

Parliamentary Joint Committee on Corporations and Financial Services – Inquiry into the operation of Australia’s family business sector

The Department of Resources, Energy and Tourism (DRET) is pleased to have the opportunity to provide a submission to the Parliamentary Joint Committee on Corporations and Financial Services (the Committee) in relation to the operation of Australia’s family business sector. DRET’s submission relates to structural, cultural, organisational, technological, geographical and governance challenges facing family business particularly in the tourism industry.

Family Businesses and Tourism

Tourism is a significant industry for Australia, contributing around \$34 billion per year to the Australian economy, employing over half a million people and providing our largest service export industry. Tourism is also important to regional Australia with 46 cents in every dollar of tourism expenditure spent in regional areas.

According to research undertaken by Tourism Research Australia, as at June 2011, there were approximately 283,000 tourism businesses in Australia, representing in excess of 13 per cent of 2.1 million businesses across the Australian economy. Approximately 91 per cent of tourism businesses were non-employing, micro, and small businesses (employing less than 19 persons). Whilst there is a lack of data relating to the number of family businesses in the tourism industry, the structure of the industry and anecdotal evidence suggest that a significant number of small tourism businesses are family operated.

DRET’s interest in the Committee’s inquiry relates to increasing the understanding of the challenges facing family businesses. The submission will also seek to inform the Committee of the tools that have been developed under the national long-term tourism strategy, *Tourism 2020* to address these challenges and the potential for the lessons learnt from the tourism industry to be applied to family businesses in other sectors of the economy.

Challenges Facing Family Businesses in Tourism

The Australian economy is undergoing a period of transition. Changes in the structure of the global economy and the impact of rapid technological change are challenging existing business models that require new skills to manage. This can present family businesses with particular challenges, as many have limited financial resources and capacity to respond to this changing business environment.

The experiences of family business in the Australian tourism industry serve as a useful case study of some of the structural factors facing family businesses and how these factors may be overcome.

Australian family tourism businesses exist in an intensely competitive global market. They are competing for business against firms in both established and emerging markets. Structural transformations in the global economy are changing tourism demand patterns. Seven out of Australia’s top 10 inbound tourism markets are now from Asia and the challenge for the Australian tourism industry is to ensure the products and services they provide are accessible to Asian tourists. Similarly, the

development of digital technologies and the proliferation of social media have highlighted the need for firms to have effective online capability.

Meeting these challenges requires new investment, new skills and new management techniques from family tourism businesses. The ability of family tourism businesses to meet these challenges has broader economic consequences, because every dollar spent on tourism generates 91 cents to other parts of the economy. The impact will be disproportionately felt in regional Australia since 45 cents in every tourism dollar is spent in regional areas.

Tourism 2020 and Family Businesses in Tourism

To assist the industry negotiate these challenges, the Australian Government is implementing the national long-term tourism strategy, *Tourism 2020*, in partnership with states and territories and industry (a copy of *Tourism 2020* is at [Attachment A](#)).

Launched on 6 December 2011, *Tourism 2020* is a whole of government plan to increase industry's overnight expenditure to between \$115 billion and \$140 billion by 2020. It focuses on creating a policy framework through inter-jurisdictional microeconomic reform that will support industry growth and provide industry with the tools to compete more effectively in the global economy. The implementation of *Tourism 2020* is overseen by the Australian and state and territory government Tourism Ministers and its focus on pursuing policy reform to stimulate growth and delivering tools to assist industry negotiate structural and technological challenges provides a case study of how a supply side policy reform agenda can serve to assist family businesses.

Tourism 2020 has six pillars:

- Grow demand from Asia;
- Build competitive digital capability;
- Encourage investment and implement the regulatory reform agenda
- Ensure tourism transport environment supports growth;
- Increase supply of labour, skills and Indigenous participation; and
- Build industry resilience, productivity and quality.

In providing government and industry with a roadmap to address the structural and technological challenges facing the broader tourism industry, *Tourism 2020* also provides family tourism business with a blueprint for addressing these challenges. A full list of *Tourism 2020* deliverables is at [Attachment B](#).

Grow Demand from Asia

Tourism 2020 will help position family tourism businesses to develop new markets through the dedicated \$48.5 million Asian Marketing Fund to grow visitation from Asia. The Asian Marketing Fund will also support new research to help tourism operators, including family tourism businesses to better understand and adapt their product to meet the expectations of these markets.

Tourism 2020 is funding product development and cultural training programs through the Welcoming Chinese Visitors Strategic Tourism Investment Grant that will provide practical, step by step assistance to companies to adapt to new markets.

Tourism 2020 is also making it easier for tourism family businesses to access new markets by funding the translation of tourism entries in the Australian Tourism Data Warehouse into Mandarin, which will make it easier for Chinese tourists to access the product offering of tourism family businesses.

As part of *Tourism 2020*, further work is being undertaken with the China Approved Destination Status scheme to ensure groups of Chinese tourists travelling under the scheme receive a quality Australian tourism experience and maintain Australia's competitiveness in this market.

Build Competitive Digital Capability

The increase in online transactions has fundamentally shifted the environment in which the tourism industry operates. Developing strong and efficient digital marketing and transactional capabilities is essential to remain competitive. However, at present, only a third of Australia's tourism operators have online booking and payment facilities. The development and maintenance of a digital presence is often seen as too costly, difficult and time consuming for family businesses, which hampers firms from servicing the market and realising its potential.

In response, *Tourism 2020* has developed a number of tools to assist industry enhance their digital capability. A National Online Strategy for Tourism has been developed that provides the industry with a roadmap for getting online. As part of this strategy, the Tourism e-Kit and Knowledge Base and Online Community Project will provide tools and online tutorials ranging from website development to search engine optimisation that will assist tourism family businesses build their online capability. Work is also underway on the development of a downloadable online booking 'widget' accessible to industry that will assist tourism family businesses take advantage of the trend to online bookings.

Encourage Investment and Implement the Regulatory Reform Agenda

A review undertaken for Tourism Ministers on tourism investment barriers as part of *Tourism 2020* suggested that the tourism industry faced a disproportionate burden on regulation, which was particularly felt by smaller businesses, including family businesses where finite human resources are often utilised in regulatory compliance rather than servicing customers and developing new product. This review made 22 specific recommendations to address these barriers.

On 22 November 2012, Tourism Ministers released an Investment and Regulatory Reform Report Card that documented progress in addressing these recommendations. Key highlights are that

- Tourism is now a national investment priority. All levels of government are providing tourism investment facilitation services and Austrade is actively marketing tourism investment opportunities to global and domestic investors.
- Under a historic agreement all governments have committed to streamline the environmental assessment process with the aim of reducing duplication while maintaining high environmental standards.
- Many states have taken measures to streamline and simplify their planning systems to make approval processes faster and more predictable.

These reforms will be supported by the National Tourism Planning Guide, that will assist local governments to assess tourism planning applications and assist to reduce the time and cost of the development process.

Taken together, these measures will improve the operating environment for family businesses by reducing the time and cost of undertaking new investment and developing new product.

Ensure Tourism Transport Environment Supports Growth

As part of Tourism 2020, the Australian Government continues to negotiate air service agreements ahead of demand requirements. This will assist in growing visitor numbers to create more commercial opportunities for tourism family businesses. As a result of this strategy, inbound aviation capacity is at record levels.

Increase Supply of Labour, Skills and Indigenous Participation

The availability of workers is a major challenge facing the Australian tourism industry, particularly family businesses. In some cases lack of suitable labour is creating a capacity constraint that is resulting in family businesses being unable to service demand.

Research undertaken for Tourism Minister shows there are an estimated 35,800 tourism vacancies and this is forecast to increase to 56,000 in 2015. Recruitment difficulties, skills deficiencies and retention difficulties are the most prominent labour force pressures facing the industry, particularly for family businesses.

Operating under *Tourism 2020*, the Labour and Skills Working Group (LSWG) has been established to assist industry address these pressures. The current priorities for the LSWG include:

- enhancing recruitment and retention for the industry;
- establishing a regional profiling capability to target employment ‘hot spots’;
- identifying education and training gaps and mechanisms to address them; and
- facilitating workforce mobility and expanding the traditional workforce

The LSWG is in the process of delivering a number of programs against these priorities that will assist family businesses source the labour they need with the skills they need and the time they need.

Tourism Employment Plans (TEPs)

TEPs link tourism businesses with existing and prospective geared towards improving education, training and employment outcomes in order to deliver practical measures to address labour and skills shortages. TEPs are being rolled out in regional labour and skills ‘hot spots’ as identified through the Australian Tourism Labour Force Report.

Seasonal Worker Program (SWP)

This SWP involves a three year trial to engage workers from the Pacific and East Timor to work with accommodation providers. The program assists accommodation providers to meet the demand for workers during peak periods.

Careers Promotional Campaign

The Careers Promotional Campaign provides tourism and hospitality organisations with a sustainable package to enhance their ability to attract employees and market career pathways. The Campaign leverages existing tools and products to promote tourism and hospitality pathways for careers in high demand tourism occupations and regions.

These measures are in addition to the \$10.5 million Workplace Futures program that will provide industry with the funds to undertake training and workforce development activities. This program will be particularly useful to family businesses, that would otherwise not have the wherewithal to invest in training and workforce planning needed to respond to the challenges facing their businesses.

Build Industry Resilience, Productivity and Quality

Increasing productivity is critical to determining the competitiveness of family businesses. As part of *Tourism 2020*, a number of tools and programs have been made accessible to tourism family businesses that will help them become more productive and develop quality tourism product.

The \$40 million T-QUAL Grants program and the \$48.5 million Tourism Industry Development Fund provide tourism firms with matching funds to develop new tourism products, services and experiences.

Similarly, the TQUAL accreditation program is providing firms with marketing incentive to meet improved quality standards.

These measures are being supplemented through the extension of the Enterprise Connect program to tourism as part of *Tourism 2020*. Enterprise Connect offers comprehensive advice and support to eligible Australian small and medium-sized enterprises to help them transform and reach their full potential. Eligible businesses are able to request a comprehensive, confidential and independent business review at no charge. This program has the potential to provide family businesses with the assistance required to implement the organisational changes needed to drive future growth opportunities

In a highly competitive environment the ability of a business to respond to and overcome crises is crucial to its success. As part of *Tourism 2020*, an Industry Resilience Toolkit has been developed to assist industry prepare for, respond to and recover from a crisis. It will be particularly useful for family businesses that may not otherwise have the resources to develop and implement a crisis recovery plan.

Lessons Learned

While *Tourism 2020* is still in the early phases of implementation, the policy reforms and industry tools it has delivered demonstrate how an inter-jurisdictional, micro-economic reform agenda can assist family businesses to respond to the structural and technological challenges confronting the Australian economy.