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TMEC
Tasmanian Minerals, Manufacturing & Energy Council

Cleaner.
Smarter.
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TMEC Submission on the Economic Diversification and Investment Strategy — Consultation Draft

Introduction

TMEC welcomes the opportunity to comment on the Tasmanian Government's draft *Economic Diversification and Investment Strategy*.

TMEC strongly supports the Strategy's central proposition that Tasmania's future prosperity must be driven by stronger private investment, improved productivity and broader workforce participation. The Strategy appropriately recognises that public expenditure alone cannot deliver the prosperity Tasmania seeks and that government's role is to create the conditions in which businesses, investors, workers and regions can create greater value.

TMEC particularly supports the Strategy's commitment to build on Tasmania's comparative advantages, use public resources strategically, make trade-offs transparently and measure economic outcomes rather than simply government activity.

However, TMEC considers that one important principle should be made more explicit:

Economic diversification must grow Tasmania's economic pie, rather than simply change the composition of it.

Diversification should therefore encompass both creating new sources of economic value and sustaining, modernising and expanding the productive industries that already underpin Tasmania's economy.

This distinction is important.

Tasmania's mining, minerals processing, manufacturing and energy-intensive industries represent decades, in some cases generations, of accumulated capital, infrastructure, workforce capability, supply chains, market relationships and technical knowledge. They provide skilled and relatively high-value employment, particularly in regional Tasmania, support substantial local supply chains and connect Tasmania directly into national and international markets.

These industries are not obstacles to diversification. They are part of the platform from which diversification occurs. This is also reflected in the Strategy itself, which acknowledges that some of Tasmania's advantages are natural while others have been created through decades of investment, institution-building and enterprise.

Accordingly, TMEC recommends that the final Strategy incorporate a clear "sustain, grow and diversify" principle:

Sustain globally competitive existing industries, to enable them to invest and become more productive, to attract complementary investment and new industries, to broaden Tasmania's economic base.

Without the first two steps there is a risk that Tasmania celebrates new investment while simultaneously losing existing productive capacity. A new employer replacing an existing employer may alter the composition of the economy, but it does not necessarily constitute economic growth.

Details

Goal 1 Growing a more resilient economy through private investment

TMEC strongly supports Goal 1.

The draft Strategy correctly identifies private investment as the principal driver of long-term economic growth and recognises that this includes investment by existing Tasmanian businesses as well as new domestic and international entrants. It also identifies Tasmania's comparatively low level of business investment per capita as an important economic challenge.

This distinction between existing and new investors should be carried through more strongly into implementation.

Retaining investment is as important as attracting investment

Economic development policy frequently concentrates on attracting the next investor. Less attention is given to the conditions required for an existing business to approve its next $50 million or $500 million investment in Tasmania rather than somewhere else in its national or global portfolio.

For TMEC members, capital allocation decisions are routinely made in competition with alternative projects elsewhere in Australia and internationally. Tasmania therefore competes for capital not only when a new company considers establishing here, but whenever an existing industrial business considers:

- plant replacement and life extension;
- production expansion;
- automation and productivity investment;
- emissions reduction and decarbonisation;
- new processing capacity;
- mine development;
- energy efficiency projects; or
- research, technology and workforce investment.

A long-established Tasmanian facility should not be presumed to remain simply because it has operated here for decades.

The missing element, restoring competitive settings for bedrock industries

TMEC recommends that the Strategy explicitly acknowledge circumstances where historically important comparative advantages have been eroded by changes in policy, infrastructure costs, regulation, energy markets or other input costs.

This is not an argument for indefinitely subsidising uncompetitive businesses. It is an argument for understanding whether the economic settings surrounding strategically important and fundamentally productive businesses remain internationally competitive.

Many industrial operations continue to manufacture commodities and materials for which there is enduring global demand. Their underlying productive purpose has not disappeared. What may have changed is the competitiveness of the environment in which the Tasmanian operation must function.

Where that occurs, government should be prepared to ask:

What has changed in Tasmania's operating environment, can those disadvantages reasonably be addressed, and what is the economy-wide value of retaining the productive asset?

That assessment should include employment, wages, exports, regional impacts, local procurement, government business revenues, taxation, infrastructure utilisation, sovereign capability and the option value associated with retaining established industrial sites and skills.

This is consistent with the Strategy's own intention that decisions consider secondary and third-order effects and opportunity costs rather than being reduced to a purely quantitative exercise.

Investment facilitation

TMEC supports the proposed streamlined investment pathway and the principle of providing investors with earlier certainty and clearer accountability.

TMEC supports:

- a genuine single investment facilitation pathway for strategically significant projects;
- early whole-of-government coordination before proponents expend significant capital;
- defined and publicly reported approval timelines;
- faster planning and environmental decisions without reducing substantive standards;
- early identification of energy, water, transport, land and workforce requirements;
- a process capable of resolving inter-agency conflicts quickly; and
- an equally effective pathway for major reinvestment by existing businesses.

The objective should be faster to a well-informed "yes" or faster to a definitive "no", rather than leaving capital tied up in prolonged uncertainty, an objective already recognised in the consultation draft.

Additional potential key indicators - Goal 1

TMEC supports the proposed measures covering capital investment, GSP, inbound investment and facilitated investment. We recommend adding:

- Private business investment per capita relative to the Australian average.
- Value of investment reaching Final Investment Decision, rather than only investment announced or "facilitated".
- Annual capital expenditure by established Tasmanian businesses.
- Median approval time for major projects, including planning, environmental and other statutory approvals.
- Percentage of major approvals completed within published target timeframes.
- Retention of existing strategically significant productive capacity.

- Net change in internationally traded productive capacity — investment gained less capacity lost.
- International competitiveness of key industrial inputs particularly delivered electricity, transmission, freight, port and water costs.

The last measures are important. A strategy should not be judged successful if Tasmania attracts $500 million of new investment while simultaneously losing productive assets of comparable or greater economic value.

Goal 2 - Lifting productivity, innovation and competitiveness

TMEC considers Goal 2 to be fundamental to the success of the entire Strategy.

The draft correctly identifies productivity as Tasmania's largest economic opportunity and notes that closing the productivity gap is the most direct pathway to higher wages, better job quality and improved living standards.

TMEC strongly endorses that proposition.

Productivity should not be understood simply as asking employees to "work harder" or businesses to produce more. It is about creating more economic value from the available workforce, capital, infrastructure, energy and natural resources.

For an economy with an ageing population and workforce participation constraints, productivity growth becomes even more important.

Recognise industrial productivity

The Strategy's productivity discussion presently places substantial emphasis on the State's high-employment service sectors. Those sectors are important, but TMEC recommends greater emphasis on the traded and capital-intensive sectors.

A productivity improvement in mining, manufacturing or minerals processing can generate benefits beyond the immediate business through:

- additional exports;
- higher-skilled employment;
- additional supplier activity;
- increased utilisation of ports, rail and other infrastructure;
- investment in engineering and technology capability;
- increased international competitiveness; and
- income entering Tasmania from customers outside the State.

These sectors therefore make a particularly important contribution to Tasmania's capacity to earn income from the rest of the world.

Innovation must include existing industry

TMEC supports the Strategy's emphasis on innovation but cautions against equating innovation principally with start-ups or research commercialisation.

The draft itself acknowledges that Tasmania's established sectors remain central to both the economy and its innovation effort.

Some of Tasmania's largest achievable productivity improvements are likely to arise from deployment within established businesses of:

- automation and robotics;
- artificial intelligence;
- digital mining;
- advanced sensing and process control;
- energy efficiency;
- advanced manufacturing;
- new mineral processing technologies;
- industrial decarbonisation; and
- improved utilisation of existing capital.

Government programs should therefore place appropriate weight on technology diffusion and adoption, not simply the creation of new technology.

This is consistent with the Strategy's proposed initiatives around technology demonstration, digital skills and reducing regulatory barriers.

Competitiveness belongs alongside productivity

TMEC welcomes the inclusion of "competitiveness" in Goal 2 because productivity gains achieved inside the factory gate can be overwhelmed by cost increases outside it.

Tasmanian industry cannot control international commodity prices, exchange rates or the investment incentives offered by foreign jurisdictions. Tasmania can, however, materially influence:

- energy policy;
- transmission costs;
- port and freight efficiency;
- planning and approvals;
- regulatory duplication;
- skills availability;
- industrial land;
- water infrastructure; and

- the predictability of government policy.

Accordingly, TMEC recommends five practical productivity and competitiveness priorities:

1. Internationally competitive and predictable industrial energy arrangements.
2. Efficient energy transmission and infrastructure charging.
3. Faster and more predictable approvals.
4. Skills development closely aligned with demonstrated industry demand.
5. Capital investment, automation and technology adoption.

The principle should be straightforward: new infrastructure and policy settings should improve Tasmania's productive capacity and competitiveness rather than simply add another fixed cost that productive businesses must carry.

Additional potential key indicators - Goal 2

The Strategy currently proposes productivity, R&D, technology adoption, employment and educational measures. TMEC recommends adding:

- Gross value added per hour worked by major industry sector.
- Real GSP per hour worked relative to the national average.
- Capital investment per employee and capital intensity by sector.
- Labour productivity growth in Tasmania's trade-exposed sectors.
- Export value per employee in trade-exposed sectors.
- Average real wages in high-productivity sectors.
- International/interstate benchmark of delivered energy costs for major industrial users.
- Freight and port costs for major Tasmanian export sectors relative to competitors.
- Regulatory cost and approval-time benchmarks relative to competing Australian jurisdictions.
- Investment in industrial decarbonisation resulting in both emissions reductions and maintained/increased productive capacity.
- Number and value of productivity-enhancing projects implemented, rather than programs funded.

This would give government a much stronger picture of whether the underlying competitiveness of the Tasmanian economy is genuinely improving.

Goal 3 - Increasing participation and strengthening regional opportunity

TMEC strongly supports the objective of increasing workforce participation and strengthening Tasmania's regions.

However, regional economic success should not be measured principally through population growth.

Tasmania's regions host many of its most productive and internationally connected industries. Mining, mineral processing, manufacturing, forestry, agriculture, renewable energy and their associated supply chains provide employment and economic activity that cannot simply be replicated by increasing population.

The Strategy appropriately recognises that regional growth depends upon connecting local strengths with infrastructure, land use and workforce planning, and that housing and infrastructure can be economic enablers rather than separate social policy considerations.

TMEC recommends taking this concept further.

Productive employment strengthens social fabric

Employment is more than an economic statistic.

Secure skilled employment provides individuals and families with income, confidence and opportunities. Long-lived industrial employers contribute to communities through apprenticeships, training, sponsorships, procurement, volunteering and intergenerational career opportunities.

A large industrial workplace also creates a concentration of transferable technical skills; electricians, fitters, engineers, operators, tradespeople, laboratory specialists, technology professionals and managers, which becomes an economic asset for the wider region.

When a major employer disappears, the impact is therefore considerably broader than the direct jobs lost. Skills migrate, suppliers lose scale, apprenticeship opportunities reduce, population can decline and community institutions become harder to sustain.

Conversely, retaining such employers while attracting complementary industries can create an economic cluster with benefits greater than the sum of its individual businesses.

This is why regional diversification should occur around productive regional anchors wherever possible, rather than assuming those anchors are industries of the past.

Workforce policy should follow productive opportunity

TMEC supports stronger participation, skilled migration and improved education and training pathways.

However, skills policy will be most effective when closely linked to real employment demand.

Government, industry, schools and training providers should develop regional workforce pipelines around identified future requirements, including:

- apprenticeships and traineeships;
- school-to-industry pathways;
- STEM participation;
- engineering and technical capability;
- digital skills;
- transferable industrial skills;
- leadership and management capability;

- increased participation by currently underrepresented cohorts; and
- targeted skilled migration where local supply cannot meet demand.

The aim should not merely be to increase the number of qualifications issued. It should be to create a workforce with the capability required by Tasmania's productive economy.

Additional potential key indicators - Goal 3

The Strategy proposes measures covering participation, regional economic growth and skilled migration. TMEC recommends adding:

- Percentage of vocational and tertiary graduates employed in their field in Tasmania.
- Interstate migration of people aged 20–39 and retention of skilled workers.
- Regional workforce vacancy rates in identified critical occupations.
- Value of private capital investment by region.
- Regional export value and gross value added.
- Local procurement and supply-chain expenditure generated by major employers.
- Housing availability in key employment catchments.

This would move the assessment of regional opportunity beyond simply counting people to measuring whether regions contain productive, well-paid and sustainable economic opportunity.

A recommended overarching principle: Sustain, Grow and Diversify

TMEC recommends that the final Strategy explicitly adopt the following principle:

Tasmania should diversify by adding to its productive economic base, not by allowing existing productive capacity to disappear and seeking to replace it.

This principle is particularly important for Tasmania because many of its major industries are:

- capital intensive;
- export oriented;
- located in regional communities;
- connected to global supply chains;
- significant users and supporters of State-owned infrastructure;
- major trainers of skilled workers; and
- difficult, costly or impossible to recreate once closed.

The economic assessment of an established industry should therefore consider its whole-of-economy value, rather than looking narrowly at a single input such as electricity or a direct government intervention.

Similarly, when an established business faces a structural competitiveness challenge, government should distinguish between:

a business whose underlying product or technology has no viable future, and
a productive business supplying a product still required by global markets whose Tasmanian competitiveness has deteriorated because local input advantages or policy settings have changed.

The appropriate policy response may be very different.

This approach is consistent with the draft Strategy's stated ambition to protect and promote Tasmania's traditional strengths while seizing new opportunities, and with its recognition that stronger private investment, productivity and workforce participation must underpin future prosperity.

Conclusion

TMEC strongly supports the direction of the Economic Diversification and Investment Strategy and its focus on private investment, productivity, competitiveness and regional opportunity.

The Strategy will be strengthened by making one further proposition explicit:

Diversification is successful when Tasmania produces more, exports more, invests more, develops more capability and creates more high-value employment, not simply when one industry or employer is replaced by another.

Tasmania should aspire to retain and improve the competitiveness of its established productive industries while simultaneously creating the conditions for new industries to emerge alongside them.

That means treating existing mining, manufacturing, minerals processing and energy-intensive industries as part of Tasmania's future economic platform; ensuring the local cost and regulatory settings within government control remain competitive; encouraging continual reinvestment, innovation and productivity improvement; and leveraging the infrastructure, skills and supply chains built by these industries to attract the next generation of investment.

The measure of success should ultimately be whether the Strategy grows Tasmania's economic pie: more private capital invested, greater productive capacity, higher productivity, stronger exports, more skilled and well-paid employment, resilient regional communities and a broader economic base.

That is the form of economic diversification that will deliver enduring prosperity for Tasmania.

Yours sincerely,

Ray Mostogl



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