

THE AMERICAS

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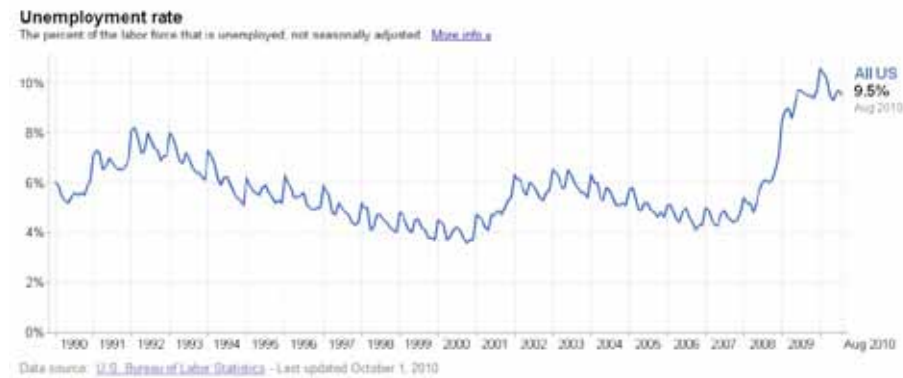
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GENERAL MARKET OVERVIEW

UNITED STATES OF AMERICA

- **Population:** 307 million. Major Market Centres: California (37 million), Texas (24.8 million), New York (19.5 million), Florida (18.5 million), Illinois (12.9 million), Pennsylvania (12.6 million), Washington State (6.6 million), and Arizona (6.6 million).
- **GDP Growth Forecast (IMF Estimates. October 2010):** 2010 +2.6%, 2011 +2.3%.
- **Annual Leave Entitlement:** Generally 2-3 weeks



US Economic Environment

- The Federal Reserve recently ruled out the possibility of a near-term double-dip recession, however, it has scaled back its prediction for the economy's growth pace in the second half of 2010, and also slightly reduced its forecast for growth next year.
- Small businesses and consumers within the US continue to grapple with weak confidence and stubbornly high unemployment rates. Housing activity is still relatively weak and non-residential construction still depressed.
- US interest rates have been kept near zero since December 2008 and have bought about \$1.7 trillion in mortgage-linked securities and longer-term government debt to lower other borrowing costs to help the economy recover from the worst recession since the 1930s.
- Despite stagnant economic conditions, Americans are more confident than they were a year ago and vacation intentions and outbound travel are positive. However, the numbers are anticipated to be less than outbound travel levels prior to the GFC.
- The unemployment rate in the US was 9.5% in August 2010 (compared with 9.6% in August 2009, 6.1% in August 2008).
- The weakening US dollar continues to put pressure on the US traveler's purchasing power on the ground in Australia.

Consumer Profile & Travel Trends

- Australia is consistently ranked as the number one long haul destination US consumers would like to visit, however, this aspiration is tempered by the perceived barriers of time, distance, cost and complexity of planning an Australian vacation, compared with many of our competitors.
- The popularity of package tours has recently seen a revival due to the GFC as consumers respond to the value of all-inclusive vacation options that have a clearly defined price-point.
- The number one booking channel for Americans remains the travel agent with an estimated 44% of consumers using a travel agent in 2010. However, the importance of online and direct to product channels continues to increase.
- The average traveller starts planning his/her trip to Australia 7.8 months in advance, confirms their decision to go 4.6 months before departure, and then purchases their ticket 2.6 months prior to departure.
- Internet usage for travel research and booking continues to increase for Americans, who are becoming savvier when researching the best deal for their vacation and will often shop around at many different travel suppliers. The internet is the primary resource for trip research for consumers, followed by travel agents.
- The travel distribution landscape has undergone some recent changes as a result of the Global Financial Crisis (GFC). There has been a continued consolidation of wholesale operations, with some large wholesalers withdrawing their Australia programs and focusing on short-haul, high volume destinations.

- The general consensus amongst SATC wholesale partners is that luxury upscale itineraries are starting to book again. After a period of cheap lead-in clients, luxury clients are returning to the market. Everyone in every level of the market is still looking for a deal or value-add though.

CANADA

- **Population:** 33.9 million. Major Market Centres: Ontario (13.1 million), Quebec (7.8 million), British Columbia (4.5 million)
- **GDP Growth Forecast (IMF Estimates. October, 2010):** 2010 +3.1%, 2011 +2.7%
- **Annual Leave Entitlement:** 3-4 weeks

Canadian Economic Environment

- Canada experienced a recession shorter and less severe than the US. Between the third quarter of 2008 and the third quarter of 2009, real GDP in Canada fell by 3.3%, compared to a total decline of 3.7% in the United States.
- According to the IMF, the Canadian economy has been relatively buoyant in recent times, citing household balance sheets and a banking system that are in far better shape relative to their industrialized peers. This has allowed the Bank of Canada to begin raising its benchmark rate, from 0.25% to 1% as of September.
- Risks to the Canadian economy are mainly external, with the economy vulnerable to a dip in commodity prices, particularly for minerals and energy, and a slowdown in the U.S. economy, which buys about three-quarters of its exports.
- The unemployment rate in Canada was 8.1% in August 2010 (compared with 8.7% in August 2009, 6.1% in August 2008).
- Consumer confidence grew 12 points in June 2010 compared to the previous year and the forecast is to spend \$24.4 billion on outbound leisure travel in 2010 compared with 23.2 billion in 2009.

Consumer Profile & Travel Trends

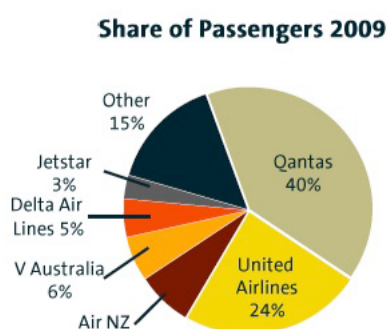
- Canadians have a high awareness and aspiration for Australia as a vacation destination, mainly due to Commonwealth ties. Canadians are intrepid travellers for whom the traditional barriers to travel to Australia (time, distance, and cost) are less than for their US neighbours.
- While the internet has made significant inroads into the way consumers research and plan vacations, over 50 per cent of Canadians still rely heavily on retail travel agents to make reservations, obtain better deals and for peace of mind in their booking.
- Canadians are highly seasonal travellers in general. October through to March is the peak travel period for Canadians wishing to escape the Northern winter.
- Airline discounting continued to be a driver of bookings during 2009, driving the increase in Leisure (Holiday and Visiting Friends and Relatives) travel. Hand-in-hand with fare discounting to fill seats, airlines have been opening up more of their capacity for frequent flyer seats, which have been aggressively marketed to their respective members.
- Canadians hunt for value and are confident and comfortable to shop around for online deals not just within Canada but also within the US and directly with suppliers in Australia.

USA & CANADA VISITOR SUMMARY

- The U.S. remains the fourth largest source market for travellers to Australia, with 453,900 arrivals for the year ended June 2010. The research indicates visitor arrivals have seen an 8% increase when compared to the year ended July 2009 figure of 420,100. Visitor numbers from Canada to Australia have increased by 3% on the previous year, from 114,800 in 2009 to 118,700 in 2010. Visitor nights from Canada on the other hand have decreased by 12% compared with the year ended July 2009.
- South Australia received 42,700 North American visitors for the year ending June 2010. This is a 6% decrease on the 12 months to June 2009 (45,300 visitors). Visitor nights to South Australia decreased by 15% to 513,000 compared with 607,000 for the year ended June 2009.
- South Australia received 30,900 U.S. visitors for the year ending June 2009. This is a 1% increase on the twelve months to June 2009. US Room nights also increased by a total of 6% compared with last year.
- Visitors from the USA to South Australia lifted in the last 6 months of 2009 but declined again in the first half of 2010 and the market finished 1% higher than the previous year.
- South Australia received 11,800 Canadian visitors for the year ending June 2010, representing a 19% decrease from last year. Visitor room nights from Canadian visitors also decreased 40% (169,000) compared to the previous year.

Aviation Market

- Aviation capacity for the US to Australia route increased 9% in 2009 with the launch of V-Australia and Delta Airlines. Discounted fares on the route stimulated travel, with a 6% growth in outbound visitors to the US; however, this is compared with a 15% increase in Australians travelling to the US.
- Tourism Australia forecasts that direct aviation capacity from the USA to Australia will increase by 9% in 2010, followed by 5% in 2011.
- Qantas retains the major proportion of market share (40%), however this fell significantly compared with 2008 (49%). V-Australia and Delta reported holding 5% and 6% of market share in their opening year. The introduction of alternative carriers contributed to a reduction in the Qantas Group capacity of 13%.
- Qantas Airways has announced it will introduce six A380 services per week (from the current 3 services) between Los Angeles and Melbourne, in addition to existing daily A380 service between Los Angeles and Sydney.



Airline	2005	2006	2007	2008	2009
Qantas	51%	52%	50%	49%	40%
United Airlines	24%	21%	23%	21%	24%
Air NZ	9%	10%	9%	9%	7%
V Australia	0%	0%	0%	0%	6%
Delta Air Lines	0%	0%	0%	0%	5%
Jetstar	0%	1%	2%	3%	3%
Other	16%	16%	16%	17%	15%
Total	100%	100%	100%	100%	100%

- North American carriers continue to consolidate with Continental/United finalizing their merger on October 1, and Delta Airlines/Northwest merging in February.
- Air New Zealand will increase its international capacity by 4.9% for the November 2010 – March 2011 period (including San Francisco up 17.9 percent, Vancouver up 7.9% and Los Angeles up 4 per cent).
- Jetstar recently launched an interline agreement with Air Canada that allows customers to connect their Jetstar domestic or international service with travel to or from destinations such as Vancouver, Toronto and Quebec City.

NORTH AMERICAN WHOLESALE ACTIVITIES

There are more than 1,500 wholesalers in the United States. Of these, over 300 have some form of program for Australia, although a small group of approximately 10 operators account for 30 per cent of the leisure travel market to Australia.

Canada has just over 350 wholesalers and approximately 50 have Australian product. The bulk of the Australian market is concentrated in the hands of a few large wholesalers/consolidators – Goway Travel, Boomerang, Qantas Vacations, Anderson Vacations and Air Canada Vacations

- SATC, Qantas Vacations and Qantas conducted a major three month campaign from September 2009 through January 2010 using Kangaroo Island as the predominant theme with a 'free flight' to KI as the value proposition (on top of the Aussie Airpass including SA). The campaign netted over 764 passengers. Qantas Vacations and Travel 2 continue to proactively pursue consortia programs with Travel Leaders, Ensemble and Virtuoso. They have also recently incorporated qantasvacations.com onto the Qantas.com platform, meaning a more integrated and enhanced offering for the large consumer base visiting the Qantas site.
- Swain Tours & SATC continued their partnerships this past year, conducting two major cooperative campaigns. South Australia was featured in a direct mail and online campaign featuring three other state partners and V-Australia, targeting high-end American Express card holders (mailed out 150,000 x 24 page piece booklets, to households) and their database of past travellers for an Australian vacation.
- SATC also participated in Tourism Australia's major \$2.2m 'It's Time for Australia' campaign, aimed at the 'Experience Lead Luxury' consumer to travel to Australia now. Adelaide, Kangaroo Island, Flinders Ranges and Barossa were the key features of the campaign for SA elements, which also featured Tourism Queensland and Tourism Victoria. Swain Tours were the exclusive wholesale partner for the campaign. Swain Tours continues to focus on leveraging relationships with the Virtuoso consortium in 2010.

- SATC participated in DUA's I Love Aussie campaign at the end of 2009 that promoted affordable value-priced air/land vacation to North American consumers. The wholesaler recently partnered with Tourism Australia to promote a Kiwi vs Aussie campaign, enticing consumers to book either Australia or New Zealand, playing on the rivalry between the two countries. DUA are currently conducting I Love Aussie Part II, but packages only consist of NSW and QLD product.
- Goway is celebrating 40 years of business in 2010, and are conducting an integrated trade and consumer marketing campaign across the USA and Canada to celebrate this anniversary. SATC is a partner in this campaign that includes online, direct marketing, sweepstakes, print and trade show elements. Tourism Australia is actively involved in the management of this campaign. SATC also partnered with Qantas, TQ, TNSW, TVIC and TNT for a price driven campaign focusing on the US East Coast and Canadian regions in the late 2009/ early 2010. The structure of the package consisted of 4 nights moderate accommodation in 3 cities and yielded an impressive return on investment for South Australia.
- The 2009-10 year saw the introduction of three important wholesalers into the North American market. Travel Impressions, a fully owned subsidiary of the AMEX, launched their Australia program in May 2010. MLT Vacations, one of the largest providers of vacations in the United States, launched their program for Delta Vacations, harnessing Delta's flights to Sydney and their substantial frequent flyer database. Air Canada Vacations unveiled their new brochure in March covering 3 new destinations, including the South Pacific (Australia). All three organizations have the potential to deliver significant volume of passengers due to their extensive consumer and trade networks.

OTHER KEY TRADE MARKETING ACTIVITIES

- Seven South Australian experiences were represented on the 2010/11 roadshow which visited Philadelphia (Swain Tours) and continued hosting trade and media luncheons and dinners in Toronto, New York, Chicago, Los Angeles, and Seattle. A total of 220 wholesale, retail and media partners were trained over the program. A consumer event was also conducted in Los Angeles in partnership with Springboard Vacations.
- Three SATC operators attended New Product Workshop 2010; Prime Mini Tours, Rawnsley Park, and Chinta Air tours. The event took place at the Ritz Carlton at Marina Del Rey and was preceded by a media lunch focusing on these new products.
- Corroboree 2010 on Hamilton Island saw the launch of an incentive program to 181 retail agents: \$50 voucher for every 4-room night booking in SA made between September and December 2010. If agents book a total of 20 room nights in this period their incentive reward increases to \$500. This reward is also available to agents who did not attend Corroboree. This year, eight South Australian suppliers participated in the event.
- The inaugural South Australian webinar series program for retail agents in the US and Canada was conducted from December 2009 through June 2010. A total of 301 unique agents attended at least one of the sessions, which showcased 16 operators who have been actively involved in the North American market. To qualify for listing on SA.com, agents must have submitted answers to questions asked throughout the series, requiring them to watch all sessions. A total of 52 agents are now listed on the SA.com site and have preferred status.
- Over 2009/2010 the Americas office directly supported 152 trade specialists (retail or wholesale) on famil to South Australia.

KEY CONSUMER MARKETING ACTIVITIES

- In partnership with SA Film Corp, DTED and G'day USA, SATC hosted the G'day USA film night at Linwood Dunn Theater in Hollywood. A total of over 260 guests attended the event that highlighted the Flinders Ranges and Outback region where 'Beautiful Kate' was filmed. Within the G'day USA program, SATC also participated in the two day consumer show at the Paley Center for Media in Beverly Hills with SATC distributing a range of collateral material to over 1,500 guests.
- SATC also participated in an independent Australia Day consumer event at the Trump International Hotel & Towers Chicago, where over 450 guests attended the event, along with two South Australian operators.
- SATC hosted consumer events in partnership with key travel agents. One event was held in New York in February 2010 with two South Australian operators and Jill Taylor of Jet Set World Travel. Another event was hosted in August 2010 in Portland with Australian Premier Specialist Julie Garcia of Journeys by Ambassador, together with one South Australian Tour Operator. In addition, a consumer event was organized during the SATC Roadshow 2010 hosted in Manhattan Beach, California, with wholesale partner Springboard Vacations.
- SATC participated in the Houston Stock Show, March 2-21, 2010 to promote the Great Australian Outback Cattle Drive alongside About Australia, who developed a series of travel packages promoted around the event. A dedicated booth was constructed for the event, in addition to a media dinner and numerous media placements within the Houston area.

MAJOR PLANS FOR 2010-11

In 2010-11 SATC The Americas will focus on South Australia's key experiential themes of Wildlife, Outback, and Wine. The primary focus for Wildlife experiences will continue to be highlighting Kangaroo Island as Australia's 4th icon and the Galapagos of Australia. SATC will continue to focus on the Experience Seeker segment that shares a passion for nature, adventure, and food & wine and has the resources and intent to carry out long haul travel to Australia. Within this overarching segment, two sub-segments will be targeted; Working Professionals and Boomers.

Trade Activities

- SATC The Americas will focus the 2010-11 year on a variety of trade and direct to consumer activities, with 50% of marketing funds targeted to working with wholesale and consortia partners, much of which will be channelled direct to consumer marketing. The majority of investment will be aimed at leveraging airline and wholesale distribution partners with the strongest consumer brands in both the US and Canada. SATC currently has significant campaigns scheduled with the following wholesalers/consortia for 2010-11:
 - o Tourism Australia/ Qantas Airways/ Qantas Vacations
 - o Springboard Vacations
 - o Swain Tours
 - o Virtuoso
 - o Ensemble
 - o Goway
 - o Down Under Answers
- Central to this year's strategy will be an integrated marketing program targeting OTAs (Expedia campaign targeted to start in late 2010), user generated content sites (TripAdvisor), social media networking sites (Facebook), and the SA.com website platform, which will make up approximately 20% of the marketing spend in 2010-11. This change in focus has been driven by the evolving nature of the consumer purchase lifecycle, particularly in the area of information search and booking method.
- In the absence of the OZtalk forum, it is likely SATC will conduct another roadshow in 2011. We will also support the New Product Workshop, which is likely to be held on the back of a special interest/affinity event in the nature and wildlife segments (slated for early June 2011).

Consumer Activities

- SATC will continue to direct significant efforts to building a database of consumers through web activity, various consumer promotions and public relations activities.
- The major strategy devised to build online presence over 2010-11 involves a joint campaign between SATC, famed US chef Tom Colicchio, Qantas Airways and Qantas Vacations. As one of Americas most celebrated chefs, Colicchio has become an ambassador for South Australia following a famil to SA in July. He will conduct one dinner at each of his restaurants in Los Angeles, New York and Dallas. Each consumer dinner will be attended by approximately 130 consumers, with compelling travel offers available from Qantas Vacations if bookings are made within a two week period.
- A major viral campaign is also a component of the program which will involve a sweepstakes to win unlimited number of trips for two to South Australia for a year with Qantas Airways. A comprehensive publicity program and social media campaign (via Facebook, Twitter and/or YouTube) will run in conjunction with the release of this offer to the press on November 1, 2010. SATC has built a dedicated microsite to support the promotion, which will allow SATC to secure a substantial list of consumer details and greatly build awareness of destinations within the South Australia region,

KEY CHALLENGES

- Economic Conditions – Although there are a growing number of positive travel indicators within North America, both countries are still experiencing relatively stagnant economies and unemployment remains an issue. Many economic pundits predict that growth will be slow but steady. The near-parity of the Australian dollar also threatens the purchasing power of North Americans on the ground. Although luxury travel levels are returning to previous levels, mid-market travel may take some time to recover.
- Air Access – South Australia currently suffers from the lack of direct air access from the US to Adelaide. This restricts partnership opportunities for campaigns with key distribution champions who have strong airline ties and limits consumer awareness of the destination. It also inhibits our ability to conduct mono-destination promotional campaigns.
- Airline Environment – Competition for the pacific route still remains strong, with promotional focus still largely on point to point airfares to eastern gateways. Tourism Australia and Qantas have also reduced their marketing of the Aussie Airpass

which delivered significant numbers to South Australia when point to point airfares were significantly more expensive.

- Competitor STO partnerships – Tourism Queensland and Tourism New South Wales continue to be aggressive with respect to marketing activities and have signed a memorandum of understanding at the head office level. Both organizations have invested significant amounts with our traditional distribution partners, to the detriment of boutique, non-gateway states.
- Competitor Destinations – Many of SATC's key wholesale partners continue to expand their portfolios to destinations such as Africa, Asia and the Middle East. It has also been reported that Australia is losing market share to other long haul destinations, which may have experienced a greater pent up demand during the height of the GFC.

KEY OPPORTUNITIES

- Cooperative Campaigns – SATC will continue to participate in large scale cooperative campaigns with key wholesale partners such as Stella, DUA, Swain Tours, Goway, Springboard and Tourism Australia through 2010. Most of these campaigns involve limited state partners, providing South Australia the ideal platform to showcase our unique selling points, whilst leveraging the maximum amount of funds. Operator support through in-market visits, value ads and product updates will be critical in maximising the success of these campaigns.
- Online Marketing – SATC will commit funds to campaigns with Expedia this year. Currently there is a significant product gap in South Australia, especially compared with competitor states. Given SATC's investment, it provides a great opportunity for SA operators to add Expedia product and upgrade imagery/motivational content on their pages. Further to this, SATC is investing funds with TripAdvisor toward banner ads and destination pages for South Australia, Adelaide, Kangaroo Island and Barossa. We would encourage operators to actively engage with the TripAdvisor community and promote positive user reviews for tours and hotels.
- Famils – SATC will also continue to pursue an aggressive public relations and media strategy over the next year. The profile of South Australia is growing amongst trade and consumer media and this is resulting in more consumers requesting inclusion of South Australian experiences when communicating with the travel trade. Cooperation and assistance with these familiarisations is always appreciated.
- Trade Events & South Australian Roadshow – SATC will play an active role with organizing the New Product Workshop event (slated for early June), and will participate in Corroboree 2011 in Melbourne. Given the cancellation of OZtalk, SATC will most likely hold a roadshow in 2011 with dates still to be advised. In-market visitation is critical to success in North America, where personal relationships play an incredibly important role.
- South Australian Webinar Program – Given the success of the 2009-10 program, SATC will offer another webinar series to the retail agent community. Operators that have made in-market visits will hold first right of refusal to participate in the 2010-11 program. We appreciate operator support in educating our retail industry about the unique selling points of your products and destinations.
- ATE/Corroboree Events – Over the last year, SATC the Americas was successful in showcasing the city and key tourism regions to a very large group of retail agents and wholesalers. The combination of these two events has raised the profile of the state over the past year. Participation in North American marketing activities will assist in converting the great interest and enthusiasm received for the destination into future bookings.

ACTIVE INBOUND COMPANIES IN THE REGION

- AAT Kings
- APTC
- Australian Pacific Touring
- Australia One
- Australian Outback Travel
- ATS Pacific
- Australia 2 See
- Beehive
- Epic Private Journeys
- Goway Travel
- Pan Pacific
- Southern Crossings
- Southern World
- Qantas Holidays
- Swain Tours