

Sea Change

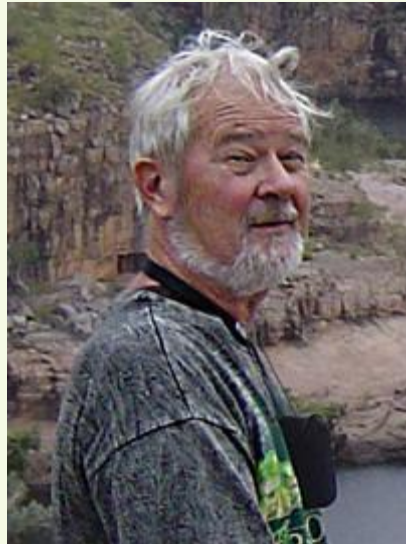


**So you want to enter
the tourist industry**

by

Mike Dixon

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Mike started his working life as an astrophysicist and made his way into tourism via the scuba diving industry. He built one of Australia's first backpacker hostels.



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So you want to join the tourist industry — wouldn't it be great to leave your boring job and lead a more eventful life?

People in the tourism industry have the right idea. They combine work with pleasure and have a great time. The opportunities are limitless: hotel, motel, pub, restaurant, fishing, scuba, horse riding, boating, sky diving ... the list goes on and on. You could turn your hobby into a job.

It's a marvellous idea but don't rush into it. The rewards can be great but many business ventures fail and that's something to be avoided. Failure often occurs when people make career changes in middle life.

I started my career as a research astrophysicist and ended up owning a backpacker resort. Between these extremes, I worked in public administration, public relations, journalism and the diving industry. It was a slow evolution from one job to the next and I learnt a lot on the way.

I offer the following advice for those who are planning a major change in lifestyle. It comes free of charge and you won't be pestered by adverts. I'll start with a list of Dos and Don'ts and follow up with some examples.

1. Don't invest any significant amount of money in a new venture until you are fully aware of what you are letting yourself in for.
2. Don't place undue reliance on the advice of others, including accountants, solicitors, architects, loan managers, advertising consultants and travel agents.
3. Location ... location ... location.
4. Carefully research market size and market share.
5. Don't borrow a cent more than necessary.

6. Don't pay anyone to do anything you can do yourself.
7. Don't get involved in Tourism Awards.
8. The customer matters more.
9. The bottom line matters most.

EXAMPLES

1. Look before you leap.

I'll give two examples. Both are from the scuba industry. Similar considerations apply to most other businesses.

A) My friend John was an electrical engineer and a keen sailor. In his late thirties, he was taken off operational projects and transferred to administrative work. He hated being stuck behind a desk and resolved to leave his safe job with an electrical supply authority. In his spare time he built a large boat and set sail from his home in New South Wales on his fortieth birthday. He put down anchor in Townsville in North Queensland and earned a living taking divers out to the Great Barrier Reef. That's how I got to know him.

John's switch from being a paid employee to a self-employed dive operator was far from smooth - but he made it. He skippered the boat, did all necessary maintenance work himself and kept costs to a minimum. His family was staunchly behind him and prepared to live in rented accommodation that was grossly inferior to their former home. In time he traded his motor/sailing boat for a larger vessel and his business prospered. When I last heard of him, he was a highly respected master mariner running courses in marine safety.

B) The person who bought John's second dive boat was a former farmer. He was in his early fifties and fed up with raising cattle. He sold the farm and used the proceeds to establish his family in a nice house on the coast. The dive boat was intended to provide a pleasurable lifestyle and source of income.

At first, everything went according to plan. The boat was in good condition. John had acquired a solid reputation as a dive operator and the customers kept coming. Skippers had to be hired but there was sufficient cash flow to pay them.

Then things started to fall apart. The new owner lacked an overall grasp of the operation. He enjoyed going out on the boat but was not taking any affective part in the operation. Worse of all, he relied on others to tell him what was going on.

Maintenance work was neglected and that led to serious and costly problems. The reputation of the boat suffered and the supply of customers dropped off. He was unable to judge the reliability of his skippers and dive staff. Good people deserted him and he was left with a substandard crew. He sold the boat for a small fraction of what he had paid for it.

2. Don't place undue reliance on others

Of course you will need an **accountant** and you will need a **solicitor**. I'm not suggesting otherwise. You'll need them to give specialist advice. Accountants are good at getting tax returns in order and advising on loans. Solicitors are essential when purchasing real estate. But don't let them tell you how to run your business. You might have a different breed in your neck of the woods. My experience is that accountants and solicitors are hopeless in operational matters. They imagine that everything is

achieved at the stroke of a pen. In their world that might happen. You live in a different world.

If you are building a hotel, motel, lodge or whatever, you'll need an **architect**. They are great at making buildings look right and some win prizes. The latter are the ones to avoid. Prizes come at the client's expense. If the client is a major company, that's fine. But, you are not a major company and your building must earn money to keep the bank happy. Give your architects a written brief and look critically at everything they come up with. Hunt for ways to save money while achieving a pleasing result.

My next remarks are about people whose agenda is likely to be different from yours. Indeed, it may be diametrically opposed to your interests.

Loan managers frequently receive commissions based on the size of a loan. It may be in their interest to grant a bigger loan than you need even if that places an unnecessary burden on you.

The first imperative of **advertising agents** is to look after Number One - as in other businesses. They are very good at convincing clients of the value of their services. Convincing the client's customers often takes second place. You can waste a small fortune on advertising. Try to tag your adverts in some way so that you can see what yields results. Speak with colleagues and exchange ideas. Treat everything the advertising people say with caution. After a while you should have a far better grasp of your market than they do.

There are good **travel agents**. Others have attitudes analogous to those of a hyena. They will extort commissions of fifty or more percent from you, saying they control the market and you will go bust if you don't knuckle down. We have laws to stop that sort of thing in Australia and I have watched regulators try to enforce them. The sad fact is that hyenas can get away with almost anything

when their victims cooperate. As with consumer protection, there are limits to what the law can do without exerting an unhealthy influence on the market. Keep an eye out for hyenas.

3. Location ... location ... location

In real estate only three things matter and I don't have to tell you what they are. A beachfront block is worth far more than a block two streets back. In business it makes good sense to pay the extra and get the custom that comes with location.

By the same token, it makes little sense to open a business in the wrong place. Australia has lots of superb beaches but only a few attract tourists. I'm sure the same applies to beautiful scenery in North America and picturesque villages in Europe. You have to site your business to suit your customers - not the other way round.

I've just returned from the mountains near Brisbane. We stayed in a cottage on a farm. An expensive resort was nearby amongst spectacular scenery. We decided to visit it and set off down a steeply sided gorge, past impressive waterfalls and through numerous fords. Our vehicle is well suited to off-road driving but there were times when I wondered if we should turn back. Signs told us we were getting close to our goal then a gate barred our way. The resort had run into financial difficulties and closed. One wonders what sort of customer they hoped to attract and what transport they provided. Their web page said nothing about the problems of getting there.

4. Market size and market share

It doesn't matter how good a business you have. If there aren't enough customers you won't prosper. That simple rule is often overlooked by people offering advice: particu-

larly when they have a vested interest. I'll give just one example.

I got into the backpacker business through my involvement in diving. That was in the very early days before the term "backpacker" even existed. Within a short while backpacking took off in a big way and backpacker hostels were popping up all over Australia. The wife of a local surgeon thought it would be nice to get involved. Together with her husband, she sought advice and was told to go big. Three hundred beds were proposed and a leading commercial bank was eager to put up the funds. I later learnt that the success of my hostel was cited as a reason why the venture couldn't possibly fail.

My hostel had sixty beds and our average occupancy was about fifty, which is 82 percent. The assumption was that the three-hundred-bed hostel would score the same. But what if it got no more people than me? That would bring its occupancy down to a miserable 17 percent and it would be totally unviable.

The outcome was not quite as bad as 17 percent but it was not good enough. A big place is expensive to run regardless of occupancy. You need a manager and other staff. Council rates, insurance and maintenance costs must be paid and there's a huge debt to finance. You will only succeed by attracting a large number of people. It all comes down to bums in beds in the accommodation business. In transport, it's bums on seats ... and so on.

The surgeon and his wife were nice people and I got to know them. He'd made his money performing operations in Australia and worked for free in overseas aid programs. In the end they had to sell their beautiful house and move into the manager's apartment in their hostel. Later, the bank forced a sale. The hostel fetched a third of what it had cost yet the new owners failed to make a profit. The place was far too big for its situation.

I should add that the loan manager who arranged finance got his commission in full but later ran into difficulties when a banking crisis put an end to the lending splurge. He left his lucrative position with the bank and took a poorly paid job as manager of a small photocopying outfit.

5. Don't borrow a cent more than necessary

It's vital to do sums. Start with really simple calculations since they provide the best insights. The data for income are subject to a huge amount of guessing but many costs are predictable. Draw up a list. Costs vary from operation to operation. The cost of outfitting a shop or restaurant can be huge even when you don't own the premises. The cost of maintenance must be met if your assets are to maintain value. Think of everything and talk to people. Ferret out as much information as you can.

There is one cost that is rarely predictable and that is the cost of finance. This can be the killer. When I built my hostel, interest rates hit 14 percent and rose to over 20 percent. Yet my interest payments, in real terms, were lower than under a low-rate regime. Interest payments were tax-deductible and rampant inflation was increasing my bed price and the value of my assets. This was back in the 1980s and it would be unwise to think that history won't be repeated. There's no need to get scared. Do the sums and understand what can happen. Then think about how you will face up to each eventuality. Don't let events sneak up on you.

When my backpacker hostel was being built, a big hotel was under construction nearby. It was a pub with beer garden, liquor barn and nightclub. The owner had worked in the hospitality industry and knew what was needed to draw in the crowds. But he'd not done the basic sums. He told me about the capital costs and we were relieving ourselves in his new urinal when I asked if the drains could cope with the output of his customers' bladders. I'd done

the sums in my head. It all came down to the amount of beer he would have to sell in order to service the high interest rates prevalent at the time. The poor guy had relied on the advice of the people lending him money and had assumed they knew what they were talking about and could be trusted. The hotel was a great success but that didn't stop the bank from foreclosing on the loan when he couldn't keep up with his payments.

8. Don't pay anyone to do anything you can do yourself

You've met them. They are the sort of people who think it demeaning to get their hands dirty. They think they can do everything by shuffling paper and exercising their brilliant minds. There's a small number of people on this planet who fit that dazzling model of perfection. It's dangerous to think you are one of them until you have a track record to prove it.

7. Don't get involved in Tourism Awards

I once received a telephone call from the president of our local tourist association. She wanted to know why I had failed (yet again) to enter for a tourism award. Did I know about them?

I said I knew about the awards and wasn't brave enough to enter. She said I might win. I said that was what worried me. All the winners to date had gone bust. My reply didn't go down well and I felt bound to speculate on the legal implications of giving an award to a financially unviable operation.

Sometime later, the awards committee had the good sense to state in writing that their awards had nothing to

do with financial viability. Anyone purchasing a winning business did so at their own risk.

8. The customer matters more

Without them you are nothing.

9. The bottom line matters most

If you don't make a profit you go bust.

I am now retired, in the sense that I no longer have to work for a living. That gives me time for writing. Three of my short stories are relevant to business. The first is about competing with criminals (something most prospective business people overlook). The second is about asset stripping in unexpected places. The third is about making money in a war zone. I end with a plug for my novel *Curtin Express*, which is available free (for a limited period) from my website: ***shadymike.wordpress.com***.

Sea change



So you are fed up with your boring office job and want a change. Wouldn't it be nice to live in one of those fabulous tourist destinations where it's summer all year round? How about going into the diving industry? You could buy a boat and take tourists to the Great Barrier Reef. Or you could establish a yachting business in the Whitsunday Islands. You might even set up a backpacker hostel.

Many of my friends in the tourist industry had professional qualifications. Some had worked as accountants. Others had escaped from government offices. Some were failed academics. Most were wandering souls. Few of us realised we could be competing against hardened criminals when we left our cosy middle-class jobs for a more eventful lifestyle.

I'd heard of money laundering but had never given it much thought. Put in simple terms. Money laundering is what happens when dirty money from illegal operations (e.g. drugs) is processed to make it appear legitimate.

Just imagine that you set up a business and find yourself competing against people who don't care if they make a profit. Their sole concern is to launder money. They'll undercut you at every opportunity and intimidate your staff.

I got to know a couple who had escaped the stress and strain of the big city for the peace and tranquillity of North Queensland. They'd earned enough as financial advisers to buy a backpacker hostel located in a veritable tourist paradise - rainforest, tropical islands, scuba diving - everything you could wish for.

It didn't take them long to realise that all was not well in paradise. Like other hostels, they had a backpacker bus which called at the central bus station. There was, of course, competition for customers. They expected that but what they encountered came as a shock. Hostels were competing to offer the lowest price. One was a huge resort and it was prepared to put people up for free!

Nothing made sense. The resort's previous owners had gone bust. They'd spent a fortune and had failed because there weren't enough tourists to support their lavish project. My friends started to make enquiries. With their professional background, it wasn't difficult to discover what the new owners had paid and how they had raised the finance. A considerable bank loan was involved. There was no way they could service the debt from their takings. The logical conclusion was that they'd soon be bankrupt like the previous owners but that didn't happen. Even with a ridiculously low bed price they stayed afloat.

What about restaurant and bar taking ... could they be sufficient?

That seemed unlikely. If you want to make money from booze and food it doesn't make sense to put up your customers at a give-away price. My friends went round to have a look. They discovered a lot of activity but not enough cash flow to satisfy the bank. While sipping drinks

beside the bar they were recognised by one of the owners and told, in no uncertain words, that they should stop snooping around and clear off.

Months went by and the situation got worse. Fights were breaking out at the bus station and one driver was injured when he was hit by a backpacker bus. The region's reputation as a tourist destination was under threat and the local authorities took steps to calm things down. They called a meeting of the warring parties and picked a hotel as a suitable venue.

The day of the meeting duly arrived and the participants turned up at the appointed hour. It wasn't difficult to tell them apart. The shire council people wore suits and the hostel owners were dressed in the smart casual attire that was fashionable in the tourist industry at the time. They contrasted with the partners in the big resort who wore silk shirts, gold medallions and expensive watches that dangled ostentatiously from their ample wrists. The meeting got off to a bad start and ended abruptly when one of the hostel owners had a beer glass smashed in his face.

The attacker was a senior partner in the resort. A charge of assault was brought against him and he was summoned to appear in court. But, before that could happen, he fled the country to avoid arrest on drug-related charges. Interpol entered the act and he was extradited back to Australia.

As far as I can make out, he and his partners were working a scam that went something like this. The resort was purchased at a time of high inflation with money loaned from the bank. Black money from the sale of drugs was passed off as hostel takings and used to service the debt. Interest payments are tax deductible so nothing was lost to the tax office. If everything had gone according to plan, the black money would have reappeared as legitimate capital gain when the property was sold.



Strangler fig

When it comes to a fight, the leafy jungle is just as competitive as the concrete jungle.

No holds are barred in the race to the top. In the concrete jungle the ultimate prize is money and power.

In the rainforest it is sunlight and power. Plants need sunlight to prosper and some need a lot. That poses problems if you start life on the forest floor.

As a lowly seed you won't make it to the top unless a gale blows down mummy and her friends (a bit like waiting for the boss

to die). This gloomy scenario applies to most rainforest trees — but not the strangler fig.

In corporate terms, the fig's strategy is takeover followed by asset stripping. It issues an attractive share offer (figs). The birds (punters) act as intermediaries. They take the figs, digest the bits they want and discharge the rest (otherwise known as toxic assets).

The toxic assets (seeds) are deposited in the upper branches of a potential victim (tree) and sprout. The seedlings have a place in the sun and prosper at their host's expense. They plant roots in their host's bark and sap its strength.

Their next trick is to send down aerial roots. These reach the forest floor and dig themselves in. The fig's life as a strangler has now begun. Shoots spring up and envelop the host. In time it dies and the triumphant fig takes its place.

If you take a walk in the rainforests of Queensland and northern New South Wales, you will see strangler figs and their hosts in various stages of takeover.

Patches of rainforest dot the eastern coast of Australia from northern New South Wales to the tip of Queensland. Many are World Heritage areas. They are readily accessible from the Gold Coast, McKay, Mission Beach, Cairns, Daintree and other centres.

Grandma's secret



Every army has them and they are usually called camp followers. The ladies of the night perform a vital function that is often overlooked in history books, which tells you a lot about the people who write the books because there's no shortage of information. It's not hard to find, as I discovered when I agreed to help with an oral history project to mark the fiftieth anniversary of the Battle of the Coral Sea.

Oral history is what you learn by talking to old people about what they did when they were young. It is important because it records things that don't get written down when they happen — sometimes for good reasons. The oral historians who recruited me to their team were professionals with academic reputations to defend. I had nothing to defend and didn't share their inhibitions about delving in murky corners.

The Battle of the Coral Sea was fought in 1942 from bases in northern Australia. Tens of thousands of virile,

young American troops flooded into a region from which most women and children had been evacuated. Not surprisingly, they found themselves desperately short of female company.

The academics lacked my sort of contacts. While they were interviewing former mayors and church leaders, I got talking to the father of one of my diving mates. He was a police officer in 1942, aged twenty-four and based in Townsville, which was the main garrison city at the time.

He told me about the Curtin Express. I'd heard the name before and thought it was some sort of coffee shop. The truth was far more interesting. The name referred to a train authorised by Prime Minister John Curtin, in 1942, to solve the problem of loneliness amongst the troop. The Mob (Aussie for organised crime) lent a hand and passed round the word that the train would leave Melbourne on a certain day and travel north to Townsville. Any female person could travel free of charge.

The train became known as the Curtin Express and the ladies who travelled upon it were called Curtin girls. I interviewed some and was told about others. One was a formidable woman who used the proceeds of her wartime endeavours to found a business empire.

That was explosive stuff. I'd unearthed information about the murky past of people who had carved out highly respected places for themselves in the postwar years. The academics didn't want any part in it.

They weren't interested in the ladies but I couldn't stop thinking about them. Their remarkable story had to be told in some way, even if that meant casting it as a work of fiction. That's how my novel *Curtin Express* was born. It is a mystery thriller set in the recent past.

Twenty-year-old David agrees to collect a suitcase from Hong Kong and take it to Australia. The request seems innocent but the case contains dark secrets and David's

life is thrown into turmoil when he gets to Canberra. Like a genie escaping from a bottle, the past rushes in and he is propelled on a mad flight, through the vastness of Australia, pursued by hired killers. His friends mount a rescue operation. To succeed, they must delve into the past and uncover the reason for David's plight. Their inquiries follow the path I took in my investigations.

**Curtin Express is available as a FREE EBOOK (for a limited time) from my website:
shadymike.wordpress.com.**



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