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Business Council of Australia

BCA submission to the Tasmanian government's Economic Diversification and Investment Strategy

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Contents

1. Executive summary 3
2. Key recommendations 5
3. Tasmania's economic and fiscal context 7
   - 3.1 The case for a substantial reform effort 7
   - 3.2 Private investment and productivity 7
   - 3.3 Fiscal constraint increases the value of reform 8
4. Strategy architecture and decision-making principles 9
   - 4.1 Broad support for the framework 9
   - 4.2 Strengthen the decision-making principles 9
   - 4.3 Define the role of government 9
5. Priority 1: Unlocking private investment 11
   - 5.1 Support for a clearer and faster investment pathway 11
   - 5.2 Regulation Rumble: preserve strengths and address gaps 11
   - 5.3 Licensing and administrative burden 12
   - 5.4 Tax settings and investment competitiveness 12
6. Priority 2: Accelerating growth and innovation 14
   - 6.1 Build on comparative advantage without substituting government judgement for markets 14
   - 6.2 Strengthen commercialisation and scale up pathways 14
   - 6.3 Connect Tasmanian firms to national and international opportunities 14
7. Priority 3: Lifting productivity 15
   - 7.1 Make business investment the main focus of the strategy 15
   - 7.2 Adopt a regulatory cost reduction target 15
   - 7.3 Lift productivity in major service sectors 15
   - 7.4 Support technology adoption and public sector productivity 16
8. Priority 4: Activating the regions 17
   - 8.1 Use functional economic regions 17
   - 8.2 Treat housing and serviced land as economic infrastructure 17
   - 8.3 Design community benefit arrangements carefully 17
9. Priority 5: Growing our capability 18
   - 9.1 Set clear participation and employment objectives 18
   - 9.2 Align skills supply with employer demand 18
   - 9.3 Address practical barriers to participation 18
10. Priority 6: Strengthening infrastructure 19
    - 10.1 Align infrastructure with credible economic priorities 19
    - 10.2 Energy policy should support reliability, affordability and investment 19

10.3 Developer contributions and first mover support....19
11. Implementation, governance and measurement....21
11.1 Implementation issues....21
11.2 Proposed outcome framework....21
11.3 External advice and transparent reporting....22
12. Conclusion....23
13. Appendix....24
13.1 Labour productivity by industry....24
13.2 Decomposition of labour productivity growth, 2014-15 to 2023-24....25

1. Executive summary

The Business Council of Australia welcomes the opportunity to respond to the Tasmanian Government's consultation on its Economic Diversification and Investment Strategy. The Business Council supports the proposed vision of a thriving and dynamic Tasmanian economy that creates opportunity for every region and every generation. We also support the three goals, the six strategic priorities and the intended outcomes for investors, businesses, regions and Tasmanians.[1]

The Strategy correctly identifies stronger private investment and higher productivity as central to Tasmania's future prosperity. Public expenditure can provide essential services and economic infrastructure, but it cannot sustainably substitute for private enterprise as the main source of investment, innovation, productivity growth and employment. Private business investment expands the capital available to workers, embeds new technology in production, supports firms to reach efficient scale and strengthens competitive pressures. These channels are fundamental to productivity growth and, through productivity, to higher real wages and living standards.

Tasmania has substantial advantages on which to build. They include renewable energy, high-quality food and agricultural production, advanced manufacturing, maritime and Antarctic capability, research institutions, mineral resources, water, environmental assets and a well-regarded brand. Tasmania also benefits from a relatively efficient planning framework and can often coordinate government and business more directly than in larger jurisdictions.

At the same time, Tasmania's relative economic and labour market performance demonstrates that the reform task is substantial. In 2024-25, Tasmania had the lowest gross state product per person of any state or territory, at around $74,000, or 76 per cent of the national level. Aggregate gross state product grew by 1.0 per cent in 2024-25, below national growth of 1.4 per cent, while state final demand grew 0.3 per cent – below national final demand growth of 1.0 per cent.[2] In July 2026, Tasmania recorded the highest unemployment rate alongside Victoria at 5.1 per cent, the weakest annual employment growth, the lowest labour force participation rate and the lowest employment-to-population ratio among the eight jurisdictions.[3] These are point in time measures, but taken together show the need to lift the economy's underlying capacity to attract investment, create jobs and raise participation.

The fiscal context reinforces the need for reform. The 2026-27 Tasmanian Budget forecasts a general government net operating deficit of around $600 million. This is equivalent to about 1.2 per cent of 2024-25 gross state product and, based on Business Council and Parliamentary Budget Office analysis of the eight 2026-27 state and territory budgets, is the weakest budget position relative to the size of the economy of all state and territory budgets.[4] Fiscal repair and economic reform therefore need to proceed together. A stronger private economy will broaden the revenue base and reduce pressure on public expenditure, while disciplined public finances will improve confidence and preserve capacity to fund essential services and high value infrastructure.

The Business Council's Regulation Rumble 2025 shows that Tasmania starts from a mixed but promising position. Tasmania ranked second overall as a place to do business and second for planning systems. It performed particularly well on planning certainty, development assessment efficiency and property taxes and charges. However, it ranked fifth on the cost and regulation scorecard, seventh for business licensing and sixth for planning transparency. Workers compensation premiums were above the national average and payroll tax settings ranked in the middle of the field.[5] It should also be noted that Hobart has the most restrictive residential

[1] Tasmanian Government, *Economic Diversification and Investment Strategy: Consultation Draft*, July 2026, pp. 10-20 and 42-43.
[2] Business Council of Australia analysis based on Australian Bureau of Statistics, *Australian National Accounts: State Accounts, 2024-25*, 16 March 2026.
[3] Business Council of Australia analysis based on Australian Bureau of Statistics, *Labour Force, Australia*, May 2026.
[4] Tasmanian Department of Treasury and Finance, *2026-27 Budget Paper No. 1: Budget Strategy and Estimates*, May 2026. The Budget forecasts a general government net operating deficit of $596.7 million in 2026-27. Relative comparisons are Business Council calculations based on state and territory budget papers and latest estimates of gross state product. See also, Parliamentary Budget Office, 2026-27 National Fiscal Outlook.
[5] Business Council of Australia, *Regulation Rumble 2025*, pp. 4-18 and 23-33. Rankings reflect policy and performance information available to mid-2025.

zoning of all the state and territory capital cities, with 97 per cent of residential land within 20 kilometres of the Hobart GPO either zoned for no more than two storeys, designated low density or covered by a heritage overlay.[6] Tasmania should preserve its comparative strengths while addressing the specific weaknesses that continue to increase the cost, delay and uncertainty of investment. The BCA will shortly release its 2026 Regulation Rumble rankings, which should be considered by the Tasmanian government, in addition to the 2025 rankings contained in this submission.

The draft Strategy provides a sound framework. Its success will depend on whether it becomes an operating discipline across government. The final Strategy should be accompanied by a focused action plan with clear accountabilities, deadlines and measurable outcomes. It should prioritise horizontal reforms that improve conditions for all businesses, use targeted support only where there is a demonstrated market failure or wider public benefit, and publish regular performance data so businesses and the community can assess progress.

[6] Australian Zoning Atlas, https://zoning.org.au/cities/hobart

2. Key recommendations

Recommendation 1

Adopt the proposed vision, goals, six strategic priorities and intended outcomes, with private investment and productivity retained as the central organising objectives of the final Strategy.

Recommendation 2

Publish a first implementation plan within six months of the final Strategy. The plan should identify responsible ministers and agencies, delivery dates, dependencies, expected economic outcomes and a transparent process for resolving delays across government.

Recommendation 3

Set a quantified objective to close Tasmania's private business investment gap with the national average. Progress should be measured using real private business investment per person, private investment as a share of gross state product, capital intensity and the value of investment that reaches construction and operation, not only the value of projects announced or facilitated.

Recommendation 4

Proceed with an integrated major project pathway through the proposed Economic Future Act. The pathway should provide one accountable lead agency, early identification of all approval requirements, concurrent assessment where possible, legislated timeframes, clear escalation arrangements and transparent reasons for decisions. It should improve coordination without weakening environmental, heritage or community safeguards.

Recommendation 5

Adopt a target to reduce the cost of regulation to business by 25 per cent by 2030, consistent with the Business Council's national recommendation. Establish a baseline, identify the regulatory stock and recurring reporting obligations, and publish annual progress based on time and cost saved for businesses.[7]

Recommendation 6

Build on Tasmania's strong planning system by completing the statewide PlanBuild portal, improving public data on development applications, accelerating strategic rezoning and increasing dwelling and industrial land approvals. Planning reform should focus on faster, more predictable decisions and greater consistency across councils.

Recommendation 7

Undertake a comprehensive review of business licences, permits, registrations and codes of practice. Apply risk-based regulation, mutual recognition, a 'tell us once' approach and a single digital account for business.

Recommendation 8

Preserve Tasmania's competitive property tax settings and avoid fiscal repair measures that materially increase the cost of hiring, insuring, owning or transferring productive assets. Improve the competitiveness of payroll tax and workers compensation settings over time, and subject new taxes, levies and charges to a published investment and productivity assessment.

[7] Business Council of Australia, *Regulation Rumble 2025*, p. 1.

Recommendation 9

Support innovation through stronger links between researchers, businesses, investors and customers. Public support should be contestable where practical, require private co-investment, demonstrate additionality, target measurable spillovers and include sunset dates and independent evaluation.

Recommendation 10

Develop sector productivity plans for major service industries, including construction, care, tourism, hospitality and retail. These plans should focus on technology adoption, management capability, competition, skills, data access and removal of unnecessary regulation rather than ongoing operating subsidies.

Recommendation 11

Use functional labour markets to coordinate regional land, housing, infrastructure and workforce planning. Set measurable participation and employment objectives, align skilled migration and education settings with employer demand, and address practical barriers to work such as housing and transport.

Recommendation 12

Establish strong governance and public reporting. A small external advisory group with business, economic and regional expertise should review implementation, while an annual scorecard should report progress on investment, productivity, regulatory performance, participation, project delivery and fiscal sustainability.

3. Tasmania's economic and fiscal context

3.1 The case for a substantial reform effort

Tasmania's economic strengths are real, but the state's relative performance shows that they are not yet translating into sufficient levels of income, investment and workforce participation. Reform should therefore be framed as an effort to raise the productive capacity of the whole economy, not simply to promote a list of sectors or projects.

Recent data on Tasmania's economic performance highlights the urgency and magnitude of the task confronting the Tasmanian government:

- gross state product per person was around $74,000 in 2024-25, the lowest of the eight states and territories
- Gross state product per person was around 76 per cent of the national average
- gross state product growth was 1.0 per cent, compared with national growth of 1.4 per cent in 2024-25
- state final demand growth was 0.3 per cent in Q1 2026, the second weakest result among the jurisdictions.[8]

Tasmania's per person output grew by 0.7 per cent in 2024-25, which was better than the national decline in that year. This is welcome, but it does not narrow the large gap relative to national income per capita. Sustained convergence requires a long period in which Tasmanian productivity, participation and private capital formation grow faster than the national average.

Tasmania's labour market is also underperforming. In July 2026:

- the unemployment rate was 5.1 per cent, the highest in Australia alongside Victoria and 0.6 percentage points above the national rate
- employment was 0.6 per cent lower than a year earlier
- the participation rate was 61.1 per cent, 5.8 percentage points below the national rate
- the employment-to-population ratio was 58.0 per cent, 5.9 percentage points below the national rate.[9]

Monthly labour force estimates for a small state can be volatile, but the gap to other jurisdictions underscores that Tasmania needs more private employers that can offer productive, well paid and durable work, together with reforms that enable more Tasmanians to participate.

3.2 Private investment and productivity

The consultation draft notes that Tasmania's business investment per person is around 60 per cent of the national average.[10] Closing this gap should be the final Strategy's main focus and measure of success.

Private business investment is the key link between Tasmania's advantages and higher productivity. Investment in equipment, software, intellectual property, structures and organisational capability raises the amount and quality of capital available to each worker. It also provides the channel through which new technologies are adopted and diffused across firms. Higher investment can support larger and more specialised businesses, better management systems, stronger export capability and more resilient supply chains.

The policy objective should not be investment at any cost. Projects should face commercial discipline and meet applicable regulatory standards. The task for government is to remove avoidable barriers, provide reliable public infrastructure, maintain stable and competitive policy settings, and address genuine coordination failures. The

[8] Business Council of Australia analysis based on Australian Bureau of Statistics, *Australian National Accounts: State Accounts, 2024-25.*
[9] Business Council of Australia analysis based on Australian Bureau of Statistics, *Labour Force, Australia*, May 2026.
[10] Tasmanian Government, *Economic Diversification and Investment Strategy: Consultation Draft,* July 2026, p. 18.

state's investment facilitation efforts should help commercially viable projects navigate government, not protect projects from commercial disciplines.

A stronger investment environment should support both new entrants and established Tasmanian businesses. Expansions by existing firms are often the most credible source of near term investment because these firms already understand local conditions, have established workforces and supply chains, and can scale proven activity. The Strategy should therefore avoid defining investment attraction too narrowly as bringing external investors into the state.

3.3 Fiscal constraint increases the value of reform

The Tasmanian Government's 2026-27 Budget forecasts a $596.7 million net operating deficit before a return to surplus in 2027-28.[11] On Business Council and Parliamentary Budget Office calculations, the 2026-27 deficit is about 1.2 per cent of gross state product and is the weakest relative budget balance among the states and territories.

This position limits the scope for government to respond to each economic challenge through new expenditure. It also increases the opportunity cost of poorly targeted grants, concessions and capital projects. The final Strategy should therefore reinforce the draft decision-making principles that public resources be used strategically, trade offs be made transparently and outcomes be measured rather than activity.

Fiscal repair should be designed to support, rather than undermine, economic growth. Measures that increase the cost of hiring, investment or insurance can weaken the tax base they are intended to support. The best fiscal strategy is disciplined control of recurrent expenditure, improved public sector productivity, rigorous infrastructure prioritisation, better use of government assets and broad-based economic growth.

[11] Tasmanian Department of Treasury and Finance, *2026-27 Budget Paper No. 1: Budget Strategy and Estimates*, May 2026. The Budget forecasts a general government net operating deficit of $596.7 million in 2026-27. Relative comparisons are Business Council calculations based on state and territory budget papers and latest estimates of gross state product.

4. Strategy architecture and decision-making principles

4.1 Broad support for the framework

The Business Council supports the proposed architecture:

- goals for private investment and resilience, productivity and competitiveness, and participation and regional opportunity
- priorities covering investment, innovation, productivity, regions, capability and infrastructure
- outcomes that are expressed from the perspective of investors, businesses, regions and Tasmanians.[12]

The six priorities are mutually reinforcing. For example, an efficient approval pathway will not unlock investment if there is no serviced land, reliable energy, workforce or housing. Similarly, skills programs will have limited value if businesses are not investing and creating demand for higher capability.

The final Strategy should maintain this whole of economy focus. Sector strategies can sit below it, but they should not displace broader reform efforts targeting the state economy as a whole. The Strategy should provide a disciplined basis for testing whether individual sector measures are consistent with the state's wider investment, productivity and participation objectives.

4.2 Strengthen the decision-making principles

The four proposed principles are appropriate: build on comparative advantage, use public resources strategically, make trade offs transparent and measure outcomes rather than activity. The Business Council recommends five additions or clarifications.

- Policy stability and predictability should be explicit. Investment decisions are often irreversible and have long payback periods. Unexpected changes to taxes, approvals, energy arrangements or operating requirements increase the required return on investment and can cause projects to be deferred or located elsewhere.
- The principle of additionality should be applied to financial assistance. Public funding should change an investment decision or create a wider benefit that would not otherwise occur.
- Competition and competitive neutrality should be considered in every intervention. Government businesses that compete with private providers should face transparent obligations.
- The government should use the least costly effective instrument. Regulatory reform, information, coordination or infrastructure access may be more effective at times.
- The Strategy should require regular review and exit. Programs and regulations should not continue because they have an established constituency. They should be assessed against their original objective, current market conditions and the opportunity cost of continued support.

4.3 Define the role of government

The draft appropriately identifies several economic levers: invest, facilitate, fund, partner and advocate. The strategy should aim to:

- establish stable, competitive and predictable economy wide settings,
- remove unnecessary regulation and improve administrative performance,

[12] Tasmanian Government, *Economic Diversification and Investment Strategy: Consultation Draft*, July 2026, especially pp. 10-20 and 42-43.

- provide information, coordination and a clear investment pathway,
- ensure access to efficient public infrastructure and serviced land, and
- use targeted, contestable and time limited financial support only where a specific market failure or wider public benefit is demonstrated.

5. Priority 1: Unlocking private investment

5.1 Support for a clearer and faster investment pathway

The Business Council strongly supports the objective of making Tasmania a more competitive place to invest. The proposed focus on a contemporary investment proposition, a streamlined front door, faster rezoning and regular identification of regulatory barriers responds directly to concerns raised by major investors.

The Strategy should address the entire investment process and pipeline. A project can be delayed by uncertainty at any point, including site identification, land access, planning, environmental assessment, heritage approvals, infrastructure connections, energy contracting, workforce availability or local government requirements. A single contact is useful only if that contact has the authority and systems needed to coordinate these decisions.

The proposed Economic Future Act can provide an integrated pathway for projects of strategic economic significance. It should be designed around the following features:

- transparent and objective eligibility criteria
- one accountable lead agency and a named senior project coordinator
- an early scoping stage that identifies all information and approvals required
- a single published assessment schedule covering state and local agencies
- concurrent assessment where statutory frameworks permit it
- legislated timeframes, with limited and transparent stop the clock provisions
- escalation to senior officials when agencies do not meet agreed milestones
- clear public reasons for approval or refusal
- preservation of appropriate review rights and substantive safeguards
- public reporting on timeframes, outcomes and reasons for delay.

Investors value timely and predictable decisions, including a timely no, because prolonged uncertainty ties up capital and management resources. The aim should be a higher quality process that reaches defensible decisions more quickly.

5.2 Regulation Rumble: preserve strengths and address gaps

Regulation Rumble 2025 ranks Tasmania second overall as a place to do business. This is a significant strength, but the individual component measures show where further reform is needed.[13] The key results for Tasmania were:

- fifth on the cost and regulation scorecard and second for planning systems
- second for property taxes and charges, equal third for retail trading hours and fourth for insurance duties
- fifth for payroll tax and workers compensation premiums, and seventh for business licensing
- second for planning efficiency, third for planning consistency, first for planning certainty and sixth for planning transparency.

Tasmania should preserve its relative advantages in planning certainty, assessment efficiency and property taxes, while making licensing simplification, data transparency, payroll tax competitiveness and workers compensation performance early reform priorities.

[13] Business Council of Australia, *Regulation Rumble 2025*, pp. 4-18 and 23-33. Rankings reflect policy and performance information available to mid-2025.

The ranking shows that Tasmania's strongest advantage is its planning framework, particularly certainty and development assessment efficiency. The statewide planning scheme has improved consistency and the state has legislated timeframes across the system.

The main planning gaps are transparency, centralised lodgement and dwelling approvals per person. Completing PlanBuild should be a priority. It should provide a single place to lodge and track applications, show which agency is responsible at each stage, identify requests for additional information, and publish comparable performance data across councils. Data should include median and distributional decision times, not only averages, because a small number of long delays can materially affect investment.

Strategic rezoning should be linked to credible demand and infrastructure plans. The state should maintain an inventory of employment land and well-located housing land, identify constraints to development, and publish a forward program for rezoning and servicing. This will reduce the risk that investment opportunities emerge before land and infrastructure are ready.

5.3 Licensing and administrative burden

Tasmania's weakest Regulation Rumble result is business licensing. Tasmania and Victoria had the most voluminous requirements for cafes and retail businesses.[14]

The objective should not simply be the smallest possible number of rules. Food safety, liquor regulation and professional standards serve important purposes. The problem arises when requirements are duplicated, difficult to find, inconsistent across agencies or councils, or disproportionate to the risk.

The government should undertake a licensing review as follows:

- map every licence, permit, registration, code and recurring report required for common business types
- identify the legal purpose, administering body, information required, fee and processing time
- remove obsolete or duplicative requirements
- use a single digital business account and reuse information already held by government
- align application and renewal dates where possible
- introduce deemed renewal for low-risk activities where there is no material change
- apply mutual recognition and national standards where appropriate
- publish service standards and approval times
- create a standing mechanism for businesses to identify emerging barriers.

The final Strategy should set a measurable outcome, such as reducing the number of separate interactions and the median time required to establish and maintain a compliant business.

5.4 Tax settings and investment competitiveness

Tasmania should preserve its competitive property tax and stamp duty position. It should also avoid adding new narrow taxes or levies that increase the cost of productive investment and create complex boundaries.

Payroll tax directly raises the cost of employing additional workers. Tasmania's top rate of 6.1 per cent and threshold of $1.25 million placed it fifth in the 2025 Regulation Rumble payroll tax ranking.

Workers compensation is an essential protection, but high premiums can discourage employment and weaken competitiveness. Tasmania's average premium was above the national average. The response should focus on

[14] Business Council of Australia, *Regulation Rumble 2025*, pp. 4-18 and 23-33. Rankings reflect policy and performance information available to mid-2025.

prevention, early intervention, rehabilitation, claims management and scheme governance so that premiums can fall sustainably without reducing legitimate benefits.

Insurance duties increase the price of products businesses use to manage risk. Higher insurance costs can lead to underinsurance and can weigh particularly heavily on professional services and capital-intensive businesses. The government should commit not to increase insurance duties and should consider their longer-term removal as fiscal conditions permit.

6. Priority 2: Accelerating growth and innovation

6.1 Build on comparative advantage without substituting government judgement for markets

The Business Council supports the proposed focus on areas where Tasmania's natural advantages, specialised capabilities and research strengths align with national and global demand. The illustrative areas in the consultation draft, including precision agriculture, marine systems, energy related digital infrastructure, traceability, remote health and extreme environment technologies, are appropriate areas for further market testing. The Strategy should distinguish between identifying a capability and selecting a commercial winner. Government can convene industry and researchers, improve information, facilitate infrastructure and help firms navigate national programs. It should not assume that every identified cluster will become commercially sustainable or provide open ended support to maintain activity that does not attract customers and private capital.

6.2 Strengthen commercialisation and scale up pathways

The research and industry interface should be designed around specific problems and customers. Useful measures include shared industry research appointments, standard intellectual property agreements, proof of concept facilities, access to specialised equipment, procurement trials and investor ready commercialisation support.

Early-stage firms often need customers and managerial capability as much as capital. Government procurement can provide a pathway to demonstrate new products, but procurement should remain competitive and focused on outcomes. Trials should be time limited, evaluated and structured so successful suppliers can sell beyond Tasmania rather than becoming dependent on one public customer.

The Tasmanian Development Board's investment functions should operate under a transparent mandate. Decisions should publish the policy rationale, form of support, expected additional investment, risk allocation and performance conditions, subject to appropriate commercial confidentiality.

6.3 Connect Tasmanian firms to national and international opportunities

The Strategy appropriately proposes coordinated assistance for firms to access Australian Government programs, concessional finance and export markets. Tasmania's scale means that a well-informed central team can add value by helping firms understand program requirements and assemble credible consortia.

This assistance should not become a parallel application bureaucracy. It should focus on information, coordination and high quality referrals. The government should also advocate for national programs to recognise Tasmania's scale, distance and project development constraints without weakening value for money requirements.

Export diversification should be pursued through business capability and market development, not prescriptive targets for individual destinations. Firms need support with standards, certification, logistics, market intelligence and commercial connections. Tasmania's premium brand is an asset, but export growth also depends on cost competitiveness, reliability and scale.

7. Priority 3: Lifting productivity

7.1 Make business investment the main focus of the strategy

The Business Council particularly supports the productivity priority. Tasmania's output per hour worked is below the national average, and the draft correctly identifies capital intensity, firm size, management capability and technology diffusion as relevant factors.[15]

The final Strategy should make the investment and productivity connection explicit. Skills and innovation matter, but workers cannot fully apply new skills or technology without firms investing in capital, software, systems and organisational change. A productivity agenda that focuses only on education or small business advice will not close the gap.

The state should publish a productivity analysis that separates the contribution of industry mix from productivity within industries. This will help identify whether the largest opportunities lie in changing the composition of activity, improving performance within major sectors, reallocating resources towards more productive firms, or all three.

The Appendix to this submission includes a ranking of industries at the state level by their 10-year compound annual average labour productivity growth rates compared to the national average for that industry (Table 1). Sectors where Tasmania has outperformed the national average are highlighted in green.

Table 2 shows an analysis of labour productivity growth by sector on a cumulative basis since 2014-15. Growth is decomposed into 'within sector' productivity gains which measures sector-specific growth, 'between sector' gains from changes in the labour share of each sector, and dynamic gains that capture the effect of labour moving between sectors with higher or lower average productivity levels. Agriculture, forestry and fishing has the strongest within sector productivity growth. Health care and social assistance has seen the largest growth in labour share, but also reductions in within sector and dynamic growth. Note these results are sensitive to the time period covered by the analysis.

7.2 Adopt a regulatory cost reduction target

Poorly designed regulation raises fixed costs, limits entry and expansion, delays capital deployment and diverts management time from customers and innovation. The Business Council has called for a 25 per cent reduction in regulatory costs by 2030.[16] Tasmania should adopt this target and use the Strategy to coordinate delivery.

A credible target requires a baseline. The government should measure administrative time, fees, professional costs, delay costs and the frequency of business interactions. The focus should be on the experienced cost of the system rather than the number of pages repealed.

Every new regulatory proposal should include a clear problem definition, alternative options, quantified costs, implementation plan and review date. The government should also report the cumulative burden of new regulation, not assess each proposal in isolation.

7.3 Lift productivity in major service sectors

Tasmania's largest employing industries include health and social assistance, construction, education, retail, hospitality and tourism. Productivity reform in these sectors can have a larger effect on living standards and fiscal sustainability than support for a small number of emerging industries.

Sector productivity plans should be developed with employers, workers, customers and regulators. They should identify practical constraints and measurable reforms.

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[15] Tasmanian Government, *Economic Diversification and Investment Strategy: Consultation Draft*, July 2026, pp. 10-20 and 42-43.
[16] Business Council of Australia, *Regulation Rumble 2025*, p. 1.

For construction, priorities include faster planning and building approvals, standardised digital information, modern methods of construction, better project sequencing, procurement reform and mutual recognition of occupations.

For care services, priorities include prevention, better use of data, scope of practice reform, digital administration, more flexible service models and competition where it can improve quality and access.

For retail, hospitality and tourism, priorities include licensing simplification, flexible trading, digital adoption, workforce capability and efficient transport and visitor infrastructure.

7.4 Support technology adoption and public sector productivity

The proposed demonstration programs, shared digital tools and workforce digital skills initiatives can be useful where businesses face information or capability barriers. Programs should use existing private providers where possible and should be evaluated by adoption and business outcomes, not attendance.

Reliable and affordable digital connectivity is essential, particularly in regional Tasmania. The state should identify gaps that materially constrain business investment and work with providers and the Australian Government on targeted solutions.

Government should also lead through its own productivity performance. A smaller fiscal capacity makes it essential to use digital services, shared data, modern procurement and service redesign to improve public outcomes. Public data should be available in machine readable formats with clear governance, privacy protection and application interfaces where appropriate. Better data can reduce compliance costs and support new private services.

8. Priority 4: Activating the regions

8.1 Use functional economic regions

The Business Council supports the use of functional labour markets as the basis for regional policy. People, businesses and supply chains often cross local government boundaries. Planning only within administrative borders can ignore housing, transport and workforce connections.

Regional analysis should combine data on employment, commuting, population, housing, land, infrastructure, education, health access and major investment. The aim should be to identify the binding constraints to growth in each region, not to produce a uniform list of aspirations.

Regional engagement should be anchored in local knowledge, but the state should maintain clear statewide priorities and standards. Regional policy should not create additional approval layers, duplicate investment agencies or lead to different regulatory treatment of similar businesses without a clear reason.

8.2 Treat housing and serviced land as economic infrastructure

The draft correctly treats housing supply, land readiness and infrastructure sequencing as economic enablers. A region cannot capture investment if workers cannot find suitable housing or if industrial land lacks power, water, transport and digital connections. Each regional plan should identify:

- expected workforce demand under credible investment scenarios
- the supply and development status of residential and industrial land
- infrastructure constraints and lead times
- transport links between housing, jobs and services
- the education and training pipeline
- barriers to workforce participation and attraction.

The rolling mechanism proposed to collect information on land supply should be public and linked to clear action. Where a shortage is identified, the government should specify whether the response is rezoning, infrastructure servicing, planning reform, site remediation or market release.

8.3 Design community benefit arrangements carefully

Major projects can impose local costs and create local opportunities. Community benefit arrangements can help maintain support and address genuine impacts. They should be proportionate, transparent and linked to the affected community.

The Strategy should avoid rigid local content or employment quotas that increase costs, delay projects or exclude the most capable suppliers. The better approach is early workforce planning, supplier development, local infrastructure investment and transparent voluntary or negotiated benefits. Project proponents should not be required to fund services that are properly a general government responsibility unless there is a direct project related impact.

9. Priority 5: Growing our capability

9.1 Set clear participation and employment objectives

Tasmania's relative labour market rankings referenced above show the magnitude of the challenge. The final Strategy should set a medium-term objective to narrow the age-adjusted participation gap with Australia. Age adjustment is important because Tasmania has an older population, but it should not obscure the need to increase participation within age groups.

The Strategy should also track employment growth, hours worked, full-time employment, underemployment, earnings and labour mobility. A narrow focus on the unemployment rate can be misleading when participation is low or falling.

9.2 Align skills supply with employer demand

Skills policy should be led by evidence of current and prospective demand. Employers should be involved in qualification design, work-based learning, assessment and regular updates to course content. Education and training providers should be supported and expected to respond more quickly to changing workforce needs, while preserving access to foundational education and training. Public labour market information should be easier to use. It should show occupations in demand, expected project needs, training pathways, course completion, employment outcomes and regional shortages. Forecasts should be presented as ranges and updated regularly because investment pipelines can change. Jobs and Skills Australia 's Skills Atlas is an excellent resource.

9.3 Address practical barriers to participation

Participation policy should extend beyond training. Housing, transport, childcare, health, disability support and youth engagement can determine whether a person is able to work or train.

The Strategy should identify which barriers are most important in each functional labour market and coordinate existing programs around measurable employment outcomes.

The Regional Jobs Hub model can provide useful local coordination if it remains employer connected and outcome focused. The government should advocate for Australian Government employment services and income support settings that complement, rather than duplicate, effective regional models.

Tasmania has the second lowest year 12 retention rate of the states and territories after the Northern Territory. This needs to be addressed to improve labour market outcomes.

10. Priority 6: Strengthening infrastructure

10.1 Align infrastructure with credible economic priorities

The Business Council supports closer alignment between economic priorities, infrastructure investment and land readiness. Infrastructure can unlock private investment, but poorly selected projects can crowd out higher value uses of scarce public funds and construction capacity.

The final Strategy should require major infrastructure proposals to demonstrate:

- a clearly defined problem and expected users, informed by strategic sectoral or land use planning
- alignment with demand and land use plans
- rigorous cost benefit analysis and transparent assumptions
- consideration of lower cost non-build alternatives
- a realistic delivery schedule and risk allocation
- the capacity of users to contribute where they receive a private benefit
- an evaluation plan after completion.

Building Tasmania should publish a prioritised pipeline that distinguishes committed, funded, proposed and longer term projects. This will help businesses plan and reduce the risk that the same project appears in multiple announcements without a clear delivery path.

10.2 Energy policy should support reliability, affordability and investment

Tasmania's renewable energy system is a major competitive advantage. It can support existing industry, new low emissions production, greater interconnection and national decarbonisation. These opportunities need careful sequencing and transparent economics.

The Business Council supports the draft's recognition that large energy user arrangements should be evidence based and separate from Hydro Tasmania's commercial pricing role. The final framework should:

- preserve reliable and competitively priced supply for existing customers
- assess the system costs and benefits of new large loads
- avoid hidden cross subsidies between customers
- identify any government directed non-commercial service as a transparent community service obligation
- apply competitive neutrality where government businesses compete with private providers
- provide stable contracting and connection processes
- consider the interaction between generation, networks, storage and interconnection.

Government support for strategic energy users should be transparent and linked to wider benefits that exceed the cost. It should not transfer ordinary commercial risk to taxpayers or other energy users.

10.3 Developer contributions and first mover support

Developer contributions must be predictable, proportionate and directly connected to the infrastructure demand created by development. Complex, uncertain, or excessive charges can make otherwise viable housing and industrial projects unbankable and can run counter to broader government policy objectives by reducing investment.

Contributions should not be used as a substitute for efficient general infrastructure funding.

There can be a case for addressing first mover disadvantage where the first project must fund infrastructure that later users will share. Government assistance should be targeted and recoverable where practical. Options include staged contributions, reimbursement as later users connect, regulated access arrangements or co-investment in genuinely shared assets.

Digital, transport, water and port infrastructure should be considered as an integrated system. Tasmania's island geography makes logistics reliability and cost particularly important to exporters and supply chains. Infrastructure decisions should therefore account for resilience, redundancy and maintenance, not only new construction.

11. Implementation, governance and measurement

11.1 Implementation issues

The Business Council recommends that the government publish the first action plan within six months. Each action should specify:

- the problem to be solved
- the policy or administrative change
- the responsible minister and accountable agency head
- key milestones and a completion date
- dependencies on legislation, councils, government businesses or the Australian Government
- expected business, investment or productivity outcomes
- a public measure of progress.

A central implementation unit should monitor delivery and resolve cross agency issues. It should not become a new approval layer. Its role should be to maintain the reform schedule, escalate blockages and publish performance.

11.2 Proposed outcome framework

The draft's proposed indicators are a useful starting point. The final framework should include baselines, targets and comparisons with other jurisdictions. Measures should distinguish inputs and activity from outcomes.

The recommended indicators are:

- Private investment: real private business investment per person, private investment as a share of GSP, capital stock per worker, conversion of enquiries into operating projects, expansions by existing firms and inbound investment.
- Productivity and competitiveness: GSP per hour worked, productivity by major sector, capital intensity, technology adoption, management capability, firm entry and scale, exports and market diversification.
- Regulation and approvals: regulatory compliance cost, the number of separate licences and interactions, median approval times, time stopped for information, rezoning time, use of PlanBuild and Regulation Rumble results.
- Workforce and participation: the age adjusted participation gap, employment to population ratio, employment and hours growth, underemployment, qualification outcomes and skilled migrant retention.
- Regions: private investment, employment and productivity by functional labour market, serviced land supply, housing approvals and completions, infrastructure constraints, training access and digital connectivity.
- Infrastructure: benefit cost ratios, delivery against approved cost and schedule, private capital leveraged, asset utilisation, connection times, reliability and logistics performance.
- Fiscal sustainability: the net operating balance and net debt as a share of GSP, recurrent expenditure growth, interest expense, the composition of public investment and realised public sector productivity savings.

Targets should be ambitious but credible. The government should avoid targets that it can meet through classification changes or announcements. For example, the value of investment facilitated is less informative than the value that reaches final investment decision, construction and operation.

11.3 External advice and transparent reporting

A small external advisory group should provide scrutiny. It should include experience in business investment, productivity, regional economies, infrastructure and workforce policy. Its role should be to test priorities and implementation, not to approve individual projects or duplicate public administration.

The government should publish an annual progress report and a more substantial independent review every three years. The report should identify actions completed, actions delayed, changes in measured outcomes and lessons for the next plan. Where an action is delayed, the government should explain the cause and the revised timetable.

Regulatory performance should be reported at agency and council level where data are comparable. Transparency will help identify good practice and create a race to improve service quality.

12. Conclusion

The Business Council supports the direction of the draft Economic Diversification and Investment Strategy. Its focus on private investment, productivity, participation and coordinated economic development is well suited to Tasmania's opportunities and constraints.

The economic, labour market and fiscal rankings referenced above show the magnitude of the challenge and that incremental change will not be sufficient. Tasmania needs a sustained reform effort that improves the conditions for businesses to invest, expand, innovate and employ. This includes a clearer major project pathway, faster and more transparent planning, a substantial reduction in regulatory costs, simpler licensing, competitive taxes and insurance costs, productivity reform in major service sectors, workforce participation and disciplined infrastructure investment.

Tasmania's second place in the 2025 Regulation Rumble rankings demonstrates that the state has important strengths, particularly in planning certainty and efficiency. The task is to use those strengths as a platform, address the specific areas where Tasmania remains less competitive, and ensure the final Strategy becomes a measurable whole of government program of delivery.

A successful Strategy will not be judged by the number of initiatives announced. It will be judged by whether private investment rises, productivity and participation improve, projects are decided and delivered more quickly, the regulatory burden falls, and Tasmania closes its income gap with the rest of Australia.

13. Appendix

13.1 Labour productivity by industry

Tasmania: labour productivity growth by industry, ranked by 10-year average (annualised, %), to 2023-24					
Rank	**Code**	**Industry**	**Tas 10y avg (%)**	**Aus 10y avg (%)**	**Difference (ppt)**
1	J	Information media and telecommunications	5.5	4.9	0.6
2	A	Agriculture, forestry and fishing	4.7	2.3	2.4
3	K	Financial and insurance services	3.0	-0.1	3.1
4	S	Other services	1.9	0.8	1.1
5	I	Transport, postal and warehousing	1.9	0.6	1.3
6	G	Retail trade	1.6	1.1	0.4
7	L	Rental, hiring and real estate services	1.6	1.2	0.4
8	N	Administrative and support services	1.3	1.9	-0.6
9	F	Wholesale trade	1.0	2.4	-1.3
10	R	Arts and recreation services	0.9	0.2	0.8
11	M	Professional, scientific and technical services	0.8	1.9	-1.1
12	P	Education and training	0.5	-0.3	0.8
13	E	Construction	0.4	-1.6	2.0
14	H	Accommodation and food services	-0.3	0.8	-1.1
15	B	Mining	-0.5	1.0	-1.5
16	O	Public administration and safety	-0.6	0.9	-1.4
17	Q	Health care and social assistance	-1.2	-0.2	-0.9
18	C	Manufacturing	-3.7	-0.4	-3.3
19	D	Electricity, gas, water and waste services	-4.8	-0.7	-4.1
	Total	All industries (sum A-S)	0.4	0.5	-0.1

10-year compound average annual growth in GVA per hour worked to 2023-24. Sources: ABS 5220.0; ABS 6150.0.55.003.

Difference = Tasmania minus Australia, percentage points.

Shaded rows: Tasmanian growth exceeds the national industry rate.

13.2 Decomposition of labour productivity growth, 2014-15 to 2023-24

Shift-share decomposition of Tasmanian labour productivity growth, 2014-15 to 2023-24					
Code	**Industry**	**Within (ppt)**	**Between (ppt)**	**Dynamic (ppt)**	**Total (ppt)**
Q	Health care and social assistance	-0.63	5.01	-0.23	4.15
A	Agriculture, forestry and fishing	2.90	-0.92	-0.34	1.64
M	Professional, scientific and technical services	0.47	0.52	0.07	1.06
J	Information media and telecommunications	1.10	-0.12	-0.05	0.93
O	Public administration and safety	-0.07	0.87	-0.01	0.79
I	Transport, postal and warehousing	1.15	-0.32	-0.08	0.75
N	Administrative and support services	0.49	-0.06	-0.01	0.42
E	Construction	-0.72	1.14	-0.09	0.33
L	Rental, hiring and real estate services	0.27	0.00	0.00	0.27
S	Other services	0.74	-0.36	-0.13	0.24
K	Financial and insurance services	1.81	-1.20	-0.37	0.24
R	Arts and recreation services	-0.05	0.16	-0.01	0.10
P	Education and training	0.51	-0.54	-0.04	-0.07
H	Accommodation and food services	-0.42	0.10	-0.01	-0.33
G	Retail trade	0.66	-1.04	-0.11	-0.50
F	Wholesale trade	1.44	-1.37	-0.58	-0.52
D	Electricity, gas, water and waste services	-0.57	-0.01	0.00	-0.58
B	Mining	-1.32	0.60	-0.17	-0.89
C	Manufacturing	-2.65	-0.30	0.08	-2.87
Total	**All industries (sum A-S)**	**5.10**	**2.16**	**-2.08**	**5.18**

Contributions expressed in percentage points of the 2014-15 aggregate productivity level ($75/hr); columns sum to total growth of 5.2 per cent over the period (not annualised).

Within = industry productivity growth at start-year hours shares; Between = hours reallocation at start-year productivity levels; Dynamic = interaction of productivity and share changes.

Labour productivity = GVA (chain volume, ABS 5220.0) / hours actually worked (ABS 6150.0.55.003 modelled state estimates). Chain volume GVA is not strictly additive; the aggregate is the 19-industry sum.

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