



FEBRUARY QUARTER 2011 INDUSTRY SURVEY SNAPSHOT

DIFFICULT FEBRUARY QUARTER CONDITIONS DUE TO FLOOD EVENTS; LONG TERM VIEW HAS DETERIORATED

Respondents reported a decline in many key business indicators over the three months to February 2011. In all, a net 19 per cent of respondents reported a decline in general business conditions, a considerable deterioration on conditions reported in the previous quarterly survey.

Over the February quarter, respondents continued to report a widespread decline in profitability, influenced largely by ongoing wage and labour costs. Respondents also indicated a slight decline in employment and overtime levels over the past three months.

Investment spending declined slightly in the three months to February, with investment in plant and equipment on balance down 9 per cent and investment in buildings and structures down 1 per cent.

Environmental factors were nominated as a significant or critical constraint to business by almost half of all respondents of the February quarter survey. Wage costs (32 per cent) and insufficient domestic demand (29 per cent) were the next most commonly identified factors constraining business growth, followed by State Government regulations. The majority of additional comments made by survey respondents this quarter related to the cost of regulation and compliance. The negative impact of travel warnings relating to flood events were also frequently mentioned.

Over the coming quarter, respondents expect a continued decline in general business conditions, possibly in anticipation of ongoing negative impacts of the flood events. Over this period, respondents also expect a decline in profitability, sales, employment levels and overtime. Increases are expected in average wages, non-wage labour costs and selling prices, whilst expenditure on new investment and equipment is expected to fall.

The flood events in late 2010 - early 2011 had a considerable impact on tourism businesses and the effects will continue to be felt in the months ahead.

The level of optimism within the tourism industry about trading prospects over the longer term continues to decline. In total, 29 per cent of those surveyed indicated that they anticipate their business performance will be 'much weaker' or 'somewhat weaker' over the next 12 months.

In response to specific questions about the impact of the recent flood events, survey data showed that:

- 27% of respondents were unable to trade during the flood crisis.
- 50% of respondents experienced booking cancellations as a direct result of the floods.
- 49% of respondents experienced a decline in forward bookings over the next 3 months compared to the same period last year.
- 10% of respondents had laid off, or were likely to lay off, staff as a direct result of the flood events.

- ↓ GENERAL CONDITIONS
- ↓ SALES
- ↓ EMPLOYMENT
- ↑ WAGES
- ↓ PROFITS

Thank you for your involvement in the VTIC Survey of Tourism Performance and Outlook.

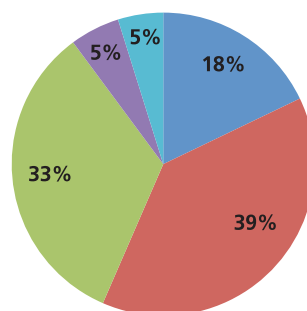
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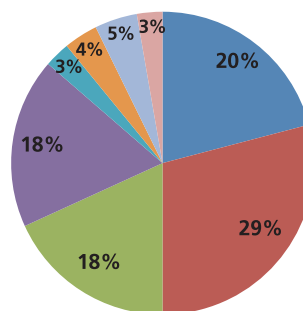
Telephone: (03) 8662 5170

How has your business been impacted by the recent flood events in Victoria?



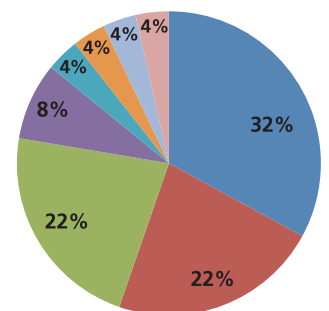
- Very negative
- Somewhat negative
- Little or no impact
- Somewhat positive
- Very positive

Impact of floods on revenue compared to same time last year



- Negligible or no impact
- Down 0-10%
- Down 11-20%
- Down 21-30%
- Down 31-40%
- Down 41-50%
- Down more than 50%
- Slight increase

Expected impact of floods on overall revenue for 2010-2011 compared to 2009-2010



- Negligible or no impact
- Down 0-10%
- Down 11-20%
- Down 21-30%
- Down 31-40%
- Down 41-50%
- Down more than 50%
- Slight increase