Submission on the Draft Economic Diversification and Investment Strategy

Recognition of Tasmania's Bass Strait islands as distinct island economies

August 2026

> **A strategy that promises opportunity for every region must be able to see every region. Tasmania's Bass Strait islands should be recognised as distinct island economies, not absorbed into broad regional averages and mainland-based delivery models.**

Executive summary

Flinders Council welcomes the Tasmanian Government's draft Economic Diversification and Investment Strategy and supports its focus on investment, innovation, productivity, capability, regional opportunity and enabling infrastructure. The proposed whole-of-government approach is particularly important for small communities, where economic barriers rarely sit within a single portfolio.

However, the draft does not adequately distinguish Tasmania's Bass Strait islands from regional Tasmania. Flinders Island, truwana/Cape Barren Island and King Island are not connected to the rest of the state by road or rail and do not sit within a wider mainland labour market, service catchment or supply chain. Every person, product, tradesperson, spare part and service that crosses the Strait depends on air or sea transport. These are not marginal differences. They shape the cost, risk and feasibility of almost every economic decision.

The regional elements of the Strategy are welcome, but a general regional lens will not be enough. The use of broad regional data, conventional project scale, direct job numbers and standard co-contribution requirements can unintentionally direct investment away from the very places where market failure is strongest and public intervention has the greatest system-wide value.

Council's principal recommendations

- **Recognise the Bass Strait islands** as a distinct economic region in the final Strategy, with island/region-specific analysis, priorities and performance measures.
- **Add an island impact and resilience test** to the Strategy's decision-making framework so that scale, remoteness, lack of redundancy, avoided service loss and whole-of-community benefit are properly valued.
- **Develop a Bass Strait Islands Economic Action Plan**, aligned with the Bass Strait Islands Transport Strategy and prepared in partnership with Flinders Council, King Island Council, Aboriginal island communities, industry and service providers.

- **Establish a clear cross-government island investment and delivery pathway**, with a named senior lead able to coordinate agencies, government businesses, regulators and funding programs.
- **Make funding programs island-ready** by allowing higher public funding shares for essential infrastructure, recognising whole-of-life costs, funding project development and avoiding eligibility thresholds that assume mainland scale.
- **Treat transport, digital connectivity, energy, water, housing, childcare, health, education and other essential services as economic infrastructure** in small island communities.
- **Use the islands as practical demonstration sites** for remote service delivery, renewable energy, agtech, biosecurity, circular economy, digital systems and nature-positive tourism, with benefits retained locally.
- **Resource councils and communities to participate**. A partnership model that relies on the smallest councils continually producing data, business cases and grant applications from existing resources will not deliver the Strategy's ambitions.

1. The Furneaux Group is an island economy

The Flinders municipality covers an archipelago of more than 52 islands. Flinders Island is its social and economic centre, while truwana/Cape Barren Island has its own community, culture, service needs and economic aspirations. The 2021 Census recorded 922 residents across the municipality, a median age of 57 compared with 42 for Tasmania, and 16.2 per cent of residents identifying as Aboriginal and/or Torres Strait Islander. Flinders is Tasmania's smallest local government area by population.

Source: Australian Bureau of Statistics, 2021 Census QuickStats for Flinders (Tas.); The Islander Way.

Flinders has genuine economic strengths: agriculture and premium food production, tourism and hospitality, renewable energy capability, a strong Aboriginal history and living culture, a skilled and resourceful community, valuable natural assets, and significant potential in remote and extreme environment services. Council and the community have also demonstrated a willingness to innovate through the Islander Way regenerative framework, housing and land initiatives, the Food Network, circular economy projects, airport revitalisation and the development of new veterinary and community infrastructure.

The issue is not a lack of ideas or local effort. It is that a small, isolated market cannot absorb fixed costs, delays and service failures in the same way as a larger centre. A mainland regional business may face distance. An island business faces distance plus a water crossing, limited schedules, restricted freight capacity, weather disruption and no substitute route.

The island premium

Island remoteness creates a cost and risk premium throughout the economy. Building materials, fuel, equipment, food, vehicles and specialist services must be transported in. Agricultural produce, freight, recyclables and goods for sale must be transported out. Tradespeople and inspectors may require airfares, accommodation and additional travel days. A delayed part can stop a business, a construction project or an essential service for days rather than hours.

There is also very little redundancy. The loss of one worker, contractor, transport connection, communications link or service provider may remove an entire local service. In that setting, retaining three jobs can be as strategically important as creating thirty elsewhere, particularly when those jobs keep agriculture, health, education, childcare, transport or emergency response operating.

> **Scale is not the same as significance. On an island, the economic value of an asset or service includes the activity it enables, the failures it prevents and the population it helps retain.**

A viable population is economic infrastructure

The central challenge is not population growth for its own sake but maintaining a viable mix of working-age people, families, skills and essential services. Housing, childcare, health services, education, veterinary care and transport determine whether people can accept a job, establish a business, raise a family or remain on the islands. They also determine whether existing employers can operate reliably.

The Strategy correctly identifies participation barriers such as housing, childcare, transport and health. For the islands, these matters must carry through into the investment and infrastructure priorities and into future action plans. They cannot remain social policy considerations sitting alongside the economic strategy; they are part of the economic system itself.

2. Response to the strategic priorities

Priority 1 - Unlocking private investment

Council supports clearer investment pathways, faster decisions and better coordination. The proposed 'front door' should not, however, be limited to major projects and precincts measured primarily by capital value or direct job creation. In a small island economy, relatively modest projects can be catalytic because they remove a constraint affecting many businesses or preserve an essential service.

Private investment is often held back not by an absence of demand, but by the cost of enabling infrastructure and the inability to achieve mainland economies of scale. Council is actively working to release and develop land for housing and industry, including key-worker accommodation and Council-owned land at Whitemark. Faster rezoning is helpful, but zoning alone does not install roads, water, power, telecommunications or housing. Island land-readiness programs must include the cost of servicing and the limited capacity of a small market to recover those costs from purchasers or developers.

The final Strategy and action plans should:

- extend investment facilitation to strategically significant small and medium projects, including projects that remove shared barriers or preserve essential services;
- prepare island investment prospectuses based on local strengths and community priorities, rather than relying only on statewide sector propositions;
- provide a coordinated pathway for planning, Crown land, government business, infrastructure and regulatory decisions, with responsibility retained by a named lead until delivery;
- fund early project development, feasibility studies and business cases where the proponent is a small council, community organisation or local enterprise with limited upfront capacity; and
- review regulatory and inspection requirements for island delivery, including coordinated visits, remote assessment where appropriate and transparent timeframes.

Priority 2 - Accelerating growth and innovation

The draft identifies several emerging domains that are directly relevant to the islands, including precision agriculture, biosecurity and traceability, remote healthcare, autonomous systems, renewable energy and sensing for extreme environments. Flinders Island already demonstrates the value of place-based innovation. Its hybrid energy system combines wind, solar and storage with diesel backup and has materially reduced diesel use. The Islander Way has also operated as a living laboratory for community-led, regenerative tourism and broader systems change.

Research and innovation programs are nevertheless difficult to access from the islands. Partnerships are often designed around metropolitan institutions, short project periods and local in-kind contributions. Community participation and local coordination are treated as free inputs, while the cost of travel and implementation is underestimated.

The final Strategy and action plans should:

- establish an island demonstration program for technologies and service models suited to remote and small-market conditions;
- require research and demonstration projects to include funded local coordination, capability transfer, local procurement and a clear pathway from trial to ongoing delivery;
- support small local businesses to access capital and markets at a scale appropriate to microbusiness, including shared equipment and facilities where individual ownership is not viable;
- connect agriculture, food, tourism and the Tasmanian brand through local value-adding, traceability and premium island provenance; and
- ensure innovation is community-led and protects the environmental, cultural and social assets on which the island economy depends.

Priority 3 - Lifting productivity

For Flinders businesses, productivity is inseparable from freight, transport and digital connectivity. A business cannot adopt new technology if the network is unreliable. A producer cannot become more competitive if freight costs absorb the gain. A builder cannot complete work efficiently if parts, trades or inspections are delayed by transport availability.

Sea freight is the islands' supply chain, and air freight is a often the onlyoption for time-critical medical supplies, perishables, specialist equipment and urgent business inputs. Freight assistance settings, eligibility and administrative arrangements should be considered within the productivity agenda. This should include the cost of transporting recyclable materials off-island, where the lack of a local processing market can otherwise turn recoverable material into landfill.

The major telecommunications upgrade completed in 2020 demonstrated what coordinated public and private investment can achieve. More recent severe network instability has also demonstrated that coverage and capital investment are not the same as resilience, service reliability or timely fault response. Digital connectivity on the islands supports business, banking, education, telehealth, emergency response and access to government services. It requires performance expectations and redundancy commensurate with that role.

The final Strategy and action plans should:

- include freight and transport costs, reliability and market concentration in the evidence base on Tasmania's productivity constraints;
- advocate for freight equalisation settings that reflect actual island costs and recognise essential air freight and the outward movement of recyclable material;
- set measurable island-level digital reliability and resilience outcomes, not only coverage targets;
- support shared digital, processing, storage and business infrastructure where it allows small enterprises to achieve collective scale; and
- assess the island cost of regulation, including travel, inspection delays and the cumulative burden of requirements administered by different agencies.

Priority 4 - Activating our regions

This is the area where the draft requires the clearest change. The proposed use of functional labour markets as the analytical unit for regional engagement may be useful in larger regions, but it risks making small island economies statistically invisible. Flinders is not part of a commuting catchment with north-east Tasmania. Its labour market, housing market, service system and transport constraints are contained by Bass Strait.

Broad northern or regional averages mask the very conditions the Strategy needs to address. Data may also be suppressed, volatile or misleading at small population scale. Island analysis must therefore combine quantitative data with local service intelligence and must track resilience and continuity, not only growth.

The final Strategy should explicitly identify the Bass Strait islands as a distinct economic region and commit to a Bass Strait Islands Economic Action Plan. This should be aligned with the Bass Strait Islands Transport Strategy now being prepared, rather than allowing transport and economic planning to proceed on parallel tracks.

Aboriginal economic participation

The absence of an explicit Aboriginal economic participation commitment is a significant gap in the draft. Aboriginal people comprise 16.2 per cent of the Flinders municipality's population, and the history, culture and continuing connection of the palawa people of the trawulwai nation are central to the identity of the Furneaux Group.

Future island economic planning should be undertaken in direct partnership with the Flinders Island Aboriginal Association, the Cape Barren Island Aboriginal Association and other relevant Aboriginal organisations - not through Council as a proxy. Opportunities may include Aboriginal enterprise, procurement, cultural tourism, housing, training, land and sea management, heritage and caring for Country, as determined by Aboriginal communities themselves.

Priority 5 - Growing our capability

Workforce attraction is frequently described as a skills problem. On Flinders it is more often a whole-of-household problem. A person may accept a role only if there is somewhere to live, childcare that covers their working hours, employment or connection for a partner, access to health and education, and transport that allows the family to remain connected to Tasmania. Recruitment programs that address only the vacancy do not address the reasons people leave.

Council's housing work illustrates both the need and the opportunity. The Tasmanian Government has committed $600,000 to help unlock land and support an Island Housing Strategy. Council is progressing key-worker accommodation and planning for additional housing on Council-owned land. These initiatives require coordinated planning, servicing, construction capability and long-term partnerships; no single grant or agency can resolve the constraint.

Childcare provides an equally clear example. The existing service has 15 approved places, does not provide before- and after-school care and operates within a constrained facility. A proposal to co-locate a fit-for-purpose service at Flinders Island District High School was not funded because it did not satisfy a narrow criterion based on increasing approved places. That measure did not capture functional availability, operating hours, workforce participation or the effect on attracting and retaining families. Program rules can be administratively consistent and still produce the wrong economic result.

Skills development also carries an island premium. Apprentices, employers and workers may need to pay for air travel, accommodation and time away from work to undertake training that is locally accessible elsewhere. Small cohorts can prevent on-island delivery even where the skill is essential to the community.

The final Strategy and action plans should:

- coordinate housing, childcare, health, education, transport and partner-employment settings as part of workforce attraction and retention;
- support remote delivery, visiting trainers and the travel and accommodation costs required for vocational education, apprenticeships and professional development;
- measure childcare by practical workforce access, including hours and reliability, rather than approved places alone;
- develop cross-agency workforce planning for essential island roles so that each service is not recruiting in isolation; and
- recognise the retention of local capability and succession planning as economic outcomes, particularly where a single vacancy can remove an entire service.

Priority 6 - Strengthening infrastructure

The Strategy appropriately identifies transport, digital connectivity, energy, water and land as economic foundations. For the islands, aviation and sea transport should be named explicitly. They are not supporting infrastructure around the economy; they are the connections through which the economy functions.

Flinders Island Airport is the clearest example. It supports scheduled passenger services, freight, tourism, business travel, health access, emergency response and Royal Flying Doctor Service operations. The current $3 million first stage - funded through $2.68 million from the Australian Government and $320,000 from the Tasmanian Government - will modernise electrical systems, lighting and operational infrastructure. It demonstrates what can be achieved when governments align around an essential island asset.

The next stage, including major runway works, is estimated at more than $20 million and is far beyond the capacity of a rate base of fewer than 1,000 people. Funding programs that require a standard 50 per cent local contribution are inaccessible in practice. The same problem applies across other essential assets: a small council may own or operate infrastructure of state significance without the revenue base to renew it.

Infrastructure decisions must also account for whole-of-life costs. Capital grants can create ongoing operating, maintenance, insurance, depreciation and renewal obligations that are unsustainable for a small council. A grant is not a complete solution if the recipient cannot afford to operate and renew the asset over its useful life.

The final Strategy and action plans should:

- link the Economic Strategy directly to the Bass Strait Islands Transport Strategy and establish a funded pathway for aviation, shipping, freight and port priorities;
- allow 90 to 100 per cent funding for essential island infrastructure where the project serves a state or national function and local co-contribution is not realistic;

- assess operating, maintenance, depreciation and renewal impacts before capital funding is approved, and provide appropriate lifecycle support;
- provide State support and island-adjusted developer contribution arrangements where the fixed cost of servicing small developments would otherwise make essential housing or industrial land unviable;
- plan for redundancy and continuity in transport, telecommunications, energy, water, fuel and emergency supply chains; and
- recognise island infrastructure investment as both economic development and risk management.

3. A practical island delivery model

The Strategy's promise of more integrated government is welcome. Flinders Council's experience is that island projects often touch several agencies, government businesses and regulatory systems at once. Council may be required to coordinate planning, land transfer, infrastructure, service delivery, funding and approvals despite having the smallest organisational and financial base in the state.

The final Strategy should establish a Bass Strait Islands Economic Partnership with Flinders Council, King Island Council, Aboriginal island communities, relevant industries and service providers. It should be supported by a named senior Tasmanian Government lead with authority to convene agencies and government businesses and to retain responsibility from initial proposal to delivery.

The partnership's first tasks should be to:

- prepare the Bass Strait Islands Economic Action Plan and align it with the transport strategy;
- agree on a short list of priority island projects that could unlock wider economic and community benefits, and identify what is preventing their delivery;
- develop island investment and workforce prospectuses;
- review State funding and regulatory programs using the proposed island impact and resilience test, to ensure they can operate effectively in island conditions;
- agree a shared data and reporting framework; and
- publish annual progress against responsibilities, timeframes and outcomes.

Island impact and resilience test

Council recommends that every significant policy, funding program and infrastructure decision under the Strategy be assessed against an island impact and resilience test. This should ask:

- Does the proposal assume access to road, rail, nearby services or multiple providers that does not exist on an island?
- Do eligibility thresholds, project scale or co-contribution requirements unintentionally exclude small island markets?
- Have freight, travel, accommodation, weather, delay and mobilisation costs been included?

- Does the assessment value service continuity, avoided failure, population retention and community-wide enabling benefits?
- Are there operating, maintenance and renewal consequences for a small council or community organisation?
- Has the proposal been tested with the affected island community, including direct engagement with Aboriginal organisations?
- Will data be reported at a scale that allows island outcomes to be seen?

4. Measuring outcomes

Council supports the Strategy's focus on outcomes rather than activity. Statewide and broad regional growth measures should be supplemented by island-level indicators. Growth alone is not an adequate measure where the immediate objective may be preventing the loss of a critical service, maintaining a viable working-age population or improving the reliability of a single essential connection.

Suitable island indicators include:

- working-age population, age profile and family retention;
- time taken to fill essential vacancies and continuity of critical services;
- availability of housing for permanent residents and essential workers;
- practical childcare availability, including operating hours and service reliability;
- cost, frequency and reliability of sea freight, air services and air freight;
- digital network uptime, fault duration and resilience;
- business formation, survival, succession and investment facilitated;
- local and Aboriginal procurement and enterprise participation;
- training participation and the cost of accessing training; and
- renewable energy use, local value-adding and materials diverted from landfill.

5. Conclusion

Flinders Council supports the direction of the draft Strategy and its intention to provide clearer priorities, stronger coordination and more disciplined decision-making. Those reforms can make a real difference to the Furneaux Group, but only if the final Strategy recognises that island economies do not operate as small versions of mainland regions.

The islands bring significant strengths to Tasmania: agriculture, food, tourism, Aboriginal culture, renewable energy experience, biosecurity, environmental stewardship and the capacity to test solutions for remote communities. They also face structural barriers that private investment and standard regional programs will not resolve on their own.

A distinct island lens is therefore not a request for special treatment. It is a request for accurate economic analysis and effective policy design. If the Strategy measures scale without significance, growth without resilience, or capital cost without the value of continuity, the Bass Strait islands will continue to be overlooked. If it recognises island conditions explicitly and backs that recognition with a practical action plan, coordinated delivery and fit-for-purpose funding, the islands can make a much greater contribution to Tasmania's economic future.

> **Flinders Council asks that the final Strategy explicitly recognise the Bass Strait islands as distinct economic regions and commit to an island-specific action plan developed in partnership with the communities it is intended to serve.**

Selected references

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