

TASMAN MANAGEMENT SERVICES P/L

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TASMANIA

PRESENT PROSPECTS OPPORTUNITIES AND CONSTRAINTS

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**Tasmania is wallowing in the comfort of mediocrity, a mendicant state,
fast becoming an aged care facility in a national park. It need not be so.
There is hope – there is a way forward.**

BUT IT WILL REQUIRE CHANGE

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A REPORT ON TASMANIA'S PRESENT PROSPECTS

PREFACE	2
INTRODUCTION	3
AN OVERVIEW	9
<i>Economic</i>	
<i>Demographic</i>	
<i>Budget</i>	
GOVERNMENT EFFECTIVENESS	18
<i>Parliamentary Reform</i>	
<i>Accountability</i>	
<i>Human Resources</i>	
<i>Government Solidarity</i>	
THE NEED FOR A VISION	23
<i>Governing to a Plan</i>	
<i>Areas of Economic Engagement</i>	
BARRIERS TO EFFECTIVENESS	25
<i>Budget Matters</i>	
<i>Planning</i>	
The Planning System	
Appeals	
Projects of State Significance	
Other Deliberative Entities	
Local Government	
<i>Disruptive Protest Action</i>	
PROVISION OF INFRASTRUCTURE	37
SECTORAL CONSIDERATIONS	38
<i>Picking Winners</i>	
<i>Sustainable Competitive Advantage</i>	
<i>Promoting "the Brand"</i>	
SPECIFIC INDUSTRY SECTORS	42
<i>Irrigation and Agriculture</i>	
<i>Aquaculture</i>	
<i>Forestry</i>	
<i>Tourism</i>	
<i>Manufacturing</i>	
<i>Health</i>	
<i>IT</i>	
<i>Renewable Energy</i>	
CONCLUSIONS	46

PREFACE

This document was written to provide an insight into Tasmania's economic opportunities and constraints through the eyes of people who are participants in Tasmania's economic environment.

It is designed to provide an overview of where there might be opportunities for investment, and therefore employment, and to consider the present constraints to that investment.

However, two caveats.

This Report does not deliver an economic analysis of individual sectors, nor indeed consider every sector. More particularly, it differentiates between wealth-generating activities (which it considers) and what could be described as income-generating activities (which it doesn't consider).

The latter are considered to be activities that are purely dependent on Government policy that transfers wealth for political reasons, such as government benefits, handouts and programs (eg batts, set-top boxes etc) or to satisfy those considered to be rent-seekers through the payment of subsidies such as carbon taxes, carbon sequestration schemes, exit packages etc. The reason for not considering these areas is because what the government giveth, it can also taketh away.

Further, although the report will comment on planning issues generally, it does not give any consideration to the investment climate for constructing commercial buildings, such as office blocks, warehouses or shopping malls, or residential subdivisions.

A wide range of people and organisations were consulted from around the State regarding this project, with the purpose of obtaining a range of views regarding this topic. Everyone consulted was keen to contribute to the discussion, and the views expressed tended to be common amongst the participants, even though they came from a diverse range of economic activity.

In particular, every discussion gravitated to the twin themes of governance and government involvement in the economy, and the constraints to development occasioned by the present planning environment. No report can ignore these two fundamental factors, and this report is no exception.

The Report considers the investment climate within these constraints, and opportunities for growth.

The engagement and contribution by all persons contacted is greatly appreciated.

INTRODUCTION

Tasmania is not just a place, it is a state of mind. More than most places, conversations in Tasmania are peppered with connotations of “place”. It is made up of a number of communities that coalesce into three logical and distinctive regional entities, but from an economic perspective these populations are relatively small. The people that live here and the people that visit here, all recognize it is as being unique, both physically and socially. As Sir Bede Callaghan remarked in his 1977 report “Tasmania is beautiful, Tasmania is tranquil, Tasmania is economically vulnerable”.

Tasmania is a small regional economy reliant on trade, and being on the periphery of the central axis of Sydney-Melbourne, logistically challenged. It is separated from the mainland by a significant stretch of water. It has no critical mass and its main areas of economic activity - the primary industries of agriculture, forestry and mining (and the processing of products from those activities), together with tourism and the service sector - are all vulnerable to external influence.

These influences outside of State control include trade policy, interest rates, national wages and employment policy and the value of the Australian dollar, and each can have a significant bearing on the economic health of the State, in that they affect both the ability to export products and services, and to fight the challenge from imports.

The population is not especially skilled, although like elsewhere in Australia, it readily assimilates new products and ideas. The use of electronic devices such as mobile phones and computers has become an integral way of life and there is a small but energetic computer-based industry which has been able to survive and grow, which underscores the fact that regional economies can survive within a global environment. In other words, the economy is not entirely a slave to geography.

The public sector plays a significant role in the State’s economy, which in turn is dependent upon sound and consistent public policy and economic behavior to provide stability and direction. For the community to survive and thrive, a government needs to recognise this basic fact. But this of itself is not enough. Tasmania can easily be distracted by single events and issues, which in the absence of an overall picture has the capacity to subsume all other matters. In fact, Governments have stumbled and failed over a single issue. And yet, it need not be so.

In reality, where, when and whether a pulp mill gets up, where a hospital is to be built, the design of a new project, the building of a facility on the waterfront, should not be big issues – they certainly would not be elsewhere. In fact, elsewhere, they would have happened and without protest. And yet here they take on a character beyond their weight, possibly because they are presented as entities in themselves, and not within the bigger picture of Tasmania’s continuing economic and social well-being.

Even small issues, such as awnings or windblades on a building, can consume much energy, time and resources, and detract from the bigger picture of Tasmania’s well-being.

There have been three major reports written in relatively recent times regarding the Tasmanian economy:

- The Callaghan Report 1977 “Inquiry into the Structure of Industry...in Tasmania”
- The Curran Report, 1992 “Tasmania in the Nineties”
- The Nixon Report, 1997 “Tasmania into the 21st Century”

Each of these reports was written in a different economic environment to the present day, prior to the resources boom, prior to the “global financial crisis”, prior to the mining boom occurring elsewhere in the country, and prior to or at the commencement of computerisation and progress towards a digital economy. Each of these reports contain similar commentary, each of them comment on similar issues relating to governance, the overburden of regulation, difficulties with local government, low levels of productivity, population and transport, and much of what was said then remains remarkably pertinent today.

Although quotes are always selected through the prism of interest, the following are pertinent:

From Callaghan:

- “If the people of Tasmania decide to have wilderness rather than workshops, they are entitled to do so, but I question whether they are entitled to seek monetary aid ...to enable them to enjoy the social and economic advantages available to the residents of the other States...”
- “Tasmania cannot live forever on its natural beauty and its history... (there is) the need for greater economic effort... Without economic growth, human progress is impossible.”
- “The people of Tasmania face choices between material and non-material welfare... Choices must be made between welfare services (etc) and more realistic levels of economic activity and employment. If the concept of conservation involves a further decline in employment opportunities ...there is a need for a reappraisal of priorities before aid is sought from others.”
- “There appears to be an absence of co-ordination within (Government) administration.”
- “Tasmania is vulnerable to international prices and demand.”

From Curran:

- “Tasmanians have a distinctive and enviable lifestyle in an idyllic environment. However, Bass Strait cannot isolate Tasmanians from the realities of a modern world. If Tasmanians wish to maintain their lifestyles, they must adapt their economy to changing circumstances.”
- “The State government can influence the competitiveness of industry through the institutional and regulatory environment it establishes for maintaining services and controlling activity... Public institutional arrangements and their regulatory environment are badly outdated and excessively costly in many areas of the Tasmanian economy.”
- “The role of Government is *inter alia* to ensure the provision of essential services and infrastructure, rather than to provide support for specific industries.”

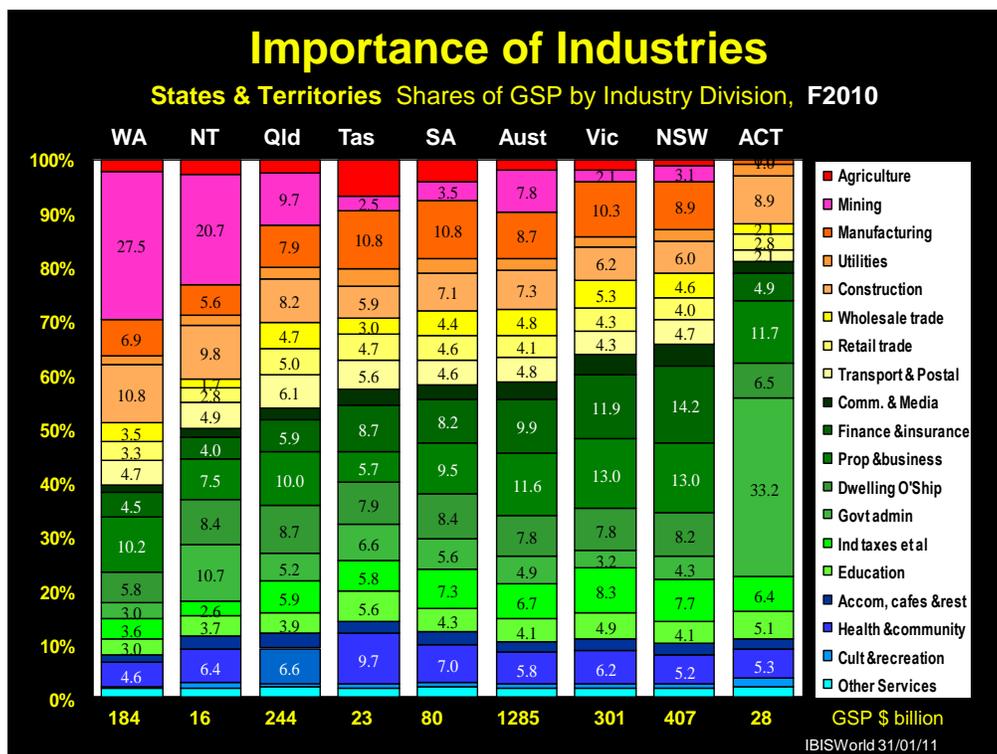
And from Nixon:

- “Poor economic growth is restricting the capacity to deliver services...”
- “The output and productivity of the Tasmanian economy is a matter of serious concern.”
- “...the operations of many Tasmanian businesses have become uncompetitive, due to high input costs and/or uneconomic scale.”

Nixon also commented that there were serious governance issues that needed to be addressed, local government was too fragmented, water and sewerage should be regionalized, the workforce was relatively unskilled, and in transport, the port system was inefficient.

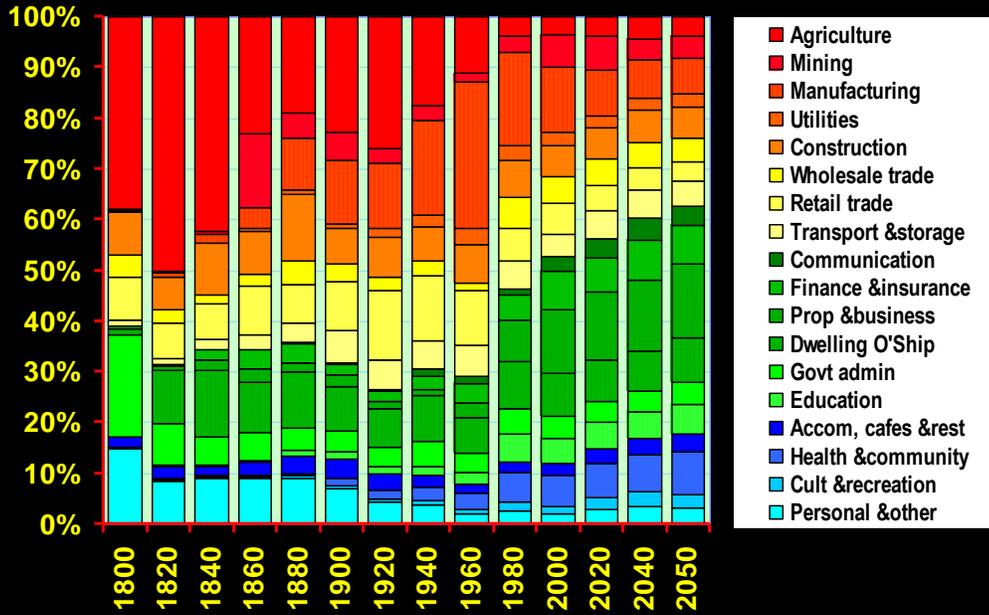
Since these reports were written, the Tasmanian economy has broadened somewhat (as has the Australian economy overall - see IBIS barcharts below), and the reliance on but a few sectors of the economy has lessened. That said, the four major *wealth*-generating economic pillars remain: agriculture, mining and minerals processing, forestry and timber processing, and tourism (see IMC-Link Report, 2009).

As a point of reference, the three IBIS barcharts below compare the Gross State Product (GSP) in 2010 of all States by individual industry sectors, the change in the importance of industry sectors (Australia-wide) since 1800 (with projections for the next 40 years), and finally a comparison of the relative importance of industry sectors between Australia overall and Tasmania over the last 20 years.



Changing Importance of Australian Industry

Share of GDP* by Industry Division



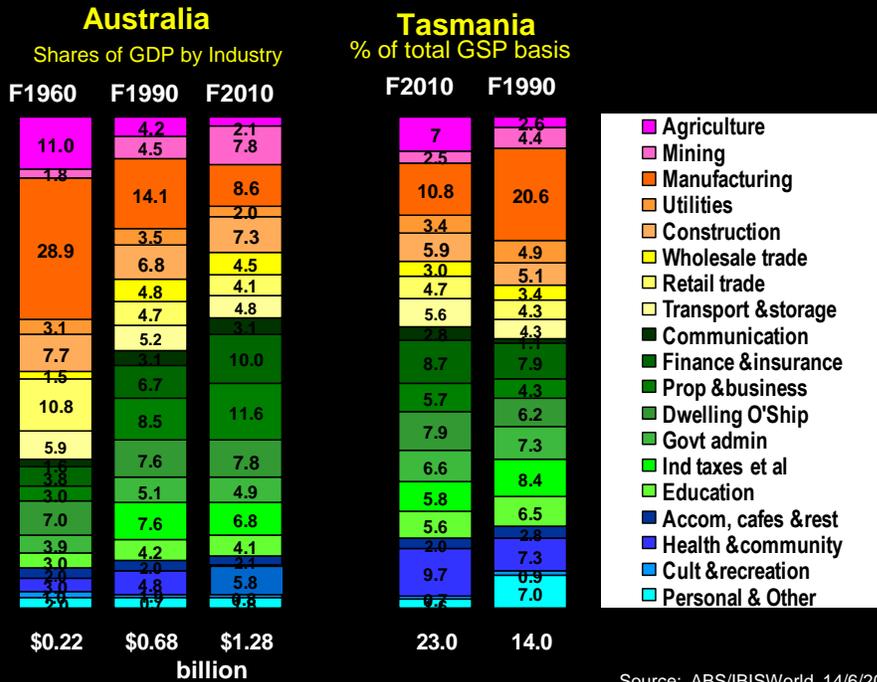
Note: *At market prices to 1940, at factor cost thereafter

Source: N.G Butlin, ABS & IBISWorld

28/07/08

Importance of Industries

Shares of GDP, constant 2010 prices



Source: ABS/IBISWorld 14/6/2011

Tasmania's economy over this timeframe has been characterised by a period of industrialisation based on hydroelectricity and development of the State's natural resources (agriculture, forestry, mining and their associated manufactures) followed by a shift to a more regulated economy with a much tighter scrutiny of resource-based industries (especially mining and forestry) and a significantly more adversarial land use and planning system.

The demarcation point between the two periods coincides more or less with the blocking of the Gordon-below-Franklin hydroelectric scheme in 1983 by the Commonwealth Government. Ensuing changes to the nature of industry and development were not so much influenced by energy supply and demand, but the emergence of a new political influence and philosophy that has incrementally changed the political landscape of the State.

While the economic and political shift has been occurring, the State's economy has become increasingly reliant on Commonwealth Government funding through specific purpose payments and general grants allocations.

A more recent report (2008) from the Commonwealth Bureau of Infrastructure, Transport and Regional Economics (BITRE), entitled "A regional economy: a case study of Tasmania - Report 116", provides more recent data on trends in the Tasmanian economy. The report highlights a negative divergence from the national economy, and considers a number of issues, including population, household and business activity, productivity and governance.

This report found *inter alia* that:

- The State has suffered from a vicious cycle of declining employment, income, consumption, investment and business activity (1990's)
- Tasmania has benefited from a virtuous cycle of increases in income, consumption, wealth and population (2000's)
- Business confidence has mirrored the performance of the State's economy
- Tasmania's government has influenced the performance of the State's economy through its fiscal management and leadership role (positively and negatively)
- Migration has been an important driver and reflector of the State's economic performance
- Outmigration is influenced by the shape of the economy, and in-migration is influenced by the level of housing affordability. The nature of such migration (young tend to leave, older tend to arrive) has led to a "structural ageing" of the community and will have economic consequences.

Australia has always been a 2-speed economy, and under Commonwealth Government Grants Commission formulae the State has always received more from the Commonwealth than the State's economy contributes.

In former times, the manufacturing States of Victoria and NSW were the economic powerhouse of the country, and paid for the "vertical fiscal balance" that assisted the four weaker States. As the wealth-generating emphasis changed from manufacturing to mining, the States of Queensland and Western Australia, once the beneficiaries of vertical fiscal balance, have become

less reliant on the Commonwealth and are becoming donor States, with South Australia set to join them once the large mining activities in that State come into production. The table below appeared in *the Australian* newspaper recently and shows the following return for every GST dollar raised:

Tas	SA	NSW	Qld	Vic	WA
\$1.60	\$1.27	\$0.96	\$0.93	\$0.90	\$0.72

Tasmania remains a beneficiary, and this imbalance is not likely to change for some time. The advent of the Asian economies with their rapid rates of economic growth will keep demand high for Australia's minerals for many years yet, and this will keep the exchange rate high as well. Tasmania does not have the benefit of abundant minerals to take advantage of the Asian boom, and thus will not be a beneficiary of this trade to the extent that other States will benefit.

Recent mainland commentary exposes the fact that many believe Tasmania is not pulling its weight. The stronger States rail at the notion their taxpayers are subsidising weaker States which fail to manage their economies efficiently. "Tasmania maintains certain standards of living thanks to it being a fiscal mendicant" seems to be a major theme, characterised by the notion that "Tassie has become a retirement village in a National Park". Such commentary is gaining significant traction within the Commonwealth Government.

On the other hand, the Tasmanian Government claims that the State is entitled to these additional payments under the principles of Federation, it is doing its best with the hand that it has been dealt, the Commonwealth keeps interfering in the Tasmanian economy, and that it is not possible for the State to be self sufficient. This may well be true, and as such, the Tasmanian Government has a duty of care to ensure it puts its arguments soundly and with vigour, that these negative views are challenged, that Tasmania does pull its weight, and that the economy has sufficient strength and growth to mark such commentary down as 'redundant'.

OVERVIEW

AN ECONOMIC OVERVIEW

- **The small size of the Tasmanian economy makes it vulnerable**
- **The economy is in transition – it always has been**
- **Confidence and capacity to manage change and “newness” is a critical issue**
- **Capital formation and management is an important consideration**
- **Government plays a significant role in the economy of the State and needs to consider appropriate administrative governance measures**
- **Our economy lags behind the rest of the country**
- **Government needs to practice proper fiscal discipline**
- **Regions are not participating/suffering equally**
- **We are living beyond our means – some will suffer more than others**

Every report and commentator suggests that the Tasmanian economy is in transition. That may well be so. However, the fact of the matter is that the economy is *always* in transition. New processes, new investment criteria, new investors, new opportunities, new technology, all play a part in remoulding the economy. The issue is not that the world is changing, rather that there is a capacity and a desire to embrace that change. Change means newness, and should embrace the concept of growth, as distinct from shrinkage and destruction.

It is very easy to find reasons not to do things nor to accept new developments or approaches. Imagine for example a proposal for a bold new architectural style finding support on the Hobart waterfront. In this regard MONA, the dream of one individual, is a shining exception to the rule and shows in bold contrast what could be done and how transforming such an approach can be. For an economy to survive, it must also change and adapt. Newness should be welcomed and encouraged for its own sake, but in addition to what is already happening, and not as an either/or tradeoff against existing operations.

There has been a trend to lose control over the source of capital that in the past has driven the investment agenda. A company with a Tasmanian-centric Board will look at Tasmania in a different light to one controlled from elsewhere. However, companies once owned in Tasmania are now owned elsewhere. And elsewhere, as a result of recent considerations, Tasmania is looked upon as a risky place to invest. As such, there has been a shift in focus away from Tasmania to wherever that ownership and control now resides, and where the investment climate is more welcoming.

Opportunities do exist to set up pooled development funds, which are designed to invest in enterprises for a period to assist in their growth, and then selling down their investment. It happened with FTIL (First Tasmania Investments Limited), which drew on superannuation fund money supported by government, and it is happening to some extent in a private capacity.

If Tasmania cannot attract capital to the State, the risk is that financial institutions might go the other way, and restrict investment in Tasmania. This would be most “unhelpful”.

On the broad scale, a policy to promote capital formation within Tasmania, controlled from Tasmania, managed in Tasmania and invested in Tasmania, should be encouraged.

Tasmania is a small and regional economy. However it is also a State of the Commonwealth, and requires a bureaucracy to match its status. Some have said that Tasmania should cede that status and become a region of Victoria. This is neither practical nor sensible. Impractical, in that it will require constitutional change – not sensible, in that we enjoy the influence and status of Statehood that provides a focus to what we do. And focus is good, properly managed.

However, there is a real sense that the machinery of government, if not “broke”, is in need of some repair, that there are serious administrative and financial governance issues confronting Tasmania, and that these need to be addressed urgently to ensure its continuing viability.

The State is small in size, but it is a State. Because of its size, the government’s role in the economy is disproportionately large compared to other States, and not much can and does happen without a degree of government engagement. This can be beneficial or it can be detrimental, depending upon the approach the government takes to its role.

Government together with its bureaucracy needs to be mindful and conscious of the fact that it plays such a role, that it is an important role, and that decisions taken cannot be made in isolation from a wider “ripple” effect. To ignore this role, to not provide steerage, or even worse, to cause interference for its own sake, has wider ramifications. Eventually and inevitably, investment will dry up, the economy will suffer, and the reputation of the State as a place to invest will be trashed.

In this regard, care must be taken to ensure that decisions made, which may have a degree of reasonableness when taken in isolation, do not have the cumulative effect of being contradictory and lead to a quagmire of confusion and an inability to resolve matters. Such decisions tend to be couched in the rhetoric of “*doing the right thing*” or “*covering all bases*”, but the end result is chaos and the Law of Unintended Consequences takes over.

An example is the recent debate over school closures. Criteria for school closures were determined by the Education Department, government accepts the criteria with no understanding what that means in reality, a list of schools, mainly in rural areas, is published without government input, small local communities feel under attack and react accordingly. At the same time, government economic development policy seeks greater involvement in rural Tasmania, so policies have now become contradictory, overall Government policy is compromised. Government becomes distracted by the debate, is confused by the conflict and is placed on the defensive.

This can also be seen within the present planning environment, which is both complex and confusing. There would appear to be a lack of direction or vision and this has led to a culture of stasis and denial. “*No you can’t*”, rather than “*Yes you can*” or even worse “*You can afford the extra costs we are imposing on you*” are all too frequent an approach. Furthermore, not much can happen without bumping into a planning “mafia” controlling the planning culture. A

separate language has grown up around “planning” matters, with rule by unaccountable and self-appointed vested interests and persons.

Although there is much talk of the need for good planning outcomes, the reality is that outcomes presented are now seen to be detrimental to investment opportunities. Eventually, there develops a sclerosis of will and an unwillingness to engage. *“It’s all got too hard”*. *“I give up”*.

In short, attitudes need to change.

Key economic indicators show that Tasmania lags behind the rest of the country – and is falling further behind national trends. Wages are lower, educational achievement is lower, GSP growth is lower. Further, there is a very high dependence on Government for our basic wellbeing. According to Jonathan West from the Australian Innovation Research Centre at the University of Tasmania, around 36% of households are dependent on a government benefit and a further 26% of households are directly or indirectly dependent upon a government wage. As stated this may be income generating, but it is not wealth generating.

The following table of economic forecasts is derived from the State budget papers, and is instructive for two reasons:

Table: Economic Forecasts –from State Treasury Budget Papers

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Budget Estimate	Forecast	Forecast	Projection	Revised projection
GSP (real % change)		1¼	1¾	2¼	2¼	2¼
CPI – Hobart (% change)	2.7	2¾	2¾	2¾	2¾	2¾
Population (% change)	0.9	0.8	0.8	0.7	0.7	0.7

The first is that it is presumed that population will be essentially static. So apparently no prospect of growth from this quarter. This is a different debate to that being held on mainland Australia, where it is acknowledged there will be a significant increase in population from the current 22 million to upwards of 40 million over the next 30-40 years. (see eg Bernard Salt, “The Big Tilt”)

The second is that although the State GSP (ie what we earn) is forecast to grow, it will be at a very low rate, and with CPI running at around 2¾%, that basically means no growth. On the other hand, Australia’s GDP is forecast to grow at around 3-4% per annum. So whatever growth there will be in the Tasmanian economy, it will be lagging behind the rest of Australia.

Tasmania, already behind, is most likely to fall even further behind the standard of living in the other States, comparatively.

A comparison of GSP per capita (ABS data) over the last 10 years clearly shows Tasmania lagging behind the mainland States.

Value (\$'000)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
NSW	39.6	41.6	44.2	46.6	48.6	51.5	54.6	55.8	56.6
Vic	40.1	42.0	44.6	46.3	47.9	50.2	53.5	53.4	54.8
Qld	35.9	37.2	40.1	43.3	47.3	51.0	53.4	57.4	54.6
SA	34.0	35.5	37.7	38.9	41.0	43.8	47.4	48.0	49.2
WA	43.1	45.2	47.1	51.5	59.7	68.0	74.5	81.3	81.2
Tas	29.0	30.8	33.7	35.5	37.7	41.6	44.2	44.4	46.2
NT	44.0	45.8	48.3	53.4	58.8	64.9	71.3	74.7	71.3
ACT	47.5	51.3	54.3	57.5	60.7	66.5	71.1	73.8	78.2
Aus (GDP)	38.9	40.7	43.2	45.8	48.8	52.3	55.8	57.8	58.0

Ratio (Australia =100.0)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
NSW	101.9	102.3	102.2	101.8	99.7	98.4	98.0	96.6	97.6
Vic	103.2	103.2	103.2	101.2	98.3	96.1	96.0	92.4	94.5
Qld	92.4	91.3	92.6	94.7	97.1	97.5	95.8	99.3	94.1
SA	87.6	87.3	87.1	85.1	84.2	83.8	85.1	83.1	84.8
WA	110.9	111.2	109.0	112.6	122.4	130.1	133.6	140.8	140.0
Tas	74.6	75.6	77.9	77.6	77.3	79.5	79.3	76.9	79.7
NT	113.3	112.5	111.8	116.7	120.6	124.1	127.9	129.4	123.0
ACT	122.3	126.0	125.5	125.8	124.6	127.2	127.6	127.8	134.8
Aus	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Further, we pay less in taxes than what we receive in benefits.

THIS IS A FUNDAMENTAL ISSUE – we are presently living beyond our means.

Average figures such as these also mask certain demographic and regional differences within the State.

First, some demographic issues.

At the outset, it is acknowledged that Tasmania's population profile is older than elsewhere, and its participation rate is lower. These factors have a bearing on GSP per capita figures.

With regard to those in employment, our working population can be divided into separate categories. At the risk of oversimplification, some Tasmanians, with a high level of education and/or wage parity with mainland States, receive reasonably high incomes and are not dependent on the State economy for their employment. They will weather any downturn quite comfortably. In fact their position could well improve in line with the rest of the country.

Others, also reasonably well-off and with a reasonable educational attainment (trades, retail/wholesale etc), are dependent on the State economy, and as such will probably suffer a reduction in their standard of living given a downturn.

And there is a further group, on low wages, with a low level of education, totally dependent on the State economy for their wellbeing. A downturn in the economy would lead to a loss of employment, and their standard of living and employment opportunities will suffer greatly.

The significance of this cannot be overstated. Whereas some will survive, or leave to find opportunities elsewhere, others will simply exist. Without employment, without a prospect of gaining work, such an environment will inexorably lead to a sense of hopelessness and despair. And in such an environment, social responsibility suffers, and leads to social decay.

Second, the concept of a 2-speed economy is as much pertinent within the State as it is between the States. Recent statistics show the NW Coast and the NE, with greater reliance on a few industry sectors (such as forestry and manufacturing), lagging behind the rest of the State.

Embracing economic change does not mean economic destruction. As some industry sectors (eg services) grow, others (eg manufacturing) may fall away. But that does not mean that those quieter sectors should be dispatched with altogether. That only creates an artificial imbalance, a loss of skills, a lower employment rate and a lesser economy overall.

There are two approaches that can be taken – to reduce our standard of living, which means less wages and less services, or to improve our GSP, which means improved outcomes from all sectors. The latter is obviously the preferred option, but achieving it will require

- a more positive approach to work and productivity
- improved education outcomes
- the development and retention of relevant skills

The most recent budget recognised the need to cut the costs of running the public sector, and did so by cutting positions. This may well work as a “balancing the books” solution, but it has done nothing to resolve the “improved productivity” solution. There is an obvious need for improved productivity in the public sector, but such an approach must start at the top. It is at the senior

levels of management where there is an obvious need for significant improvement. Productive output should be measured by reference to services provided, rather than processes followed

A matter of concern is that Tasmania continually shows a lower level of educational achievement than other States. Some figures show numeracy and literacy rates as low as 70% by the end of Year 10, and that Year 10 is regarded by many students as the end of school. These rates and attitudes are not confined to any particular part of the State – they are widespread. Statistics such as these are sometimes quoted as being a good news story – “*Literacy and Numeracy levels improve*”. However such levels are nothing to boast about.

Some qualitative work has suggested that the attitudes of students are in large part a reflection of the attitudes of parents, who see limited value in attaining higher skills. This leads to a vicious cycle of “dumbing down”, with the inevitable consequence of a limited employment future. It goes without saying that a lower level of educational attainment will lead to lesser opportunities for employment and for those who do get jobs a lower level of productive output per person.

If Tasmania is to have a viable economic future, then these education statistics must be turned around. In recent times an effort has been made to improve these basic skill levels with some success. This effort must be continued, and supported across the political divide.

Regarding retention rates beyond Year 10, the advent of high speed broadband may be a significant tool for teachers specifically and for the education system generally to encourage students to continue with their education, and enable them to do so, and especially so in country areas. It is sometimes said that kids finish school after year 10 because to continue with their education they need to leave home. The advent of high-speed broadband may assist in this regard by enabling a teacher in real time (from site A) to hold a “virtual” classroom concurrently in more than one school. Another week, the teaching would be done from eg site B.

Skill can be homegrown, and it can also be imported. In-migration is an obvious source of talent and skill, and Tasmania could well appeal to aspirational families for lifestyle reasons, as much as it does to seachangers and retirees.

A recent presentation by the consultancy group *MacroPlan Australia* showed a high correlation between the price of property and in-migration. In particular, a median house price lower than that of Melbourne saw a high level of in-migration, which slowed considerably once the median prices coincided. It would therefore seem reasonable to suspect that a policy to encourage in-migration would need to be accompanied by the availability of cheap land.

It would be a mistake to sit back and hope that the advantages of space, cheap land and lack of pollution or congestion are sufficient to guarantee a bright future.

The only way this can be avoided is for GSP to improve. In such an economic climate, those who argue that Tasmania can pick and choose which activities are desirable and which are not risk much.

A DEMOGRAPHIC OVERVIEW

Demographic change is a more urgent issue for Tasmania than for other States and territories. From many different sources and commentators the following is apparent:

- **Tasmania’s rate of population growth has traditionally been the lowest of any State or territory**
- **The present population level is approximately 500,000. A decade of stagnation in the 90’s was followed by a period of growth since that time**
- **The major determinant for the low growth rate has been outmigration to other States, especially of younger persons. This outmigration is counterbalanced to some degree by an influx of older persons and retirees**
- **The level of persons born overseas is low by national standards (10% vs 23% in 2006)**
- **Tasmania is ageing more rapidly than any other jurisdiction and has the oldest population of any jurisdiction**
- **Tasmania already has the lowest labour force participation rate of any jurisdiction and so is more vulnerable to a future decline in participation due to ageing**
- **Tasmania’s labour productivity rate, which is a key driver of economic growth, has been below the national average in the long term**
- **Tasmania’s level of educational attainment is low by national standards**
- **Housing prices and in-migration show a high correlation**

Since 1966 Tasmania’s population has grown by over 130,000, or over 35%. However, in the same timeframe, Australia’s population has almost doubled. In relative terms, Tasmania’s share of the Australian population has fallen from 3.2% to around 2.2%.

Figure - Population data (from ABS)

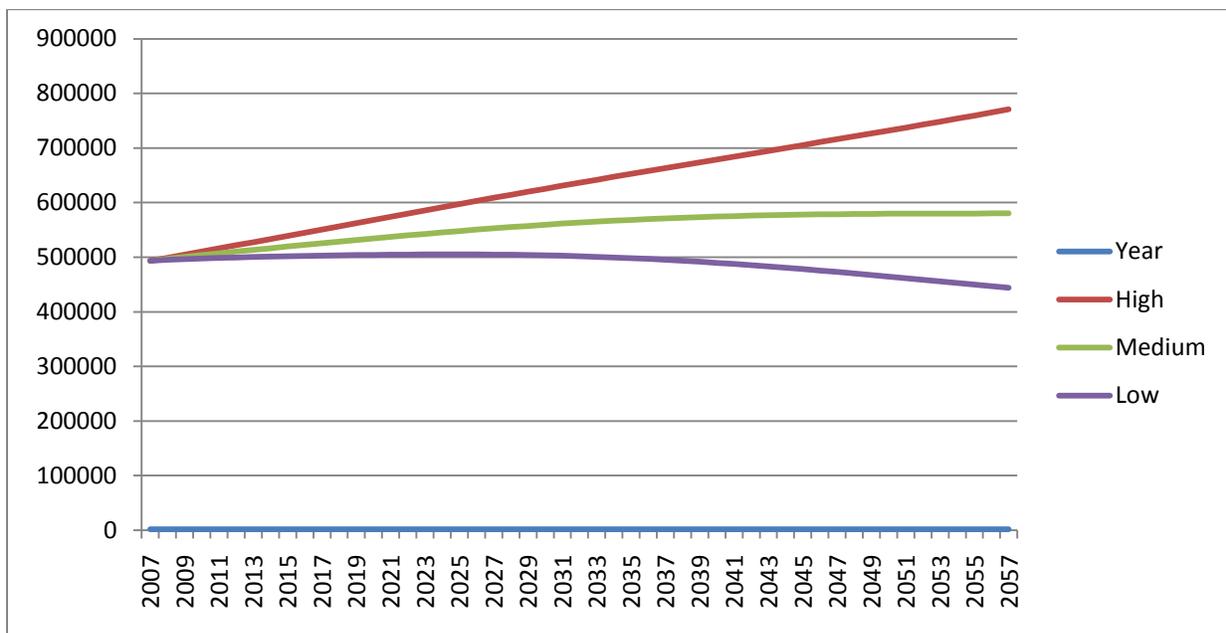
Census Year	Tasmania	Australia	Percentage of total (%)
1966	371,436	11,599,494	3.20
1971	390,413	12,755,634	3.06
1976	402,865	13,548,448	2.97
1981	418,957	14,576,330	2.87
1986	436,353	15,602,156	2.80
1991	452,851	16,850,540	2.69
1996	459,659	17,892,423	2.57
2001	454,841	18,769,249	2.42
2006	476,481	19,855,288	2.40
2011 (est)	507,626	22,647,280	2.24

NB For 2011, figures for NSW, Vic and Qld are 7.3m, 5.6m and 4.5m respectively

The Demographic Change Advisory Council was established by the Tasmanian Government in 2006-07 to provide advice relating to demographic change issues. These demographic changes include population size and ageing, the possible decline in the number of people in Tasmania's workforce and the reduction in the number of younger Tasmanians in general, such as those of school age.

In 2008 the DCAC published a set of projections of population growth for the next 40 years, using different sets of assumptions to establish a high, medium and low growth rate. The findings are contained in the Figure below. It is noted that DCAC's medium growth rate corresponds with ABS assumptions of growth for the State.

Figure – Population projections (from DCAC)



These projections show that by the year 2050, the high rate will have Tasmania's population over 750,000, the medium rate shows the population reasonably static at 560,000, while the low rate shows a net loss of population.

The different assumptions equate in large measure to different rates of in-migration. All three assumptions note an outmigration of younger people, and an in-migration of older people.

However, the advent of the new mining boom has led to unprecedented calls for more workers. Over 300,000 more skilled workers will (according to the respective State Treasurers) be required in the resource States of Queensland and Western Australia alone within the next 2-4 years. If the Tasmanian economy shows no growth during this time, then a significant number of skilled workers will be tempted to leave Tasmania, with dramatic consequences for the State, and would lead to a growth rate equivalent to the low growth rate depicted in the graph, which means a net loss of population.

A BUDGET OVERVIEW

- Budget cutbacks are necessary due to falling GST revenues
- Public service employees should be treated with respect
- The budget is a strategic document and should provide some strategic direction for the future. At present, we are “managing for the moment”

A budget is about revenues and expenditures. The present State budget shows that, on the revenue side, its main source of revenue - GST receipts - has fallen. On the expenditure side, monies paid on salaries and wages has risen.

Treasury has advised the Government that the State is living beyond its means and that left unchecked would enter a period of net debt, which is a situation where it needs to borrow money to pay the interest on monies already borrowed. Not a healthy situation if left unchecked. This is the basis on which the current budget has been drafted, and the Government has announced its intentions to avoid this scenario *vis a vis* employee numbers, closure of schools etc.

The Government workforce is a significant component of the Tasmanian economy, and needs to be managed properly. However, holding the proverbial “sword of Damocles” over the head of the entire sector, by creating a broad spectrum of lingering doubt and uncertainty has done nothing to promote productivity or encourage personal spending. As a consequence, business confidence has suffered. Such an approach is not considered the best option.

The Budget is not only a document for reporting expected revenues and expenditures. It is – or it should be – a strategy document advising in what direction the government intends to take the State. As the Mercury recently opined “The Budget should be about getting things done, not just balancing the books”.

If government funds are in short supply, then private sector funds will be necessary to ensure continuing growth in the economy. Yet, traditionally, private investment has shown a high level of volatility and relates to the level of business confidence and expectations for future economic growth. So in order to encourage the private sector, the Budget should also be about establishing a growth mentality as a prerequisite for fostering private investment. However, neither the Government’s budget nor the Opposition’s alternative budget provide such direction. The budget has ceased to be a policy document, and has become one of financial management alone.

In fact, it has exposed the current style of government and political thought as “managing for the moment” A budget must be presented with a future in mind, rather than simply balancing the books. To not do so defines a lack of direction.

THE ROLE AND EFFECTIVENESS OF GOVERNMENT

To govern competently and effectively, a government should practice good governance. Governance should be based on established practice, and allow a government to govern.

The House of Assembly is below a critical mass, and should be returned to 35 members.

Government needs to maximise the use of the resources available to it, both financial, physical and intellectual. In particular, a government needs to ensure that its public service has a capacity to provide advice and to carry out decisions, without the threat that to stuffup is to end one's career.

Government must have a plan, a vision, or a strategy that is recognised and understood by the community.

Governments should be leaders, and not simply managers. Parliament should resist the temptation to impose Commissions of Review and other bureaucratic overlays that impede decision-making. Review should be a feature of the Upper House.

Governments should command respect. "A House divided cannot stand"

A CASE FOR PARLIAMENTARY REFORM

At present the Parliament has two chambers, a house of government (the House of Assembly) and a house of review (the Legislative Council). The model is common to most legislatures, where the house of review has a different constituency to the house of government and is designed to balance the democratic interests of the people with (normally) a geographic overlay. The concept of "balance" is a sophisticated one, but is generally regarded as being an important feature of the checks and balances necessary to ensure a Government does not abuse the power that it has available to it.

If a government consists of a minimum of 8 Ministers, including a Premier and a Treasurer, and for good governance reasons has a backbench greater than the frontbench, of which one would be Speaker, then it will need a minimum of 17 persons. The Opposition would be, at a maximum, 16 strong, making a minimum workable Parliament of 33 members.

In Tasmania, with 8 Ministers, the house of government has 25 members, and is generally regarded as being below a critical mass for good governance. Ministers have had to be sourced from the Legislative Council, thus compromising its role as a house of review, and the backbench has had no authority to question the decisions of Cabinet. The backbench also plays an important role in providing a pool of talent for the Government, and fulfilling committee responsibilities. It is obvious to everybody that the numbers need to increase.

Should Tasmania have a unicameral system? One train of thought has been to combine the two houses into one. However, attractive as it might be to some, in practical terms this won't work because the Council will not vote itself out of existence. Variations on this theme, whereby the two Houses meet as one for certain procedures and processes, are in reality cumbersome and impractical.

The alternative is to increase the size of the House of Assembly, and it should be a priority of all parties (and a benefit to them as well) to boost the numbers in the Lower House to enable proper governance arrangements.

There are a number of scenarios that could achieve this end, and maintain the system of proportional representation. The simplest and most acceptable is to amend the existing legislation back to 7 members for each of the 5 electorates, and this should be done immediately.

However, there is scope for further improvement. The Hare-Clark system of proportional representation is a sound electoral system and should be retained.

- It provides for minority representation
- It allows the electorate to choose who shall be its representatives from a range of candidates, and thereby reduces the influence of party machines
- It enables the filling of casual vacancies without the need for a by-election.

This is important in providing Government with a degree of stability, and not subject to the whims of death, misadventure or resignation. It is of interest to note that there has not been a Parliament since 1970 that has gone its term without there being a casual vacancy.

The existing electorates are large. Having 7 members to service an electorate is in many respects an "overkill", and allows members to represent smaller constituencies within an electorate. The number of members (eg 5 or 7) determines the quota (16.7%, 12.5%), and some thought should be given to an appropriate minimum level of electoral support before a particular group can claim a seat in Parliament, especially when that person or group could hold the balance of power.

The present electoral system is based on Commonwealth electoral boundaries. Under the Constitution a State shall have a minimum of 5 seats. A variation worthy of consideration is to redraft boundaries to provide for 7 electorates, each with 5 members. Such a structure goes some way to address the concerns mentioned above, and unlike the Commonwealth boundaries provides electorates with obvious and logical "communities of interest". For example:

1	NW	(West Coast, NW Coast, Burnie and to the Leven R)
2	N	(from Leven R, Devonport and to the Tamar R)
3	NE	(Eastern Tamar and the NE)
4	Middle	(Midlands, E Coast and Upper Derwent)
5	East of Hobart	(Clarence, Sorell and Tasman)
6	North of Hobart	(North from the S Hobart Waterworks)
7	South of Hobart	(South of the Waterworks, Kingborough and Huon).

There is also an opportunity to redefine the role of the Legislative Council, and give consideration to its structure. As a House of Review, it should be given sufficient resources to ensure it does just that, and should trade its authority to block Supply for a more functional role in reviewing legislation and the actions of government. It also needs to give consideration to move away from its present pocket-borough electoral system to one where it may more appropriately reflect a regional or State-wide interest. This would constitute the “geographic overlay” referred to earlier.

ACCOUNTABILITY

Governments need to be accountable to Parliament, and through Parliament to the people. However, in recent times, structures have developed, in some cases outside the bureaucracy altogether, where the authority to make decisions lies outside of government, decisions can be made without reference to government, where Ministers have no opportunity to exercise authority, and yet which can significantly impact on people’s lives and livelihoods, and even the reputation of the State.

Particular reference is made to the regulatory framework surrounding both the pricing of services and the application of development controls, where the interests of Government can be denied and even thwarted.

At times, it might be convenient for Government to blame an external authority for certain occurrences, some of them necessary, such as water or power pricing, but Government **MUST** take unto itself the responsibility for decisions taken. The procedures surrounding development controls, more commonly referred to as our present planning environment, are so complex and cumbersome as to frustrate many developments, many in fact supported by Government, and even Government projects themselves.

Reform of the planning environment has been mooted for many years. And yet, not much has changed. At the time of writing, the air was thick with the demand for change, and there had been a commitment by Government to act.

A further example where government seems to have passed over its proper responsibilities is in the current forestry peace process, where two separate groups of negotiators, neither appointed by the government nor accountable to the people or the parliament, are sitting like victorious generals on either side of the table and poring over maps to determine how public land is going to be divided up between them. The government, the actual owner of the land, would appear to be silent on this matter, and is absent from the table.

Government must take action now to recapture its authority. To not do so is to abrogate its responsibilities to the people, and makes for bad governance.

THE GOVERNMENT'S HUMAN RESOURCE

A recent speech by the former Secretary of the Australian Treasury, Ken Henry, while he was Secretary, paints a depressing picture about the politicisation of public policy. His advice to senior project managers was contained in four lessons, which he detailed as follows:

- Project managers and advisers operate in an adversarial, combative political environment. Everything they do has the potential to embarrass the government of the day, and in political jousting, facts play poorly relative to perceptions.
- The environment in which public servants work scores losses much more heavily than gains, so there is extreme loss aversion. As a result of this most ministers have a tolerance of risk that is close to zero.
- Public servants' performance may be judged by their political masters on how well it plays in the media. What matters is not whether a story is true or false, but whether it is positive or negative.
- Events on the short-term horizon are overvalued relative to events at a distance.

He continued:

“Add to this inhospitable environment serious skill deficiencies in senior advisers' negotiating skills then public policy suffers from excessive rigidity, and along with it the public's faith in the political process”. This is not to denigrate the political skills of advisers or their general competence. The skill deficiencies are in two principal areas associated with the “fix”.

The first is that the main objective is to get the issue off the front page. The focus of any negotiation is both narrow and short-term in focus. However, the relationship between business and government in a mixed economy necessarily involves multiple issues, many constituencies and therefore agencies. The fix is usually based on a single issue, narrow constituency and focuses on a single minister or department. In negotiating terms this simplification of complex issues reduces the possibility of creating value and merely distributes value from one party – usually the government - to the other - usually the complainant – and always at the expense of other constituencies not at the negotiating table.

The danger here is that narrow, self-serving groups have an inherent, though not insuperable, advantage over broad ones that worry about the well-being of society as a whole, and in turn inevitably leads to decline as entrenched interest groups sap the energy and vitality of the economy.

The second, related weakness is in underestimating their negotiating power at the table. This is a direct consequence of the short-term nature of the “fix’ and an essentially narrow single department view of the issue.”

To add to these observations, it seems that the current structure actually encourages decisions to be deferred or delayed. *“Not sure about that”, “We had better set up a committee to look at that”* seems to be the order of the day. Lines of responsibility are blurred and authorities to proceed are unclear.

Added to that, bodies have been established to question decisions taken and to ensure proper process, such as an Integrity Commission, a Social Inclusion Commissioner, an Equal Opportunity Commission, as well as a variety of Appeals Tribunals and the like. However the unintended consequence of their establishment has been to encourage decisions to not be made.

After all, no decision will please everyone and criticism will always be at the table. “*Why make a decision if no matter what decision I make I’m going to get hauled over the coals for making it*”...

The obvious conclusion is that we need to consider the structural barriers that have been created, with a view to removing them, and to skill up our people.

Senior management within the public sector has an awesome responsibility to manage their departments with outcomes in mind. That is their job. And yet often decisions are delayed because of “process”. Well, it’s a bit like the call “*the operation went well – unfortunately the patient died*”. This is not good management, and no blame to the theatre staff.

It is obvious that the upskilling needs to start at the top.

Upskilling should start at the top echelons, but should not be confined to senior management. In this regard, a recent announcement by government to cancel all internal training and some induction programs is narrow in the extreme, and in the end self-defeating.

GOVERNMENT SOLIDARITY

To govern properly, a government must be united. To note an old adage “disunity is death”.

Organisations, both public and private, spend a lot of time and effort to ensure there is a clear and united view presented to the market, because to not do so sends a signal that the organisation is in trouble. “Singing from the same hymnbook” is an expression often used.

The present power-sharing arrangement does not require unity and as such, a number of issues have arisen where a divided view has been expressed. Some members of Cabinet are on the record saying one thing, whilst others present an alternative view. To condemn your partners in one breath whilst supporting them in another breath is a very novel way of governing. It may seem a sophisticated way of governing to some, but it is an oddness. Some confused signals are being transmitted to the community, suggesting instability. And instability in government has ramifications across the broader community, including a loss of respect for government.

To quote Lincoln, who himself borrowed this biblical reference “A house divided cannot stand”.

It cannot continue the way it is going at present.

THE NEED FOR A VISION

GOVERNING TO A PLAN

A government should promote a vision and a strategy that is recognised and understood by the community.

Governments should be leaders, not just managers.

Any vision should encourage self-sufficiency, growth and investment

Tasmania's government influences the performance of the State's economy through its fiscal management and leadership role. The present state of play has government and the Parliament in a vortex of indecision and sclerosis. Even when decisions are made, they tend to be in response to events, and although each may be rational in themselves, they are being made in isolation from the broader context of Government policy, and when put together, the approach is one of caution and an absence of focus.

Fixing a problem, reacting to an event, is all very well, and a necessary part of government, but it is only a part. Governments have become managers of the present, with declining physical, financial and intellectual resources, rather than leaders with a vision for the future. The approach is now equivalent to moving the deckchairs on the sinking ship.

The time has come for a new narrative, one that can move us away from the present gloom and doom, one that can provide hope and optimism for the community at large, and provide a secure and stable climate for economic activity and growth. One that enables the State to become a net contributor to the country's economy, and not a mendicant. It is only through growth in the economy that one can deliver jobs, wealth and investment, and provide the necessary funds to spend on the essential services of government.

The narrative can be very simple. It needs to be meaningful, and not just slogans such as "*Go for Growth*", "*Change for the Better*", "*Facing the Challenge*", or "*Turning Tasmania Around*". Slogans without substance are but platitudes and wear thin exceeding fast. It needs also to encompass the philosophy of citizenship, as being part of something bigger than self.

Such a narrative could be for Tasmania to dramatically increase (even to double) its population within 40 years. Although this may sound fanciful, it is NOT a radical thought. Setting a goal such as this would be in line with thinking elsewhere, it would maintain the relativities with the rest of the Commonwealth, it would engage the community in a debate on how to deliver on such a policy, it would provide a direction and encourage investment by both the public and private sectors towards achieving such a goal, and it would stimulate growth.

And Tasmania is in the fortunate position of being reasonably underpopulated, so it could accommodate such change with little if no detriment to its "lifestyle". In fact for many "lifestyle" would be enhanced. However, it does involve change. Change from a STOP mentality to a START mentality.

There is an alternative vision, to keep things as they are. *“I like things as they are”, “There is no need to change”,* in fact, *“Let’ stop doing things that do not equate with my lifestyle needs.”* This is no less a vision, and is being promulgated by certain groups within the community. But it is a “no growth” vision, and such a vision has its consequences. And those consequences are not pretty. What is concerning is that whereas a growth vision does accept newness - new ideas, new developments, new people - the alternative view excludes them, and the community becomes xenophobic.

It must be realised that the world does not stop, things don’t stay as they are, and Tasmania would be left further behind, so much so that we could become - like the Amish - an historical curiosity. A Georgian theme park on the edge of the world.

AREAS OF ENGAGEMENT

- **Government is intimately associated with the economic health of the State**
- **Government is a significant economic driver**
- **Wealth generation needs to be promoted to ensure economic growth**

State Governments are the providers of essential government services to ensure a sustainable, thriving and vibrant community. From an economic point of view, two areas of operational activity are the portfolio areas of Infrastructure and Resource Management, and Economic and Regional Affairs. More on these later. However, government is also engaged in the economy by virtue of its own activity.

It buys goods and services

And yet...is there a policy for supporting local business?

It is both a tenant and an owner of buildings and property

And yet...is there a policy for property management

It builds things, or pays for things to be built

And yet...is there a policy for infrastructure funding, provision of housing, and hospitals?

It provides funding support, such as JV arrangements, incentives and subsidies

And yet...is there a policy of industry support?

It employs people, who spend

And yet...is there a policy for the treatment of its employees?

It regulates through its planning laws, regulators and appeal processes

And yet...is there an overarching planning strategy?

It promotes a Brand

And yet... what is the nature of its connection to its intended beneficiaries?

The items mentioned above are not just activities, they are also levers government can manipulate to drive the economy forward. Yet they lie idle. In none of these areas does it have a policy, at least, not one that is understood and enunciated. In fact, there is a feeling that the lack of direction has become a dead hand on economic activity.

Government needs to recognise it is a leader, not just a manager. Managing the status quo for the moment and without direction or growth inevitably leads to decay and a slow death.

BARRIERS TO BEING EFFECTIVE

BUDGET MATTERS

- **Ensure proper budgetary processes**
- **Are we getting every dollar we can from Federal initiatives?**
- **Moving beyond the blame game, and the “passing the buck” syndrome between the separate tiers of government.**

In making comment on the budget it is not the intention to make line-by-line comment on the budget, but rather to note some overarching issues that are in need of resolution. First and foremost, there is no room for extravagance, unfettered largesse, or spending “because we can”. Government needs to be rational and strategic in its financial affairs, in both generating revenue and in its spending.

Tasmania needs to protect its revenue base, and that base is presently under sustained attack from around the country. Nationally, GST revenues have fallen significantly, and there is a very serious debate presently underway at the national level regarding the formula by which Tasmania is apportioned its share of GST revenues. Further, benefits gained in special purpose payments can have an adverse consequence in GST revenues. Added to which capital payments for building facilities will have consequences in ongoing recurrent payments to keep those facilities maintained and operational.

There is no magic bullet.

On the revenue side, consideration has been given to a cost-effective approach to raising revenue beyond the very narrow base of gaming and GST. A paper written in 2006 by Robert Carling (from the Centre for Independent Studies) entitled “State Taxation and Fiscal Federalism” explores the matter of the States’ tax base in some detail, and gives consideration to a State income tax as a further broadly-based tax. He cites the experience of the Canadian provincial system, where the provinces “piggy-back” on the federal income tax base with a single administration.

However, two issues arise. There will definitely be opposition to such an impost from the public, and so such a suggestion would be doomed to fail, especially if Tasmania “went it alone”, but also consideration needs to be given to the fact that Tasmania has the lowest per capita income, and thus would be a lesser beneficiary financially.

This should not stop consideration of widening the tax base. In fact the wider the better, and therefore issues such as land tax, payroll tax and stamp duties on sale of property do need further consideration. As a point of principle, the narrower the base, the worse the tax.

The State government also commissioned recently a working group into the State’s tax base and those findings should be of interest. A later paper by Carling (2011) entitled “Tax, Borrow, Spend: How the States Compare” found that although Tasmania’s fiscal performance was improving:

“Looking at where Tasmania's position ended in 2009–10, it remained mediocre, reflecting deep-seated weaknesses that could only be overcome by more years of improvement”

And on the cost side, the State needs to be more strategic in considering what government departments do, how they do it, and the structure and the skills of the bureaucracies that manage them. In most instances when there is a need to prune the public sector, the approach has been to implement across-the-board reductions, and it is the troops at the coal face which tend to end up in the firing line.

There is another approach worth considering. Government needs to analyse strategically what it is spending its money on. Not only the programs themselves but the competence and capacity of those that are running them. For example, education and health are two major areas of expenditure in the budget. In each of these cases, it is the senior management within the bureaucracies that require a serious examination as to their role and their effectiveness and their productivity, before any consideration is given to the front-line troops. After all, bureaucracies are there to provide a service to the public, and are not an end in themselves.

Use of the internet and resource sharing can be useful tools to significantly cut costs. Facilities need to be relevant to the communities they are serving and be given sufficient resources to be effective in the provision of those services.

Funding leverage.

There are many Commonwealth programs where monies are available, and specific purpose payments made, sometimes on a shared basis with the State. These opportunities should be grasped and proper submissions made to obtain this funding. However, there have been a number of instances where this opportunity would seem to have been missed, or is not being taken up. Two examples to emphasise the point.

- Infrastructure Australia recently had a program where upwards of \$300 million was available to the State, and the State made no compliant application for the funds within the timeframe
- Funds from the Commonwealth's Regional Australia initiatives are available for the redevelopment of the Theatre Royal and co-location with the University Conservatorium yet at the time of writing the government appeared equivocal and the offer looked as though it would be knocked back. (This is a project worth \$75m, requiring a \$15m investment from the State, and its development presents an opportunity to redefine the entire precinct as an Arts precinct/cluster).

Other programs have involved proposals being put to government for a partnership arrangement with the private sector, only to be rebuffed by departments that have wanted to “go it alone”.

It may well be there are good reasons for the State's reticence to apply or engage, but the end result is a denial of opportunity and a loss of funding options.

Finally, many commentators have stated that the overlay of the various bureaucracies (Federal, State and Local) makes for impossibly complex lines of control, a terrible waste of time and resources, and significant buck-passing. It is relevant here to note only that everyone recognises that the nightmare continues.

PLANNING MATTERS

There is a need for an overall State strategy
Statutory planning should be given a regional focus
The Appeals process needs overhaul

The planning “system” has come under enormous criticism. For many, serious delays in reaching decisions have caused enormous difficulties in terms of time, uncertainty, frustration and money. Gaining approval for renovations and refurbishments has become ridiculously complex, the zoning rules are far too rigid, and the State’s reputation as a place to do business has suffered. The system requires serious attention.

The Planning System

Planners see planning as containing three separate elements:

- Strategic planning, which takes a futuristic look at the use of land and water resources
 - i.e. a big picture view of growth and development, on a State and/or regional basis
- Statutory planning, which involves the planning schemes of Councils
- Development assessment, which is the mechanism for dealing with development applications

At present, the authority for planning decisions lies with Councils, and each Council has its own planning scheme. A planning scheme is a document which:

- establishes zones
- places on a schedule certain uses which can (and cannot) occur within each zone
- establishes provisions concerning the treatment of such matters.

Planning schemes need to be approved by the Tasmanian Planning Commission (TPC), and once approved, they are administered by Councils. Any amendment to a planning scheme needs to be approved by the TPC.

The TPC’s principal charter is to undertake independent assessments, as well as providing advice. Assessments include:

- draft planning schemes and planning scheme amendments
- interim planning schemes and dispensations
- projects of regional significance
- draft planning directives
- projects of State significance
- draft State Policies.

Advice includes advice to:

- the Minister in relation to land use planning (eg regional strategies)
- local government in relation to planning schemes.

Each Council has a planning section within its structure. The process that is normally followed is that a Development Application is lodged with the Council and its planning section determines whether the application is in conformity with its planning scheme.

If so a recommendation is then made to the Council to approve the application. If not, the recommendation is that the application is refused. In such a circumstance, the applicant can appeal such a decision to the Supreme Court.

Council can seek advice from external authorities and require more advice from the applicant. Although there is a timeline set for decisions to be made, the ability to “stop the clock” before the end of 28 days can cause a blowout in timelines. Officers can, as the timeline for decision draws near, and for whatever reason, including not having yet looked at the Application, seek further advice, thus “stopping the clock”. Council can apply “conditions” as a condition of approval, some of which may seem unreasonable or obstructive.

However, the answer is not always “yes” or “no”. Council can also determine that the application is discretionary. This area of “discretion” is the most contentious of all, since the guidelines for assisting such a determination are - at best - vague. If an application is deemed discretionary, the application is then advertised and representations sought from third parties. Once a decision is made, the third party representor then has the right of appeal, which goes to the Resource Management and Planning Appeals Tribunal (RMPAT).

Councils can - and do - overrule their planning advice. Furthermore, they do not have to supply reasons for their decision. There is a real conflict of interest here. Councils are in part planning bodies, and meet in committee as planning bodies, yet many councilors see their primary role as being to act as advocates for their constituents, as distinct from providing an overarching and consistent policy position.

Council schemes are all different, some are in fact way out-of-date and thus irrelevant to present needs, each scheme has its own interpretation for things such as residential and industrial developments, setbacks from the road, height limits, even carparks, and each has different prescriptions for zoning. (NB At the time of writing, a State-wide planning scheme template - providing for uniform provisions - had been released, and will now apply to all new planning schemes. However, current schemes are not subject to this template).

More importantly, if an amendment to the Scheme is sought, it needs to be done in the context of a strategic overview such as a master plan for the area, and many councils don't have them. In other words, decisions are taken in isolation from a broader context. This is a far from satisfactory situation, but may be resolved by the development of regional strategic plans.

Discretionary Appeals

Decisions made by Councils can be appealed, and appeals are heard by the Appeals Tribunal. The Tribunal can and does encourage parties to mediate their concerns. This is a sensible approach, and a significant number of disputes are resolved in this way. However, not all, and in such circumstances, the appellant can walk away, start again, or go to appeal. If the latter, every party - the appellant, the council and the tribunal - will each have a panel of advisers (such as planners, architects, traffic engineers, lawyers etc etc) to assist each party. A very costly exercise for all concerned.

Further, a successful appeal by the applicant against a decision of a Council will not normally have costs awarded. Thus, objections do not necessarily cost the objector. A vexatious objector, having lodged a \$50 deposit, is able to carry out an objection. Further, the Environmental Defender's office, a creature of the Commonwealth Government, can act for objectors with impunity.

The present appeal process is of major concern, and requires an overhaul.

Projects of Significance

Projects that are of "State Significance" can be called in by the Premier in Parliament. The management of the project is given to the TPC, which can then delegate its powers to an Expert Panel to consider them. An Expert Panel has the authority to set guidelines, hold hearings and must report back its findings to the Premier (not the TPC) as recommendations. The Premier would then take those recommendations to Parliament for parliamentary approval.

Projects of "Regional Significance" are treated differently, in that the Planning Minister has the authority to call in a project and does not need to seek parliament's approval to do so. An Expert Panel is established, but in this case the Panel is the final determinant.

NB A decision regarding whether projects are in fact "projects of significance" is open to interpretation.

A general comment

Planning involves both the establishment and maintenance of a strategic, futuristic planning profile, and the more operational planning scheme/development control profile. The former is sadly lacking, and the latter is a hodgepodge and in many cases out-of-date.

Presently in the pipeline are three strategic regional land use strategies, which are designed to "set the scene" via a new "template" for local planning schemes to adopt a more consistent approach to definitions, concepts and approach. However, they need to be considered within the broader context of a strategic State plan.

And there is none. There is no overarching vision. At present there are three State policies, but they are by no means a comprehensive cover.

The Prime Agricultural Land (PAL) policy was designed to ensure that prime agricultural land was not open to subdivision, but it is very rigid in its interpretation and has now become a document to advise what can and cannot be grown on classes of land.

The Coastal Policy was designed to protect coastal areas from inappropriate development (very vague). A revised policy has recently been withdrawn.

The Water Quality Management policy is in reality an environment document, as are a number of Commonwealth Environmental Protection Measures, which are automatically State policies under the relevant Act (see EPA below).

However, there is no population policy, and there is no settlement policy, both of which would have an enormous impact on planning approaches. A State policy of population growth referred to earlier would have a totally different profile to one which had no population growth. The TPC has to make decisions in isolation from any direction given it by government and in the absence of such direction has become a de facto determinant of policy. This is not a healthy position.

In summary, the TPC requires State policies, which do not exist, councils require a strategic approach such as a master plan, many of which don't exist, and some projects have a "footprint" broader than that of a single council, and such a regional approach to a development, such as regional planning strategies, do not at present exist.

Other Deliberative Entities

Superimposed on this structure are a large number of entities, each with determining power. The Environment Protection Authority (EPA), the Forest Practices Authority (FPA), the Water and Sewerage Authorities, the Tasmanian Heritage Council and Aboriginal Heritage Tasmania have all been given the power to be determinants of policy, as distinct from being advisory. And if the development is a marine development (eg fishfarms, marinas), then other authorities also become involved. The Tasmanian Ports Corporation is an entity unto itself, with no responsibility or linkage to the environment in which it operates.

To provide a thumb-nail sketch of a few of these superimposing entities – note most of the following information is derived from their websites.

The Environment Protection Authority (EPA)

The EPA is an integral part of Tasmania's Resource Management and Planning System. Its jurisdiction includes environmental management and pollution control matters deriving from the *Environmental Management and Pollution Control Act 1994*.

The Board of the EPA is governed by an independent Board and Director. Both the Chairperson and Director exercise powers at arm's length from State Government and have independent statutory powers under the Act. The EPA ... is supported by the EPA Division of the Department of Primary Industries, Parks, Water and Environment. The Board of the EPA has the statutory responsibility for conducting assessments over Schedule 2 operations.

Schedule 2 is a schedule to the Act and contains the following activities, each with more detailed definitions:

- 1. Petroleum and Chemical works*
- 2. Manufacturing and Mineral Processing works*
- 3. Waste Treatment and Disposal*
- 4. Food Production and Animal and Plant Product Processing*
- 5. Extractive Industries*
- 6. Materials Handling*
- 7. Various other activities as defined, including wind farms*

The Director of the EPA can also require the planning authority to refer an application to the Board for assessment, and the planning authority must comply with that requirement.

Although various timelines are set down for such assessments, the capacity to “stop the clock” makes such timelines meaningless. Assessments are binding. Appeals against decisions made by the EPA are heard by the Appeals Tribunal. Breaches of decisions made are a matter for prosecution.

The Tasmanian Heritage Council (THC)

The Tasmanian Heritage Council came into existence in 1997, following the proclamation of the *Historic Cultural Heritage Act 1995*.

The Heritage Council is a statutory body separate to government responsible for the administration of the Act and the establishment of the Tasmanian Heritage Register. Its primary task is as a resource management and planning body, focused on heritage conservation issues. As such, any development on heritage listed places requires the approval of the Heritage Council before works can commence.

An applicant has a duty to advise the planning authority (eg a local council) of any works planned on a property of historic significance, and the planning authority has an obligation to provide a development application for assessment to the THC. Timelines are laid down, but again the capacity to “stop the clock” makes such timelines meaningless. The THC will advise the Council and the applicant of its decision. Any appeal against a decision of these bodies must be before the tribunal.

More details of the process and properties on the THC register can be found on the Council’s website.

Aboriginal Heritage Tasmania (AHT)

Under the *Aboriginal Relics Act 1975*, Aboriginal heritage is ... defined as:

- a. *any artefact, painting, carving, engraving, arrangement of stones, midden, or other object made or created by any of the original inhabitants of Australia or the descendants of any such inhabitants;*
- b. *any object, site, or place that bears signs of the activities of any such original inhabitants or their descendants; or*
- c. *the remains of the body of such an original inhabitant or of a descendant ...*

Aboriginal Heritage Tasmania (AHT) is a division within the Department of Primary Industries, Parks, Water and Environment and is responsible for administering the Aboriginal Relics Act. It provides Aboriginal heritage management advice and manages the Tasmanian Aboriginal Site Index, a database which holds information of all known Aboriginal sites in Tasmania.

AHT consults with the Aboriginal community, through the Tasmanian Aboriginal Land and Sea Council and the Tasmanian Aboriginal Centre in regard to the research and management of aboriginal heritage in Tasmania.

Any application for development may require a permit, and AHT will advise if an Aboriginal heritage investigation or mitigation measures are needed to protect Aboriginal heritage.

If an investigation is required, a qualified archaeologist and/or Aboriginal heritage officer, referred to as consultants will need to be engaged. ...

The investigation report ... must be submitted to Aboriginal Heritage Tasmania. In the first instance, all recommendations and considerations are presented to the Director of National Parks and Wildlife who then makes a recommendation to the Minister holding the portfolio for Heritage. The Minister considers the protection of Aboriginal heritage along with economic, social and environmental considerations.

It is the Minister that makes the final decision and such decision can only be appealed through the Supreme Court of Tasmania.

In theory, anyway. In practice, there is a degree of confusion as to how this operates, and the approach that has been taken is far less sanguine, with enormous difficulties encountered in the approach taken by the heritage officers.

The essential point to be made is this. It is not that the idea of having these entities is not without merit. However, decisions reflecting their establishment and powers were taken in isolation from their operations within a bigger picture, and like the Law of Unintended Consequences, they have led to a sclerosis.

Life has become too difficult. Timelines are too long. The cost of meeting the requirements of these authorities and entities can be prohibitive. It has all become too hard.

Ministerial authority has been eroded. Government has provided little direction.

In the absence of a direction, the default position is to do nothing, and there is now a culture within the planning framework to find obstructions and barriers, rather than find ways through the morass.

Examples of such obstruction are many and varied.

A decision was made that a holding dam from a food factory needed to be lined to ensure no leakage, only to then allow the water thus contained to be used for irrigation. This decision took 6 months.

A carpark on private land designed for employees took over 6 months to gain approval, and gained it only after agreeing to a significant over-specification.

An application for a vineyard was refused because the land was zoned for another horticultural activity, even though such plants had not been grown on the land for many years.

Decision-makers have become risk-averse, and assessment processes require a level of detail far in excess of what is needed for a proper judgment to be made. The precautionary principle, a nice way of saying “do nothing”, is rampant. It has become easier to not have to make decisions, than it is to make them.

There are both cultural elements and there are structural elements that need addressing if this situation is to improve.

Governments have been slow in providing any real direction, and this has led to the development of a do-nothing default position. Suffice it to say there is now a culture of stopping things from happening, and that culture needs to change if the State’s economy is to survive, let alone thrive.

Structurally, the development of regional strategies is a move forward in that they will provide a consistency of approach which is presently lacking.

All but one authority should be recommenders, rather than determiners. That one single authority should have the right to make decisions, with such decisions being appealable.

One approach would be to remove the planning process from councils and establish regional development control authorities. These authorities could be owned and operated in the same manner as the water and sewerage authorities. Such a move would enable a critical mass of talent, including development facilitation, to be assembled within the authority that can then process applications speedily and within the broader framework of the regional planning schemes and strategy plans.

Local Government

If strategic planning and development control activity was, like water and sewerage, to become the province of a regional authority, and the recommendation is that it does so, then it suggests there is a need to review local government activity on a broader scale.

In Victoria each council has on average 65,000 residents - in Tasmania it is 17,200. Although the question whether we need 29 councils and 281 councilors is balanced to some extent by the value of having local representation and advocacy, at present there is no review mechanism, and councils operate without any real question being asked regarding their activities and they can – and do - increase rates without scrutiny.

Local government needs to ensure that it remains relevant to the larger constituency, and that its operations can be done efficiently and effectively. Some councils have entered into agreements where they share certain costs and this has led to a more efficient service without the loss of local

input, and this is to be commended. Such an approach must be pursued with vigour, as it will enable services to be provided from a critical mass of personnel and equipment.

Moreover, whereas there may be an argument for small isolated communities such as the West Coast or the Bass Strait islands to have a separate council structure, there is also an argument for an amalgamation of councils operating in a similar geographic area, such as in Hobart.

Councils have an opportunity to carry out their own review – alternatively, they could have such a review thrust upon them. It's their call.

A note on rezoning

At certain times, buildings and operations become surplus to requirements and are sold. Such buildings are usually zoned to suit the original purpose (eg school, factory, retail outlet) but on resale the building or the land would be able to be used for a different purpose. However, the original zoning restricts the use, and the resale suffers as a result.

Government buildings are not exempt, and the lack of zoning flexibility actually makes government the big loser. Properties are sold for less than their real value, or not sold at all and lie idle. Millions of dollars have been lost to the government's coffers as a result of this inflexibility.

DISRUPTIVE PROTEST ACTION

**It exists – it must be dealt with
Appeasement is tantamount to surrender**

Protest action first began to occur in the late 1960's when the Hydro Electric Commission proposed a scheme that would flood Lake Pedder, in Tasmania's south west. Although that scheme went ahead, the Hydro's following proposal, to put a dam on the Lower Gordon River below the Franklin River, initiated a wave of disruptive protest that eventually led to the abandonment of the project, and the coming-of-age of direct action activity.

Encouraged by this success, the protest movement turned its attention to another land-use conflict, forestry. Over the intervening years, successive protest action has become very sophisticated. Protest action has not only disrupted forest operations and processing plants, but has targeted banks and overseas customers, threatening boycotts, and those institutions have bowed to these demands. Such action and response has brought about a significant reduction in the area available for timber harvesting, sent businesses to the wall, disrupted rural communities, and put many people out of work. The social consequences in many rural communities have been horrendous.

Some protest action has also been taken against fish farm expansions and eco-tourism proposals, and those developments have also not progressed.

The *modus operandi* for these groups, to disrupt economic activity, has in the past been directed to issues associated with nature conservation, but recently, this focus has moved to another plane with the attacks on the proposal by Gunns to build a pulpmill using plantation timber. Nature conservation and pollution controls have become but an excuse for such activity, which has moved into a realm of not wanting developments of this scale to be considered at all.

Perhaps eco-based consumer boycotts of this nature could be justified where there is irrefutable evidence of resource use causing significant environmental damage. However, inciting consumer boycotts by deliberately promulgating misinformation to manufacture an unwarranted imperative for change constitutes a form of extortion.

The protest groups have received much media coverage, but little analysis of their position. This in part is a result of misleading information that has been promulgated by these groups (eg use of plantation timber) and a conservation language that covers complicated matters with simple but meaningless generalisations (eg "wild forests", "high conservation value", "sustainability", "social licence", "intergenerational equity", etc).

Activists have also generated suspicion and doubt in the credibility of government by inferring corrupt action and a government conspiracy to cover up and to disseminate false information. An easy call to make, and any defence is seen to be simply a perpetuation of the conspiracy.

Malthusian views of economic disaster, destruction of habitat, climate catastrophe, resource depletion and other disastrous predictions such as poverty, hunger and disease dominate the media. Such emotional expressions of doom create a sense of pessimism and hopelessness. Pessimism becomes irrepressible. Pessimism justifies activism. The more one can preach doom and gloom, the more one can justify activism. Activism has become a business, and the activism business demands action. Protest action.

The public has tended to shy away from engagement or involvement in this confrontation and has acquiesced to these demands. *“The protestors have a point”*. *“They have nothing personal to gain”*. *“Their motives are pure”*. *“They must be right”*. Politicians also have tended to accept such information without challenge and have allowed these arguments to gain traction.

A more recent approach to this issue has been the advent of the carbon sequestration debate, which has created the opportunity for a new type of protest argument and is best exemplified by the argument that we should be paid for doing nothing. This is nothing more than rentseeking. *“We are the custodians of the forests – pay us!!!”*

Politically, the protestors have been regarded as above criticism, because their aim, supposedly "saving the planet", is regarded as being of a higher moral plane than the usual, "grubby" political fare. The reverse is actually true. The reality is that they are happy to sacrifice the well-being of the population on the altar of pointless environmentalism. As has been evidenced in the forest sector, the industry has been cut by over 50%, employment has suffered, a skill base has been lost, communities are being destroyed and the human suffering has been immense.

And for what purpose?

As a recent editorial in "the Australian" newspaper opined: "certain people have ... economic views informed by a neo-Arcadian fantasy of phasing out resource-based activity in favour of untried and untested technologies, which ... leaves battlers paying to satisfy an eco-vanity."

A high price indeed. Arguments of intergenerational fairness fall flat when the existing generation suffers for no good purpose.

From a policy point of view, there are two separate avenues one could follow. The first is to accept that resource utilisation will no longer be a part of the economy of the State, and look for other areas of activity. This is in reality the politics of appeasement, and the boundaries of this argument will soon move to land management and water catchment issues with a much wider brief, including mining and agriculture.

The alternative is to argue that resources are a part of the mix, and work to establish a system of competitive sustainable advantage with them. This is a more difficult road to follow, and those who advocate it will tend to be pilloried by those who want no activity at all.

This is the vital issue to be confronted surrounding direct action, which is the targeting of individuals and firms and organisations that do not agree with the views of the protest movement, and which is similar in its style to mob rule.

PROVISION OF INFRASTRUCTURE

Infrastructure must be provided within the framework of an overall State strategy

The critical issue for government in order to meet any vision of growth is to ensure an adequate infrastructure. And the critical issue in the provision of infrastructure is to work to a plan, or vision. At the moment, there is none.

If the State embarks on a program of growth, (and it should), then it will involve in-migration, and will need to provide flexible living options throughout the State.

In-migration can be from a range of sources. People wanting to get away from the sprawling and crowded suburbs of Melbourne and Sydney, people wanting a better environment to raise their kids, sea and tree changers, migrants from other countries, establishment and relocation of government departments and agencies. Tasmania can accommodate them all, and promote itself as an ideal living environment for these people.

Further, the future for Australia could well be for a significant workforce residing on the eastern seaboard but working in the west and in the north of the country. Bernard Salt refers to a FIFO (fly-in, fly out) lifestyle, and it makes sense there will be a number of people who will want to live in Tasmania but for at least some of the time work outside the State.

One of the attractions for many will be ease of access on and off the island. In this regard, the availability of transport links to the mainland is a bonus and should be seen as such.

There is discussion at the moment about siting new defence bases around the national coastline, and Tasmania should be putting forward a case for a naval presence and base, linking in to a maritime and marine cluster.

There will need to be an adequate connection between the various centres, and a proper highway/railway system for the transport of people and goods connecting the three regions is an obvious priority. Broadband needs to be in place quickly.

The regional planning strategies will need to cater for an expansion of the population and establish zones where cheap land can be provided for housing. These areas will require access to services, and the existing provision of hospitals, health facilities and schools is an obvious drawcard. Water and sewerage schemes should link in to this zoning process to ensure an easy uptake.

Such an approach is vastly superior to a higgledy piggledy approach which could easily occur and has in the past occurred without these regional and state strategies in place.

The important point to make here is that any vision for growth cannot be made in isolation from a holistic approach to how it is to occur. Without a vision, none of this will occur.

SECTORAL COMMENTARY

- **Picking winners? The role of government should be to facilitate growth, not pick sectors.**
- **Sustainable competitive advantage – what does it mean?**
- **Promoting the Brand**

PICKING WINNERS

Governments can be good at facilitating economic activity, but they are at real risk when funding that activity, or backing winners. The soon-to-be released economic development plan (EDP) has been preceded by a discussion paper, which identified 17 “focus sectors” as being relevant for Government engagement and support. These were:

- | | | |
|--|--|---|
| <input type="checkbox"/> Food & Agriculture | <input type="checkbox"/> Salmon | <input type="checkbox"/> Wine |
| <input type="checkbox"/> Red meat | <input type="checkbox"/> Dairy | <input type="checkbox"/> Fruit |
| <input type="checkbox"/> Vegetables | <input type="checkbox"/> Mining | <input type="checkbox"/> Minerals Processing |
| <input type="checkbox"/> Marine Manufacturing | <input type="checkbox"/> Niche Manufacturing | <input type="checkbox"/> Renewable Energy |
| <input type="checkbox"/> Tourism | <input type="checkbox"/> Science & Research | <input type="checkbox"/> Antarctic & Southern Ocean |
| <input type="checkbox"/> Information and communications technology | | <input type="checkbox"/> Building and Construction |

These are all relevant sectors on which to focus. However, there are other sectors (eg forestry, health services) that have not been included. The TCCI argues that the EDP focus sectors are generally those where Tasmania has had a *historical national* competitive advantage. It points out that there are a number of sectors that are “rising stars” which are not included in the EDP list, and that these emerging industries are equally worthy of consideration if we were to go down this path.

However, its view is not whether sectors should be singled out, but rather that sound commercial decisions must be *forward looking* and based on *global* competitive advantage. In fact it calls for a sector-neutral approach to development policy.

So, the question needs to be asked whether the proper role of Government is to focus on sectors at all. Hands-on or hands-off. Are these the only two options? Items on neither the DED or the TCCI list, left-field stuff such as a move to manufacture armaments, Kevlar sails or optic lenses, or traditional issues such as finding new ways of processing timber, utilisation of offcut forest material, or new processes in existing manufacturing plants, could also be winners and be equally appropriate for support, given the right environment.

Irrespective of which sector is involved, government’s role should be directly involved with and limited to facilitating that activity (eg resolve infrastructure constraints, provide R and D support, run technical training programs etc).

In reality, it depends on the entrepreneur, rather than the natural resource available or the industry sector. And successful entrepreneurs are first and foremost marketers.

They know the market, and they know it well. It is not much value to be known as the best stage coach manufacturer in the world, if no-one wants to buy stagecoaches. Not only that, but everyone in the business environment will advise they need to re-invent their business every few years or else they stagnate. To stultify is to die.

Historically, governments have a sorry record of inflexibility when it enters this field. Various attempts have been made in the past by governments resolve this matter and the present model is to pass the responsibility to independent boards for implementation. It is an appropriate model. However, that is not the end of it. It is the brief that is given to these entities, the government policy which drives the decisions, the calibre of the people that are appointed to them, and their management, which will be the determinant of their success.

Again, organising marketing campaigns for an industry sector without talking to people in the sector, or endeavouring to reinvent the wheel concerning the branding of Tasmanian product whilst being blissfully unaware of the existence of standing campaigns such as those administered by Brand Tasmania, only reinforces the view that governments are ill-equipped to enter this field.

SUSTAINABLE COMPETITIVE ADVANTAGE

Much has been said and written about what constitutes Tasmania's opportunities. Climate, soils, water, its rugged terrain, are all attributes which have been mentioned in glowing terms. And yet, these are as nothing if the human capacity and will is not there.

Saul Eslake comments that there are a number of Tasmanian producers that have shown that it is possible to establish a brand identity and to convince some of the world's discerning buyers to pay high prices for their products and thus overcome the disadvantages associated with small scale and distance from markets. He cites as examples businesses in the agricultural sector such as wine, cheese, salmon, wasabi, wagyu beef, and out-of-season products such as onions and cherries.

At the same time, businesses have flourished in Tasmania where there is no sustainable competitive advantage, other than the entrepreneurial spirit and business acumen of the owner(s) of that business. Examples include InCat, LifeRaft Systems, Caterpillar, and Delta Hydraulics

So we should not be lulled into a false sense of security that natural advantage by itself will constitute success. The mantra should be "Not to be limited by our resources, but enabled by our people/entrepreneurs"

The Cluster theory of Richard Florida is worthy of consideration here. His view is that an open intellectual and commercial environment can encourage clusters of similar interest to form and thrive. Florida refers to California's Silicon Valley as an example of his thesis. Tasmania does have opportunities in its agriculture, marine and transport environment, IT (via the NBN), minerals processing and forestry, all with its associated manufacturing and technical support, which can enable clusters to occur.

Large enterprises are natural assemblers of business activity. Although much criticised in terms of approval processes followed, the Tamar valley pulpmill is an example of a potential catalyst for cluster development.

Tasmania's port structure is ready-made for the development of economic clusters. Marine engineering, general maritime activity, a naval base, the Antarctic service environment and the Maritime College are all opportunities for promotion and support. The Bell Bay manufacturing complex is already a cluster development, tourism ventures based on landscape attractions, even a Hobart Arts precinct mentioned earlier, are activities where clustering can be encouraged. And each has links to an educational institute which can support it. The opportunities are there for the taking.

Again, the role of government would be to ensure the presence of all appropriate infrastructure, to remove regulatory constraints, and to promote the opportunity.

PROMOTING THE TASMANIAN BRAND

- **Support an expanded role for *Brand Tasmania***
- **Encourage businesses to sign up to the Brand**
- **Support the development and promotion of the BT database, and its use for international contacts**
- **Promote the Brand in world markets, as well as locally**

This is a policy issue that requires a commitment to deliver long term prosperity. Over the last 30 years, and almost by accident, Tasmania has evolved into a brand that has considerable marketing benefit. Brand Tasmania (BT) already has scores on the board, and businesses now leverage their marketing off the BT Brand.

This is not just about the jargon of marketing and branding. Almost unique among other *place of origin* brands around the world the Tasmanian brand has added value across the sectors. Other countries, regions or States have developed specific brands (in food, tourism, engineering excellence, design) but uniquely Tasmania has begun to develop a brand that has value across a number of sectors.

This is already evident in sectors such as Arts, Agriculture (food and beverage, essential oils, wool), Forestry and Timber, Mining and Mining Expertise and Marine Manufacture. All perform above their weight nationally and all contribute enormously to the promotion of Tasmania as a desirable product to buy and a place to visit. (It is also a reasonable bet that the sectors which leverage off the brand will continue to be winners worth picking).

These sectors now benefit from a totally integrated knowledge transfer and feedback loop. In every case the high level expertise began within a single business enterprise and then spread to other successful similar-discipline businesses. Next, the sector was enhanced with the addition of a tertiary learning connection. The tertiary institute attached itself to the sector for credibility

and survival and then began a payback by developing international expertise. This international loop of knowledge helps keep that sector competitive and continues the development of the Tasmanian Brand as one of substance across the sectors.

As these industries have developed they have also attracted considerable Federal funding in either development or research funds, which in turn has developed further expertise, growth and influence. The Tasmanian Brand has continued to be enhanced.

The private sector has provided a number of *Champions* that were early Brand adopters. It is time it was given policy significance and for its latent potential to be nurtured and managed for the long term benefit of future Tasmanians. This would be a major positive shift in the perception of Tasmania and Tasmanian products and services in the national and international market place. It would also build on the morale of Tasmanians and encourage a skilled diaspora to consider relocating and/or investing back home.

Those who are linked in to the value of Brand Tasmania know of its value. However, there are parts of the State where the talk of wagyu beef, wooden boats, wasabi and wine would be like being in a parallel universe, and where one would be confronted by a fearful and unfriendly stare. There is a job to be done internally as well as externally.

Every citizen is a host and an ambassador for the State. Whether producing goods or providing services, especially in hospitality, we are being judged. Producing a quality product should not just be the province of the few. There is a wider market to be tapped, and a greater potential to be unleashed. Again, education can play a significant part, an essential part, in upskilling our people. A good job for government.

SOME SPECIFIC SECTORS

At the outset, mention was made of the difference between activities that generate wealth and activities that generate income only. It is recognised that the boundary between the two is somewhat arbitrary, and open to interpretation.

The latter depend to a large extent on government policy, and in particular government payments. This can best be shown by the recent discussions regarding the move to a low carbon economy, and the gaining of “carbon credits”, which can then be traded. Other activities, with a greater degree of government backing, could include matters related to health care and aged care. This report does not consider such matters any further than to note they exist as opportunities for business activity.

Regarding activities that generate wealth, comment was made in the last section that it is dangerous in the extreme to pick sectors, because to a large extent, the success or otherwise of a venture depends on the people driving it.

However, there are some sectors where there are obvious advantages and opportunities, and which are worthy of further comment.

Common to most wealth-generating enterprises are three basic steps: growing /gaining the raw material, processing it, and then marketing and selling the finished product. Each of these three steps require expertise, talent and skill. Successful people in business will always say the most important of these three steps is to know the market, and produce to it. As the market changes, adapt or die. So, any consideration of what sectors present opportunities must recognise this point first and foremost.

Further, the success of a venture providing goods will be dependent on good, fast and reliable transport. Transport not only within the State, but also transport interstate and overseas. Almost by default – or by rampant parochialism – Tasmania is blessed with four ports and four airports, all of which can manage the rapid movement of people and goods (see below). Care should be taken to develop a holistic transport policy to ensure best use is made of these assets.

Agriculture

A significant key to success in agriculture is to ensure that the land is drought-proofed. In that regard, efforts to ensure a regular water supply to farm districts is to be commended. According to DPIPWE, 50% of present wealth from farming comes from the 5% of the land that is now irrigated. The revolution that has occurred in the Coal River, and in the Derwent River and the Cressy Longford area before it, and which is presently occurring in the Meander valley, is testament to the power of irrigation. The State Government has a range of schemes on the drawing board, which will open up more land for irrigation. In each of these schemes, innovation has always led to a better outcome than the initial cost-benefit analysis would have suggested.

Tasmania is well suited for growing a range of temperate crops, as it has the advantage of long summer days, a requirement for a number of crops. It is not for anyone other than the landowner to determine what specifically could be achieved with water, but it can range from pasture production for livestock to intensive horticulture – fruit and vegetables. Success has already been achieved under the Brand banner for a variety of crops, such as fresh vegetables, grape and stone fruit production, and high quality meat products.

In each of these areas, there is a wealth of expertise readily available (eg TIAR) in the production and processing of product. It remains a challenge to resolve marketing issues, where there is a need to achieve a critical mass in agricultural produce in the high quality end of the market. Some considerable success has already been achieved along the lines of “niche product - niche market” promotion, and considering the reasonably small economies of scale that can be achieved, this is probably an appropriate approach to take.

Commodity products should not be ignored. After all, as long as economies of scale can be met, they are cheaper and easier to produce than niche products. A different approach to gaining market penetration and acceptance, which can also create economies of scale under a single brand, is for the establishment of co-operatives. These have been used previously in the dairy industry, and it is of interest to note a new co-operative being established at Smithton to produce milk powder for the export market. However, to succeed, co-ops must have a market focus.

A word of caution on the irrigation front – some soils are less able to handle significant and continuing volumes of water, and without due care and attention, can lead to saltation. Saltation in irrigation zones of other States has become a serious problem, and it would be a tragedy if the same fate befell Tasmania.

Aquaculture

Aquaculture covers the realm of sea-based and land-based shellfish and fin-fish farming and there is an obvious market for the products of these enterprises. There is enormous potential for further development in this area and there are a number of projects that are in advanced stages of planning. Disease prevention is a critical issue and farmers must take all necessary precautions, and practice a high-intensity farm management system, to ensure production remains high.

Forestry

Forestry has been the subject of an intense level of public debate over the years, and it would be a brave person who would wish to enter this realm. However, private forestry has its champions and there is an obvious market for a range of products coming from both public and private forests. Support should continue for forestry downstream processing and the development of a chain of custody for all minor species and furniture and flooring grade timber.

Much effort is going into opportunities in utilizing offcuts from sawmills and forest activities other than chips for paper production, and some success has been achieved - at least at a pilot level - for the production of fuel materials.

The carbon debate, whereby forests are awarded carbon credits, is both complex and fluid, and there are many schemes in play. These are all designed to promote the growing of trees, but all can distort the market for wood. Under the Kyoto-based carbon sequestration scheme, a plantation grown after 1990 would be available to gain carbon credits if it was left standing. The probable and perverse consequence of such a scheme will be the chopping down of all plantations planted before 1990. A REDD (*Reducing Emissions from Deforestation and forest Degradation*) scheme is designed to keep native forests from being harvested, and a national initiative, called the carbon farming initiative, is presently under development, and will have a broader base for eligibility.

Tourism

Tourism, especially the availability of the wilderness experience, is an exercise in managing magic, and Tasmania is an obvious environment in which to wave that wand. Developments have occurred on the East Coast, the West Coast, and the Central Highlands, and these places annually attract thousands of visitors, ranging from those wishing the 5-star experience to backpackers.

Depending on government policy, opportunities abound to provide an expanded experience, but to date such developments have been bumping up against the current planning paradigm, and many have not progressed because of it (eg Pumphouse Point, the 3 Capes Walk, Crescent Bay). Government policy is at best haphazard. Fantastic opportunities exist around the Sullivans Cove precinct in Hobart, but the SCDA (Sullivans Cove Development Authority) has ensured no development has occurred.

Accommodation is always an issue for visitors, and there is an obvious opening for the provision of more accommodation options around the State.

Mining and Minerals processing

The present operations all seem to have a reasonable future, even though there are significant pressures emanating from the high exchange rate. New mining opportunities are pretty much dependent in the first instance on mining exploration activity, and there is at present a reasonable level of exploration occurring. However, exploration is subject to access, and the present forestry debate has exposed the fact that land use issues are a source of potential conflict.

The success of any minerals processing plant will be dependent on the metallurgical technology employed.

Digital Economy

The provision of a digital economy was a vision of the former Premier and for that he should be congratulated.

The provision of high-speed broadband throughout the State will be a god-send to many already living in rural and remote areas. It is also a remarkable tool that can break down the tyranny of

distance and allow for people to develop businesses here without feeling they are out of the mainstream. Access is the critical issue and the sooner it is in place, by whatever technology, the better.

Such a development will not of itself put Tasmania ahead of the pack, but it will certainly ensure it remains in it.

Energy

Tasmania is perfectly placed to play a part in the provision of renewable energy, not least because its intermittent nature is tempered to a great extent by the hydro system, which in simple terms can act as a back-up battery.

Significant opportunities exist in wind developments, geothermal energy and biomass to ensure a viable sector, although there may need to be a change in government policy to allow these developments to occur. Given these changes, and with the changes that are occurring in the mainland supply market with coal-generated power stations and the carbon pricing policies, the development of significant infrastructure may become a practicality to supply this market with Tasmanian renewable energy.

CONCLUSION

This Report has endeavoured to highlight the present state of the Tasmanian economy, from the point of view of those who are presently operating within it. There is a general feeling that things are not going well, but on analysis, all things are fixable. The Report details many of those areas where problems are being encountered, and provides possible solutions, all of them practical. In particular:

On governance

- The Parliament (Hof A) to return to its original number of 35
- Government must set a vision for the continuing growth of the State
- It is recommended that such a vision incorporate a substantial increase in the population, in line with the rest of the country. **All else depends on this**
- Ministers must be accountable for decisions taken
- The productivity measurements within the public sector be reviewed, concentrating on the senior management ranks
- Opportunities for special funding be pursued with vigour

On the present planning regime

- There needs to be an overall State strategy – there isn't one at present
- Planning schemes should have conformity – they don't at present
- The Appeal process be reviewed to remove vexatious objection
- Authority for decisions be removed from those not accountable to the public
- Consideration be given to establish Regional Planning/Development Control Authorities
- Local government needs to consider greater collaboration and/or amalgamation

Disruptive protest action must be challenged – to appease is to acquiesce to mob rule

Infrastructure cannot be provided effectively in the absence of an overall vision for the State

On economic development policy generally

- Government plays an important role in the State's economy
- Government should not pick winners, rather it concentrate on providing the appropriate infrastructure around which successful development can occur
- Some industry sectors show some obvious opportunities, but government should be very careful about promoting specific sectors
- Entrepreneurs, more than industry sectors, hold the key to future economic health and prosperity