

TASMANIA

A PRE-STATE ELECTION OVERVIEW

24TH APRIL 2021

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About Tasmania

- ❑ **Tasmania is an island separated from mainland Australia by the 500km-long, 250-km wide Bass Strait, recognized by seafarers as one of the roughest stretches of water in the world (because of its relatively shallow depth combined with the volume of oceans on either side of it and the strength of the prevailing westerly winds)**
- ❑ **Tasmania is Australia's smallest state (68,400 sq km or just under 25,000 sq miles), and least populous (population as at 30th September 2020 of 541,100 – 2.1% of the Australian total – although more than either the Northern Territory or the ACT)**
 - Tasmania is also Australia's most decentralized state, with only 44% of the population living in the capital, Hobart (cf. 49.½% of Queenslanders living in Brisbane, and more than 65% of every other state's and territory's population living in the capital)
 - Tasmania is Australia's oldest state, with 20.5% of the population aged 65 or over (cf. national average of 16.3%) and a median age of 42.3 years (cf. 37.8 years for Australia as a whole)
- ❑ **Tasmania is the poorest, by most measures, of Australia's states and territories**
 - Tasmania's per capita gross state product of \$61,272 in 2019-20 was the lowest of any state or territory, 21.3% below the national average
 - 32.2% of Tasmania's population are in the lowest socio-economic status (quintile) of the national population, while only 8.5% are in the highest SES quintile
 - Tasmanian workers' average weekly earnings are almost 16% below the national average
- ❑ **Tasmania's economy is more narrowly-based than that of most other states and territories**
 - five sectors – agriculture, forestry & fishing; retail trade; accommodation & food services; public administration & safety; and health care & social assistance – account for 38% of Tasmania's gross product (cf. 22% of Australia's) and 48% of Tasmanian employment (cf. 33% of Australia's)
 - Tasmania has become very dependent on tourism, which accounted for 9% of Tasmania's gross product and 15% of employment in 2019-20 (in each case higher than in any other state or territory and cf. national averages of 15% and 7.2% respectively)
- ❑ **However Tasmania's economic performance improved significantly in the five years prior to the onset of Covid-19**
 - Tasmania's real per capita gross product growth of 1.1% pa over the five years to 2019-20 was more than double the national average of 0.4% pa, and was reflected in a significant pick-up in population growth and in residential property prices

Tasmania votes next Saturday (1st May)

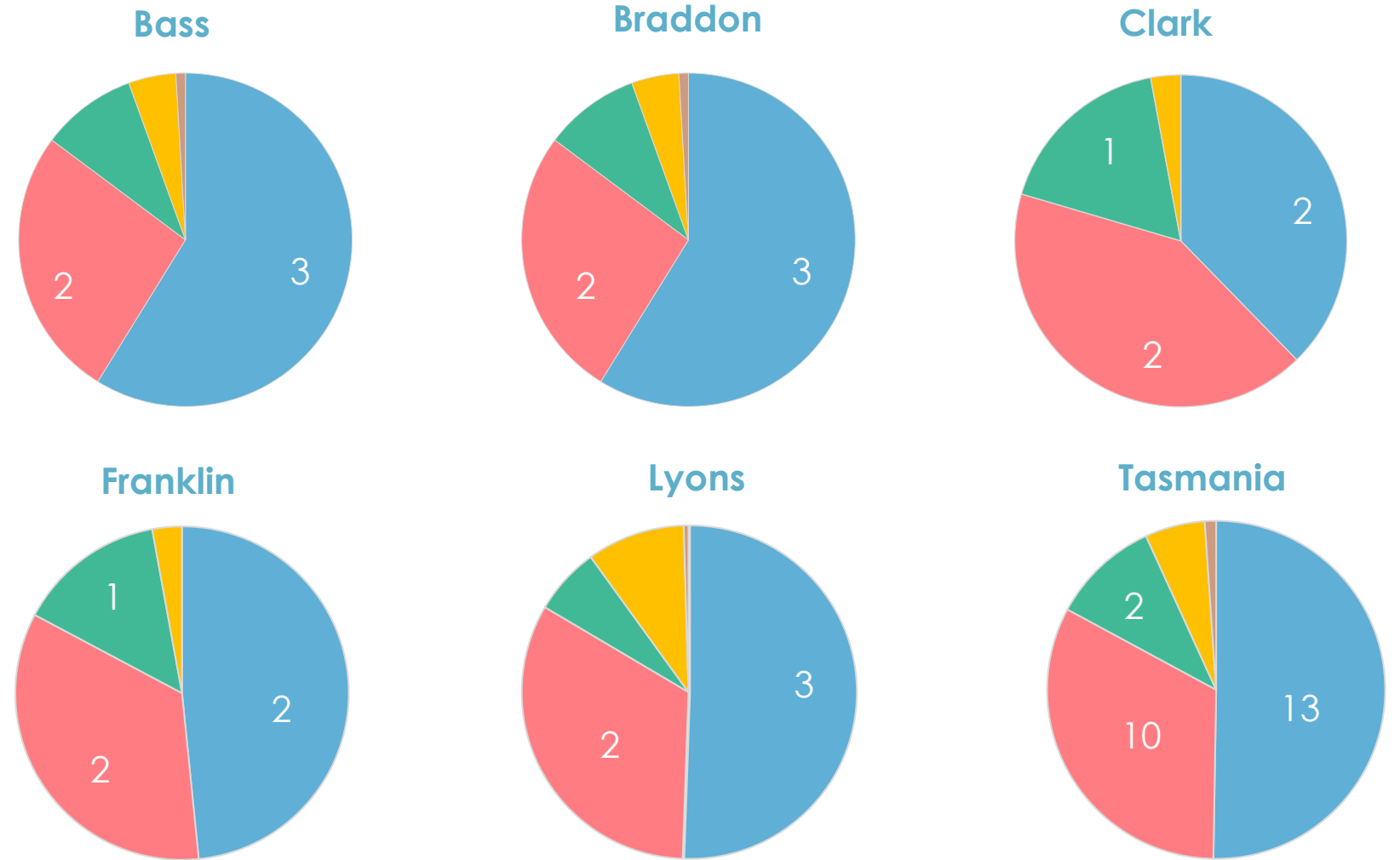
- ❑ **Tasmania uses a proportional representation voting system (known as 'Hare-Clark') to elect five members from each of five electorates to its 25-member House of Assembly (see [here](#) for an explanation of how Hare-Clark works)**
 - Labor, Liberal and the Greens typically nominate five or six candidates in each electorate, in the expectation that (typically) at most three (in the case of the two major parties) will win a seat (with the remaining candidates eligible to be elected on a 'count-back' in the event of the resignation, retirement or death of a sitting member)
 - candidates' names are listed on ballot papers in party groups (or as independents) – but the placement of party groups on the ballot papers received by voters, and the order of candidates' names within each party group, are determined randomly, which means that parties cannot dictate the order in which their candidates' names appear on ballot papers (as they do at Senate elections), and that the 'donkey vote' is equally distributed across all candidates – candidates for each party are thus, in effect, competing with other candidates for their party, as well as other parties' candidates (and independents) for the five available seats
- ❑ **The combination of the Hare-Clark system and the small size of Tasmania's parliament means that there is a difference of just three seats between a 'landslide' (in which one party wins three seats in each electorate, 15 in total – which typically requires 52-55% of the vote) and losing, or at least not being able to form a majority government (12 seats)**
- ❑ **The incumbent Liberal Government of Premier Peter Gutwein (who took over from Will Hodgman in January last year, having previously been Treasurer since the Liberals came to office in the 2014 election) is (effectively) defending a 1-seat majority, with Labor having held 9 seats in the previous Parliament, the Greens 2 and 1 independent**
 - Premier Gutwein called the election almost 11 months earlier than required, presumably hoping to capitalize on his Government's successful management of Covid-19, and the strong pro-incumbent mood evident in elections in the NT, ACT, Queensland and Western Australia over the last nine months
- ❑ **Based only on pre-election polls, it is fairly easy to foresee the Liberals winning 12 seats (3 in each of the three northern electorates, 1 in the electorate centred on Hobart and 2 in the other southern electorate), and Labor retaining its 9, with the Greens retaining one of their 2, and a popular local mayor winning a seat in the Hobart-based electorate as an Independent**
 - for the Liberals to retain their majority they will either need to win four seats in one (or more) of the northern electorates (difficult but not impossible) or a second seat in the electorate based on Hobart
 - it's also very difficult to see how Labor can win 4 more seats – suggesting that a minority government may be the most likely outcome

The incumbent Liberals won 50.3% of the state-wide vote at the 2018 election giving them 13 of 25 seats in the House of Assembly

Electoral divisions for Tasmania's House of Assembly



Share of first preference votes at the 2018 election



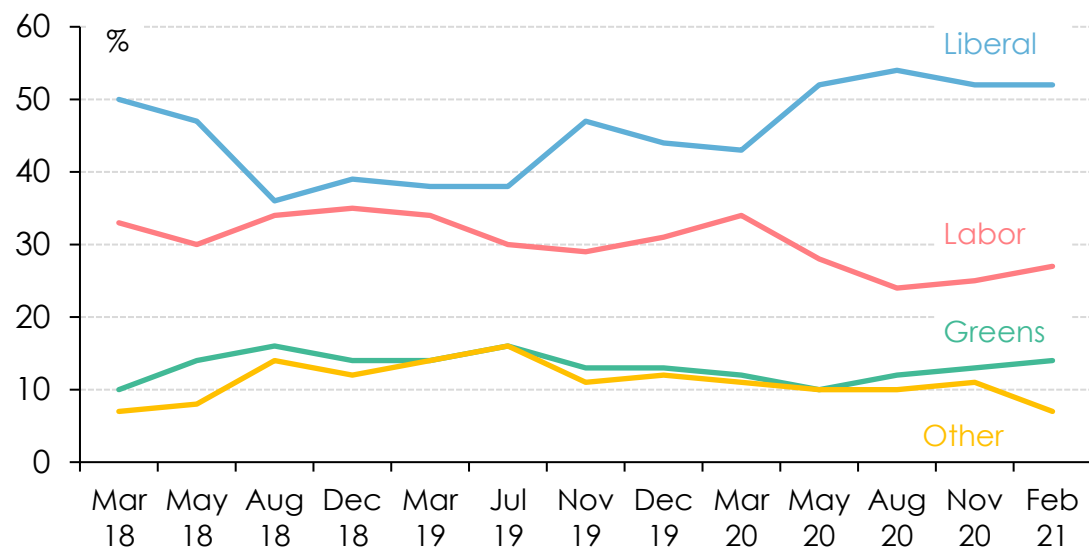
■ Liberal
 ■ Labor
 ■ Greens
 ■ Other parties
 ■ Independents

Numbers indicate the number of MPs elected

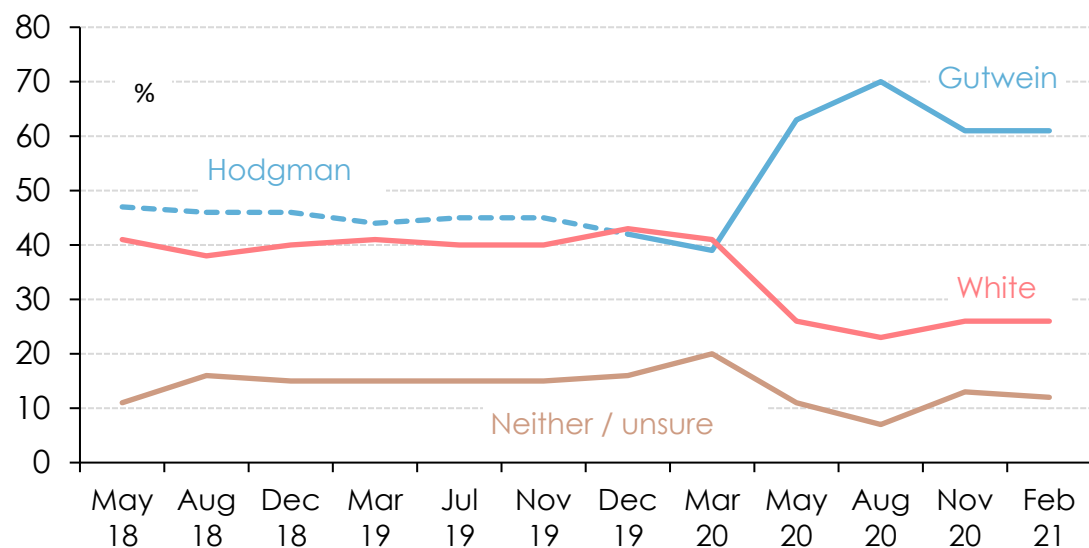
Note: The electorate of Clark was previously known as Denison.
 Source: [Tasmanian Electoral Commission](https://www.tec.tas.gov.au/).

The Liberals have enjoyed a strong lead in opinion polls since the last election in 2018, and especially during the pandemic

Tasmanian voting intentions



Preferred Premier

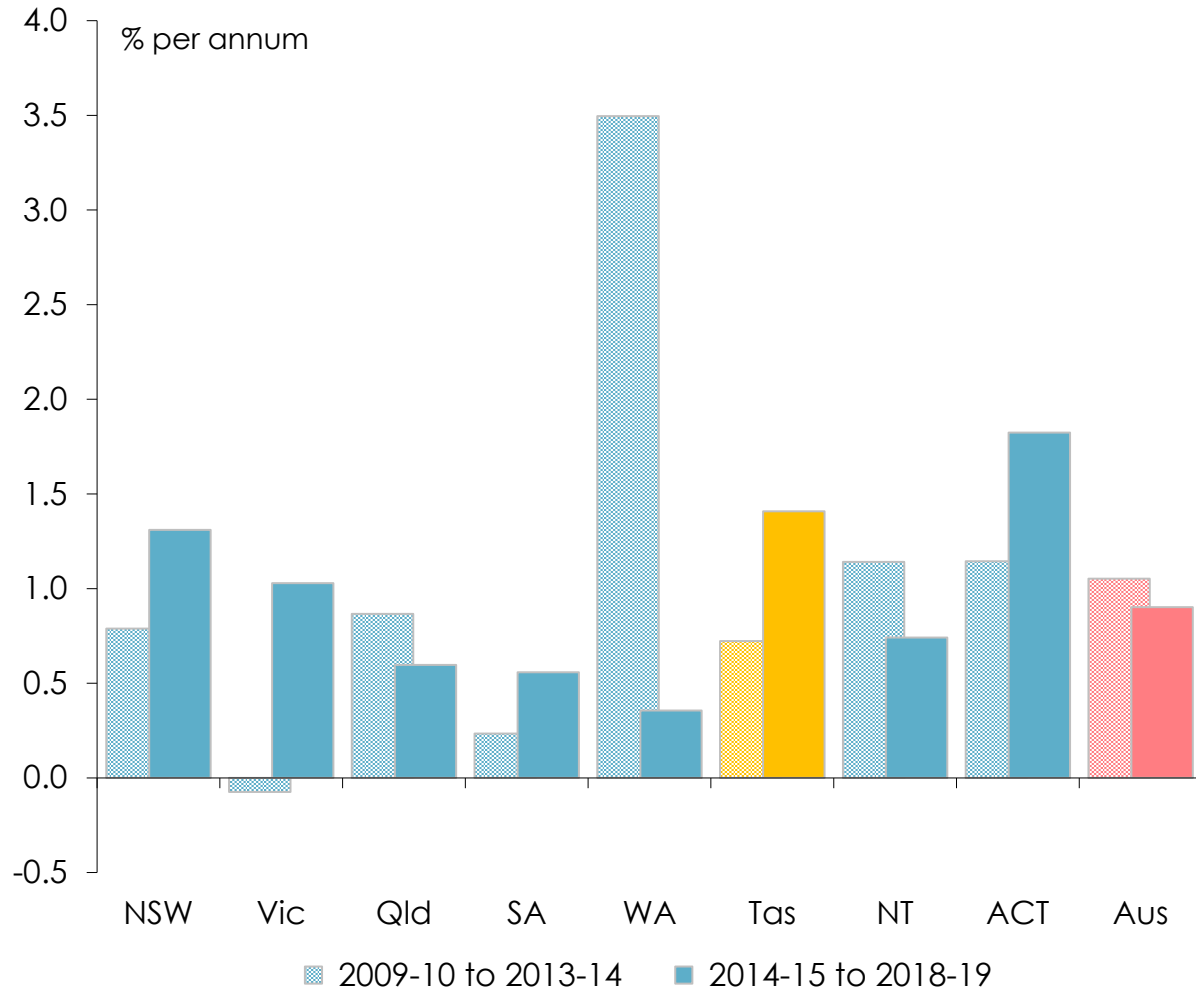


Source: [EMRS](#).

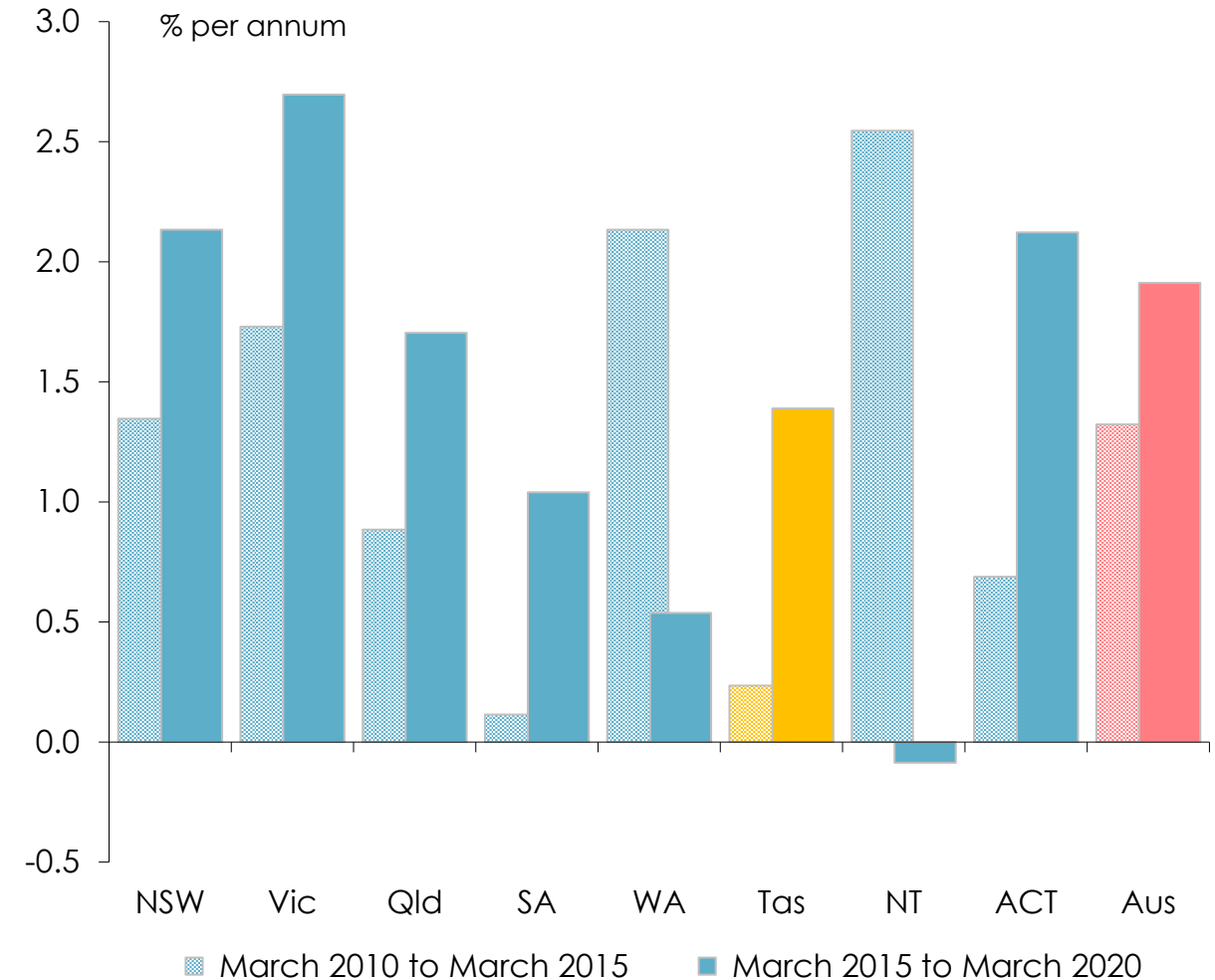
- ❑ The Liberals have led in opinion poll voting intentions since the last election in March 2014, with an increased margin since the onset of Covid-19
 - Premier Peter Gutwein has enjoyed a commanding lead as ‘preferred Premier’ since the onset of Covid-19, just after he succeeded Will Hodgman (consistent with the strong approval of all incumbent Premiers during the pandemic)
- ❑ Former Premier Will Hodgman garnered almost 37% of the vote in his own right in Franklin in 2014 (traditionally Labor’s strongest seat)
 - there’s no-one on the Liberals’ ticket at this election with that sort of vote-drawing power, while Labor’s ticket is probably strengthened by the (belated) inclusion of popular Kingborough Mayor Dean Winter
- ❑ The Liberals came close to winning 4 seats in Bass in 2018
 - Premier Peter Gutwein will almost certainly improve on his 23½% of the vote in his seat of Bass at the 2018 election – but it may be at the expense of his Ministerial colleagues Michael Ferguson and Sarah Courtney
 - but Labor’s ticket in Bass is stronger in 2018 with the inclusion of former Launceston Mayor Janie Finlay
- ❑ The Liberals did win 4 seats in Braddon in 2014, but lost one of them in 2018
 - former Minister Adam Brooks (who won 25% of the vote in 2014 and 15½% in 2018) and is seeking to re-enter Parliament after resigning in 2019), but may have less appeal this time
- ❑ The hardest result to predict is in the Hobart-based seat of Clark
 - Glenorchy Mayor Kristy Johnston seems likely to win a seat as an Independent, as may renegade Liberal (and former Hobart Lord Mayor Sue Hickey), while Greens leader Cassie O’Connor is sure to retain hers – which could see each of the major parties dropping a seat

Tasmania's economic performance had improved considerably during the five years prior to the onset of the pandemic ...

Growth in real per capita gross product, states and territories



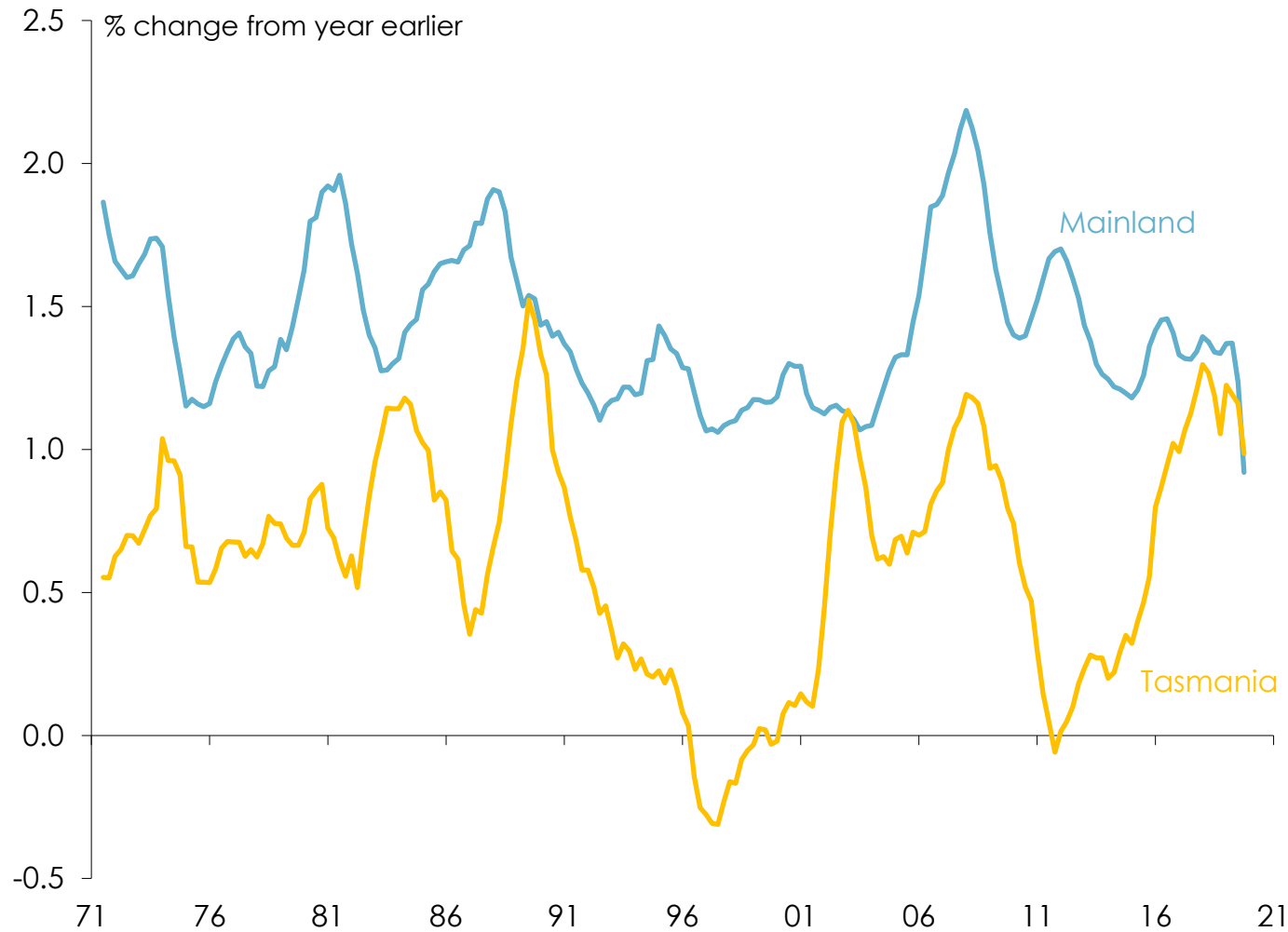
Growth in employment, states and territories



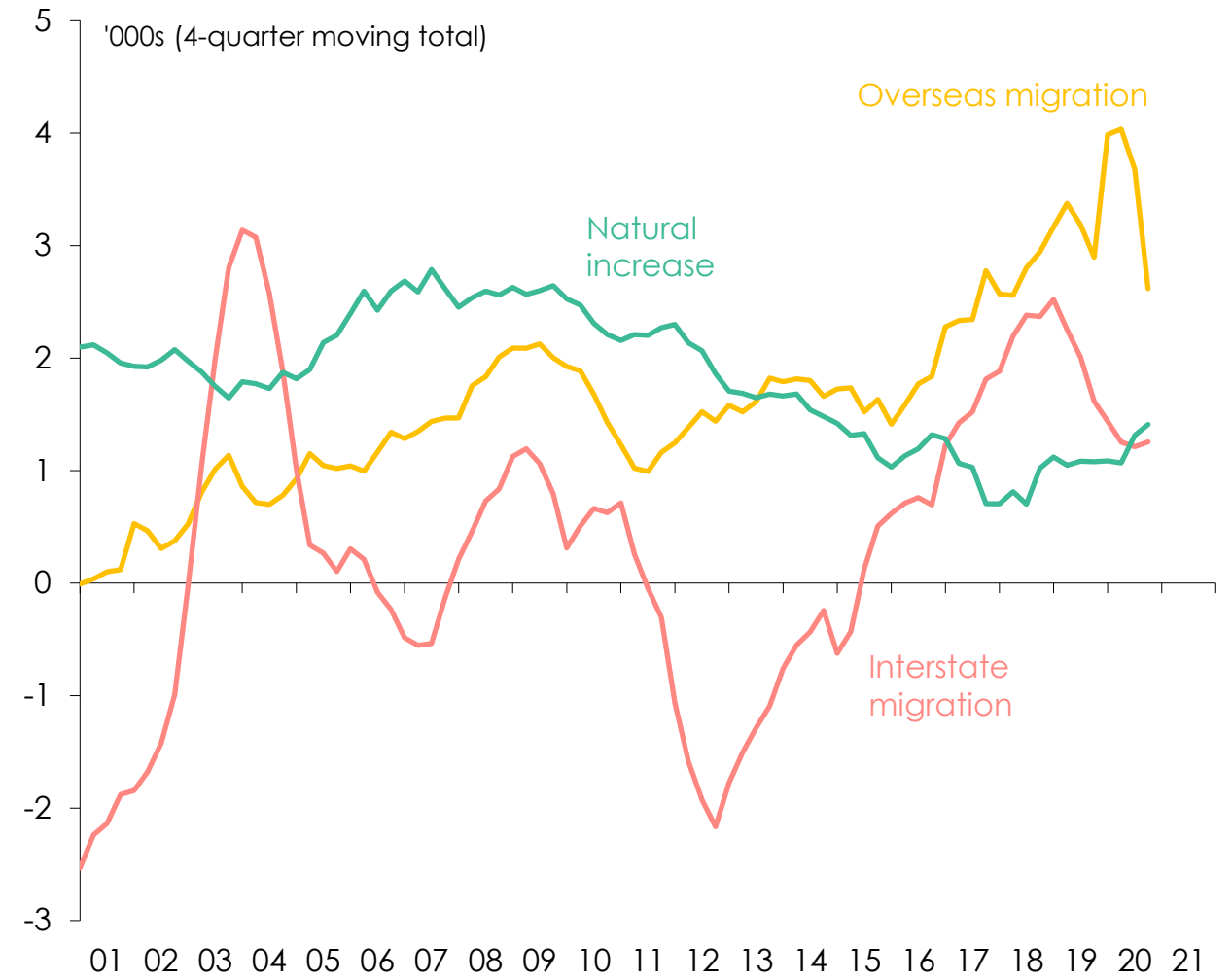
Note: Employment growth rates have been derived from 'trend estimates'. Sources: ABS, [Australian National Accounts: State Accounts, 2019-20](#) and [Labour Force, Australia](#).

... and this had been reflected in a pick-up in Tasmania's population growth, as more people moved to Tasmania and fewer left

Population growth, Tasmania and mainland Australia, 1971-2020



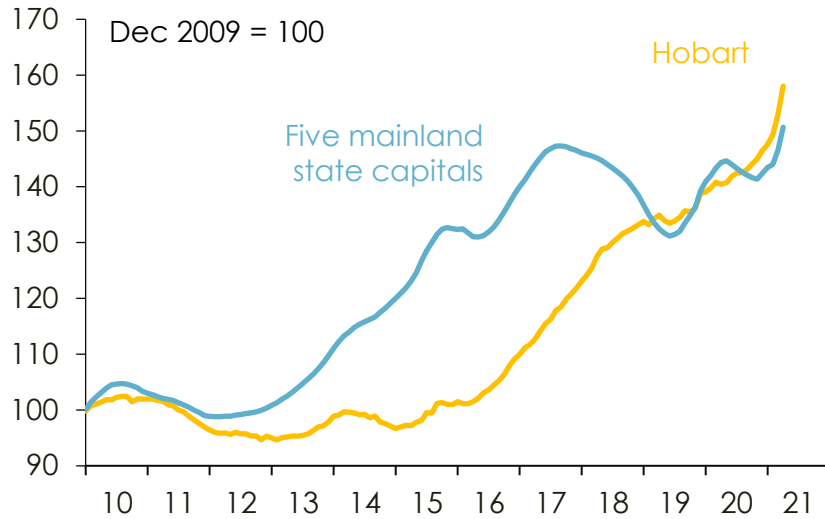
Sources of growth in Tasmania's population, 2011-2020



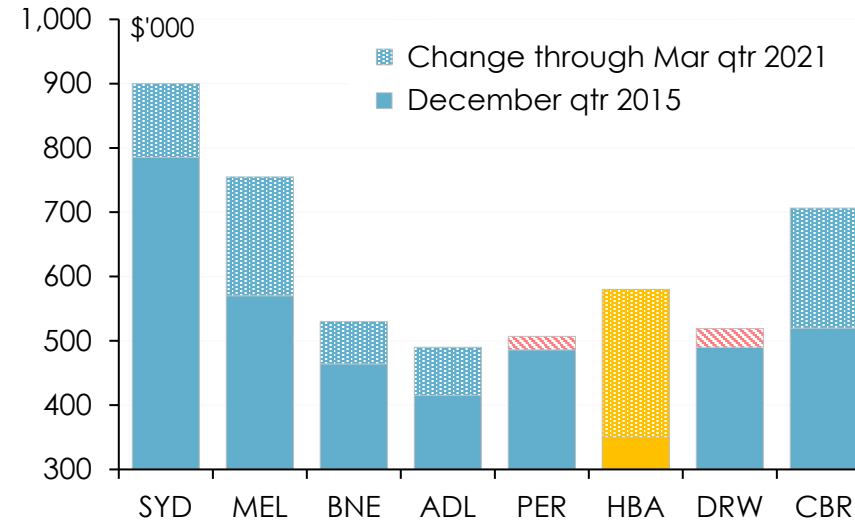
Source: ABS, [National, state and territory population](#).

Property values and rents rose more rapidly in Tasmania than on the mainland prior to Covid and have proved very resilient since then

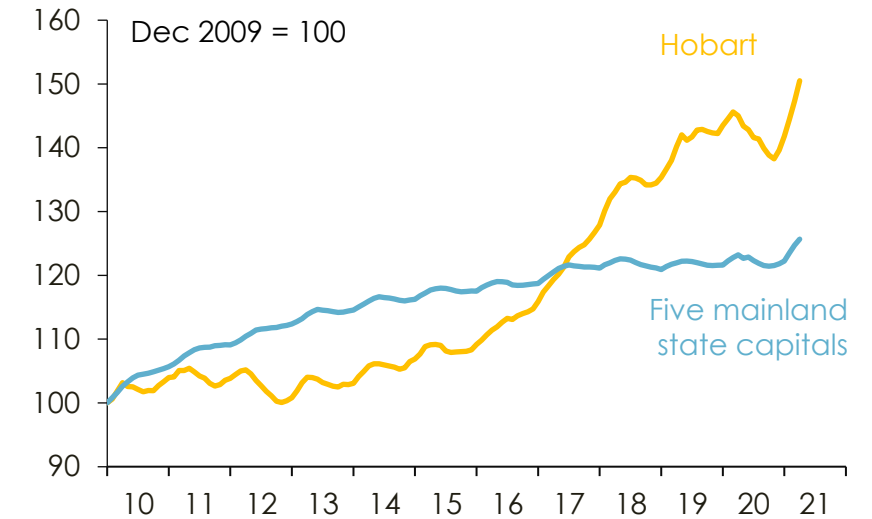
Capital city property values



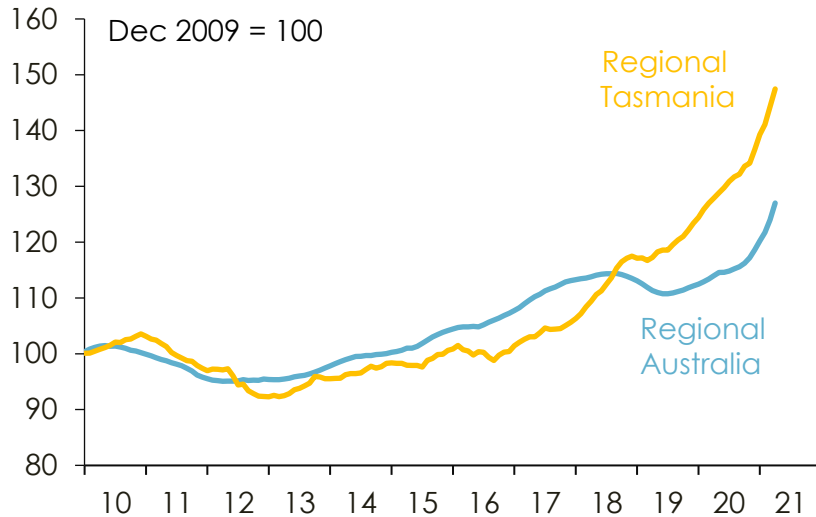
Capital city median sale prices



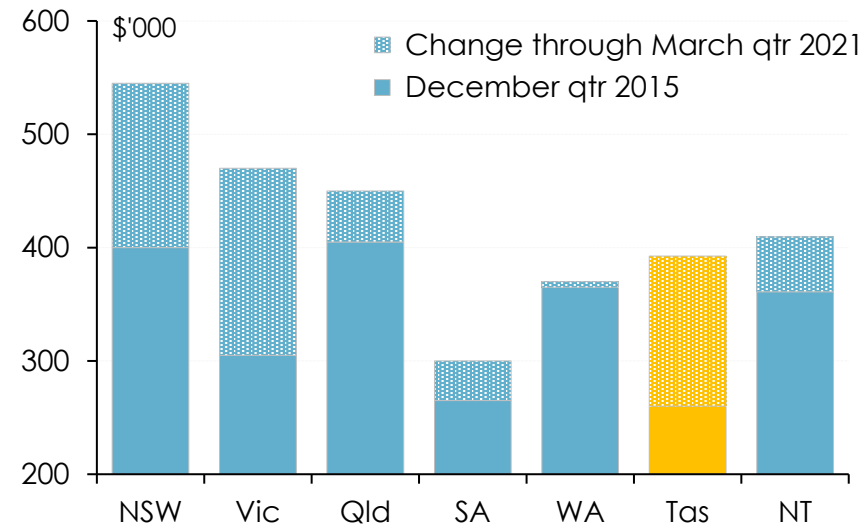
Capital city rental values



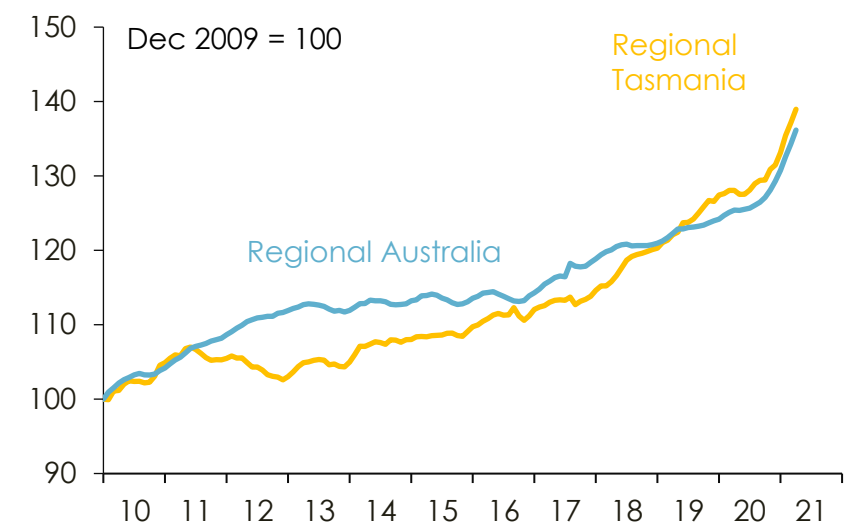
Regional areas property values



Regional areas median sale prices



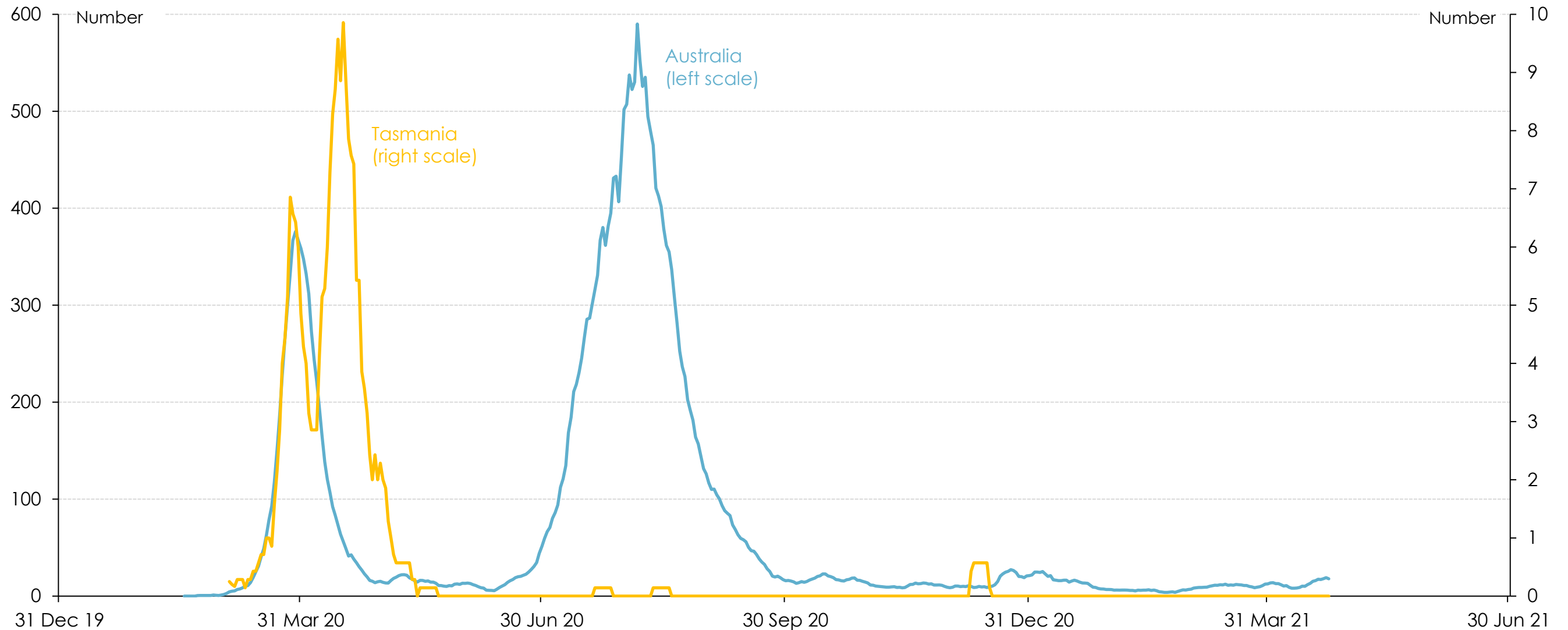
Regional areas rental values



Note: The indices of property values measures the 'organic' change in underlying sales values by using a hedonic regression methodology that takes account of changes in the characteristics of properties being sold from month to month; the indices of residential rents uses a similar methodology to measure the 'organic' change in underlying rents. Sales prices declined in Perth and Darwin between Q4 2015 and Q1 2021. Source: CoreLogic.

Tasmania has managed the virus very effectively, in absolute terms ...

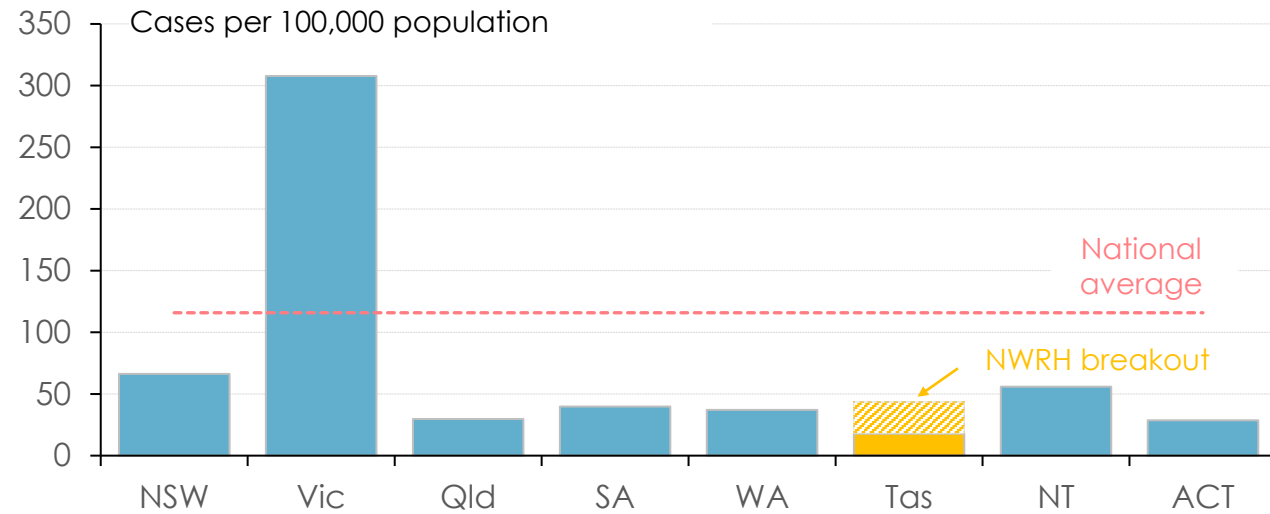
New confirmed Covid-19 cases, Tasmania and Australia



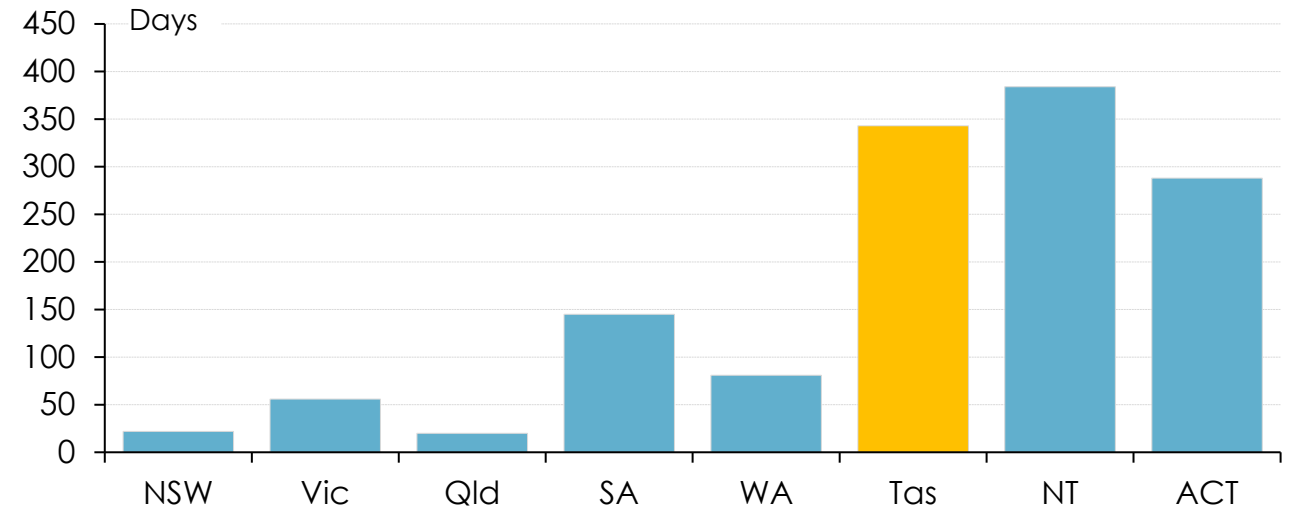
Note: Data up to 22nd April. Source: covid19data.com.au.

... by comparison with other Australian states and territories ...

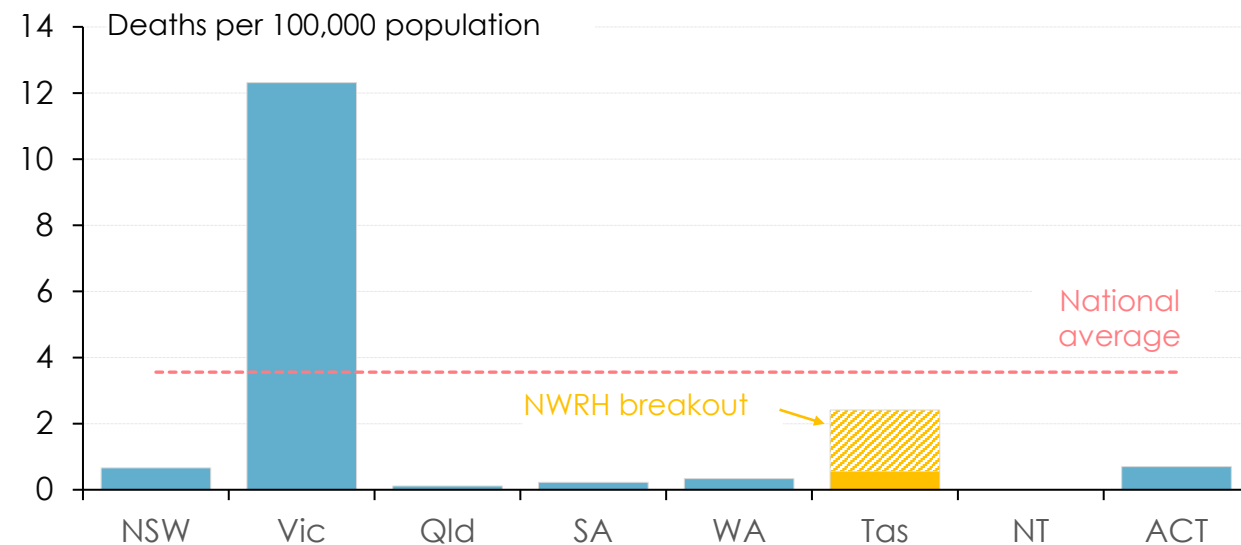
Confirmed cases per 100,000 population



Days since last any locally acquired cases



Deaths per 100,000 population



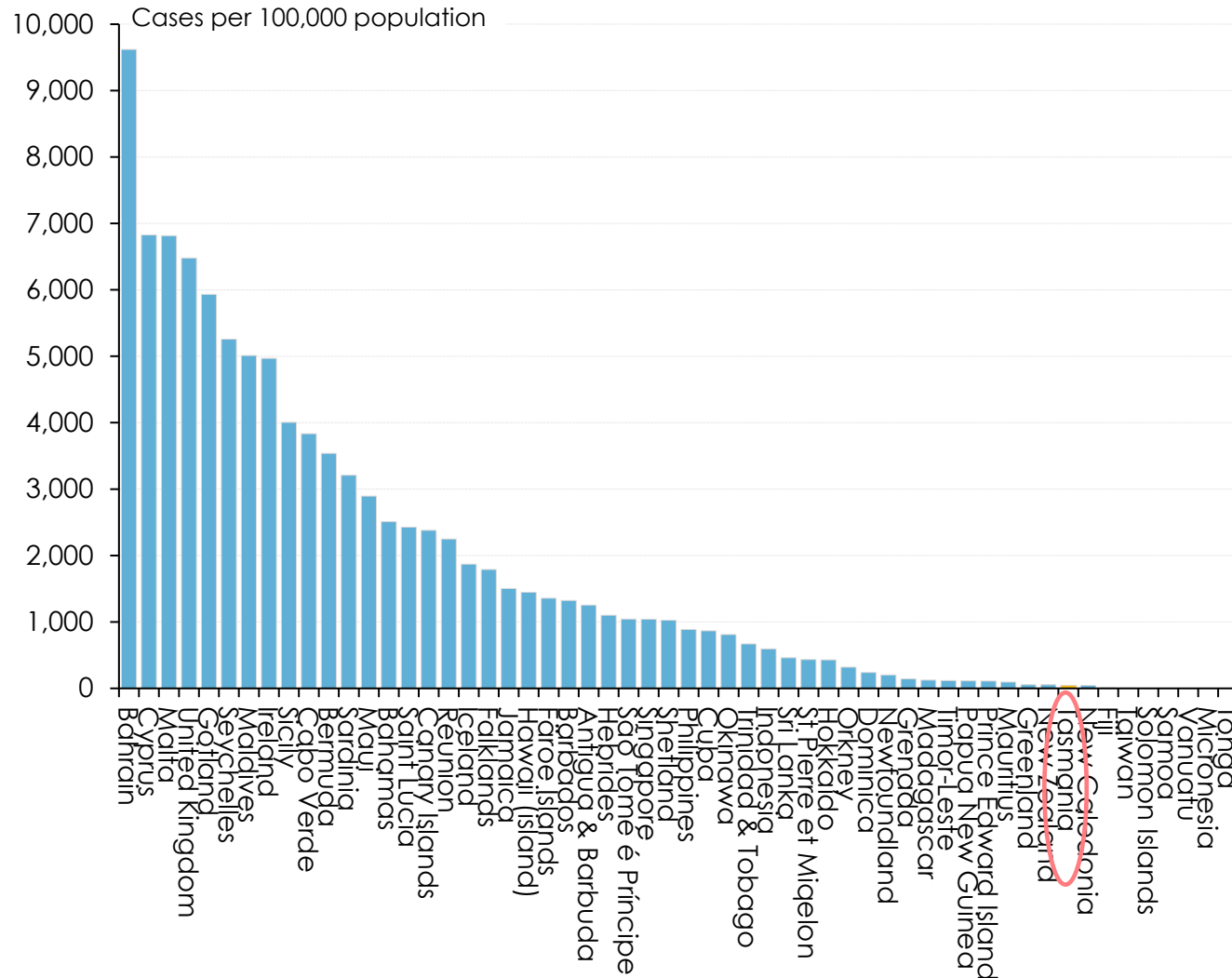
Vaccines administered per 100 population



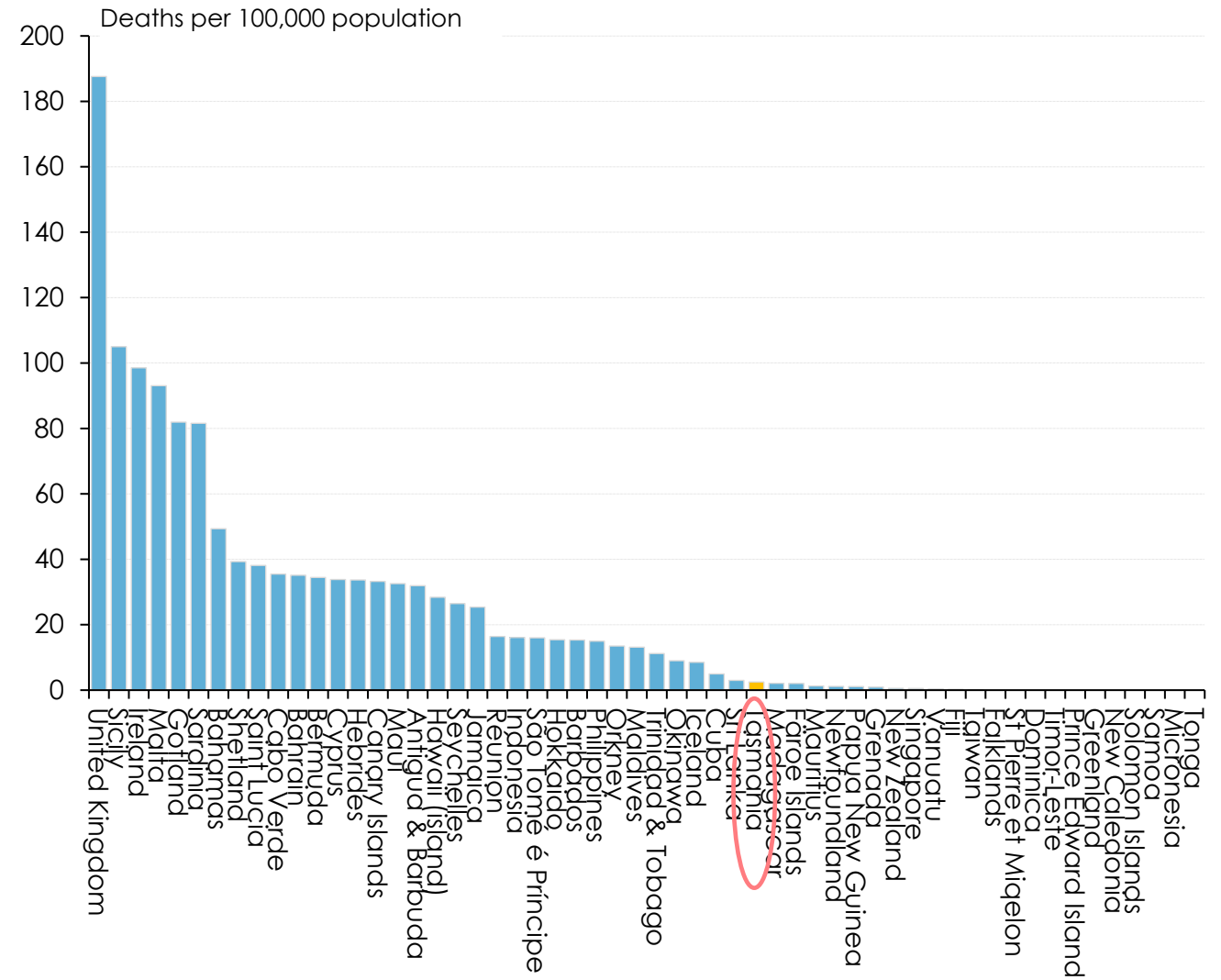
Note: Data up to 22nd April. "NWRH breakout" refers to the 138 confirmed cases (60% of the total) and 10 (out of a total of 13) deaths which were traced to two passengers among the 2,650 (wrongly, according to the subsequent Royal Commission inquiry into the incident) allowed to disembark from the *Ruby Princess* in Sydney on 19th March 2020 and who were subsequently hospitalized with Covid-19 at the North-Western Regional Hospital. Sources: covid19data.com.au; ABS.

... and by comparison with other island nations, states and provinces

Confirmed Covid-19 cases per 100,000 population, selected islands



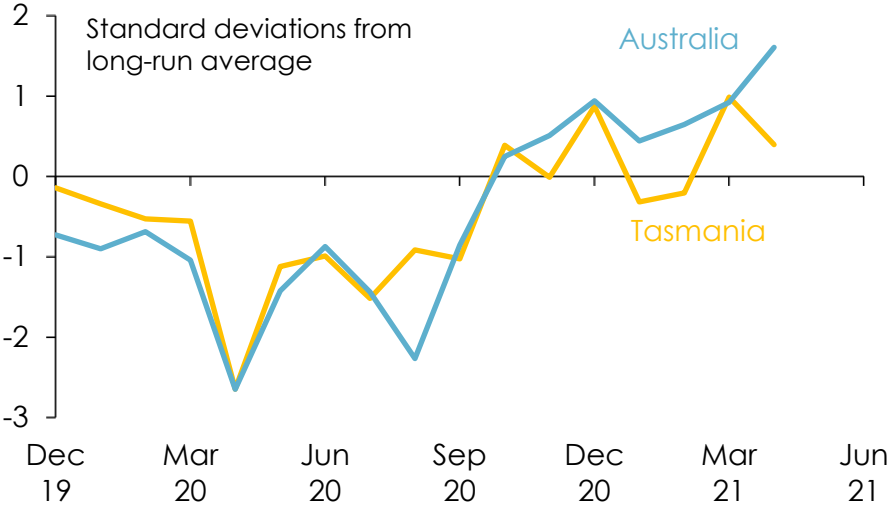
Covid-19 deaths per 100,000 population, selected islands



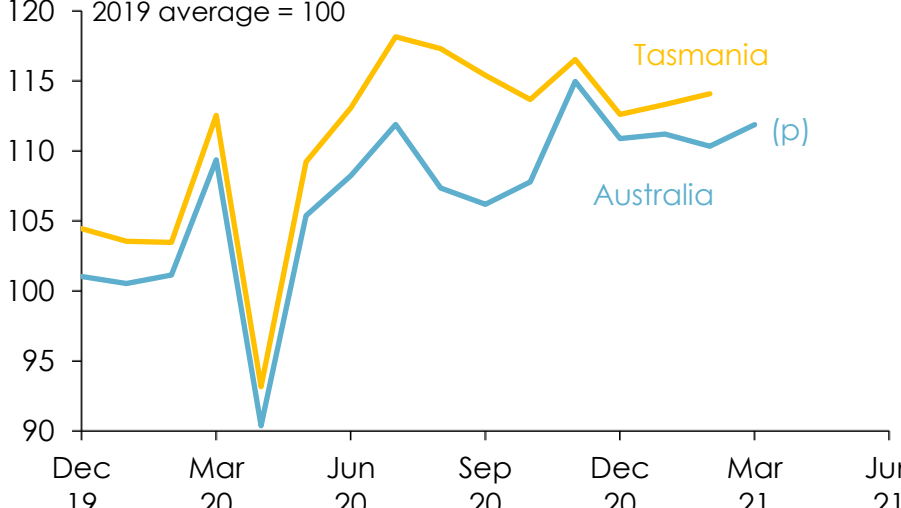
Note: Data up to 22nd April. Sources: covid19data.com.au; [Our World in Data](https://ourworldindata.org/); [Johns Hopkins University Coronavirus Resource Center](https://coronavirus.jhu.edu/); [Public Health Scotland](https://www.health.scot.nhs.uk/); [World Health Organization Western Pacific Region](https://www.who.int/); [Worldometer](https://www.worldometer.com/).

Tasmania's recovery from the 'corona-recession' broadly pacing the national average, except for building approvals which are well ahead

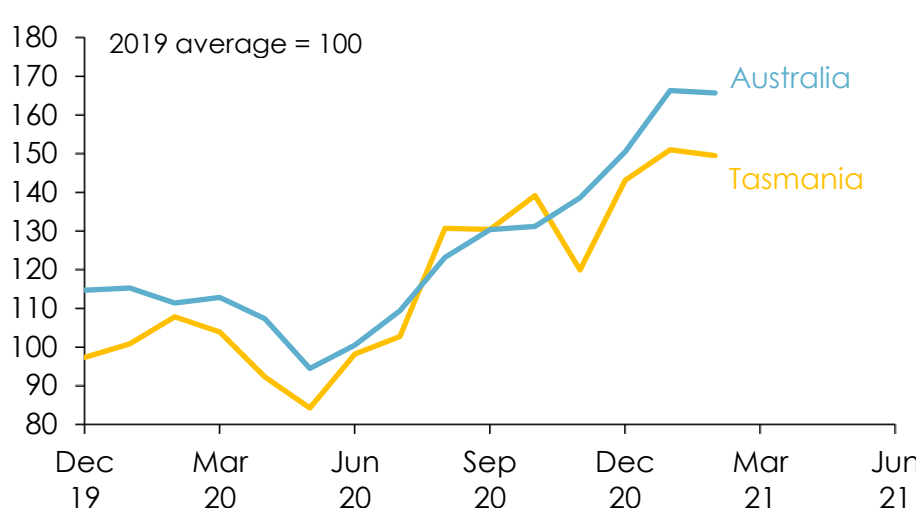
Consumer confidence



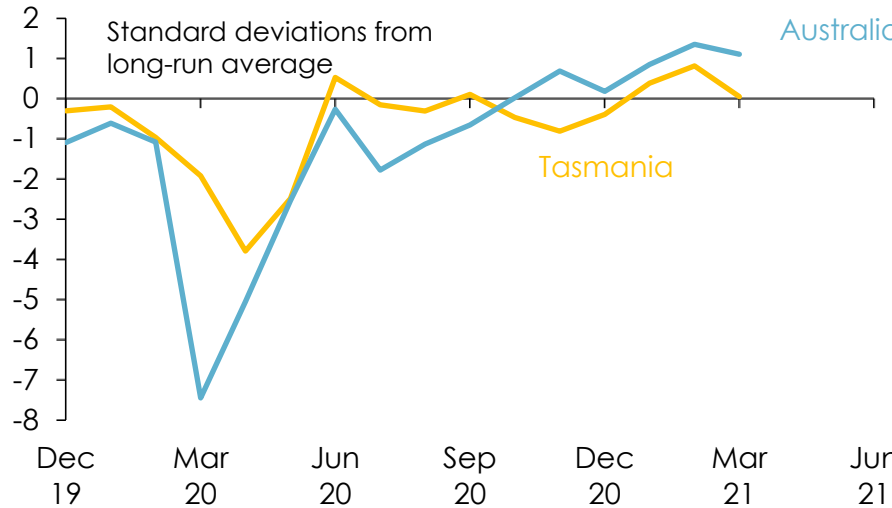
Retail sales



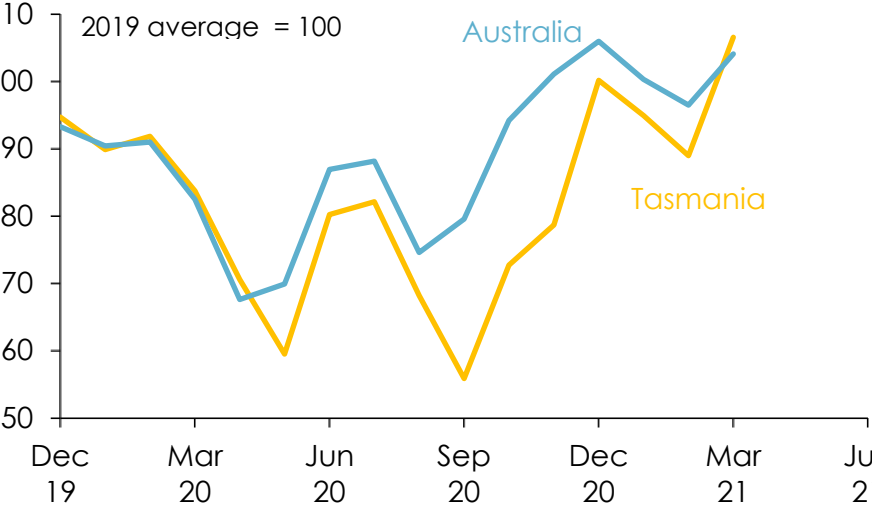
Lending for housing



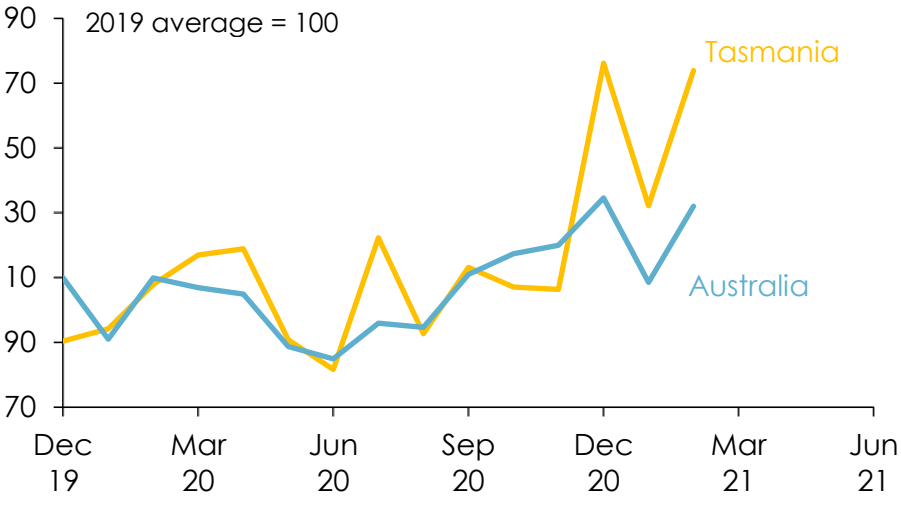
Business confidence



New motor vehicle sales



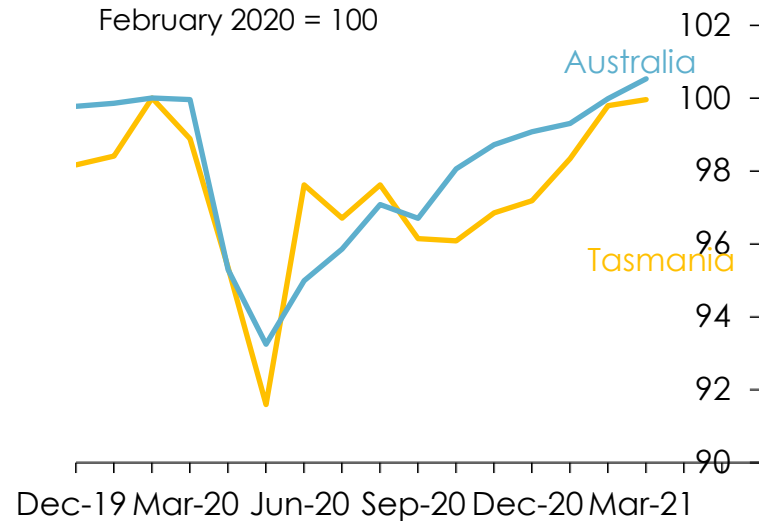
Residential building approvals



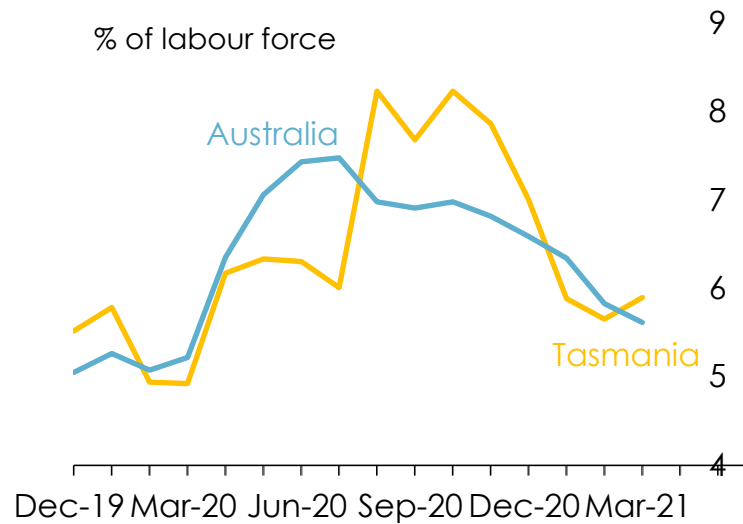
Note: Housing finance commitments are for owner-occupiers and investors but exclude re-financing. Sources: Westpac-Melbourne Institute; National Australia Bank; ABS; Federated Chamber of Automotive Industries.

The recovery in Tasmania's labour market has lagged slightly behind the national average, but the high level of vacancies seems encouraging

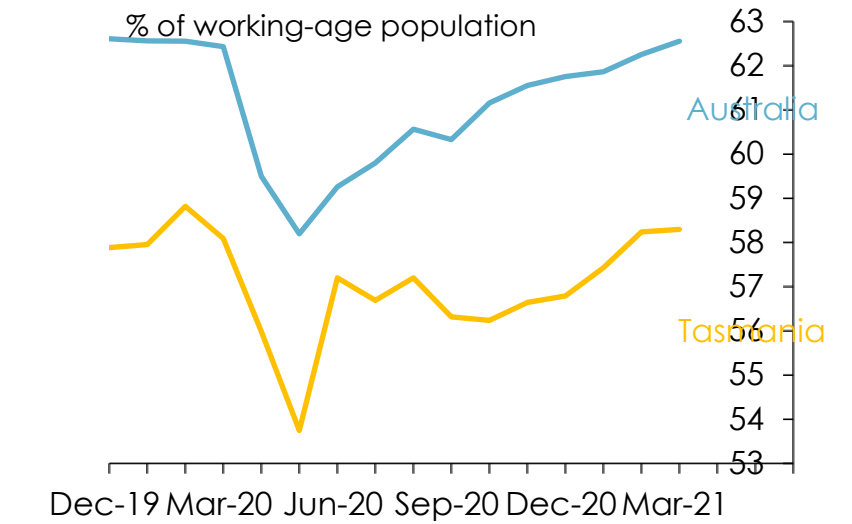
Employment



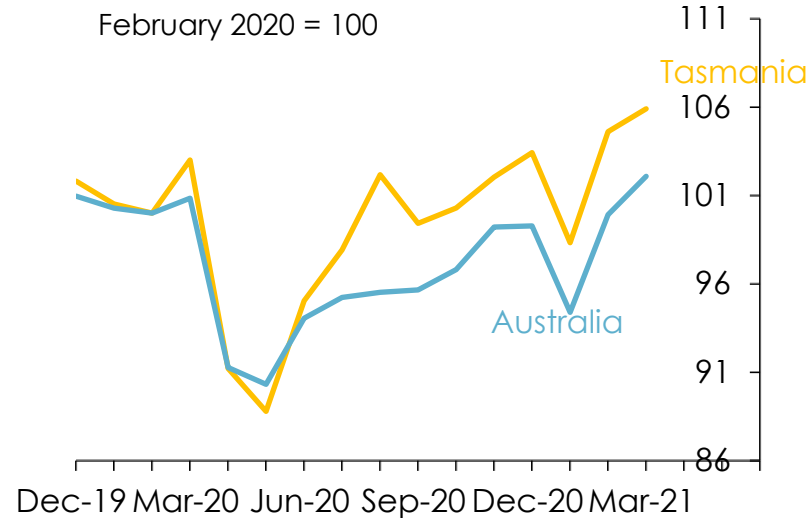
Unemployment rate



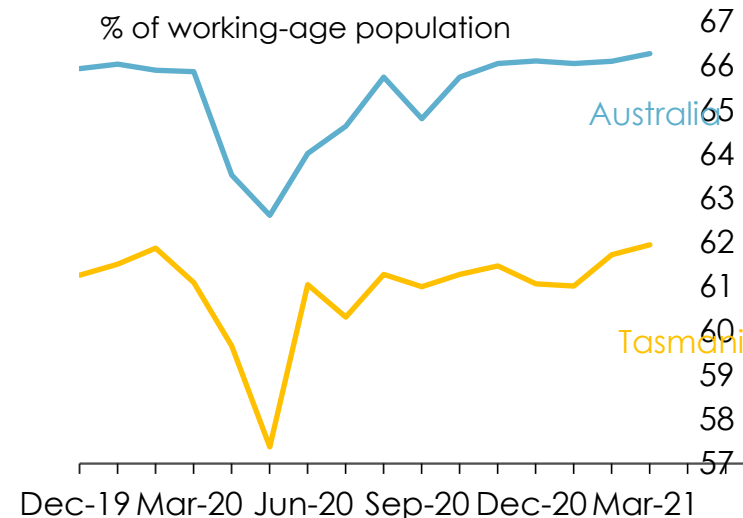
Employment-to-population ratio



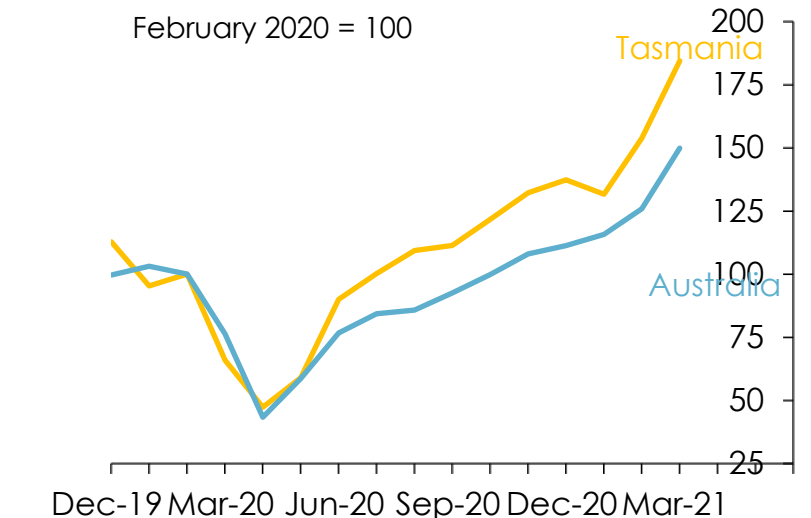
Hours worked



Labour force participation rate

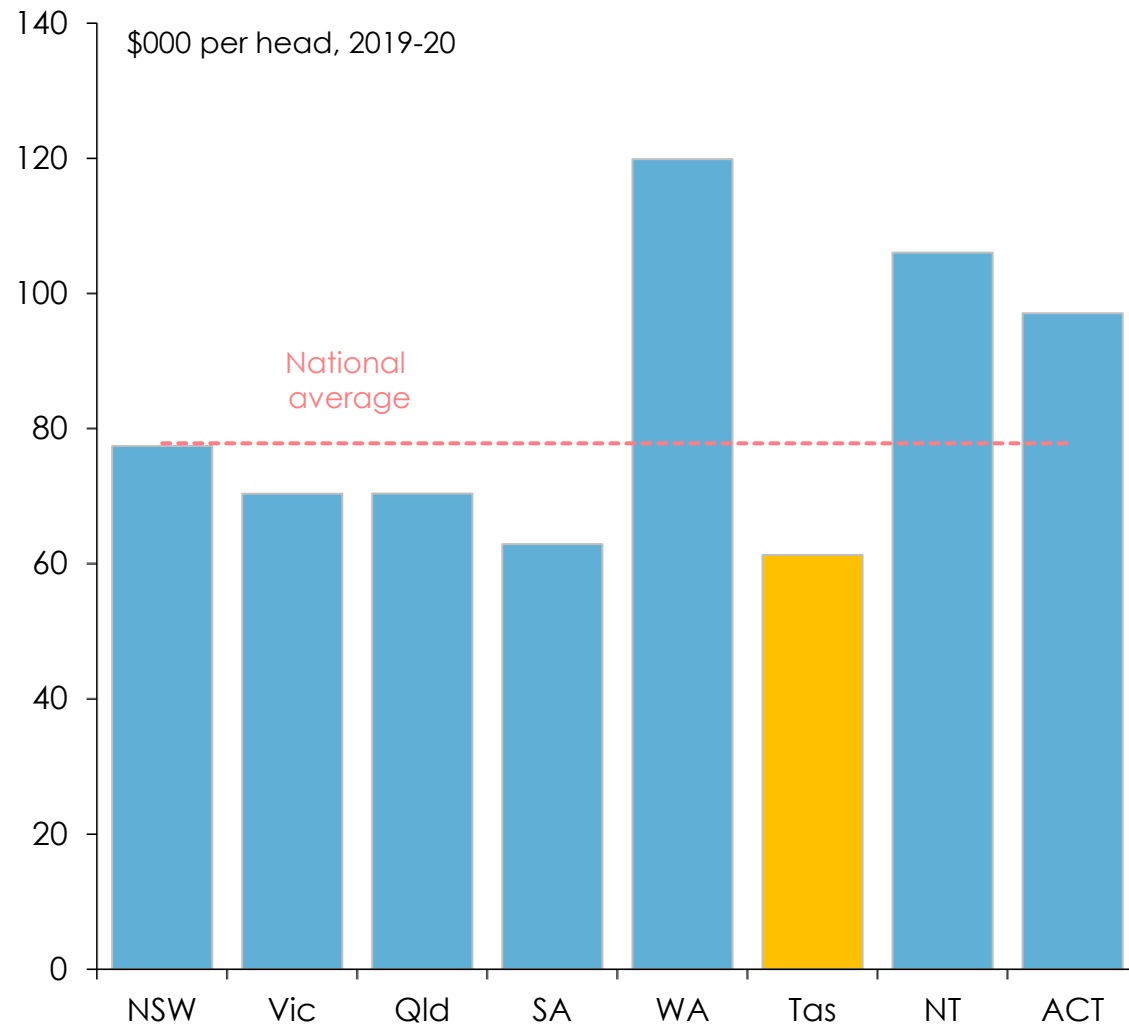


Job vacancies

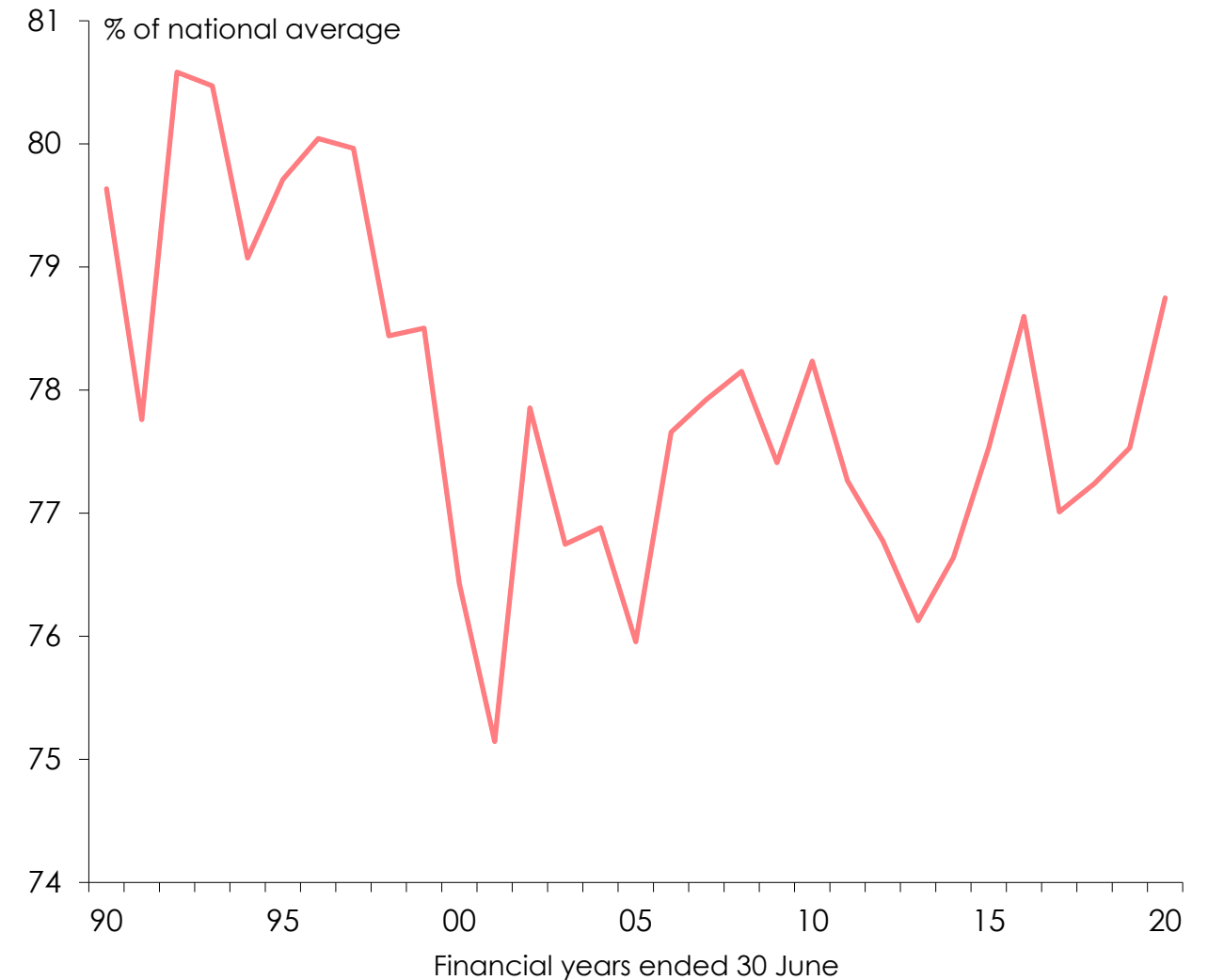


Despite these positive trends, Tasmania remains Australia's poorest state

Per capita gross state product, states and territories, 2019-20



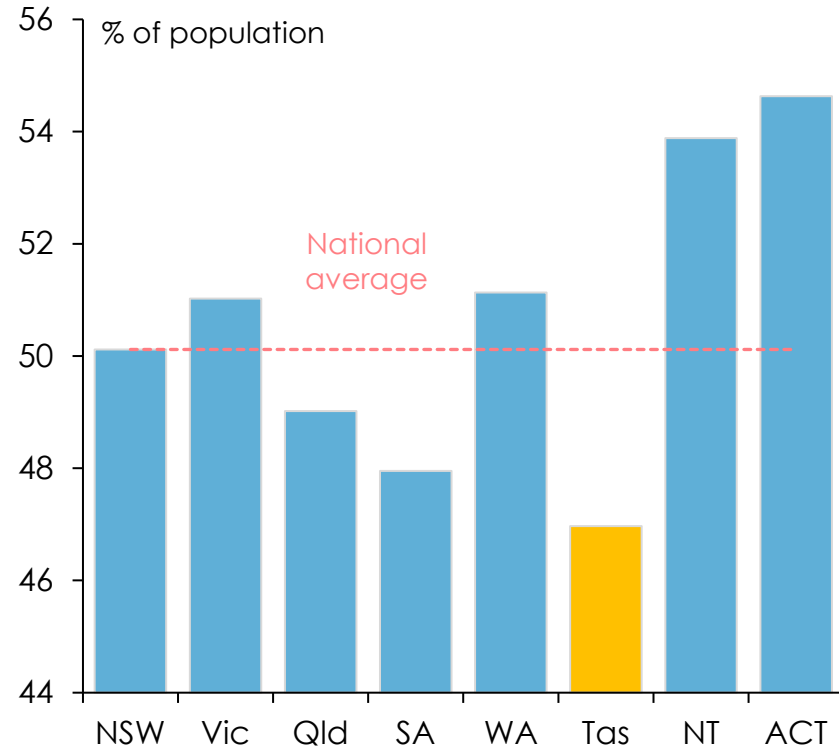
Tasmanian per capita gross state product as a pc of the national average, 1989-90 to 2019-20



Source: ABS, [Australian National Accounts: State Accounts, 2019-20](#).

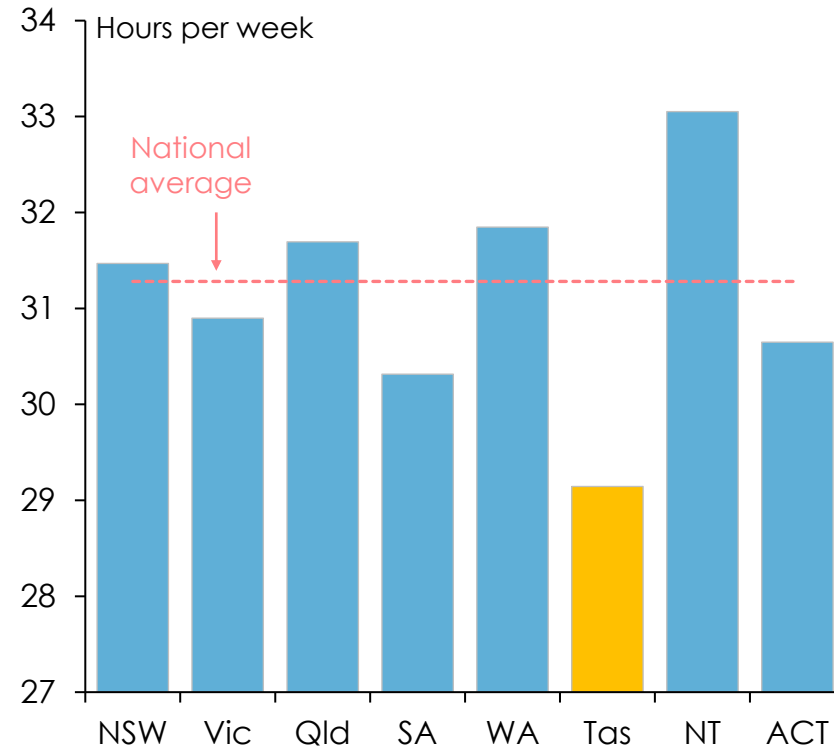
Tasmania's below-average per capita gross product reflects lower participation in employment, fewer hours worked and lower productivity

Participation in employment, 2019-20



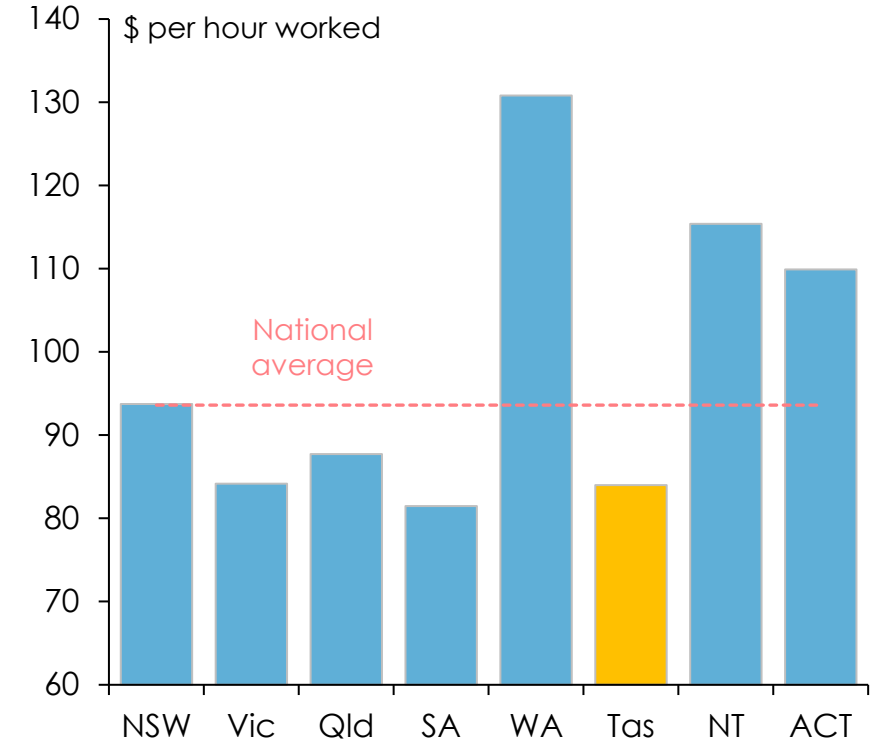
47% of Tasmanians have a job (cf. 50% of mainlanders) – which accounts for 36% of the difference between Tasmania's per capita GSP and the mainland's

Average hours worked, 2019-20



Tasmanians with jobs work 2.2 fewer hours per week than mainlanders – which accounts for 35% of the difference between Tasmania's per capita GSP and the mainland's

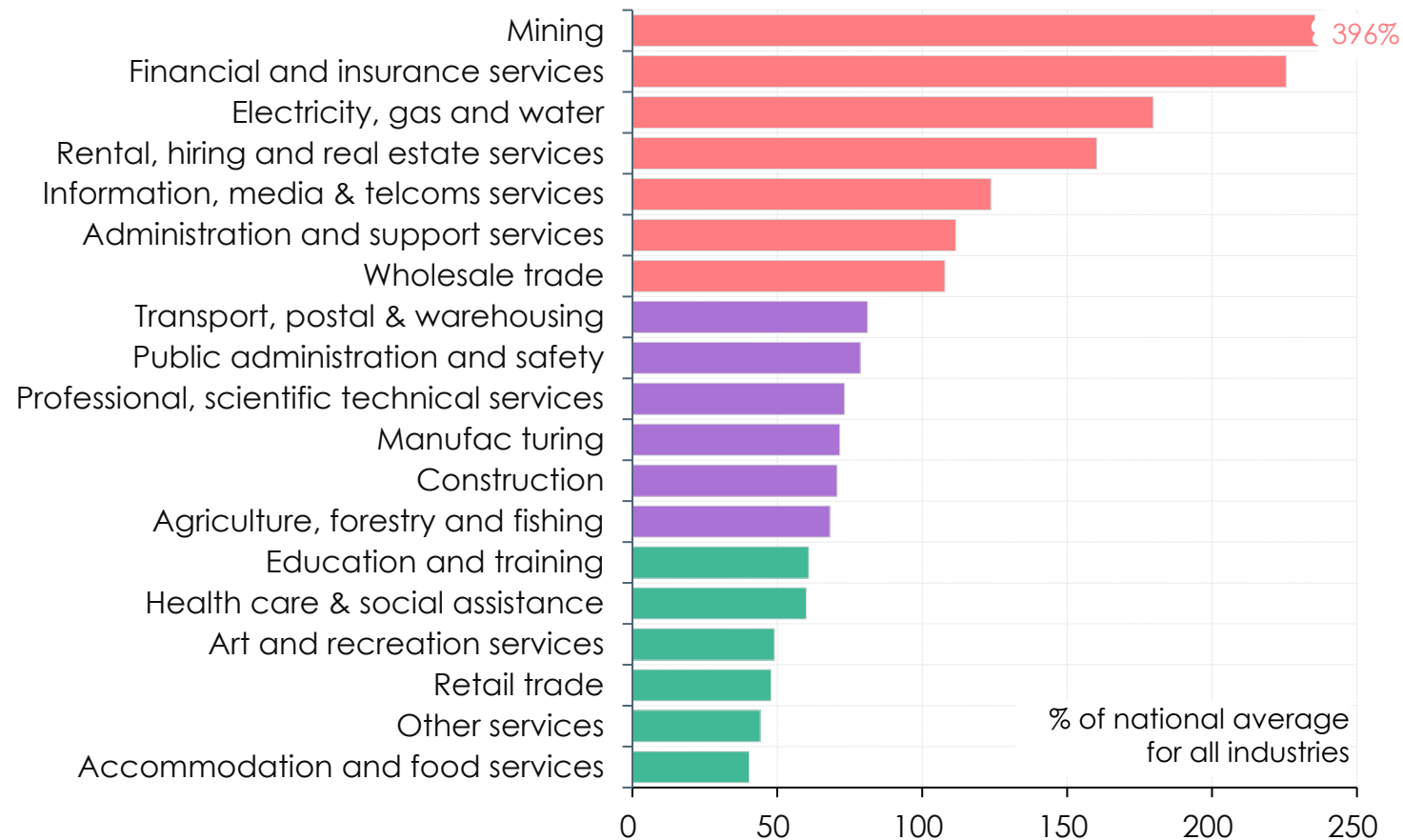
Output per hour worked (productivity), 2019-20



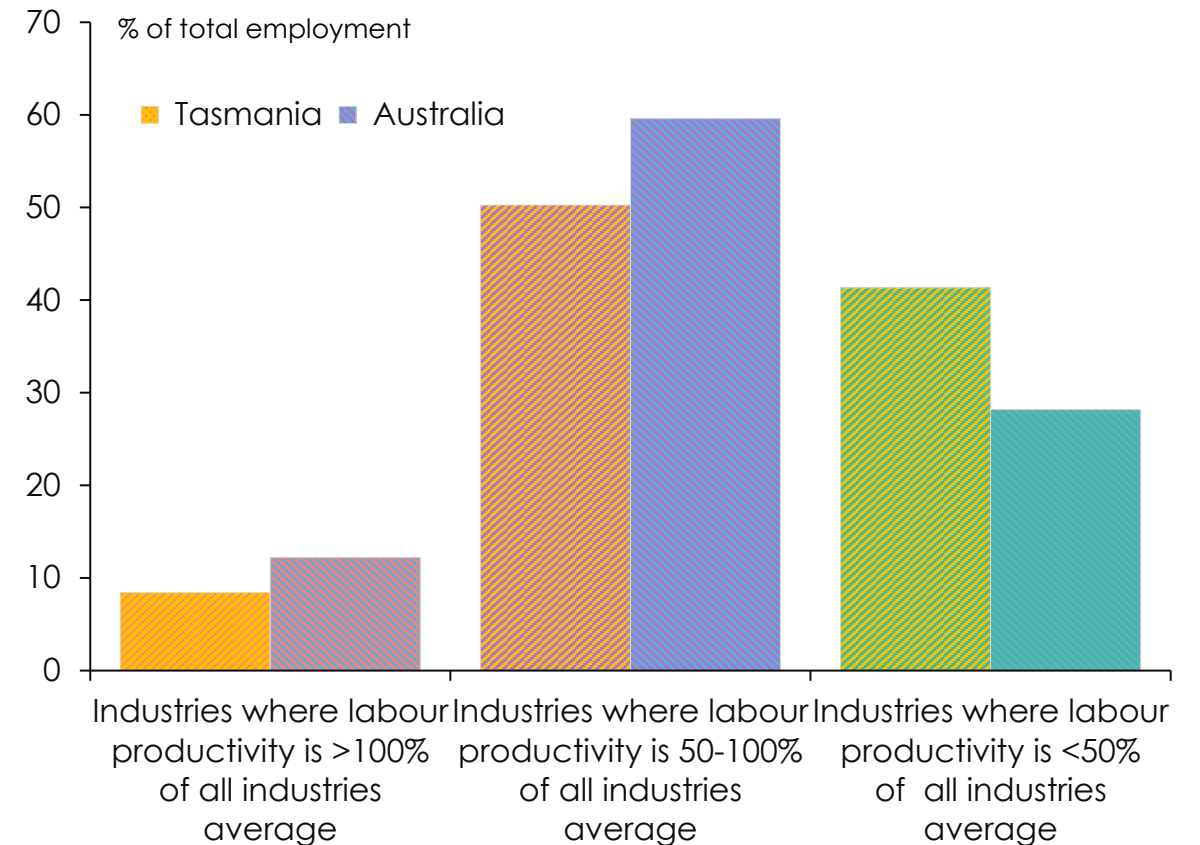
Tasmanians produce \$9.50 (10%) less for each hour they work than mainlanders – which accounts for 29% of the difference between Tasmania's per capita GSP and the mainland's

Relatively few Tasmanians work in intrinsically high-productivity industries, whereas a lot more work in low-productivity industries

Labour productivity by industry, Australia, 2018-19



Shares of total employment by industry groups ranked by productivity, 2018-19

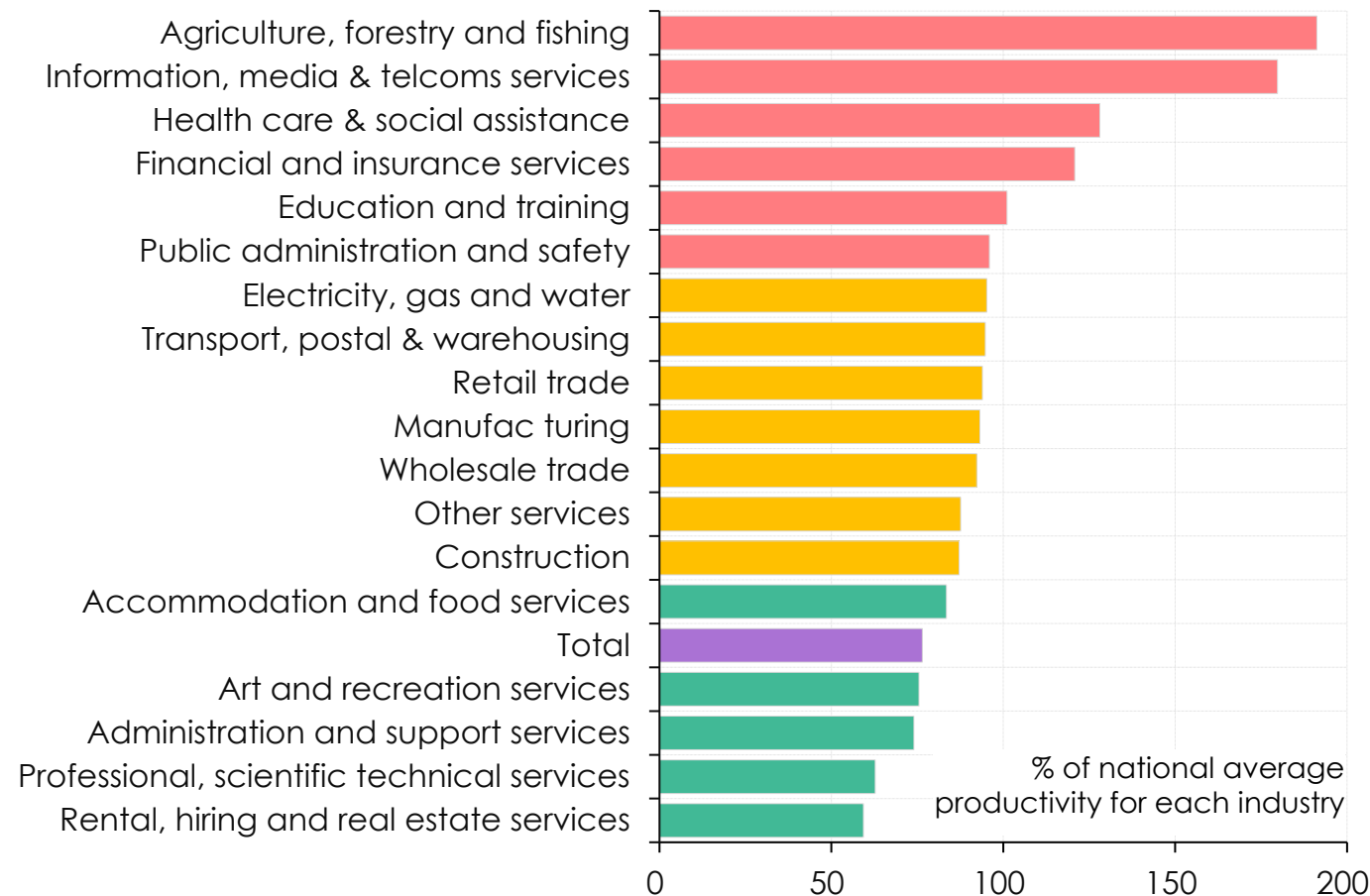


Only 8½% of Tasmanian workers are employed in industries where (nationally) labour productivity is higher than the all-industry average (cf. 12½¼% of Australian workers) – whereas 41% of Tasmanian workers are employed in industries where labour productivity is more than 50% below the all-industry average (cf. 28% of all Australian workers)

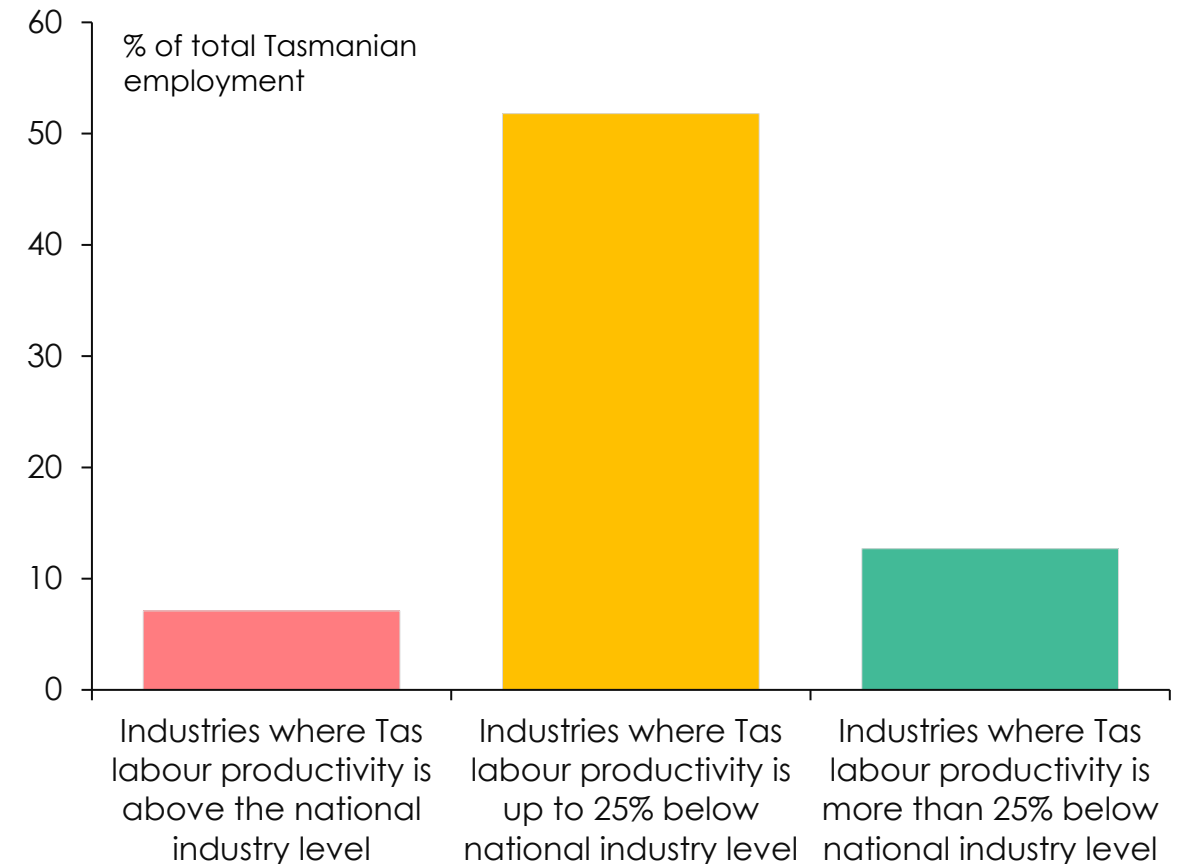
Note: 2018-19 data used in these charts because of Covid-19-related distortions to productivity measures in 2019-20.
Source: ABS, [Australian National Accounts: State Accounts, 2019-20](#) and [Labour Force, Australia](#).

65% of Tasmanian workers are employed in industries where labour productivity is below the corresponding national industry average

Labour productivity in Tasmanian industries as a percentage of national average productivity in those industries, 2018-19



Shares of total employment in Tasmania by industries ranked by productivity as pc of national average, 2018-19

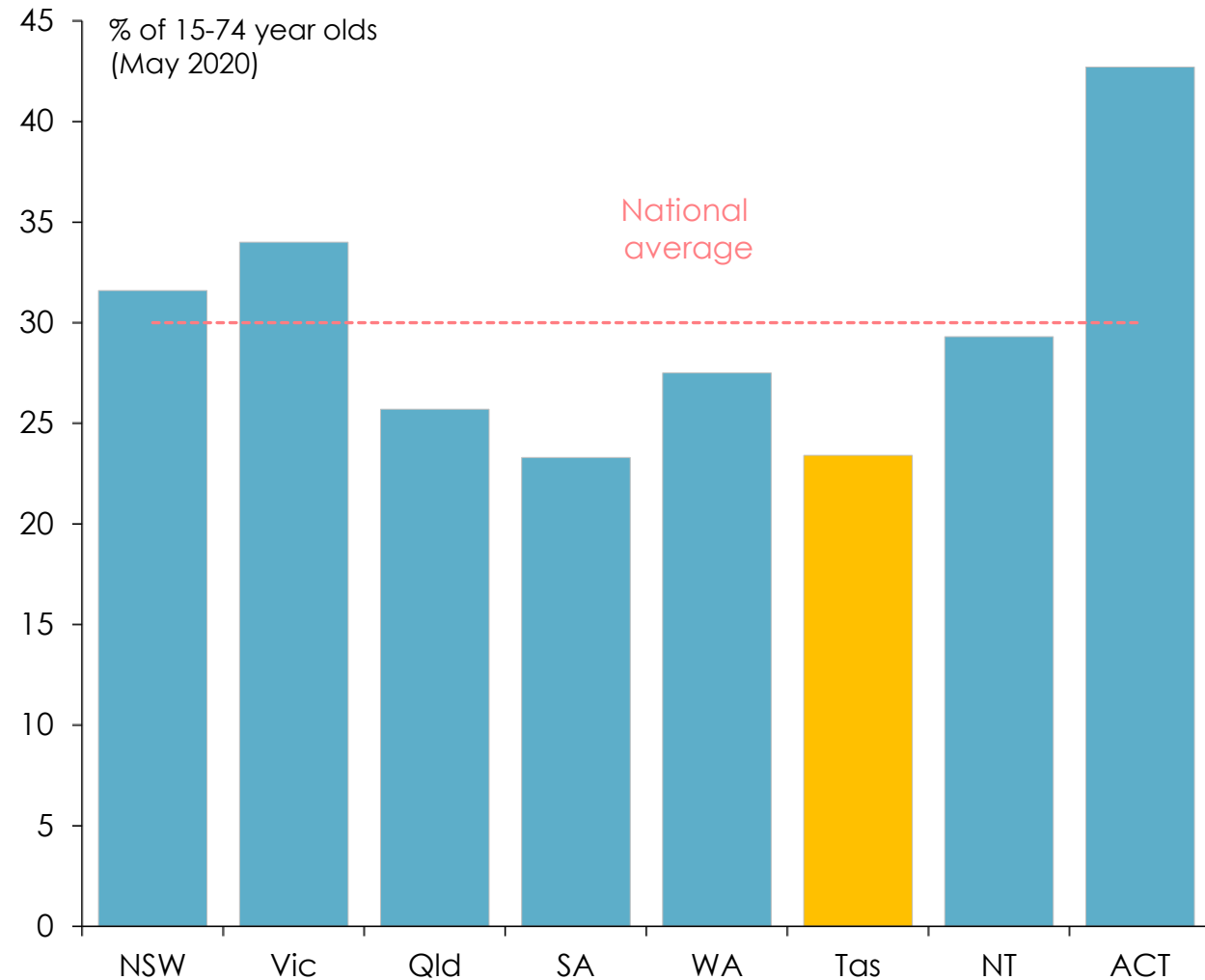


Only 35% of Tasmanian workers are employed in industries where their productivity is higher than the corresponding national averages for those industries – whereas 52% of Tasmanian workers work in industries where their productivity is up to 25% below the corresponding national average, and 13% where their productivity is more than 25% below the national average

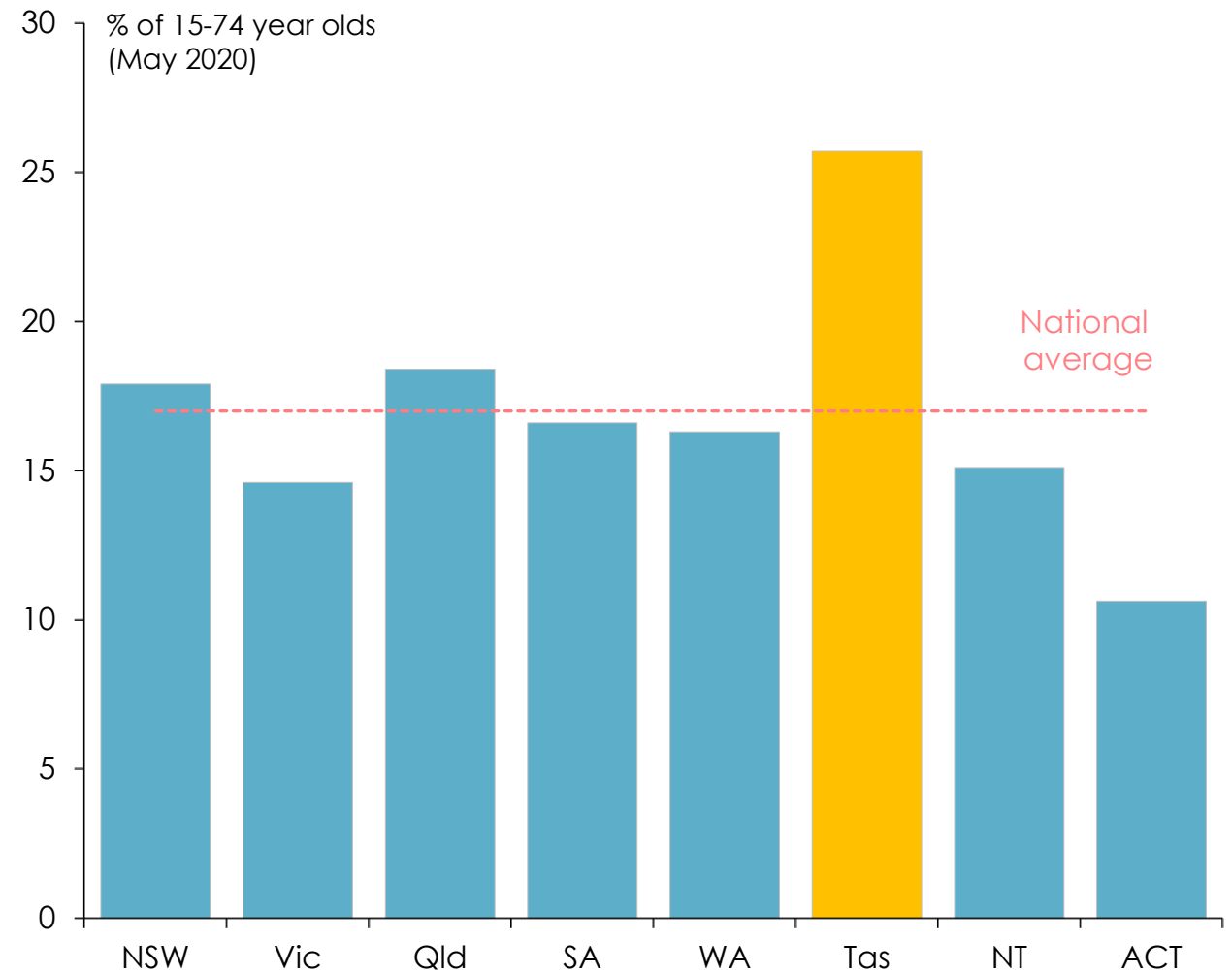
Note: 2018-19 data used in these charts because of Covid-19-related distortions to productivity measures in 2019-20.
Source: ABS, [Australian National Accounts: State Accounts, 2019-20](#) and [Labour Force, Australia](#).

A key reason for Tasmania's poor performance on the drivers of economic growth is its low levels of educational attainment

Proportion of 15-74 year-olds with a bachelor's degree or higher



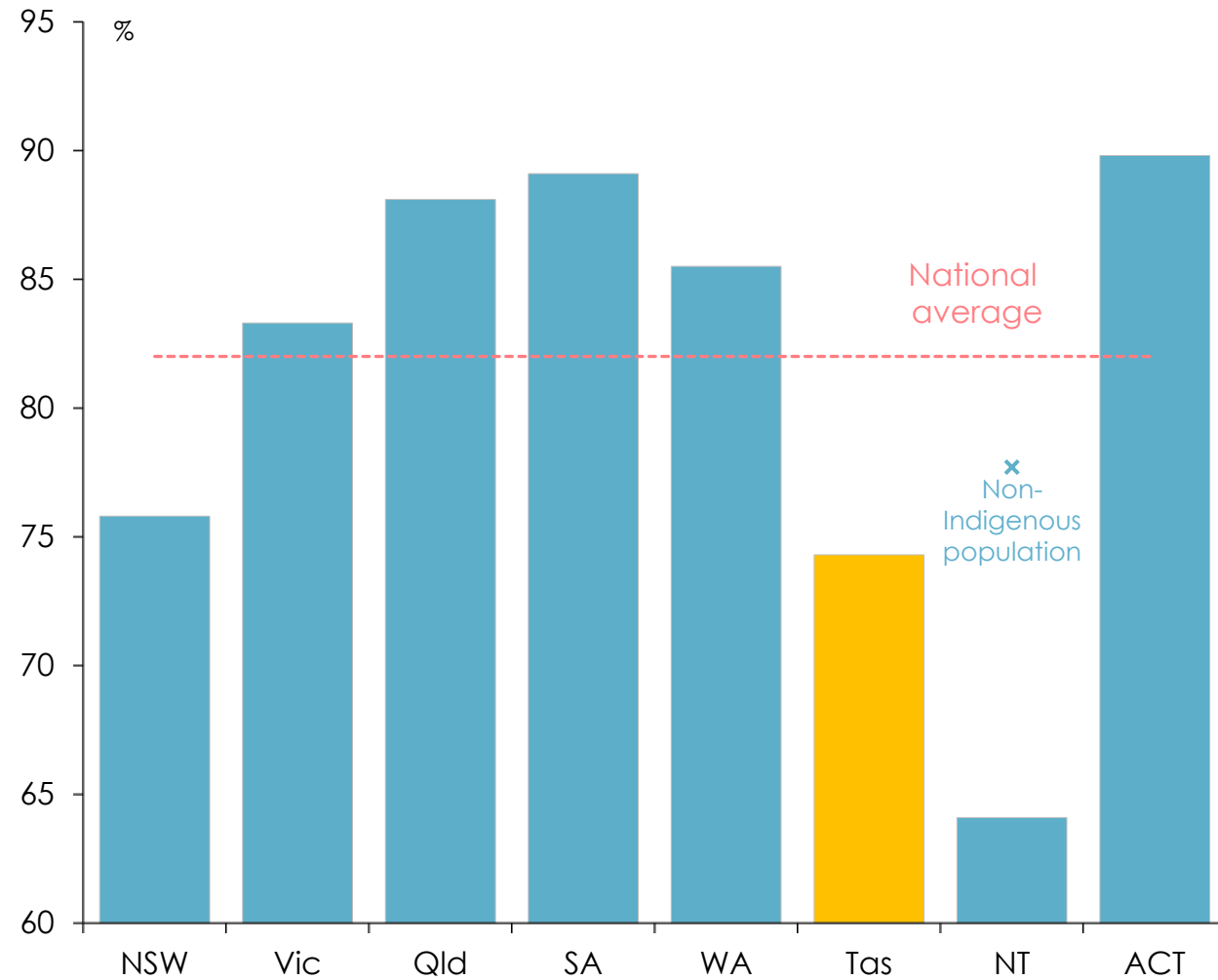
Proportion of 15-74 year-olds with no qualifications beyond Year 10



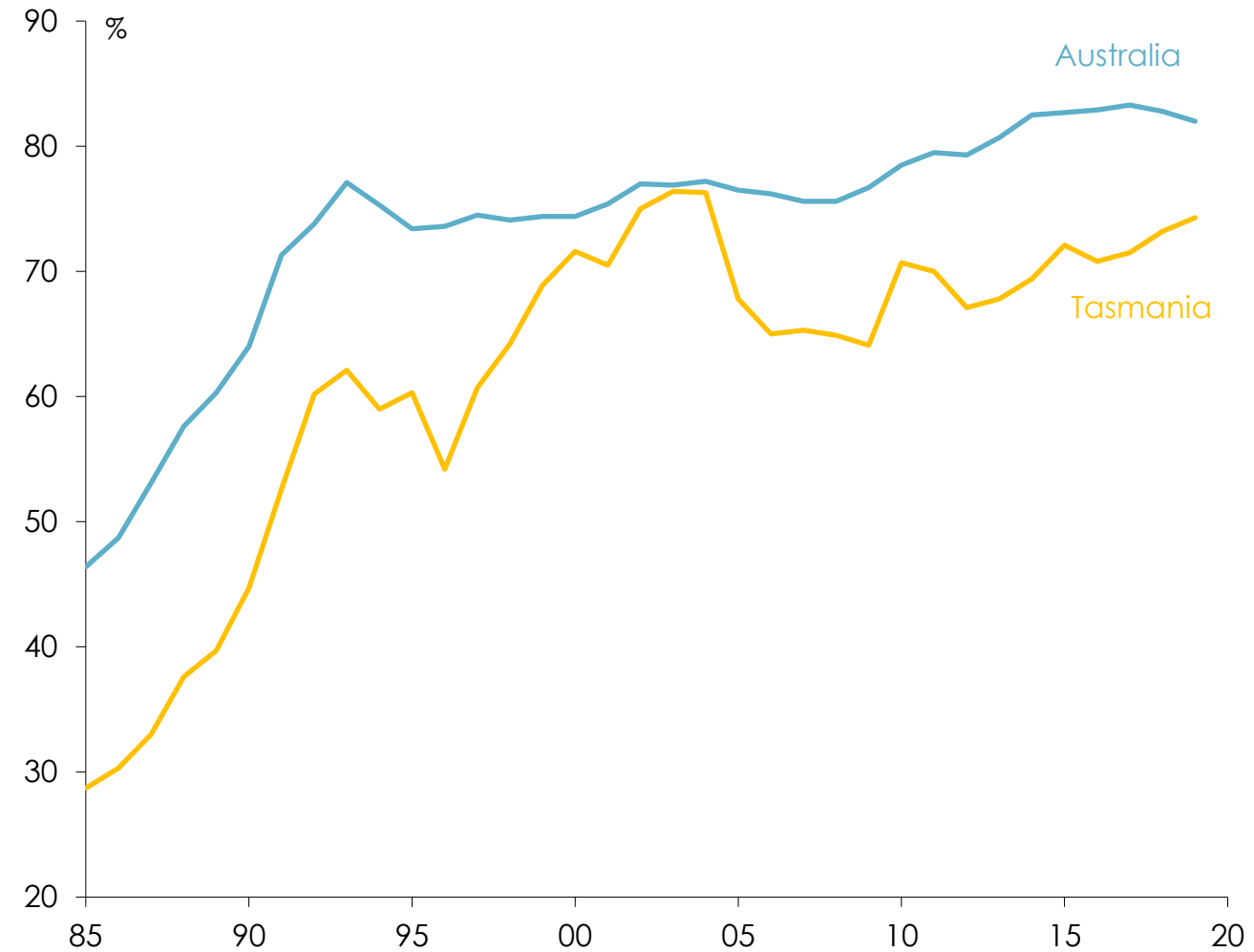
Source: ABS, [Education and Work, Australia](#).

Although there's been improvement over the past five years, Tasmania still has the lowest Year 12 retention rates in Australia (apart from the NT)

School retention rates from Year 10 to Year 12, states and territories, 2019



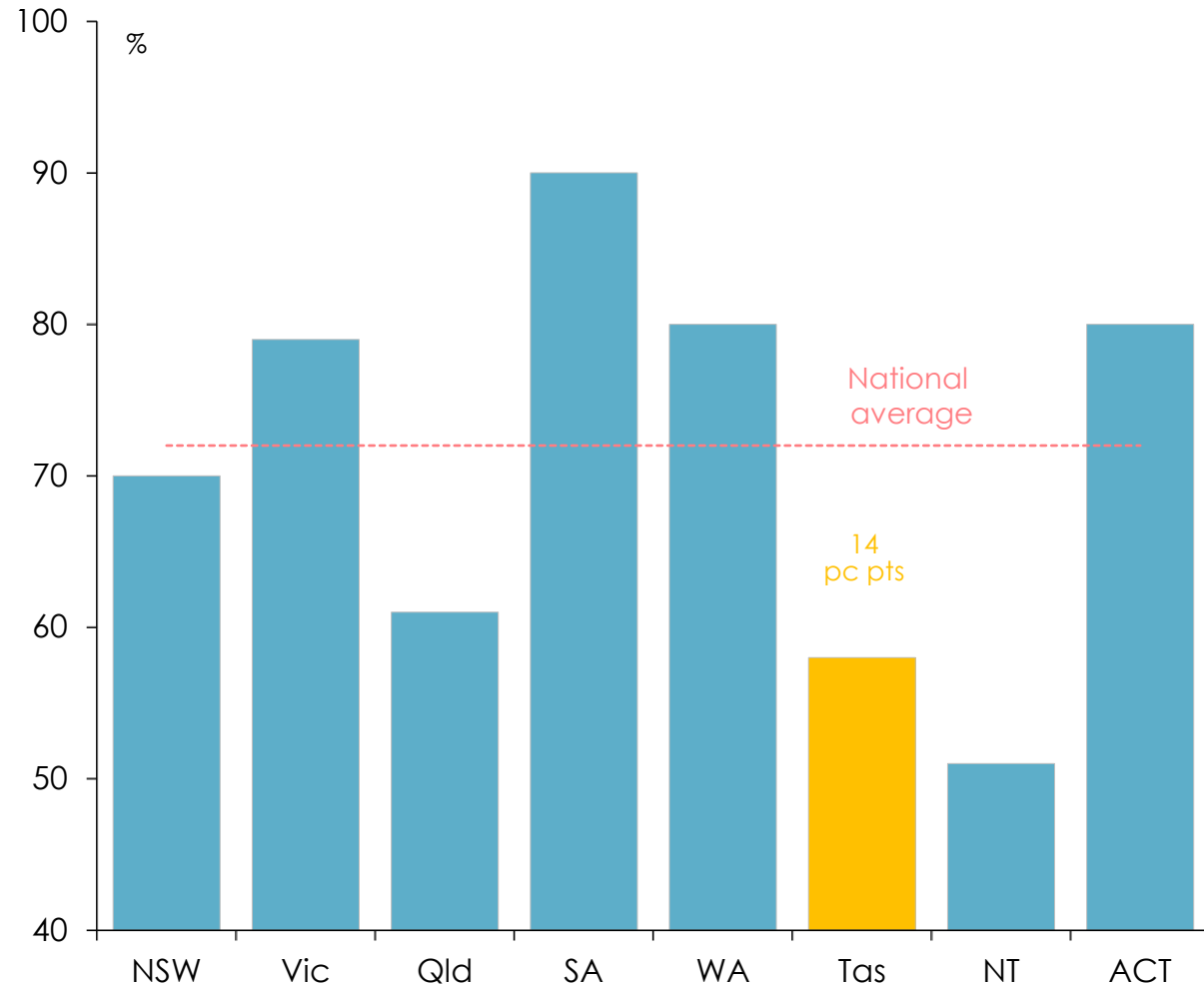
School retention rates from Year 10 to Year 12, Tasmania and Australia, 1985-2019



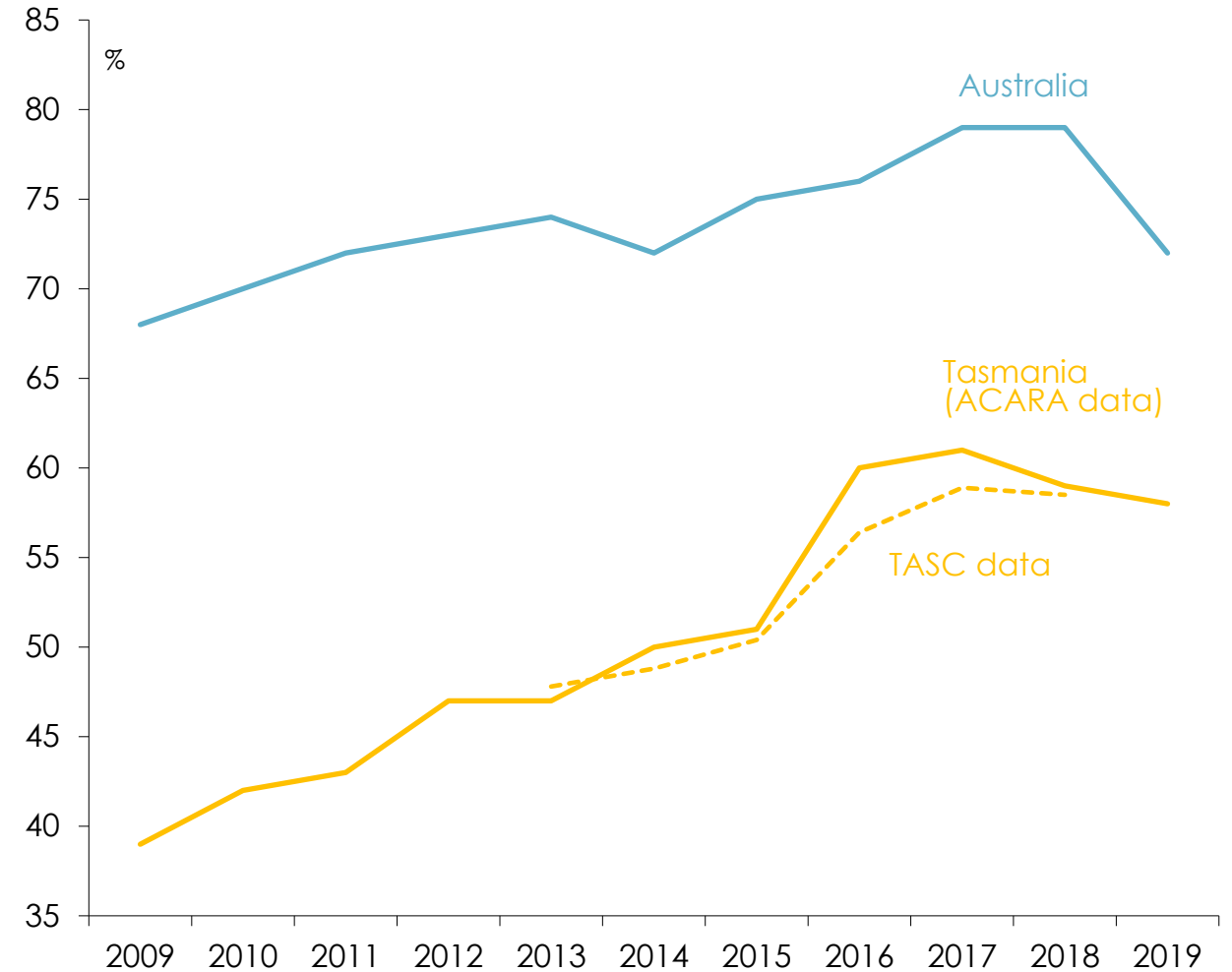
Source: ABS, [Schools](#).

Tasmania's Year 12 attainment rates are still the lowest in Australia (apart from the NT) and have appear to have declined since 2017

Year 12 attainment rates, states and territories, 2019



Year 12 attainment rates, Tasmania and Australia, 2009-2019



Note: the attainment rate is the proportion of the potential Year 12 population who meet the requirements of a Year 12 certificate. Sources: Productivity Commission [Report on Government Services 2021 - School Education](#); Office of Tasmanian Assessment, Standards and Certification (TASC), [TCE Statistics](#). TASC data for 2019 are still not available.

The three big flaws in Tasmania's education system

❑ Tasmania has 'too many' small schools

- Tasmanian government primary schools have 267 FTE students, on average (in 2019) cf. the mainland average of 335, while government secondary schools have 638 FTE students on average cf. the mainland average of 893
- this is the main reason the Tasmanian system spends proportionately per student more on non-scalable 'fixed costs' (principals, clerical-admin and maintenance staff)
- there's no evidence that small schools produce better educational outcomes than larger ones
- it shouldn't be the function of the education budget to prop up otherwise non-viable communities (that's prioritizing the desires of adults above the needs of children)

❑ Tasmania's school curriculum is excessively influenced by 'fads' imported from Victoria

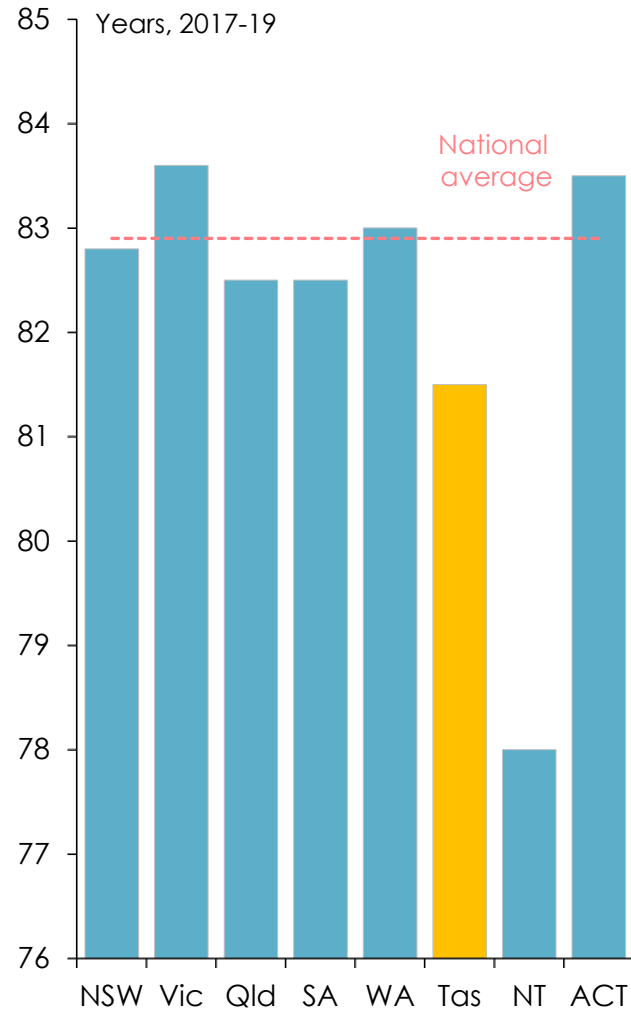
- such as 'whole language' instruction rather than phonics in early primary school years

❑ Tasmania's system of separate colleges for Year 11 and 12 acts as a barrier to retention beyond Year 10, especially for students from households with no tradition or 'lived experience' of senior secondary or tertiary education

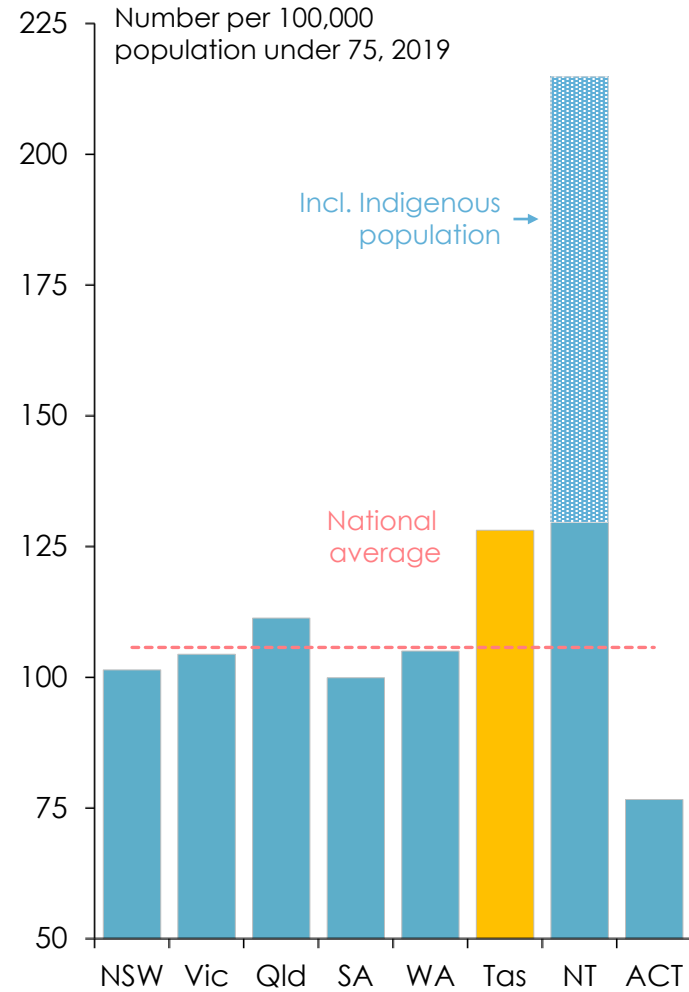
- unlike students in every other jurisdiction except the ACT, Tasmanian students traditionally haven't been able to finish Year 12 where they start Year 7 ...
- ... and so they aren't able to see, every day, 'big kids' doing Year 11 and 12 ("you can't be what you can't see")
- students who have reached Year 10 with the support of teachers and other staff who have had four years in which to get to know their strengths and weaknesses then typically have to abandon those relationships and start anew, with teachers and other staff who will only have two years with them
- while the present Government has extended Y11 and 12 courses to all high schools, the more talented and motivated students are still opting for the colleges, (unintentionally) undermining the intent of 'extension courses'
- if Tasmania's system is so good, how come no other jurisdiction (except the ACT) has copied it?
- and the ACT is so different from Tasmania it might as well be Mars for all that its experience is relevant to Tasmania's

Tasmanians typically experience poorer health than other Australians (with the conspicuous exception of Indigenous Australians)

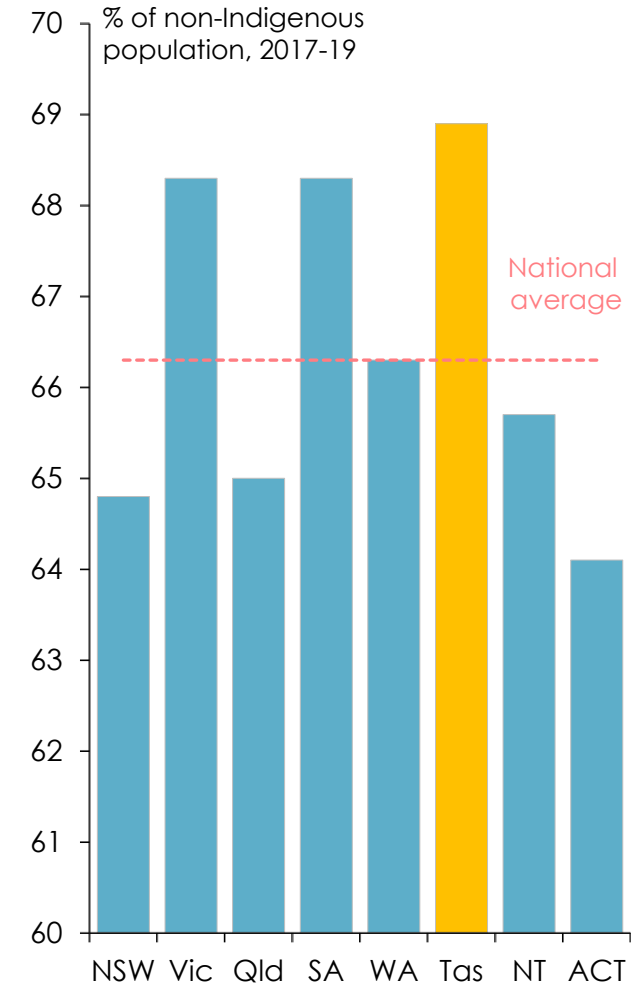
Life expectancy at birth



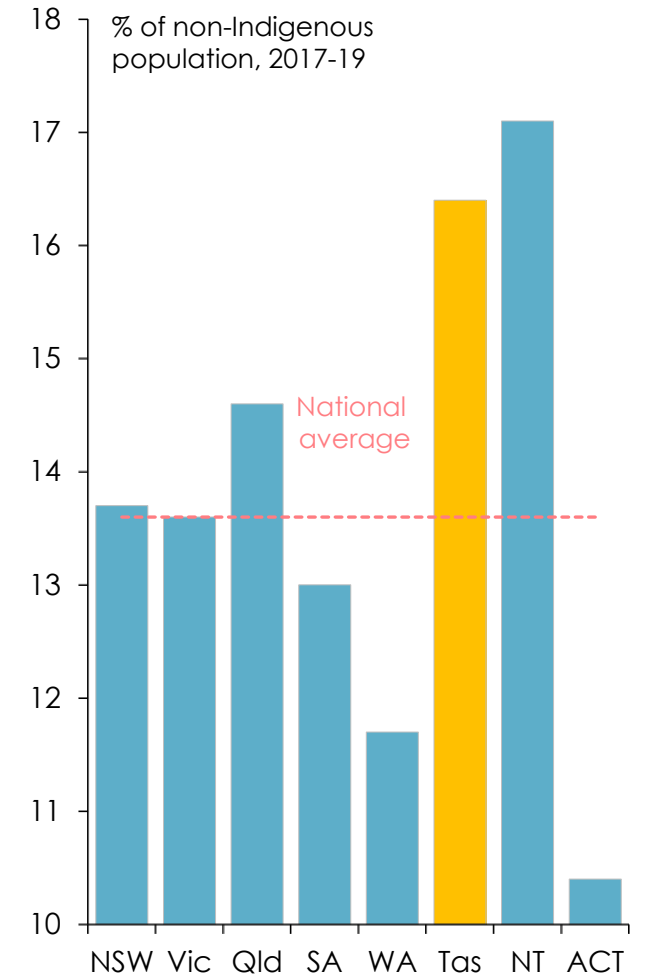
Age-standardized mortality rates of potentially avoidable deaths under 75



Overweight or obesity rates for adults

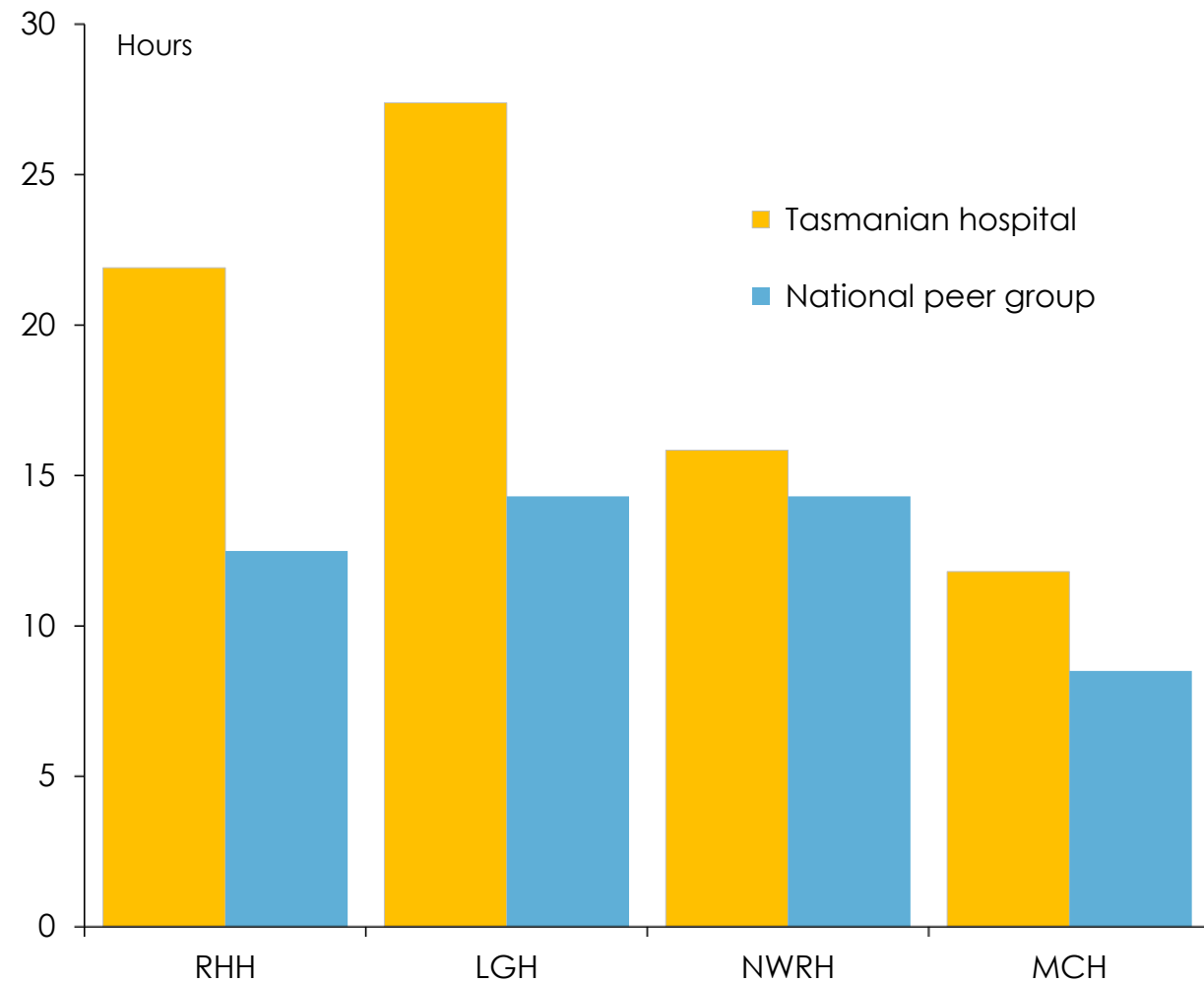


Daily smokers

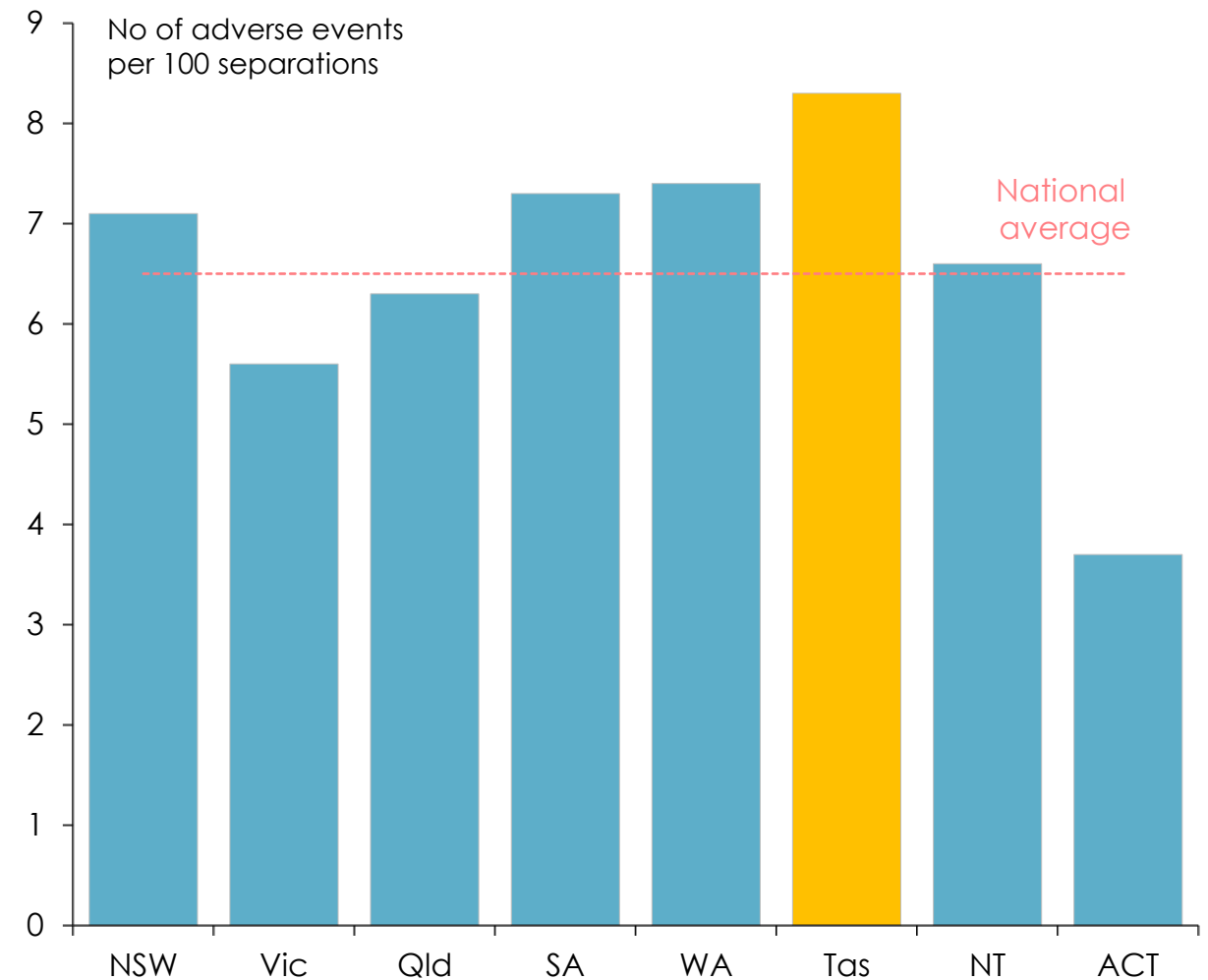


Tasmania's hospital system performs poorly compared with other states

Emergency Department waiting times for patients needing admission at 90th percentile, 2018-19



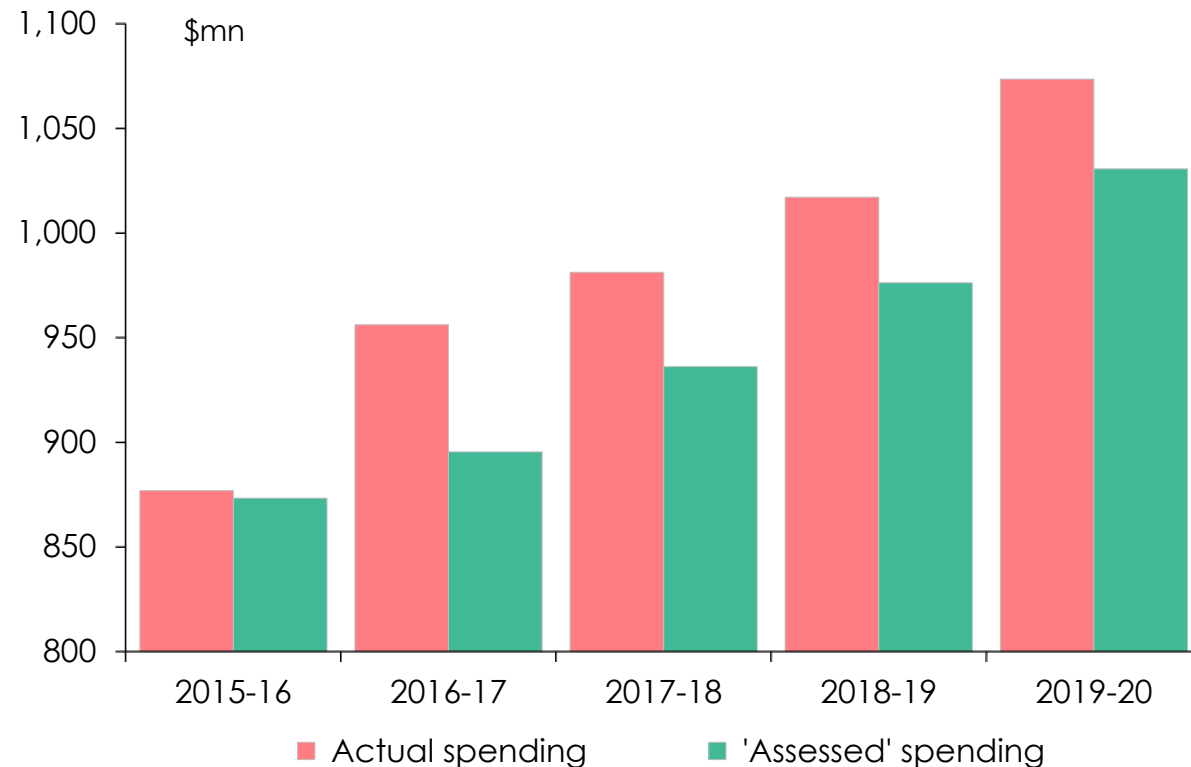
Hospital separations with an adverse event per 100 separations, 2017-18



Note: 'ED waiting times for patients at the 90th percentile' means the average time within which 90% of patients are admitted to a ward – the remaining 10% have to wait longer than this. Sources: Australian Institute of Health and Welfare, [Australia's hospitals at a glance 2018-19](#); Martyn Goddard, *State of Health 2020*.

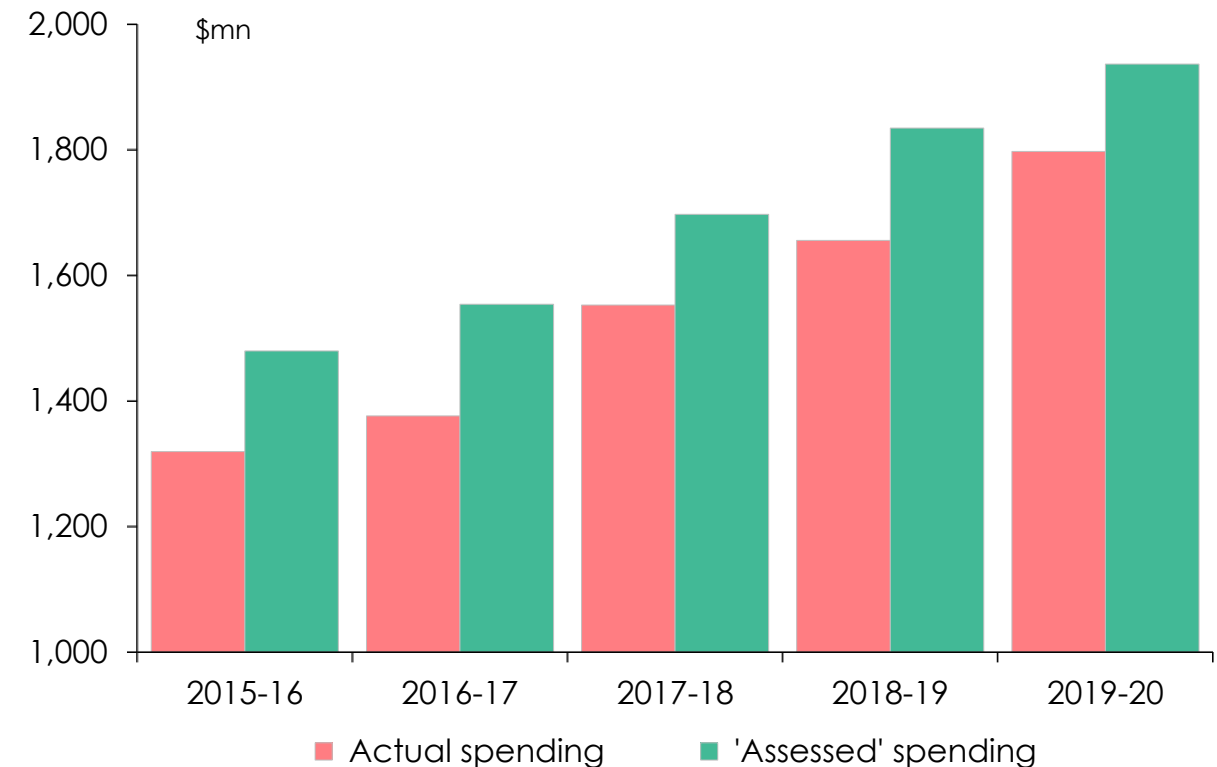
Tasmania doesn't need to spend more on schools (it needs to spend what it spends differently) – but it does need to spend more on health

Commonwealth Grants Commission's assessment of Tasmanian spending on schools, 2019-20



The Grants Commission reckons Tasmania has spent an average of \$39mn (4%) per annum more on schools than needed to provide the same “standard of services” as the average of all states and territories

Commonwealth Grants Commission's assessment of Tasmanian spending on health, 2019-20



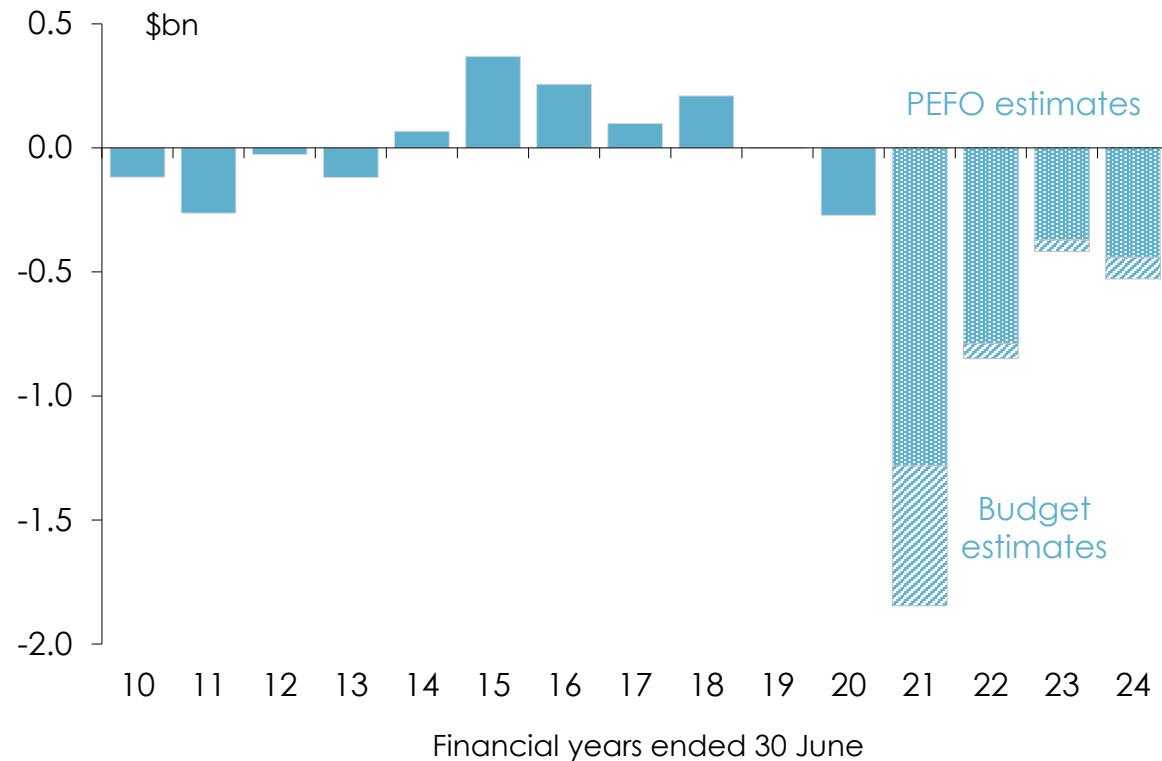
The Grants Commission reckons Tasmania has spent an average of \$160mn (10%) per annum less on health than needed to provide the same “standard of services” as the average of all states and territories

Note: The Grants Commission's "assessed spending" is the level of expenditure on a particular service which it assesses as being required in a state or territory in order to provide the same standard of that service as the average of all states and territories, after taking into account differences in the need or demand for that service and in the unit cost of providing it, between that state or territory and the average of all. These assessments (and similar assessments for revenue-raising) form the basis for the Commission's determination of GST revenue-sharing relativities.

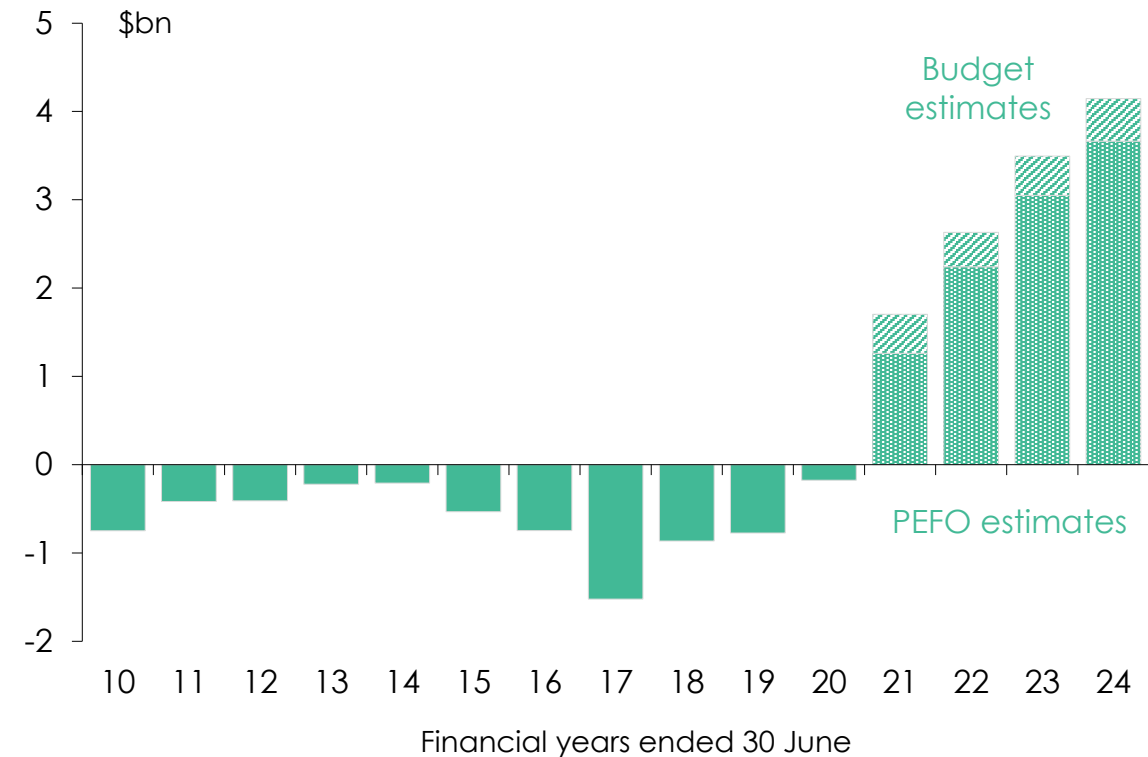
Source: Commonwealth Grants Commission, [2021 Update](#) [of GST revenue-sharing relativities], 15th March 2021.

Tasmania's finances now look to be in better shape than forecast in last November's Budget, or in February's 'Revised Estimates Report'

Tasmanian 'general government' sector cash balance



Tasmanian 'general government' sector net debt



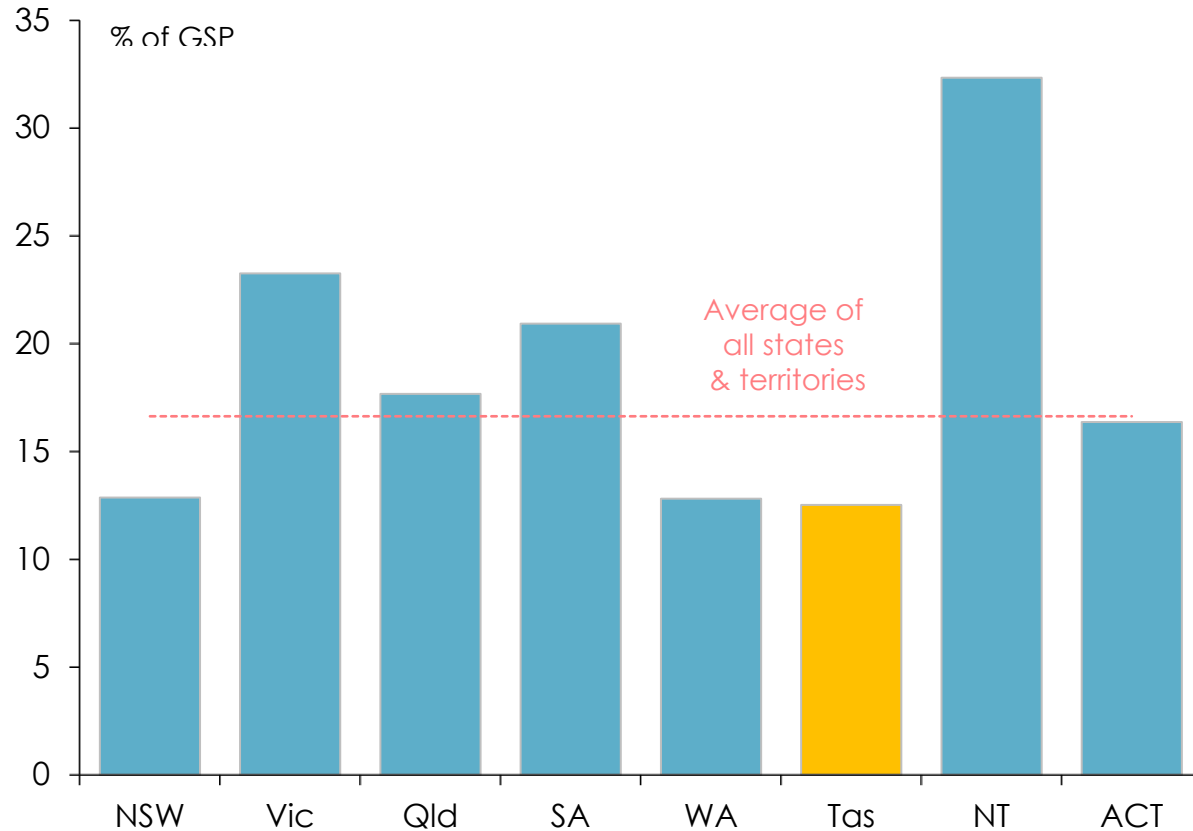
State Treasury estimates that budget cash deficits over the four years to 2023-24 will be \$717 mn less than projected in last November's state budget – largely thanks to an increase in Tasmania's share of GST revenues, and projected 'underspend' on infrastructure

As a result, net debt will be \$717mn (or 16%) less than projected last November (and \$483mn less than forecast in February) – which means that the promises made during the election campaign can probably be funded without resulting in a worse 'bottom line' than previously anticipated

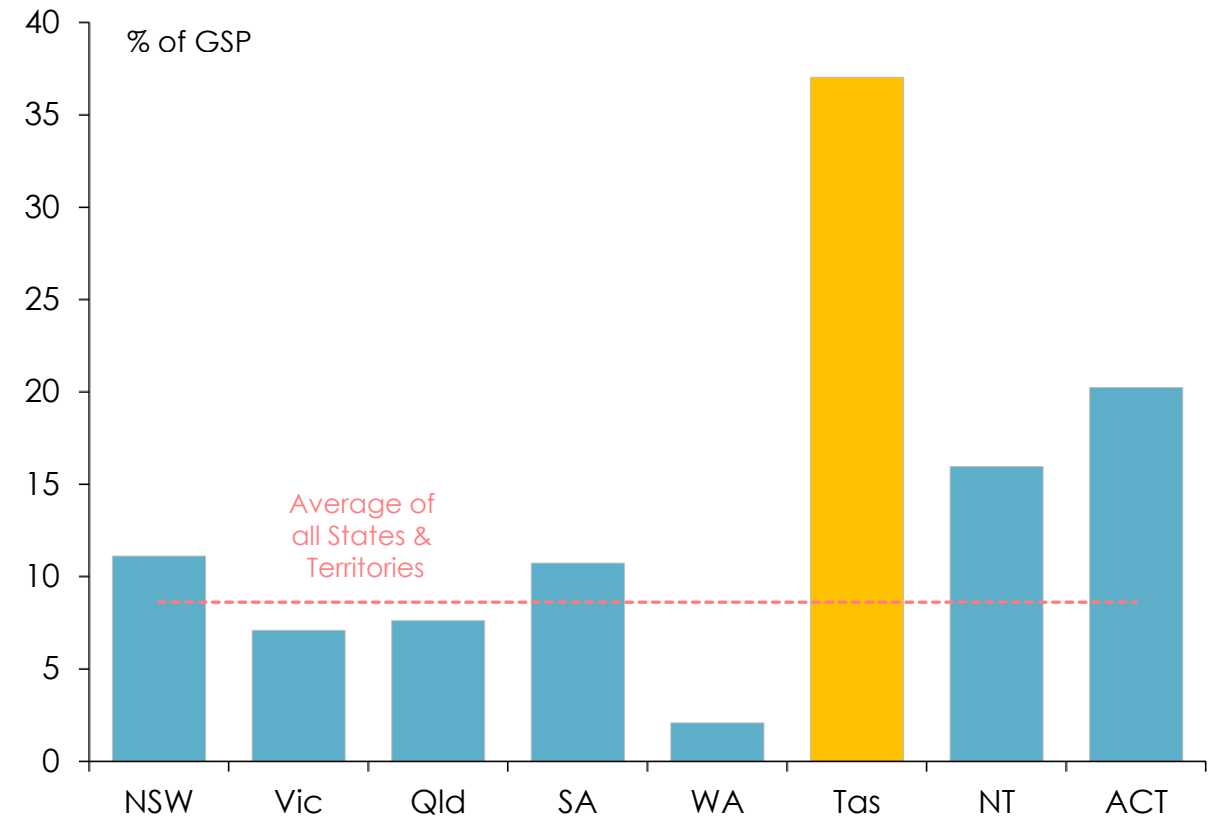
Note: The 'general government' sector comprises departments and agencies funded primarily by taxation revenue and/or grants.
Sources: Tasmanian Government, [2020-21 Budget Paper No 1](#) (November 2020) and [Pre-Election Financial Outlook Report](#) (April 2021).

Tasmania has less public debt than other states and territories – but a much larger unfunded public sector superannuation liability

Non-financial public sector debt as at 30th June 2021, states and territories



Non-financial public sector unfunded superannuation liabilities as at 30th June 2021, states and territories

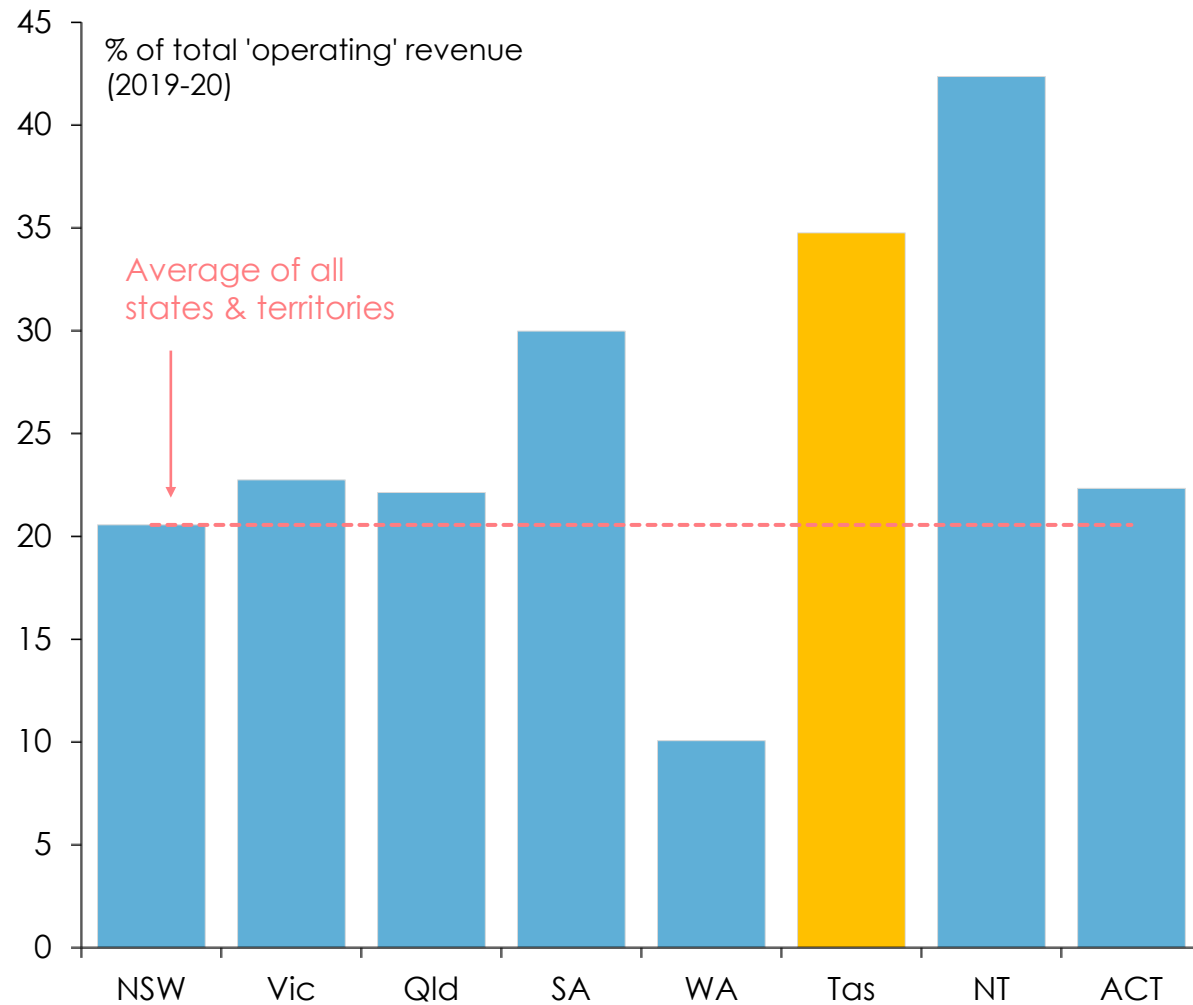


Servicing the unfunded public sector superannuation liability imposes a burden on the budget in the same way as interest payments on public debt – the only differences being that the cost of lump-sum or pension payments to retiring and retired state employees is less variable than interest payments, and the liability isn't subject to 'roll-over' risk in the way that public debt is – but it still absorbs cash that therefore can't be spent on public services

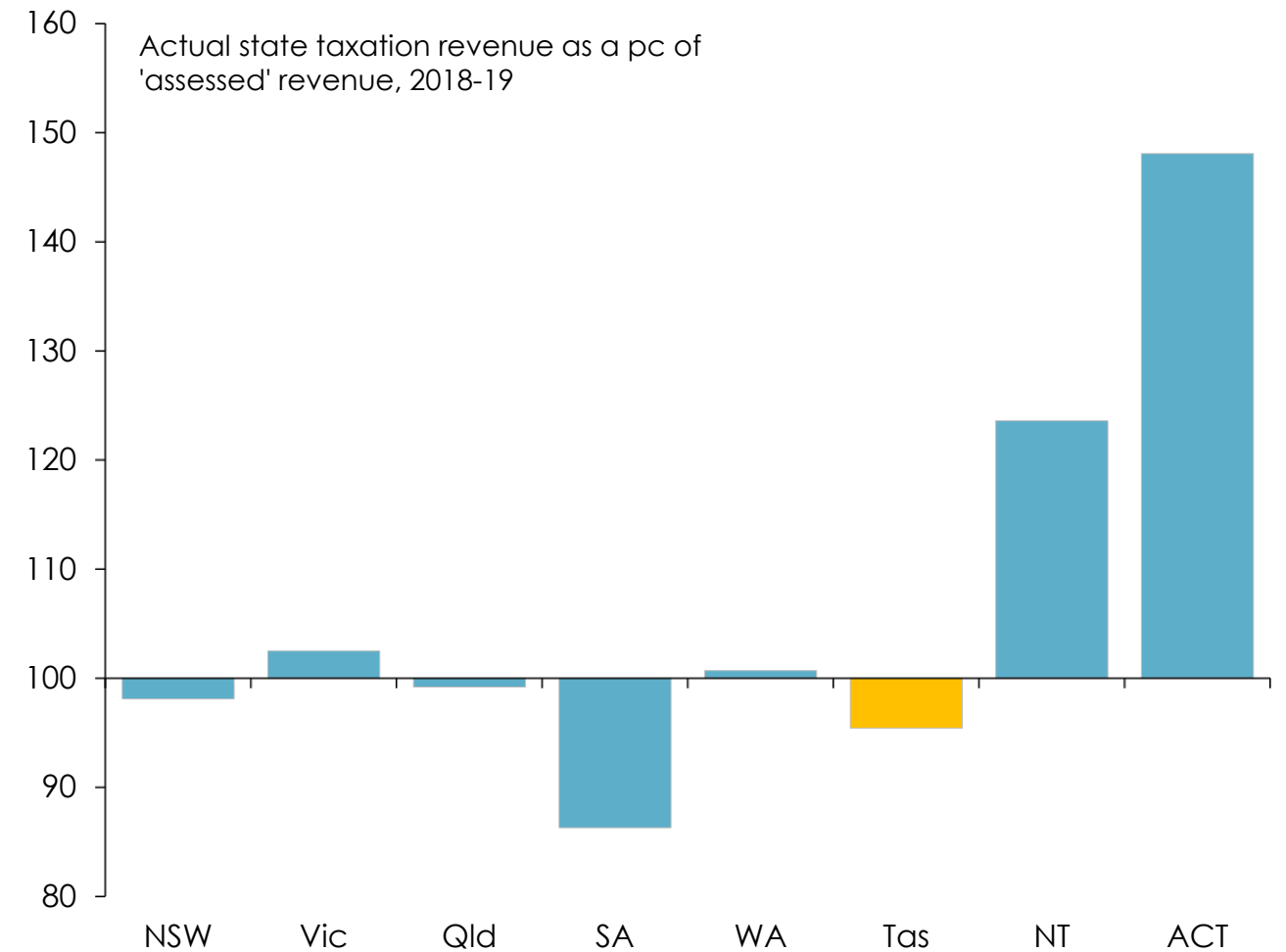
Note: The non-financial public sector includes the 'general government' sector and government business enterprises or state-owned companies (such as Hydro Tasmania) but excludes public financial enterprises (such as the MAIB). Sources: state and territory 2020-21 Budget Papers; Corinna.

The Tasmanian state government is very dependent on its share of GST revenues – what the Grants Commission giveth, it can taketh away

GST revenue as a proportion of total revenue, states and territories, 2019-20



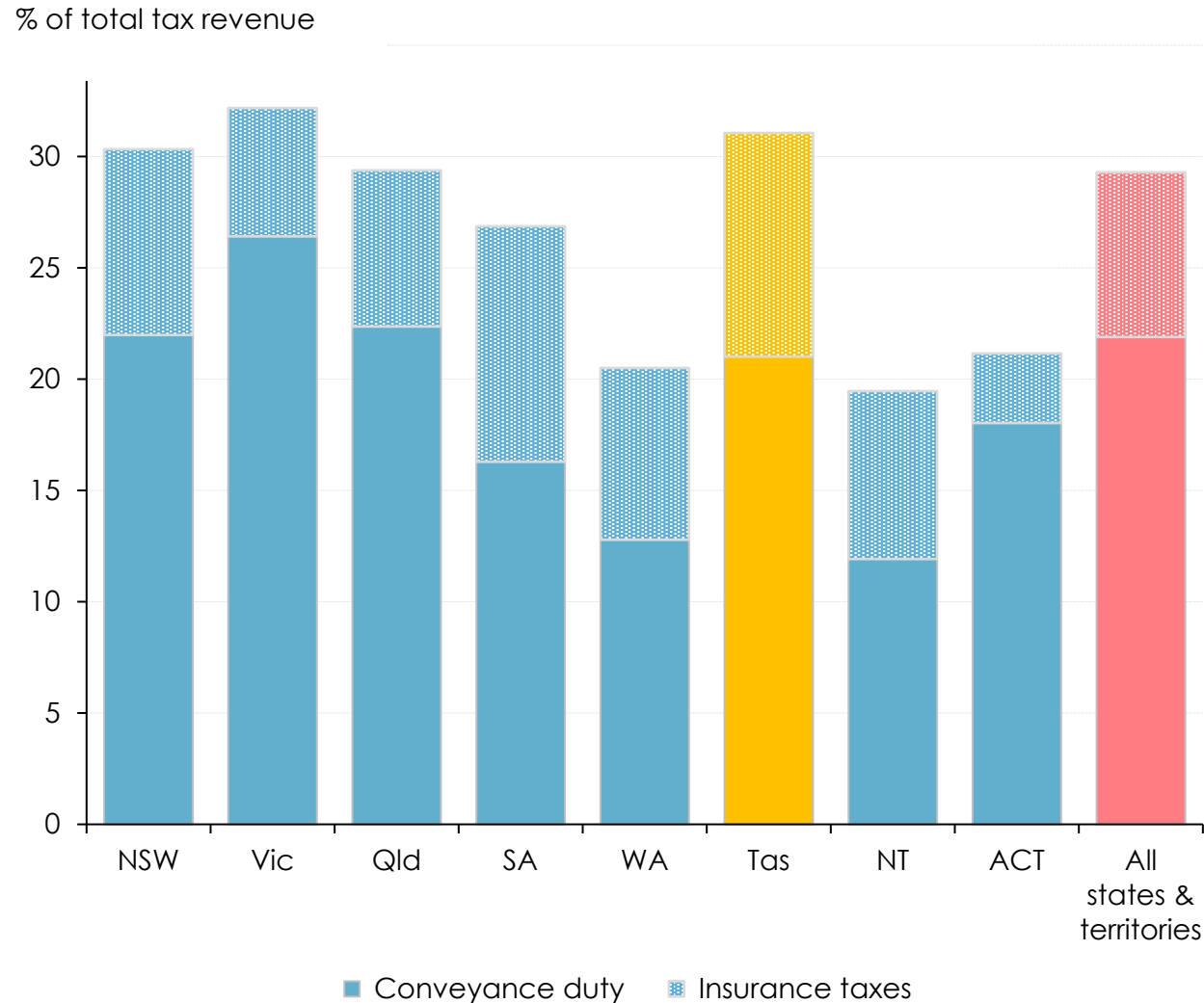
State taxation revenue as a pc of Grants Commission 'assessed revenue', states and territories, 2018-19



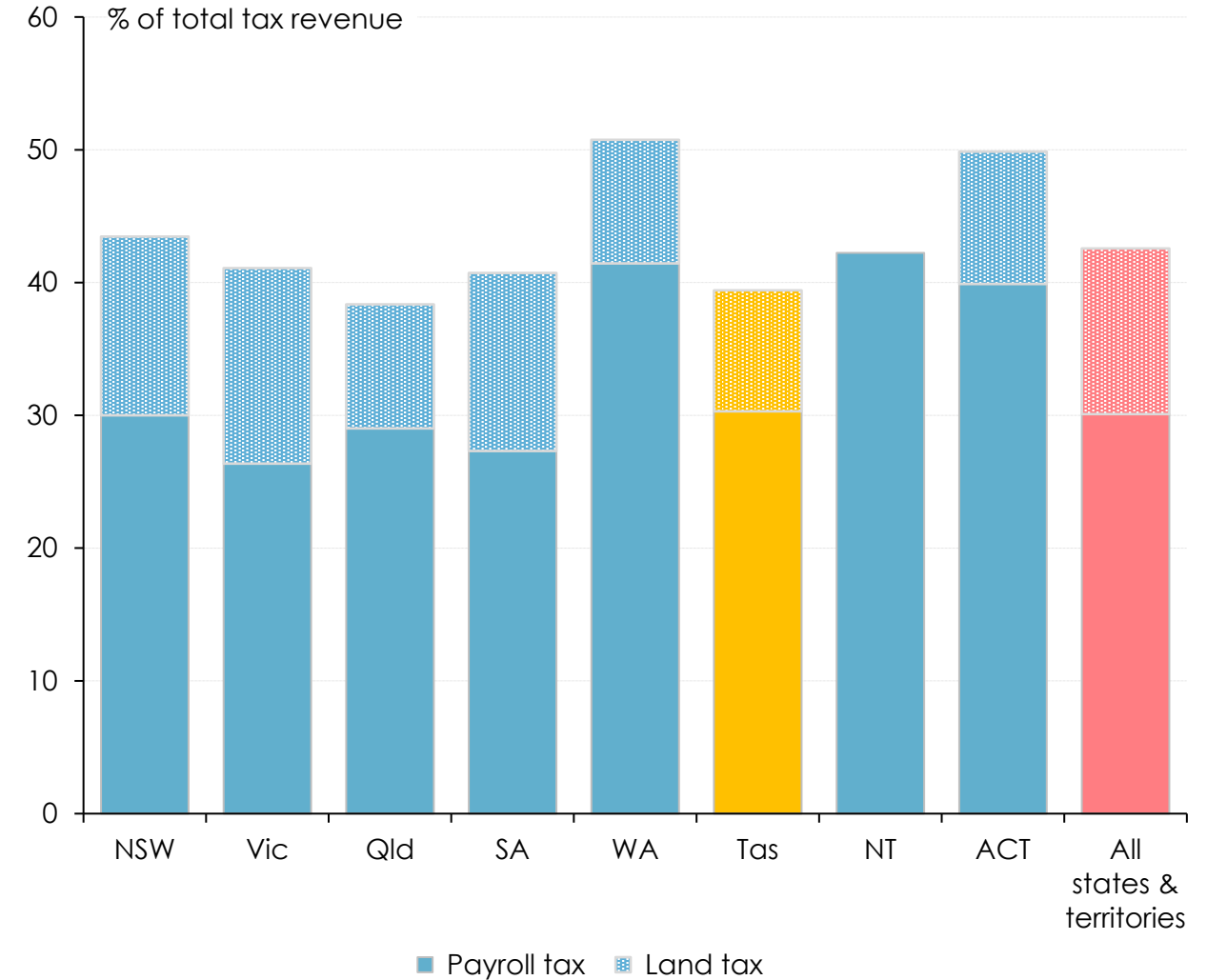
Note: 'assessed revenue' is the revenue which the Commonwealth Grants Commission estimates would be raised by each state and territory if its tax regime were of the same 'severity' (rates and base) as the average of all states and territories. The figure for the ACT is biased upwards because it includes municipal-type revenues such as rates. Sources: Federal, state and territory 2020-21 Budget Papers; Commonwealth Grants Commission [2020 Review](#).

Reform of Tasmania's tax system could improve both 'efficiency' (reducing distortions) and 'equity' (reducing unfairness)

Revenue from 'bad' state taxes as a pc of total state taxation revenue, 2018-19



Revenue from 'good' state taxes as a pc of total state taxation revenue, 2018-19



Sources: ABS, [Taxation Revenue Australia](#); Corinna.

The Tasmanian Government's attitude to tax reform is very different from that of its Liberal counterpart in New South Wales

NSW Treasurer Dominic Perrottet

“The challenges we face will demand every ounce of effort, ingenuity and imagination our State can muster”

[the State Government has] “an obligation to future generations: to leave our State and our nation better than we found it”

“for state governments, the reform with the greatest potential to unlock prosperity is tax”

[The proposal to replace stamp duty on land transfers with a broader land tax is] “the most important state economic reform of the last half century” [and one which would] “generate 75,000 new jobs and add an extra \$3,300 of income for every household in NSW”

- [NSW Budget Speech 2020-21](#)
17th November 2020

Tasmanian Premier & Treasurer Peter Gutwein

“In terms of ensuring the context of tax reform and having a more efficient and sustainable tax base, the challenge we face in Tasmania ...to actually broaden our bases means that we impose taxes on a lot of people who currently don't pay tax

“The simple fact of the matter is very few Tasmanians actually pay state tax”

“I was surprised the New South Wales government would actually embark upon a taxation discussion at this point”

“I honestly don't believe that right now is the time for a discussion about tax reform”

- [Legislative Council Estimates Committee A](#)
1st December 2020

Important information

This document has been prepared by Saul Eslake on behalf of Corinna Economic Advisory Pty Ltd, ABN 165 668 058 69, whose registered office is located at Level 11, 114 William Street, Melbourne, Victoria 3000 Australia.

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