



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

22 April 2024

Committee Secretary

Joint Standing Committee on Foreign Affairs, Defence and Trade

PO Box 6021

Parliament House

CANBERRA ACT 2600

Via email: jscfadt@aph.gov.au

Dear Sir/Madam,

Inquiry into Australia's Tourism and International Education Sectors

The purpose of the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) is to contribute to making Australia the best place to start, grow and transform a business. One of our key functions is to advocate for small and family businesses, so that their distinctive needs are considered by the parliament, ministers, departments and regulators. While it is not in the ASBFEO's power to guarantee that every small business will be a success, it is our mission to make sure none fails because they didn't know about something that would help.

The terms of reference include a focus on 'the challenges and opportunities for growth in tourism and how Australia can reassert itself as a leader in the international tourism sector'.

The THRIVE 2030 strategy for the nation's visitor economy aims to grow the tourism sector sustainably and improve its resilience. To advance this aim, Austrade is leading the development of an international diversification strategy encompassing new markets, a more diverse range of visitors from existing and target markets and market segments, and growing unique, inclusive and high-quality products, including First-Nations' tourism experiences.

We refer the committee to the advice and concerns raised during the consultation processes that informed the development of THRIVE 2030. Visitor-economy businesses are currently being hampered by insurance-market dysfunction in several areas of diversification that entail some kind of risk, including:

- rural, regional and remote visitor experiences
- accommodation options embedded in our unique natural environment
- experiential products involving active leisure, events and participative recreation.

The committee of lead officials in visitor-economy portfolios convened by Austrade (across Commonwealth, state and territory jurisdictions) has explored insurance affordability and accessibility for visitor-economy business as a key challenge, particularly for commercial property insurance in some areas and public liability insurance. This may be an area the committee wishes to explore further.

The tourism and outdoor-activities sectors are dominated by small businesses. If a small business isn't insured, it cannot engage in trade and commerce. A prerequisite for revitalising Australia's tourism sector is ensuring that essential insurance for small businesses is understandable, accessible, and affordable. Unlike households that – for many reasons – might choose to be



uninsured or underinsured and have options about the level and nature of the risk protection policies they subscribe to, a small business must have insurance in place (covering areas such as public liability) to operate.

Access to adequate insurance cover at commercially viable terms is a significant challenge for many of Australia's small businesses. Businesses surveyed by Business NSW consider insurance to be the number one cost pressure over taxes and other charges, energy costs, and wages.¹ There has been a distinct shift in small business concerns since the end of 2023 in Queensland, which has the largest tourism market in Australia (accounting for 28.2% of national tourism output) and a high exposure to natural disasters.² The relative weight of concern has shifted from staffing, housing and general business costs to the costs of electricity and insurance.³

The ASBFEO's *Small Business Natural Disaster Preparedness and Resilience Inquiry Report* found that:

- many businesses cannot secure appropriate insurance at an affordable price
- some businesses are operating uninsured, or significantly underinsured, with excesses that would preclude any claim being made
- insurers are uninterested in the steps individual small and family businesses take to mitigate disaster risk or are dismissive of them.⁴

There are various factors contributing to the availability of affordable insurance. Risk is a key issue, including climate risk, along with personal injury risk. The insurance sector has attributed the problems facing Australian small and family businesses to a hardening of the global market, with the high cost of insurance correlating with the high cost of risk transfer across industries over the last decade. The Caravan Industry Association of Australia undertook stakeholder engagement and collaboration to examine the insurance landscape in the caravan park industry and present a 5-point strategy to address its current challenges related to affordability and accessibility. This approach used data-driven risk-mitigation measures and analysis to understand the industry's risk profile to answer insurance challenges in the sector.⁵

The Australian Standards paywall could be a contributing factor to personal injury claims as businesses may either be unaware of or unable to access relevant standards, and as a result use or provide substandard products. The Australian Competition and Consumer Commission (ACCC) has affirmed that the continued charging for Australian Standards that are referenced in Australian laws is a barrier to compliance, particularly for small businesses and sole operators. The ACCC considers that referenced standards should be freely available and published on the internet by Standards Australia.⁶

To address these challenges, I make the following recommendations:

¹ Business NSW, *NSW Business Conditions: A cautious start to 2024*, March 2024, pg15

² Queensland Government, *About the Queensland Economy, 2024*, accessed 4 April 2024.

<https://www.treasury.qld.gov.au/queenslands-economy/about-the-queensland-economy>

³ Queensland Small Business Commissioner, *From the Commissioner – February 2024, 2024*

⁴ Australian Small Business and Family Enterprise Ombudsman, *Small Business Natural Disaster Preparedness and Resilience Inquiry Report*, 10 November 2022.

⁵ Caravan Industry Association of Australia, *Industry Roadmap Insuring Caravan Parks A Strategic Blueprint to Improve Industry Wide Insurance Affordability and Accessibility, 2023*, accessed 4 April 2024.

⁶ The Australian Competition and Consumer Commission, *ACCC submission to Standards Australia's discussion paper on the Disruption and Licensing Policy Framework*, ACCC, Australian Government, 2019, accessed 4 April 2024.



1. The insurance sector should help small business by mapping out pathways to solutions

Providing a clearer articulation of what policies cover, what is required by small businesses, and how they can work with the insurance industry to address concerns, can give small businesses the chance to stay in business.

2. The Australian Government should encourage industry-led solutions

Industry-led solutions such as the Caravan Industry Association of Australia Industry Roadmap provide an opportunity for sectors to inform and educate the insurance industry of risk profiles and work together with member businesses on effective and recognised mitigation strategies.

3. The Australian Government should support discretionary mutual funds (DMF) where appropriate:

- insisting on the adoption of better practice and good governance features in the establishment, management and operation of the DMF, and engage with industry to incorporate and refine existing standards, risk management and mitigation initiatives
- engaging with state and territory governments to pursue the necessary legislative and regulatory reform needed to recognise and support the effective operation of an industry-led DMF, and
- seeking to ensure that the beneficiaries of the DMF are Australian operators, consumers and activities.

4. To promote safe practices and effective mitigation of risks, the Australian Government should ensure that mandatory Australian Standards are freely available.

Providing businesses with access to mandatory safety and information standards under Australian Consumer Law (as well as any other federal or state legislation) is crucial to providing them with an adequate understanding of their legal requirements relating to many goods and services, and will further enhance compliance and prudent management of risk.

While we acknowledge that Standards Australia has begun the process of digitising particular industry standards and selling the most frequently used standards in affordable bundles, small businesses in the tourism sector (and indeed across the economy) should not be impeded from gaining access to essential safety standards to mitigate risks and put downward pressure on premiums.

If you would like to further discuss these issues, please do not hesitate to contact the Advocacy team via email at advocacy@asbfeo.gov.au.

Yours sincerely

The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman