	14.3%	5,255,493	16%
Hong Kong	200,600	14.8%	13.1%	938,170	14%

Source: Australian Bureau of Statistics & International Visitor Survey (Tourism Research Australia)

- **One year on since the October 2013 introduction of the China Tourism Law, there has been a marked shift toward free and independent travel from China to Australia according to the latest reports on tourist visa issuance.**
- **Leisure visitors recently became the largest spending segment out of China accounting for 44 per cent of spend, overtaking the Education segment accounting for 43 per cent of total Chinese expenditure in the year ending June 2014.**
- **Arrivals from Hong Kong surpassed the 200,000 mark for the first time, driven by 20 per cent growth in Holiday visitors in the year ending September 2014**

Chinese arrivals to Australia remained strong in the first nine months of 2014, increasing 14.3 per cent. The latest growth is notable, coming off the back of 20 per cent growth in arrivals for the same period last year, which was considered above-trend growth. Many Chinese holidaymakers were reported to have brought forward their travel last year due to anticipated price rises with the introduction of the China Tourism Law in October 2013, as evidenced by a 33 per cent spike in arrivals in the month of September 2013.

This year there has been exceptionally strong growth in the Visiting Friends and Relatives (VFR) segment, arrivals up 35 per cent, accounting for almost 20 per cent of total arrivals in the first nine months of the year. The Holiday segment also registered solid growth, up 15 per cent in the nine months to September 2014. During the year ending June 2014, Chinese visitors continued to spend more on their trips to Australia, with Leisure expenditure up 34 per cent. Leisure visitors (Holiday and VFR) overtook the Education segment in terms of proportionate spend (44 per cent of total spend, versus 43 per cent of spend respectively).

In contrast to Leisure, Business Events performance is down with visitors declining 19 per cent in the year ending June 2014. Increased competition in the Chinese Business Events market and a relatively strong Australia dollar earlier in the year have reportedly impacted on Australia's performance. However, the depreciation of the Australian dollar against the Yuan since September 2014 should help adjust the competitive situation for Australia. Chinese consumer confidence remained consistent with previous results in the September 2014 quarter according to Nielsen¹.

In August 2014, Tourism Australia launched its new 'high yield' distribution model in China, aimed at building an elite network of specialist travel agencies, trained to sell high quality Australian holiday packages to the country's rapidly emerging flexible independent travellers. Under the new Key Distribution Partner program, 31 specialist

travel agencies highly committed to developing new and innovative Australian tourism products for Chinese travellers were appointed.

Tourism Australia partnered with Chinese chef, Nicholas Tse, Tourism Victoria and Tourism Tasmania in a TV broadcast program which aired in September 2014. The program showcased selected Australian food and wine experiences to an audience of 170 million with supporting publicity reach of 700 million in other channels.

On 30 October, Tourism Australia launched its 'Restaurant Australia' campaign in China at an event attended by 400 influencers, trade, industry, media and State and Territory Tourism Organisation representatives. Held in Shanghai, the event featured a premium wine tasting followed by a sit down dinner showcasing the best of Australia's food and wine offering. China Eastern Airlines was a major partner for the event. Concurrently, out-of-home media placements were running in high concentration in Shanghai and have since rolled-out to other key cities, underpinned by a digital advertising campaign. Ten food and wine influencers from China participated in the food and wine familiarisations in Australia and attended the 'Invite the world to Dinner' event on 14 November.

Holiday arrivals from Hong Kong continued to drive growth from the market from January to September 2014 (up 20 per cent). Expenditure also registered double digit growth, with Leisure and Business visitors all spending more on their trips to Australia in the 12 months ending June 2014.

In September, Tourism Australia launched Restaurant Australia in Hong Kong at an outdoor "long-table lunch" overlooking Victoria Harbour, hosting more than 120 media and industry guests. A digital campaign in partnership with OpenRice, the largest online portal for gourmet travellers, was activated following the launch. Seven food and wine influencers were invited to travel across Australia and created Restaurant Australia themed content for the digital campaign. Additionally, four food and wine influencers from Hong Kong attended the 'Invite the World to Dinner' event in November.

¹ Source: Nielsen, Consumer Confidence; Concerns and Spending Intentions Around The World Quarter 3, 2014.

Greater China

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Aviation news

- > For the year ending August 2014, direct capacity to Australia from China decreased marginally (down 1 per cent), while capacity remained unchanged from Hong Kong.³
- > Air China plans to deploy larger B777-300ER aircraft on its Beijing-Sydney services during the peak travel period (10 December to 4 March 2015).
- > Air China celebrated 30 years of operation to Australia at an event in Sydney on 30 October. The airline plans to deploy larger B777-300ER aircraft on its Beijing-Sydney services during the peak travel period (December 2014 to March 2015).
- > China Southern plans to return A380 aircraft operations to the Guangzhou-Sydney route for the peak summer period. China Eastern announced seasonal Shanghai-Auckland charter services for the southern hemisphere summer period which is considered a competitive threat for Australia. China Eastern Airlines will also resume its seasonal Shanghai to Cairns service during the peak summer period.
- > Jetstar is reportedly planning to commence twice weekly Wuhan-Cairns services from December 2014 using A330 aircraft configured with 303 seats.

Industry news

- > Andy Jiang, Head of Asia Development, is currently acting as Tourism Australia's Regional General Manager Greater China while recruitment takes place for a permanent appointment to the role.
- > Corroboree Greater China 2015 is being planned for 12-15 May 2015, following the successful inaugural event in June 2014.
- > Pro-Health sent 5,000 delegates to Sydney in September 2014

³ Source: Department of Infrastructure and Regional Development.

⁴ Source: CAPA Centre for Aviation

Japan and South Korea

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Japan	329,100	0.8%	2.0%	1,354,878	-7%
South Korea	200,200	0.4%	1.9%	1,106,689	-10%

Source: Australian Bureau of Statistics & International Visitor Survey (Tourism Research Australia)

- **There are some green shoots appearing in the Japanese market for Australia, with arrivals growth of two per cent during the first nine months of 2014, underpinned by positive VFR and Business segments.**
- **New growth from South Korean Leisure visitors pushed total arrivals into positive territory in the nine months to September 2014.**

Positive arrivals results from Japan since May this year has helped the market edge out of decline. Green shoots are starting to be seen from the Visiting Friends and Relatives (VFR) segment, up 11 per cent, and Business visitors, up 23 per cent in the first nine months of the year. Holiday arrivals remained flat in the nine months to September 2014, when compared to the previous year; this is relatively important given the Holiday purpose accounts for 65 per cent of arrivals and 57 per cent of total Japanese spend. The latest spend data shows the total market remaining down seven per cent in the year ending June 2014. However, VFR, Business and Education spend is now on the increase. Consumer confidence rose four points in the September Quarter according to Nielsen¹, but at the same time the Japanese Yen fell to a six year low against the Australian dollar. Travel package prices for October to March 2015 were already fixed before the latest depreciation of the Yen so it will be travel agents, not consumers, who will take a hit absorbing the exchange rate impact if the Yen remains weak.

The Business Events segment has turned a corner with arrivals up 10 per cent and spend in Australia up 19 per cent in the year ending June. The Rotary Conference held in Sydney in June 2014 was partly responsible for the uplift in Business Events performance.

Tourism Australia's 'Restaurant Australia' campaign was integrated into the *Tabi Salad* campaign and media visits in the first half of 2014. New Japanese specific creative material incorporating food and wine themes was showcased at the JATA Tourism Expo in September and featured in print, digital and out-of-home media advertising throughout September to November. Five food and wine influencers from Japan participated in 'Invite the World to Dinner' familiarisations as well as the Marketplace and Gala Dinner events in Hobart in November. The group included well-known Japanese actor and wine enthusiast Takuro Tatsumi. Tourism Australia also ran insertions in major press title, *Asahi Shimbun*, in October and November to promote the January 2015 Asian Cup football tournament. This was underpinned by a digital marketing partnership with JTB and Nishitetsu travel agents.

Inbound arrivals from South Korea to Australia were flat for the year ending September 2014, but new growth was achieved in the first nine months of 2014. Positively, Holiday arrivals from South Korea were up 4 per cent, and VFR arrivals increased 6 per cent. Business arrivals grew 23 per cent, but Education and all other segments declined. For the year ending June 2014, spend remained subdued, with Leisure spend down eight per cent, despite the upturn in arrivals from this segment. Business Events was the only segment to show growth in expenditure, with spend in Australia from this segment up four per cent in the year ending June 2014.

Tourism Australia's 'Restaurant Australia' campaign was launched in South Korea in September at the Australian Ambassador's residence. The event marked the beginning of Tourism Australia's new TV commercial, which has aired on terrestrial and cable channels in the market. A supporting digital and print campaign followed in October with campaign activities continuing through the beginning of 2015. Five food and wine influencers from South Korea attended the 'Invite the world to Dinner' event in November.

Promotion of the Asian Cup kicked off in November in South Korea. Tourism Australia is partnering with major wholesalers including Hanatour in the promotion. A two-part TV and digital campaign is running until February 2015, consisting of bespoke Asian Cup advertising which will air during Korean match broadcasts, including the South Korea vs. Australia game scheduled in Brisbane. Tourism Australia in South Korea was also recognised as the preferred National Tourism Organisation brand amongst South Korean university students following the success of a youth campaign held in May to July 2014. The youth campaign is planned again for early 2015.

¹ Source: Nielsen, *Consumer Confidence; Concerns and Spending Intentions Around The World Quarter 3, 2014*

⁵ Source: Department of Infrastructure and Regional Development.

Japan and South Korea

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Aviation news

- > For the year ending August 2014, direct capacity to Australia from Japan decreased by six per cent and from South Korea by nine per cent.⁵
- > Japan Airlines (JAL) announced it will deploy larger B777-300ER aircraft on its daily Tokyo-Sydney services starting December 2014. Jetstar is also progressively deploying the larger capacity B787 Dreamliner on its Japan-Australia routes.
- > Jetstar plans to temporarily reduce frequencies on its Osaka-Cairns services from daily to five per week in the low season. Tourism Australia is working with Tourism and Events Queensland and HIS Osaka on campaign activity to stimulate off season demand and discourage a reduction in capacity.
- > Asiana resumed its daily Seoul-Sydney service in October after suspending two of its weekly flights. Asiana also marginally reduced its fuel surcharges on international flights in October; charges on flights from South Korea to Oceania decreased from USD117 to USD109.

Industry news

- > In September 2014, Tourism Australia assisted a series of Tourism and Events Queensland, Hamilton Island, Tourism NT and Uluru trade seminars across five cities in Japan (Tokyo, Fukuoka, Osaka, Nagoya and Sapporo). More than 400 travel agents participated in the events.
- > Destination NSW held a three-day travel seller mission to Japan in late August. Six sellers travelled to Japan to run trade seminars and workshops in Tokyo, Nagoya and Osaka.
- > Tourism and Events Queensland's "Queensland on Tour" mission comprising 20 sellers also took place in August covering Tokyo, Osaka and Nagoya plus, optionally, Fukuoka and Sapporo.
- > Tourism Victoria's representative in Japan, Ms Kanehira is now co-locating with Tourism Australia in the Tokyo office.
- > Tourism Australia is currently in the process of recruiting a Marketing Manager for Japan.

Americas

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November 2014



**TOURISM
AUSTRALIA**

Market	Arrivals (Year End Sep 2014)	% Change (Year End Sep 2014)	% Change (Jan to Sep 2014)	Spend (A\$000) (Year End Jun 2014)	% Change (Year End Jun 2014)
USA	537,600	10.8%	10.4%	\$2,640,643	7%
Canada	135,600	8.6%	7.9%	\$766,957	7%
Brazil	41,500	21.7%	24.6%	Data not reliable for Brazil (sample size too small)	-

Source: Australian Bureau of Statistics & International Visitor Survey (Tourism Research Australia)

- **Performance from all markets in the region is strong with inbound arrivals from the USA, Canada and Brazil growing to new levels.**
- **The Leisure segment from the USA and Canada is booming, however slower growth from Business and other segments is holding back the markets from reaching double-digit growth across all key metrics. Growth from Brazil has accelerated in the last quarter, with growth rates of around 15 per cent increasing to more than 20 per cent (acknowledging Brazil's base levels are relatively small).**

Performance out of the USA has been very positive and appears to be strengthening. Holiday visitor arrivals increased 18 per cent in the nine months to September 2014, while Visiting Friends and Relatives (VFR) arrivals were up 15 per cent and the Business segment grew 3 per cent. Leisure expenditure was up 14 per cent in the year ending June 2014, and Business Events spend grew 3 per cent (despite flat Business Events arrivals). The USA remains Australia's highest value Business Events market. Reductions in overall length of stay have been offset by visitors spending more money per night, which is reflective of an increase in the proportion of older, higher yielding leisure visitors. Consumer confidence jumped four points in the September quarter according to Nielsen¹, and the US dollar appreciated against the Australian dollar to a five year high in November which should bode well for continued outbound growth from the USA.

Tourism Australia's 'Restaurant Australia' TV commercial screened in 375 cinemas across the USA in July 2014. A two-page advertorial also ran in a leading food and wine magazine Bon Appetit during September, followed by a gourmet event in New York City. The event for 50 influencers, media and industry was held in in early October and was backed up by a \$3.5m digital campaign inviting target consumers to explore experiences in every Australian state. 15 food and wine influencers from the Americas region attended the 'Invite the world to Dinner' events in Australia in November.

Tourism Australia also ran a co-operative campaign with Air NZ in the USA and Canada in August and September, with tactical price offers to six Australian gateways: Sydney, Melbourne, Brisbane, Cairns, Adelaide and Gold Coast. The campaign featured 14 retail, wholesale and consortia partners and was preceded by an Aussie Specialist training webinar. Air NZ has since reported strong year-on-year incremental increases in Australia-bound passengers from the USA and Canada.

The Canada market has made a full recovery in 2014, with arrivals up 8 per cent for the nine months to September. Holiday and VFR arrivals grew 12 per cent and 20 per cent respectively. Leisure spend by Canadian visitors increased 22 per cent in the 12 months ending June 2014. Business Events, Education and Employment segments have not demonstrated growth in the year ending June, which has held back the overall rate of expenditure growth to single digits (up seven per cent).

The Leisure market from Brazil continues to emerge, with VFR a highlight showing 34 per cent arrivals growth in the 12 months to September 2014. Furthermore, the volume of Brazilian Business visitor arrivals to Australia has almost doubled when comparing the first nine months of 2014 to 2013. While the Education segment continues to grow, Leisure visitors now strongly outweigh Education visitors from Brazil which a recent trend for what was typically a youth driven Education market for Australia prior to 2010.

Aviation

- › For the year ending August 2014, direct capacity to Australia from the USA increased by 3 per cent, and capacity from Canada decreased by 3 per cent.⁶
- › United Airlines commenced its new Los Angeles-Melbourne services six times per week using B787-900s in October 2014. In November, Tourism Australia began a campaign with United Airlines to promote the route and help ensure long term sustainability of the service.
- › Qantas increased its Dallas Fort Worth-Sydney capacity from 29 September, adding two A380 aircraft on the route (484 seats each). However, Brisbane services were reduced at the same time as the service now operates non-stop rather than via Brisbane. Destination NSW partnered with Qantas to promote the new aircraft and increased capacity to Sydney.
- › Air New Zealand will increase capacity on its Los Angeles/San Francisco/Vancouver-Auckland services for the peak season into 2015 to cater for additional demand, which will indirectly increase services to Australia. Air Canada upgaged to B777-300ER aircraft on the Vancouver-Sydney route in November and will continue to operate the service until March 2015 (for the duration of the Northern Winter period), effectively adding 10,000 seats between the two countries.

¹ Source: Nielsen, Consumer Confidence; Concerns and Spending Intentions Around The World Quarter 3, 2014

⁶ Source: Department of Infrastructure and Regional Development

Americas

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Industry news

- > Australia Marketplace will be held on 18-20 March 2015, with a target of 50 to 100 wholesalers and 40 Premier Aussie Specialist attendees. Marketplace will be followed by the Inaugural *There's nothing like Australia* Retail Roadshow, from 23-27 March, visiting Toronto, New York, Chicago and Houston.
- > The third invite-only Australia Tourism Summit, as part of G'Day USA, will be held on 29-30 January 2015.
- > Tourism Australia staged an Industry Update in Los Angeles on 20 November providing information on recent and upcoming marketing activity including the roll out of the 'Restaurant Australia' campaign which includes a major broadcast activity; six episodes of *Avec Eric* which will reach in excess of 35 million viewers across all distribution channels in at least 41 countries.
- > 18 buyers from Latin America attended Luxperience in Australia between 31 August and 3 September.

UK and Europe

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November 2014



**TOURISM
AUSTRALIA**

Market	Arrivals (Year End Sep 2014)	% Change (Year End Sep 2014)	% Change (Jan to Sep 2014)	Spend (A\$000) (Year End Jun 2014)	% Change (Year End Jun 2014)
UK	669,000	6.0%	2.7%	\$3,548,308	13%
Germany	183,400	10.4%	11.4%	\$1,022,810	11%
France	116,200	6.7%	7.7%	\$706,923	10%
Italy	75,200	9.9%	9%	\$506,452	18%

Source: Australian Bureau of Statistics & International Visitor Survey (Tourism Research Australia)

- **Growth from the UK continues with expenditure buoyant off the back of a spike in visitor spend per night.**
- **German arrivals reach new record-breaking levels and expenditure growth reaches an all-time high.**
- **The exodus of young working holidaymakers from France and Italy to Australia appears relentless and a flow-on benefit of increased Visiting Friends and Relatives (VFR) arrivals from these markets is also evident.**

UK arrivals continue to edge toward the historic peak level of just over 700,000 set in 2007. In the year ending September 2014, Holiday arrivals were up 5 per cent, VFR increased 8 per cent and Business visitors grew by 9 per cent. The impact of major events such as the British and Irish Lions Rugby Tour in June/July and the Ashes Cricket Series in December/January is reflected in these numbers, so the focus now is to continue to build on this momentum in the absence of major events in the forthcoming period. Despite this rise in visitor numbers there has been negative growth in dispersed nights. A possible explanation is that the recent major sporting events encouraged visitors to spend their nights in major cities rather than in regional areas compared to the 12 months prior. UK expenditure is growing at double-digit rates, led by VFR spend which was up 19 per cent in the year ending June 2014. Overall spend per night increased 13 per cent in the same period. UK consumer confidence rose 3 points in the September quarter for the third consecutive quarter⁷ lending to a positive outlook for continued growth in outbound travel to Australia for the remainder of 2014.

Business Events spend in Australia grew at a strong 11 per cent, withstanding the five per cent decline in Business Events visitor arrivals for the year ending June 2014. The World Congress of Cardiology occurred in Melbourne in May and the 105th Rotary International Convention in Sydney in June would have assisted the growth in UK Business Events indicators.

Tourism Australia launched its 'Restaurant Australia' campaign in the UK with a pop-up restaurant at Australia House in London, from 22–27 September, and a major media content partnership with the Mail on Sunday running through September to October. The impact of the media

partnership was vast, reaching 3.8 million UK adults aged 50 plus years and providing them with the opportunity to see relevant content on Australia six times. Etihad Airways, Tourism Australia's partner for the 'Restaurant Australia' campaign in the UK and Europe, also supported the 'Invite the World to Dinner' event in Australia in November. Nine food and wine influencers from the UK participated in food and wine experiences in Australia and also attended the Marketplace and Gala Dinner event in Hobart with UK celebrity chef Heston Blumenthal.

The number of German visitors to Australia reached another all-time high in the year ending September 2014, coupled with an all-time high in arrivals growth of 10 per cent. Eleven per cent growth in Holiday visitors and a 21 per cent increase in VFR visitors contributed to the result. In recent times the youth and working holidaymaker segments have been driving inbound growth from Germany, however this is now being compounded by strong growth in visitation amongst 40–59 year olds. Expenditure from Germany is surging, driven by a 17 per cent increase in Leisure spend in the year ending June 2014. While length of stay was down four per cent, the number of nights spent outside of capital cities⁸ increased 16 per cent in the 12 months to June.

The French and Italian economies remain suppressed and as a result consumer confidence fell 1 point in France and 4 points in Italy in the September quarter⁷. As a result, Australia has become an increasingly popular destination for the youth of these countries, boosted by working holiday programs. In the year ending September 2014, VFR arrivals from France and Italy rose 15 per cent and 17 per cent respectively, compared to the previous year. There is a clear connection between family and friends coming to visit Australia as a result of the boom in young French and Italian arrivals. It has now been more than 10 years since the introduction of the Working Holiday Visa program in early 2004 which ignited growth in the youth market from these two countries. The Working Holiday Visa program was opened to German citizen four years prior in July 2000, preceding the Sydney Olympic Games.

The Euro appreciated to a 12 month high against the Australian dollar in September 2014, which is likely to be beneficial for German, French and Italian visitors travelling to Australia in the immediate term.

⁷ Source: Nielsen (2014), Consumer Confidence Concerns and Spending Intentions Around The World Quarter 1, 2014.

⁸ Australian gateway cities: Sydney, Melbourne, Perth and Brisbane.

UK and Europe

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Tourism Australia's 'Restaurant Australia' campaign was officially launched to stakeholders and media in Germany, France and Italy at events held during June. In France, consumers had the opportunity to taste Australian cuisine from themed food trucks which travelled around Paris in September. In Germany, Tourism Australia partnered with iconic food and wine media brand 'Der Feinschmecker' on a 200-page bookazine showcasing premium food and wine experiences throughout Australia. German Tour operators Art of Travel and Meier's Weltreisen supported the activity, spreading the content through their channels to target consumers. The bookazine is also available in bookstores and magazine sales points across Germany. Twelve food and wine influencers from the Continental Europe region visited Australia in November for the 'Invite the World to Dinner' event.

Aviation news

- > Tourism Australia and Singapore Airlines signed a new three year partnership in November that will inject another \$12 million into marketing Australia to the world. The deal will fund a range of tourism campaigns and promotions in seven key inbound markets including the UK, and Germany, in addition to Singapore, Malaysia, Indonesia, India and China.
- > Tourism Australia and Etihad Airways signed a new three year partnership in November that will inject another \$12 million into marketing Australia to the world. The deal will fund a range of tourism campaigns and promotions in key inbound European markets.
- > Etihad's non-stop Abu Dhabi-Perth services commenced in July 2014. Tourism Australia worked with the airline and Tourism Western Australia to promote the new route.
- > Etihad will start operating A380 and B787 aircraft from London and Dusseldorf to Abu Dhabi starting December 2014, and also plans to operate these new aircraft types to Sydney and Brisbane in early 2015.
- > Emirates started utilising new A380 aircraft to Frankfurt in September 2014, and is expected to add A380s for Milan departures before the end of the year.
- > Cathay Pacific plans to launch daily Zurich-Hong Kong services from 29 March 2015.

Industry news

- > International Luxury Travel Market (ILTM) is scheduled for early December 2014 in Cannes. Tourism Australia and Tourism NZ will have a joint stand with eight stand partners attending.
- > World Travel Market (WTM) took place in London from 3 to 6 November. Tourism Australia hosted 16 stand partners at the event.
- > Tourism Australia attended TTG Italy in October 2014.
- > Gebeco Roadshow is scheduled for December 2014 in Germany. Gebeco, Singapore Airlines and Tourism Australia will tour through three cities training approximately 180 travel agents to better sell Australia.
- > Tourism Australia led the Australia Roadshow in Germany in November featuring seven Australian State and Territory Tourism Organisation partners and Singapore Airlines. Three hundred Aussie Specialists were trained across four German city locations.
- > TUI Deutschland appointed Jutta Lange-Wieland as Head of Marketing in September.
- > Thomas Cook changed the validity of their long haul catalogue to one year instead of six months with the current edition valid until October 2015. For their Australia product they continue to partner with Kiwi Tours.
- > Mr Reinhard Kozourek replaced Kay Fischer as Director of STA Travel (Germany, Switzerland and Austria) in July.
- > Australia specialist Boomerang Reisen will celebrate their 20th anniversary in 2015 and will create special offers with up to 30 per cent discounts on packages for Australia.

New Zealand

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November 2014



**TOURISM
AUSTRALIA**

Market	Arrivals (Year End Sep 2014)	% Change (Year End Sep 2014)	% Change (Jan to Sep 2014)	Spend (A\$000) (Year End Jun 2014)	% Change (Year End Jun 2014)
New Zealand	1,230,200	3.9%	4.4%	\$2,361,364	3%

Source: Australian Bureau of Statistics & International Visitor Survey (Tourism Research Australia)

- Leisure arrivals and expenditure continue to grow, buoyed by a surging Visiting Friends and Relatives (VFR) segment and a spike in visitor spend per night.
- The Business Events segment out of New Zealand remains subdued for Australia with spend down, despite a 2 per cent increase in visitor arrivals in the year ending June 2014.

Visitor flows between New Zealand and Australia are increasing, driven by 6 per cent growth in inbound Holiday visitors and 7 per cent growth in VFR arrivals in the nine months to September 2014. Leisure visitors also spent 9 per cent more in the year ending June 2014 than the previous year. VFR spend was a highlight, up 15 per cent in the same period. Spend per night by Leisure visitors increased 21 per cent year-on-year, while length of stay shortened. The rate of repeat visitation from New Zealand also inched up a point to 94 per cent in the year ending June 2014.

New Zealand outbound data for the year ending August 2014 indicates Australia's market share has turned a corner. Australia's share is now returning to growth after softening in recent years due to increased competition and aviation capacity to Pacific Islands, Hawaii and mainland USA, and South East Asia, particularly during the winter months. Kiwi travel to Queensland ports in particular has been strong this year, up 16 per cent between April and August, according to NZ Statistics.⁹

The Business Events segment out of New Zealand remains subdued with spend down, despite a 2 per cent increase in visitor arrivals in the year ending June 2014. Industry feedback indicates a continued tightening of incentive budgets and increased international and domestic competition for Business Events in the New Zealand market in 2014.

Tourism Australia launched its 'Restaurant Australia' campaign at an event in May for media with celebrity chef and Friend of Australia, Matt Moran, hosting a cooking class. Australia's food and wine experiences have since featured in a 12-week campaign, which commenced in September, titled 'Savouring Australia: An 80 course degustation of discovery'. The Savouring Australia campaign showcases an appetising series of blogs by food and wine personality Sarah Tuck and imagery captured across selected destinations within Australia. The co-operative activity included Air New Zealand, six State and Territory Tourism Organisations, media partner Yahoo! and House of Travel. The campaign seeks to entice New Zealanders to travel to and beyond Australia's gateway cities. Five food and wine influencers, including Sarah Tuck from the New Zealand attended the 'Invite the world to Dinner' events in Australia in November including the Gala Dinner event in Hobart.

Aviation news

- > For the year ending August 2014, direct capacity to Australia from New Zealand increased by 4 per cent in line with visitor arrivals growth from New Zealand to Australia in the same period.¹⁰
- > Air New Zealand will operate its seasonal Christchurch-Perth service again from 13 December 2014 until 25 April 2015.
- > Air New Zealand's twice weekly seasonal Auckland-Sunshine Coast service increased to three per week between 22 September and 12 October 2014.
- > Air New Zealand is increasing capacity to Los Angeles, Vancouver, Fiji and Bali, which poses a potential threat to Australia's market share out of New Zealand.
- > Jetstar announced two new services, Wellington-Gold Coast and Queenstown-Gold Coast starting in December 2014, operating three times per week.
- > Jetstar ceased operation of the Auckland-Adelaide route from 24 August 2014. As a result, Air New Zealand is now the only airline servicing Adelaide direct.
- > Qantas reduced its trans-Tasman services to one flight per week to Sydney and Melbourne and two flights a week to Brisbane in October.

Industry news

- > Destination NSW hosted a New Product Workshop on 17 September which included a cooking class experience at the Auckland Seafood School. Nine products from Sydney and regional NSW travelled to Auckland for the event.
- > Tourism Victoria hosted a trade training mission between 13 and 17 October, with 18 products travelling to Auckland, Wellington, Christchurch and Dunedin.
- > Sunshine Coast Destination hosted a trade training mission from 20-22 October, with seven products travelling to Auckland and Christchurch.

⁹ Source: NZ Statistics – International Travel and Migration

¹⁰ Source: Department of Infrastructure and Regional Development.