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Submission: Draft Economic Diversification and Investment Strategy

Thank you for the opportunity to comment on the draft Economic Diversification and Investment Strategy. This submission responds to the consultation's request for views on the Strategy's decision-making principles and the prioritisation of its strategic priorities, focused on a single question that cuts across both: on what basis, and to what extent, should government commit public money — cash, loans, subsidised power, land or tax concessions — to private industry?

Tasmania currently has no consistent, published framework governing when and how such support is offered. Recent public debate over continued assistance to legacy industrial users, proposals to subsidise power for AI data centres, and smaller-scale requests for support to individual businesses have each been argued largely on their own terms, without reference to shared criteria. That pattern leaves government exposed to being played off between competing claims, and leaves the public unable to judge whether a given deal represents good value. The Strategy is an opportunity to address that.

Response to the decision-making principles

The four principles — comparative advantage, strategic resource use, transparent trade-offs, and outcomes over activity — are a reasonable starting point, but as drafted each is a statement of intent rather than a test that can actually be applied to a proposal.

- Build on Tasmania's comparative advantage — supported, but this needs to be demonstrated not assumed based on historical examples. Cheap hydro power has long been treated as a comparative advantage; but that is changing once the opportunity cost of that power in a changing energy market is counted. The Strategy should require that any proposal relying on a comparative-advantage claim show the claim still holds, and publish the underlying cost/benefit figures.
- Use public resources strategically — supported, but 'not substituting for private capital' needs an evidence test attached: proposals should have to demonstrate the investment would not proceed without public support (the additionality principle), not simply assert it.
- Make trade-offs transparently — supported, and this is the principle the Strategy should put in place as a priority. Terms, dollar values and conditions of any assistance should be published as a default, not treated as commercial-in-confidence, so the public can see what is being traded off, such as direct cash injections that reduce revenue available for other things, or additional power costs to consumers that subsidise a discount elsewhere.
- Measure outcomes, not just activity — supported, but this requires binding, reported metrics (minimum jobs, training places, timeframes etc) rather than headline investment or job-creation figures at the time of an announcement and then forgotten; and a clawback of financial and other assistance where outcomes are not met.

This submission proposes two further principles:

- Consultation —whether affected workers, unions and communities had genuine input into terms before they were agreed.

- Climate and environment —whether a proposal works for or against emissions reduction and environmental protection, particularly for energy-intensive proposals.

Response to the strategic priorities

The consultation seeks views on prioritisation across six strategic priorities. This submission's comments are limited to where public financial and other support is implicated:

- Unlocking private investment —'unlocking' investment through public money should be clearly distinguished from subsidising investment that would occur anyway; and funding should only be considered subject to the additionality test above.
- Strengthening infrastructure — initiatives to 'share development costs fairly' and 'support the projects that go first' are, in substance, a form of financial support and should be subject to the same publication and conditionality requirements as direct grants or discounted power.
- Activating our regions — geographic distribution of jobs is a legitimate consideration, but regional location should not by itself justify support to a mature, established industry that would not otherwise meet the tests above.
- Accelerating innovation, Lifting productivity, Growing our capability — these priorities might justify public support where it is tied to a genuine capability gap (eg skills, low emissions technology adoption).

Additional considerations: distributional impact and future generations

The gaps identified above — consultation and climate and environment — are not the only elements missing from the government's four principles. Two further considerations matter, particularly given Tasmania's constrained fiscal position and the interests of future taxpayers who may inherit any arrangements entered into now:

- Impact on vulnerable Tasmanians — who is paying for the assistance (does it come from general revenue, or households and other businesses paying full price for power that is discounted to a recipient), and do expected public returns — equity, royalties, guaranteed local jobs/training —scale with the size of the support?
- Future generations — is support time-bound, a bridge to something, rather than a permanent subsidy that entrenches an uncompetitive business model or an going/rising public liability for future budgets?

What the Strategy should commit to

This submission does not argue that government should never support private industry, nor that it always should. Translating the tests set out above into concrete requirements, the Strategy should:

- Publish criteria for when and how industry assistance is offered, covering transparency, public return, any conditions, time limits and community/worker input, so proposals are assessed against explicit guidelines rather than negotiated informally, often behind closed doors, case by case.
- Require that the terms, dollar value and conditions of any assistance be published ('show the deal'), regardless of the merits of the individual case.
- Scale the level of scrutiny and conditionality to the size and significance of the support — a small grant to a local business does not warrant the same conditions as a large concessional power or land deal.
- Attach a sunset or review point to any ongoing arrangement, so support is a bridge to a defined outcome rather than an ongoing cost.

- Establish independent oversight — for example through a Parliamentary Budget Office, Parliamentary committee, or equivalent — for any proposed deal above a defined threshold, so assessment does not rest solely with the department or Minister negotiating the deal.

Other jurisdictions attaching conditions to industry support — including the EU's Innovation Funds and the US CHIPS Act — continue to attract investment. The Strategy should therefore not treat attaching conditions to industry assistance as inherently uncompetitive.

Conclusion

The draft Strategy correctly identifies that government support to industry needs clear, evidence-based rules. This submission asks that the final Strategy actually set those rules out — publicly, consistently, and in a form that lets the public and the Parliament judge future proposals against known criteria, rather than each one being negotiated individually and behind closed doors.

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