

Tasmania – Quo Vadis?

**Presentation to the
University of the Third Age (U3A) Hobart's
20th Anniversary**

**University of Tasmania
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Thank you for the invitation to address you on this occasion marking your 20th Anniversary. Since 1990 you have been encouraging and facilitating the pursuit of learning among retired and semi-retired people. Given that the pace of demographic change is about to accelerate significantly – and more so here in Tasmania than in any other part of Australia – your work can only become more important, and I very much hope that some of you are looking ahead to your 30th and 40th anniversary celebrations.

This is also a particularly apposite moment – just after a State election – to be thinking about the future of Tasmania, as David Willis asked me to do when inviting me to talk to you under the heading *Tasmania – Quo Vadis?*

As many of you will know, '*quo vadis?*' is a Latin phrase meaning 'where are you going?' Christian tradition holds that it was the question the Apostle Peter asked of Jesus when fleeing persecution in Rome; Jesus' response, '*Eo Romam iterum crucifigi*' (I am going to Rome to be crucified again') encouraged Peter to return to his ministry and ultimately to become a Christian martyr.

In the aftermath of last month's election, there has been considerable uncertainty about where Tasmania might now be going.

Six reflections on the outcome of last month's State election

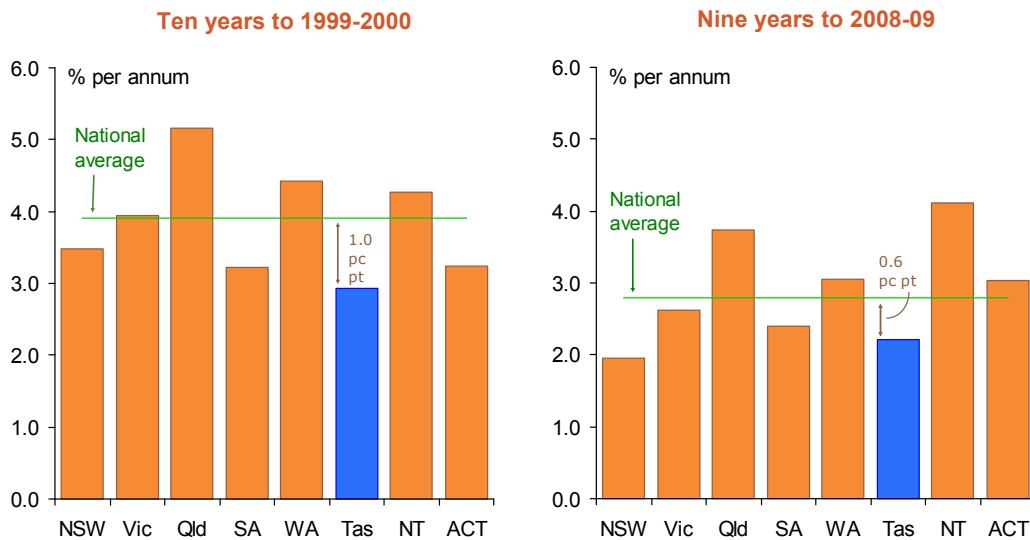
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- **It's unlikely that Tasmanians consciously chose minority government**
 - rather, minority government is the likely result (under Hare-Clark) when no party is able to command more than 40% of the State-wide vote
 - **Minority government may now be the rule rather than the exception in Tasmania**
 - unless one of the major parties is able to capture a large share of the other's 'core' vote (as happened in 1991, 2002 and 2006)
 - **Minority government is by no means unique to Tasmania**
 - every mainland State except WA has had one term of minority government since 1995
 - **Minority government does not necessarily mean bad or ineffectual government**
 - some of Tasmania's worst, or least effectual, governments have had large majorities
 - while Tasmania's two minority governments were by no means the State's worst
 - **The election outcome could be interpreted as a plea for 'better governance'**
 - and the understandings required to make minority government work in practice could potentially result in more effective 'checks and balances' on executive power
 - **The election outcome provides further evidence that the 1998 decision to reduce the size of Parliament was mistaken**
 - it hasn't achieved the (unstated) goal of preventing a 'hung Parliament'
 - but it has shrunk the 'talent pool' from which Cabinets and shadow ministries are drawn
 - and left both sides without an effective backbench

Tasmania's overall economic performance was stronger (relative to the mainland) over the past decade than during the 1990s ...

3

Growth in real gross State product (GSP)



Source: ABS State Accounts (5220.0) 2008-09.

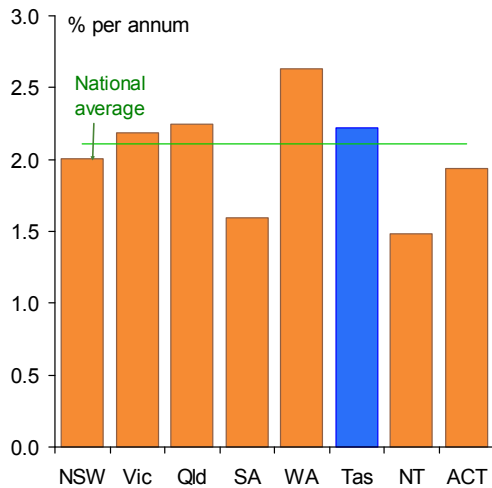
- In the 1990s Tasmania's economy grew at an average annual rate of 2.9% pa in real terms, 1.0 pc below the national average
- Over the past decade Tasmania's economy has grown at a slower rate of 2.2% pa – but this was only 0.6 pc points below the national average growth rate, which (dragged down by NSW in particular) had slowed by more than Tasmania's

... especially after making allowance for differences in population growth rates

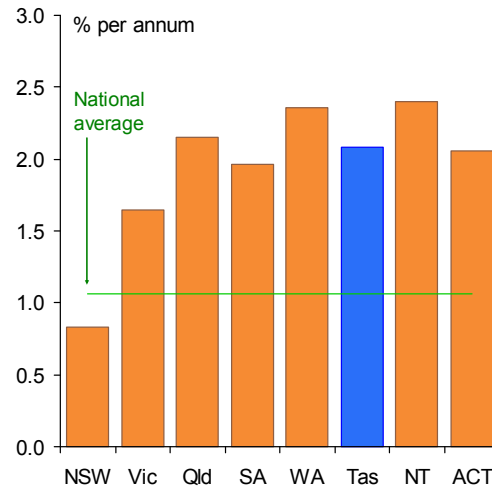
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Growth in real gross State product (GSP) per head of population

Ten years to 1999-2000



Nine years to 2008-09



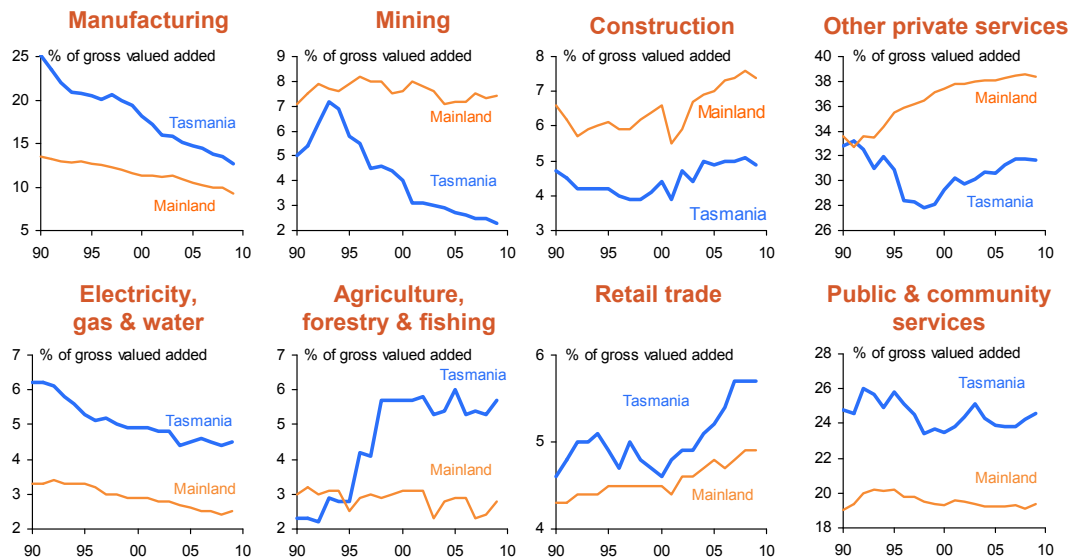
Source: ABS State Accounts (5220.0) 2008-09.

- When you make allowance for differences in population growth rates, Tasmania's economic performance over the past decade seems more impressive
- Tasmania's real per capita GSP growth rate of 2.1% pa was ½ pc pt above the national average, exceeded only by the 'resource boom' States of Qld and WA, and the Northern Territory

Tasmania's economy has experienced a lot of structural change, though not always in the same direction as the mainland

5

Shares of gross value added, 1989-90 to 2008-09



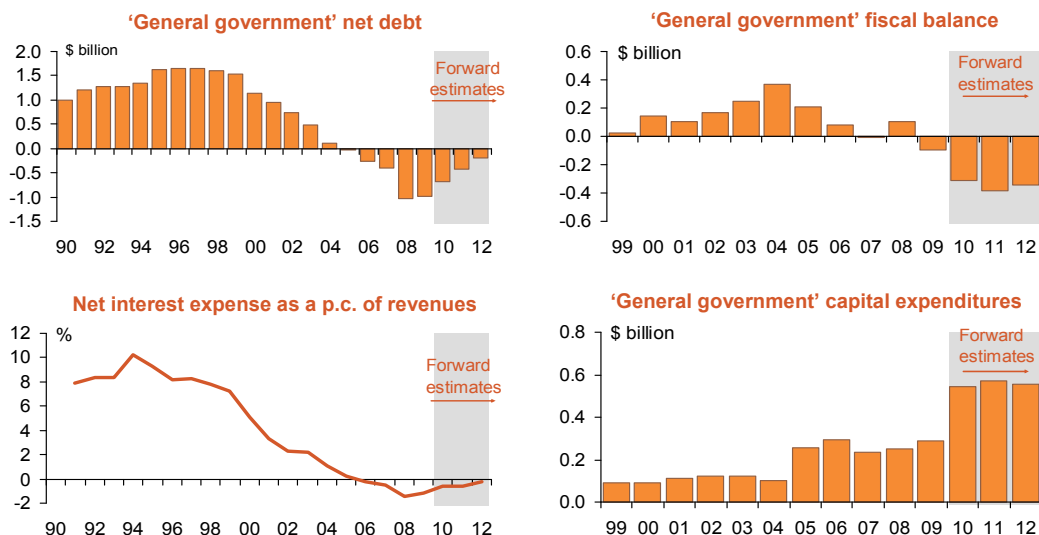
Source: ABS State Accounts (5220.0) 2008-09. 'Other private services' includes wholesaling, hospitality, transport & warehousing, IT media & telecoms, finance & insurance, rental & real estate, and professional & technical services. 'Public & community services' includes administration & support, public administration & defence, education & training, health care & social assistance, and art & recreation services.

Tasmania's economy has undergone a substantial amount of structural change over the past two decades

- In particular, a substantial decline in the manufacturing and electricity gas & water sectors (although these are still more important to Tasmania than to the mainland), and also (contrary to the national trend) in the mining sector
- Perhaps contrary to the conventional wisdom, the primary sector has become more important to the Tasmanian economy over the past 15 years (note this also includes forestry)
- as has retail, to a greater extent than on the mainland
- Note that Tasmania hasn't seen the same extent of growth in the services sector as the mainland – and as we'll see later on, this is important

Tasmania's public finances are in much better shape – even with the deficits incurred since the onset of the financial crisis

Tasmanian State government finances



Note: Data are for financial years ended 30 June. Data on the 'fiscal balance' (the accrual-based measure of the budget bottom line) is not available for years before 1998-99. Forward estimates are from the February 2010 *Mid-Year Review* of the 2009-10 Budget estimates.

Source: Tasmanian State Budget Papers and 2009-10 *Mid-Year Review*.

One of the reasons for Tasmania's relatively poor economic performance during the 1990s was the need to put Tasmania's public finances on a sustainable footing following the profligacy of the 1980s.

Tasmania didn't do this with the same gusto as Victoria – in particular, Tasmania eschewed the privatisation of its electricity assets – but it nonetheless made a good deal of progress

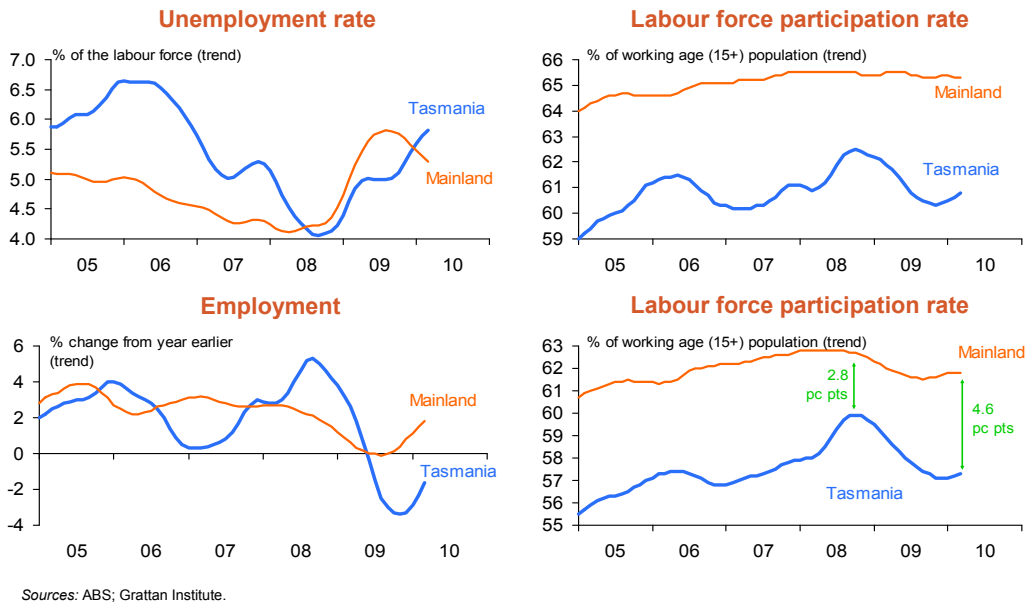
-To the point where Tasmania has been able to run budget deficits, and start addressing some of the many deficiencies in the State's infrastructure, without going back into net debt.

-That wasn't an option in the early 1990s

The global financial crisis demonstrated that (despite many changes over the past two decades) Tasmania's economy remains fragile

7

Labour market indicators – Tasmania vs mainland



Nonetheless, the underlying fragility of Tasmania's economy was exposed during the recent global financial crisis

That might not be obvious from looking at the unemployment figures in isolation – which until last month had been below the national average for 18 months, the first time that had happened since 1980.

However the unemployment figures mask the extent of job losses in Tasmania during the GFC

In trend terms, there was a net loss of over 8,000 jobs in Tasmania during the GFC (including 12,500 full time jobs), or about 3.4%, cf. a net job loss at its greatest extent on the mainland of just 0.3%.

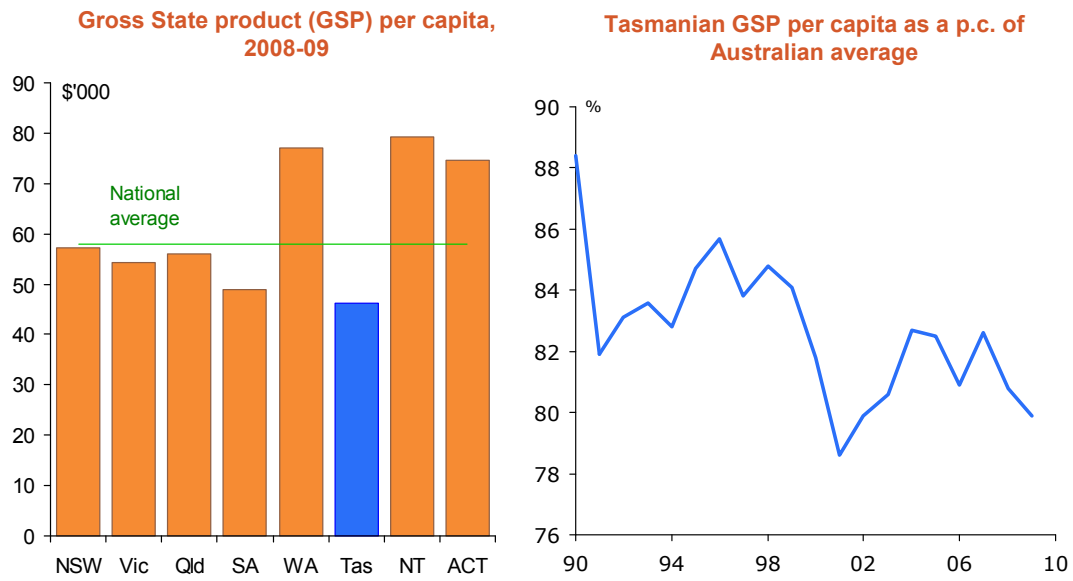
As of March, trend employment in Tasmania was still 6,800 (2.8%) below its pre-crisis peak, cf. on the mainland now 168,000 (1.6%) above pre-crisis peak.

As has traditionally been the case in Tasmania, these job losses were obscured by people dropping out of the labour force – at its greatest extent the p-rate in Tasmania dropped by 2,2 pc pts, cf. just 0.2 pc pts on the mainland

Look at employment/working age population ratio – in Tasmania dropped by 2.7 pc pts, cf. 1.3 pc pts for mainland – and still 4.6 pc pts below mainland average.

Tasmania remains Australia's poorest State – and by almost as wide a margin as at any time in the past two decades

8

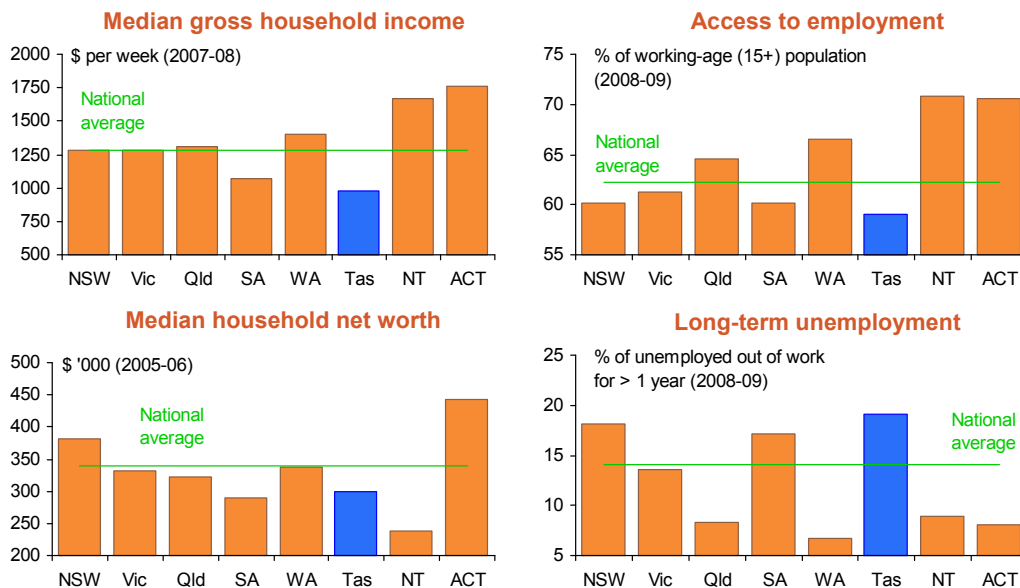


Source: ABS State Accounts (5220.0) 2008-09.

- Despite growing more strongly than the national average over the past decade, Tasmania's per capita gross State product remains the lowest of any State or Territory – 20% below the national average in 2008-09

Tasmanians are in most respects less well off than people in other States and Territories

9



Source: ABS, Household Income and Income Distribution (6523.0); The Labour Force (6202.0); and Australian Social Trends (4102.0).

This is backed up by comparisons of other dimensions of material well being

- For example median household income 26% below the national average

- Median household net worth 12% below the national average

Ironically these worked to Tasmania's advantage during the GFC because Tasmania benefited proportionally more from the cash handouts directed towards low-income households, while Tasmanians were less affected by the slide in the sharemarket

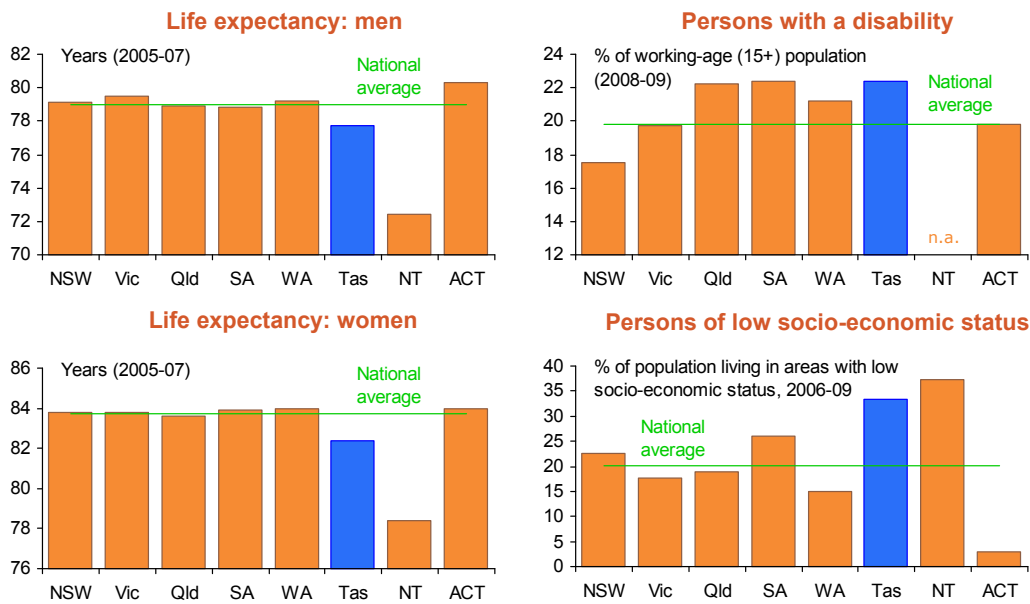
- But from a long-term standpoint the comparison is hardly a point of strength

- Already mentioned that a smaller percentage of Tasmanians over the age of 15 are working than in any other jurisdiction – 3 pc pts below the national figure on average in 2008-09, and more than that as of March

- while the proportion of Tasmanian jobless who have been out of work for more than 1 year is 5 pc pts above the national average, and higher than for any other State or Territory

Tasmanians experience shorter and in some respects less full lives than people in other States and Territories

10



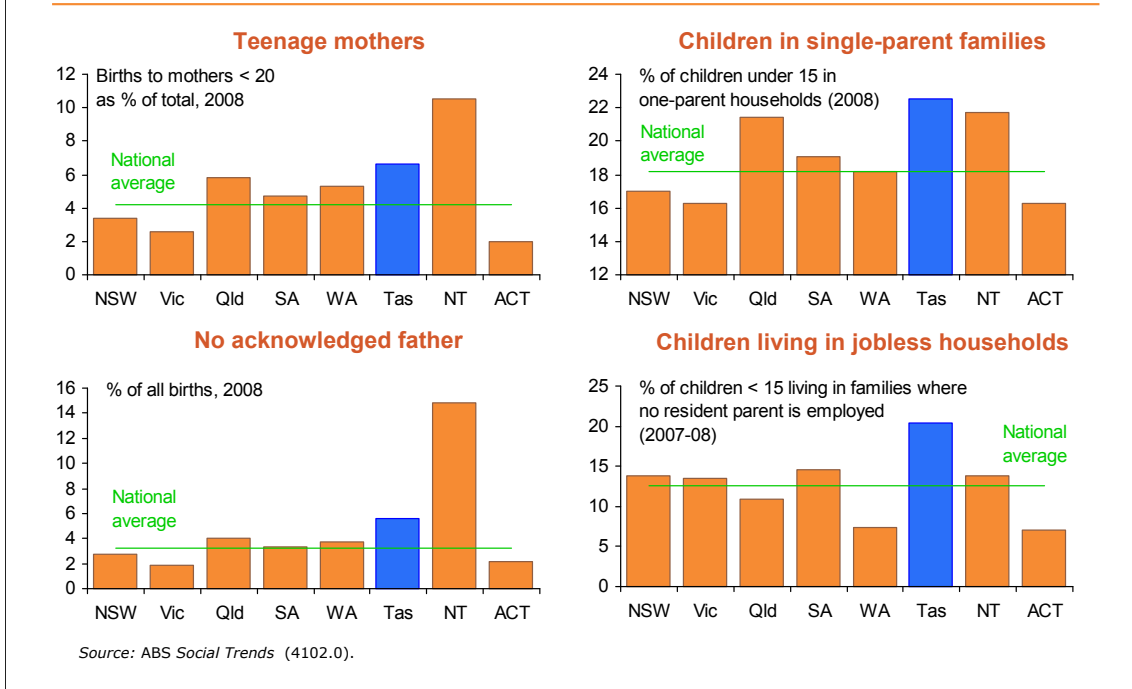
Sources: ABS Social Trends (4102.0); Commonwealth Grants Commission, Report on GST Revenue-Sharing Relativities – 2010 Review.

In some other respects as well Tasmanians lead less full lives

- Life expectancy for both men and women is 1.3 years below the national average, and lower than anywhere else in Australia except the NT
- a higher proportion of Tasmanians than in any other State, 2.6 pc pts above the national average, live with some form of disability
- Just over one-third of Tasmanians live in areas categorized as of 'low socio-economic status', compared with one-fifth of all Australians – again higher than anywhere else in Australia except the NT

Relatively more children grow up in disadvantageous circumstances in Tasmania than in other States

11



Relatively more children grow up in what, objectively, are disadvantageous circumstances

6.6% of Tasmanian kids born to teenage mothers, and 5.6% with no acknowledged father, cf. national averages of 4.2% and 3.2% respectively

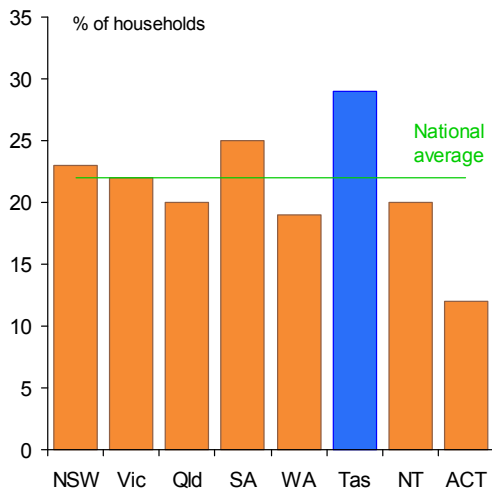
22.5% of Tasmanian children under 15 living in single parent families, cf. national average of 18.2% - not denigrating or criticizing single parent families – but it does make it more difficult for children

20.4% of Tasmanian children under 15 living in households where there is no employed adult – cf. national average of 12.2% - increases prospect of long-term unemployment and multi-generational poverty

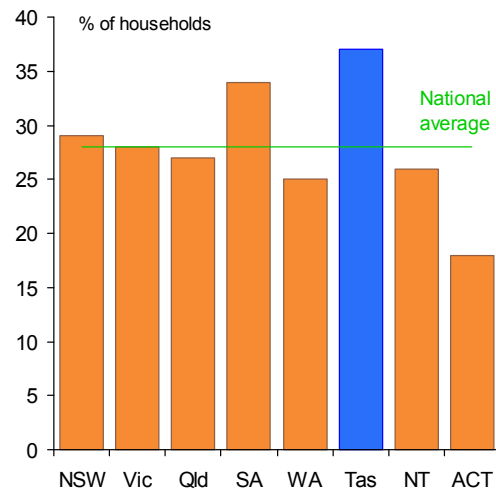
Tasmanian households are less connected to the digital world than households elsewhere in Australia

12

Households without access to a computer at home, 2008-09



Households without access to the internet at home, 2008-09



Source: ABS, Household Use of Information Technology (8146.0) 2008-09.

A different indication of lack of connection

29% of Tasmanian households don't have a computer at home, cf. national average of 22%

37% of Tasmanian households don't have internet access – cf. national average 28%

Tasmanian figures are higher than for any other State or Territory including NT so it's clearly not just a matter of remoteness

The three P's of economic performance ...

13

$$\begin{array}{rcl} \text{GDP} & = & \text{Population} \\ & & \times \frac{\text{Labour force}}{\text{Population}} \quad \text{(labour force participation rate)} \\ & & \times \frac{\text{Employment}}{\text{Labour force}} \quad \text{(1 - unemployment rate)} \\ & & \times \frac{\text{Hours worked}}{\text{Employment}} \quad \text{(average hours worked)} \\ & & \times \frac{\text{GDP}}{\text{Hours worked}} \quad \text{(labour productivity)} \end{array}$$

Treasury Secretary Ken Henry's "Three Ps" framework provides a useful template for analysing why Tasmania fares so poorly on some of these dimensions of material well-being

Acknowledge that gross domestic product is an incomplete measure of material well-being, let alone broader concepts

... can also be used to explain differences in gross product per head of population

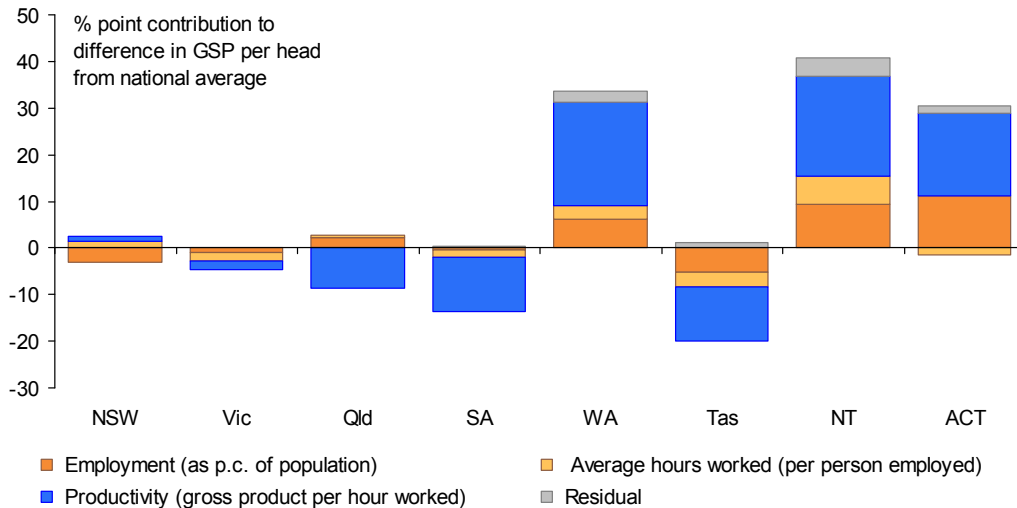
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$$\begin{aligned} \text{GDP/head} = & \frac{\text{Labour force}}{\text{Population}} && \text{(labour force participation rate)} \\ & \times \frac{\text{Employment}}{\text{Labour force}} && \text{(1 - unemployment rate)} \\ & \times \frac{\text{Hours worked}}{\text{Employment}} && \text{(average hours worked)} \\ & \times \frac{\text{GDP}}{\text{Hours worked}} && \text{(labour productivity)} \end{aligned}$$

Tasmania's low per capita GSP reflects below-average labour force participation, below-average hours worked and below-average productivity

15

Sources of difference between per State or Territory GSP per capita and the national average, 2008-09



Source: ABS State Accounts (5220.0) 2008-09.

- This chart shows that of Tasmania's ~20% shortfall in gross product per head relative to the national average

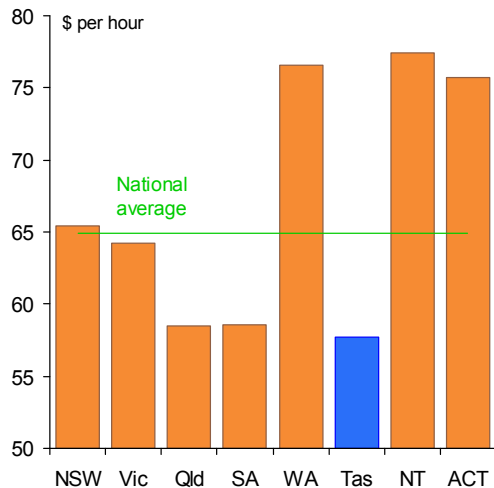
- roughly 5 pc points comes from the fact that a smaller proportion of Tasmanians aged 15 and over have jobs than the national average
- roughly 3 pc points comes from the fact that those Tasmanians who do have jobs work fewer hours on average than Australians as a whole
- and almost 12 percentage points comes from the fact that Tasmanians with jobs produce less per hour worked than the national average.

- In other words, more than half of the gap between Tasmania's per capita income and the national average is attributable to lower productivity

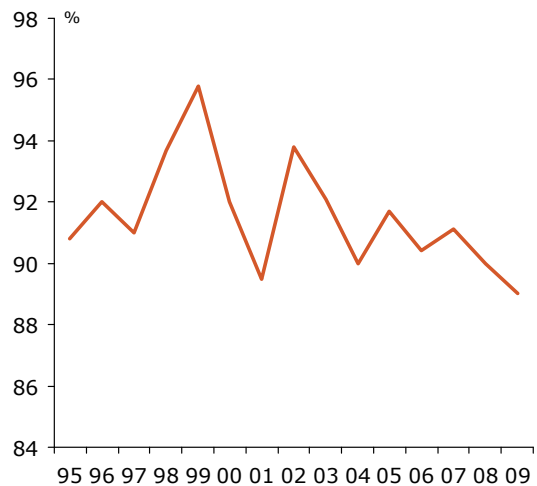
Tasmania's most fundamental economic problem is its persistently low level of productivity

16

Labour productivity (gross product per hour worked), 2008-09



Tasmanian labour productivity as a pc of Australian average



Source: ABS State Accounts (5220.0) 2008-09; and *The Labour Force, Australia, Detailed, Quarterly* (6291.0.55.003); and Grattan Institute calculations.

On average Tasmanian workers produced goods and services worth \$57.80 per hour worked in 2008-09 – some 11% below the national average of \$64.90 per hour.

And although Tasmanian productivity relative to the mainland has fluctuated over time, the long term trend over the past decade has been downwards

“Productivity isn’t everything – but in the long run it’s almost everything”

– **Paul Krugman, *The Age of Diminished Expectations* (1992)**

“Productivity is the prime determinant in the long run of a nation’s standard of living, for it is the root cause of per capita national income. High productivity not only supports high levels of income but allows citizens the option of choosing more leisure instead of working longer hours.

It also creates the national income that is taxed to pay for public services which again boosts the standard of living

The capacity to be highly productive also allows a nation’s firms to meet stringent social standards which improve the standard of living, such as in health and safety, equal opportunity and environmental impact”

– **Michael E. Porter, *The Competitive Advantage of Nations* (1991)**

There's a strong correlation between productivity and per capita incomes

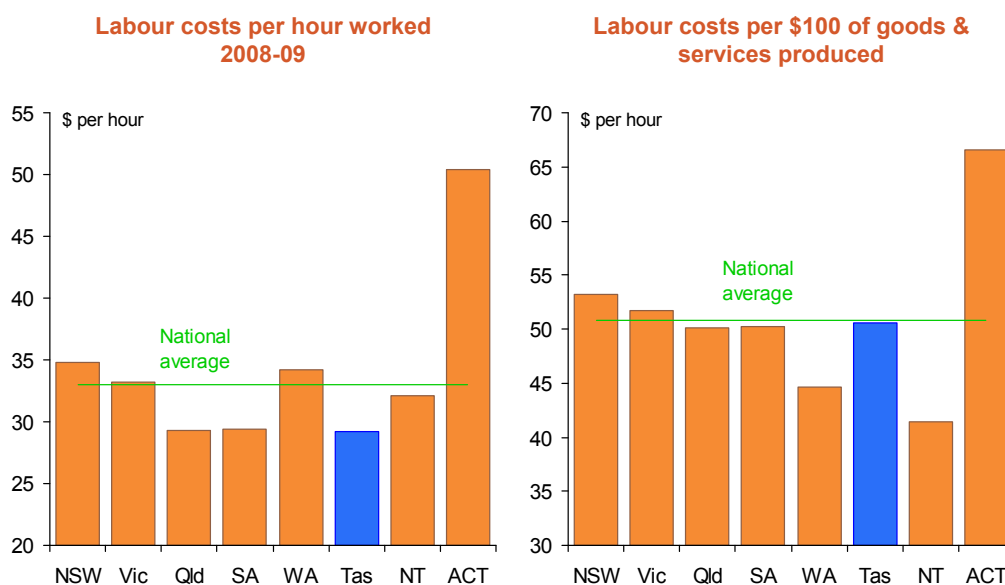
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Labour productivity and per capita income, 2008-09



Source: ABS State Accounts (5220.0) 2008-09; and The Labour Force, Australia, Detailed, Quarterly (6291.0.55.003).

Tasmania's low level of productivity means that relatively low labour costs are not the 'comparative advantage' that they might seem

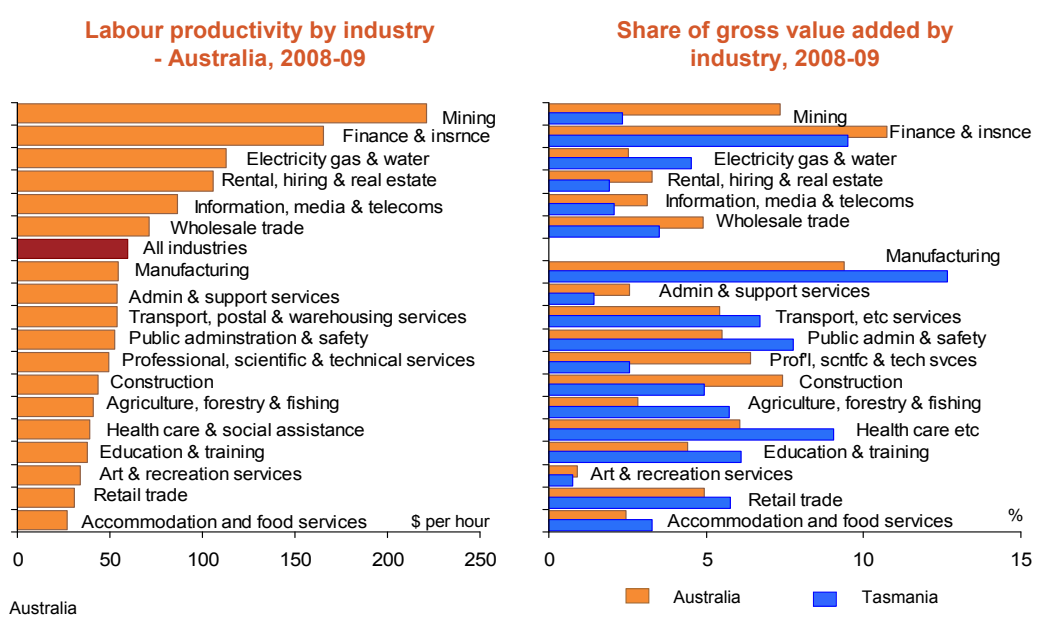


Sources: ABS State Accounts (5220.0) 2008-09; and *The Labour Force, Australia, Detailed, Quarterly* (6291.0.55.003); and Grattan Institute calculations.

One of the consequences of Tasmania's low level of labour productivity is that Tasmania's relatively low labour costs aren't really the competitive advantage that they are often seen as being

- On this measure Tasmanian workers earned just over \$29 per hour worked in 2008-09 – almost 12% below the national average
- But when this is set against the lower output per hour worked in Tasmania, the net result is that it cost employers \$50.60 in labour costs to produce \$100 of goods and services in Tasmania – almost exactly the same as the national average – no competitive advantage there to offset (for example) higher transport costs.

Tasmania's low level of productivity partly reflects a below-average representation of high-productivity industries (and vice-versa) ...



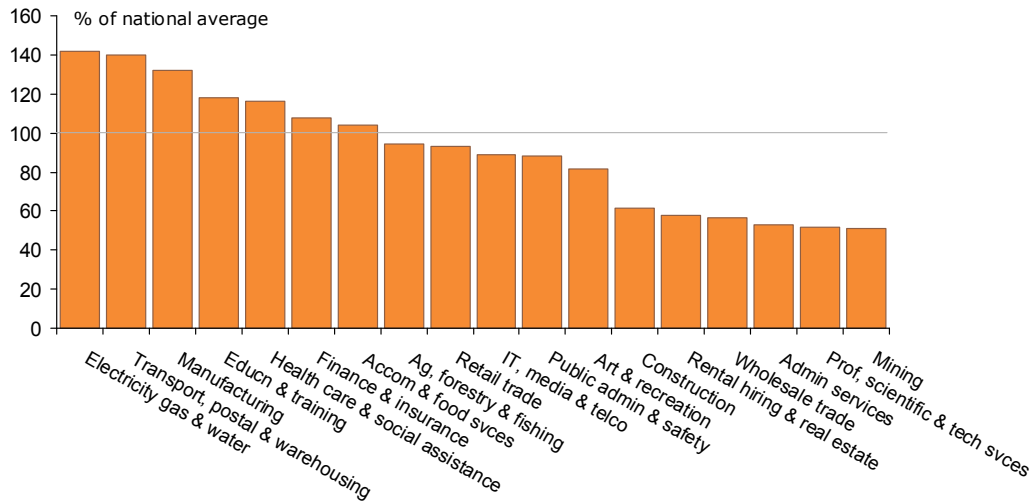
Sources: ABS : Australian System of National Accounts (5204.0) and State Accounts (5220.0), and Grattan Institute calculations..

Tasmania's low level of labour productivity partly reflects the fact that industries which typically have high labour productivity – eg because they are capital-intensive (like mining) or employ a lot of relatively skilled labour (like finance and insurance, or IT and telecommunications) account for a smaller share of the Tasmanian economy than they do nationally ...

... whereas conversely industries that typically have below-average labour productivity, that rely more on low-skilled labour (including retailing and hospitality) are 'over-represented' in Tasmania compared with the national average.

... and partly reflects below-average productivity in a majority of Tasmania's industries

Tasmanian labour productivity by industry as a proportion of national industry average, 2008-09



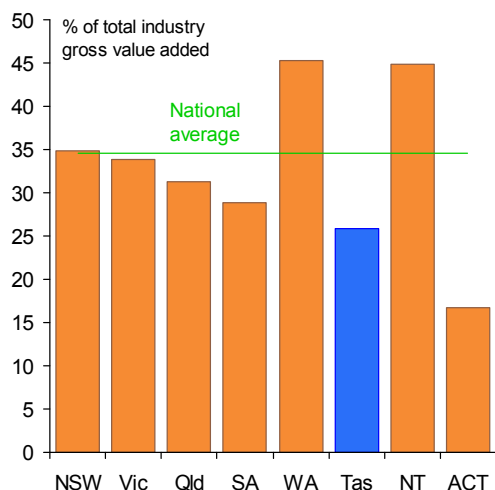
Sources: ABS : Australian System of National Accounts (5204.0) and State Accounts (5220.0), and Grattan Institute calculations.

Another separate factor is that, in many Tasmanian industries – in fact, in a majority of them, labour productivity is below the national average for those industries.

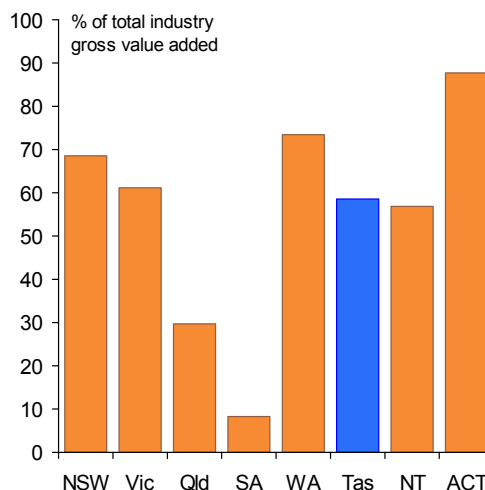
Particularly the case in construction, rental hiring & real estate, wholesaling, admin services, professional scientific & technical services and (surprisingly) mining

Productivity isn't sufficiently above average in enough Tasmanian industries to offset the low share of high-productivity sectors

Proportion of total gross value added derived from 'high productivity' industries



Proportion of total gross value added derived from industries where productivity exceeds the national average for that industry



Sources: ABS State Accounts (5220.0) 2008-09; and *The Labour Force, Australia, Detailed, Quarterly* (6291.0.55.003); and Grattan Institute calculations. 'High productivity' industries are mining, finance & insurance, electricity gas & water, rental hiring & real estate services, information media & telecommunications services, and wholesale trade.

These two factors brought together for each State and Territory here.

Tasmania derives a smaller share of its gross product from 'high productivity' industries than any other part of Australia except the ACT (you can see the contribution that having a large mining sector makes to WA and the NT). Queensland has an above average mining sector but it also has above average retail and tourism sectors where labour productivity is relatively low.

In the ACT the impact on overall productivity of a low share of high productivity industries is more than offset by achieving very high levels of productivity, relative to the national average, in those sectors which are important to it.

Tasmania does this better than Qld or SA – but not as well as NSW or Victoria. While WA compounds the advantage it has from having a high share of high-productivity industries by also achieving above-average productivity in most sectors of its economy

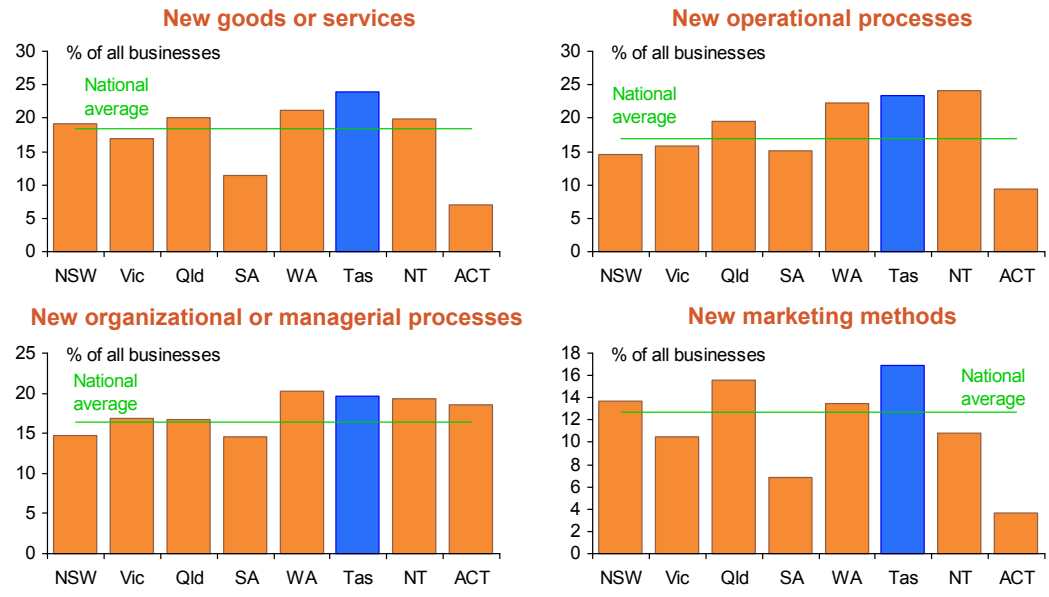
Productivity growth comes from three major sources

23

- **Investment in physical and 'intangible' capital**
 - plant and equipment, buildings and structures
 - software, intellectual property
- **Investment in 'human' capital**
 - skills and education of the workforce
 - formal (institution-based) and on-the-job learning
- **Innovation**
 - new products
 - new ways of producing existing products
 - new ways of organizing and managing existing processes

Tasmanian businesses appear to have been more willing to engage in innovation than businesses in most other States and Territories

Business innovation, by State and Territory – 2008-09



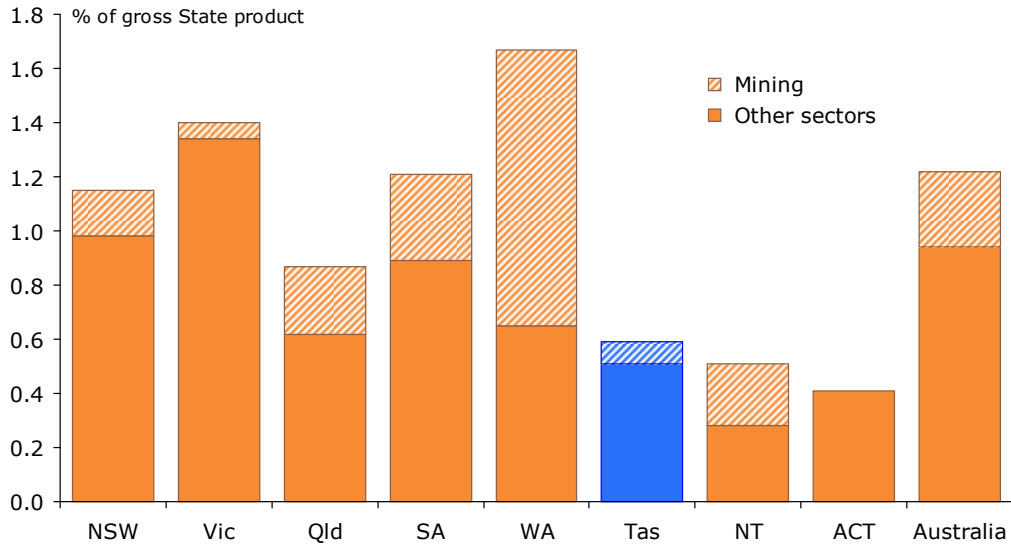
Source: ABS, Innovation in Australian Business (8158.0) 2006-07.

Tasmania appears to do relatively well when it comes to innovation, at least according to this ABS survey – although this survey simply measures whether businesses have done any of these kinds of innovation, and says nothing about the intensity of the effort or whether it has been successful.

... although Tasmanian business spending on R&D is well below the national average

25

Business spending on R&D, by State and Territory – 2007-08



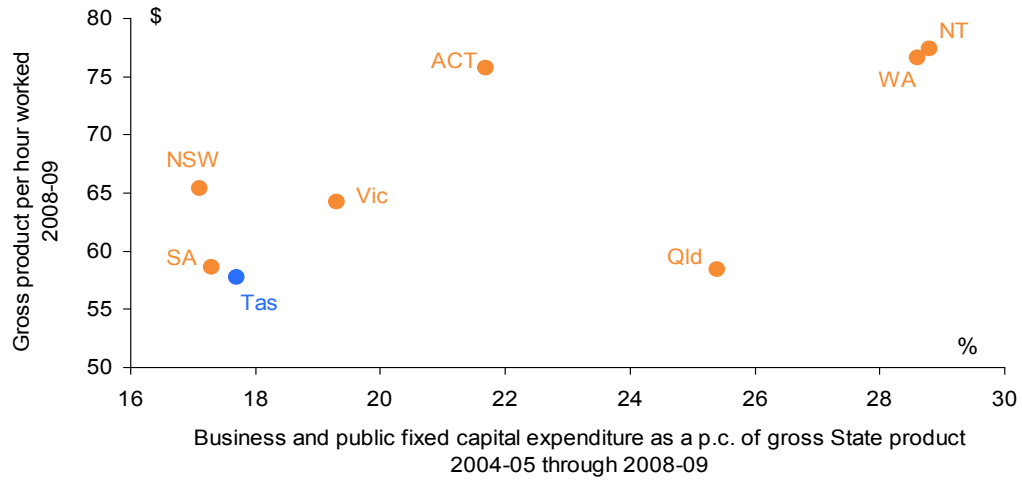
Sources: ABS, *Research and Experimental Development* (catalogue no. 8104.0), 2007-08, Grattan Institute.

Although Tasmanian business spend only 0.6% of gross product on R&D, which is well below the national average

- May reflect the fact that R&D spending is typically a 'head office' function, and Tasmania doesn't have many head offices – although nor these days does SA, and SA appears to do quite well on this score

Relatively high levels of fixed capital investment tend to be associated, over time, with high levels of labour productivity

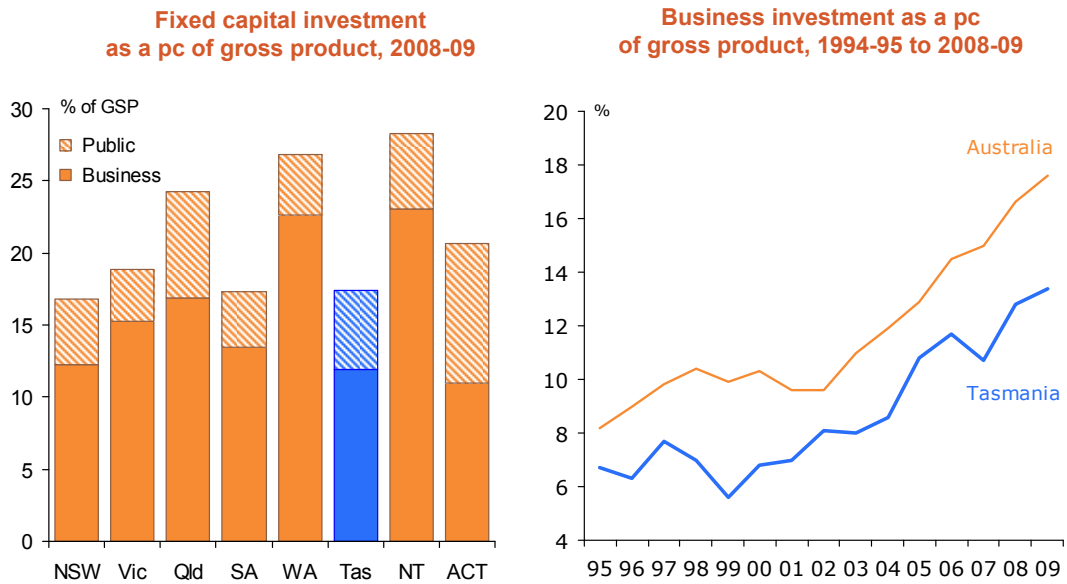
Labour productivity and per capita income by State and Territory



Source: ABS State Accounts (5220.0) 2008-09; and Grattan Institute calculations.

Tasmania invests a smaller proportion of its income than most other States and Territories

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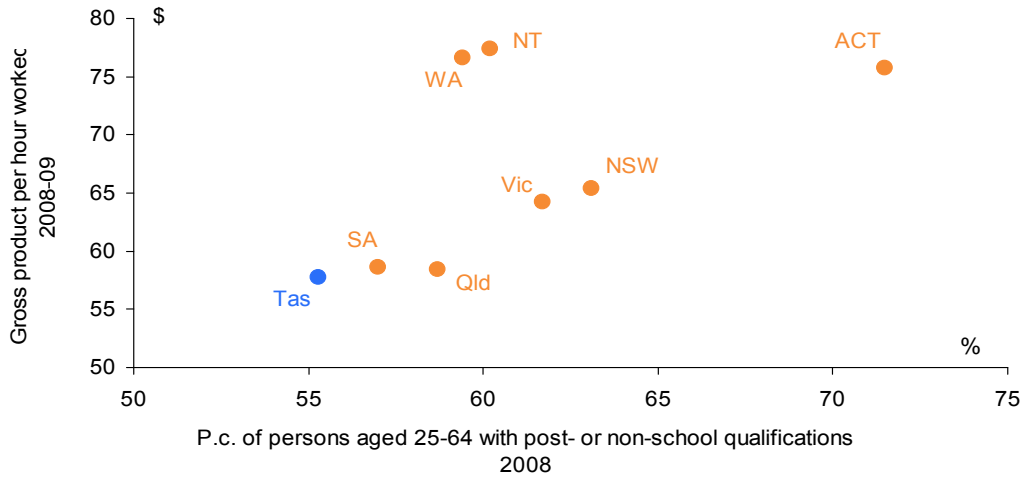


Source: ABS State Accounts (5220.0) 2008-09

Tasmania invests just under 17½% of its State income in business or public sector capital – and although that represents a significant improvement over the past decade, it’s still well below the national average

There's a strong correlation between levels of educational attainment in the work force and labour productivity

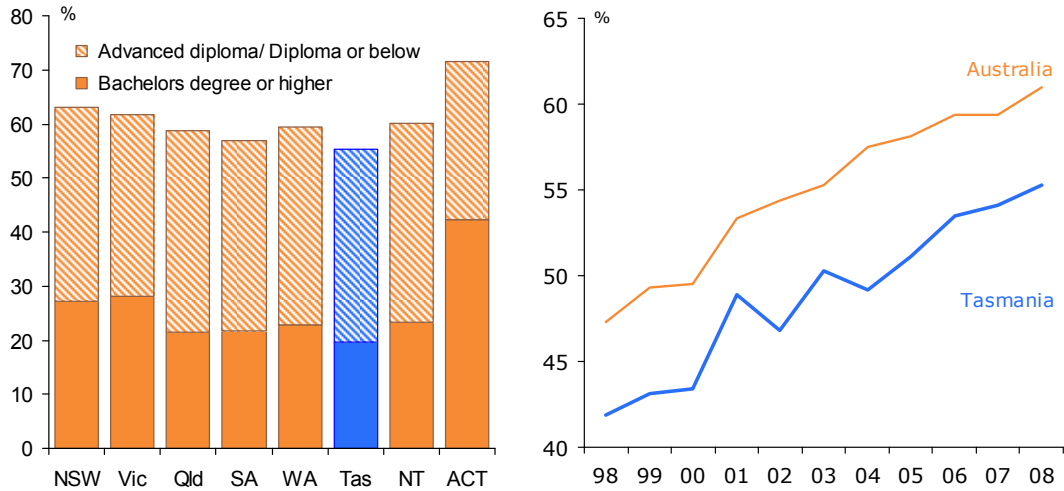
Labour productivity and educational attainment, 2008-09



Source: ABS State Accounts (5220.0) 2008-09; Survey of Education and Work (6227.0) May 2009.

A smaller proportion of the Tasmanian workforce has post-school qualifications than that of any other State or Territory

Proportion of persons aged 25-64 with post-school qualifications
By State and Territory, 2008 **Tasmania and Australia, 1998-2008**

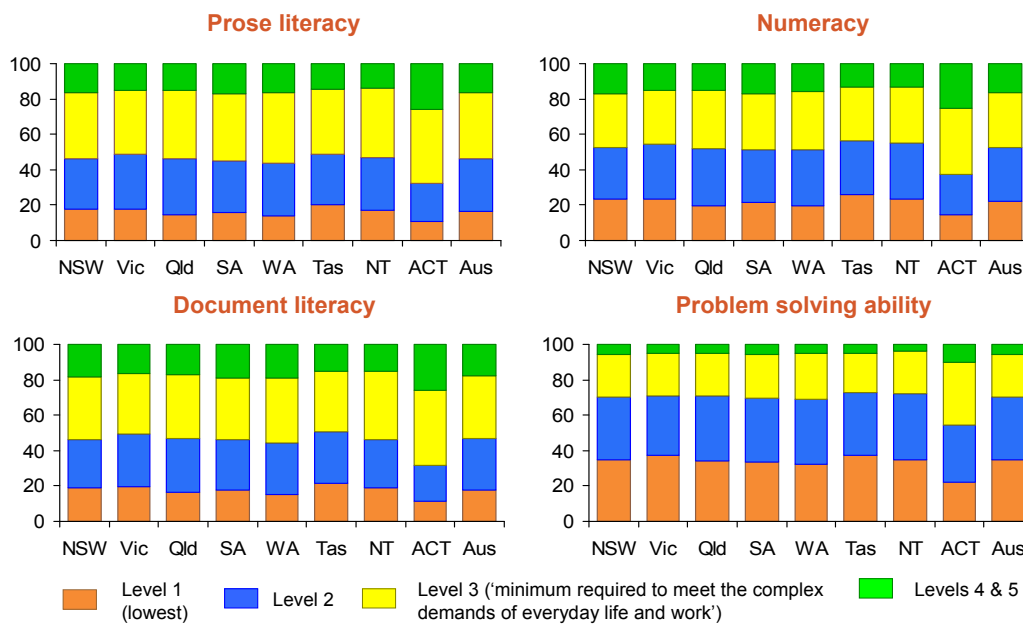


Source: ABS Social Trends (4102.0).

Only 55% of Tasmanians aged 25-64 have post-secondary qualifications, compared with 61% of all Australians in that age group

Tasmanian adults have, on average, lower literacy and life skills than the national average

30



Source: ABS, Adult Literacy & Life Skills Survey, Summary Results 2006 (4228.0)

Comparative lack of formal education shows up in various ways – for example according to this survey conducted by ABS in 2006

- 49% of Tasmanian adults, 2.6 pc more than the national average lack the minimum prose literacy skills required to meet the demands of every day life and work
- 51% of Tasmanian adults, almost 4pc more than the national average, lack the document literacy skills required
- 56% of Tasmanian adults, again nearly 4pc more than the national average, lack the minimum numeracy skills
- and 73% of Tasmanian adults, 3 pc more than the national average, lack to minimum problem solving skills required to meet the complex demands of every day life and work

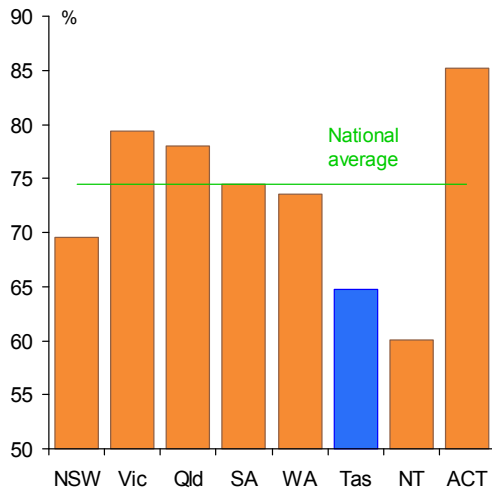
This survey appears to set a high benchmark for 'minimum required', and there's probably room for argument as to where that threshold should be. But whatever it is, the proportion of Tasmanians meeting it is in most dimensions lower than in most other parts of Australia.

There's still too few Tasmanian school children completing secondary school

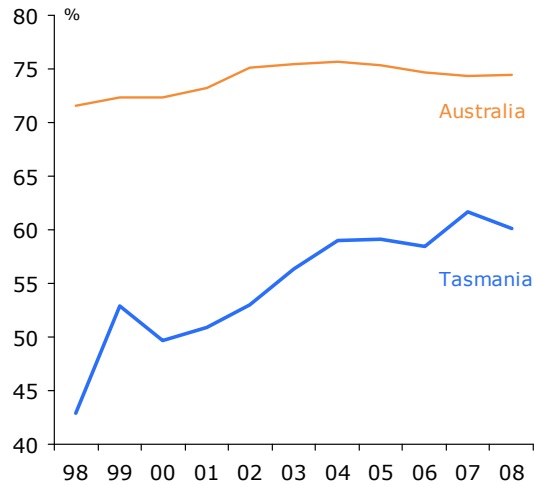
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Apparent school retention rates, Years 7/8 to Year 12

By State and Territory, 2008



Tasmania and Australia, 1998-2008



Source: ABS Social Trends (4102.0).

Part of the reason for that is that far too few Tasmanians complete school – by which I mean get the full 12 years of primary and secondary education.

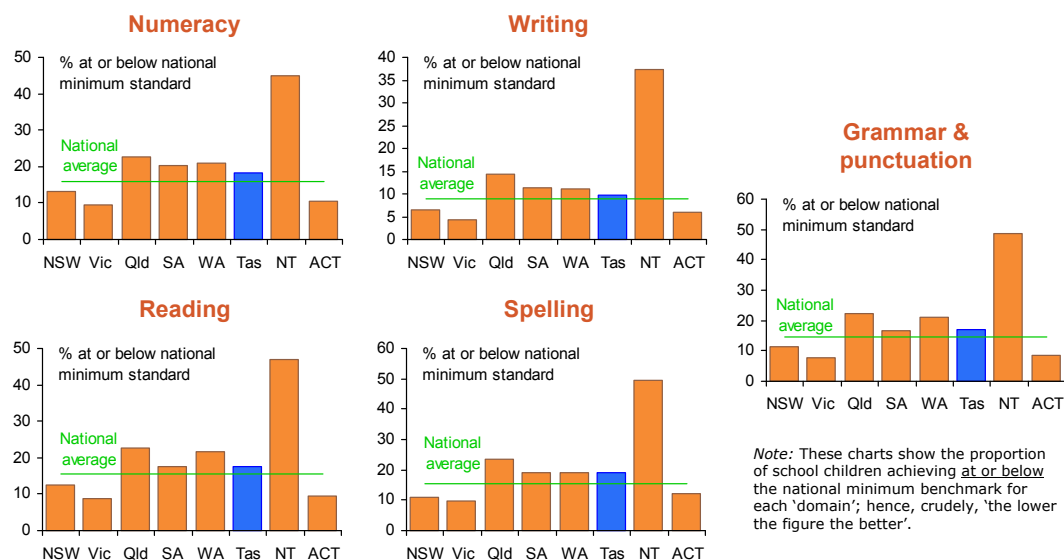
Tasmanian retention rates to year 12 are the lowest of any part of Australia except the Northern Territory.

Hard to get past the fact that State high schools finish at Year 10, have 'leavers dinners' etc at that point, suggesting that Year 10 is an exit point from the education system.

I know David Bartlett tried very hard to change this – and encountered a good deal of resistance. Not in a position to judge whether 'Tasmania Tomorrow' reforms were the right ones – note that Will Hodgman has pledged to reverse them. Hope that isn't at the expense of the objective of keeping more Tasmanian children in school for longer

A slightly higher proportion of Tasmanian year 3 school children are achieving at or below national minima than the national average ...

% of Year 3 students at or below minimum NAPLAN standards, 2009



Source: National Assessment Program, NAPLAN Summary Report 2009.

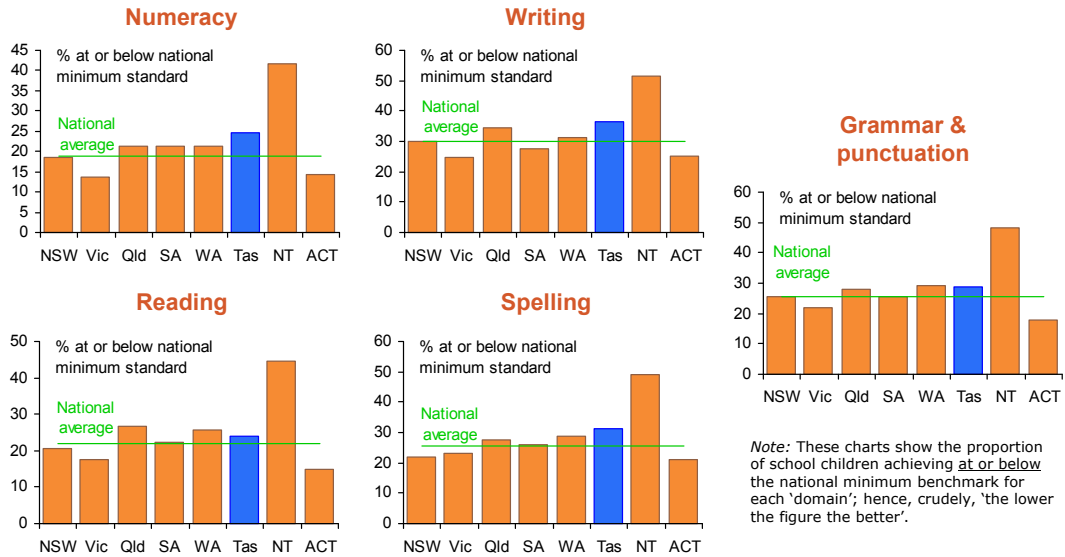
Of course it's not only the quantity of education that students receive, but also and arguably more importantly the quality of it.

And there is some evidence – don't want to overstate it, but it is certainly suggestive – that the quality of education in Tasmania isn't as good as it could be.

NAPLAN results – the basis for the 'MySchool' website – suggest that Year 3 kids in Tasmania are no more or less able than kids in most other parts of the country – the proportion of them at or below the minimum standard on each of the five 'domains' of learning was slightly higher than the national average, but only marginally so.

... and in most 'domains' the proportion of Tasmanian children achieving below benchmark has widened relative to the national average by Year 9

% of Year 9 students at or below minimum NAPLAN standards, 2009

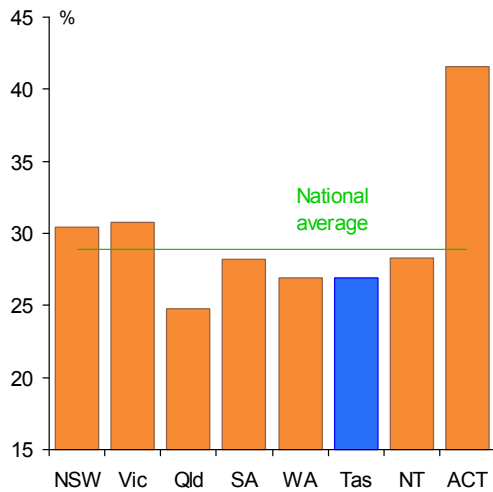


Source: National Assessment Program, NAPLAN Summary Report 2009.

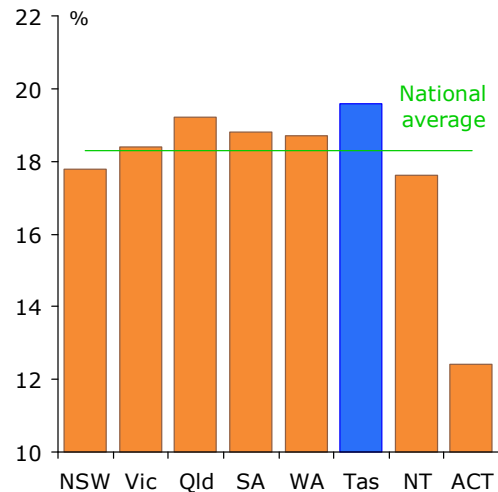
However the NAPLAN results also suggest that the longer Tasmanian kids remain in the education system, the higher the proportion of them who are at or below the minimum standard becomes, on at least three of the five 'domains' of learning.

A below-average proportion of Tasmanians are employed in high-skill occupations, and an above-average proportion in low-skill ones

Pc of workforce employed in highest-skill occupations, 2008-09



Pc of workforce employed in lowest-skill occupations, 2008-09



Source: ABS, *Labour Force, Australia, Detailed, Quarterly* (6291.0.55.003)

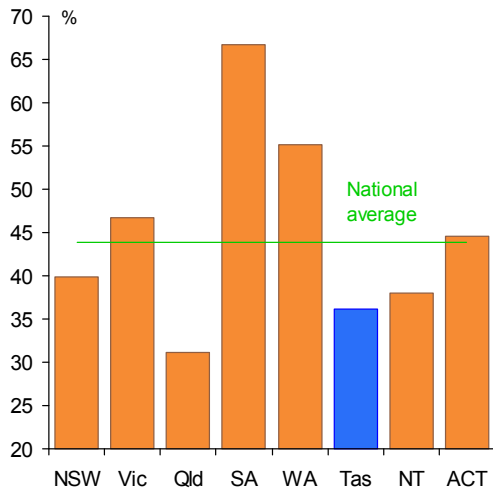
Below average educational attainment is surely one reason why only 26.9% of Tasmanians – 2 pc points below the national average – are employed in high-skill occupations,

While 19.6% of Tasmanians – the highest proportion of any State or Territory – are employed in low-skill occupations.

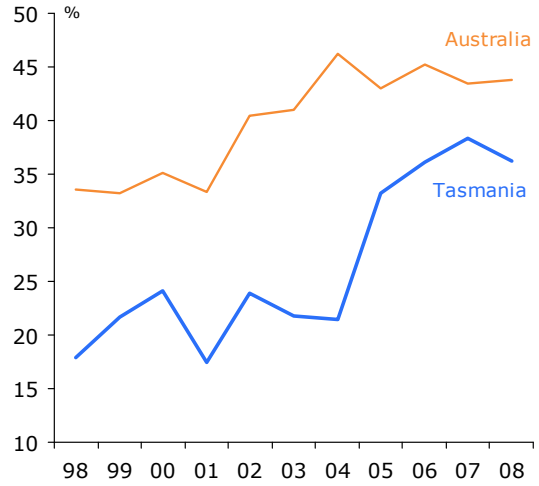
Immigration contributes less to Tasmania's skill base than it does that of most other States and Territories

Skilled immigrants as a p.c. of total settler arrivals

By State and Territory, 2008



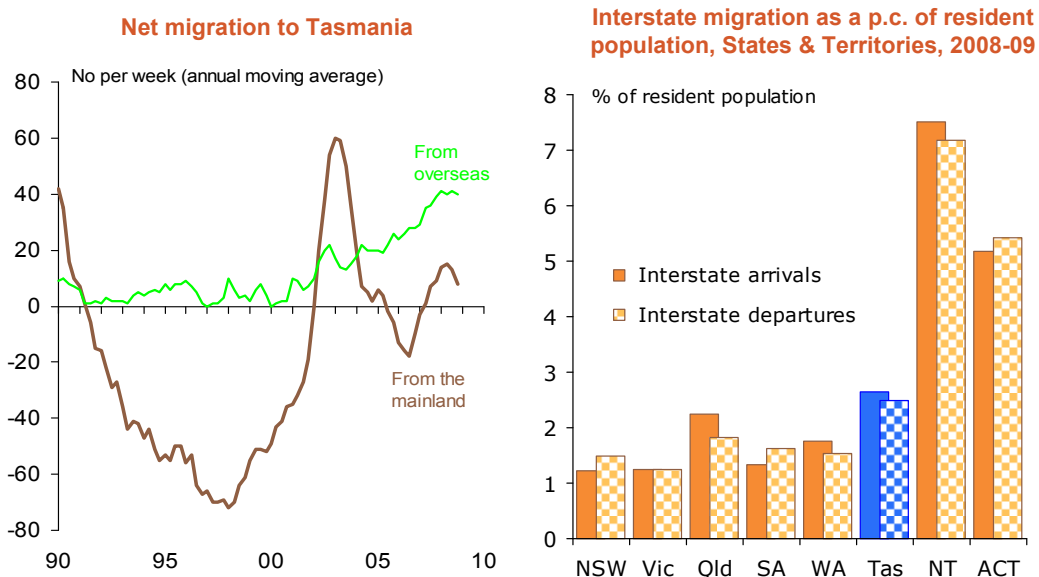
Tasmania and Australia, 1998-2008



Source: Department of Immigration and Multicultural Affairs, *Settler Arrivals*.

Immigration adds less to Tasmania's skill base than it does to that of most other States and Territories (exc. Queensland)

Interstate migration patterns are (probably) detracting from Tasmania's skill base and (certainly) speeding up the ageing of Tasmania's population



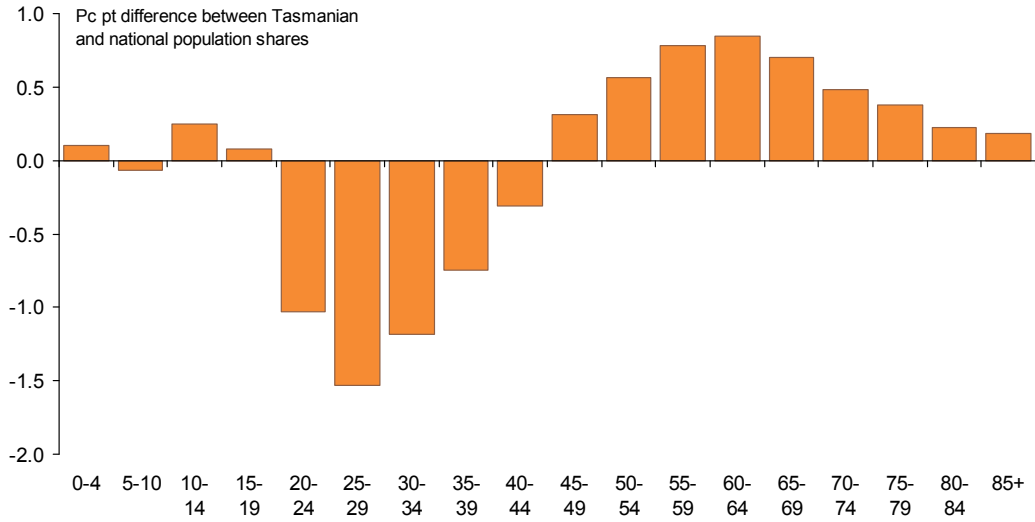
Sources: ABS Demographic Statistics Quarterly (3101.0); Grattan Institute calculations.

And although it is hard to prove, interstate immigration is almost certainly detracting from Tasmania's skill base, as younger people with higher levels of educational attainment dominate those moving north across Bass Strait while those moving south tend to be older and have fewer skills or qualifications

Tasmania has a below-average share of 20-45 year olds, and an above-average share of those aged 45 and over

37

Difference between age structure of Tasmanian and Australian populations



Source: Tasmanian Department of Economic Development.

Four insights from a recent McKinsey study

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- **Productivity of individual sectors matters more than ‘sector mix’**
 - the strongest-performing sectors vary from region to region
 - what above regions have in common is that their largest sectors (whatever they are) maintain strong growth
 - **Services sector productivity and competitiveness is critical**
 - services sectors have accounted for almost all net jobs growth in high-income countries over the past two decades
 - **Government policies can strongly influence productivity and competitiveness in sectors not directly exposed to international trade or global competition**
 - regulation that facilitates business entry tends to increase competition and productivity
 - flexible hiring laws and part-time employment arrangements correlate with higher employment and more rapid adjustment to change
 - **Competitiveness in ‘new innovative sectors’ is not enough to boost economy-wide employment and growth**
 - these sectors are too small to make a difference to economy-wide growth
 - access to talent and favourable demand conditions are more important than tax incentives or direct government involvement

Source: McKinsey Global Institute, *How to Compete and Grow: A Sector Guide to Policy* (March 2010)

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- ... cannot possibly lie predominantly in the volume production of essentially unprocessed commodities competing solely on the basis of price against others
 - with access to larger and cheaper resources of labour and capital
 - able to operate on a much larger scale
 - and who are geographically closer to their principal markets, or who are members of preferential trade blocs
 - ... but instead depends on its capacity to produce and market
 - highly differentiated goods and services
 - embodying a relatively high intellectual content
 - and for which customers are willing to pay premium prices

This does not mean that commodity production (including mining and forestry) has no future in Tasmania – but it does mean that we can't expect the kind of commodity-based industries Tasmania has relied on in the past to underwrite the future

David Bartlett once said that he had a copy of this proposition, which I've made many times over the last five years or so, pinned to his office wall. I hope when he's cleaning out his office that he leaves it there for Will Hodgman to ponder.

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- **A sustained effort to improve the quantity and quality of Tasmanian education**
 - lifting year 12 retention rates to mainland levels
 - curriculum reform
 - closing the school performance gap with the mainland
 - challenging entrenched beliefs that higher levels of education aren't necessary
 - **Extending and upgrading of Tasmanian infrastructure**
 - with particular emphasis on transport, communications, water and 'clean' energy
 - **Seeing structural change as an opportunity, not a threat**
 - much more skeptical approach towards propping up 'old' industries
 - positive attitude towards competition and new businesses
 - abandon the 'cargo cult' approach to large industrial projects
 - **Capitalizing on – rather than resisting – advances in knowledge**
 - (for example) abandoning bans on GM technologies
 - **Seeing the 'Tasmanian diaspora' as an asset, not a loss**
 - making much better use of Tasmanians living and working on the mainland or overseas as ambassadors and champions

I don't pretend that this is a comprehensive or complete agenda.

There are no 'magic bullets' or simple solutions to Tasmania's long-standing or complex. Nor is the agenda I've laid out here likely to produce its intended results quickly. Nor do I pretend that it would be easy to implement. It calls for many widely-held and long-standing beliefs, assumptions and prejudices on the part of many Tasmanians to be questioned, challenged and ultimately changed. That's a tough call for politicians, whose success often depends on their ability to identify, empathise with and reflect long-standing and widely-held beliefs, assumptions and prejudices on the part of voters.

Nevertheless, if not now, when?