

TASMANIA'S ECONOMY AND EDUCATION SYSTEMS IN THE TIME OF COVID-19 (AND AFTERWARDS)

PRESENTATION TO THE UNIVERSITY OF TASMANIA STRATEGIC FORUM

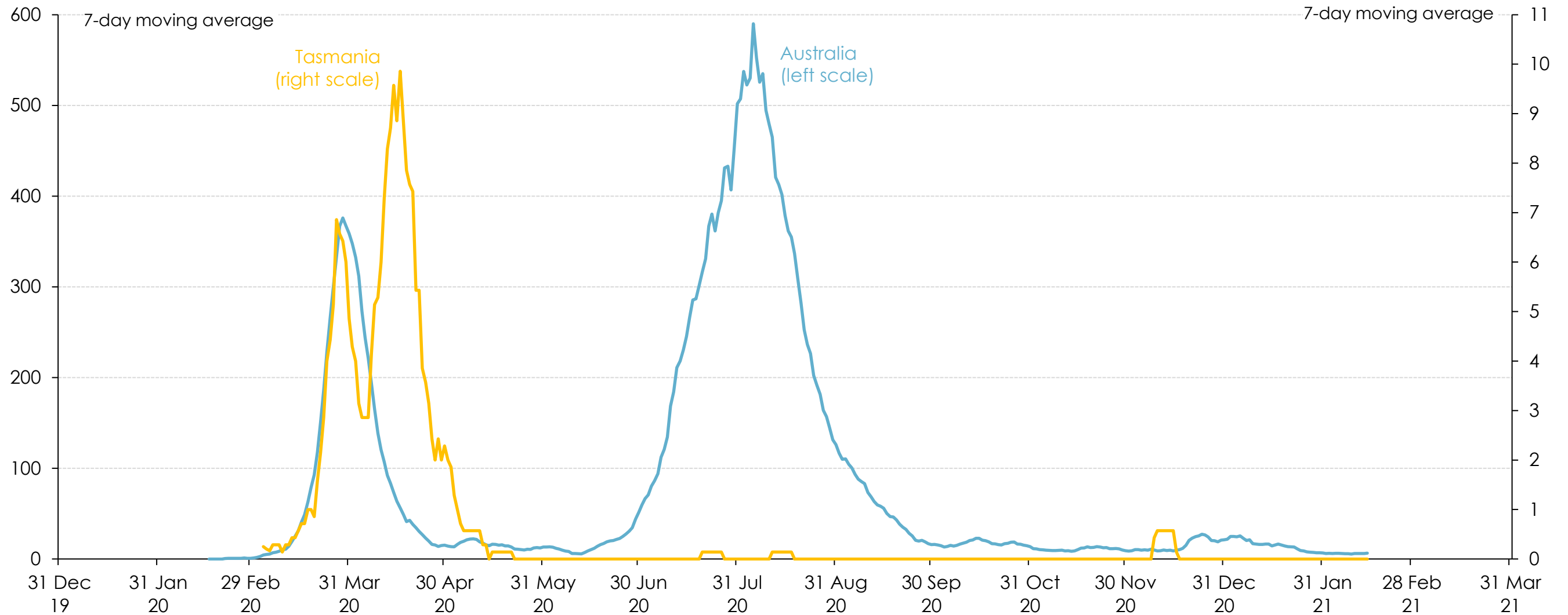
HOBART
18TH FEBRUARY 2021

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY PTY LTD

Tasmania's experience of Covid-19

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

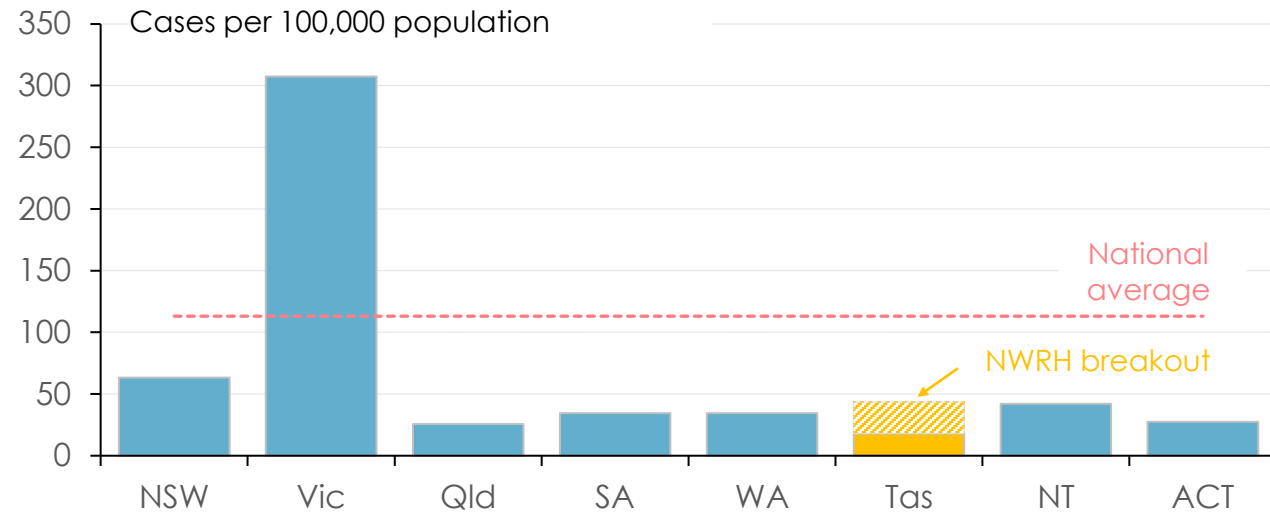
New confirmed Covid-19 cases, Tasmania and Australia



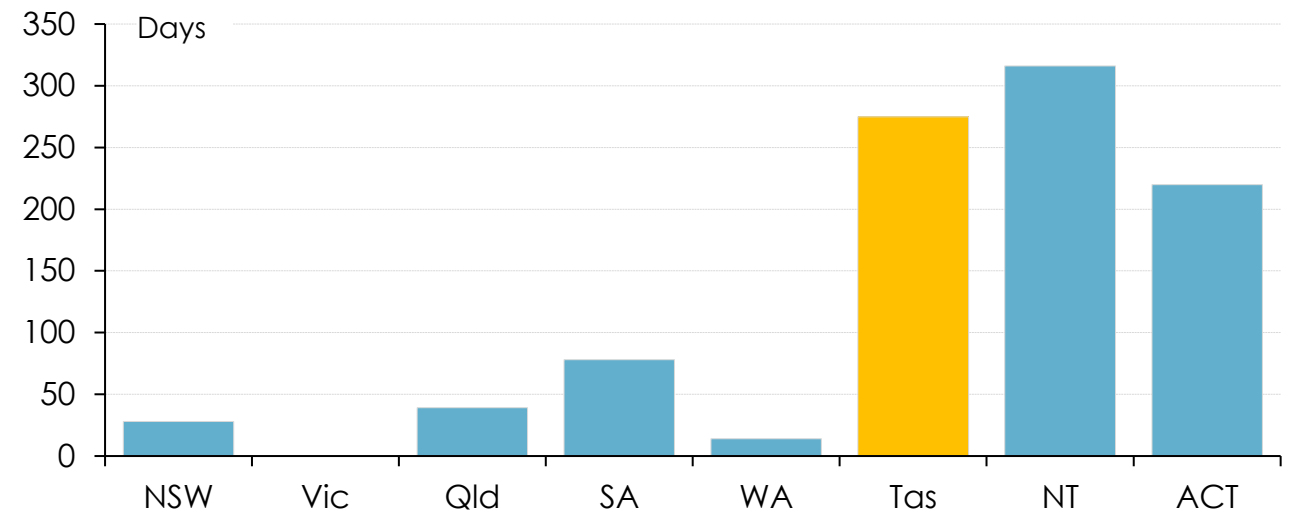
Note: Data up to 14th February. Source: covid19data.com.au.

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

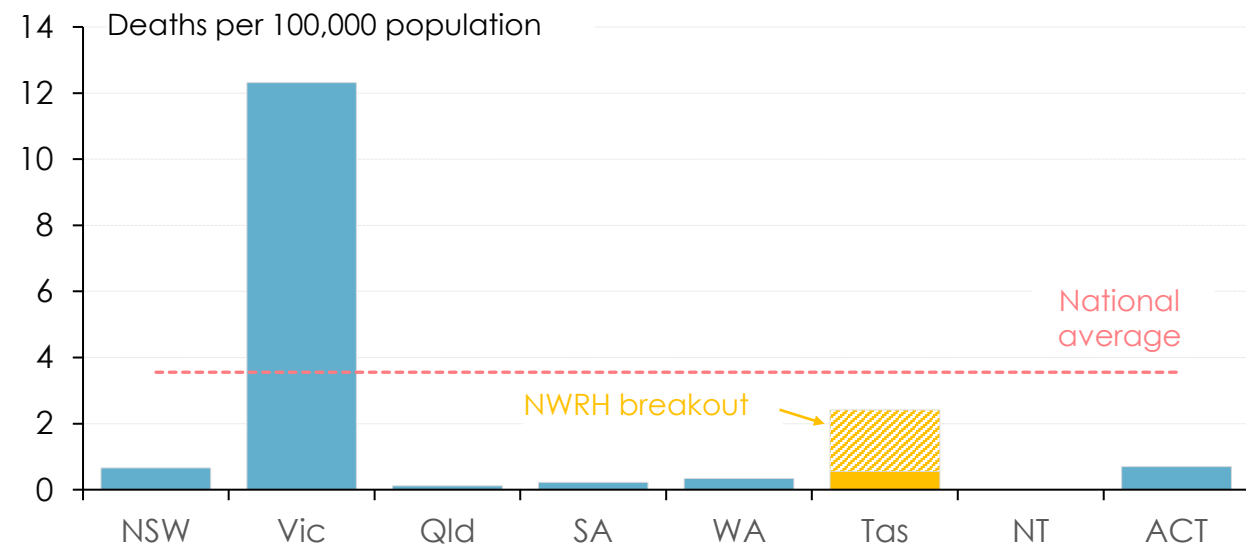
Confirmed cases per 100,000 population



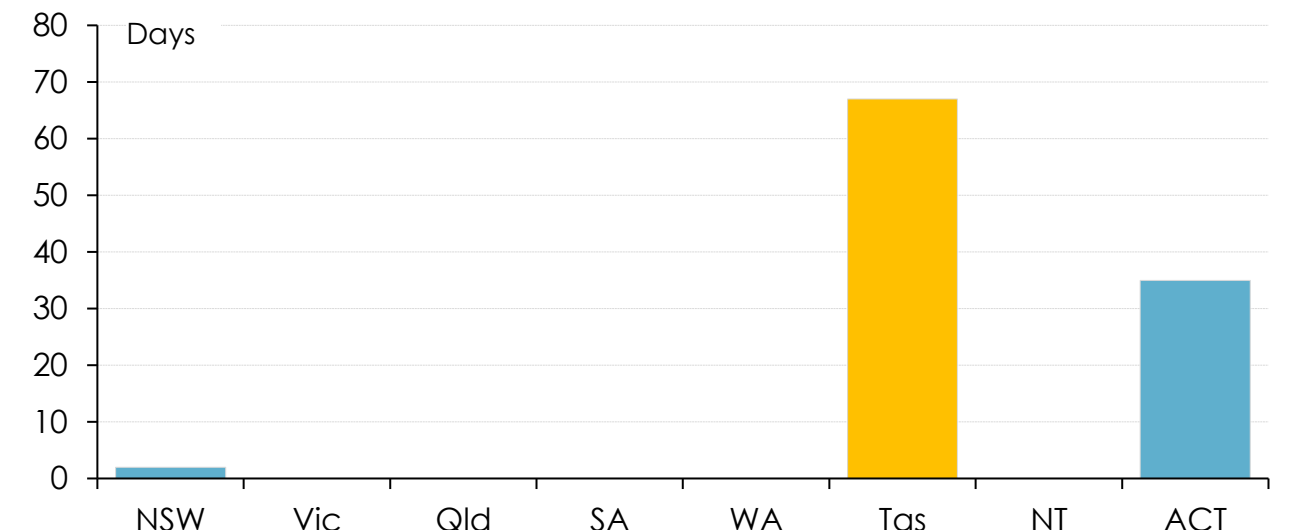
Days since last locally acquired case



Deaths per 100,000 population

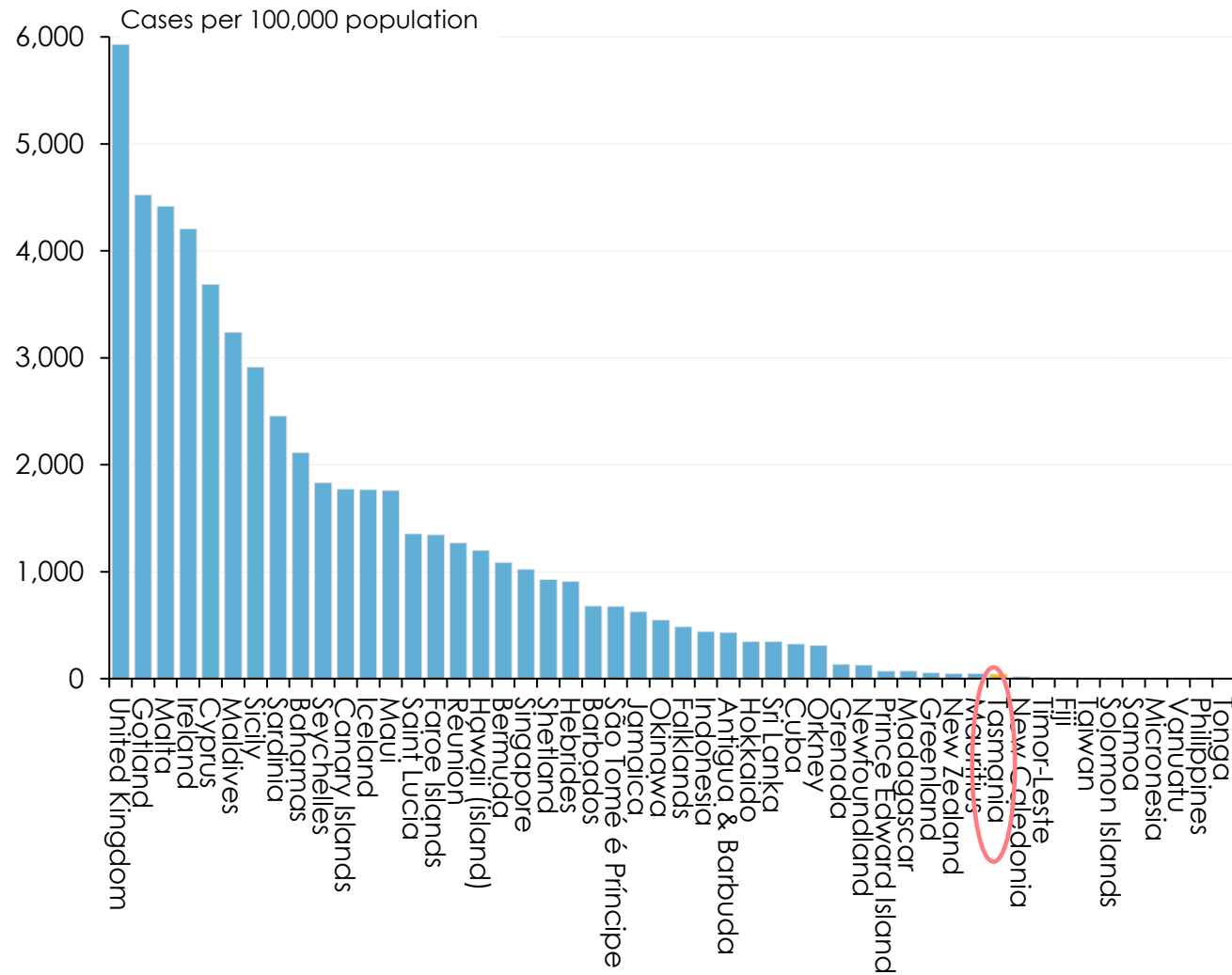


Days since last any active cases

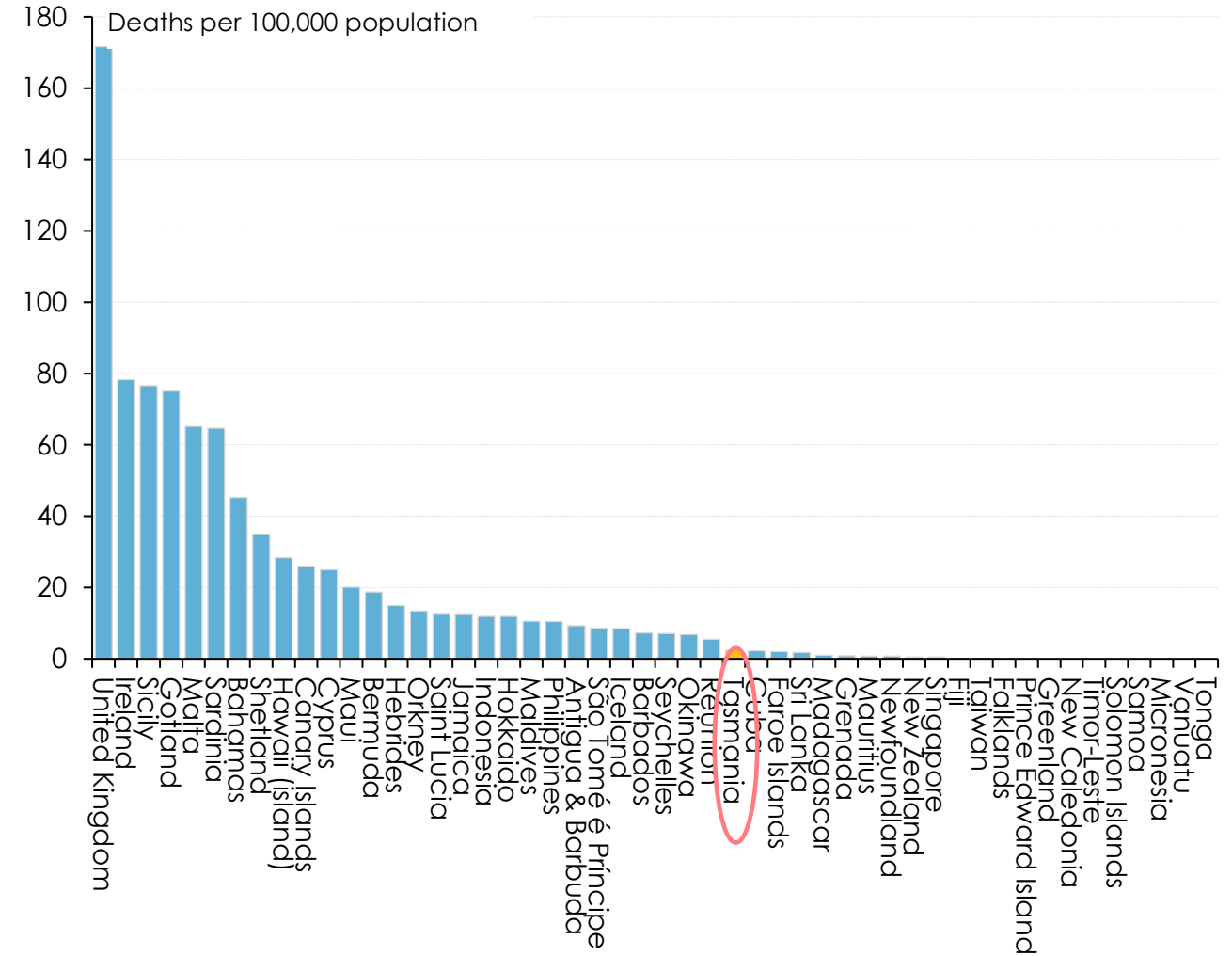


... and by comparison with other island nations, states and provinces

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



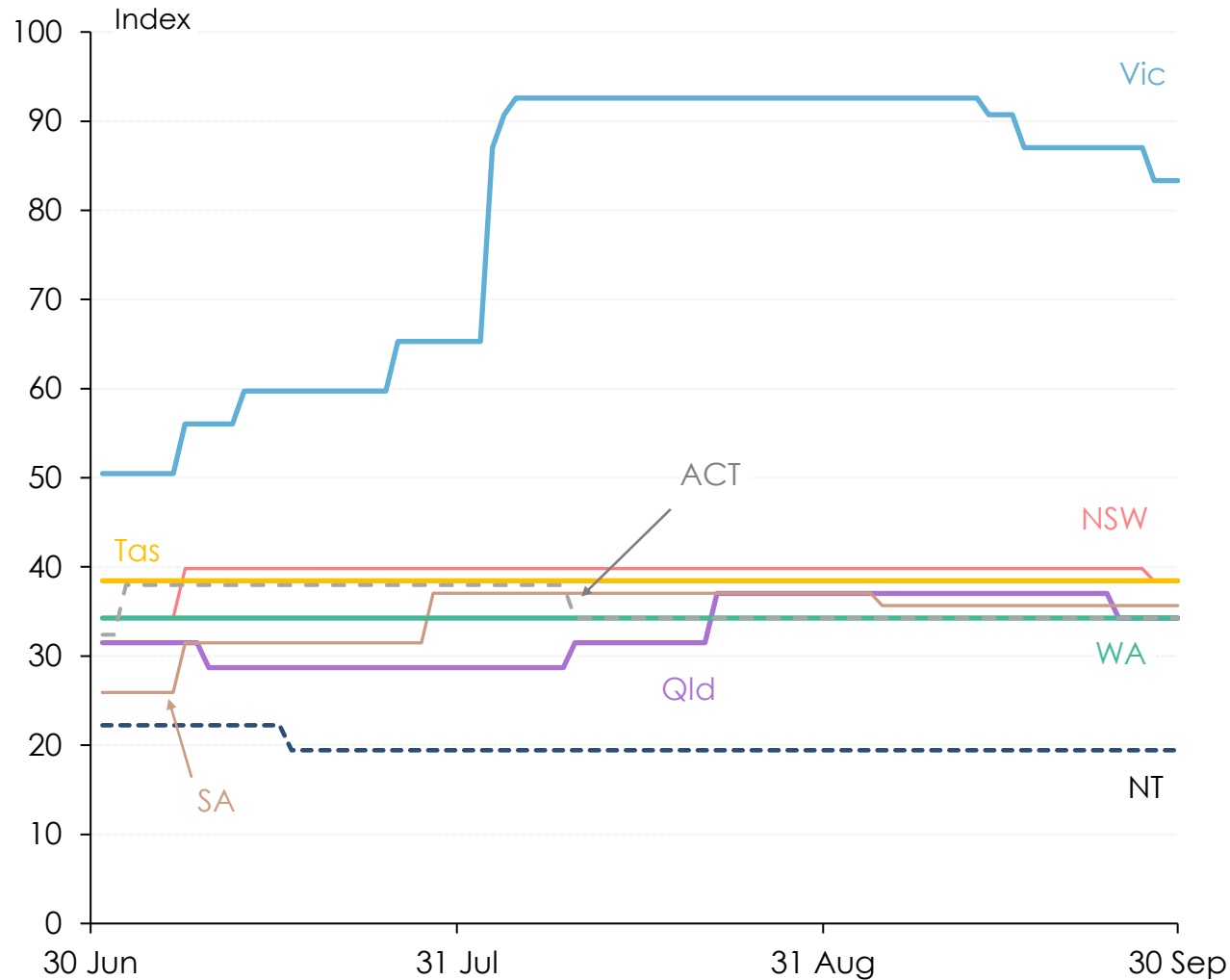
Covid-19 deaths per 100,000 population, selected islands



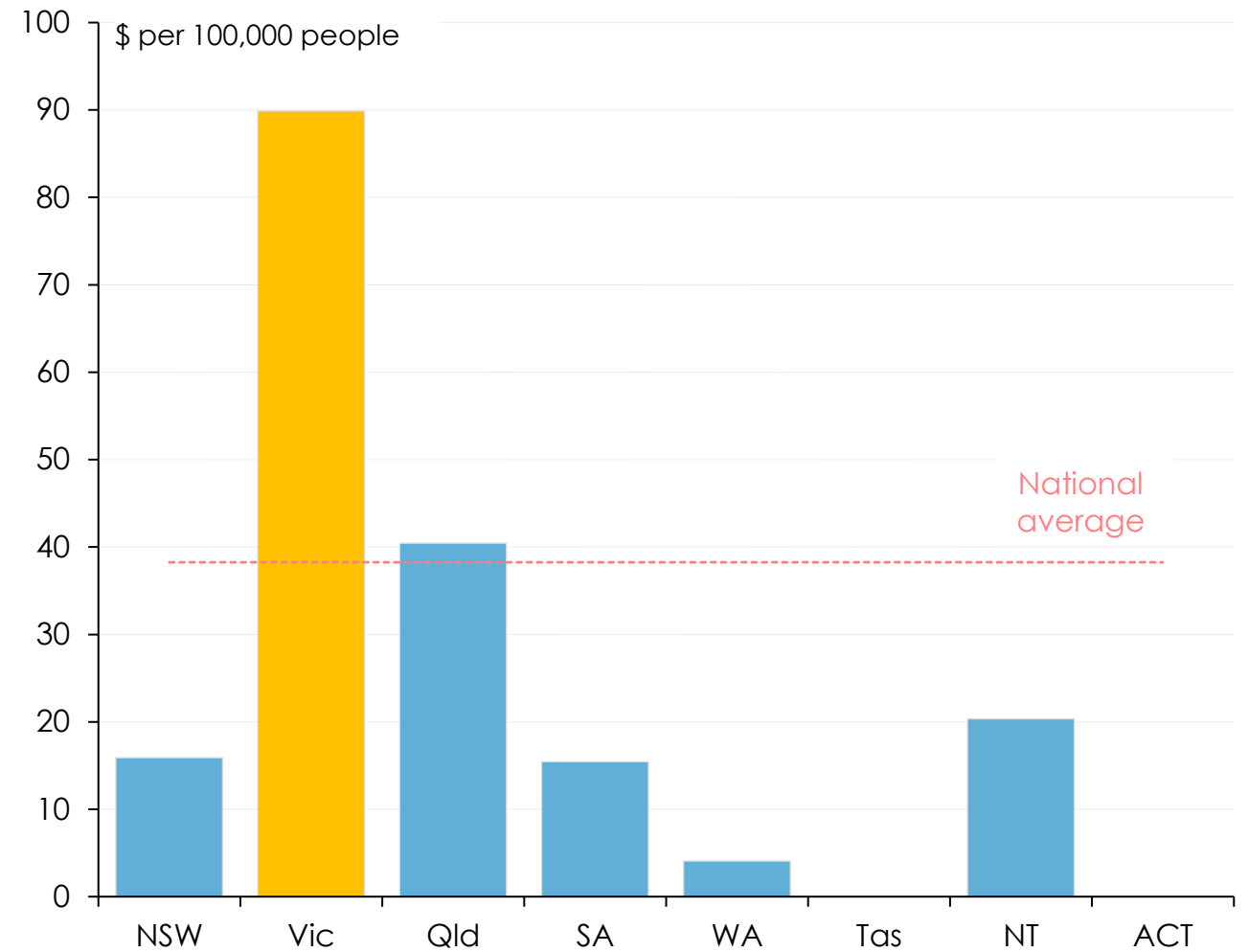
Note: Data up to 12th February. Sources: covid19data.com.au; [Our World in Data](https://ourworldindata.org); [Johns Hopkins University Coronavirus Resource Center](https://coronavirus.jhu.edu); [Public Health Scotland](https://www.phscotland.nhs.uk); [World Health Organization Western Pacific Region](https://www.who.int); [Worldometer](https://www.worldometer.com).

Tasmania achieved its results on the epidemiological front without having significantly stricter restrictions than other states, or over-zealous policing

ABS estimates of stringency of government restrictions during the September quarter



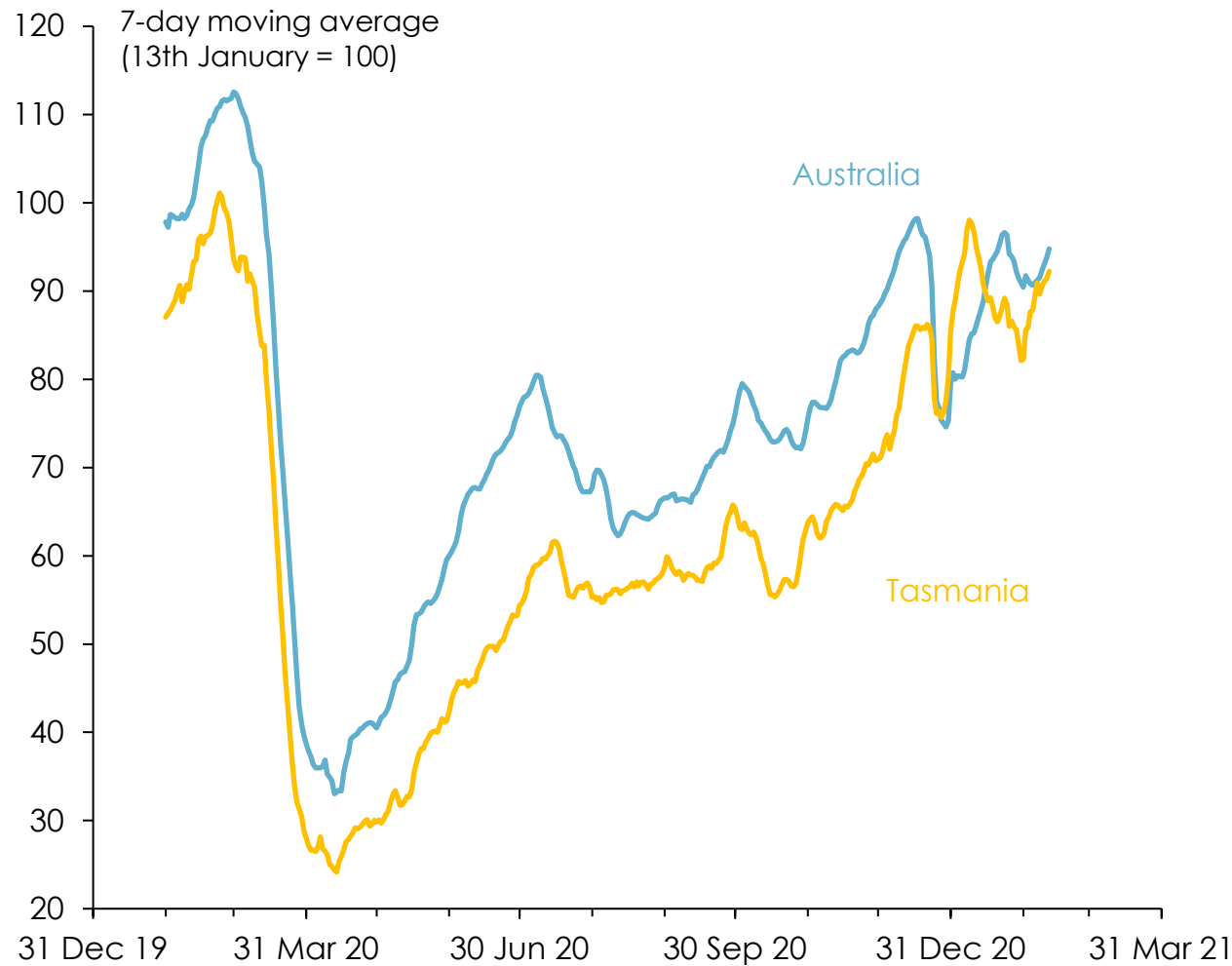
Revenue from fines for breaches of lockdown regulations, 23 Mar-25 May per 100,000 population



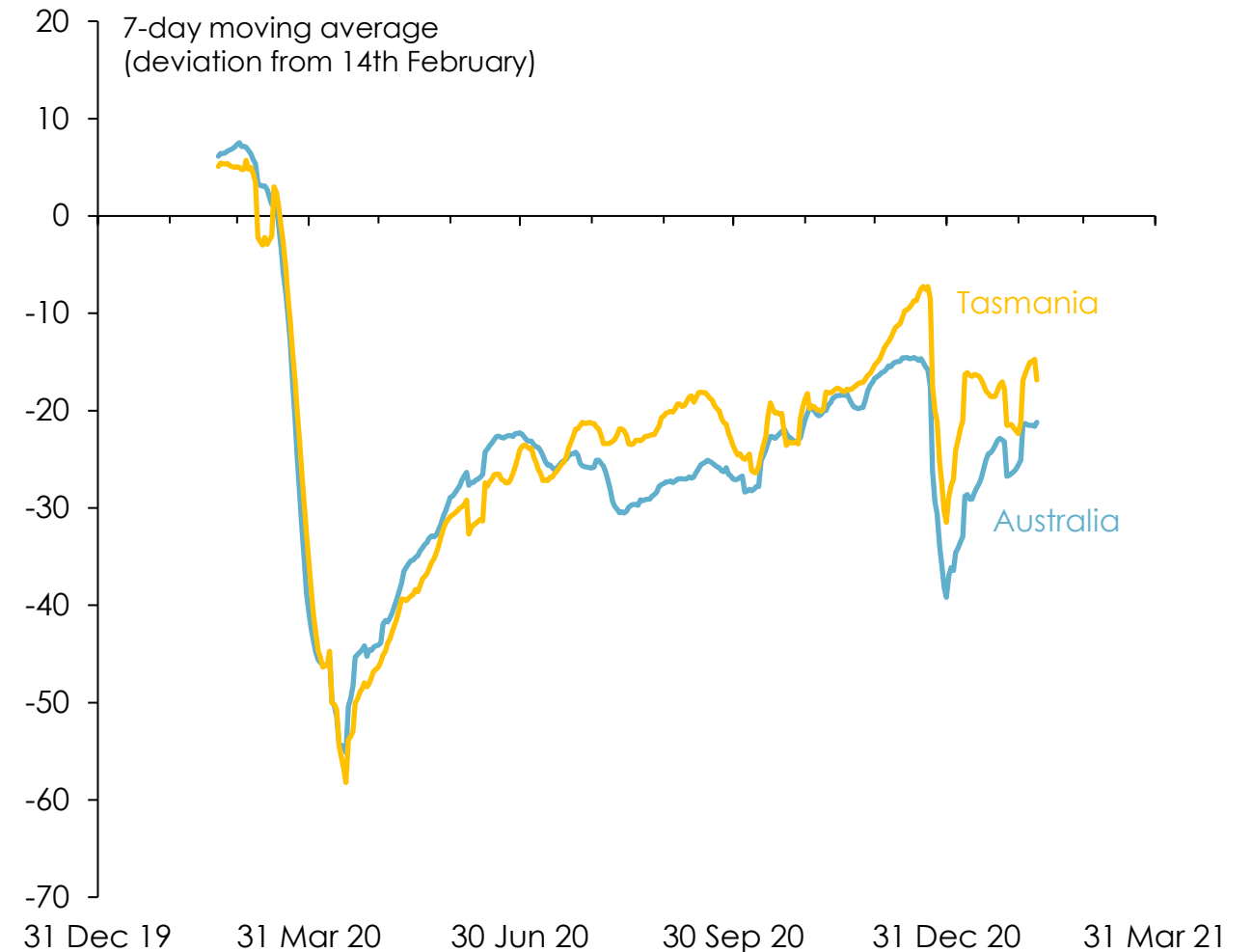
Note: the ABS estimates of the stringency of government restrictions on the movement and gathering of people, etc., are based on the methodology developed for the [Oxford COVID-19 Government Response Tracker](#) and published with September quarter [national accounts](#). Sources: ABS; Tammy Mills, "Victoria leads the nation in lockdown fines", *The Age*, 27th May 2020; Corinna.

Mobility indicators also confirm that restrictions in Tasmania were a bit stricter in Tasmania than in other states and territories, except Victoria

Driving, walking and use of public transport, Tasmania and Australia



Time spent at workplaces, in transit, shopping or exercising, Tasmania and Australia

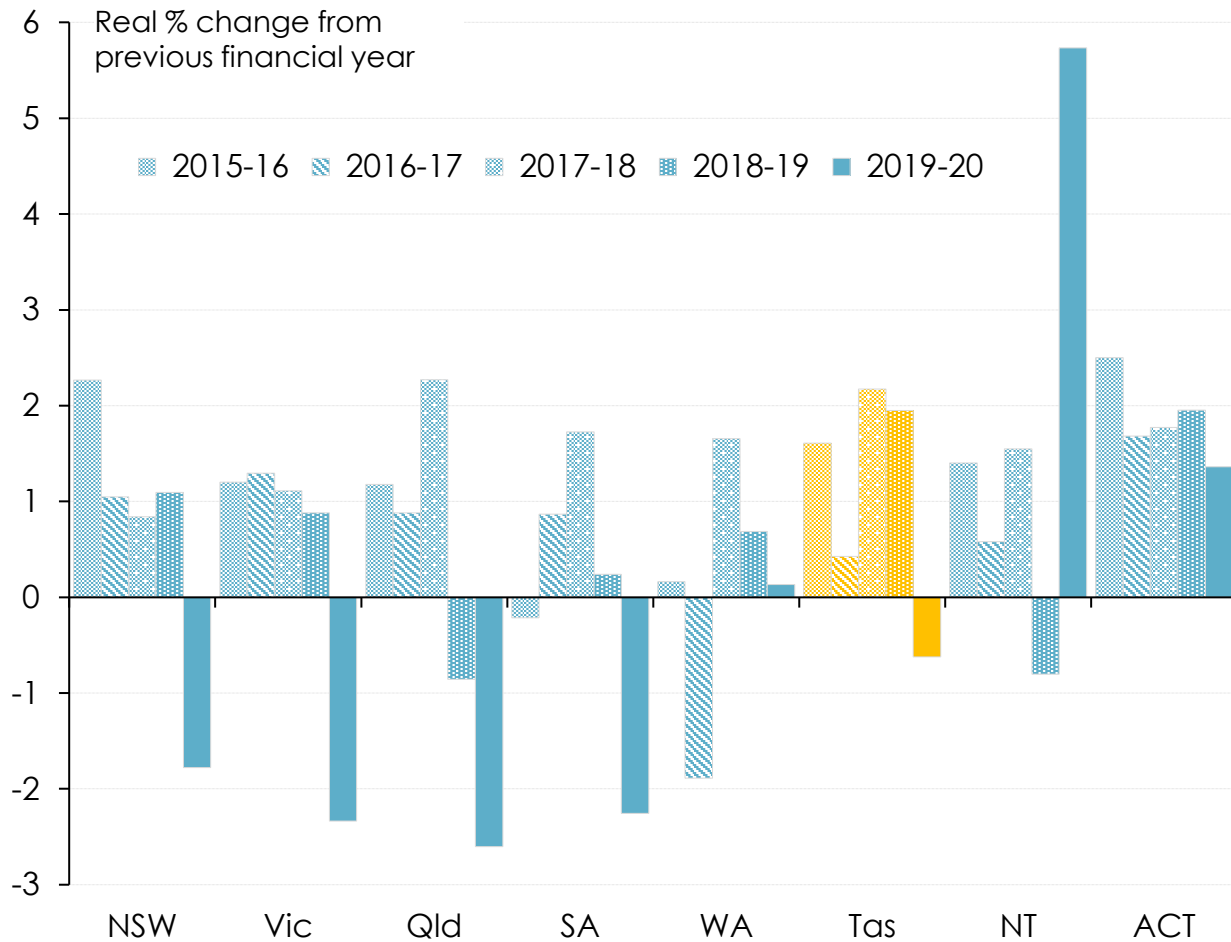


Note: The indices shown in these charts are averages of individual mobility indices compiled by Apple (left, up to 11th February) and Google (right, up to 8th February).
Sources: Apple; Google; Corinna.

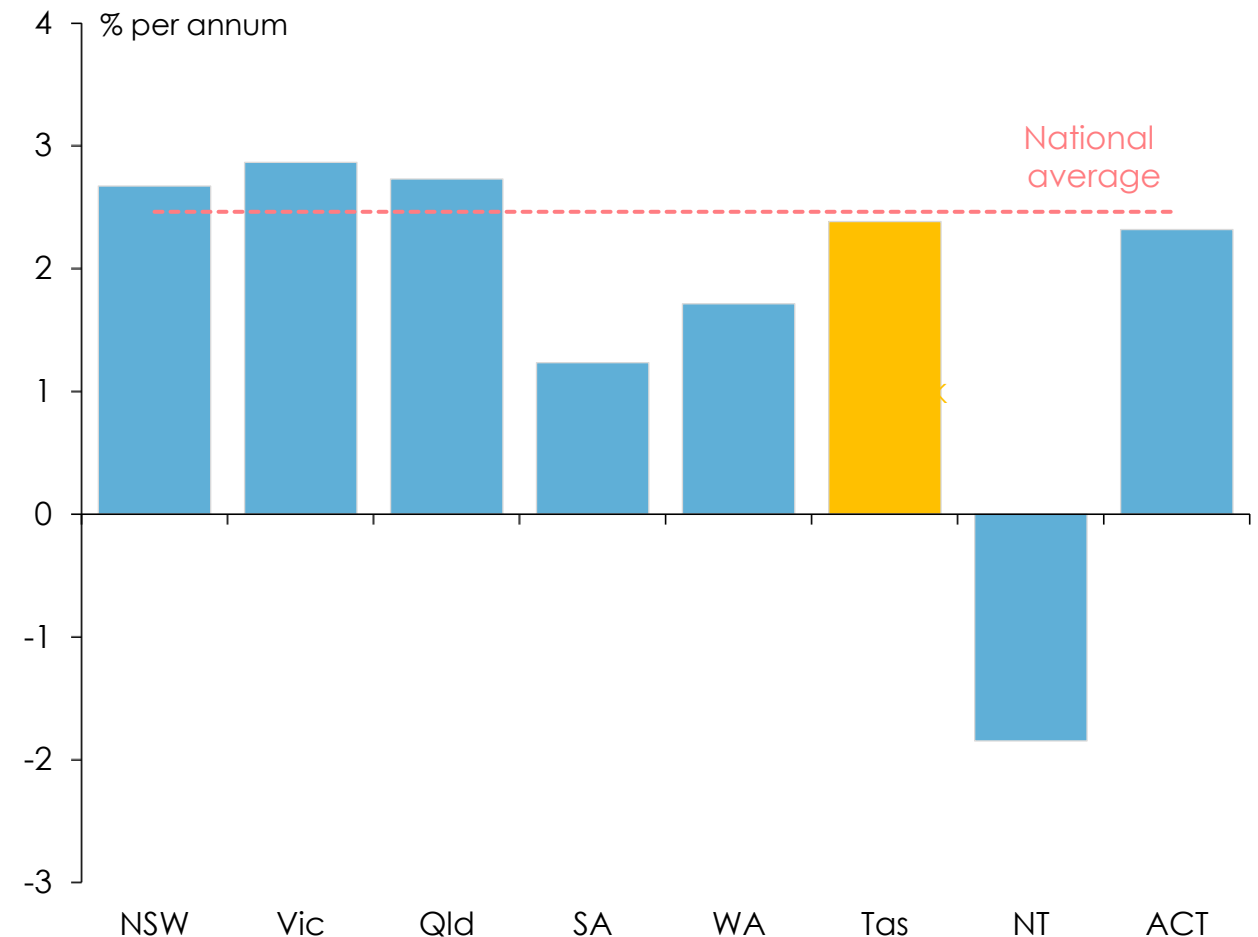
Tasmania's economy leading up to the onset of Covid-19

Tasmania's economy was doing well in the years leading up to the onset of the Covid-19 pandemic

Growth in real gross state product, states and territories, 2015-16 to 2019-20



Growth in employment, March quarter 2017 to March quarter 2020, states and territories

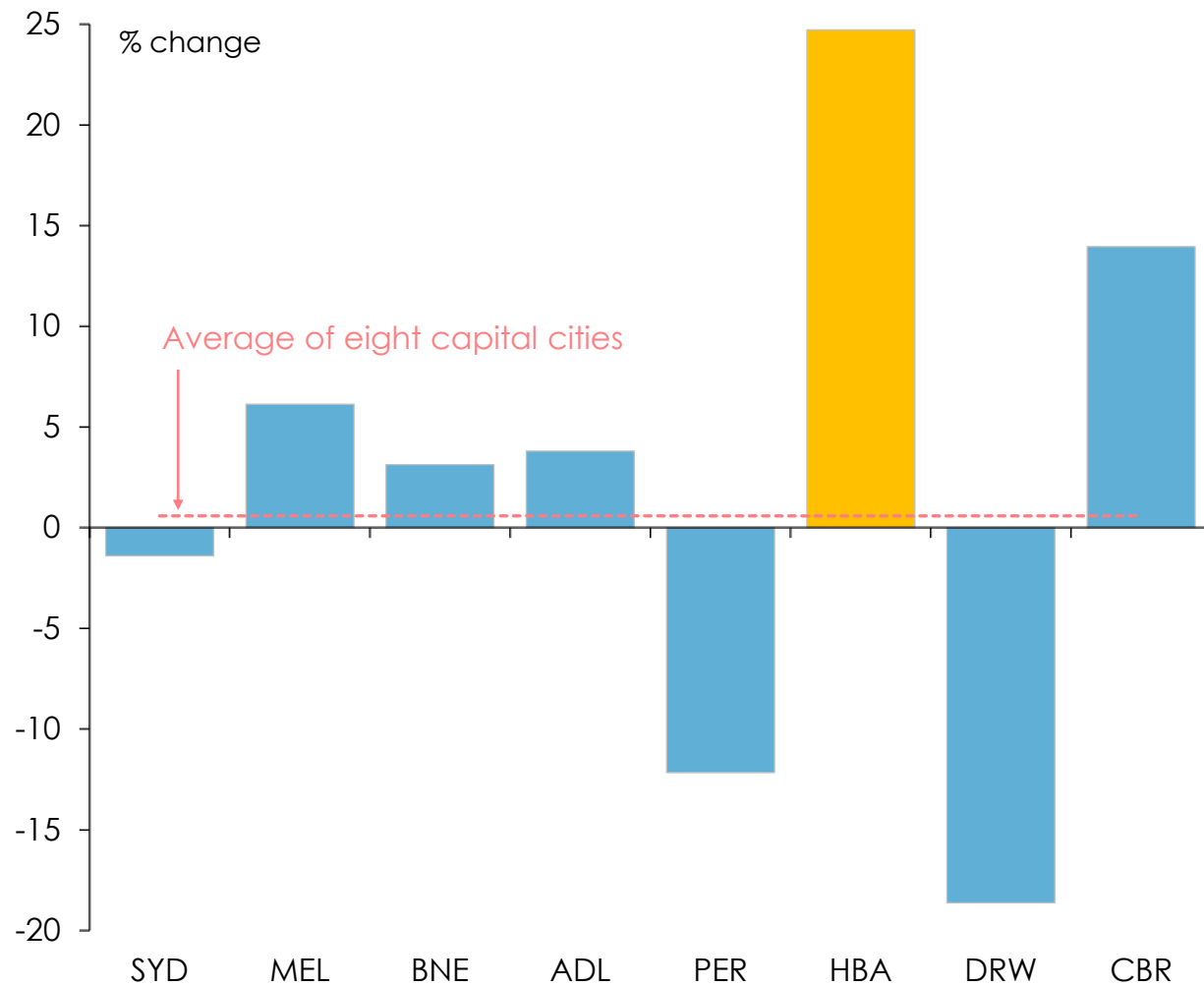


Note: The Northern Territory's growth rate in 2019-20 was inflated by a 40% increase in mining output, which was in turn largely attributable to the transition to full production of the Ichthys LNG plant. Excluding mining, the NT's real GSP declined by 4.2% in 2019-20.

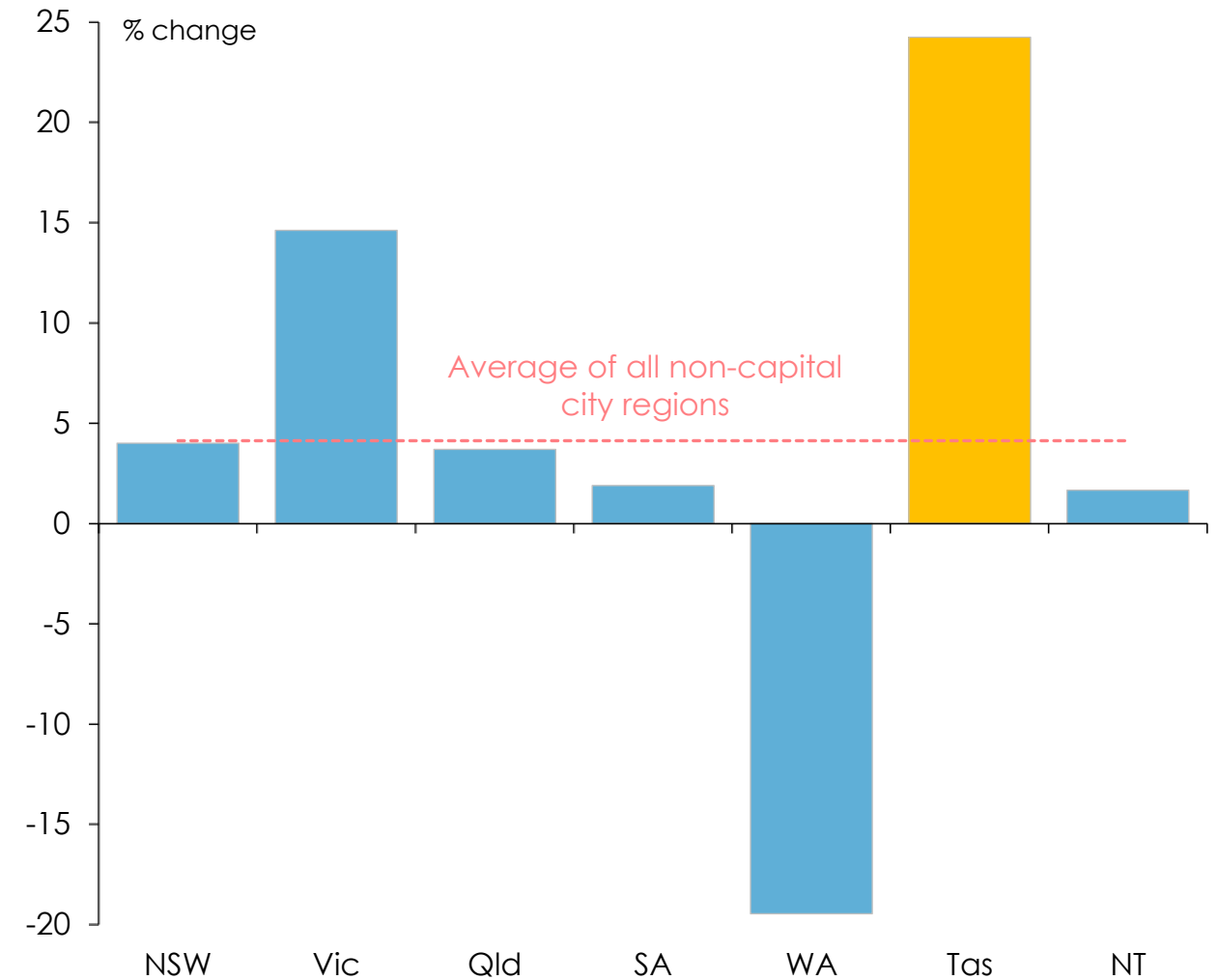
Source: ABS, [Australian National Accounts: State Accounts, 2019-20](#); [Labour Force, Australia](#).

Tasmania's residential property market was the strongest in the nation

Change in capital city residential property prices, 3 years to March 2020



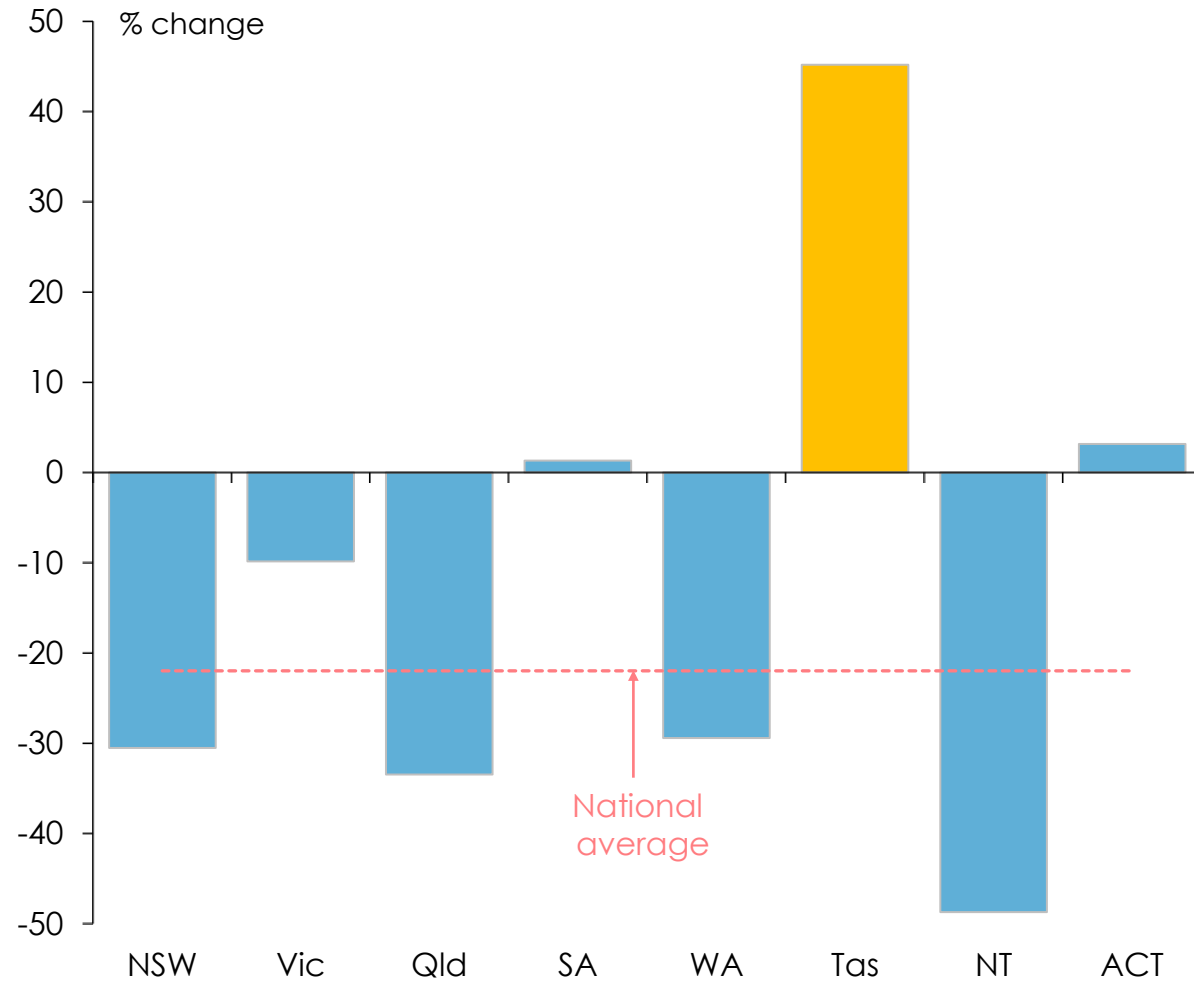
Change in regional residential property prices, 3 years to March 2020



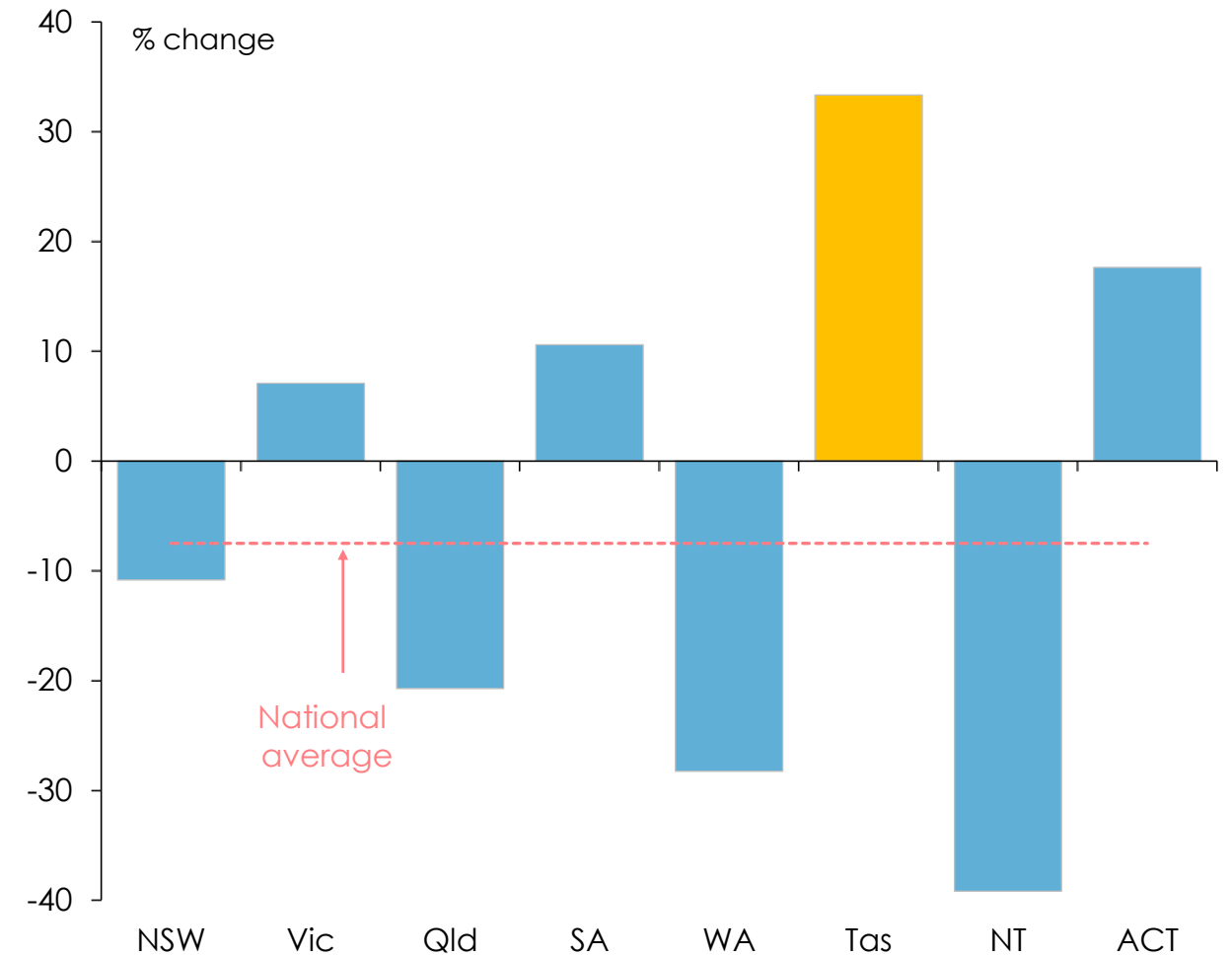
Note: percentage changes are in hedonic home value indices which adjust for differences in the attributes of properties transacted from month to month.
Source: CoreLogic, [Home Property Value Index - Monthly Indices](#).

Tasmania was leading the nation in new housing construction

Growth in residential building commencements, year ended March 2017 to year ended March 2020



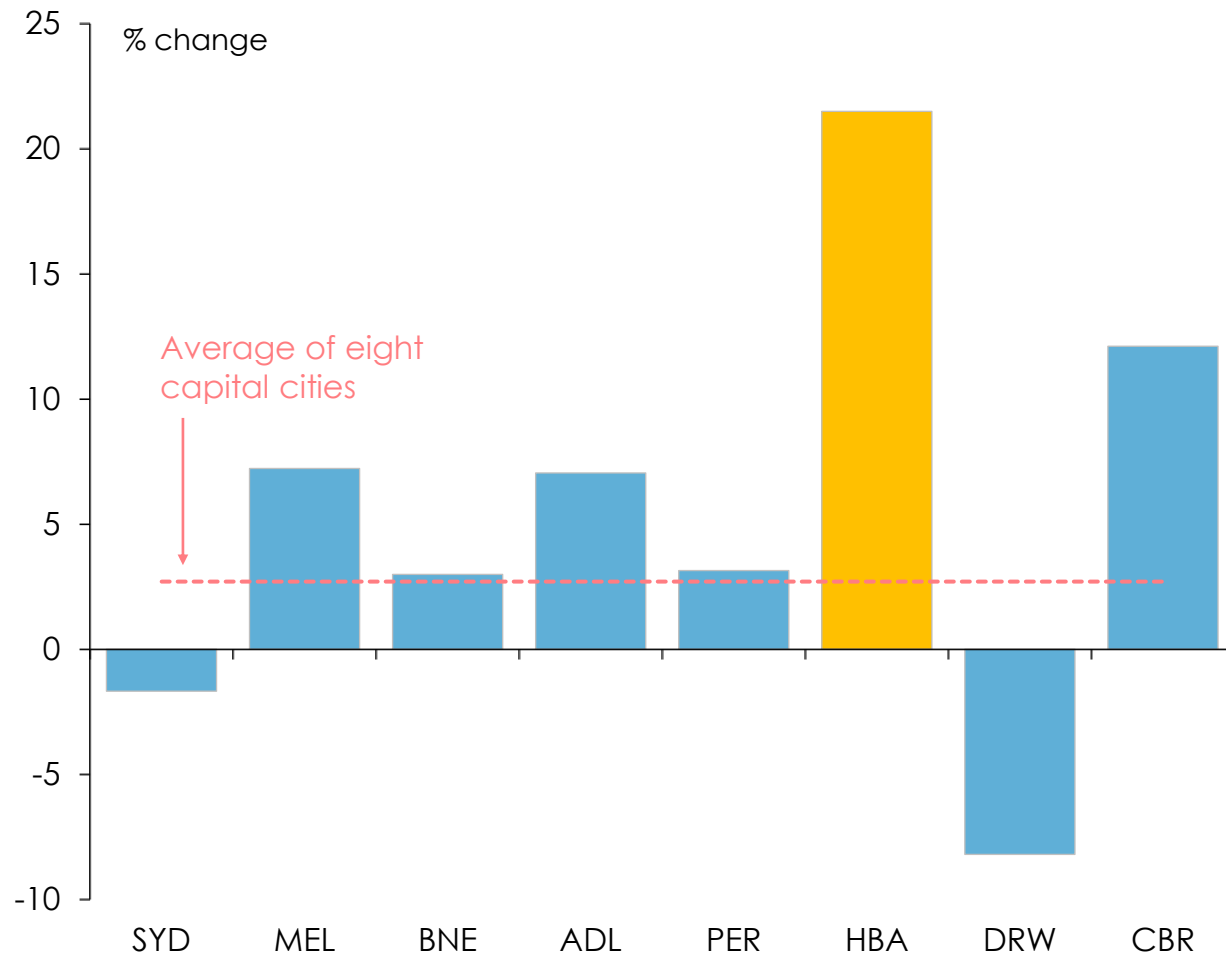
Growth in real value of residential building work done, year ended March 2017 to year ended March 2020



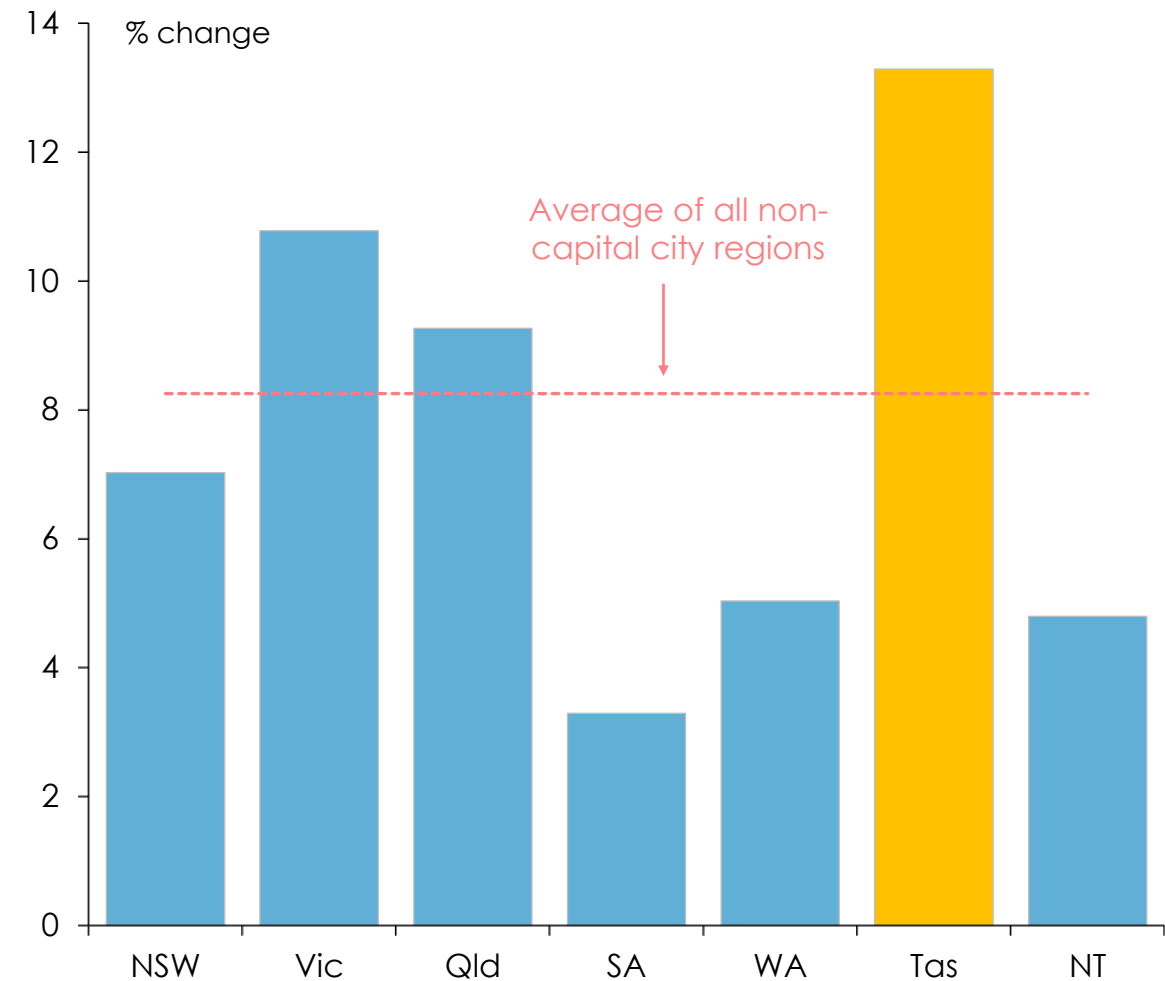
Source: ABS, [Building Activity, Australia](#).

Less desirably, Tasmania was also leading the nation in rent inflation, with Hobart becoming the least affordable capital city for rental households

Growth in capital city residential rents, 3 years to March 2020



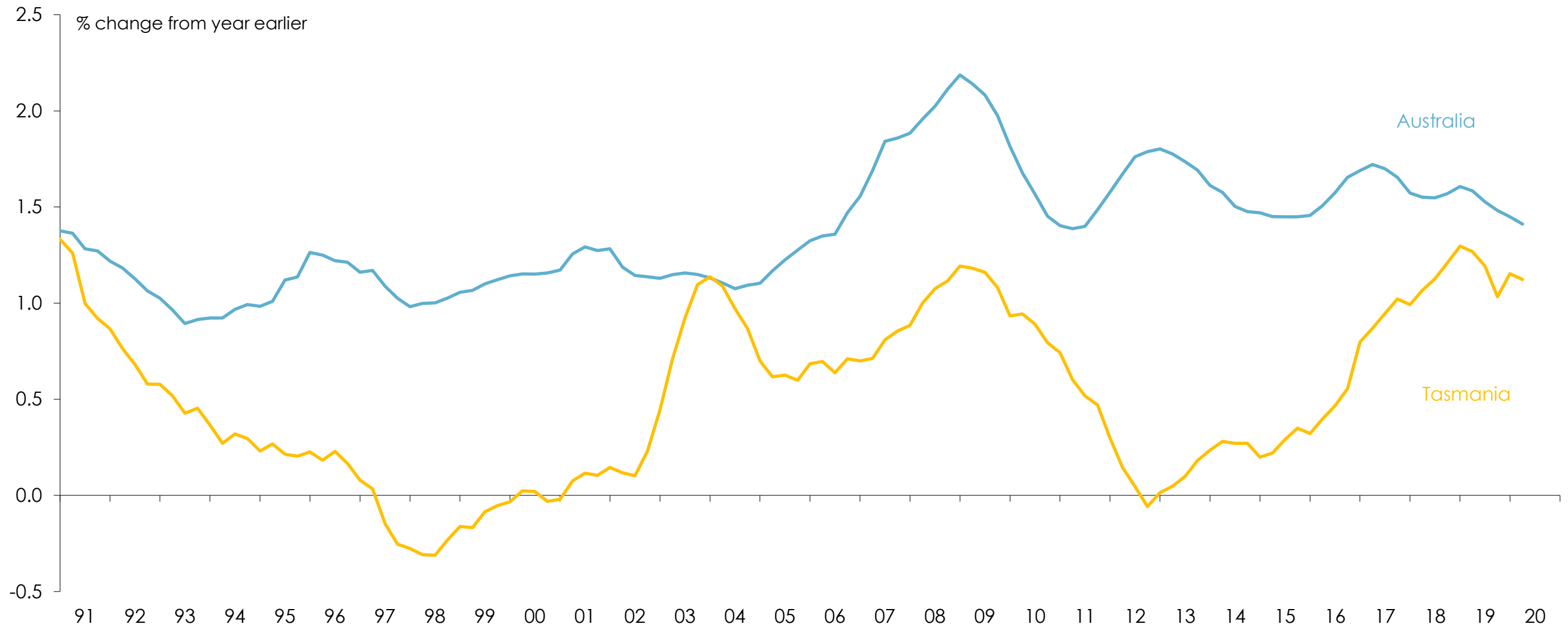
Growth in regional residential rents, 3 years to March 2020



Source: CoreLogic, [Home Property Value Index - Monthly Indices](#).

Tasmania's population was growing at its fastest rate in nearly 30 years

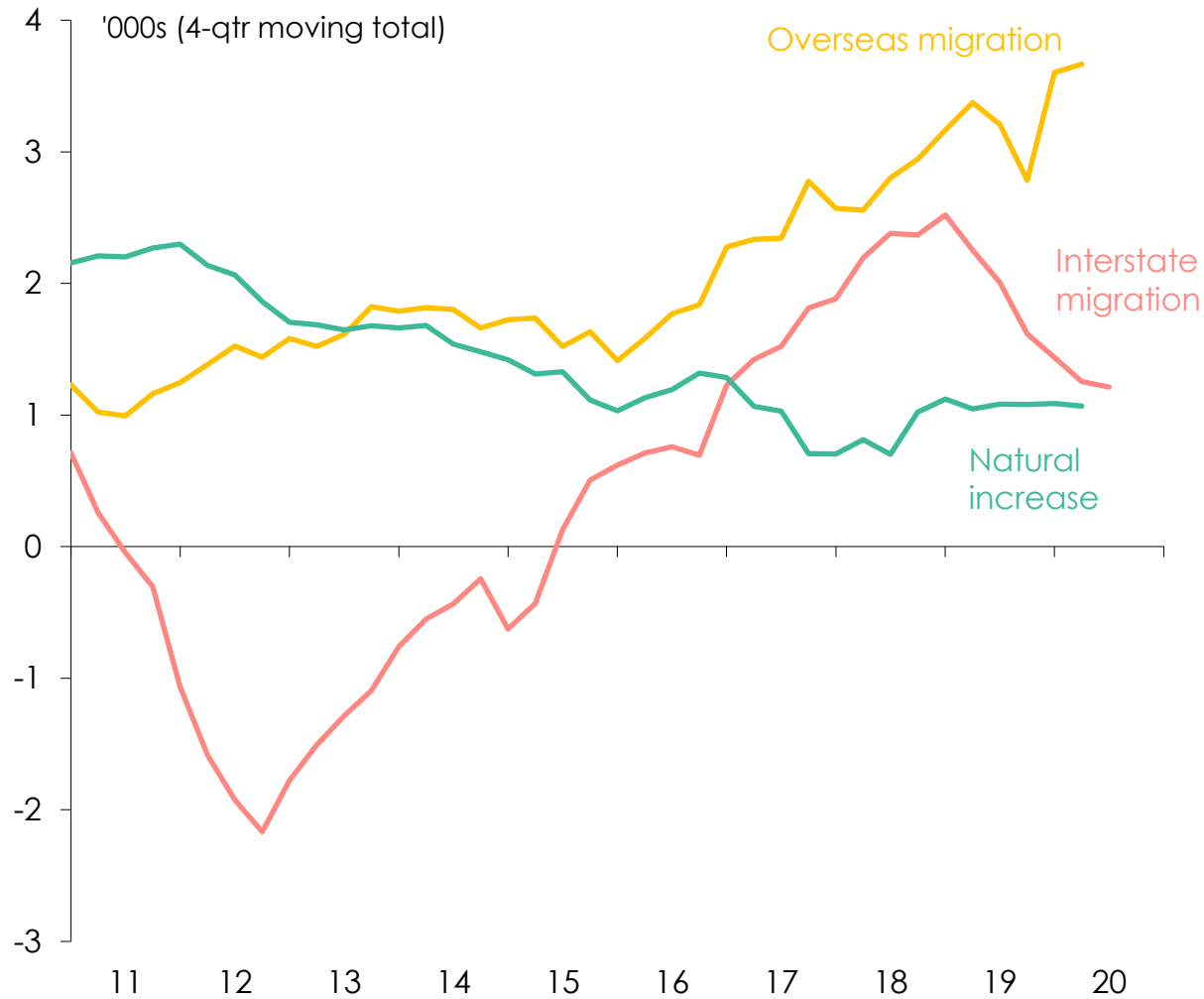
Population growth, Tasmania and Australia, 1991-2000



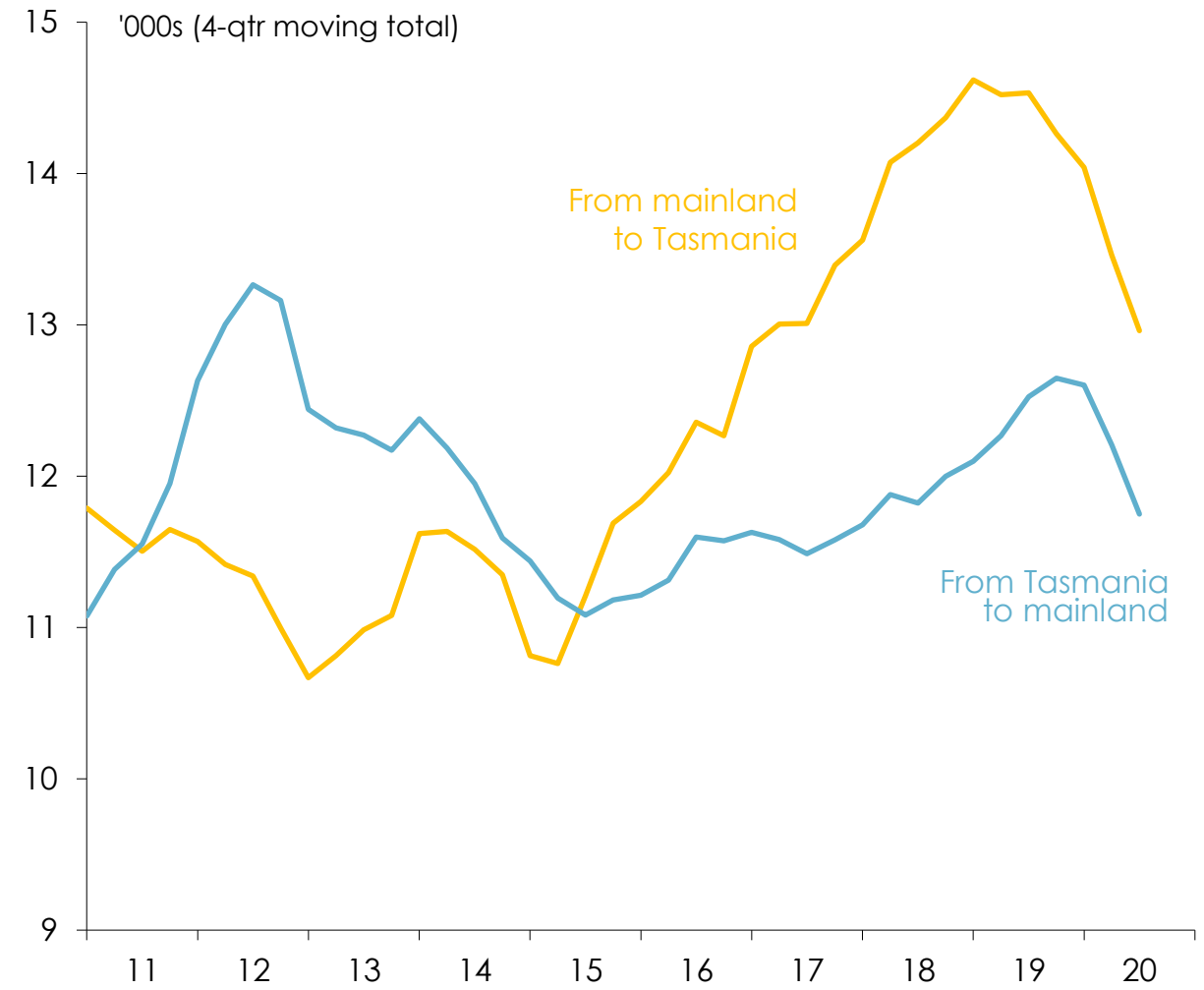
Source: ABS, [National, state and territory population](#).

More people were moving to Tasmania from both the mainland and overseas, and fewer Tasmanians were leaving

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



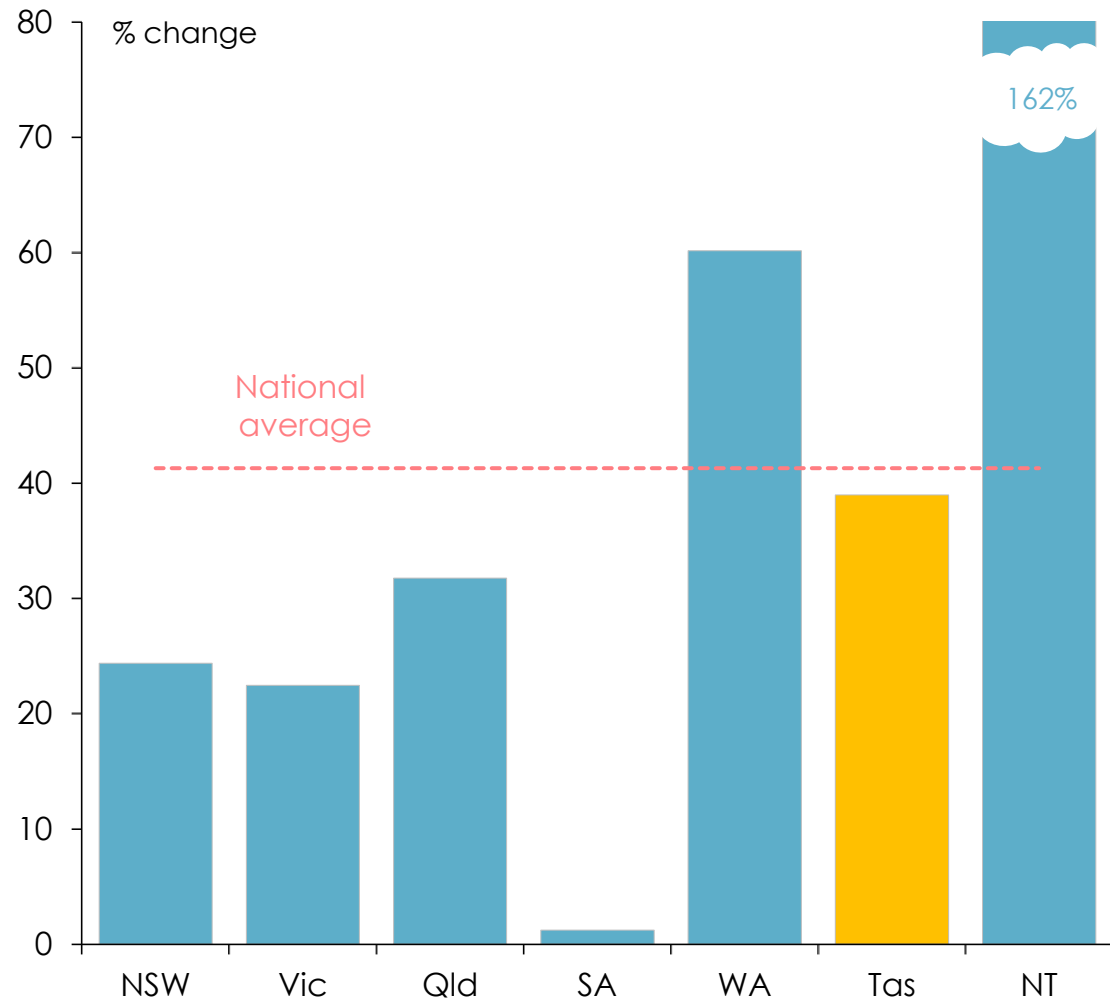
People movements across Bass Strait, 2011-2020



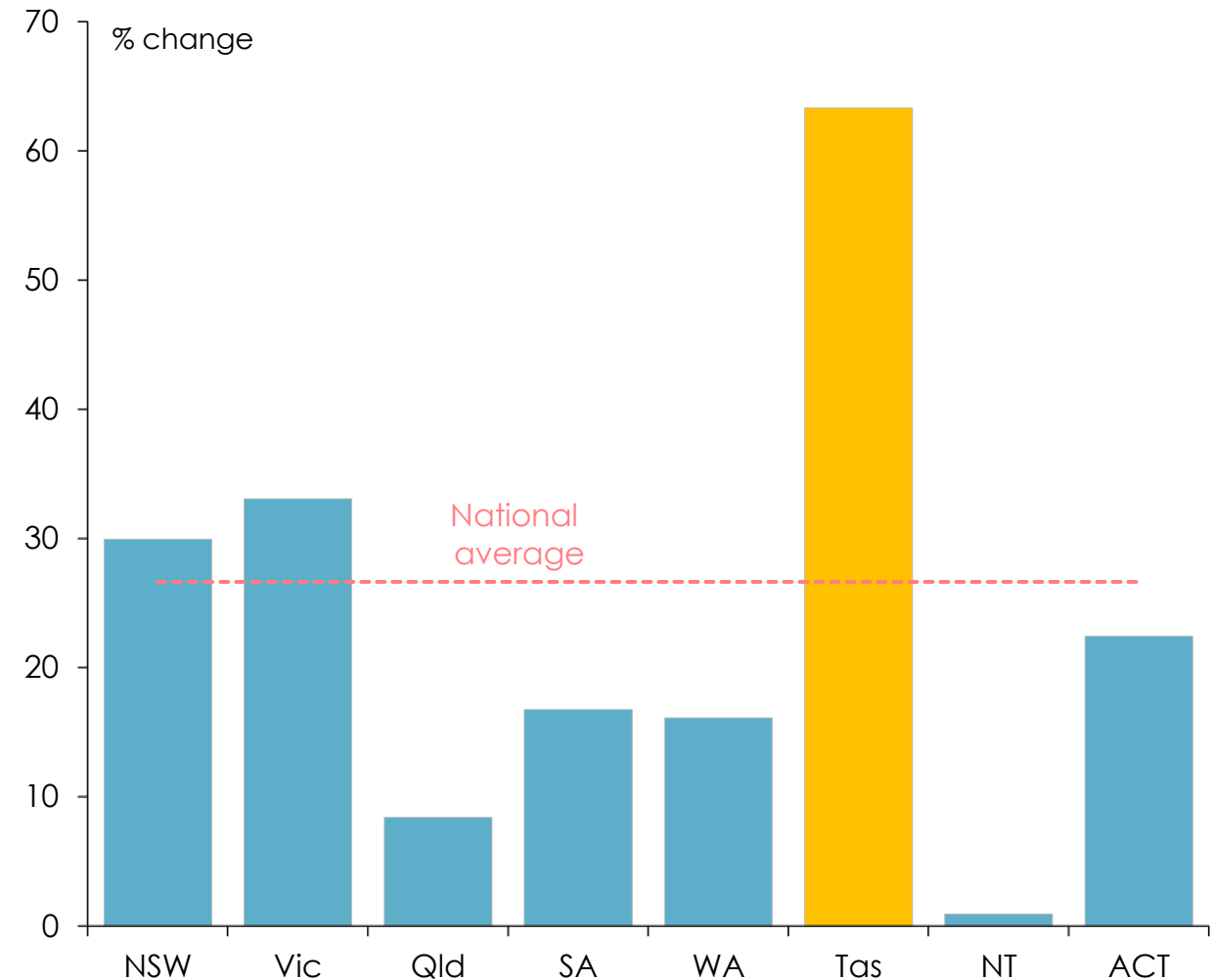
Source: ABS, [National, state and territory population](#).

Tasmania's exports – particularly of services – had been growing strongly

Growth in overseas exports of goods, three years to 12 months ended March 2020



Growth in overseas exports of services, three years to 12 months ended March 2020



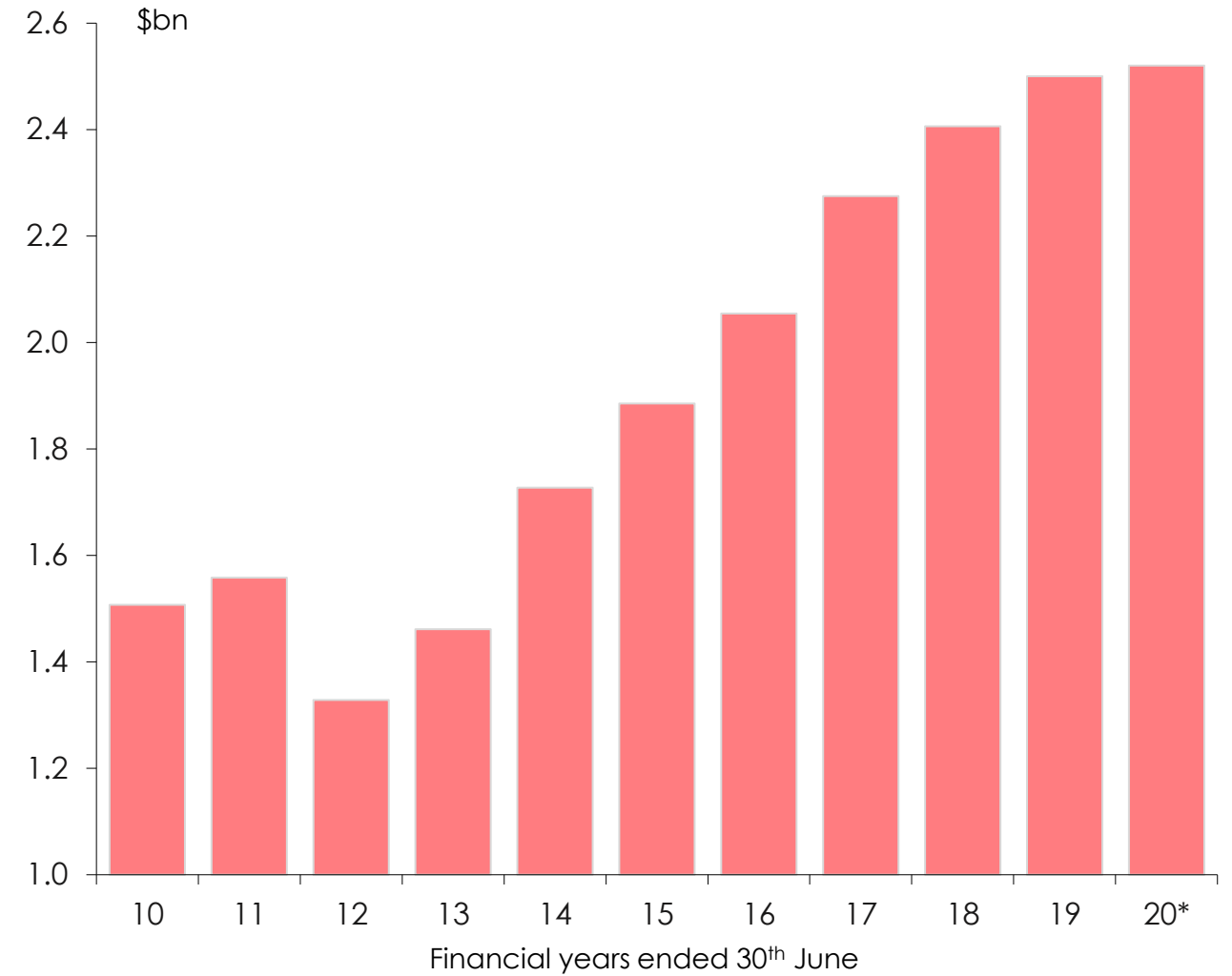
Note: Outsized growth in the Northern Territory's goods exports reflects the commencement of production and exports from the Ichthys LNG plant in 2018.
Source: ABS, [International Trade in Goods and Services, Australia](#) and [Balance of Payments and International Investment Position, Australia](#).

Tourism had grown very strongly – although there were signs that the growth had peaked in 2018-19

Interstate and international visitors to Tasmania



Total spending by visitors to Tasmania

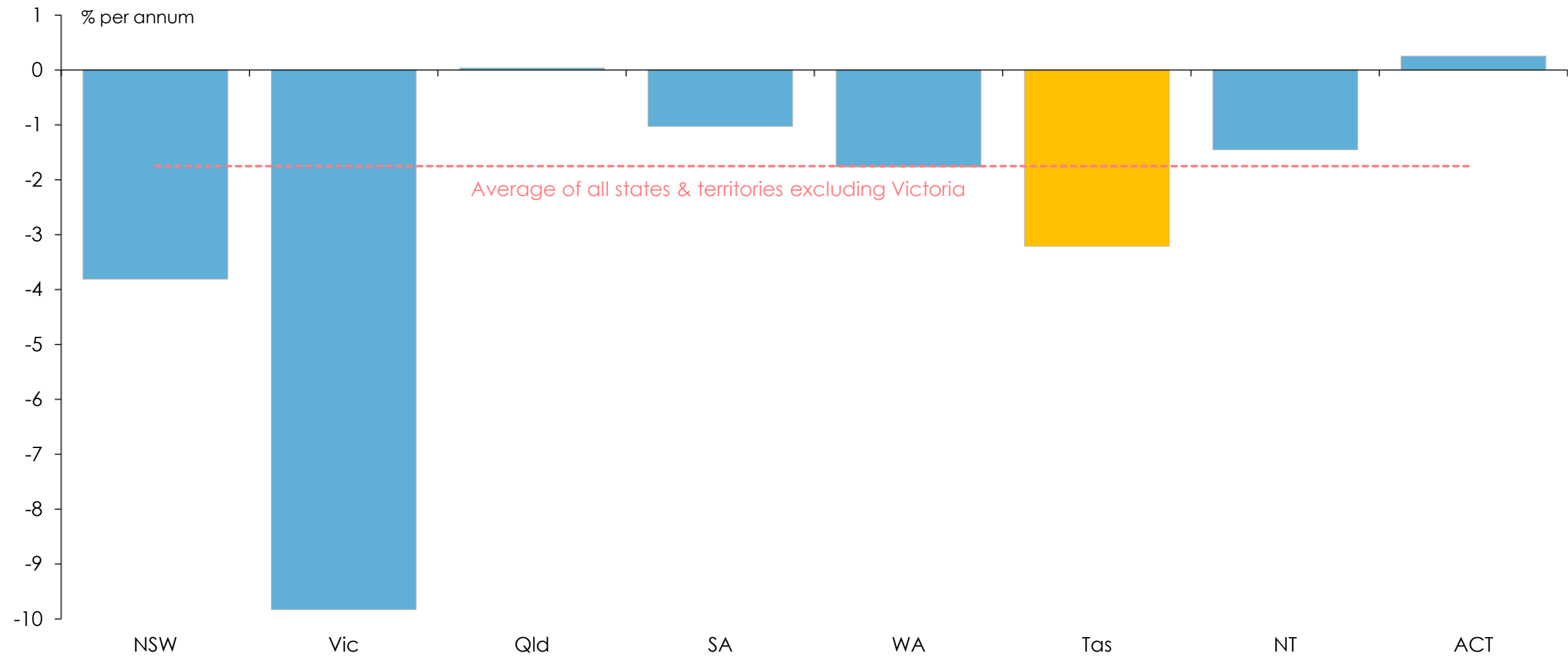


Note: * Year ended March 2020. Source: Tourism Tasmania, [Tourism Snapshot - Year ended March 2020](#).

Tasmania's economy during the Covid-19 recession

Tasmania's economy turned down more than the national average during the 'Covid-19 recession'

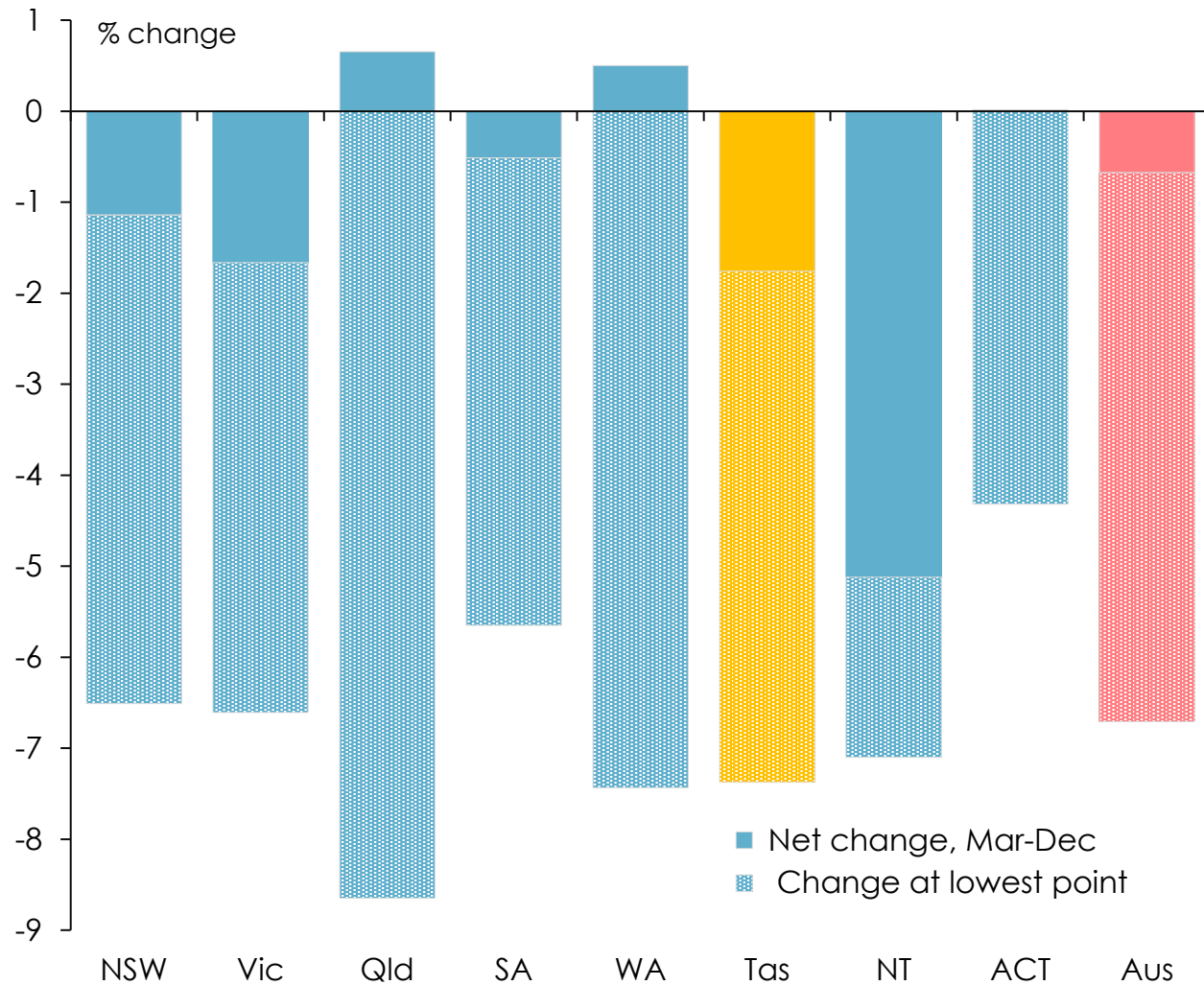
Change in real state final demand from pre-Covid peak in 2019 to September quarter 2020



Note: 2019 'pre-Covid' peaks in state final demand were in the September quarter of 2019 in Victoria and Tasmania, and in the December quarter for other states and territories. State final demand actually peaked in South Australia in the December quarter of 2018, and the September quarter 2019 level of state final demand was 1.4% below that peak; state final demand in the Northern Territory actually peaked in the December quarter of 2012 (ie, almost eight years ago), and between then and the September quarter of 2020 fell by 28.2%. Source: ABS, [Australian National Accounts: National Income, Expenditure and Product](#).

Tasmania's labour market experience has been tougher, in most respects, than anywhere else except Victoria and the Northern Territory

Net change in employment between March and December, states and territories



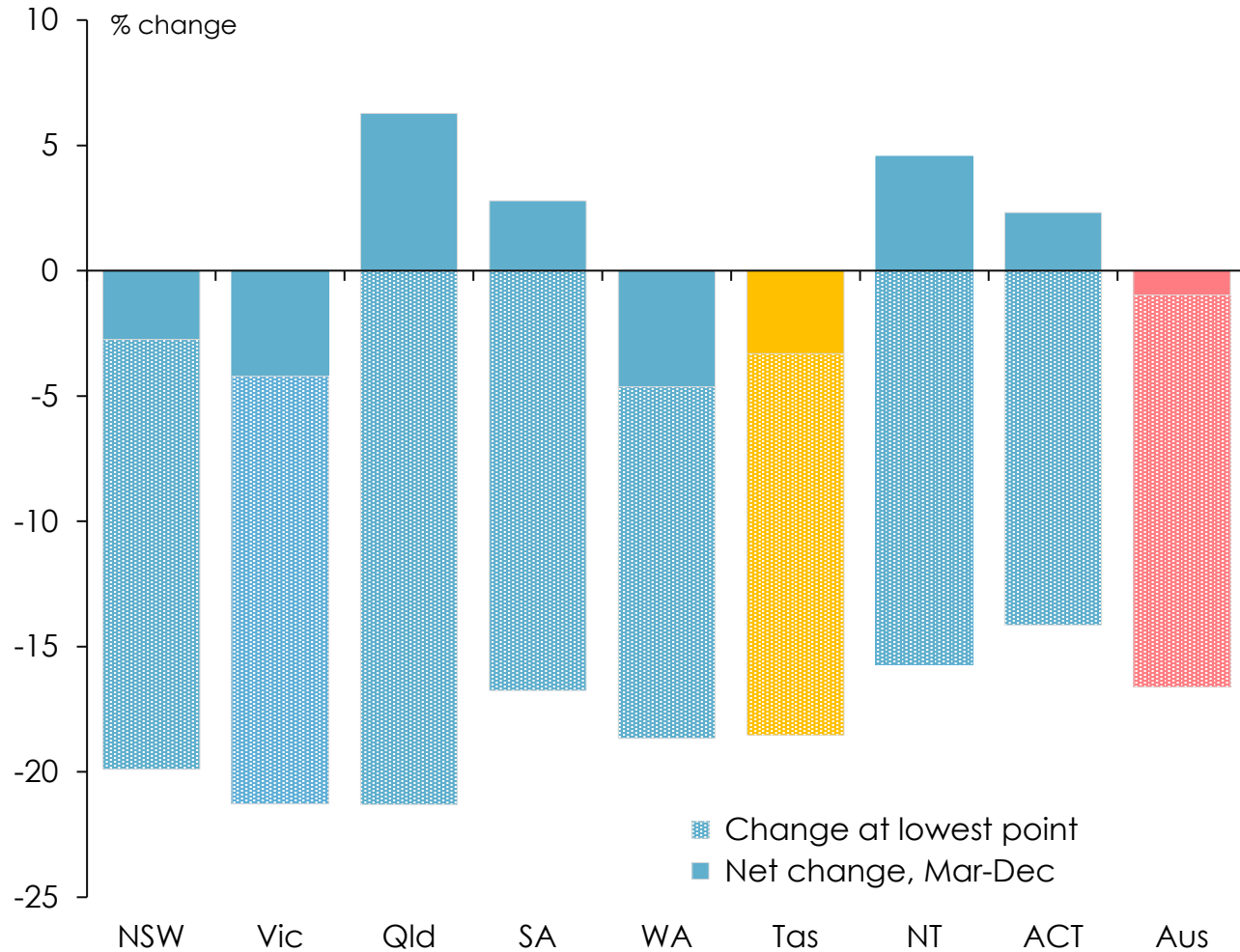
Proportion of jobs lost between March & May regained between June & October, states and territories



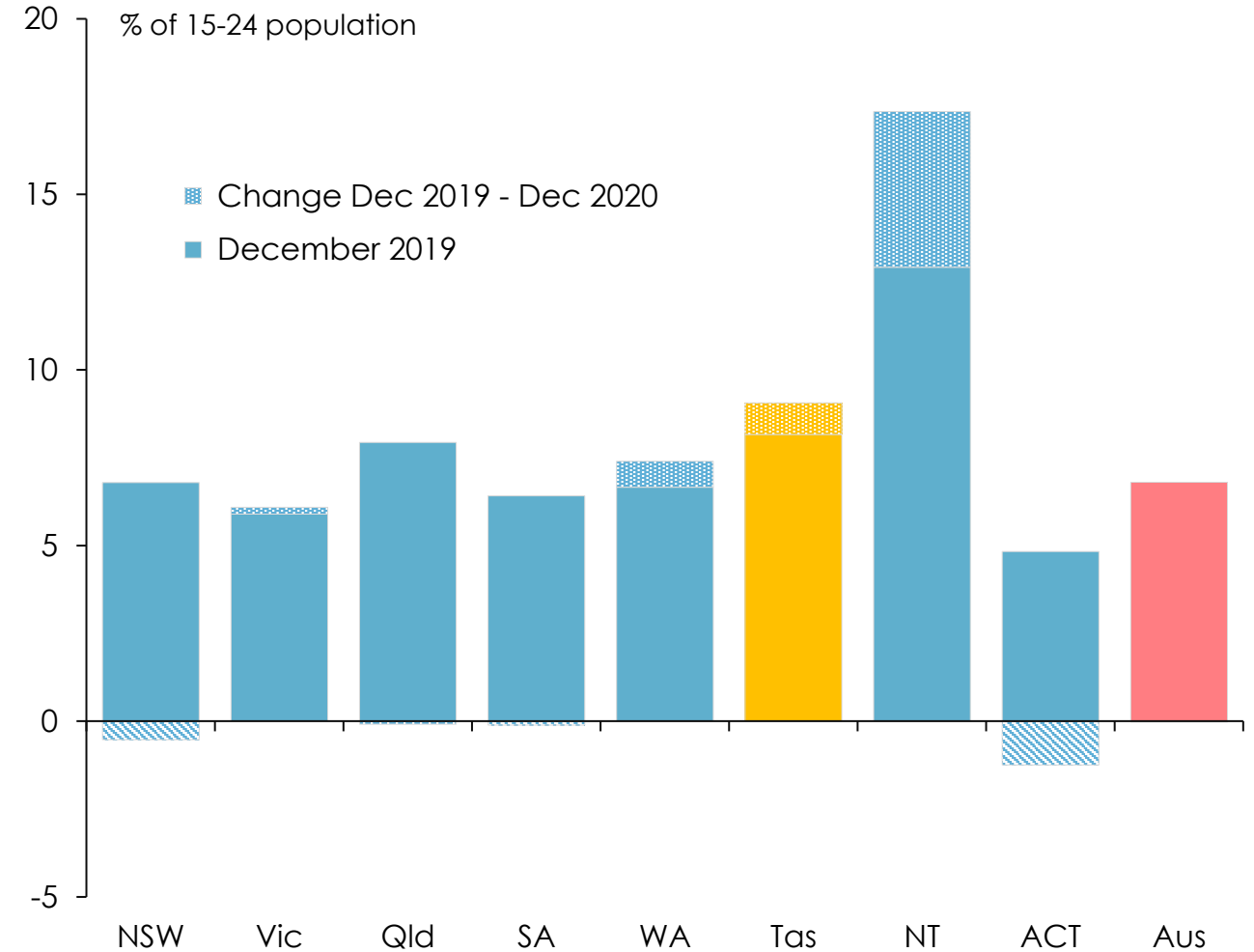
.Source: ABS, [Labour Force, Australia](#).

The Covid-era labour market has been particularly challenging for young Tasmanians

Net change in employment of 15-24 year-olds between March and December 2020, states and territories



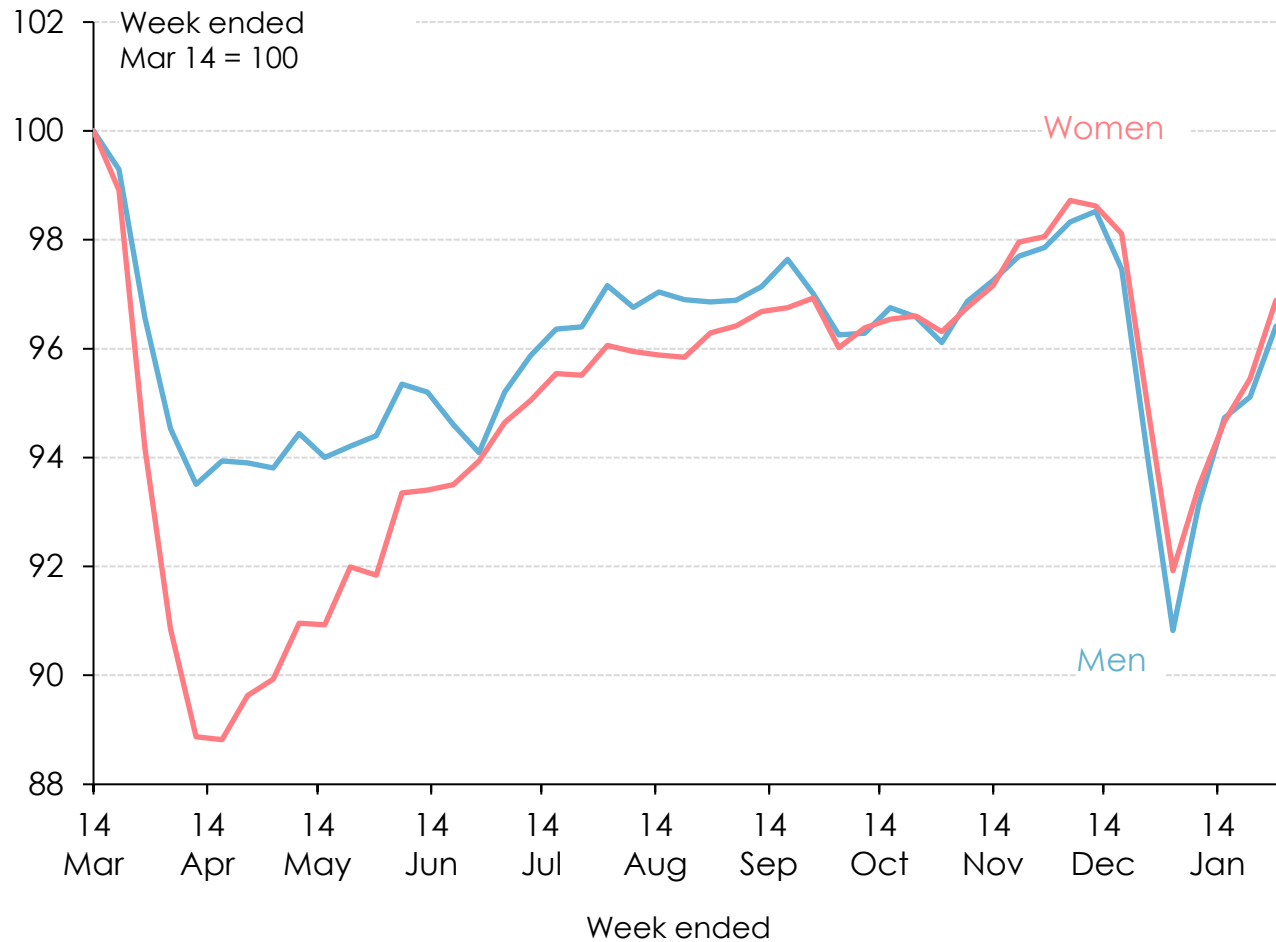
15-24 year-olds not in employment or full-time education or training (NEETs), states and territories



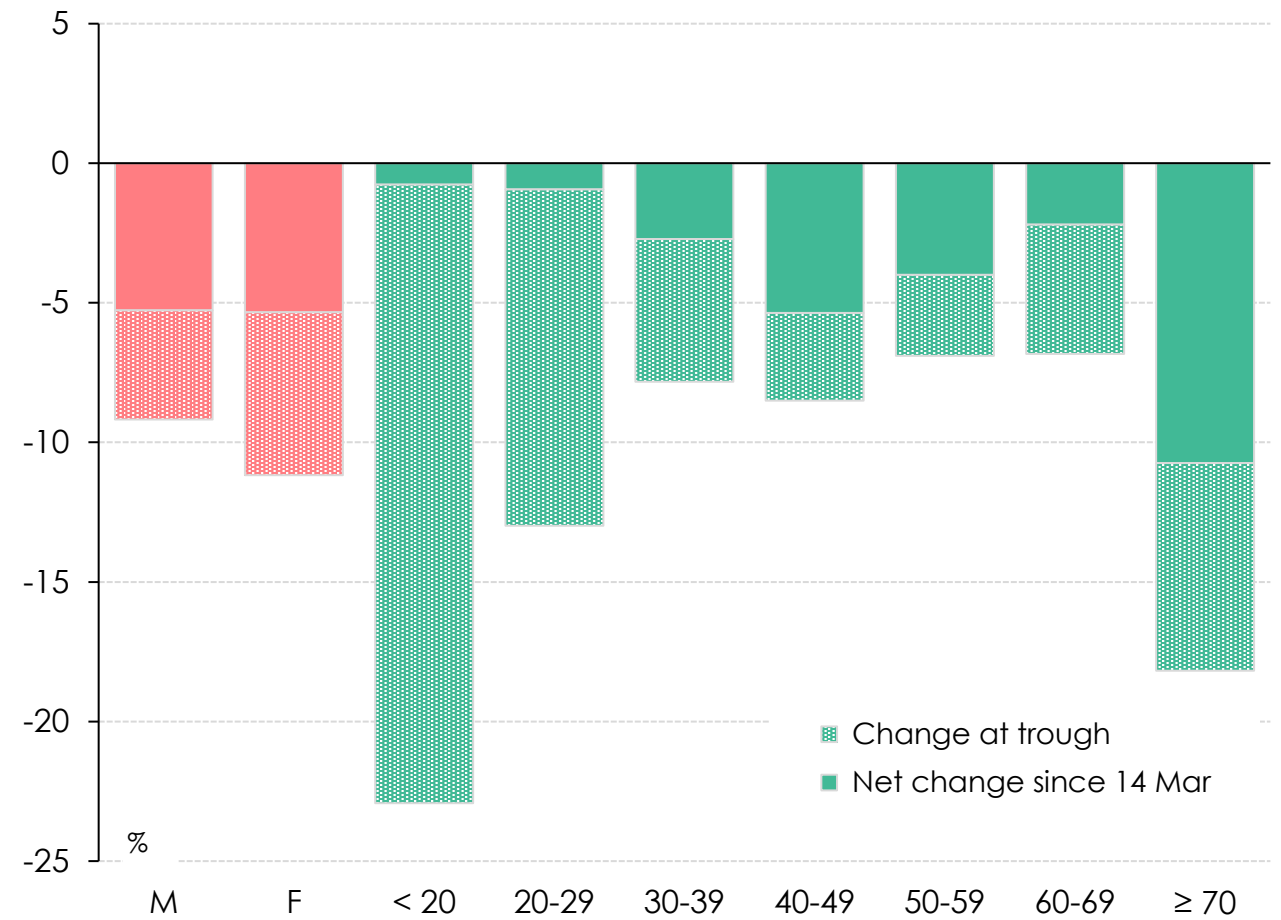
Note: 'Lowest points' were in May 2020, except for Victoria (September), and the Northern Territory (June). Note these data are not seasonally adjusted.
 Source: ABS, [Labour Force, Australia](#).

Women and young people were initially hit harder by job losses, but JobKeeper has helped them get back to work

Payroll employment by gender, Tasmania



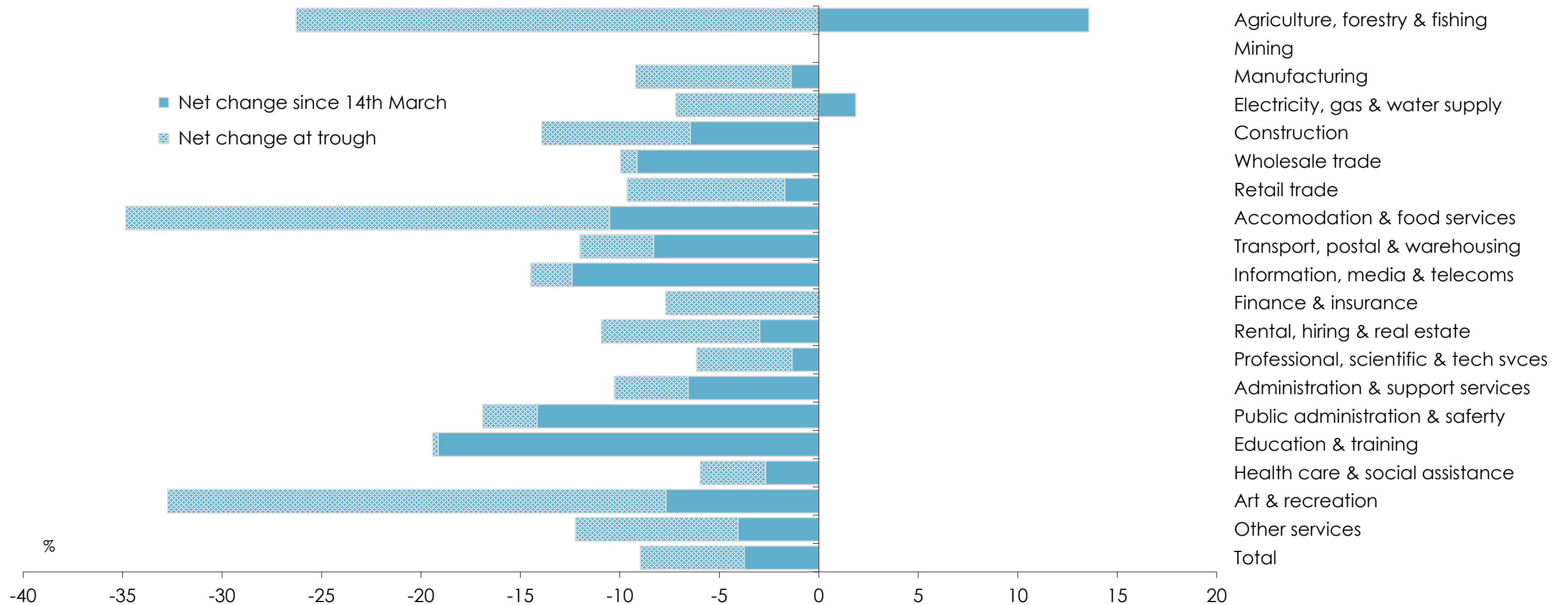
Net change in payroll employment by gender and age, Tasmania



Note: These data are not seasonally adjusted. Data up to week ended 30th January. Source: ABS, [Weekly Payroll Jobs and Wages in Australia](#).

A substantial proportion of jobs initially lost in hospitality, arts & recreation have been regained but there have been large losses in other sectors

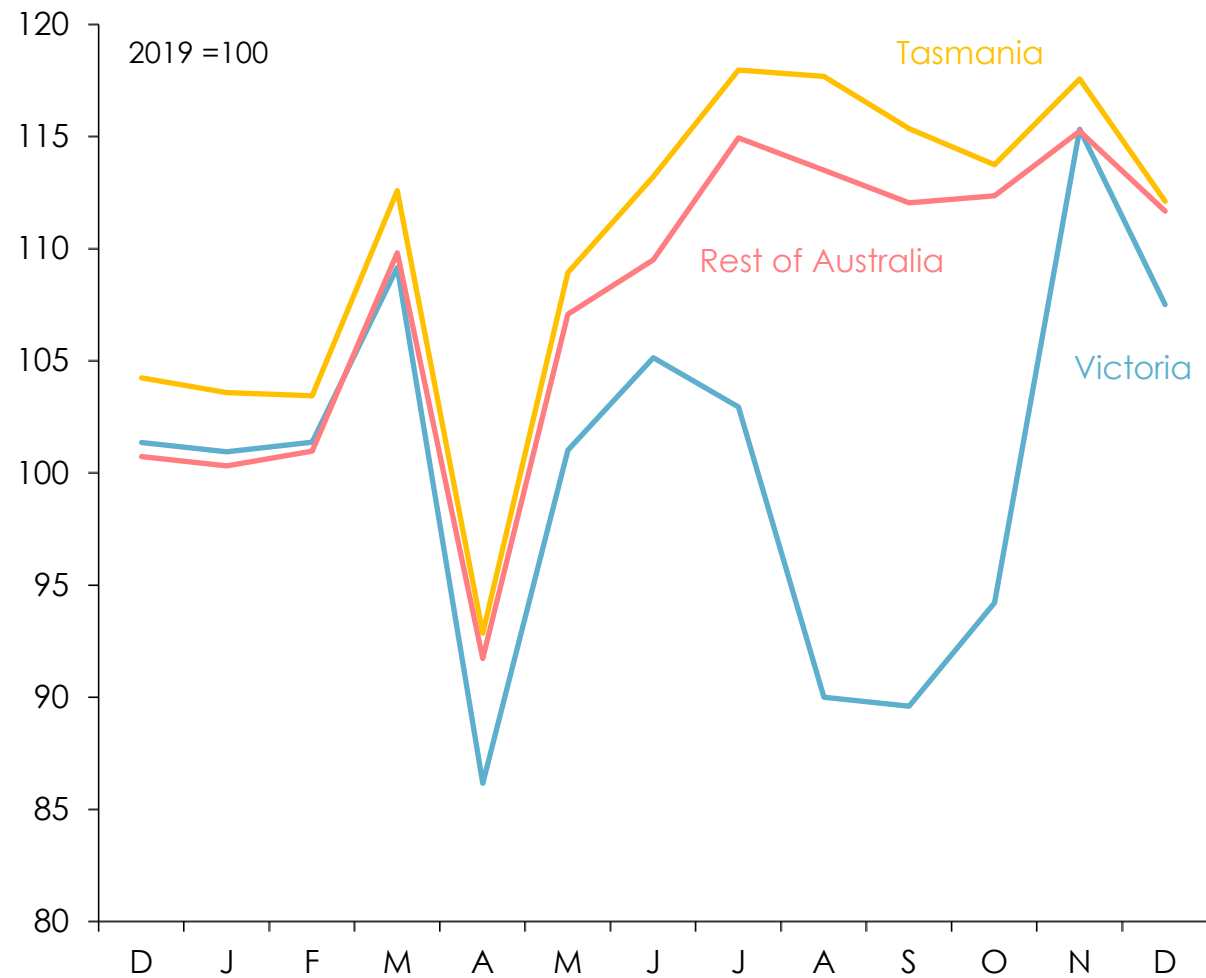
Net change in Tasmanian payroll employment between mid-March 2020 and end-January 2021, by industry



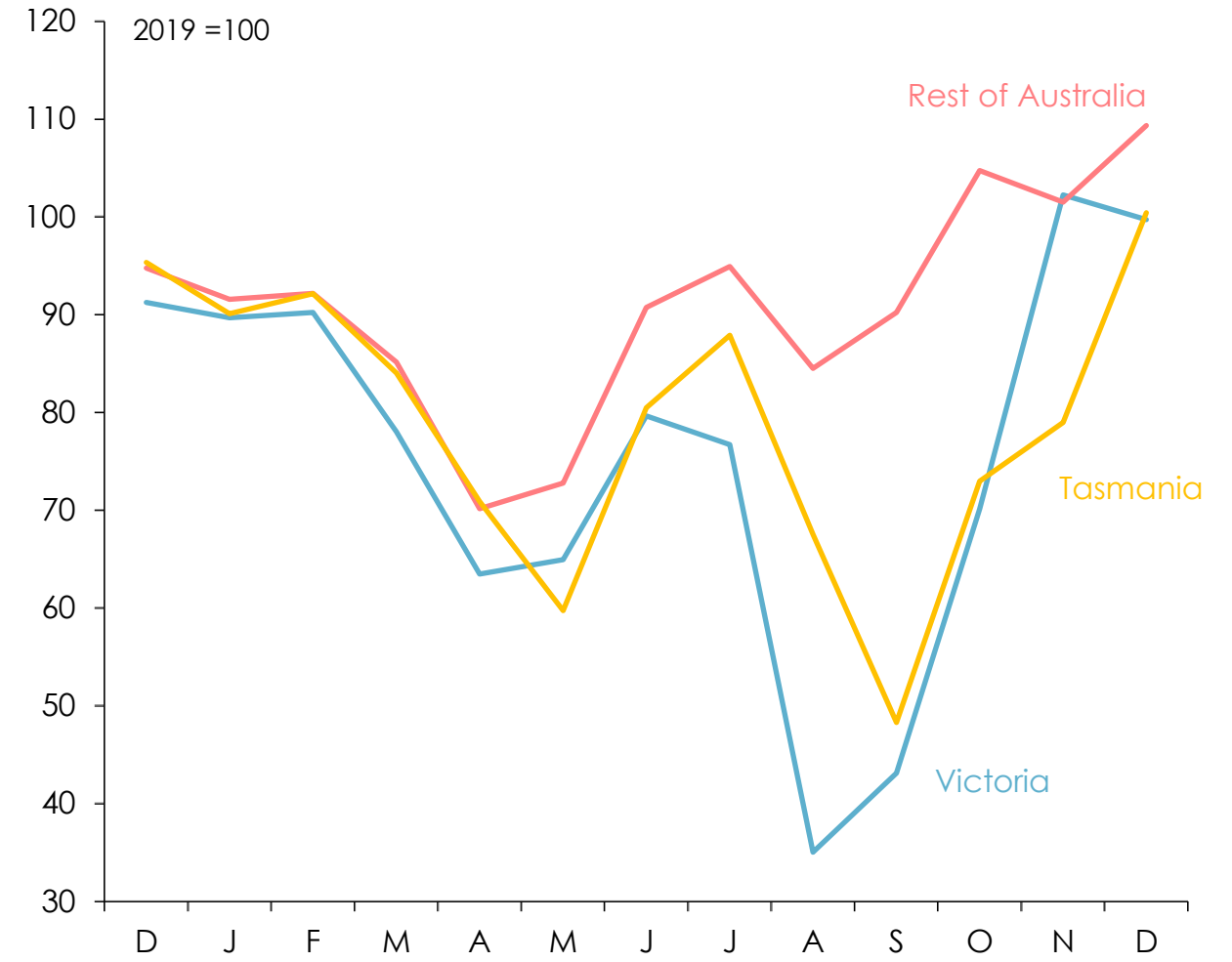
Note: these data are not seasonally adjusted. Source: ABS, [Weekly Payroll Jobs and Wages in Australia](#).

Retail sales have held up well, though might have peaked in Tasmania – motor vehicle sales have lagged the rest of Australia

Retail sales during the Covid-19 recession



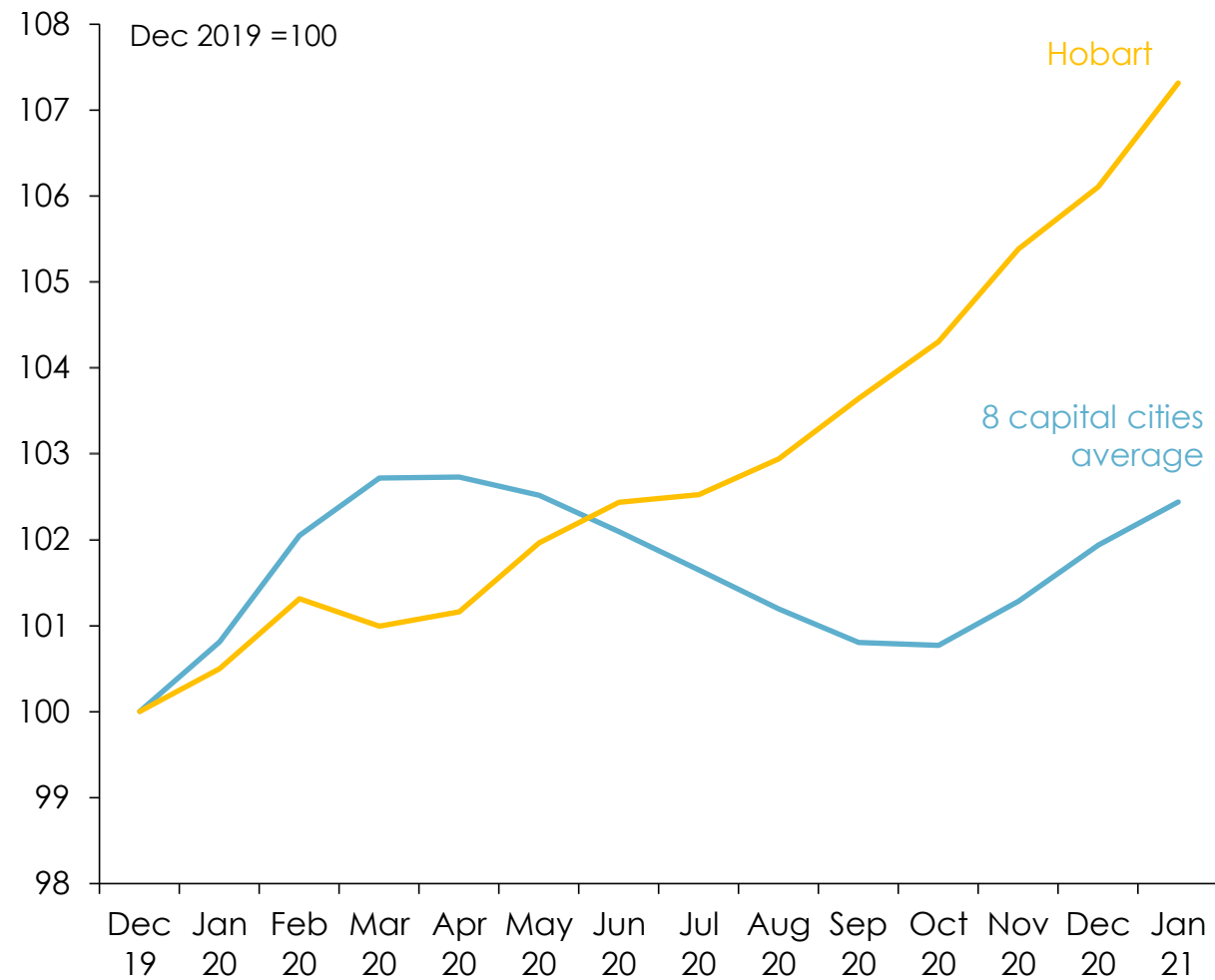
New motor vehicle sales during the Covid-19 recession



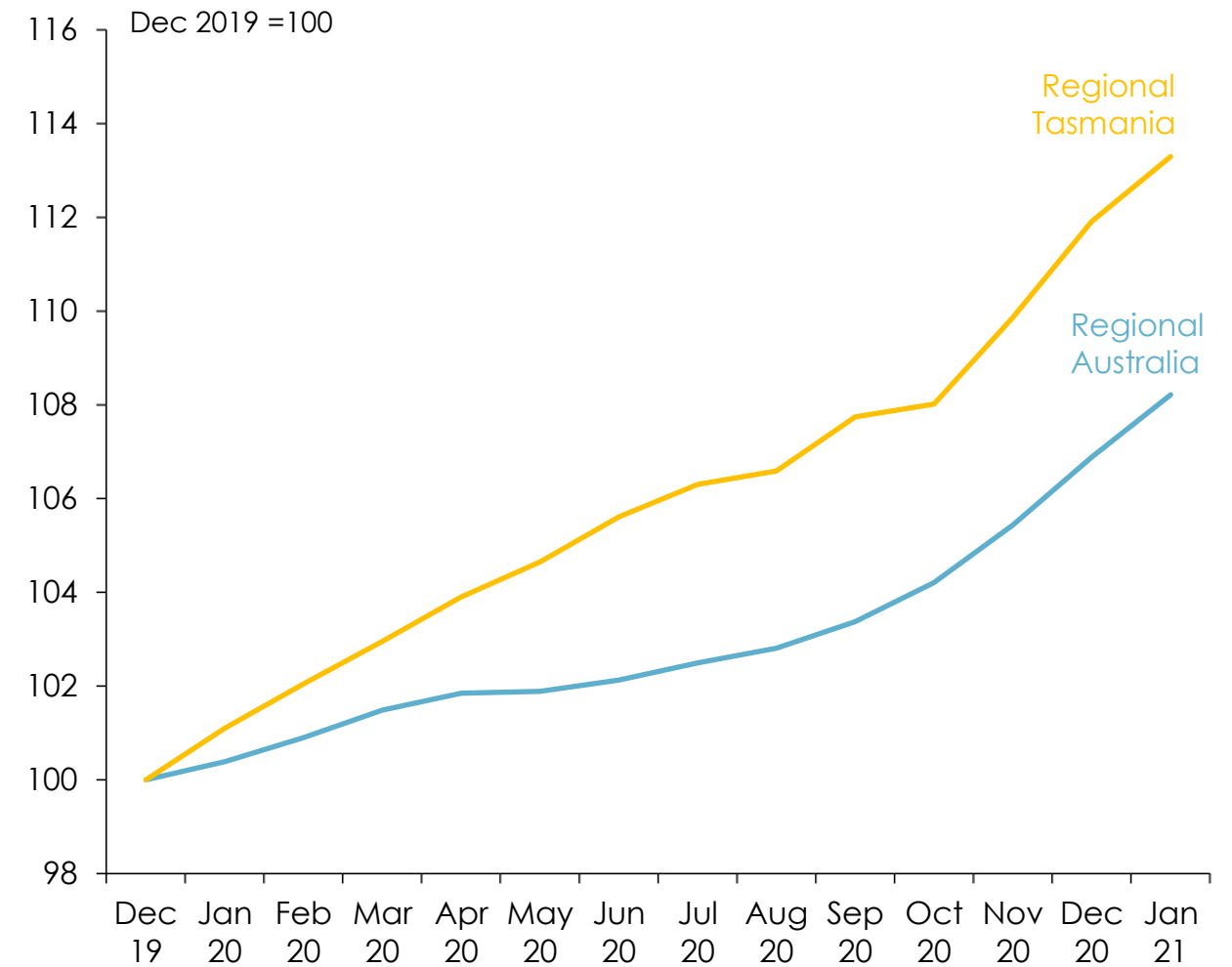
Source: ABS, [Retail Trade, Australia](#); Federal Chamber of Automotive Industries, [Vfacts](#) (seasonally adjusted from the original using Refinitiv Datastream).

The Tasmanian property market has remained firm – to the surprise of many ...

Capital city residential property prices during the Covid-19 recession



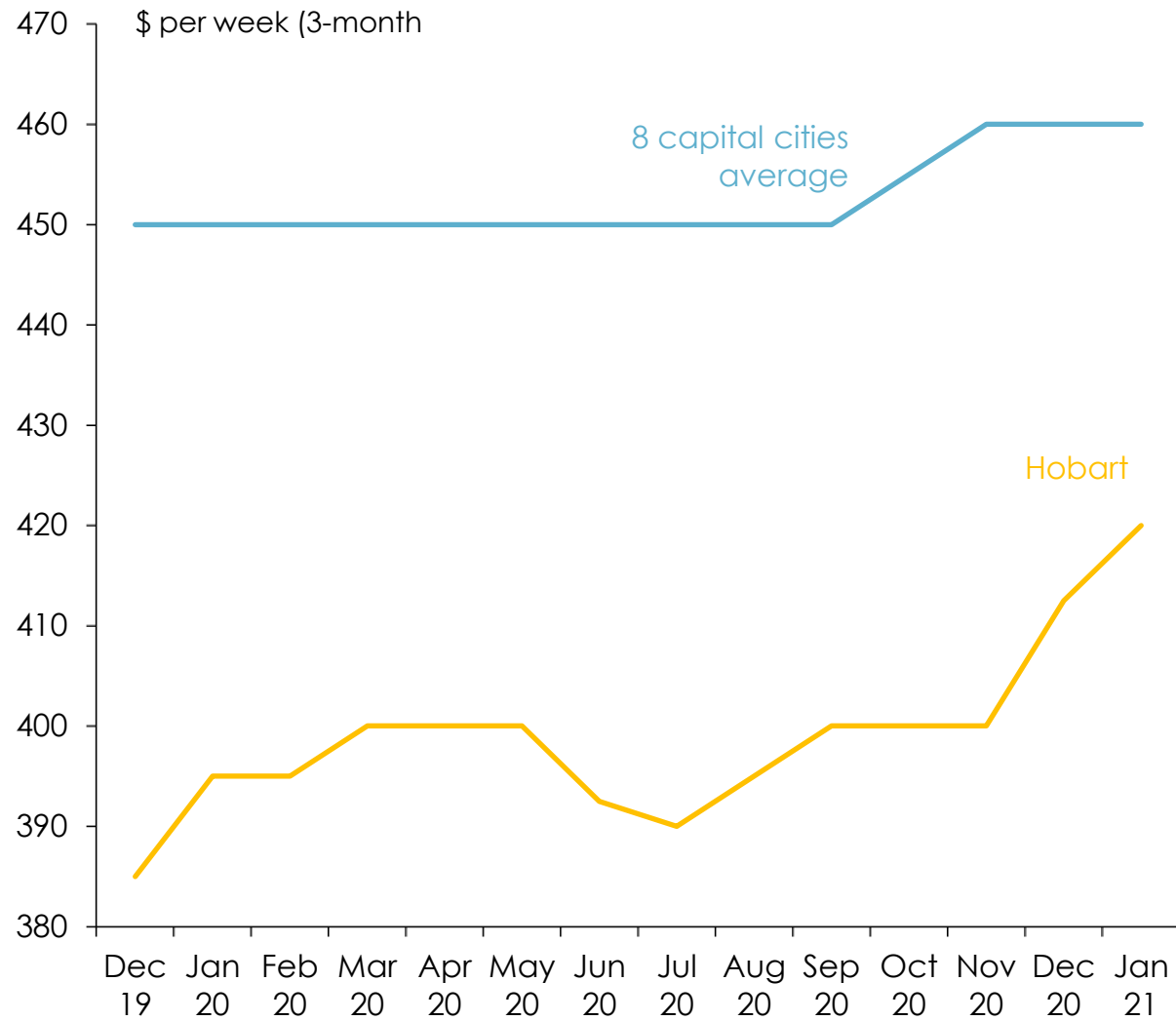
Regional residential property prices during the Covid-19 recession



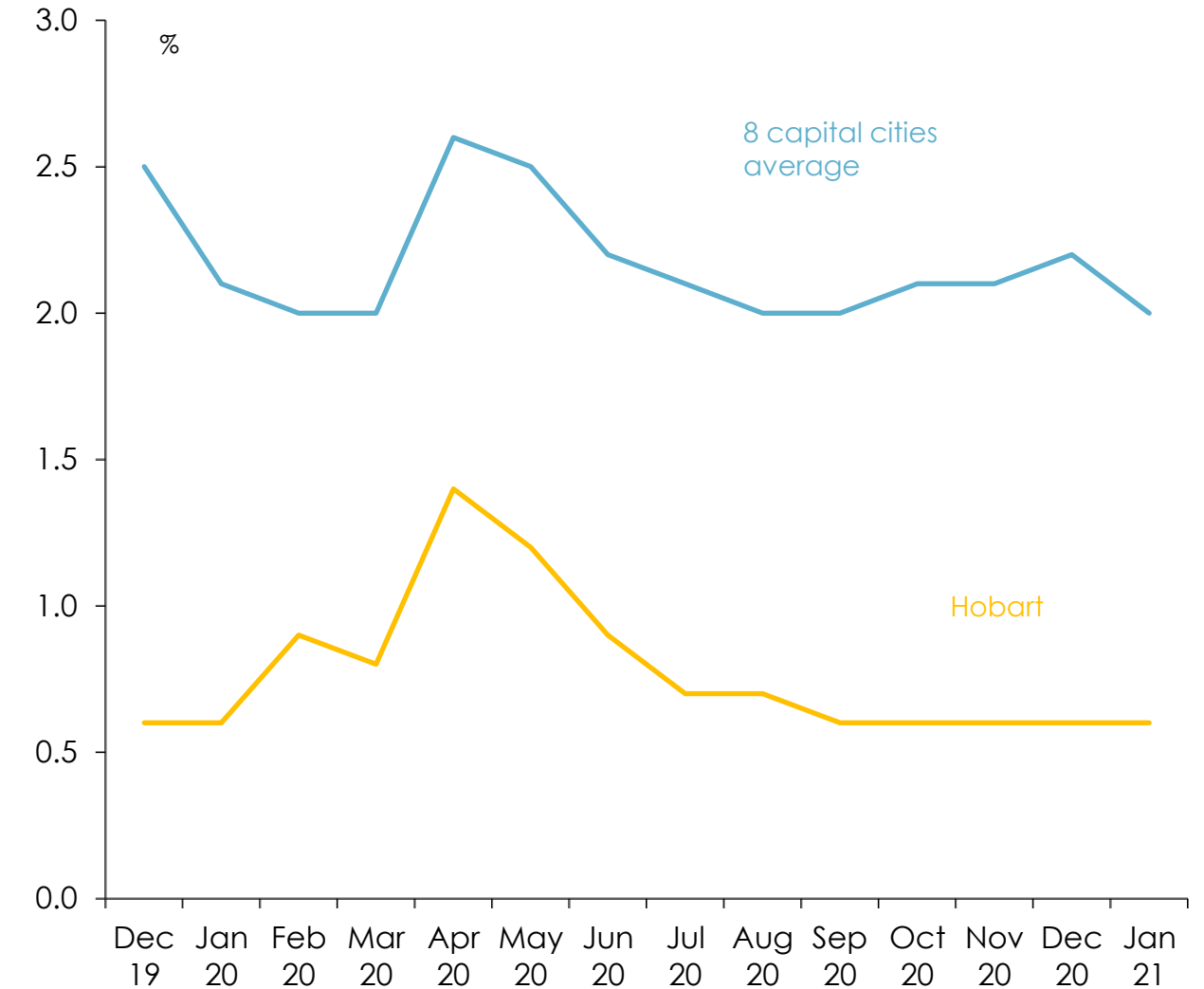
Source: CoreLogic, [Home Property Value Index - Monthly Indices](#).

... although that's not good news for everyone

Capital city rents during the Covid-19 recession



Capital city rental vacancy rates during the Covid-19 recession

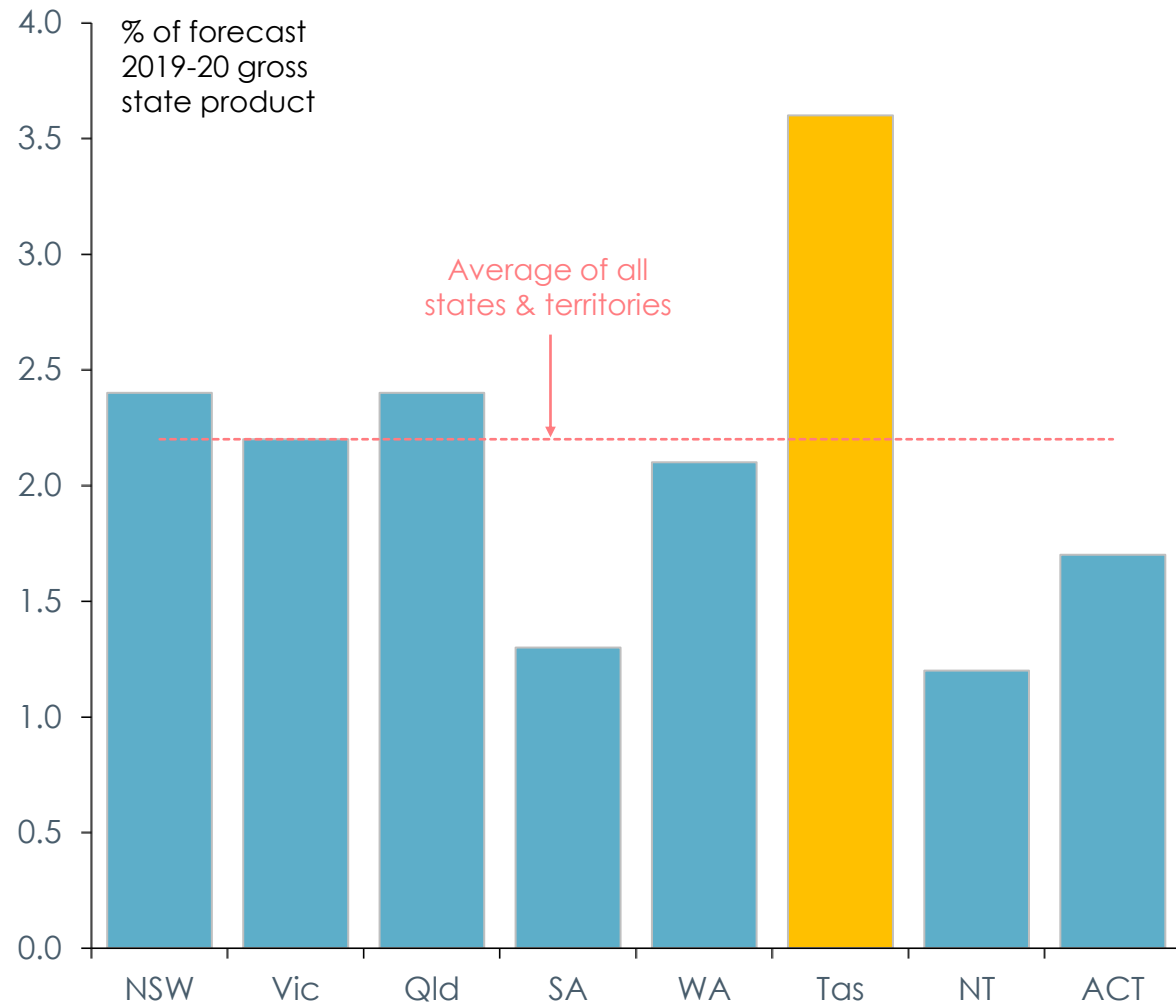


Source: CoreLogic, [Home Property Value Index - Monthly Indices](#); SQM Research, [Residential Vacancy Rates](#)

The role of government

The Tasmanian Government has been relatively more generous than other states and territories in supporting households and businesses

State & territory Covid-19 support and response measures as a pc of gross state product



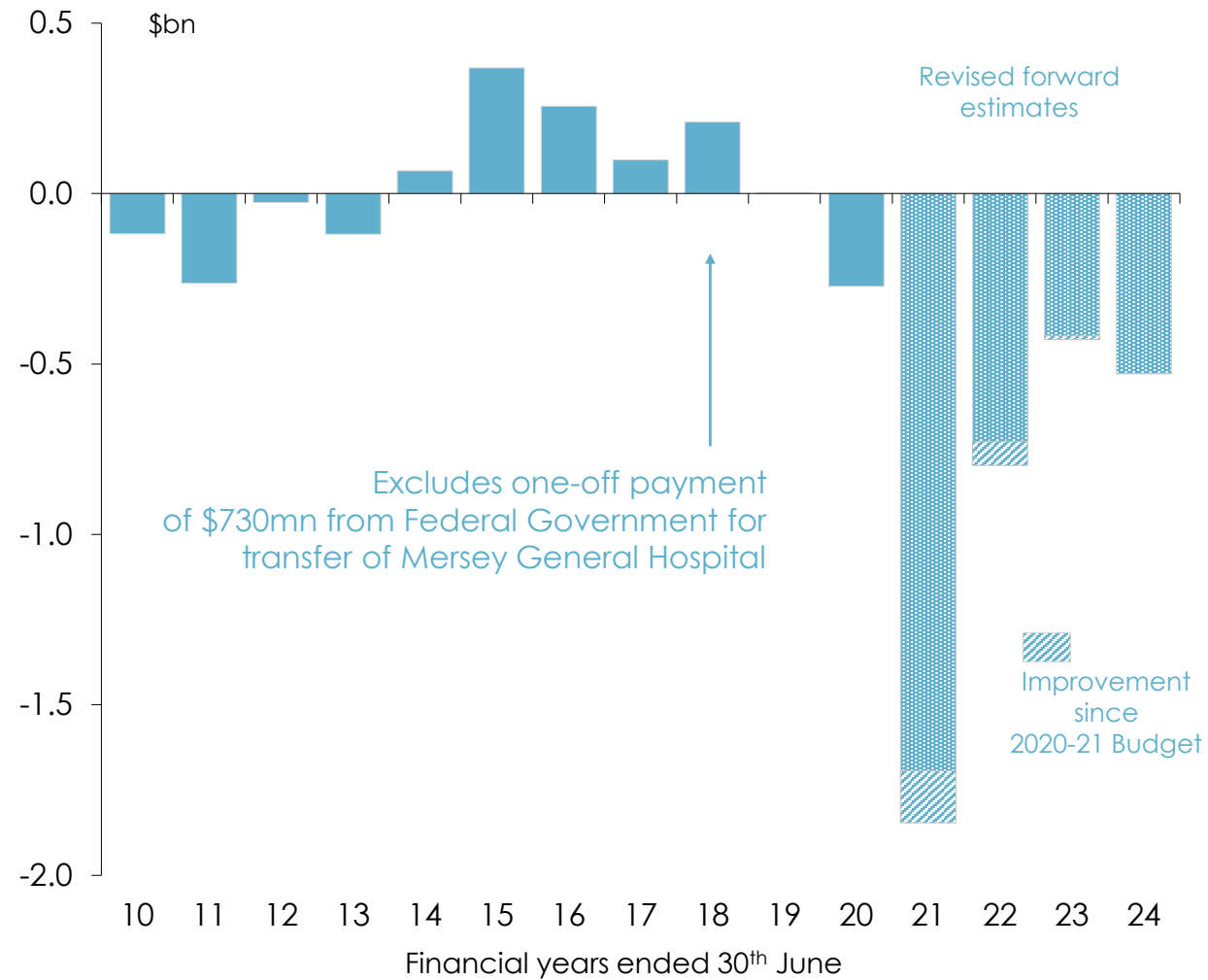
Selected Tasmanian Government economic and social support measures

- ❑ Rent relief for 11,500 social housing tenants (cost ~ \$7mn)
- ❑ Ban on private rent increases until 30th June and 90-day moratorium on evictions
- ❑ \$513K for additional services to youth at risk of homelessness
- ❑ Payments totalling \$221K to 652 temporary visa holders
- ❑ School levy relief to 11,300 eligible parents (cost \$9mn)
- ❑ An additional \$2.2mn for programs supporting victims of family and domestic violence
- ❑ Waiver of 3 months' electricity water bills for around 34,000 small businesses (cost ~ \$50mn)
- ❑ Payroll tax relief for small businesses and employers in the hospitality, tourism and seafood industries (cost \$11½mn to date)
- ❑ Land tax waiver or deferral for commercial property owners impacted by restrictions or experiencing financial hardship
- ❑ Grants and interest free loans to small businesses
- ❑ Loans to Councils for infrastructure projects and rate relief (over \$110mn in loans applied for)
- ❑ Taxi licence fees waived for 2020-21 (cost \$240K)
- ❑ Subsidized training for 150 Tasmanians who have lost jobs

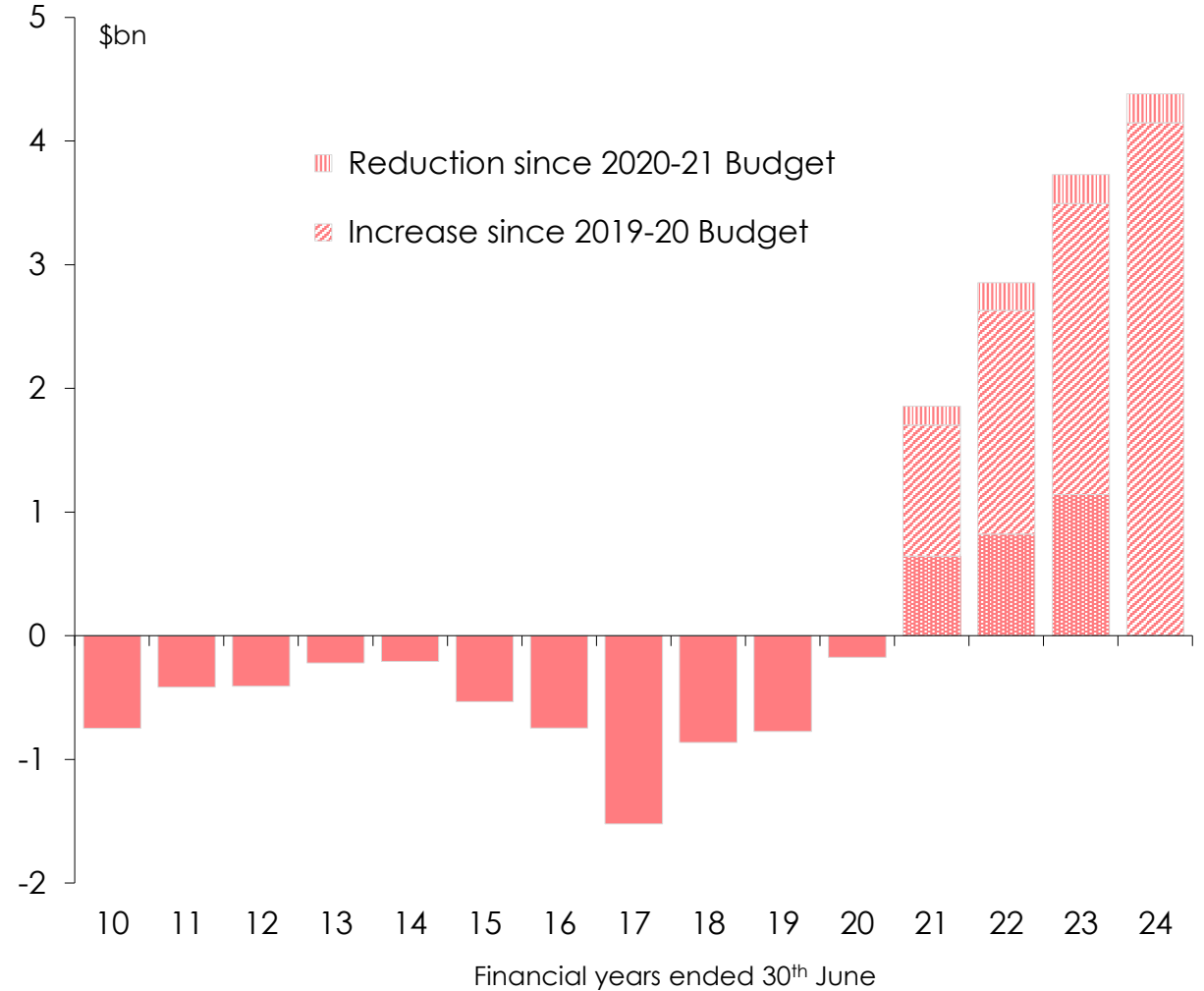
Sources: Commonwealth Treasury, 6th August 2020; Australian Financial Review, 14th August 2020; ABS; Tasmanian Government, Social and Economic Support Measures Update, 11th May 2020.

Inevitably, this has entailed a deterioration in the State Government's financial position (though a little less than envisaged in the 2020-21 Budget)

Tasmanian 'general government' sector cash balance



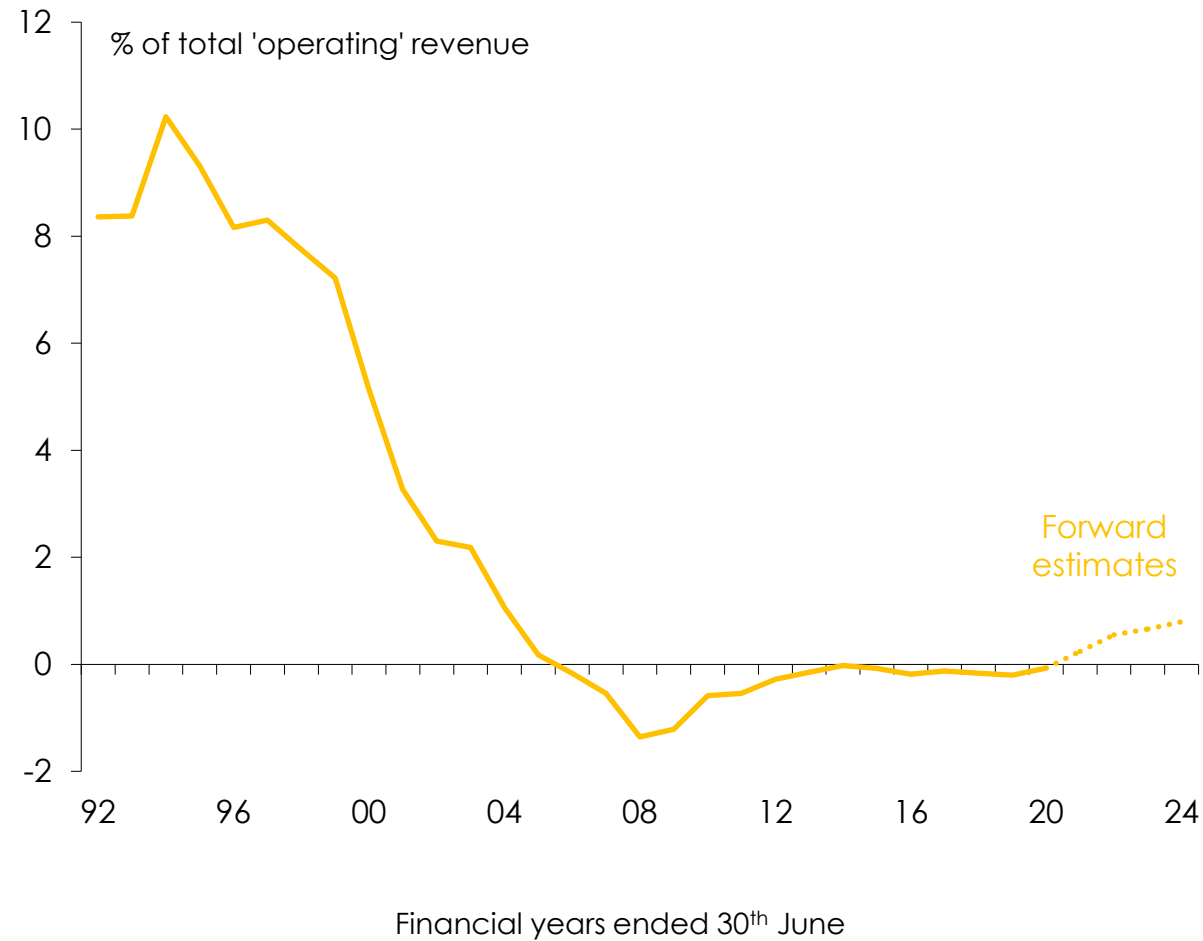
Tasmanian 'general government' sector net debt



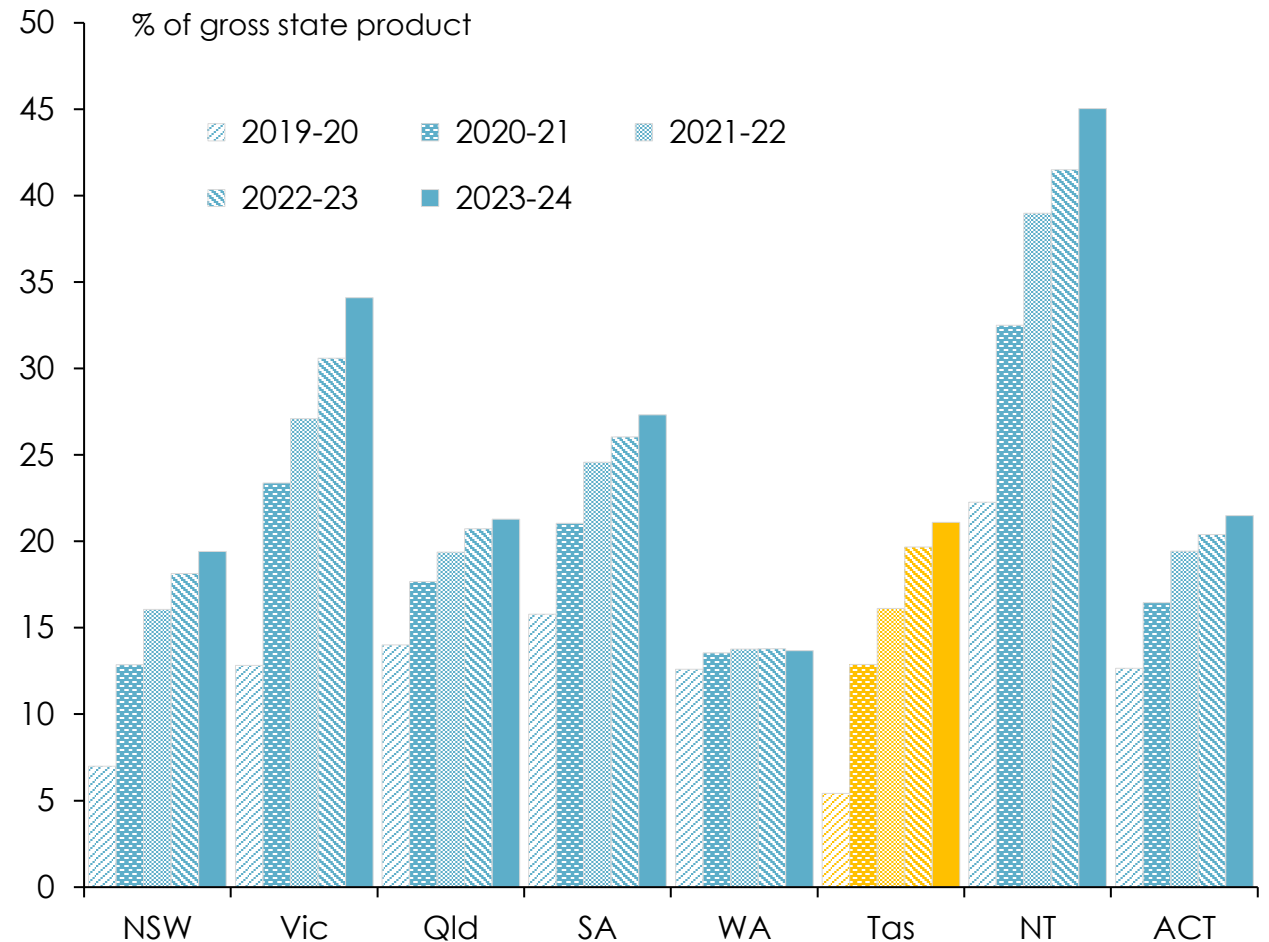
Note: 'General government' refers to departments and agencies funded wholly or largely through taxation revenue and grants, and excludes public enterprises.
 Source: Tasmanian Government, [2020-21 Budget Paper No 1](#); [Revised Estimates Report 2020-21](#).

... but there's no need for alarm over the level of debt that the Government will be accumulating

Tasmanian 'general government' interest expense, as a pc of revenue



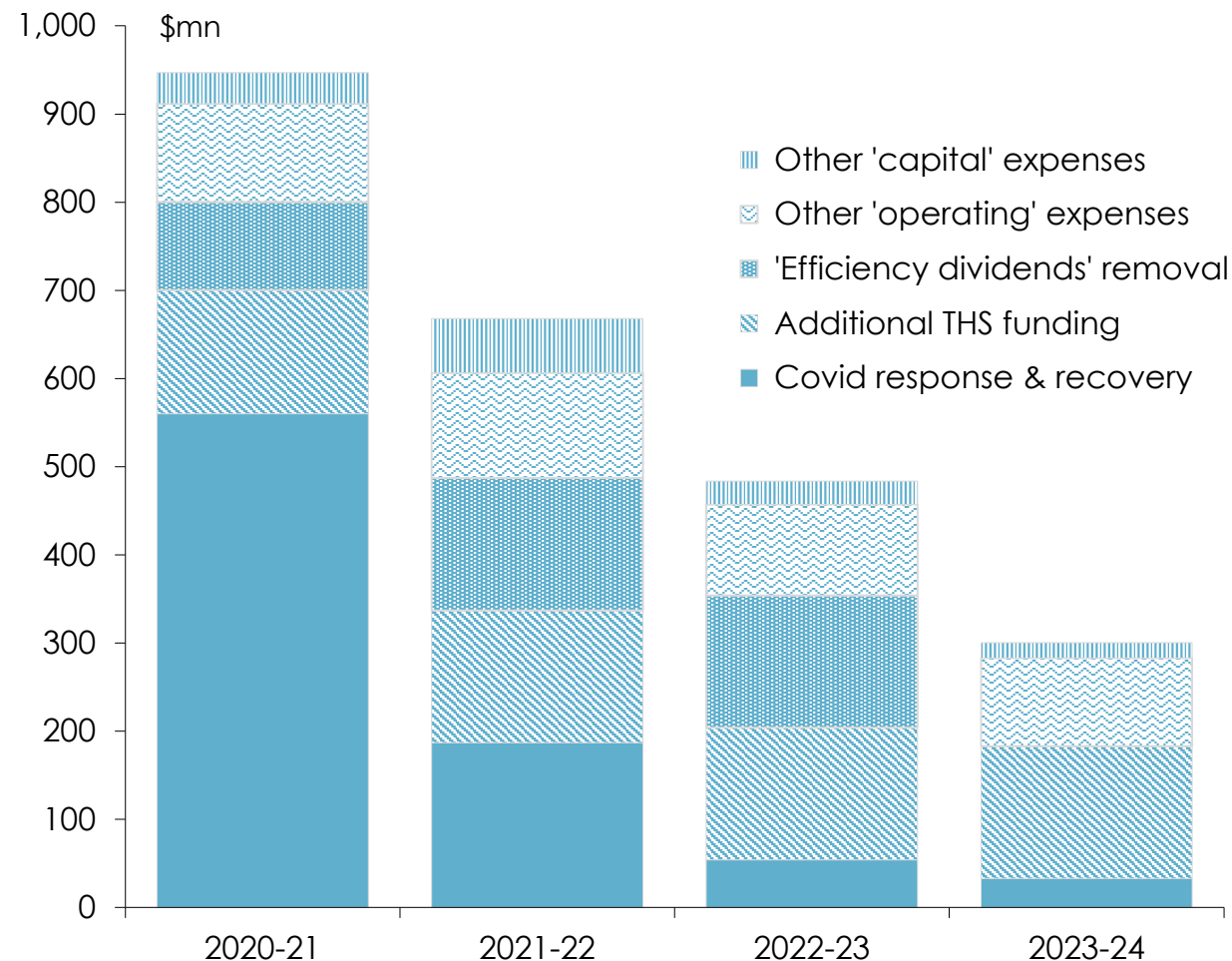
Total non-financial public sector net debt, states and territories



Note: 'General government' refers to departments and agencies funded wholly or largely through taxation revenue and grants, and excludes public enterprises. The 'non-financial public sector' includes public non-financial corporations (such as Hydro Tasmania and Aurora) but excludes public financial corporations (such as TasCorp and the MAIB). Estimates of Tasmania's GSP for 2022-23 and 2023-24 are derived by assuming it grows at the same rate as forecast by the Australian Treasury for nominal GDP. Sources: Tasmanian and other State and Territory Government 2020-21 Budget Papers (not updated for Revised Estimates report released 15th February).

The additional increase in infrastructure spending in this year's State Budget was quite small

'Bottom line' impact of 'policy decisions' in the 2020-21 Tasmanian State Budget



Projected 'general government' capital expenditures, states and territories



Note: 'Bottom line' refers to the fiscal balance (the accrual accounting equivalent of the cash balance). 'General government' comprises departments and agencies funded primarily by taxation revenue or grants. Estimates of Tasmania's GSP for 2022-23 and 2023-24 are derived by assuming it grows at the same rate as forecast by the Australian Treasury for nominal GDP. 'Capital expenditures' are what are described in Budget Papers as 'purchases of new fixed assets'. Sources: Tasmanian and other State and Territory Government 2020-21 Budget Papers (not updated for Revised Estimates report released 15th February).

Tasmania's economy in the post-Covid world

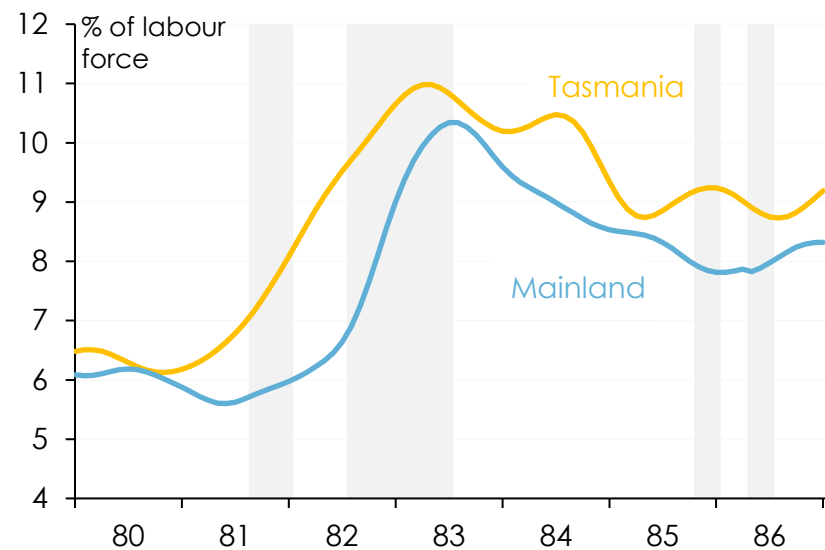
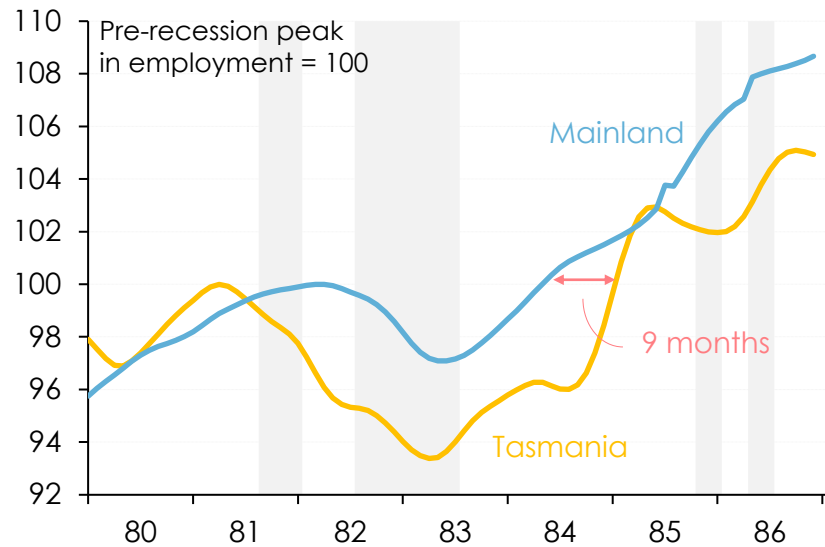
There are no guarantees that Tasmania's much improved pre-Covid economic performance will 'carry over' into the post-Covid world

- ❑ **Just because Tasmania's economy was 'doing well' (relative to our own history, and relative to other states and territories) before Covid-19, is no guarantee that it will also do relatively well post-Covid**
 - the experience of the past three (Tasmanian) recessions – ahead of two of which Tasmania's economy was also 'doing better' than national averages on many indicators – counsels strongly against confidence on that score
- ❑ **Tasmania's economy remains very narrowly-based on a relatively small number of industries, most of which will face on-going 'headwinds'**
 - five sectors (agriculture, forestry and fishing; retail trade; accommodation and food services; public administration and safety; and health care and social assistance) account for 38% of Tasmania's gross product and 48% of Tasmania's employment (cf. 22% and 33% respectively for Australia as a whole)
- ❑ **Tasmania does have the potential to capitalize on its strong performance in keeping the virus at bay, and as a 'climate change refuge', by attracting more migrants from the mainland and (when borders re-open) overseas**
 - but families with children aren't going to want to move here if they think that they might be putting the quality of education their children will receive at risk by moving here – as they have good reason to think given Tasmania's poorly-performing education system
 - and both families with children and people contemplating retirement aren't going to want to move here if they think they are putting their health at risk as they have good reason to think given Tasmania's poorly-performing health system
- ❑ **Tasmania is also vulnerable on other fronts – including its out-sized dependence on tourism, its large export exposure to China (not much of which is in iron ore) and its vulnerability to changes in GST revenue-sharing arrangements**
 - Tasmania needs far-reaching reforms to its education and health systems (some of which will require greater spending), and to its state taxation system
 - but there appears to be little political appetite for any reform at all (or for making the case for it)

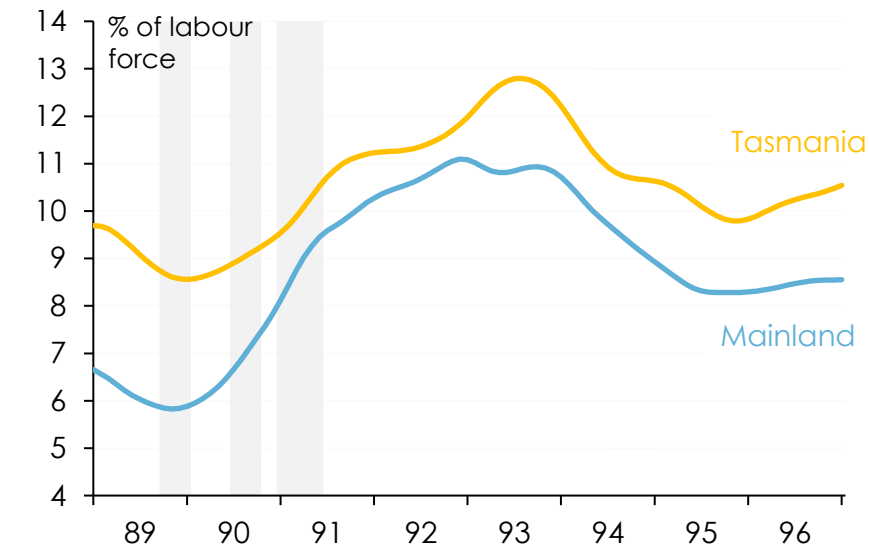
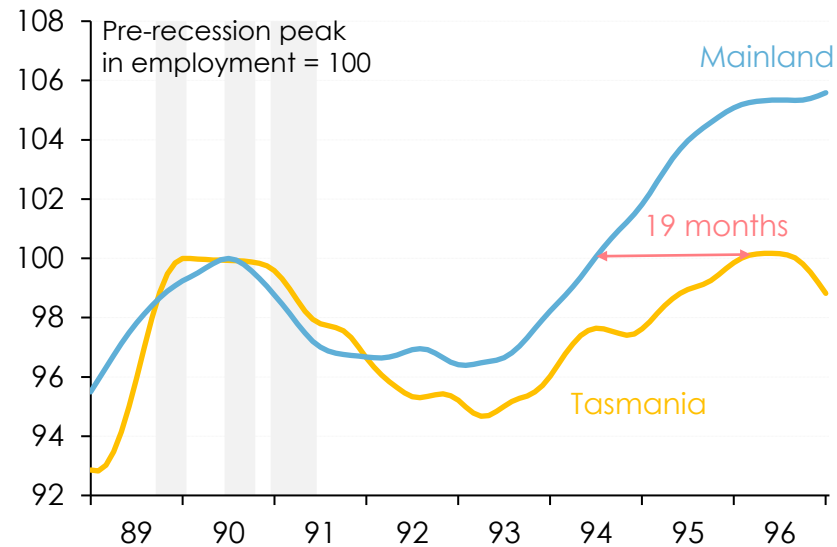
Tasmania has historically always fared worse than the mainland during recessions, regardless of how we were doing beforehand

Employment and unemployment in Tasmania vs the mainland during recessions

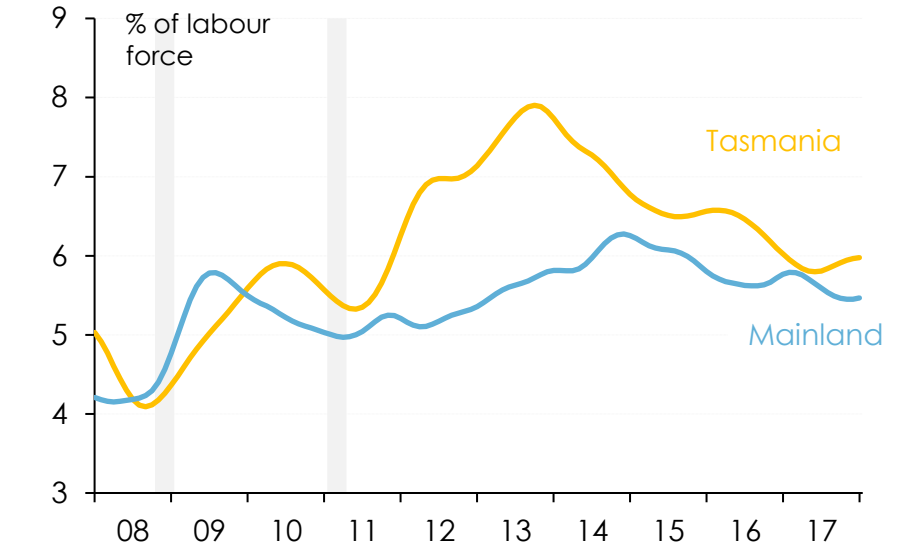
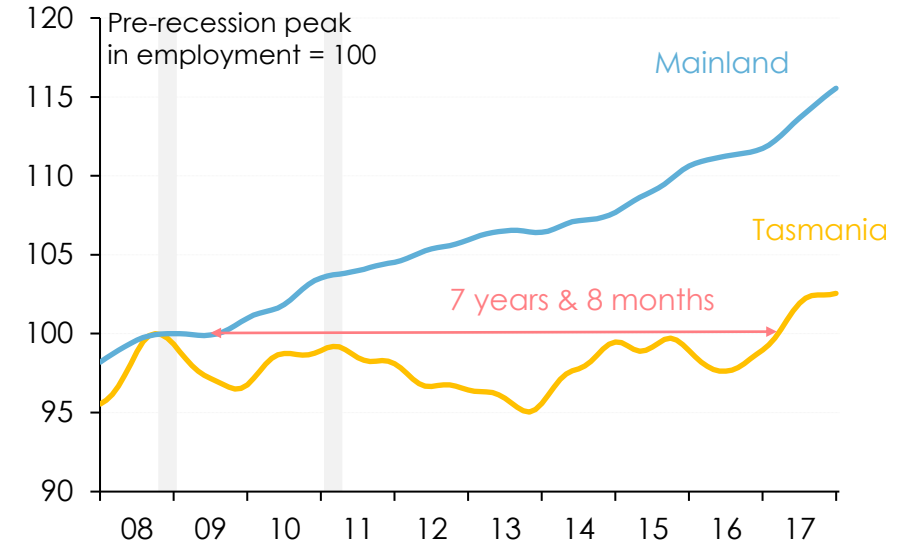
Early 1980s recession



Early 1990s recession



Global financial crisis

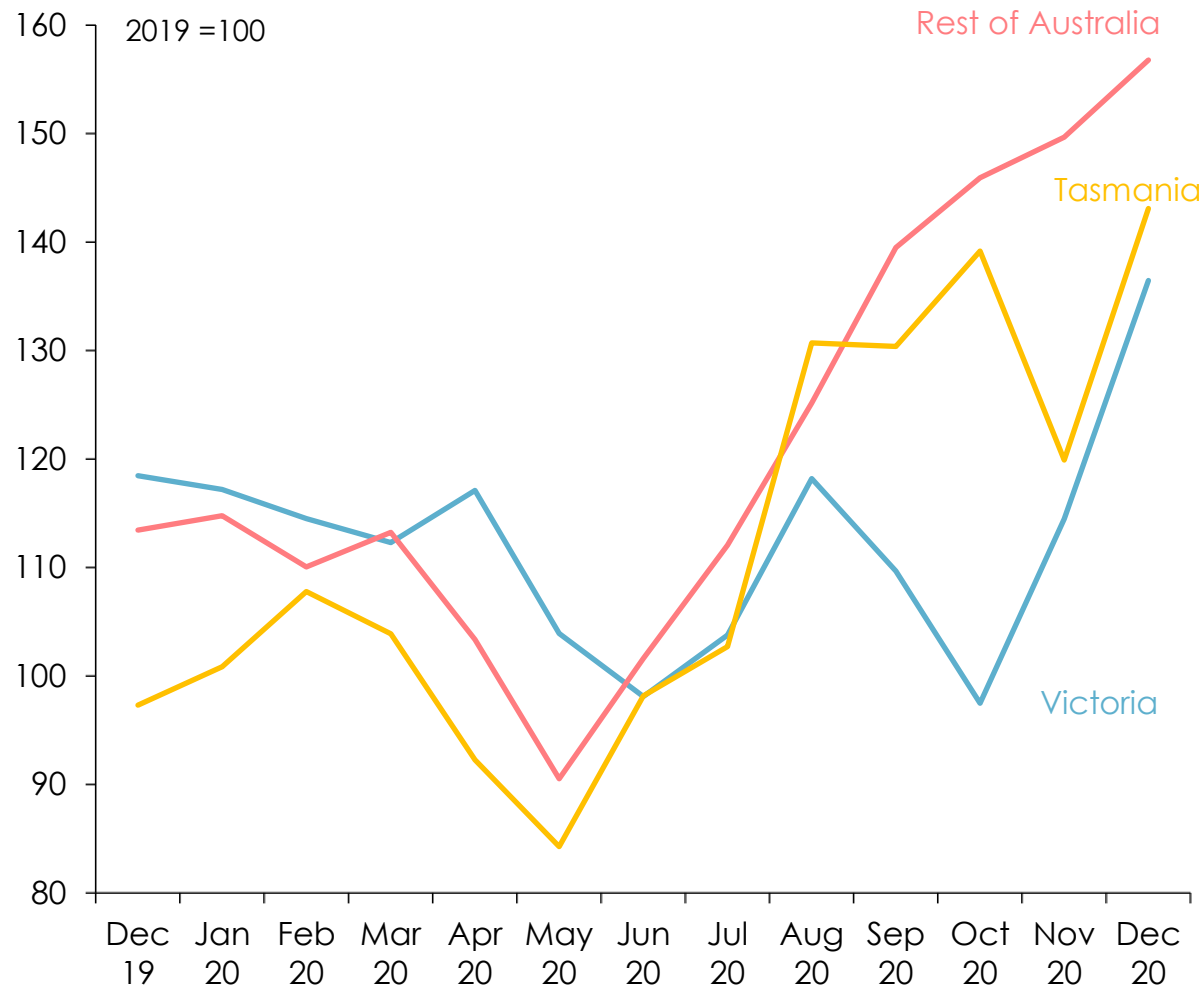


Note: Shaded areas denote quarters of negative growth in real GDP. The number of years or months (in pink) are the time differences between when mainland employment regained its pre-recession peak level, and the same milestone being achieved in Tasmania. Data are expressed in trend terms.

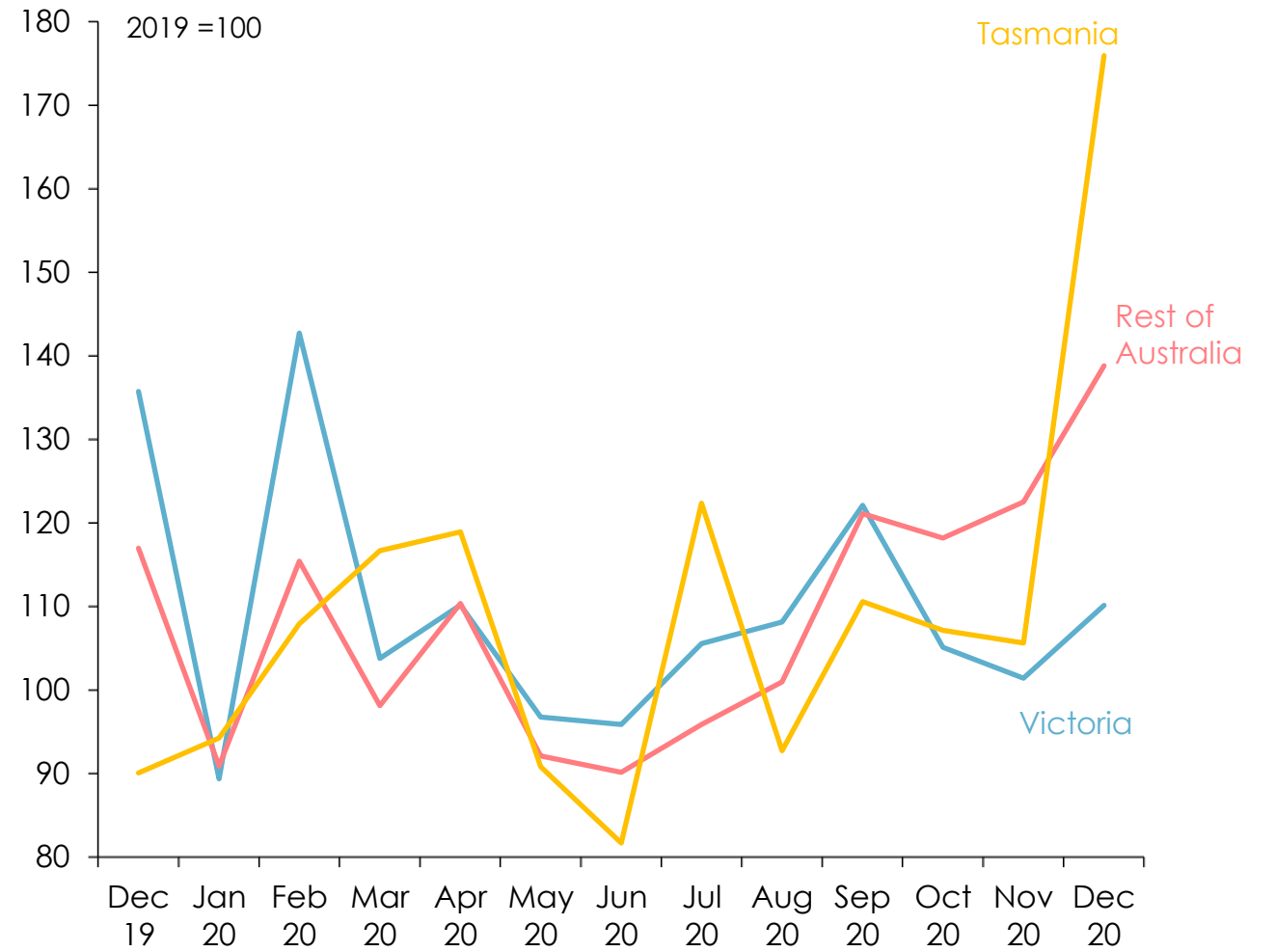
Source: ABS, [Labour Force, Australia](#); Corinna.

Prospects for house-building are looking a lot stronger than had been expected six months ago

Housing finance commitments (home-buyers and investors) during the Covid-19 recession



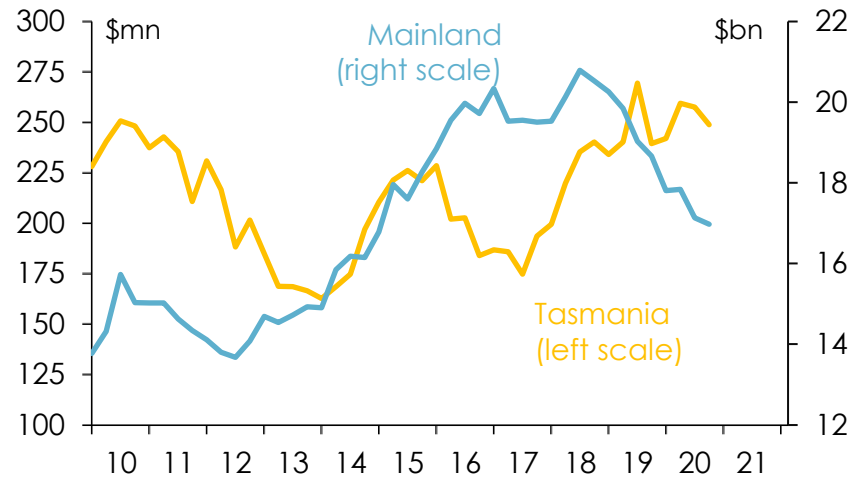
Residential building approvals during the Covid-19 recession



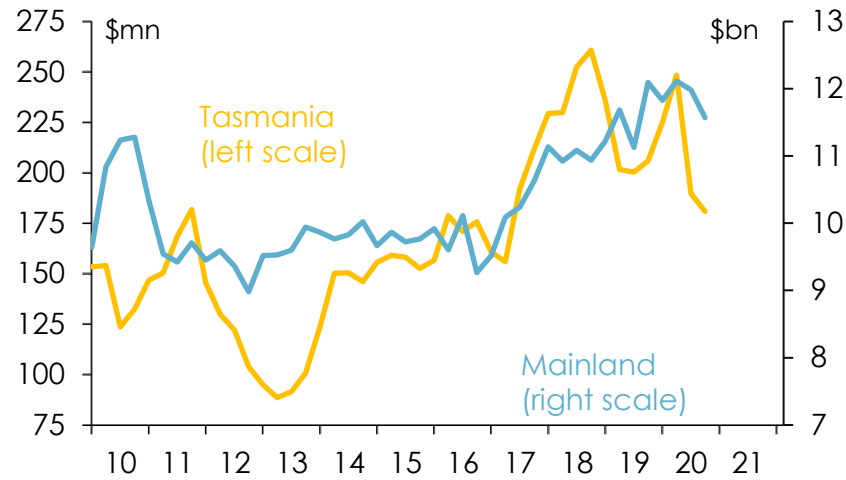
Sources: ABS, [Lending Indicators, Australia](#) and [Building Approvals, Australia](#).

Tasmania has a good pipeline of housing and infrastructure construction work, but non-residential building could be a soft spot

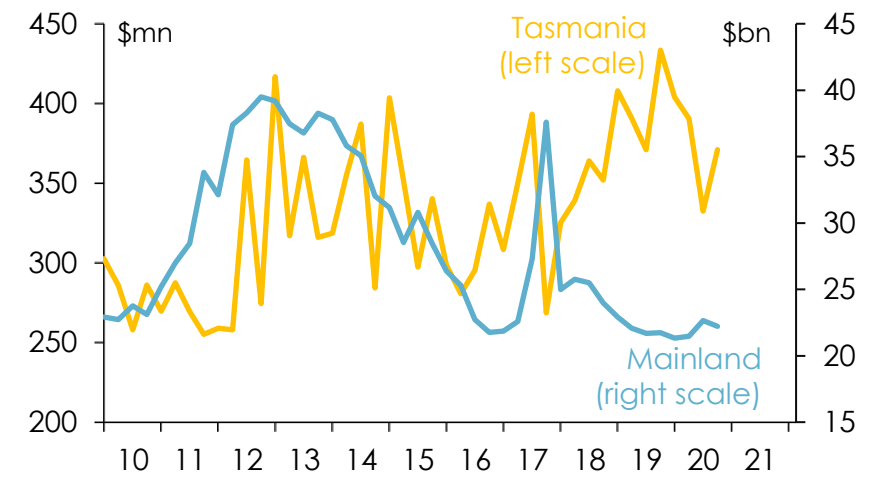
Residential building work done



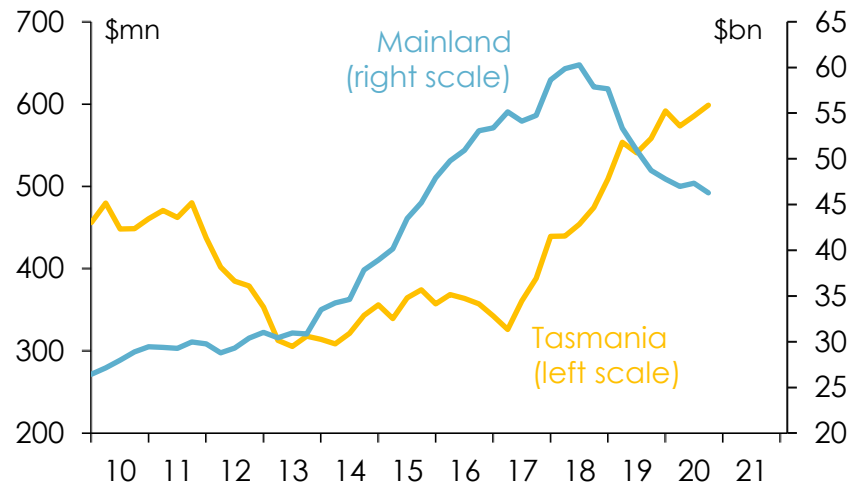
Non-residential building work done



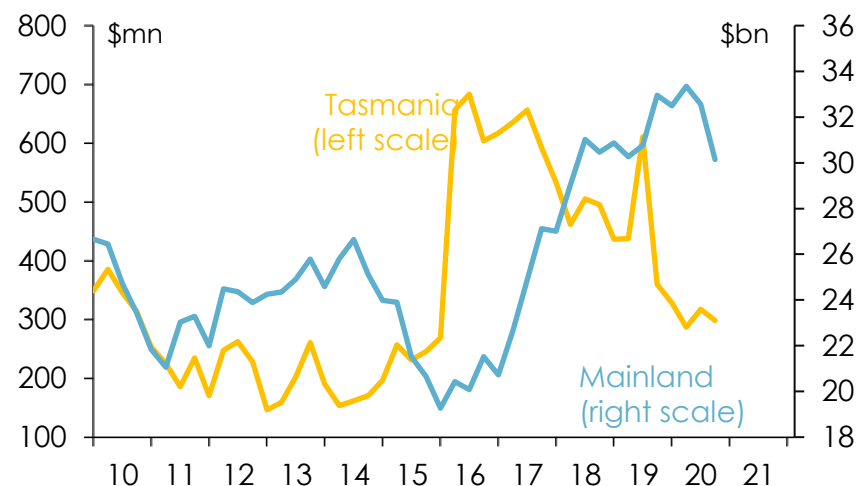
Engineering construction work done



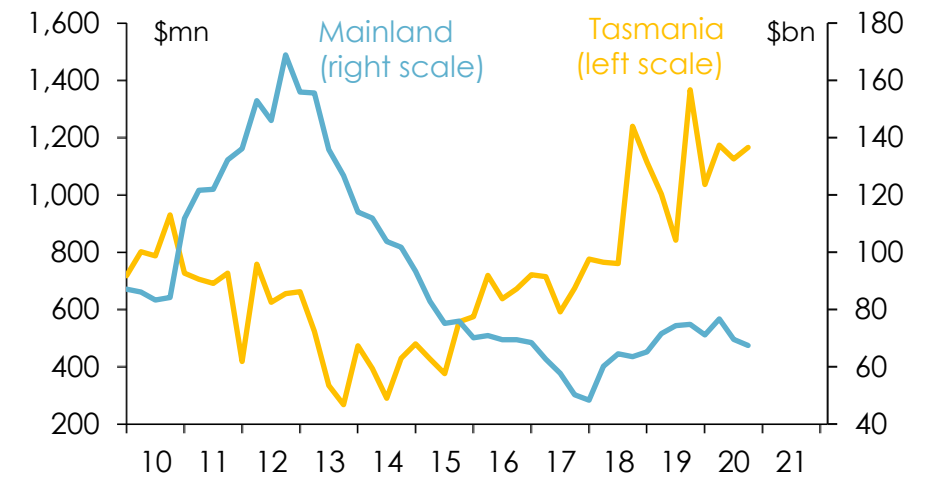
Residential building 'pipeline'



Non-residential building 'pipeline'



Engineering construction 'pipeline'



Note: 'Work done' is expressed in 2018-19 dollars ('chain volumes'); 'pipelines' are in current price Sources: ABS, [Construction work done, Australia, preliminary](#); [Building Activity, Australia](#) and [Engineering Construction Activity, Australia](#).

Tasmania does have the opportunity to attract more migrants from both interstate and overseas, given the perception of being a ‘safe place’

Federal Treasury Budget forecasts for net overseas and interstate migration

Table A.5: Net overseas migration, for years ending 30 June

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Net overseas migration, Australia	239,700	154,100	-71,600	-21,600	95,900	201,100

Table A.6: Net interstate migration by state, for years ending 30 June

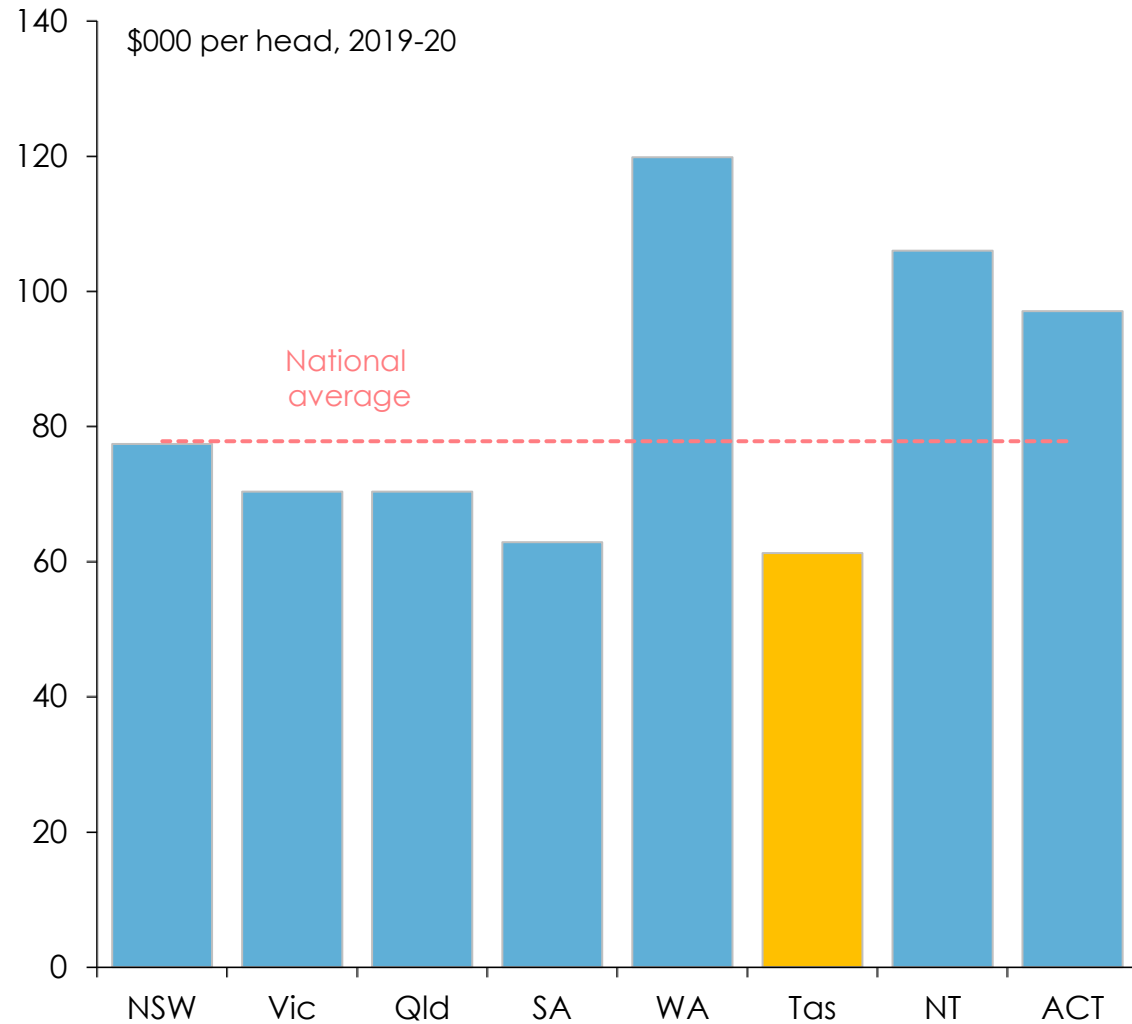
	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2018-19	-22,100	12,200	22,800	-6,500	-4,000	2,000	-200	-4,400
2019-20	-21,000	11,600	21,700	-6,100	-3,800	1,900	-200	-4,200
2020-21	-14,300	-1,200	22,000	-3,700	-2,200	2,200	300	-3,100
2021-22	-15,500	-1,300	23,800	-4,000	-2,300	2,300	400	-3,300
2022-23	-17,000	1,800	21,300	-2,300	-3,000	1,200	300	-2,400
2023-24	-18,600	5,000	18,900	-500	-3,600	0	200	-1,400

– but we will probably struggle to attract them unless we address the long-term structural weaknesses in our economy, and the substantial shortcomings in our education and health systems

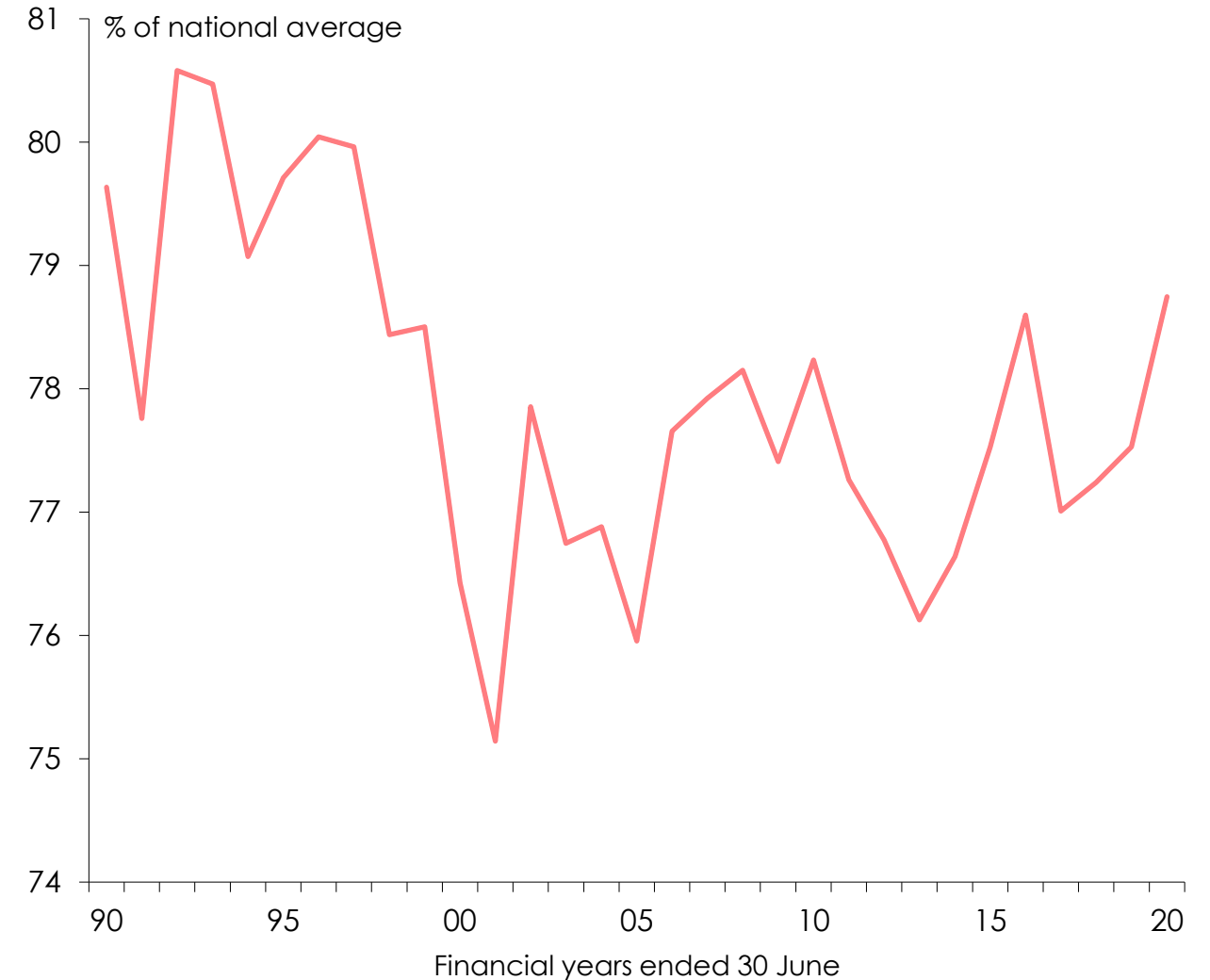
Long-term structural weaknesses in Tasmania's economy

Tasmania remains Australia's poorest state despite some gradual improvement since the turn of the century

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



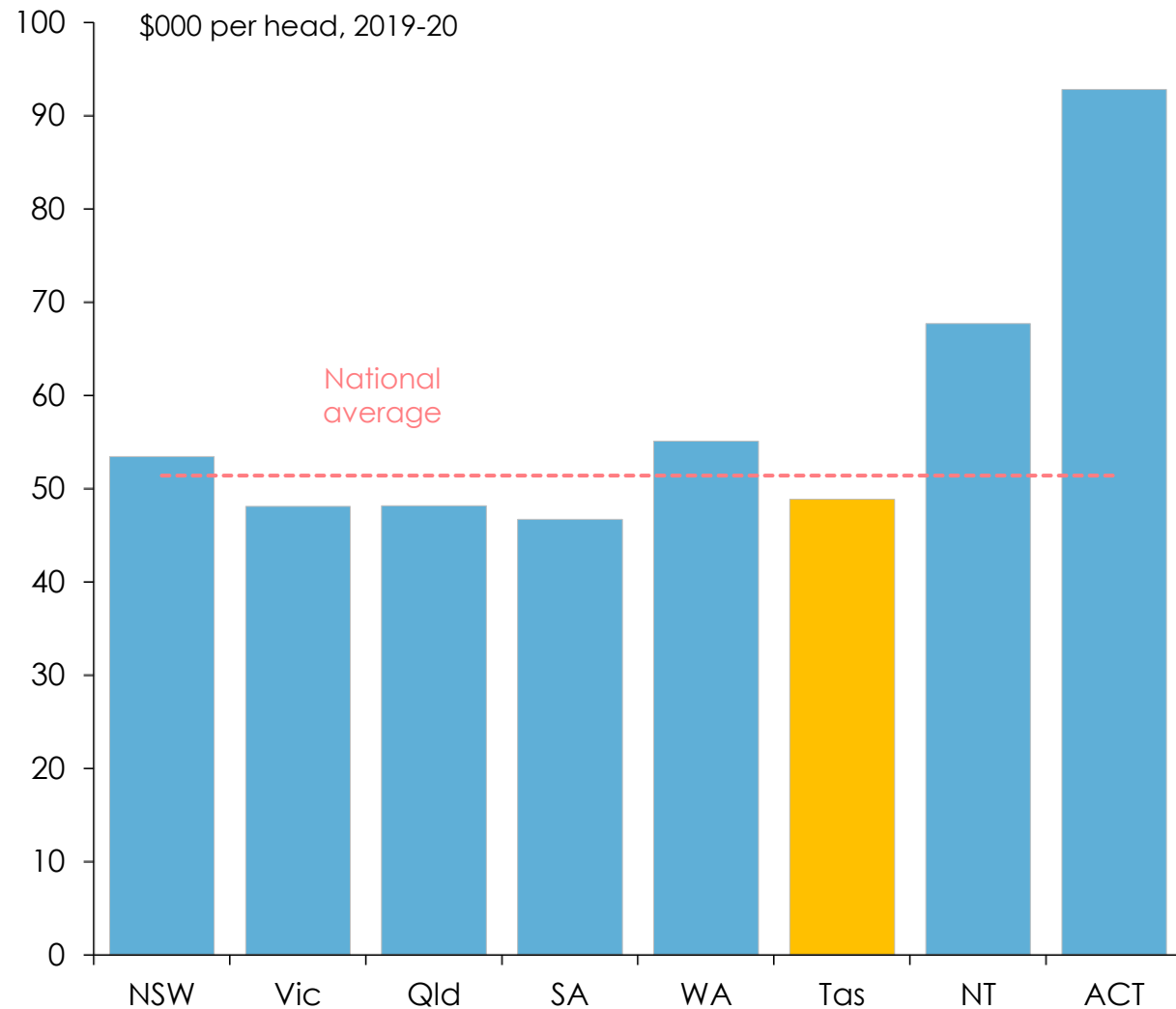
Tasmanian per capita gross state product as a pc of the national average, 1989-90 to 2019-20



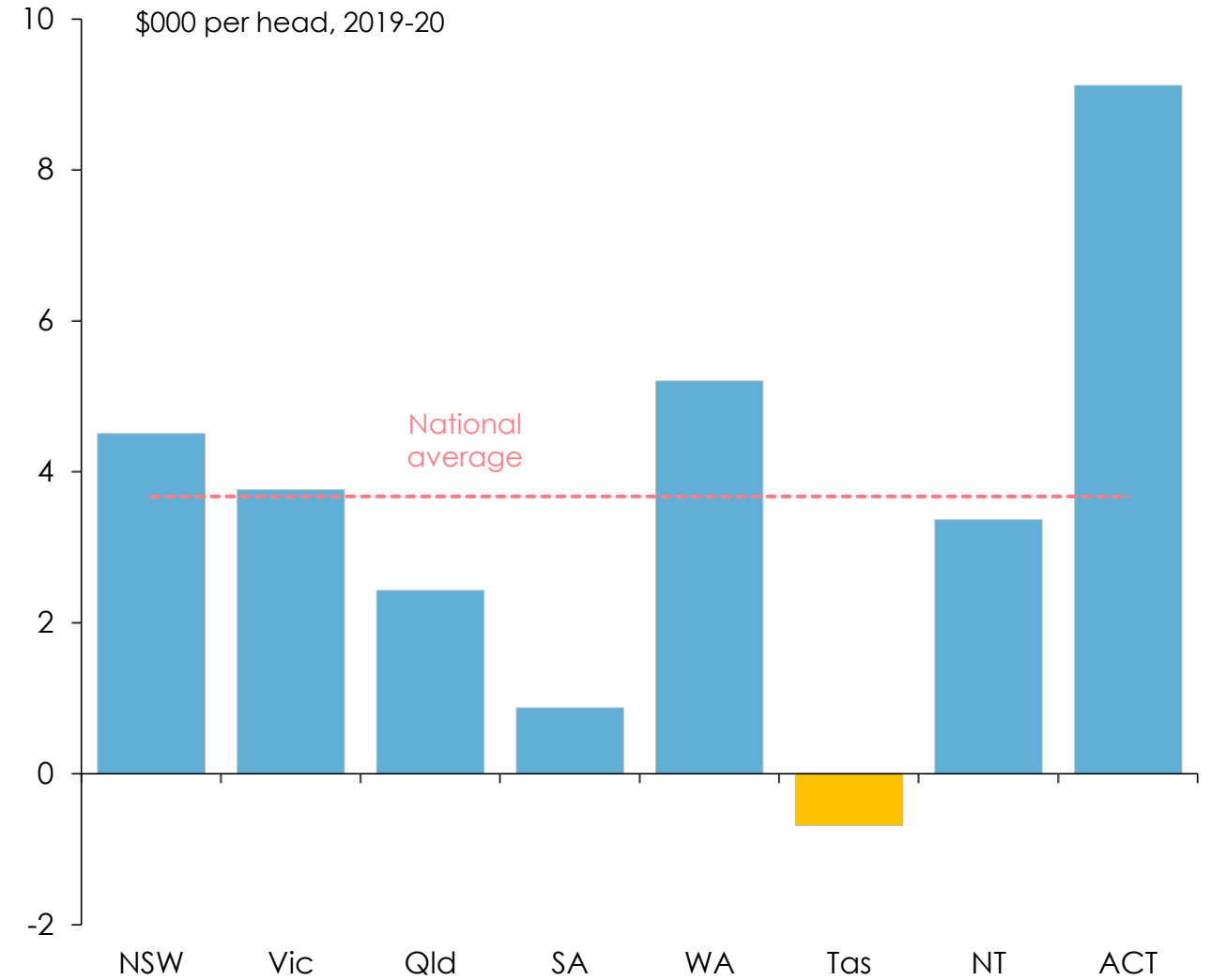
Source: ABS, [Australian National Accounts: State Accounts, 2019-20](#).

Tasmanians no longer have the lowest per capita household disposable income – but that’s thanks only to the national tax-transfer system

Per capita household disposable income, states and territories, 2019-20



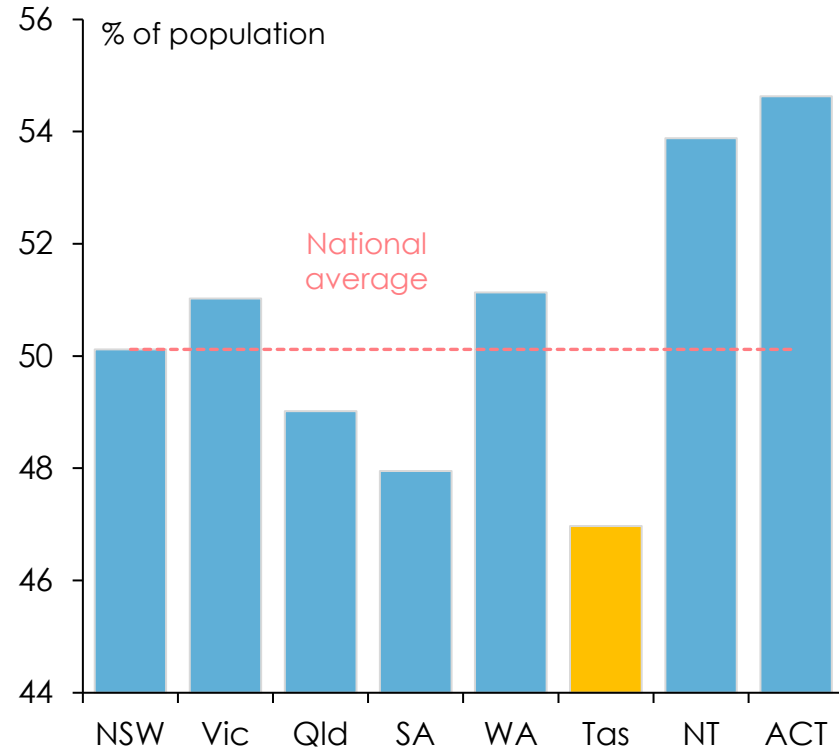
Personal income tax payments minus social security benefit receipts per capita, 2019-20



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

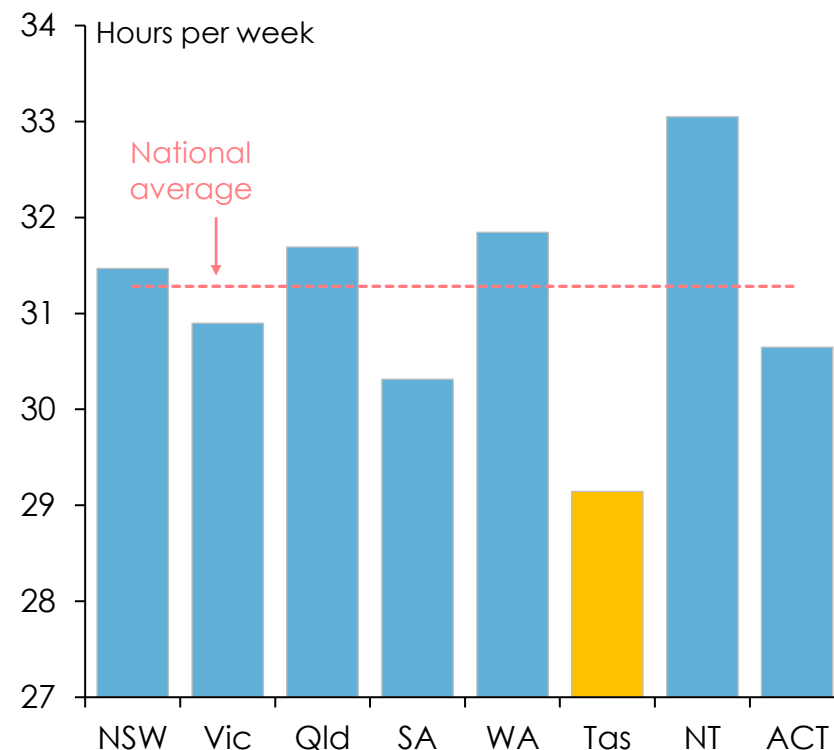
Tasmania's below-average per capita gross product reflects lower participation in employment, fewer hours worked and lower productivity

Participation in employment, 2019-20



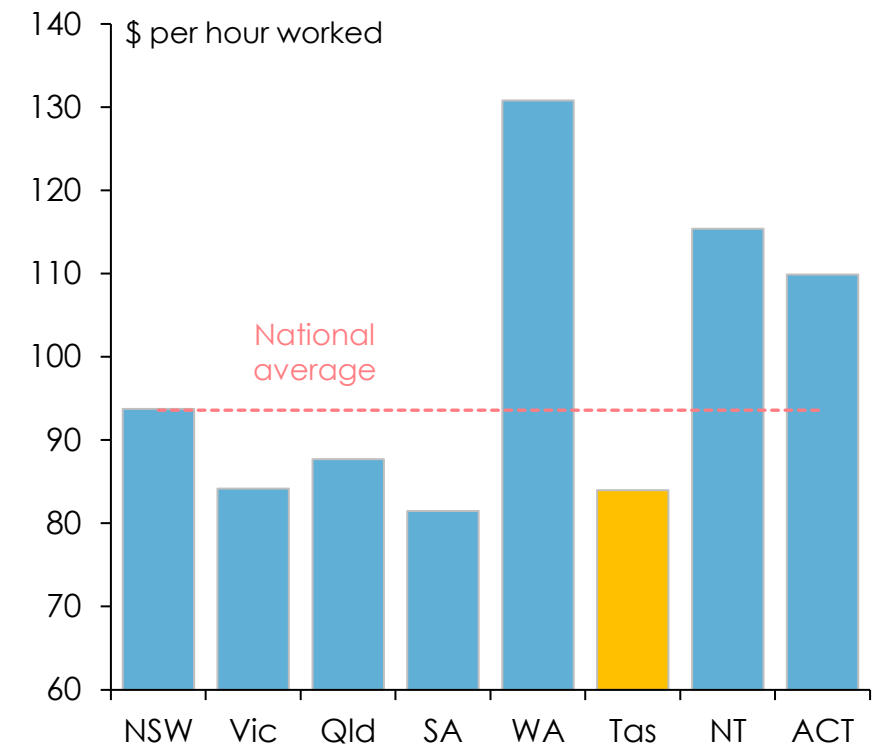
47% of Tasmanians have a job (cf. 50% of mainlanders) – which accounts for 36% of the difference between Tasmania's per capita GSP and the mainland's

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

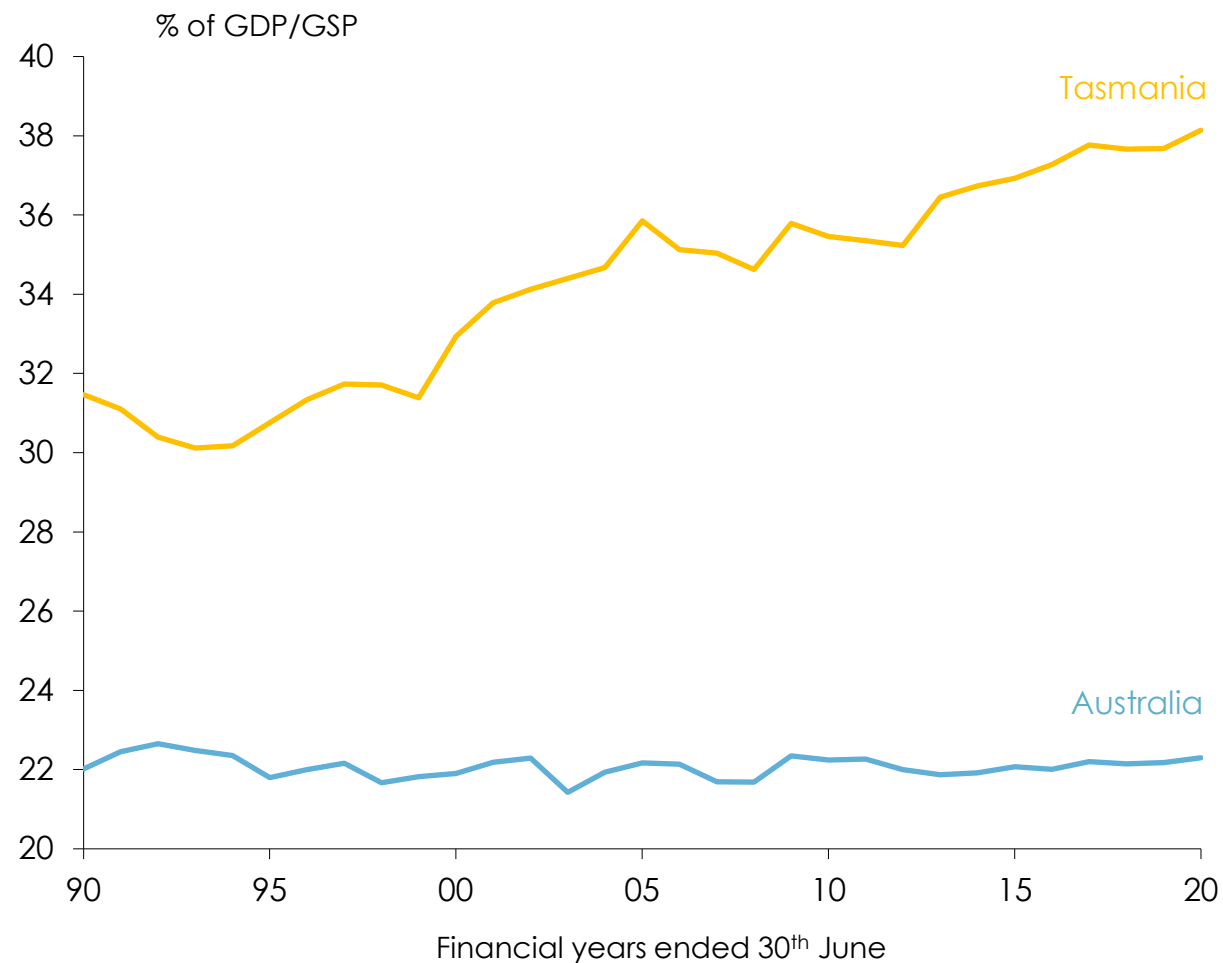
Output per hour worked (productivity), 2019-20



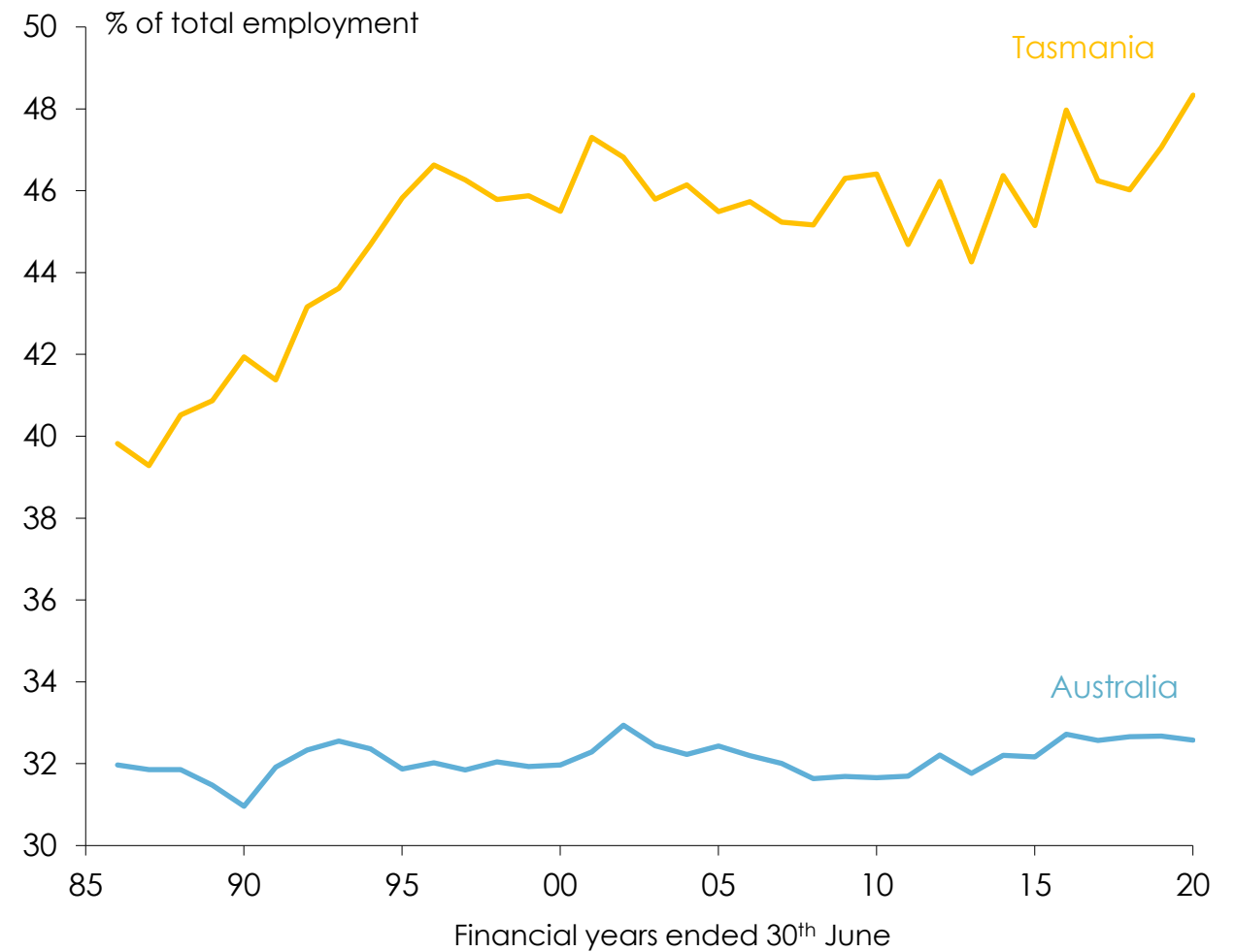
Tasmanians produce \$9.50 (10%) less for each hour they work than mainlanders – which accounts for 29% of the difference between Tasmania's per capita GSP and the mainland's

Tasmania's economy has always been more narrowly-based than that of the larger states – and has become more so over time

'Five sectors' shares of gross product



'Five sectors' shares of total employment

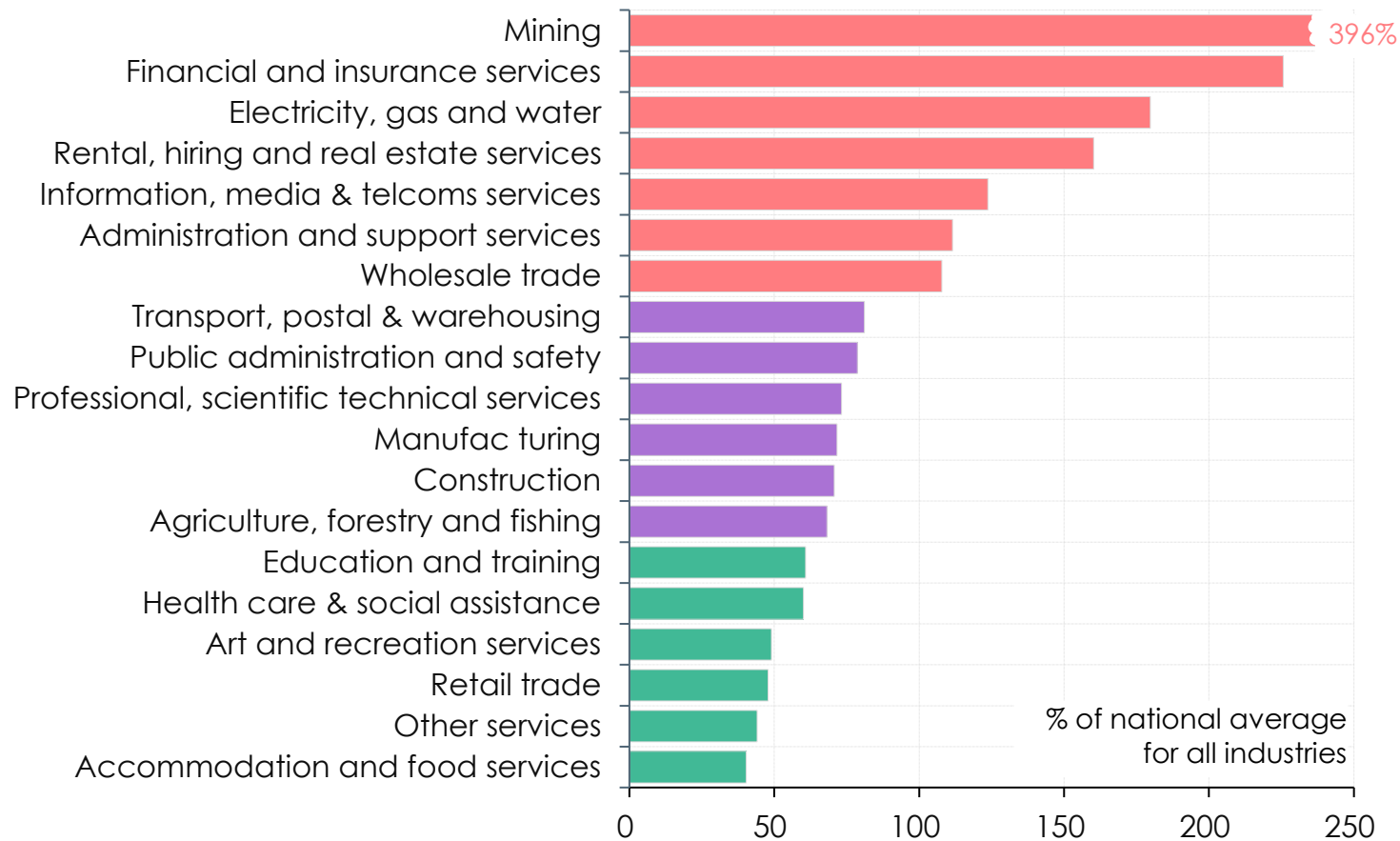


□ The 'five sectors' are agriculture, forestry and fishing; retail trade; accommodation and food services; public administration and safety; and health care and social assistance

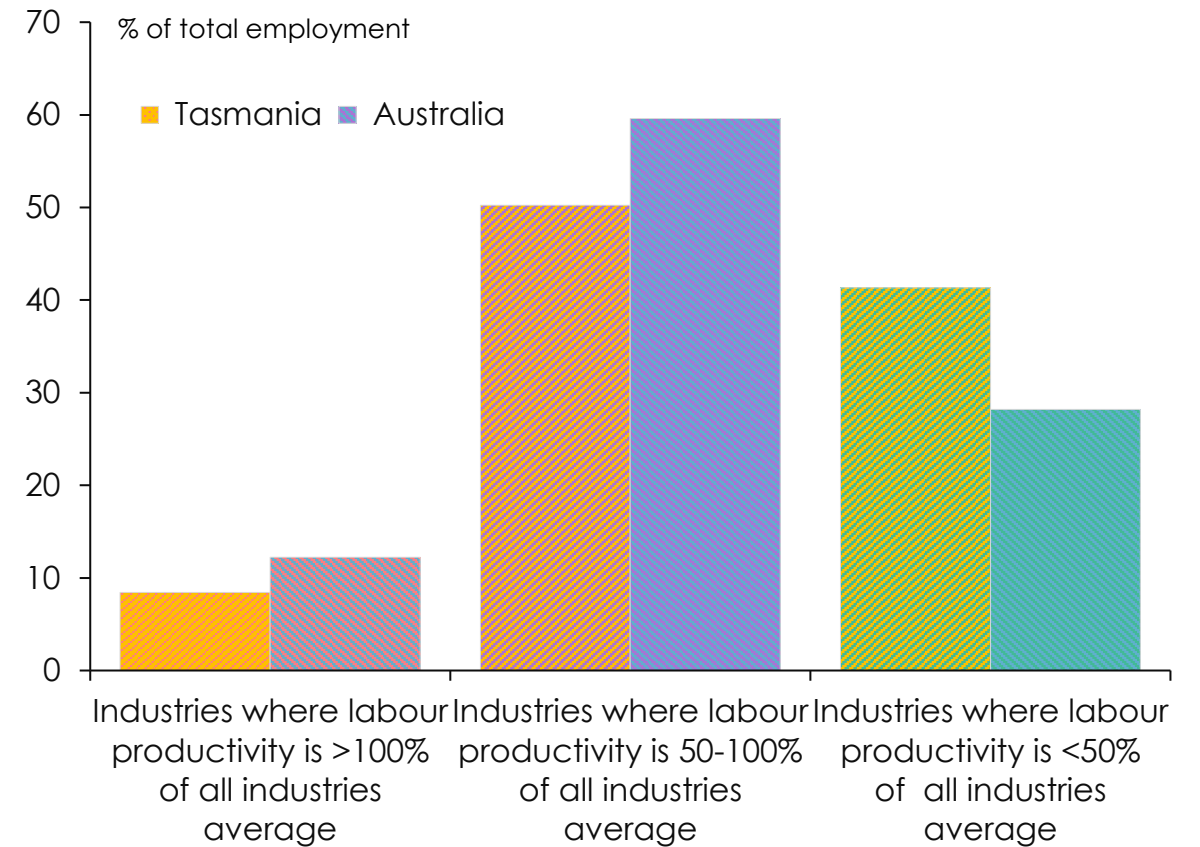
Source: ABS, [Australian National Accounts: State Accounts, 2019-20](#).

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

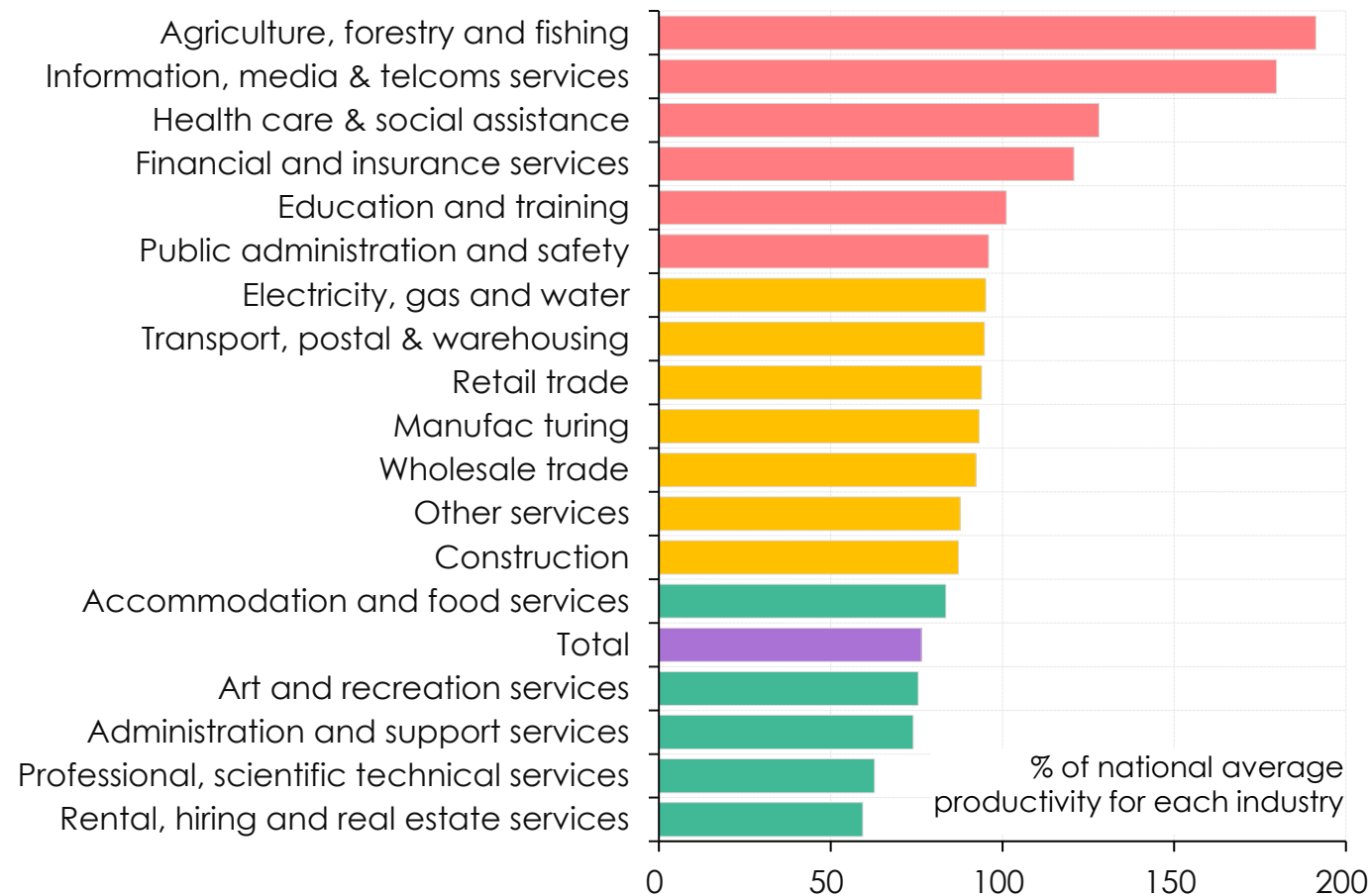


Only 8½% of Tasmanian workers are employed in industries where (nationally) labour productivity is higher than the all-industry average (cf. 12½¼% of Australian workers) – whereas 41% of Tasmanian workers are employed in industries where labour productivity is more than 50% below the all-industry average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

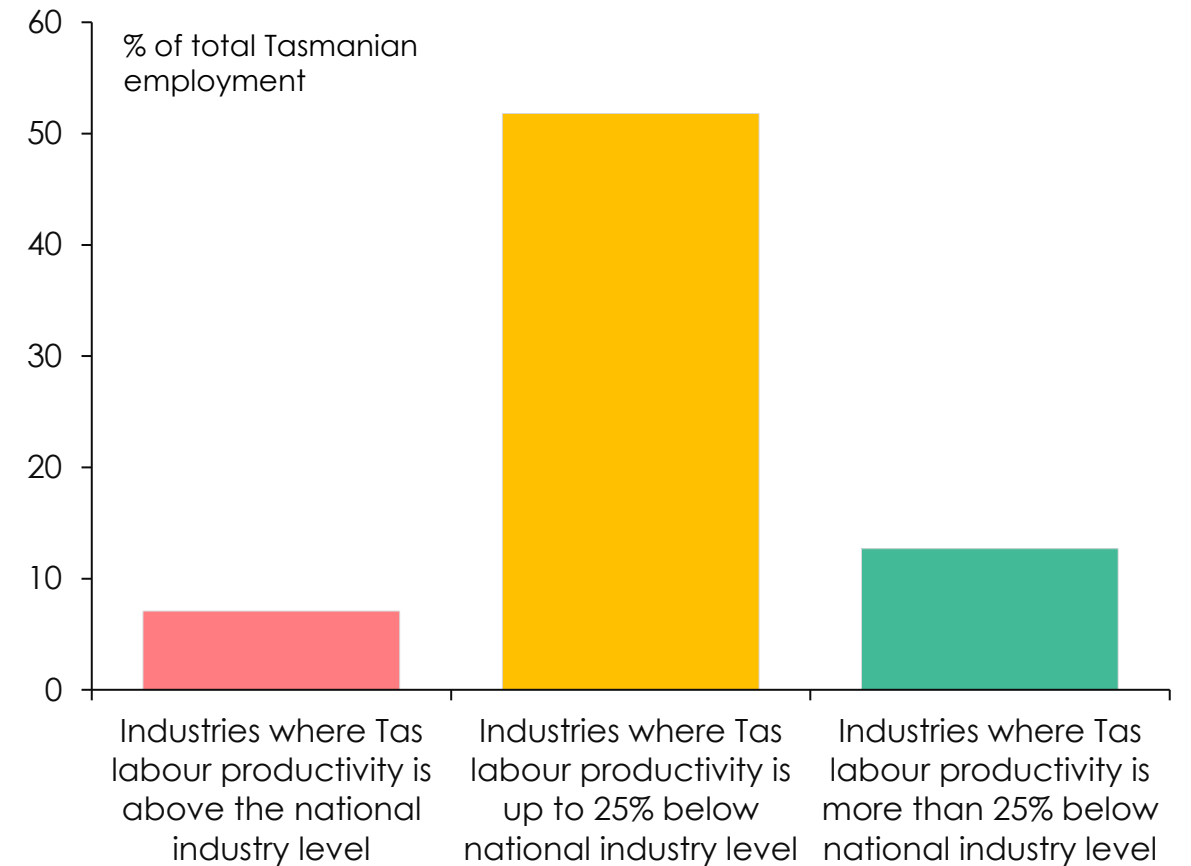
Note: 2018-19 data used in these charts because of Covid-19-related distortions to productivity measures in 2019-20.
 Source: ABS, [Australian National Accounts: State Accounts, 2019-20](#) and [Labour Force, Australia](#).

93% 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



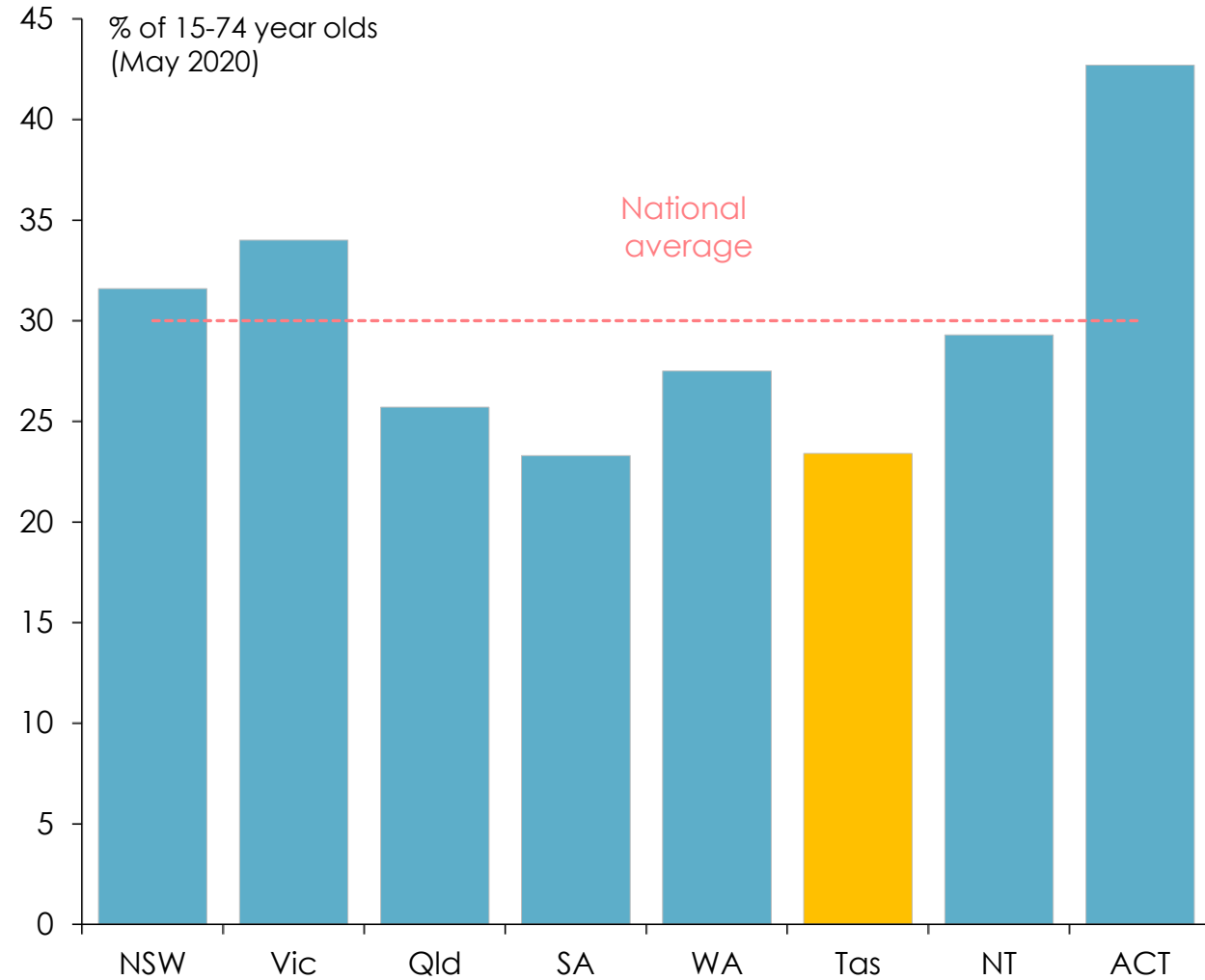
Only 7% of Tasmanian workers are employed in industries where their productivity is higher than the corresponding national averages for those industries – whereas 52% of Tasmanian workers work in industries where their productivity is up to 25% below the corresponding national average, and 13% where 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](#).

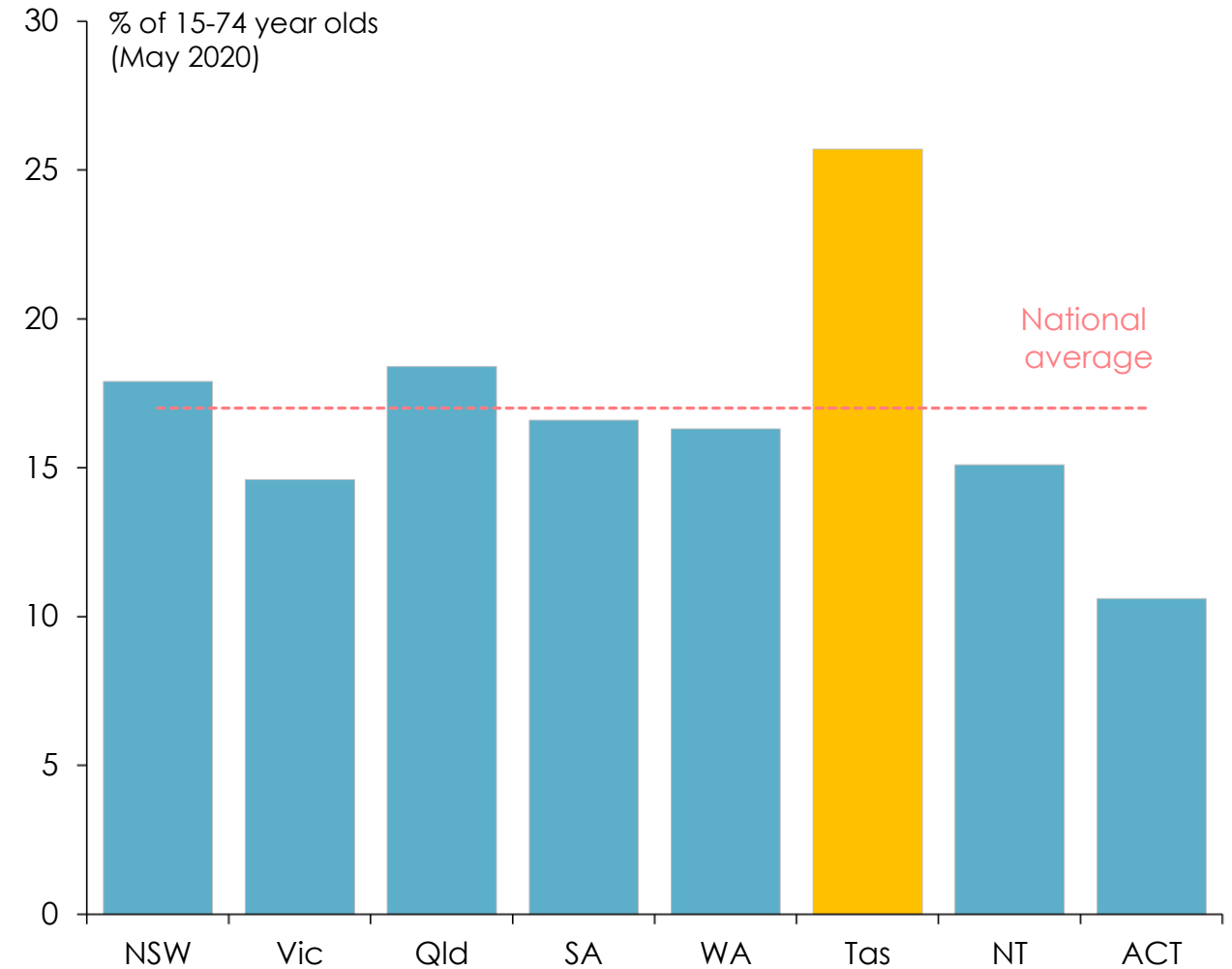
Tasmania's education system

But to attract families we need to improve our educational outcomes (which we should also want to do for the families already here)

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



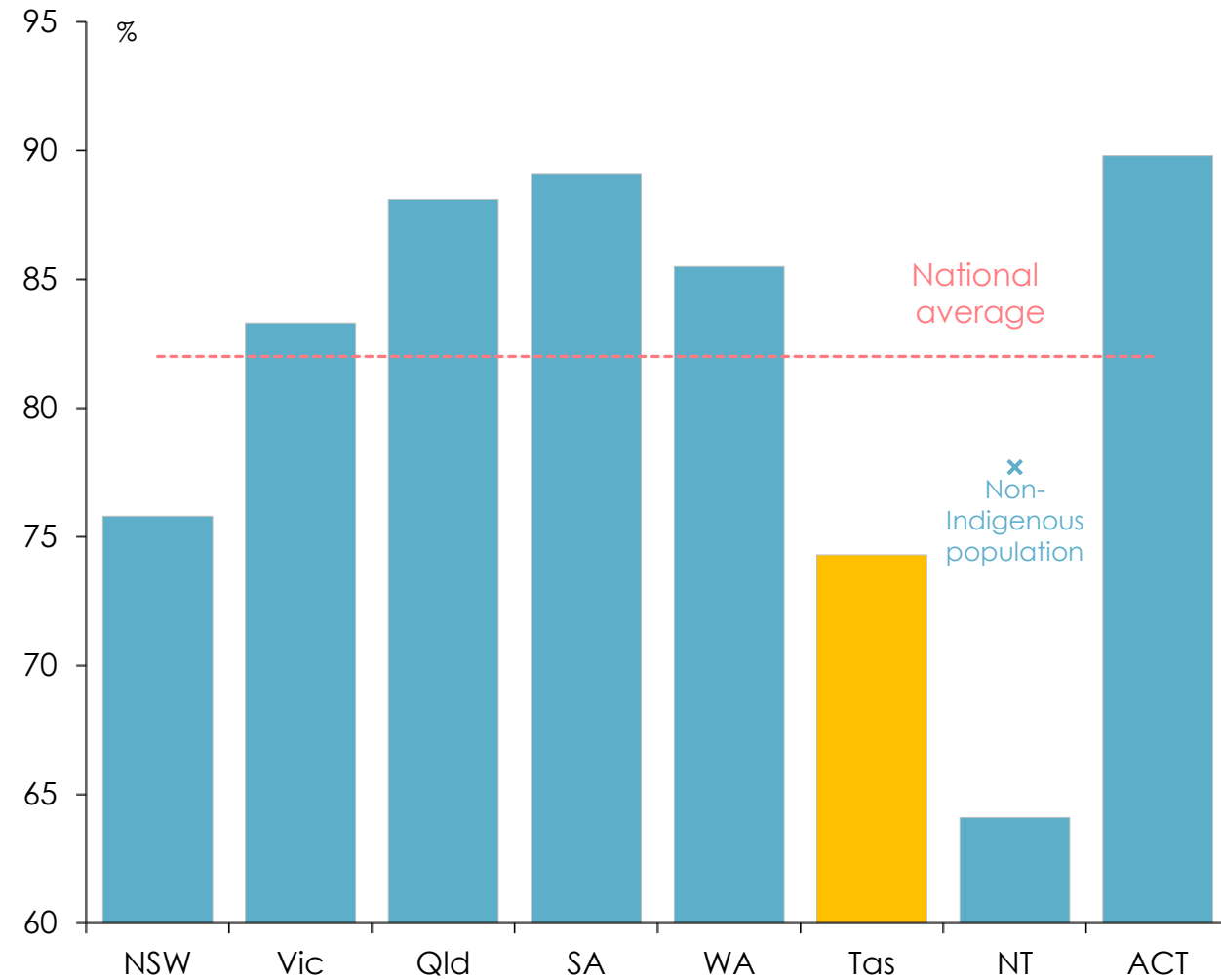
Proportion of 15-74 year olds with no qualifications beyond Year 10



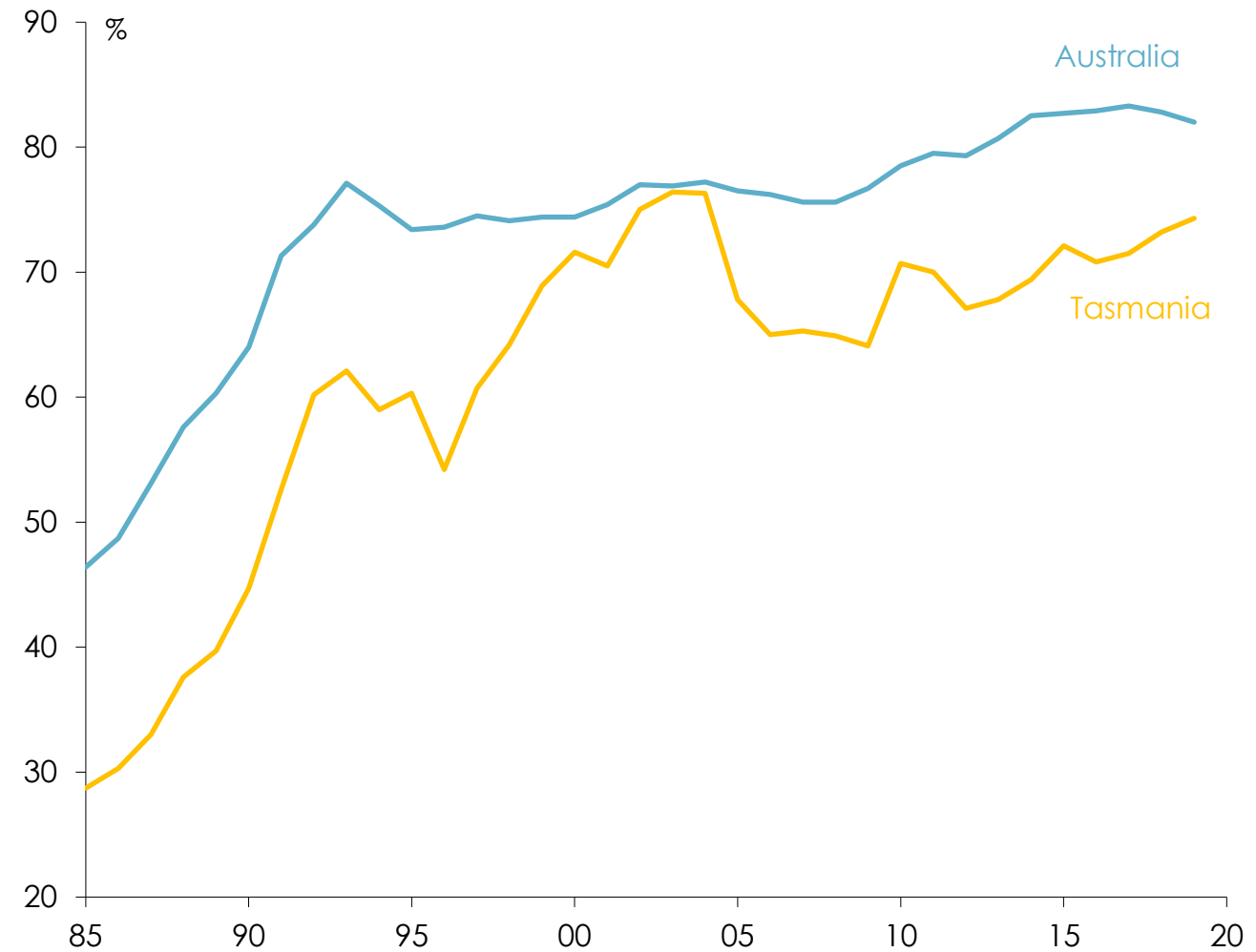
Source: ABS, [Education and Work, Australia](#).

Although there's been improvement over the past five years we still have 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



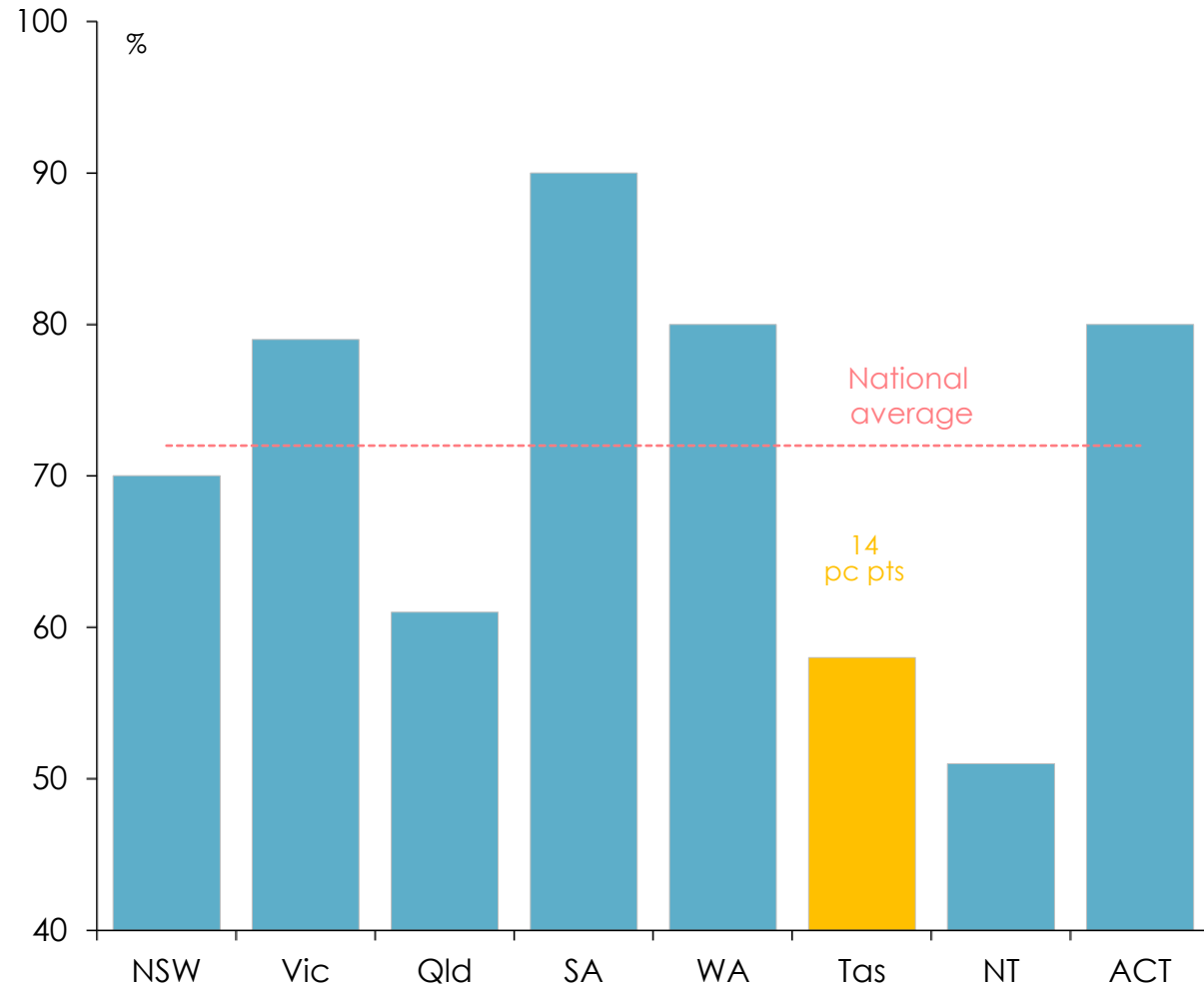
School retention rates from Year 10 to Year 12, Tasmania and Australia, 1985-2019



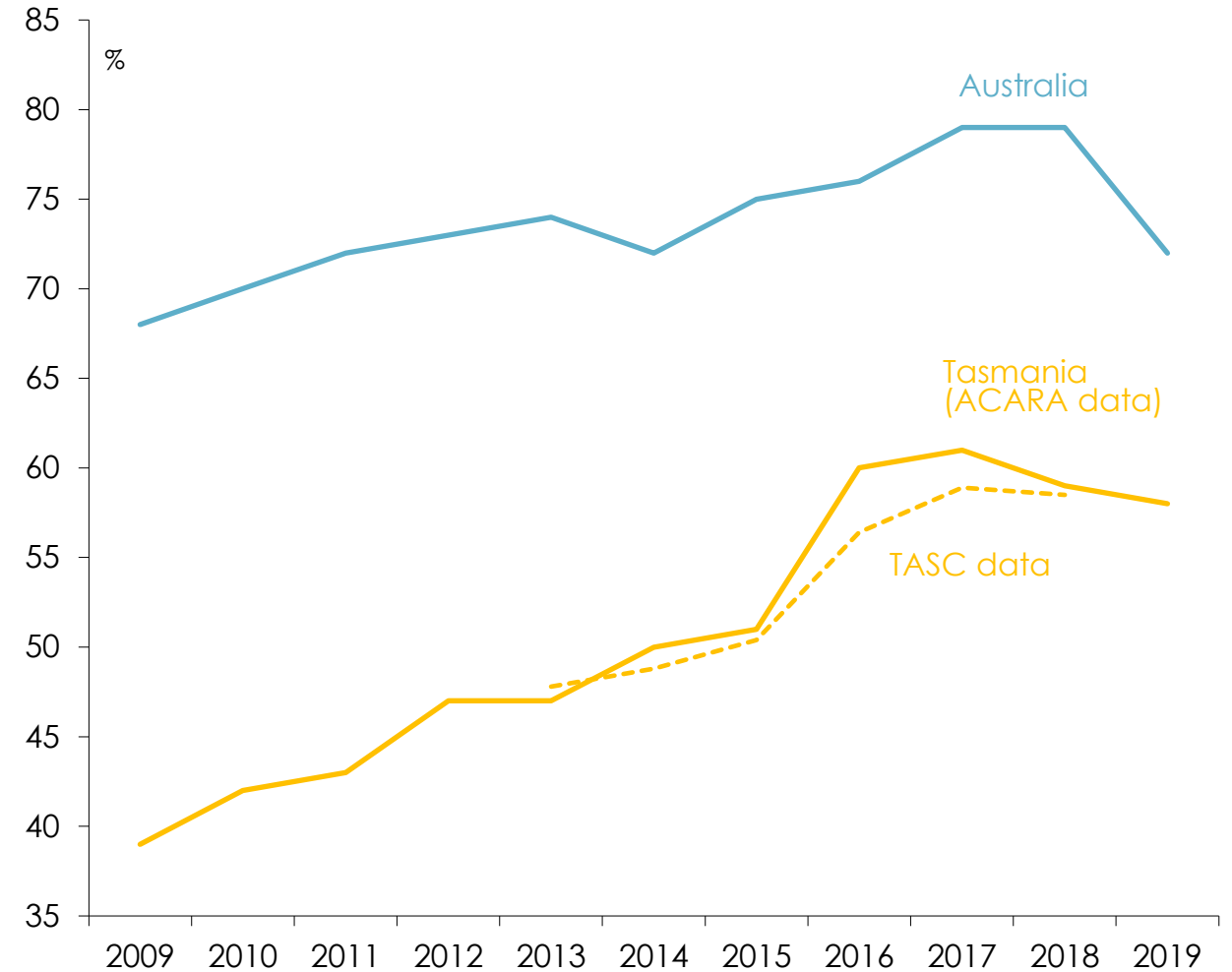
Source: ABS, [Schools](#).

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



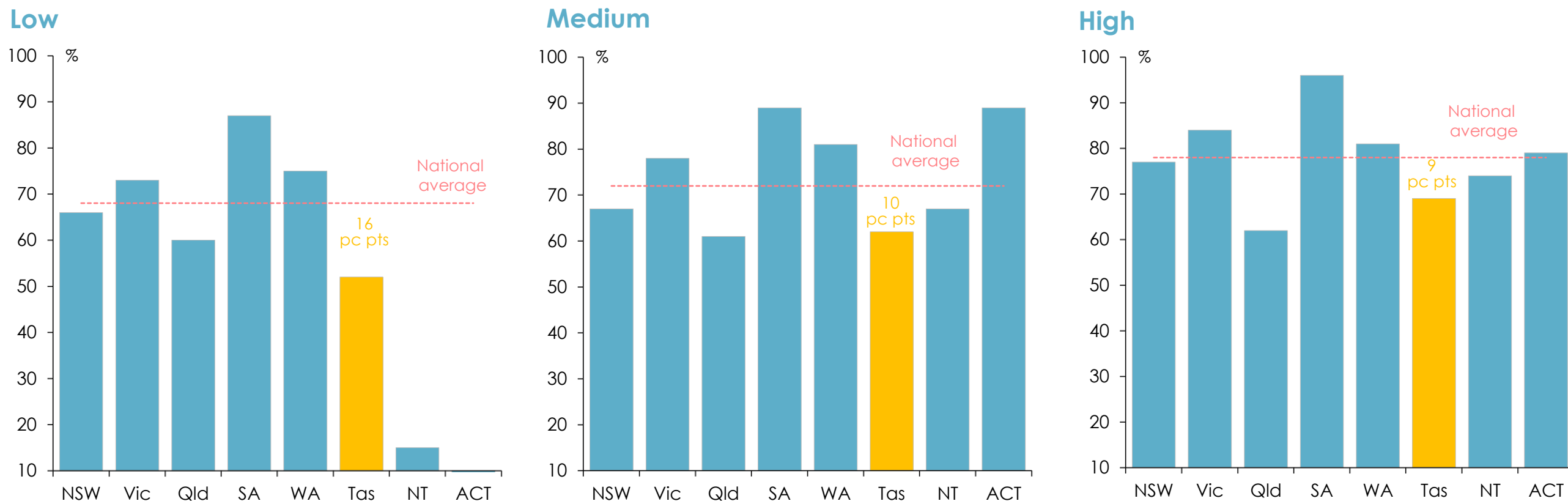
Year 12 attainment rates, Tasmania and Australia, 2009-2019



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.

Tasmania's poor Y12 attainment rates are not due to Tasmania having an above-average share of students from disadvantaged backgrounds

Year 12 attainment rates by socio-economic status, 2019

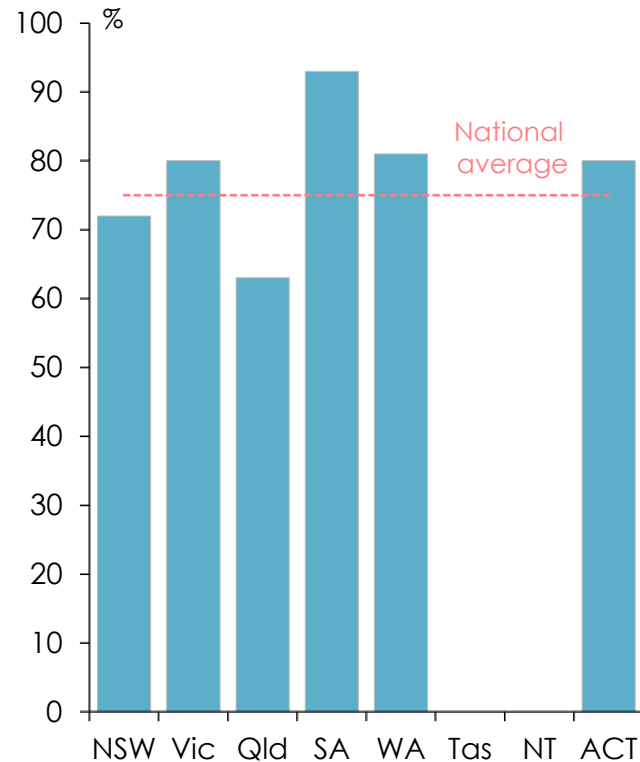


- ❑ A student from a high SES household in Tasmania is not only less likely to get a Y12 certificate than one from a similar background in any other state or territory (except Queensland), but also less likely to do so than a student from a medium SES household in three other states or the ACT, and less likely even than a student from a low SES household in Victoria, SA or WA
- ❑ A student from a medium SES household in Tasmania is less likely to get a Y12 certificate than a student from a low SES household in any other state except Queensland

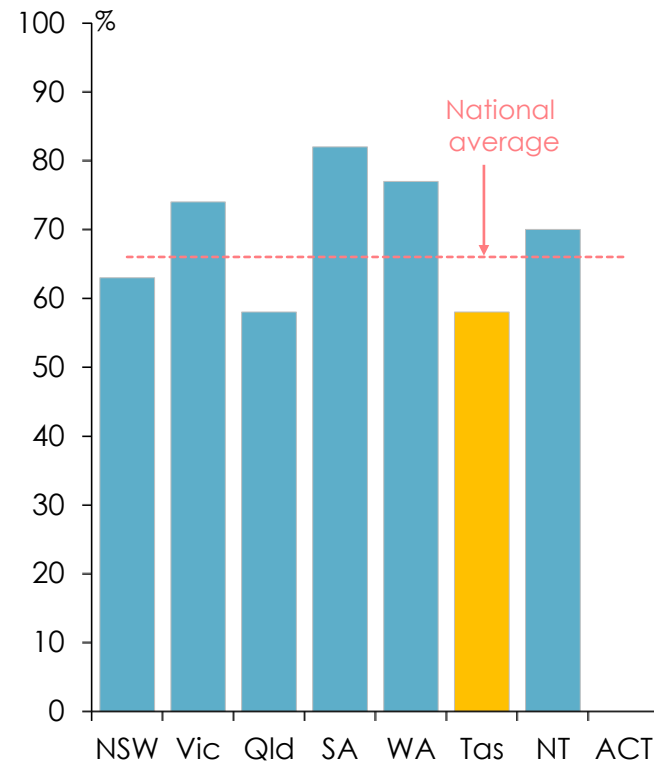
Nor are Tasmania's below-average Y12 attainment rates the product of having an above-average proportion of students living outside big cities

Year 12 attainment rates by remoteness, 2019

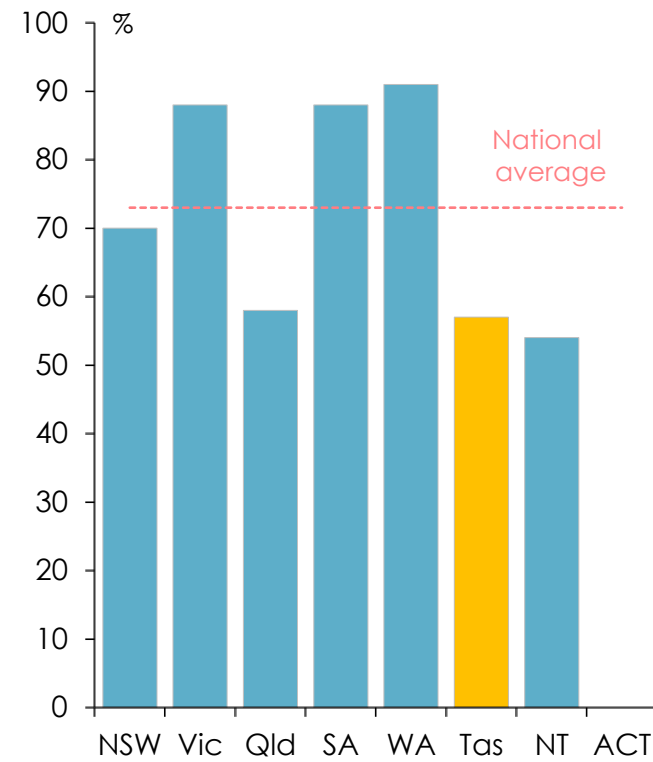
Major cities



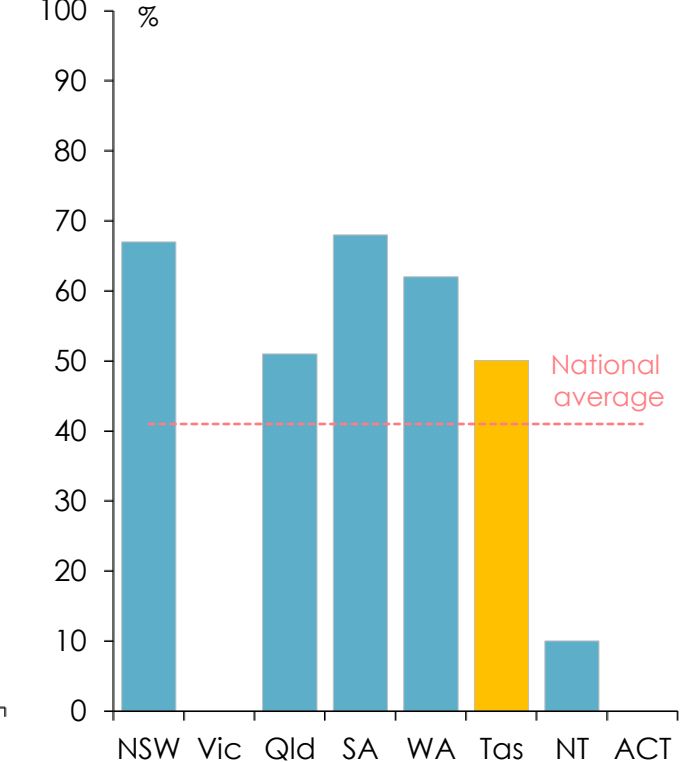
Inner & outer regional



Remote



Very remote

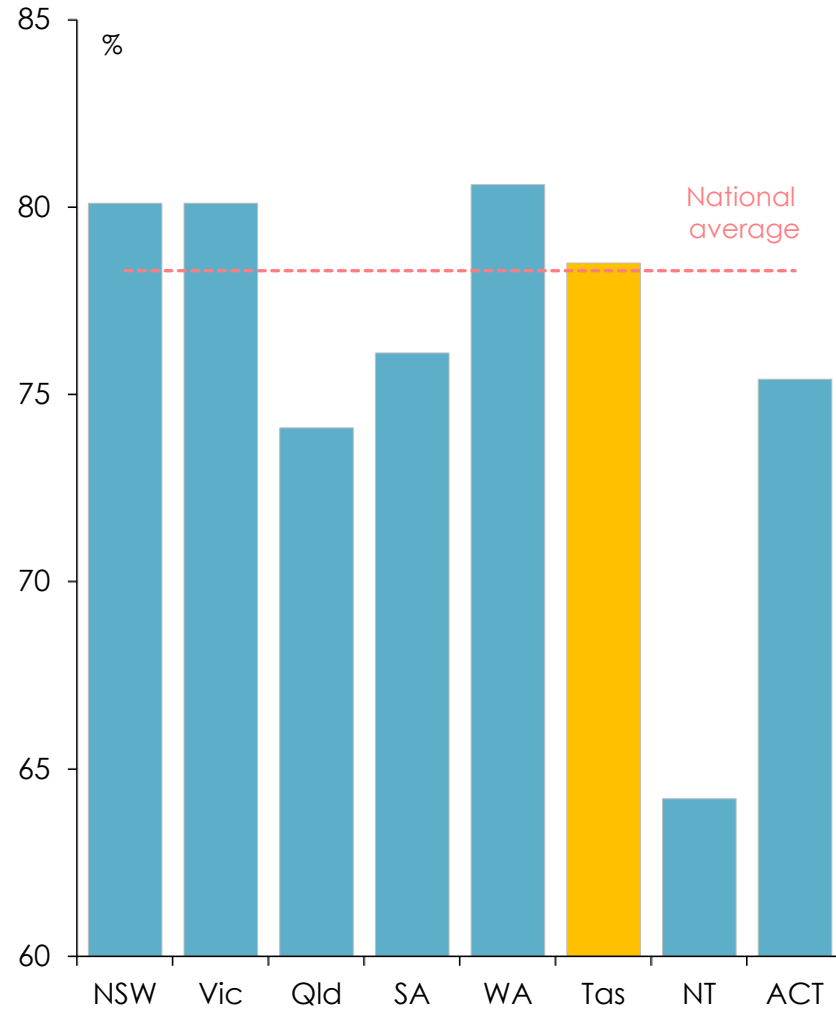


- ❑ A student from Hobart is less likely to attain a TCE than one from 'inner & outer regional', 'remote' or even 'very remote' areas of NSW, Victoria, SA or WA – let alone from any of the 'major cities' – is to attain the equivalent qualification
- ❑ A student from a 'remote' area of Tasmania is less likely to attain a TCE than one from a 'remote' area of any other state to attain the equivalent qualification

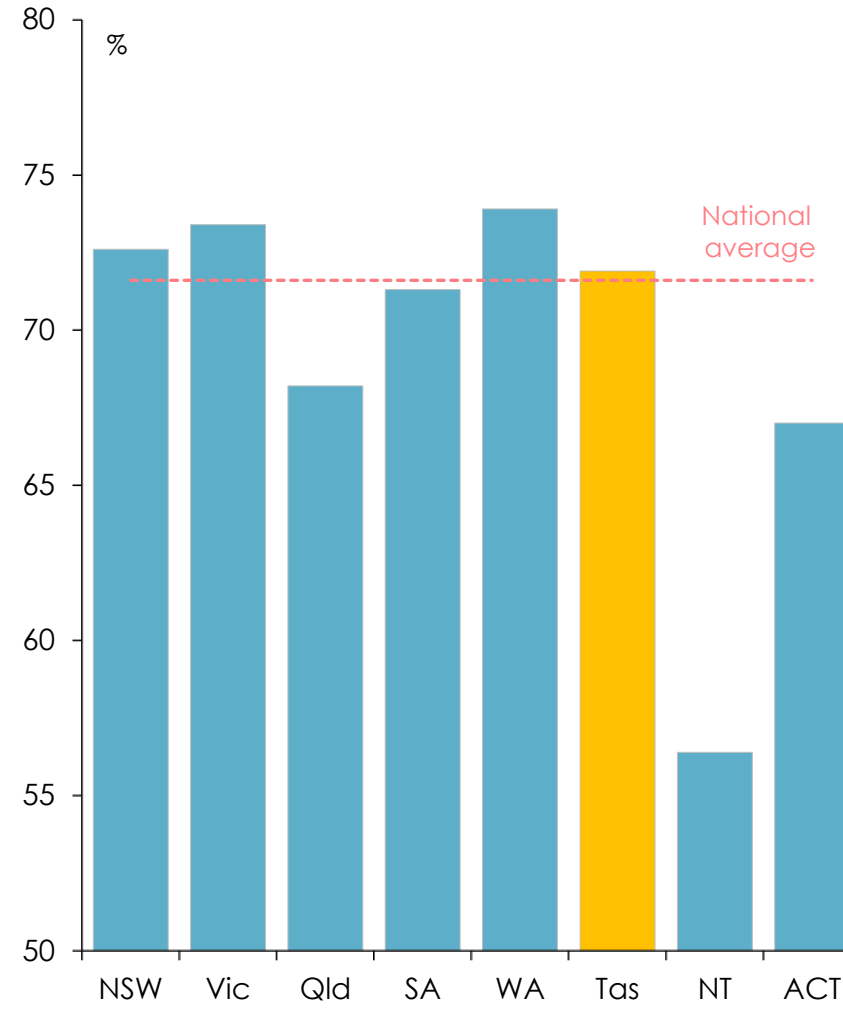
Note: 'Remoteness' classification is based on the 2017 Australian Statistical Geography Standard, under which Canberra is considered a 'major city' but Hobart isn't (go figure!). There are no 'very remote' areas in Victoria, no 'remote' or 'very remote' areas in the ACT. Source: Productivity Commission [Report on Government Services 2021 - School Education](#).

Tasmanian children don't enter the education system with any greater disadvantage or difficulty than children in other states or territories ...

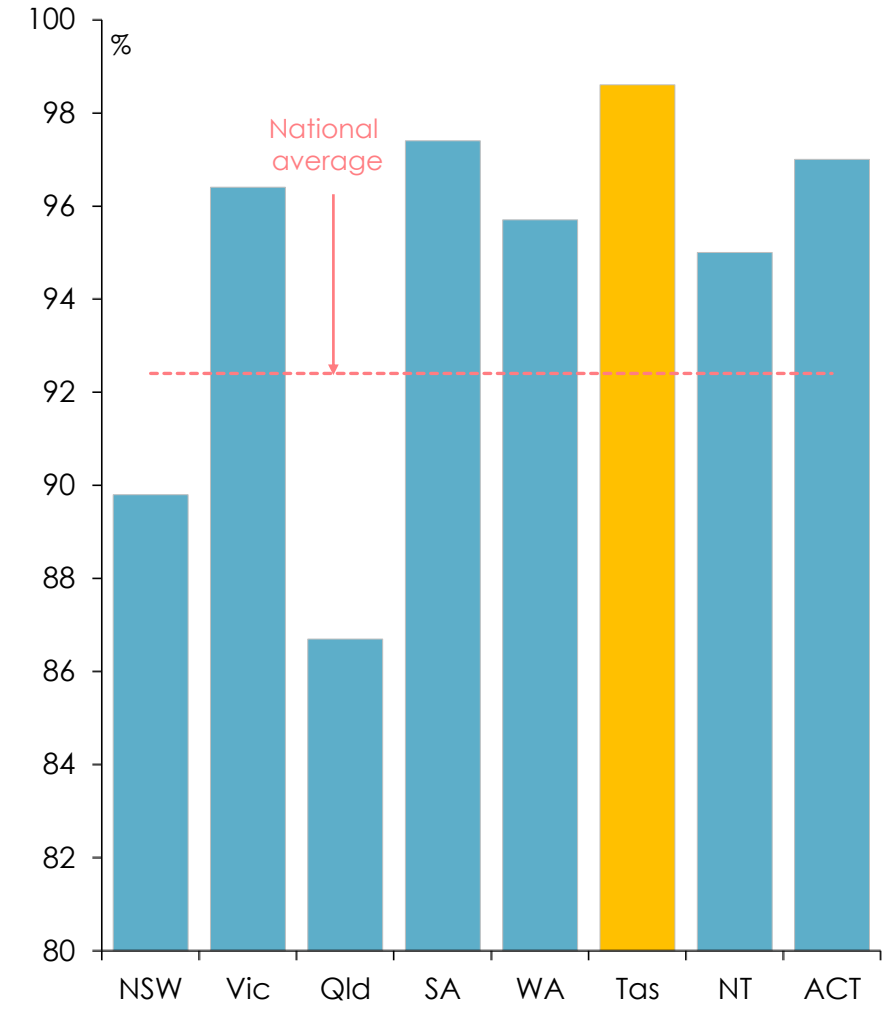
Children assessed as 'developmentally ready' on all domains in Year 1



Children assessed as 'developmentally on track' on two key domains in Year 1



Children who attended pre-school in the year before commencing school



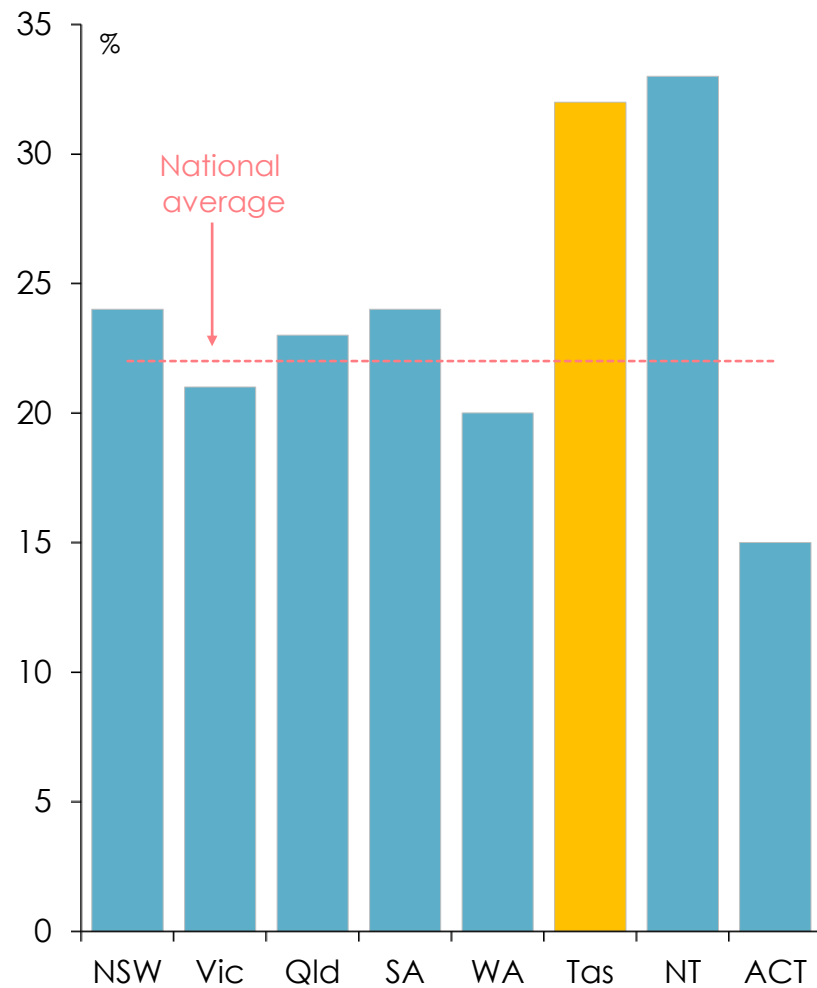
Note: The 'assessments' in the first two charts are from the [Australian Early Development Census](#) (a tri-ennial national data collection process in which teachers are asked to describe the developmental level of each child in his or her first year of school, reported across five domains. The 'two key domains' referred to in the middle chart are 'language & cognitive skills' and 'communication skills & general knowledge'. Data for all three charts is for 2018.

Source: The Mitchell Institute, [Educational Opportunity in Australia 2020](#).

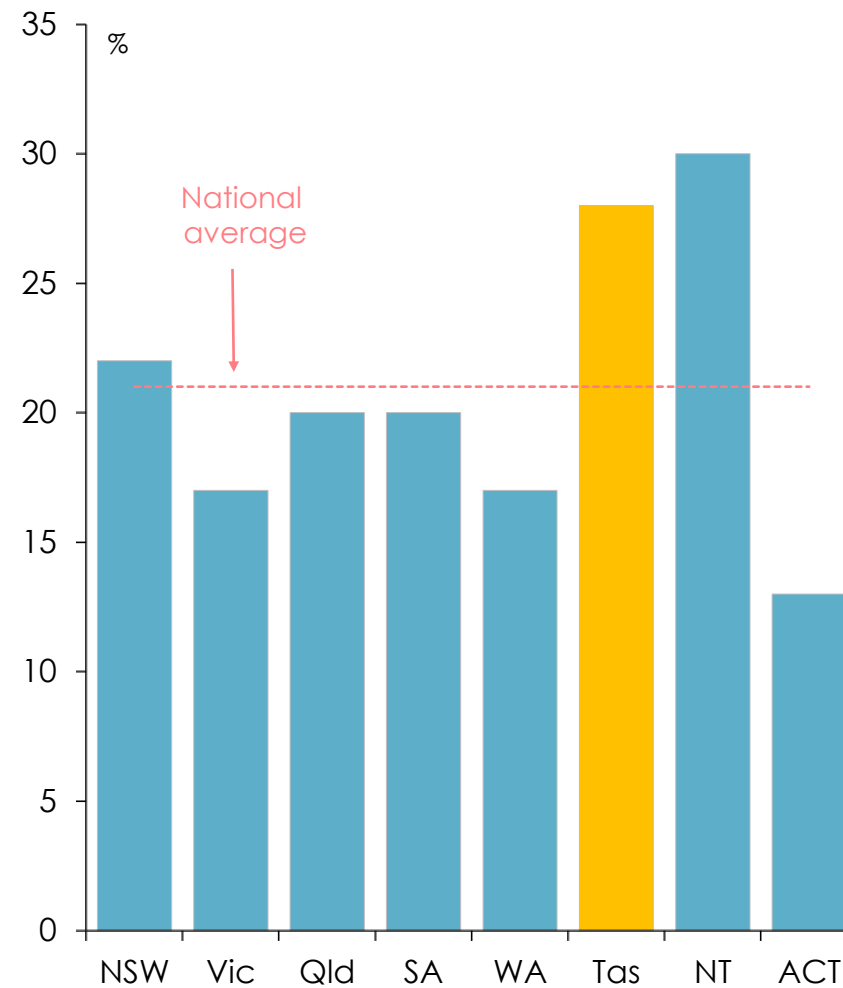
... but by the time they get to Year 10 Tasmanian students are well behind their peers in other states and the ACT across multiple dimensions

Percentage of students with below-standard achievements at age 15, states and territories, 2018

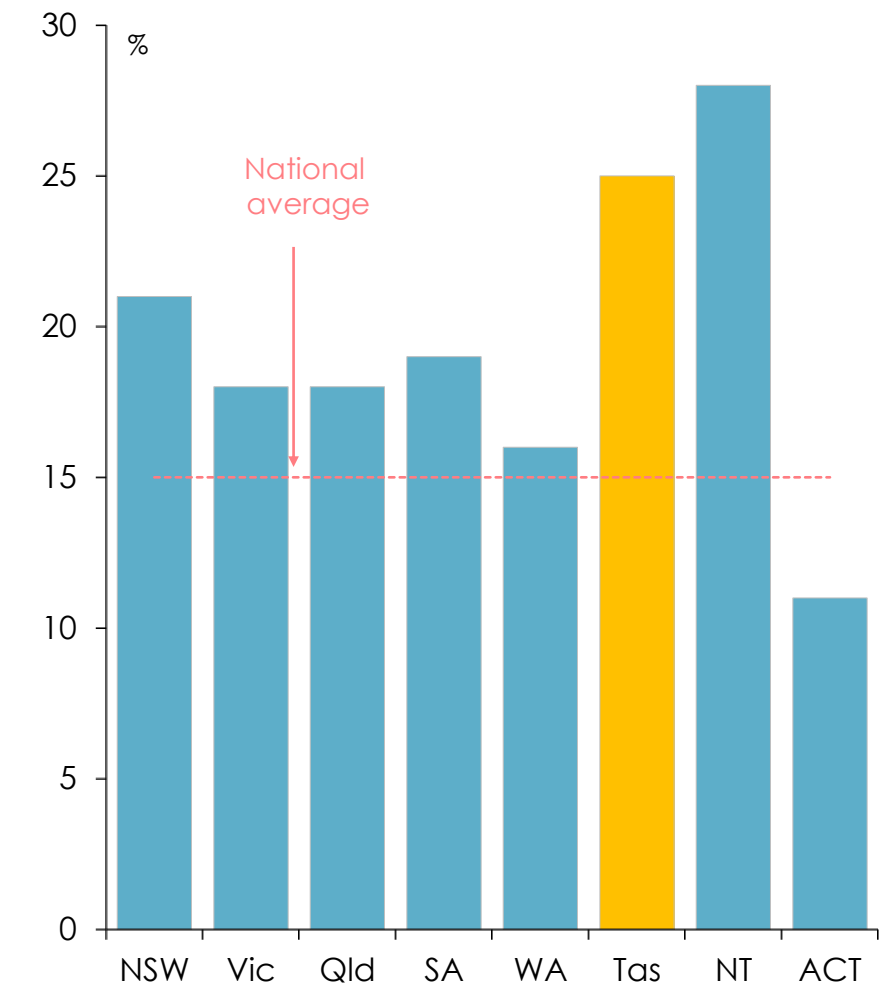
Mathematics



Reading

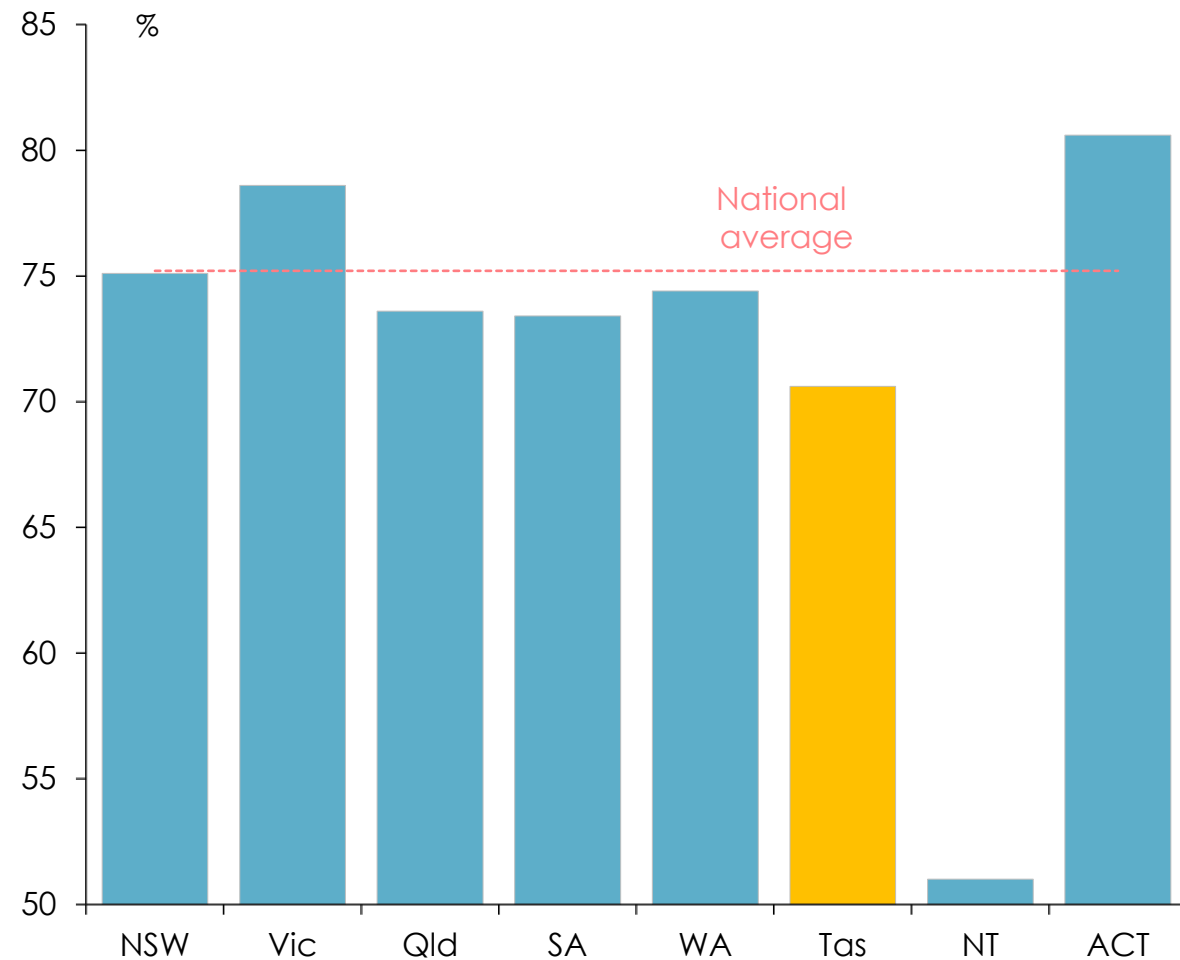


Science

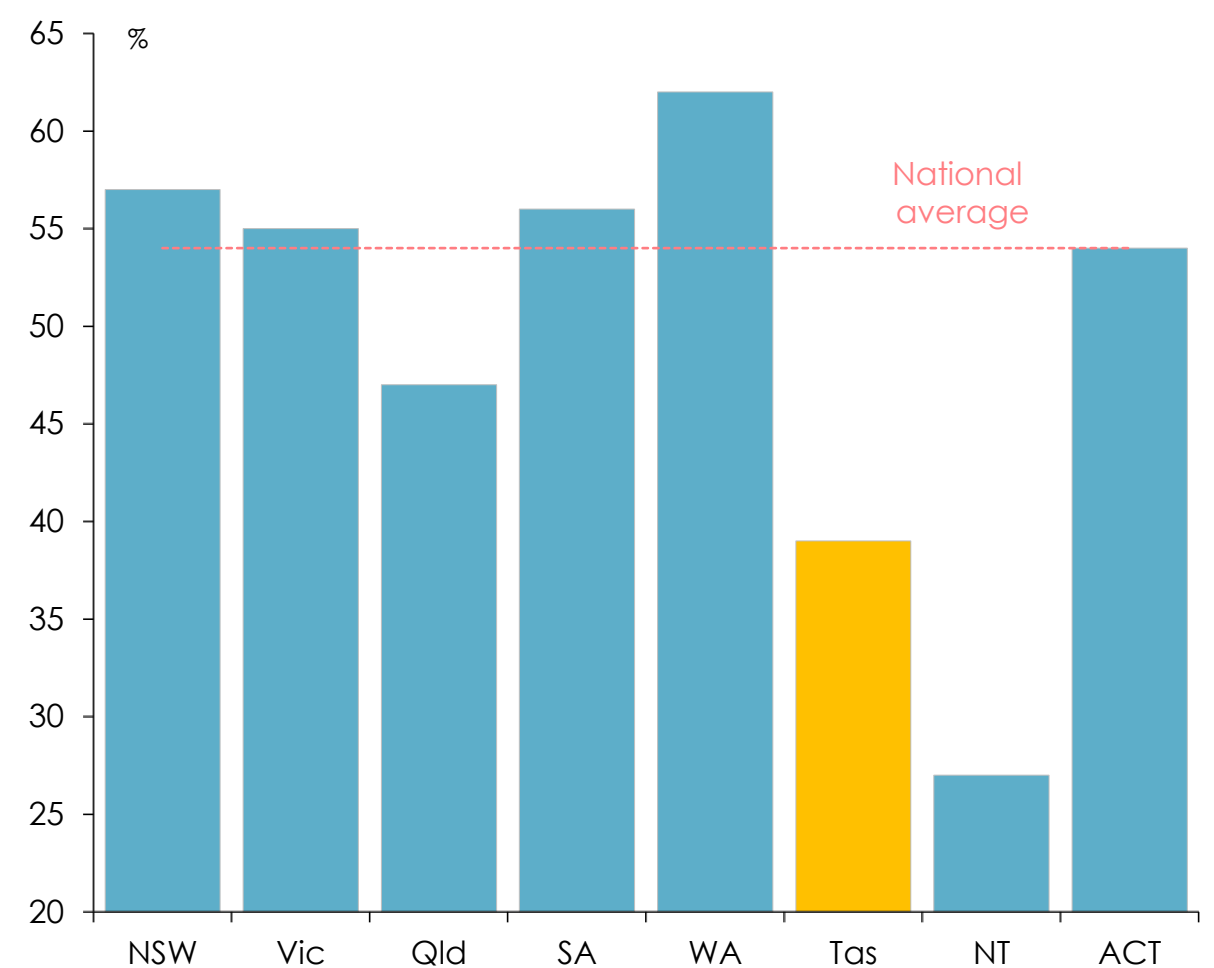


The longer Tasmanian students are in the education system the further they fall behind their interstate peers on ICT literacy benchmarks

Pc of Year 7 students achieving above national minimum standard in reading and numeracy, 2018



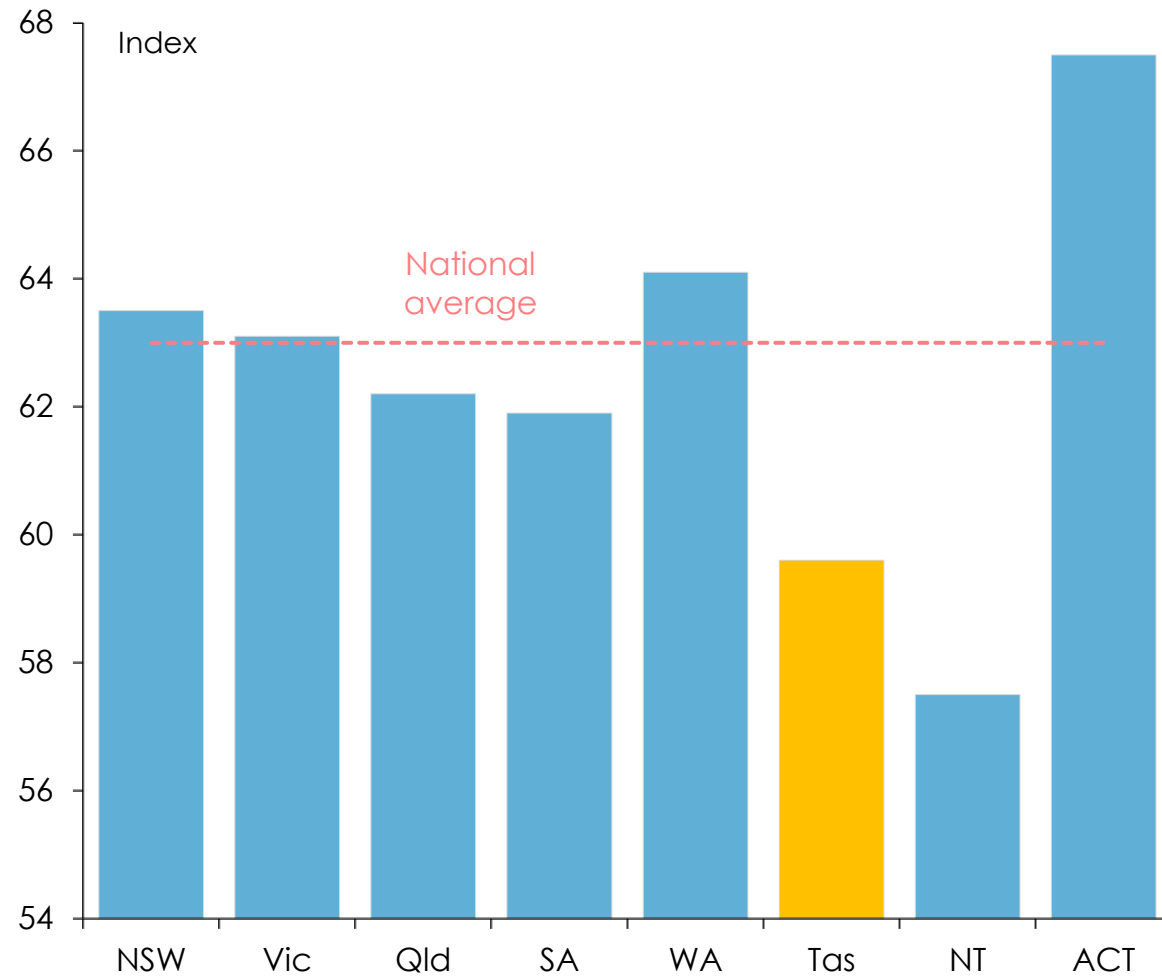
Pc of Year 10 students attaining minimum standard of ICT literacy, 2017



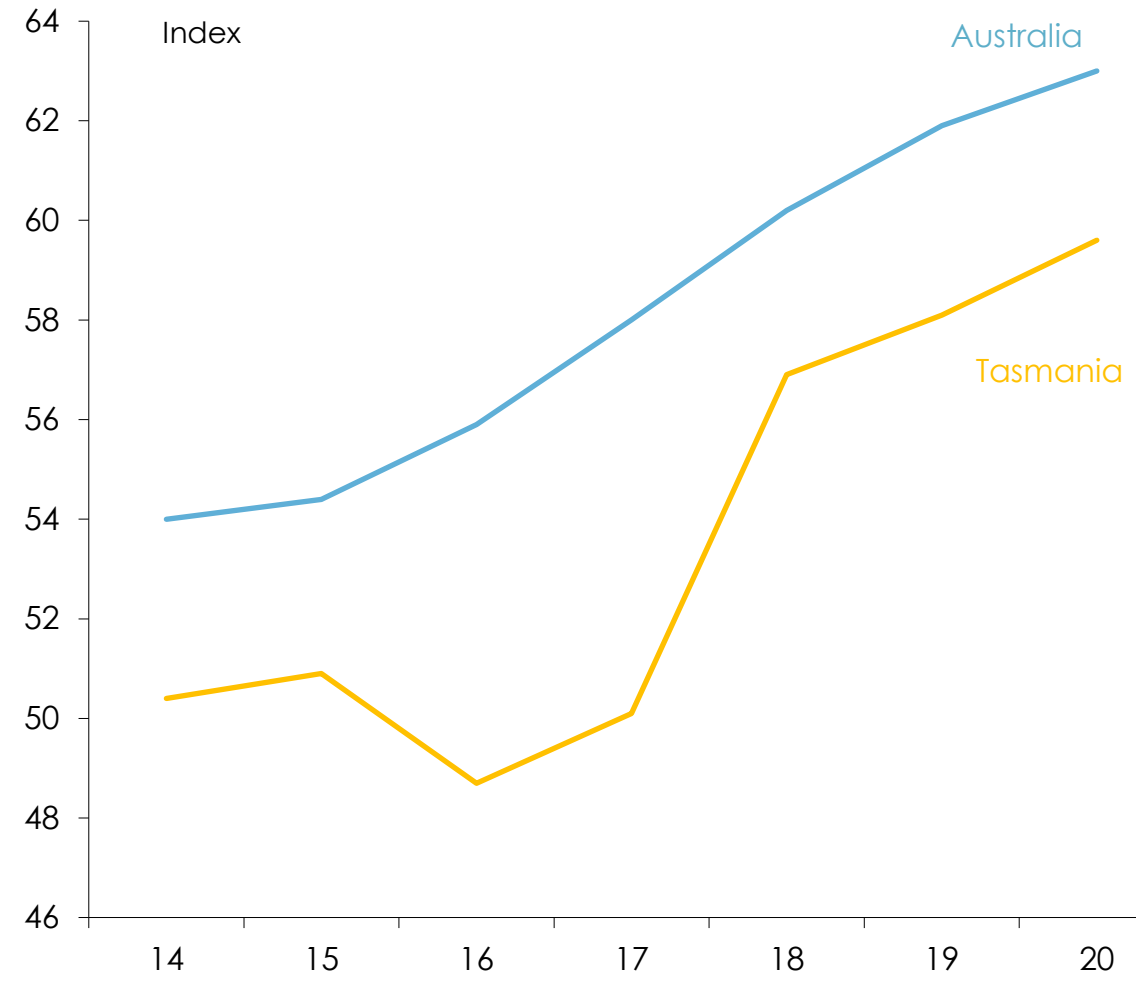
Note: the 'minimum standard' for ICT literacy calls for the ability to 'generate well-targeted searches for electronic information sources and select relevant information from within sources to meet a specific purpose. They create information products with simple linear structures and use software commands to edit and reformat information products in ways that demonstrate some consideration of audience and communicative purpose' and for the capacity to 'recognize situations in which ICT misuse may occur and explain how specific protocols can prevent this'. Source: The Mitchell Institute, [Educational Opportunity in Australia 2020](#).

And this is a major reason why Tasmania scores poorly relative to other states on 'digital inclusion' – a big issue in the post-Covid world

Digital inclusion index, states and territories, 2020



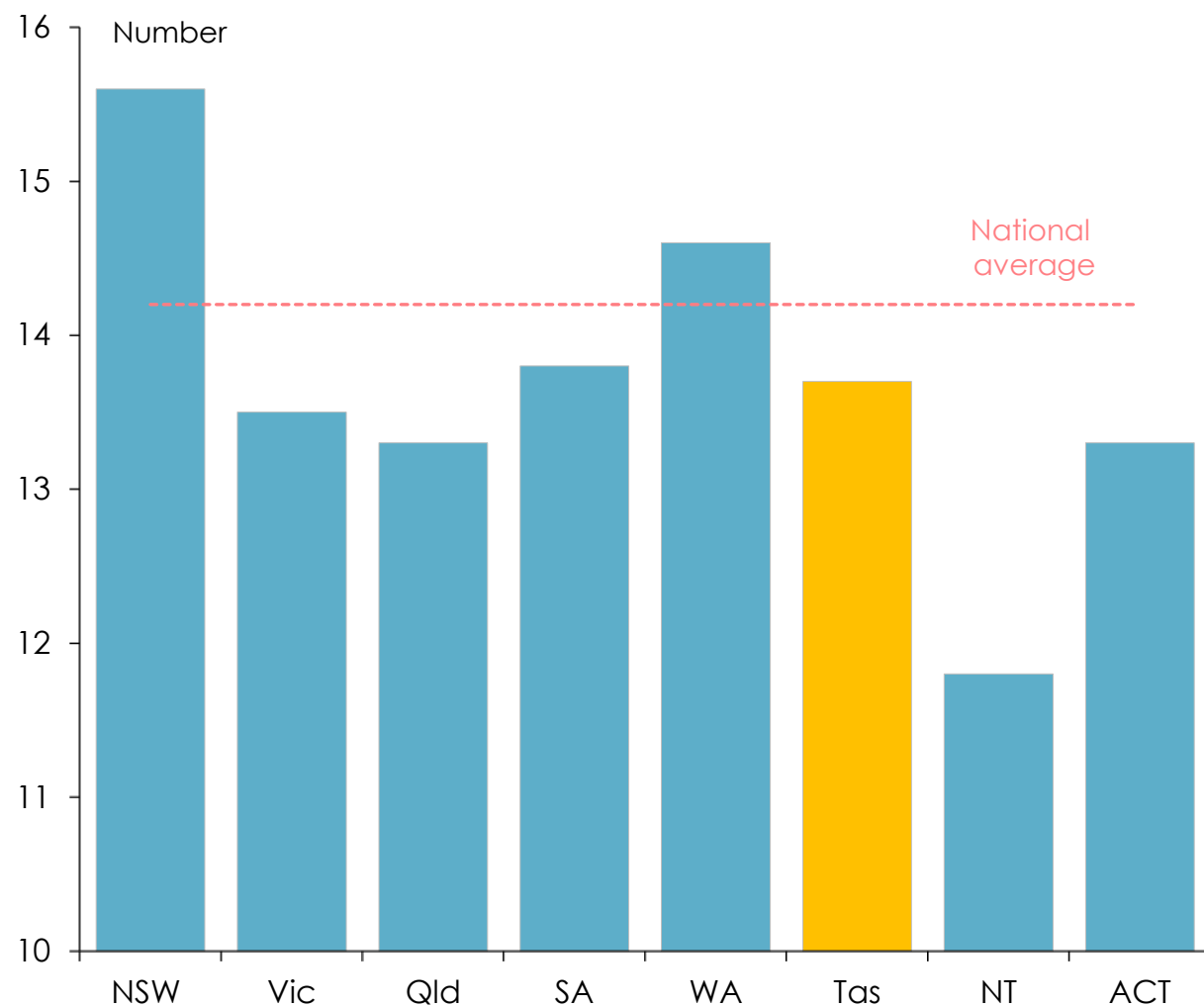
Digital inclusion index, Tasmania and Australia, 2014-2020



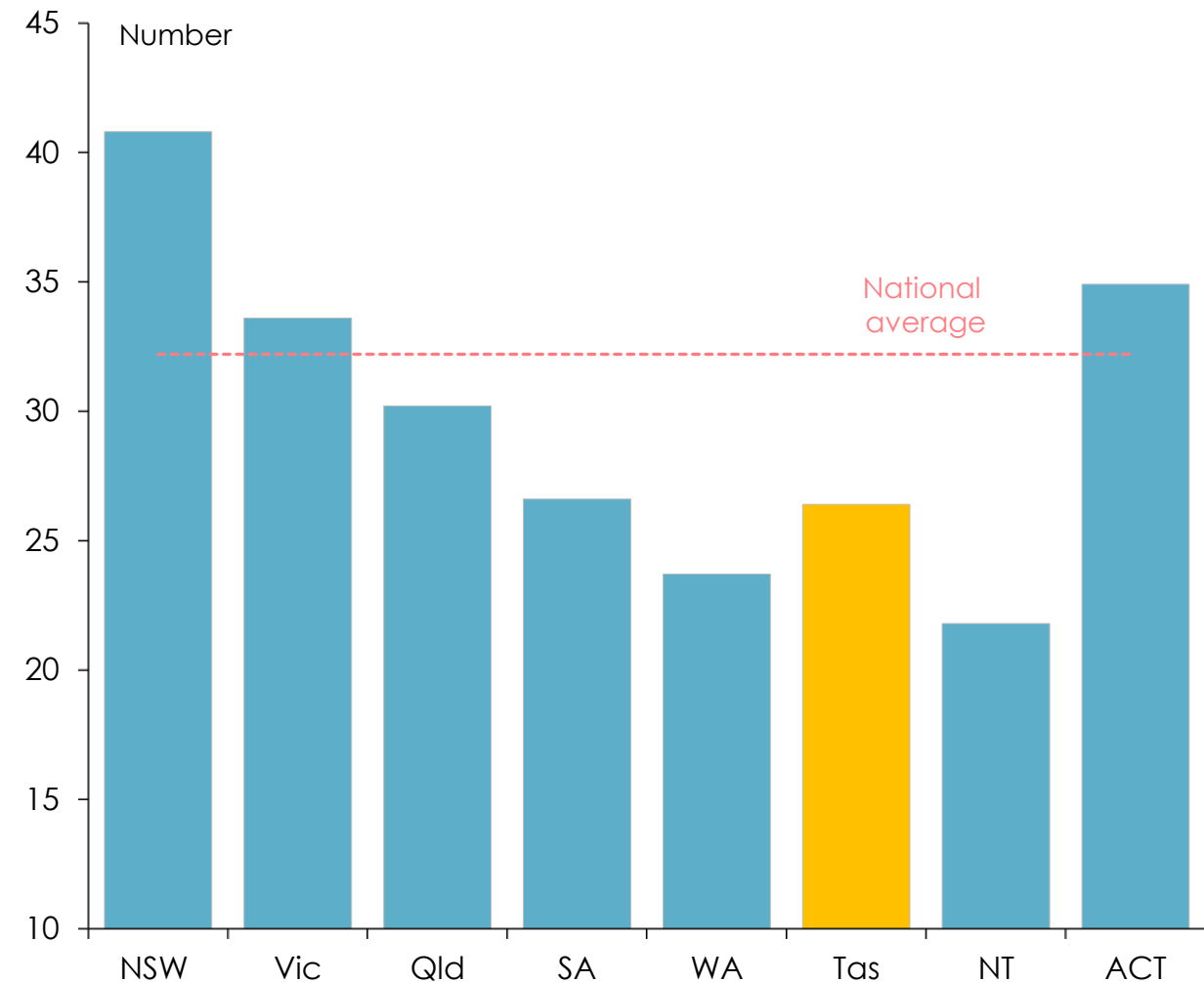
Note: The Digital Inclusion Index measures three dimensions of digital inclusion – access, affordability and ability (of users). Source: Barraket, Wilson et al, [Measuring Australia's Digital Divide](#) (for Telstra).

Tasmanian government schools have smaller-than-average class sizes, and proportionately a lot more non-teaching staff than average

FTE students per FTE teaching staff at government schools, 2019



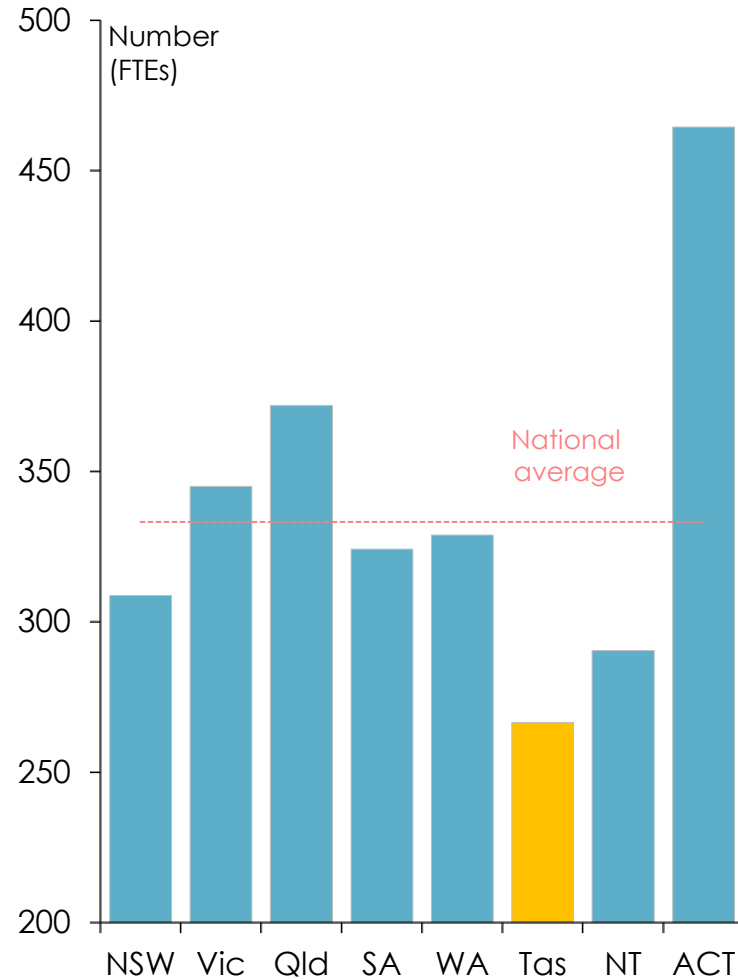
FTE students per FTE non-teaching staff at government schools, 2019



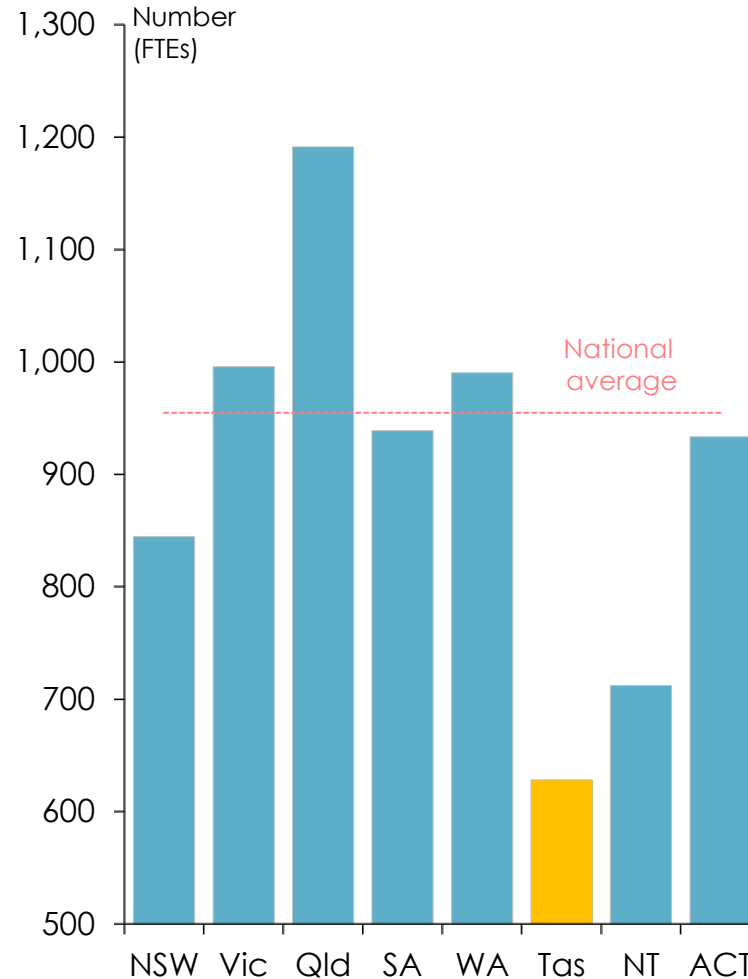
Note: Principals, deputy principals and senior teachers mainly involved in administrative duties are including in 'teaching staff'. 'Non-teaching staff' include specialist support staff, clerical and administrative staff (including teacher aides & assistants mainly performing general administrative and clerical duties, and building operations, general maintenance and other staff. Source: Productivity Commission [Report on Government Services 2021 - School Education](#).

Tasmanian schools are smaller, on average, than in other jurisdictions – which have been more active in merging or closing small schools

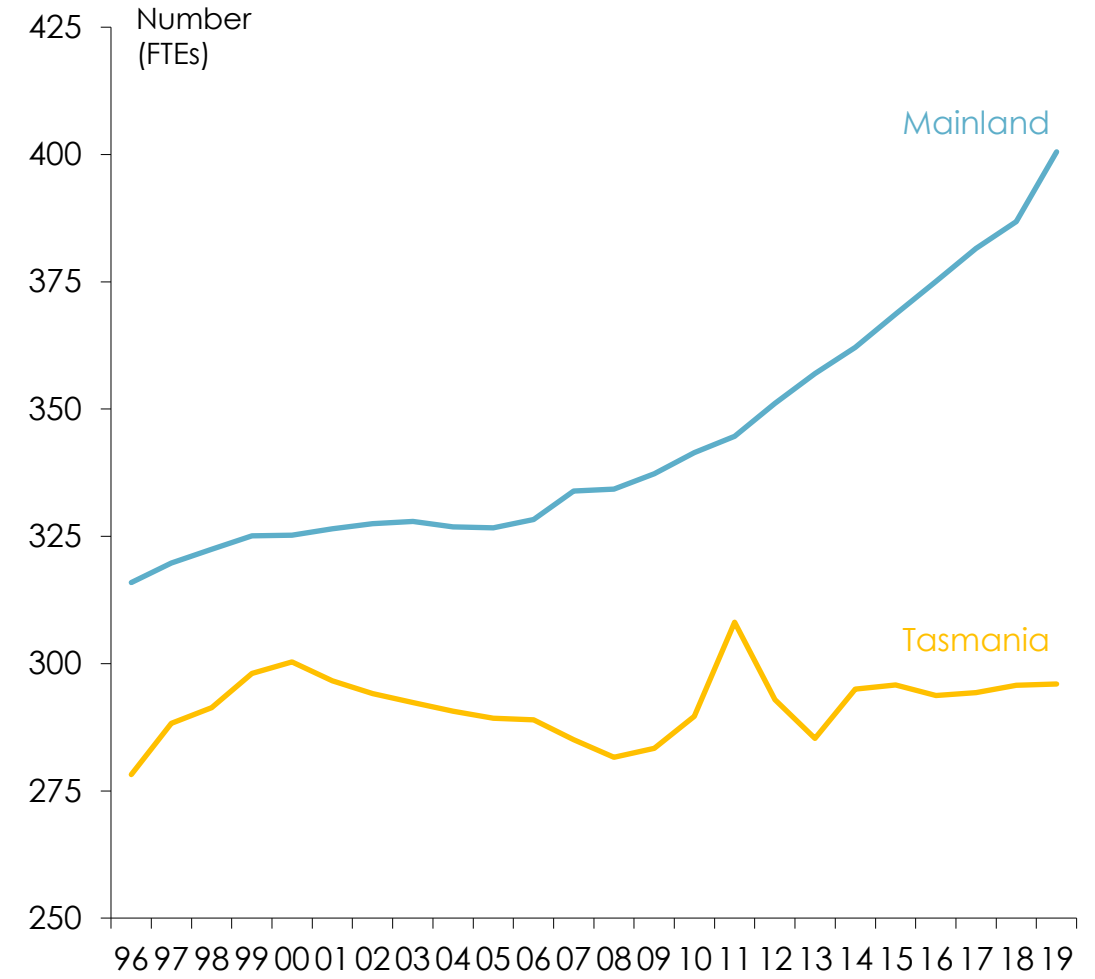
Average enrolments, government primary schools, 2019



Average enrolments, government secondary schools, 2019



Average enrolments, government schools, Tasmania and mainland, 1996-2019



Source: ABS, [Schools, 2019](#); 2020 data released on 19th February 2021.

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

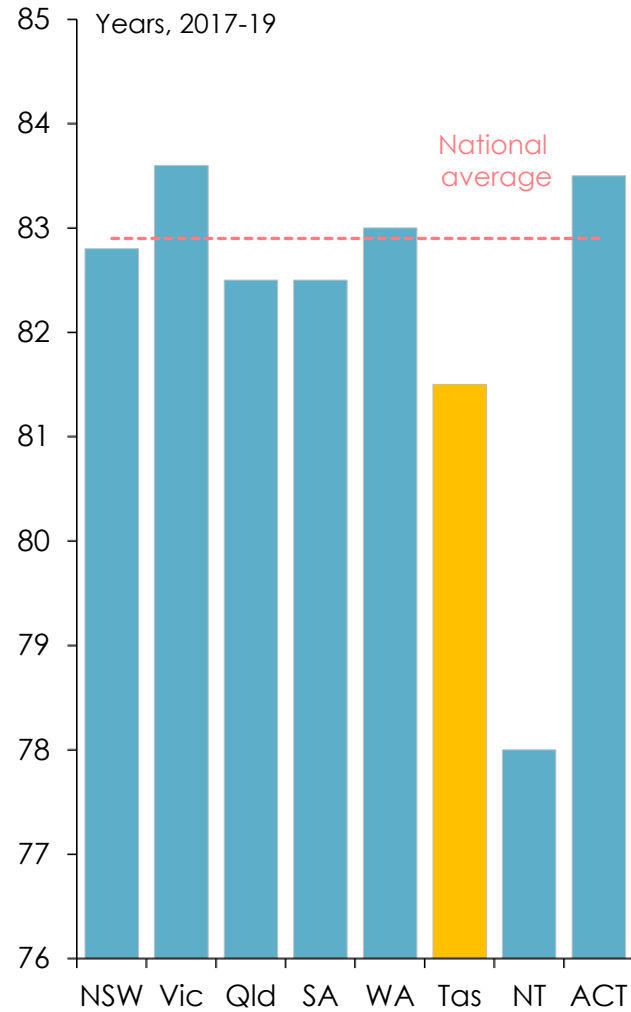
❑ Tasmania's system of separate colleges for Year 11 and 12 acts as a barrier to retention beyond Year 10, especially for students from households with no tradition or 'lived experience' of senior secondary or tertiary education

- 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 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 on Mars for all that its experience is relevant to Tasmania's

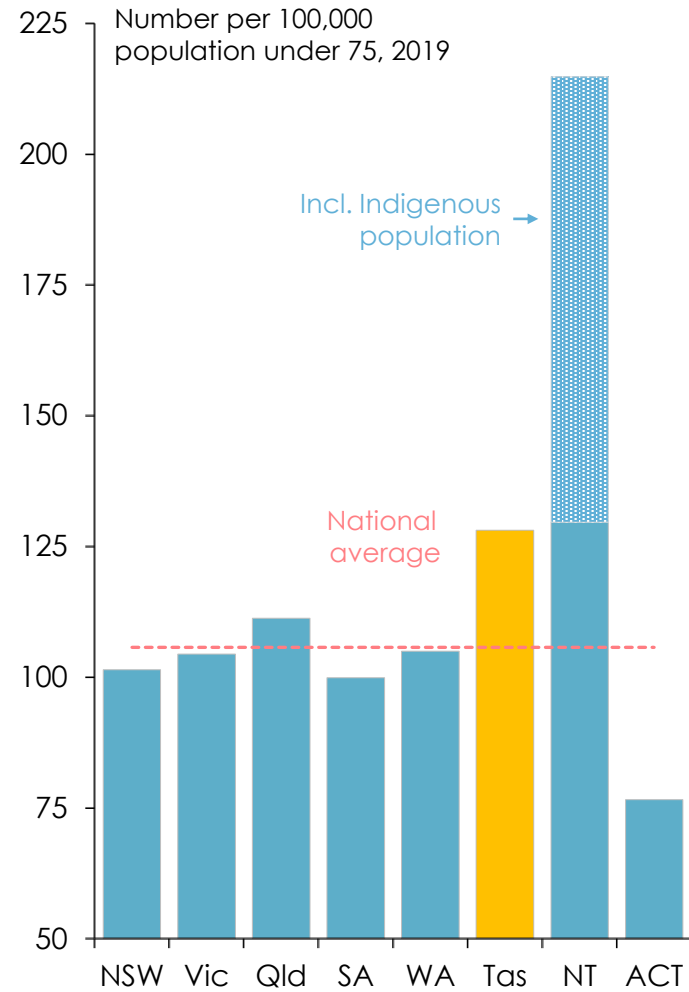
Tasmania's health system

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

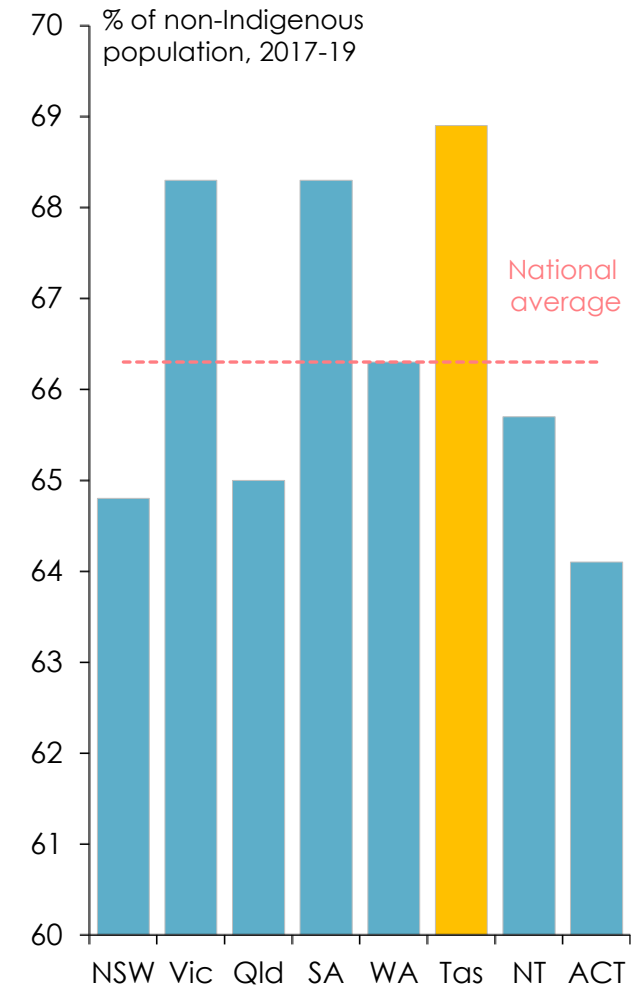
Life expectancy at birth



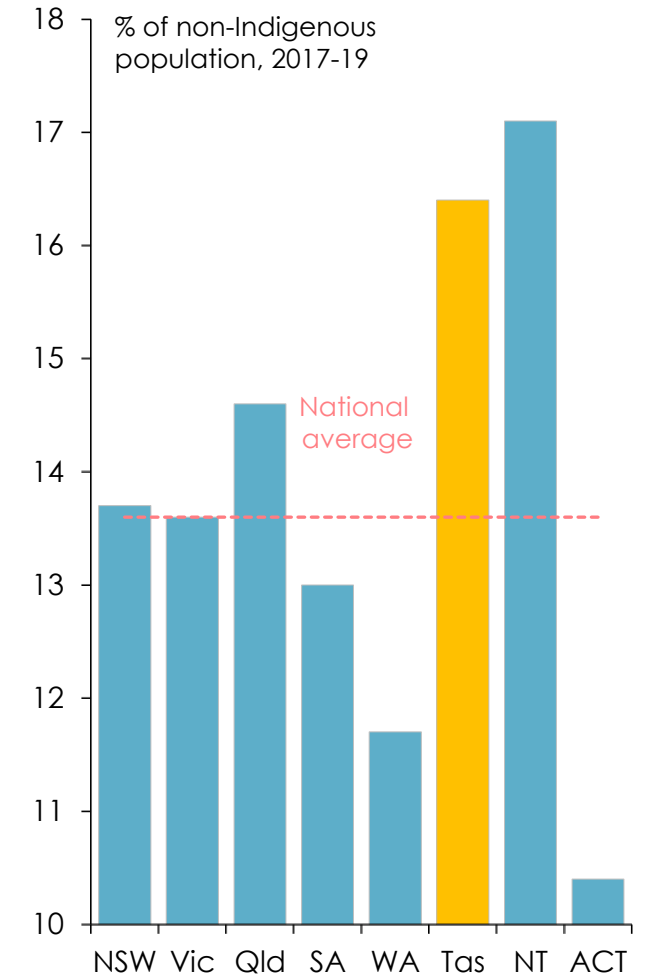
Age-standardized mortality rates of potentially avoidable deaths under 75



Overweight or obesity rates for adults

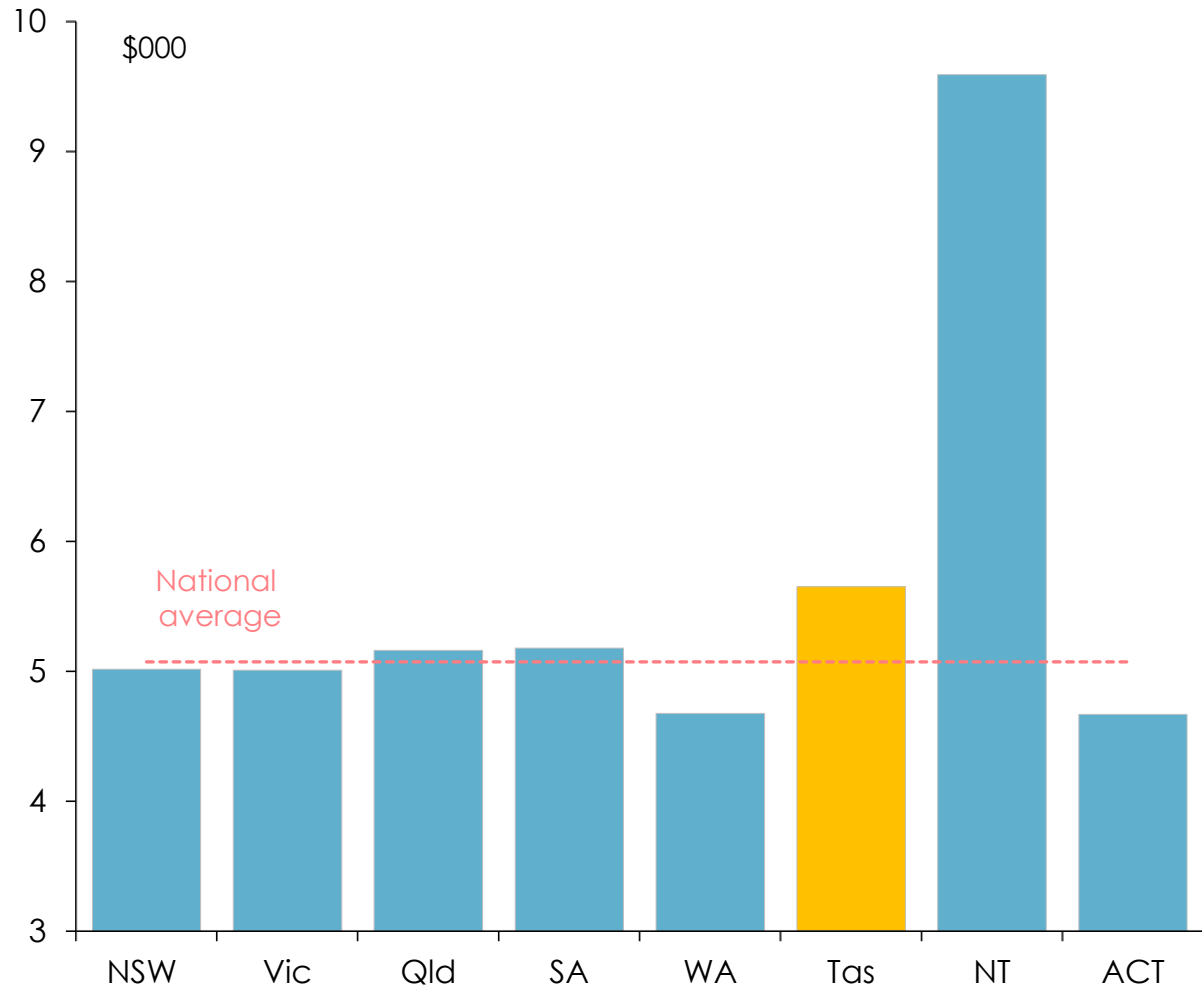


Daily smokers

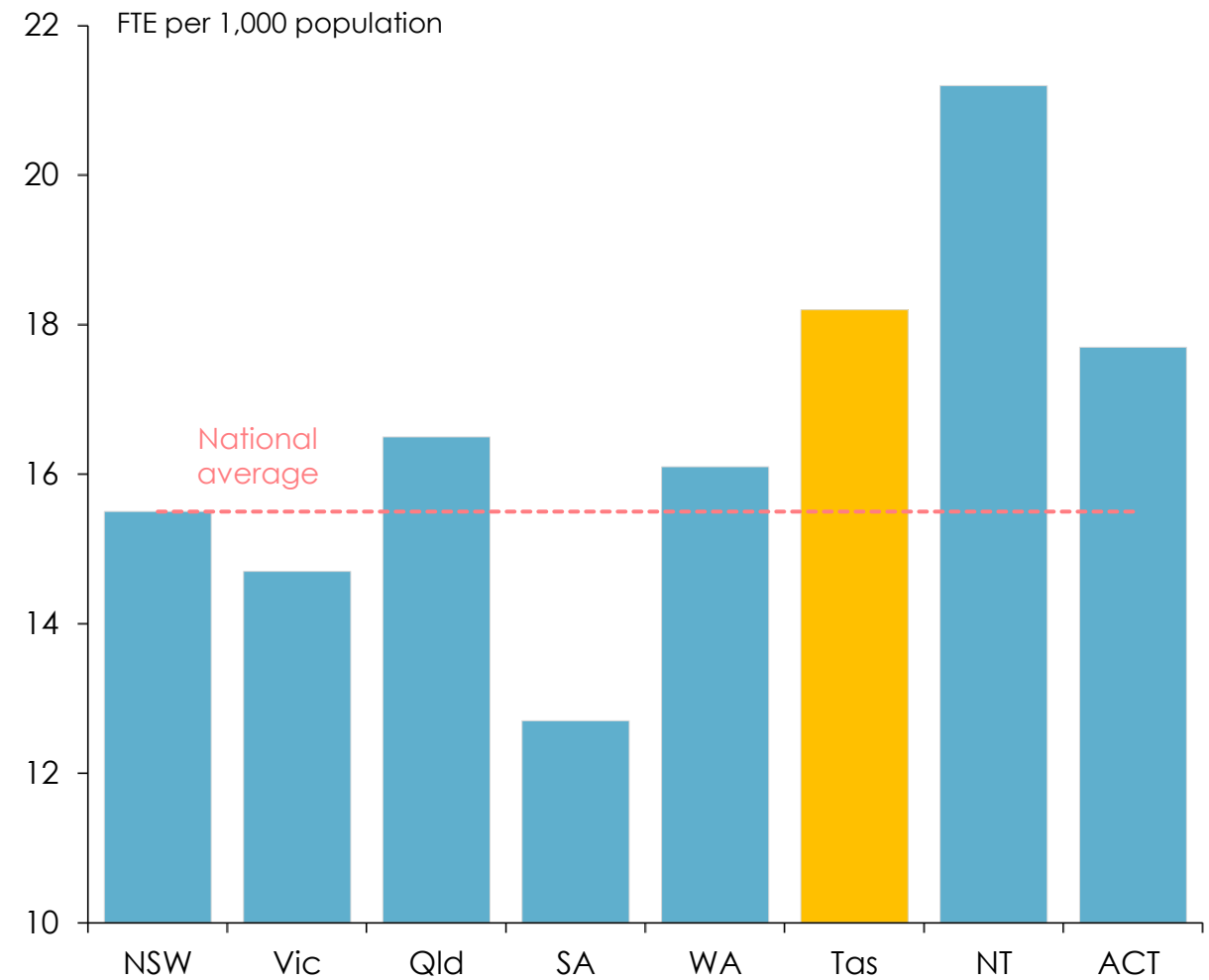


... even though Tasmania spends more on public hospitals, and has more public hospital staff, per person than any other jurisdiction except the NT

State and Territory government recurrent expenditure per person on public hospitals, 2018-19



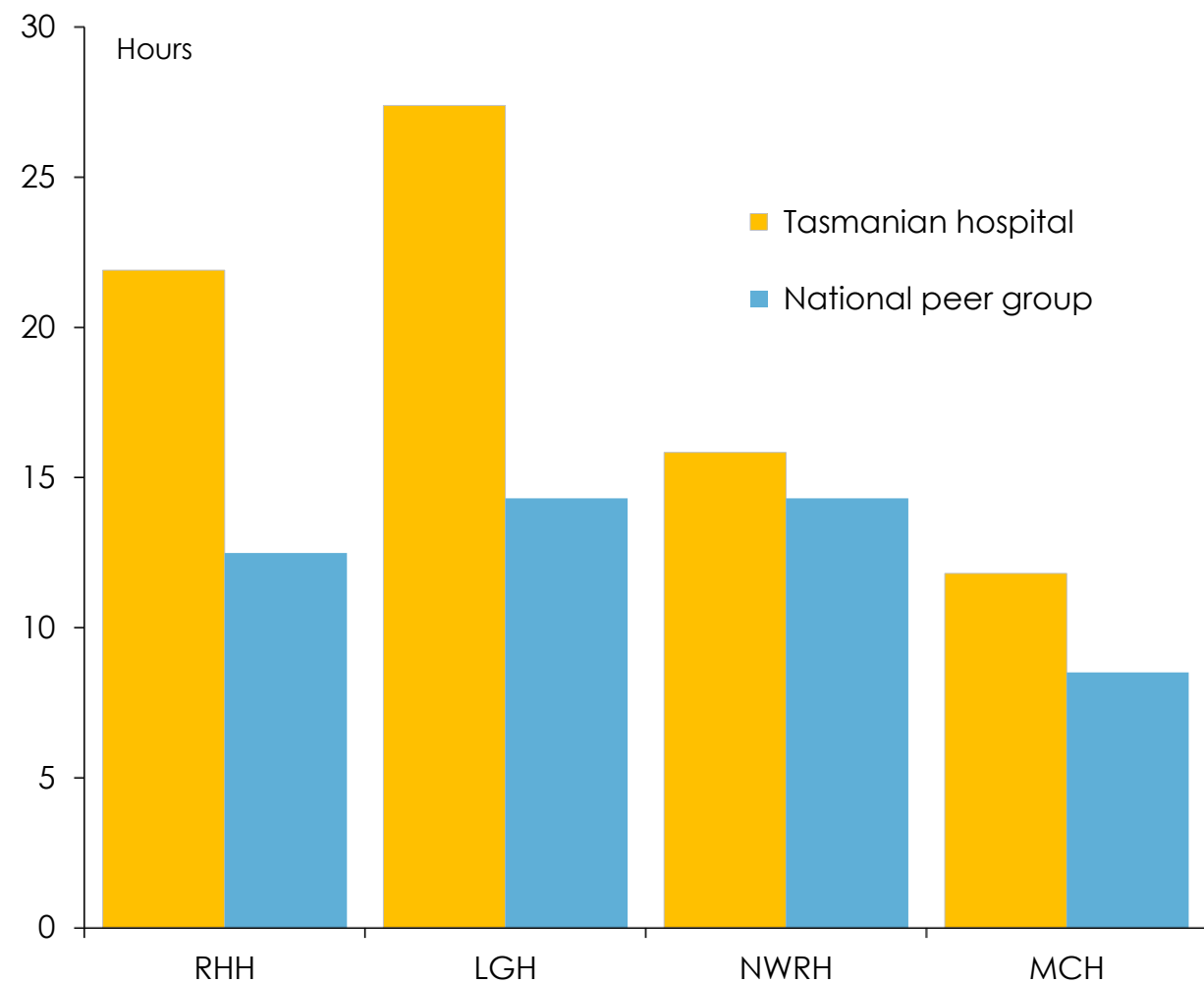
FTE public hospital staff per 1,000 population, states and territories, 2018-19



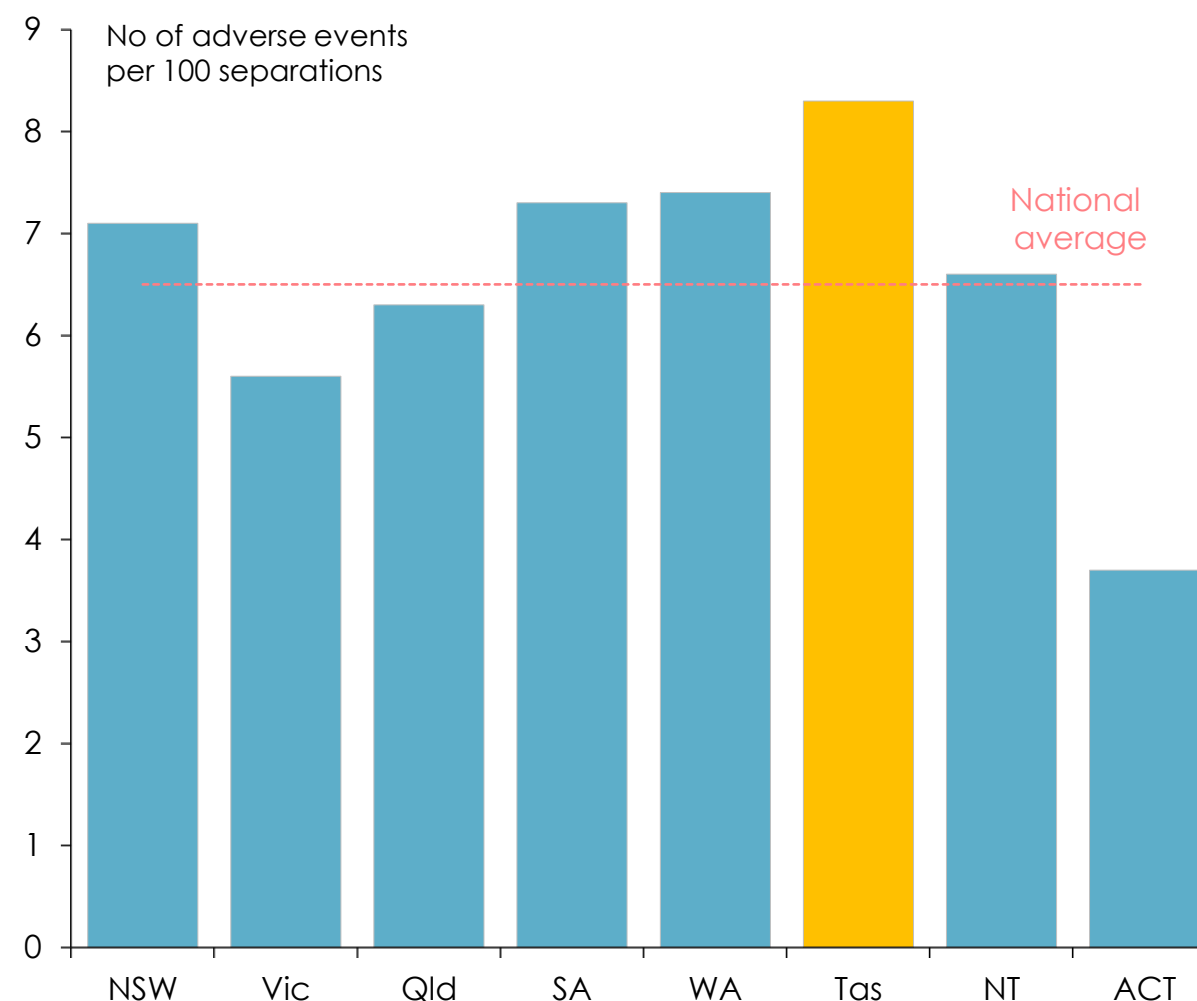
Note: Includes psychiatric hospitals. Source: Productivity Commission, [Report on Government Services 2021 - Health: Public Hospitals](#).

However despite spending relatively more and having more staff, Tasmania's hospital system performs poorly compared with other states

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



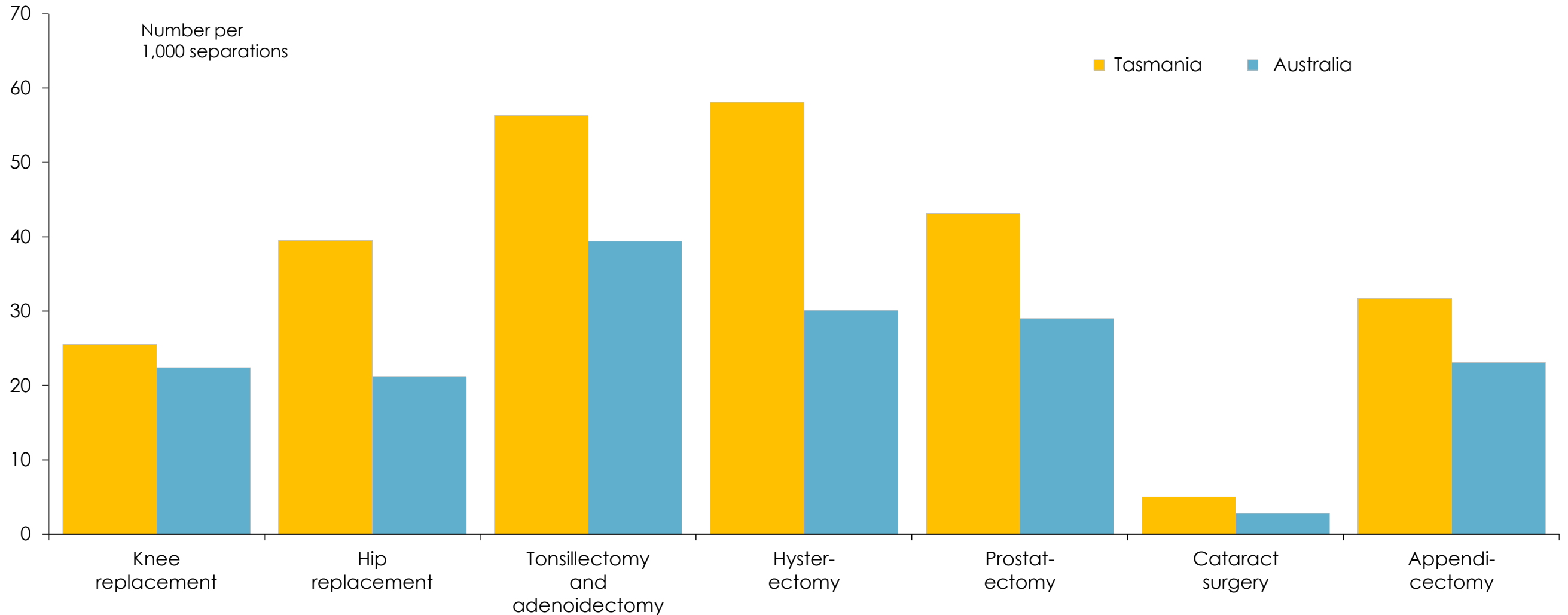
Hospital separations with an adverse event per 100 separations, 2017-18



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's public hospital system makes proportionately more 'mistakes' than the hospital systems of other states and territories

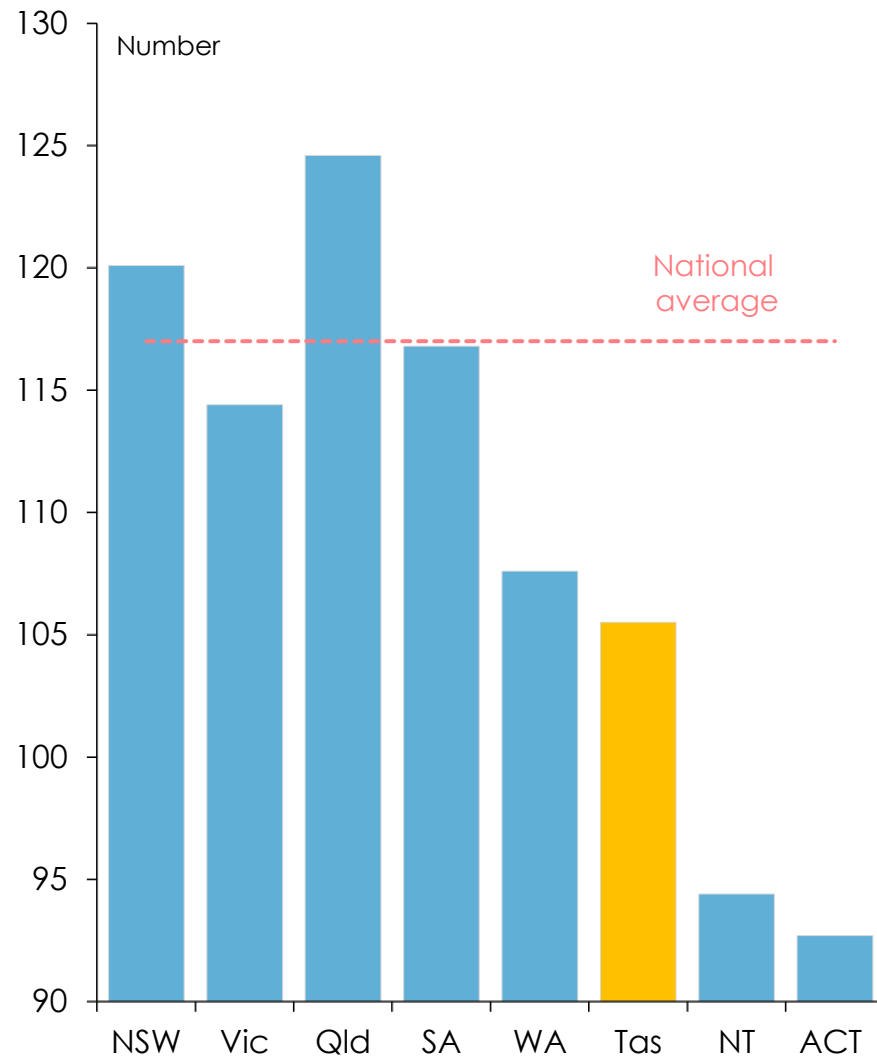
Unplanned hospital re-admission rates by selected surgical procedure prior to separation, Tasmania and Australia, 2018-19



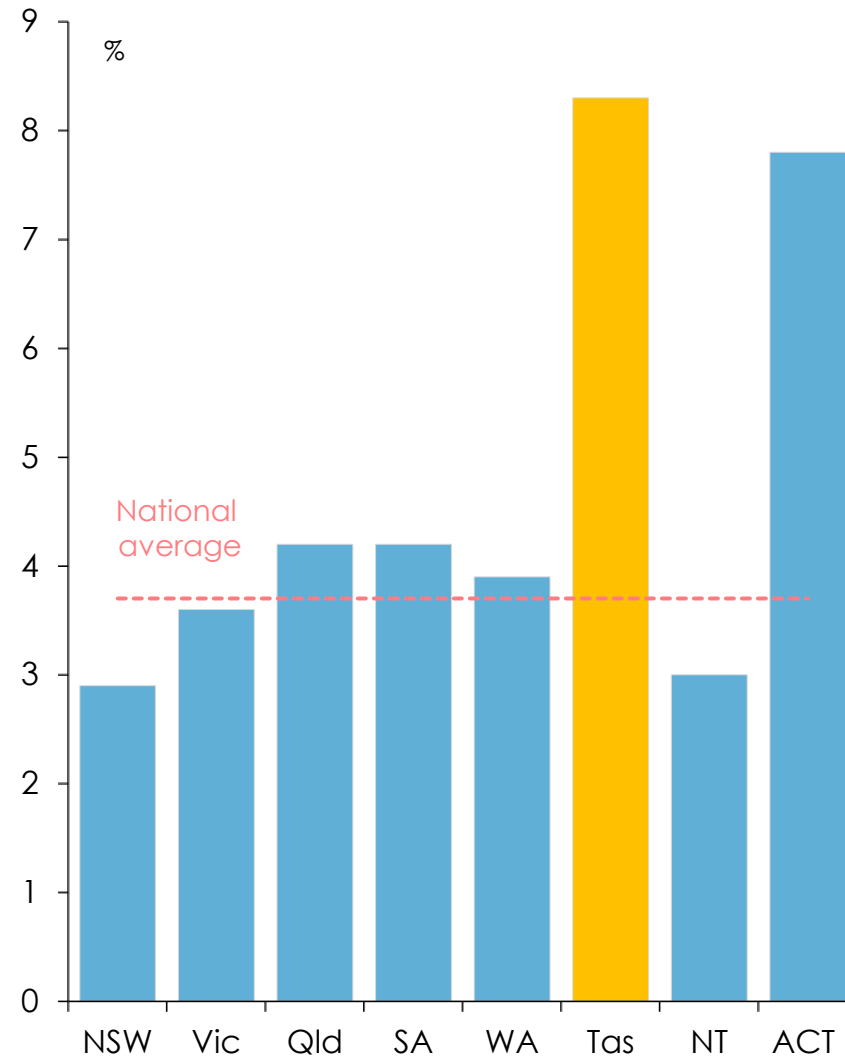
Source: Productivity Commission, [Report on Government Services 2021 - Health: Public Hospitals](#).

Tasmanians have greater difficulty than other Australians accessing GPs

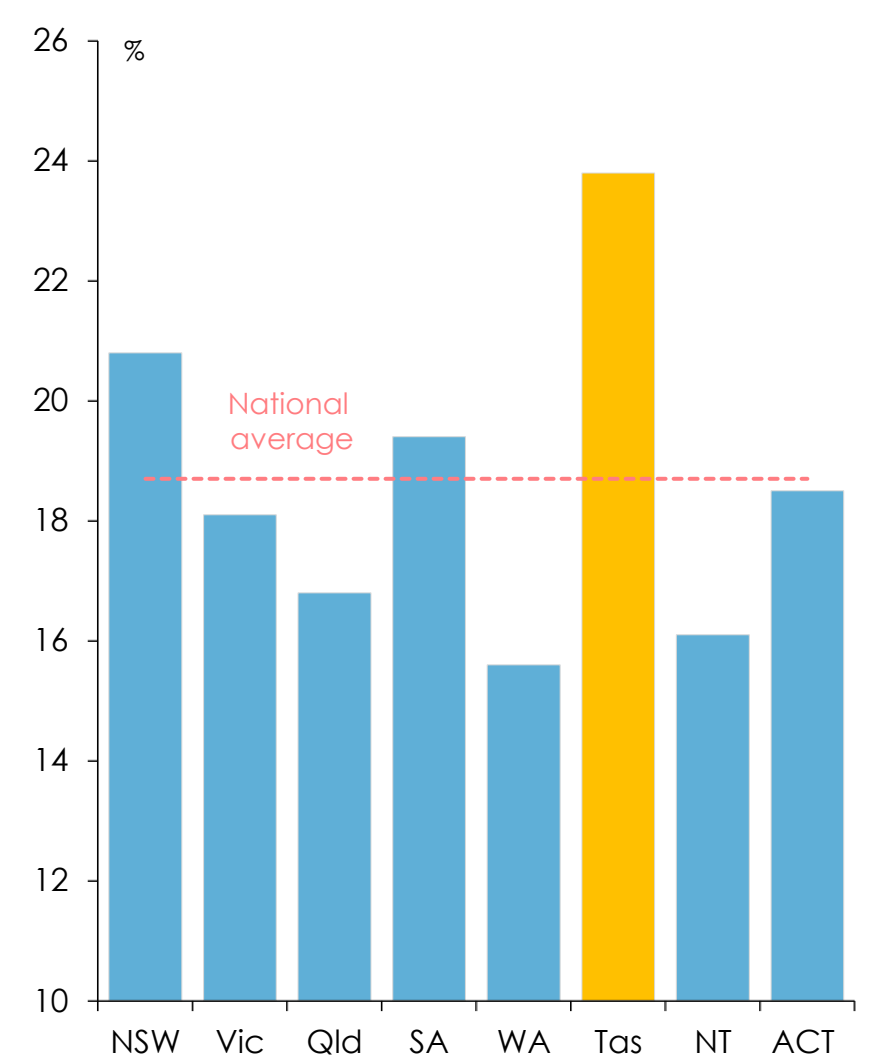
FTE general practitioners per 100,000 people, 2019



People delaying or not seeing GPs due to cost, 2019-20



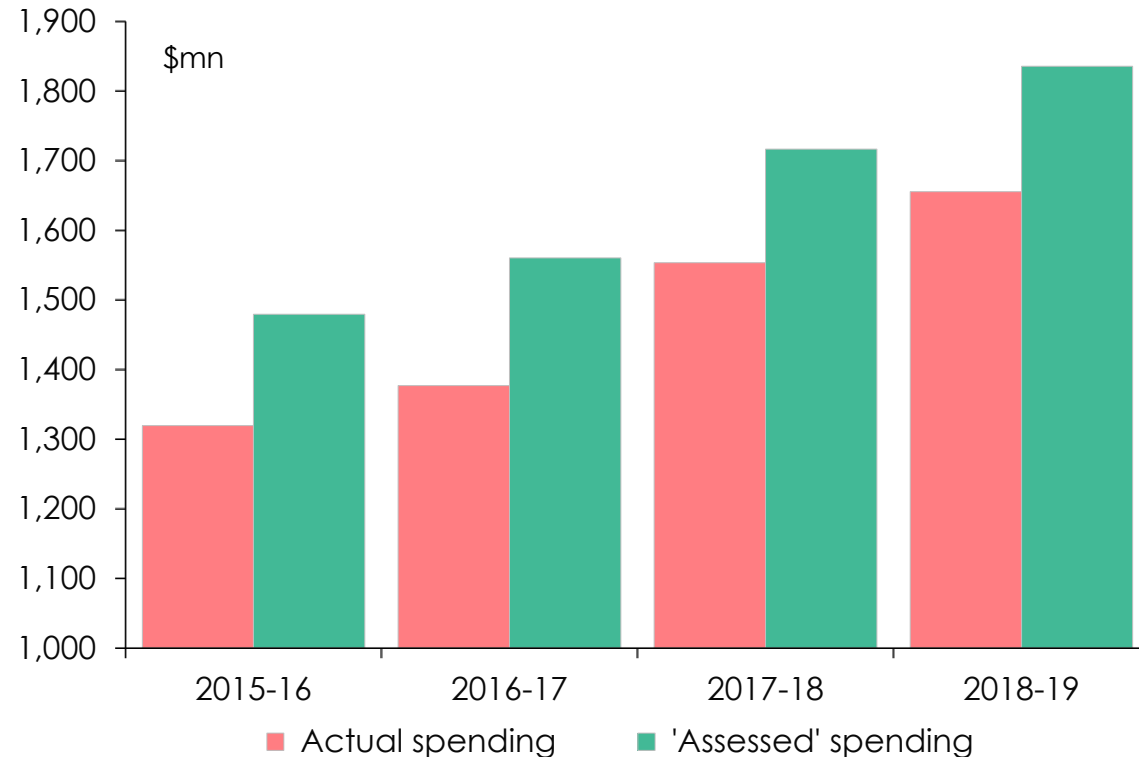
People waiting longer than felt acceptable to get a GP appointment



Source: Productivity Commission, [Report on Government Services 2021 - Health: Public Hospitals](#).

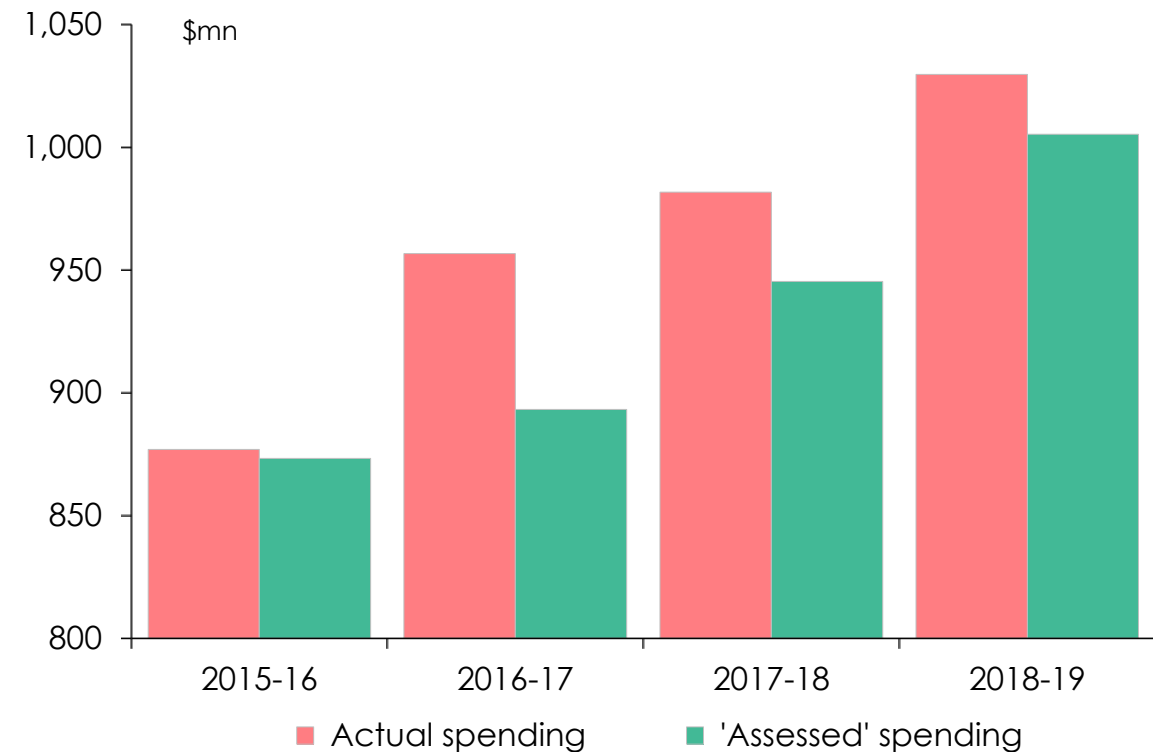
Tasmania almost certainly needs to spend more on health (unlike schools, where it needs to spend what it spends differently)

Commonwealth Grants Commission's assessment of Tasmanian spending on health, 2018-19



The Grants Commission reckons Tasmania has spent an average of \$172mn (10½%) per annum less on health 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 schools, 2018-19



The Grants Commission reckons Tasmania has spent an average of \$32mn (3½%) per annum more on schools than needed to provide the same “standard of services” as the average of all states and territories

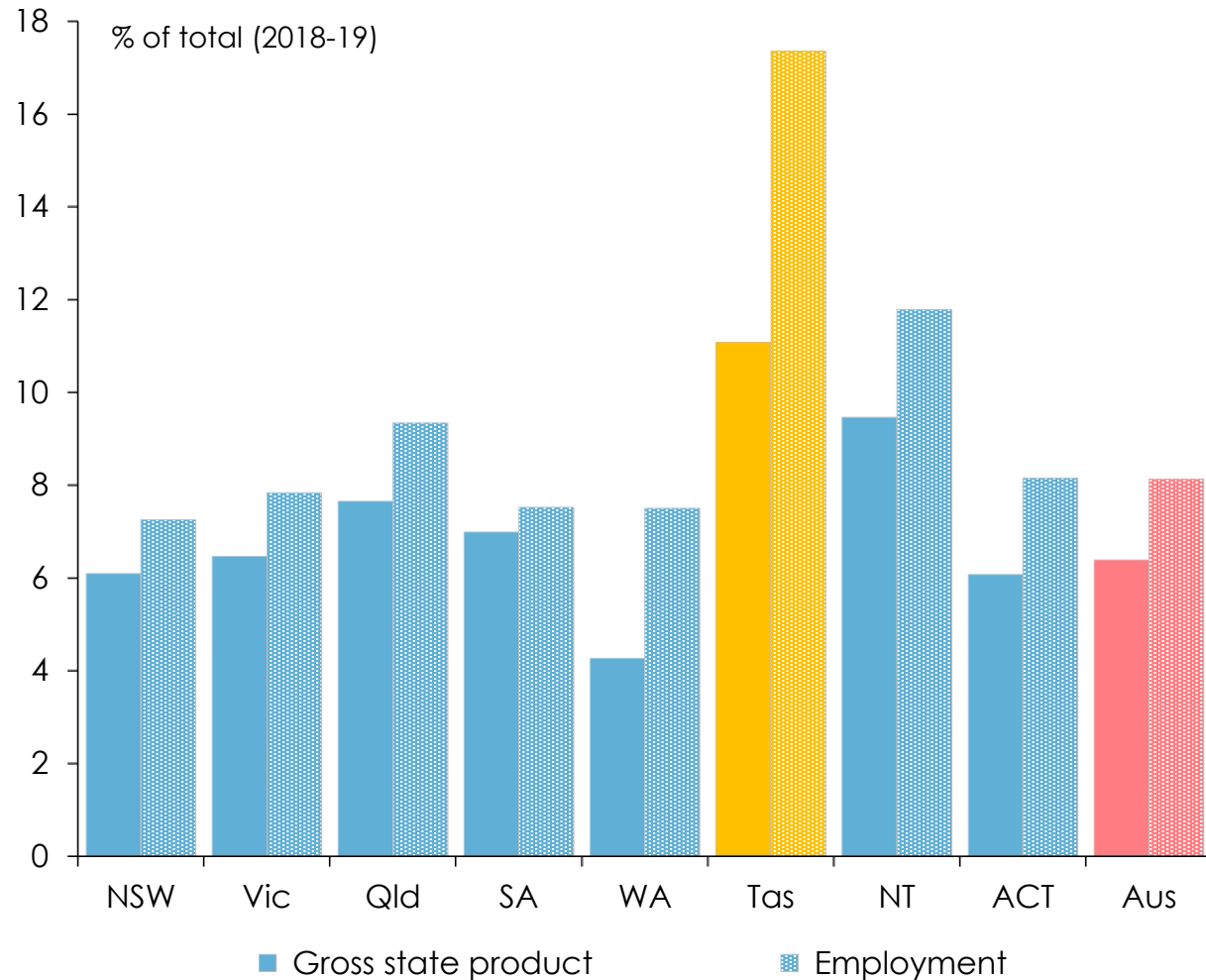
Note: The Grants Commission's "assessed spending" is the level of expenditure on a particular service which it assesses as being required in a state or territory in order to provide the same standard of that service as the average of all states and territories, after taking into account differences in 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, [2020 Review](#) [of GST revenue-sharing relativities], March 2020.

Some other important questions

Have we (inadvertently) become 'too dependent' on tourism for the post-Covid world?

Tourism shares of gross state product and employment, states and territories, 2018-19



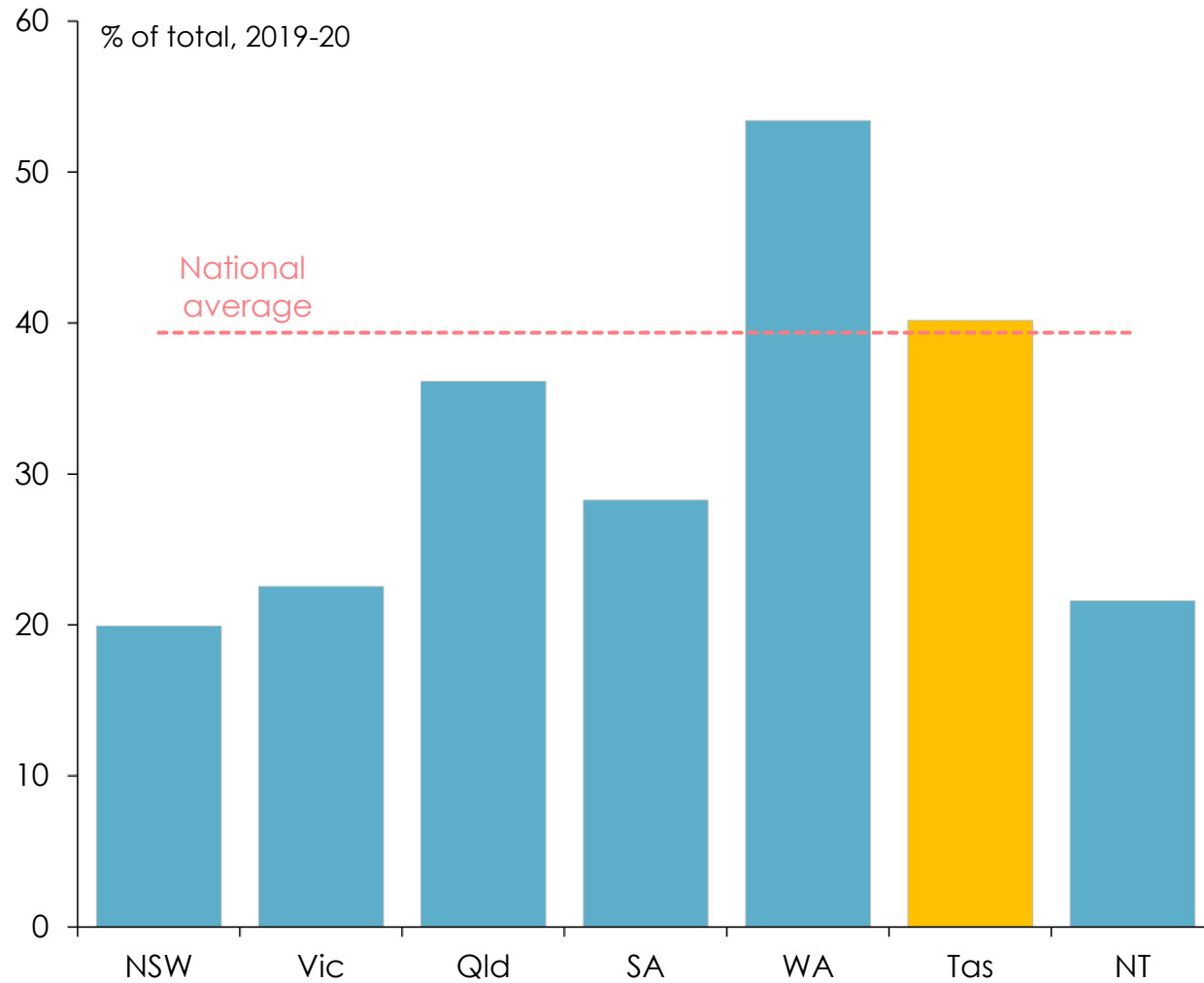
Tourism shares of Tasmanian gross state product and employment, 2006-07 to 2018-19



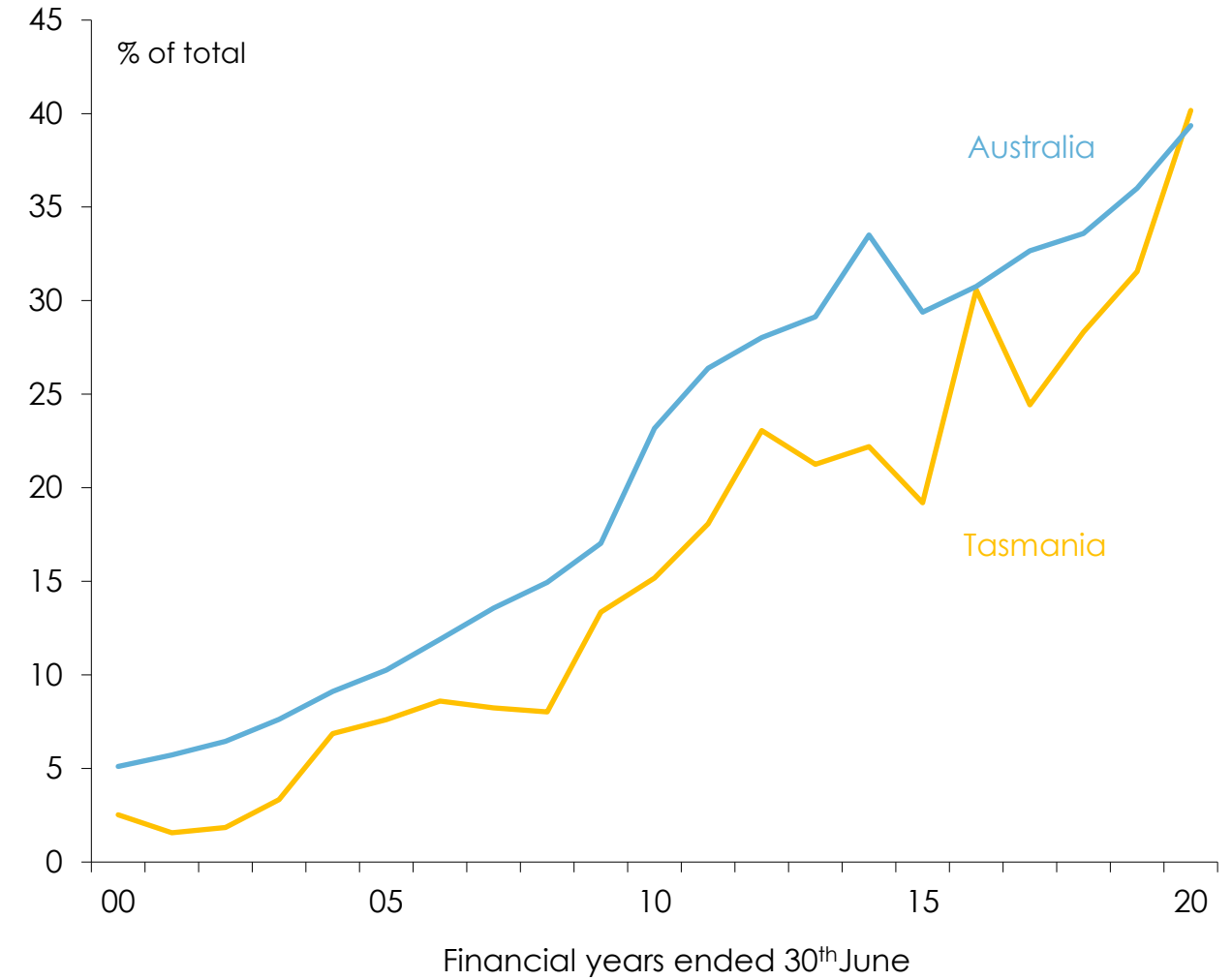
Source: Tourism Research Australia, [State Tourism Satellite Account 2018-19](#).

Have we (inadvertently) become 'too reliant' on China as an export market given the deterioration in bilateral political relations?

Merchandise exports to China as a pc of total, states and territories, 2019-20



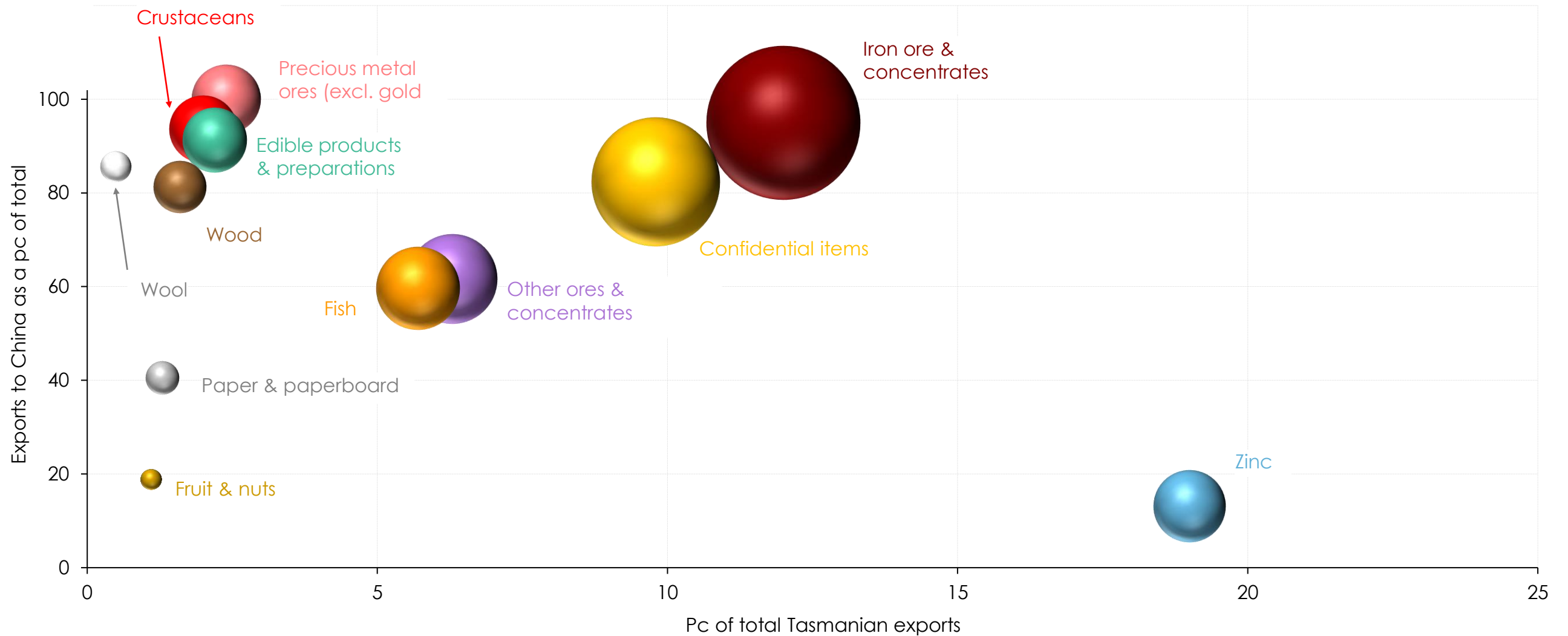
Merchandise exports to China as a pc of total, Tasmania and Australia, 1999-2000 to 2019-20



Source: ABS, [International Trade in Goods and Services, Australia](#).

Many of Tasmania's major exports are vulnerable to Chinese trade sanctions

Principal Tasmanian merchandise exports to China, 2019-20

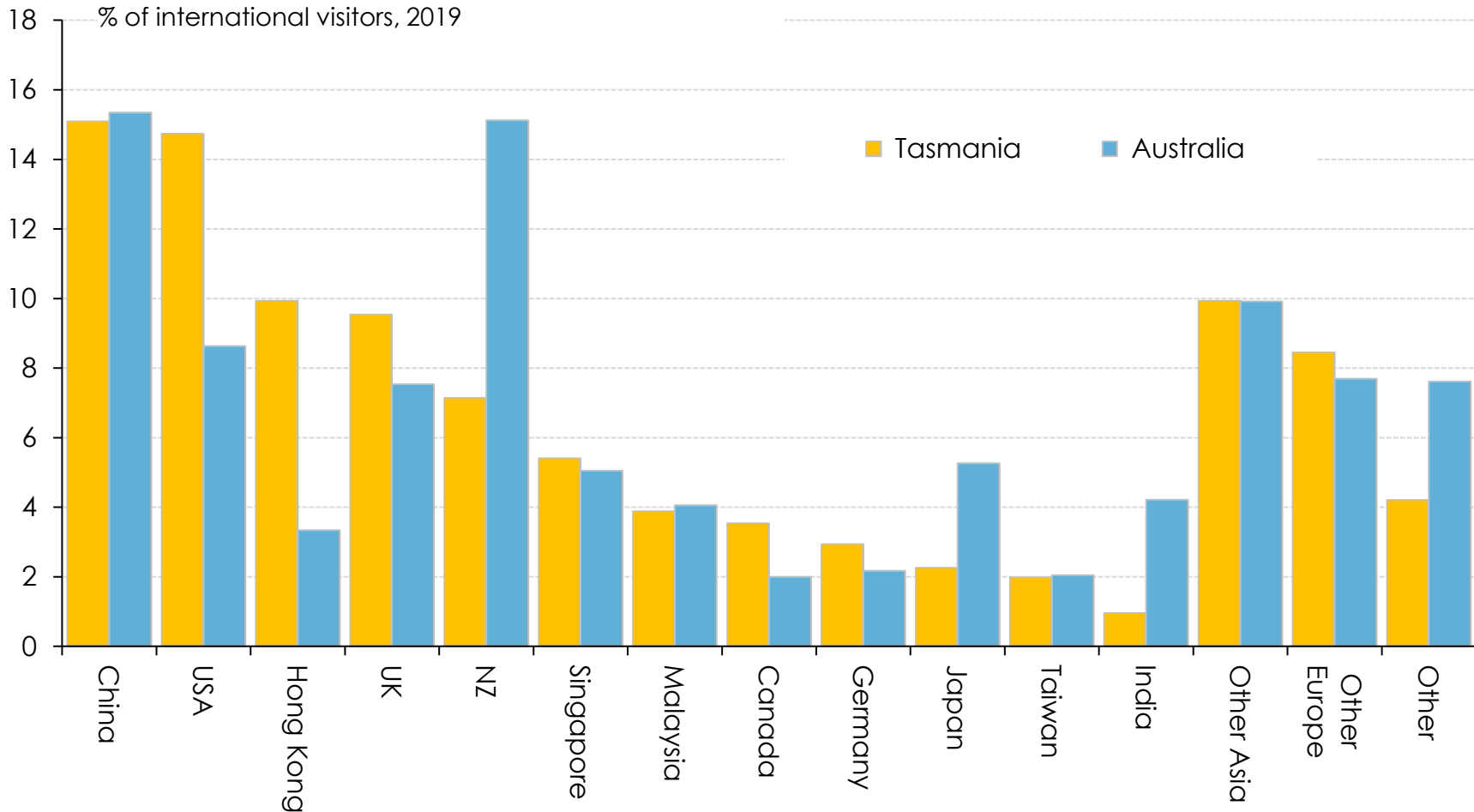


Note: The size of the 'bubbles' shown in this chart indicates the dollar value of exports of the items in 2019-20.

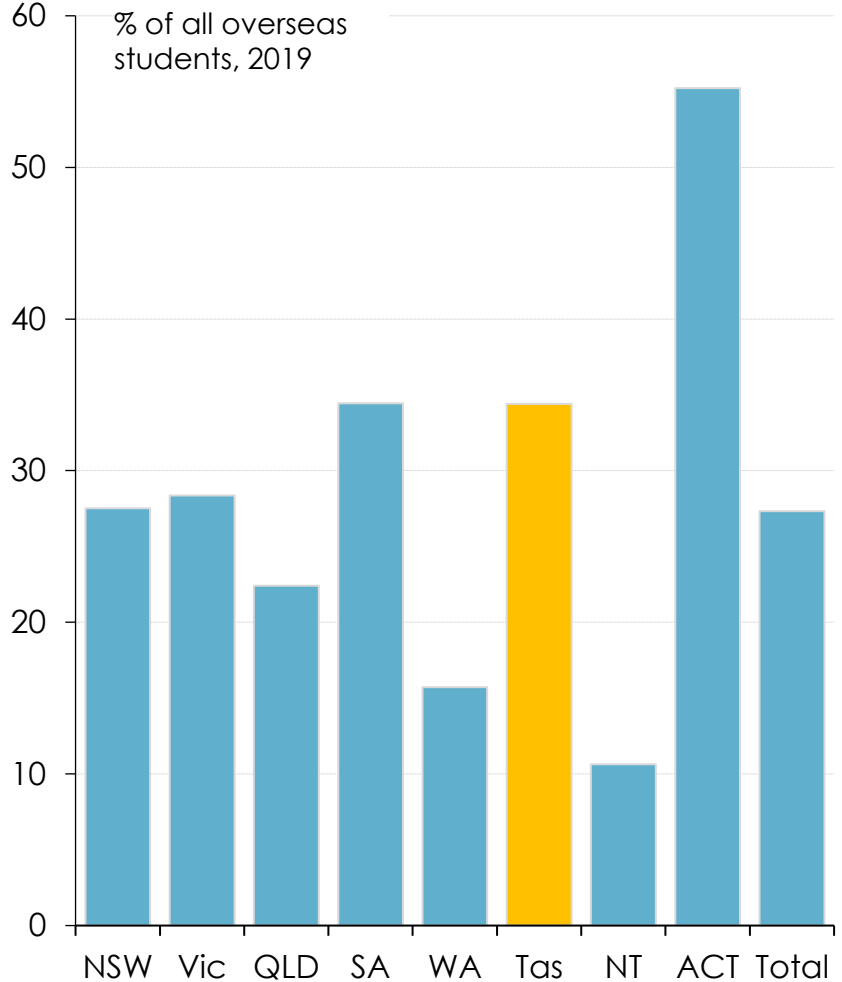
Source: Department of Foreign Affairs and Trade, [Trade statistical pivot tables](#).

Tasmania is no less dependent on China for overseas tourists than the national average, and more dependent on China for overseas students

Origin of international visitors, Tasmania and Australia, 2019



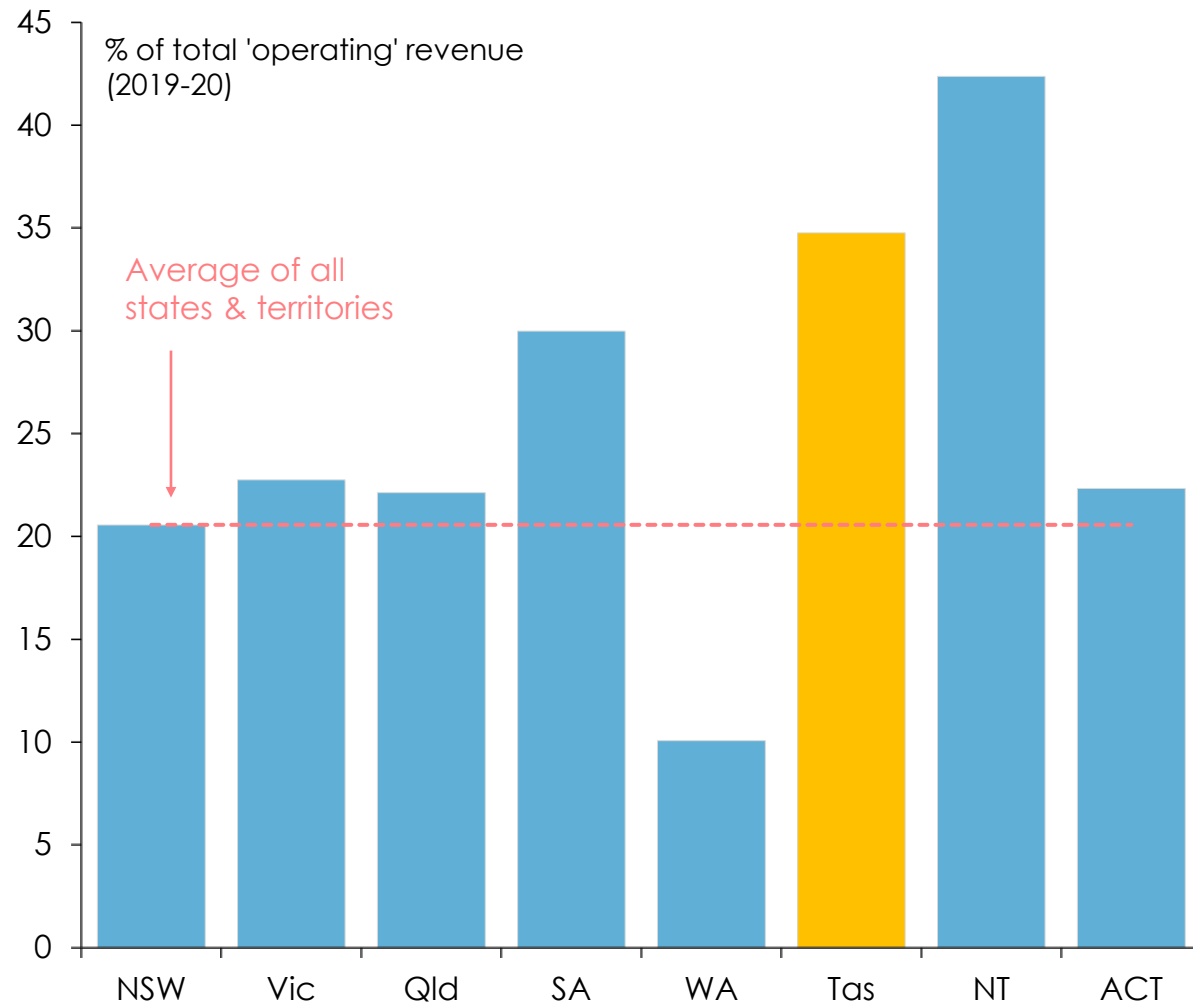
Chinese students as a pc of all overseas students, 2019



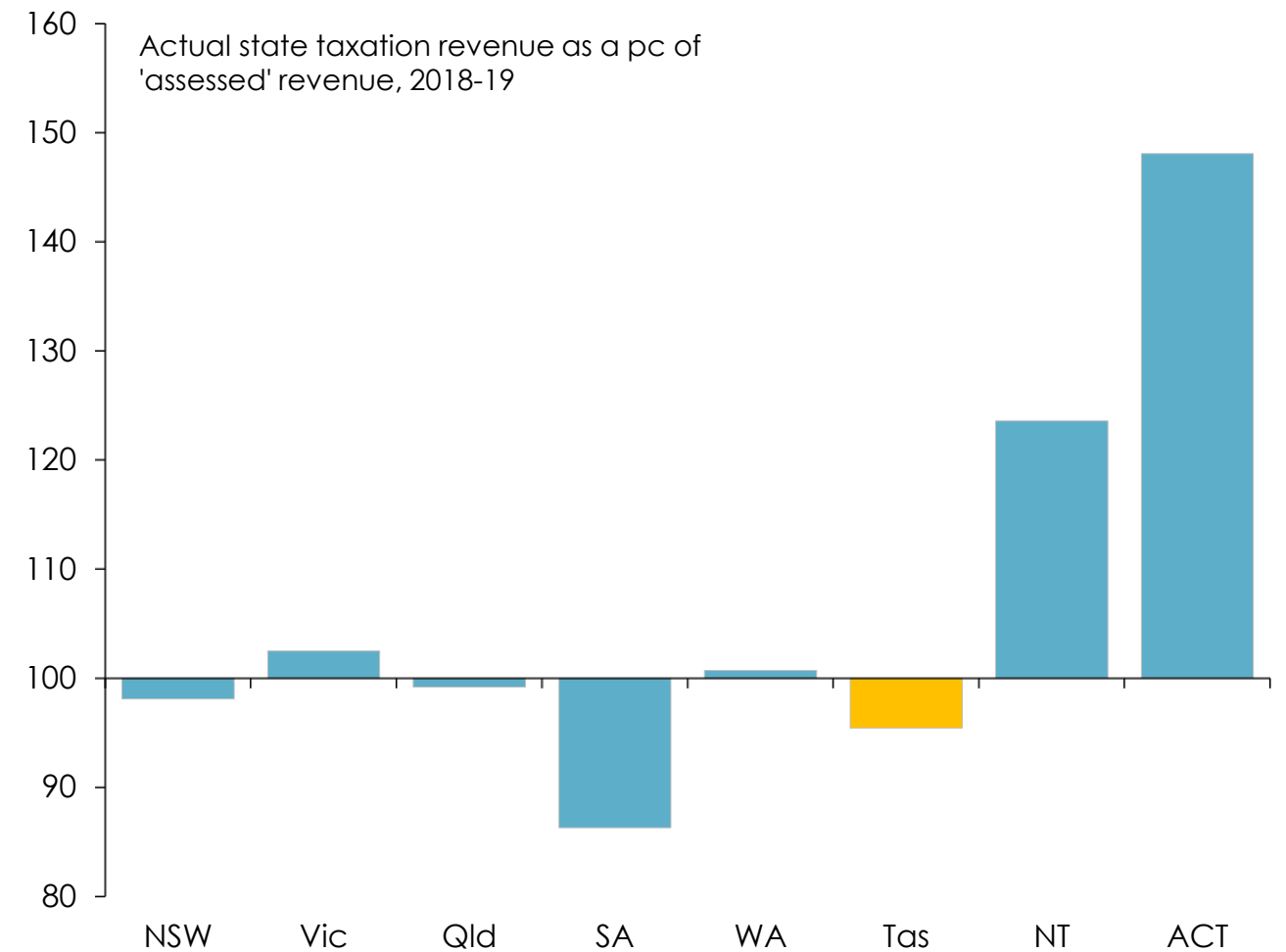
Note: 'Overseas students' includes higher education, VET, ELICOS (English Language Intensive Course of Study), school and non-award students.
 Sources: Tourism Tasmania, [Tourism Snapshot](#), December 2019; ABS, [Overseas Arrivals and Departures, Australia](#); (Australian) Department of Education, [uCube - Higher Education Data Cube](#).

Are we unwittingly putting our future capacity to fund services at risk by relying so heavily on our share of revenue from the GST?

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



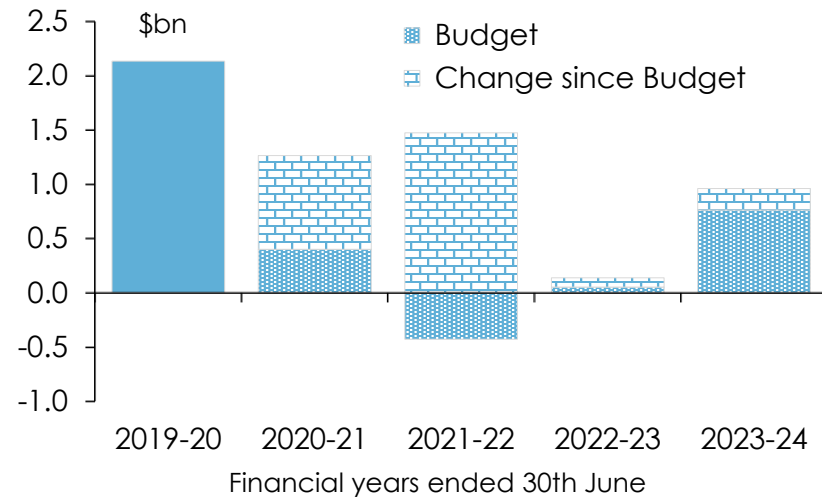
State taxation revenue as a pc of Grants Commission 'assessed revenue', states and territories, 2018-19



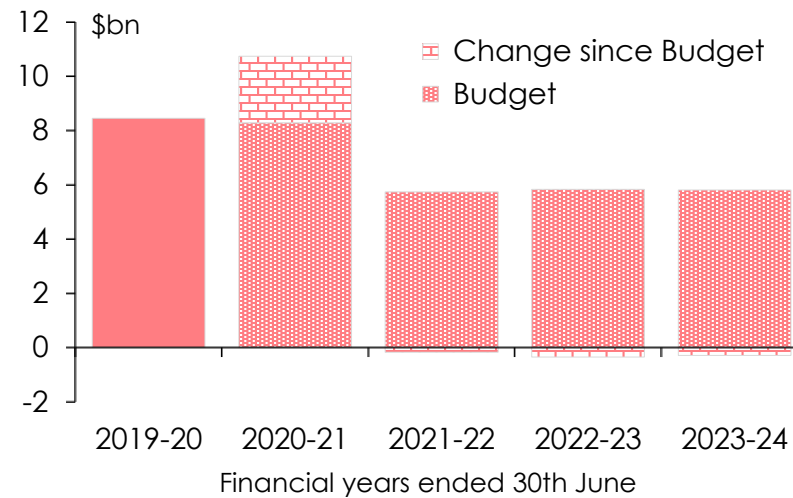
Note: 'assessed revenue' is the revenue which the Commonwealth Grants Commission estimates would be raised by each state and territory if its tax regime were of the same 'severity' (rates and base) as the average of all states and territories. The figure for the ACT is biased upwards because it includes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

Western Australia's government is swimming in iron ore royalty revenues – and under revised GST-sharing arrangements will get to keep most of it

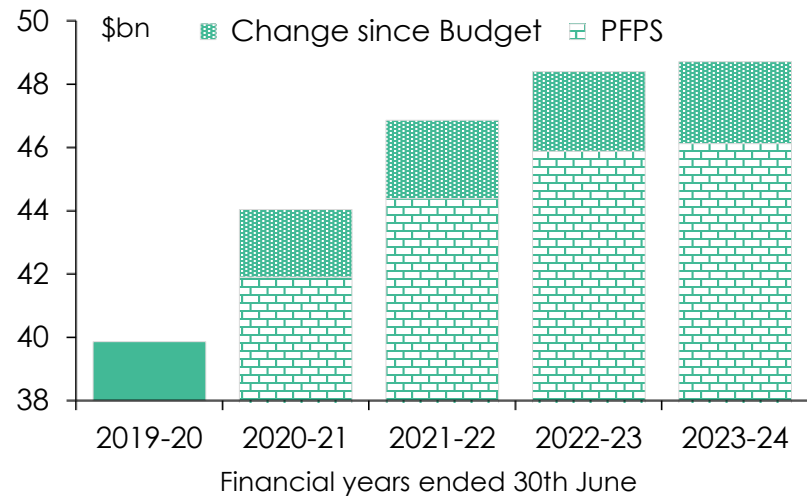
'General government' cash balance



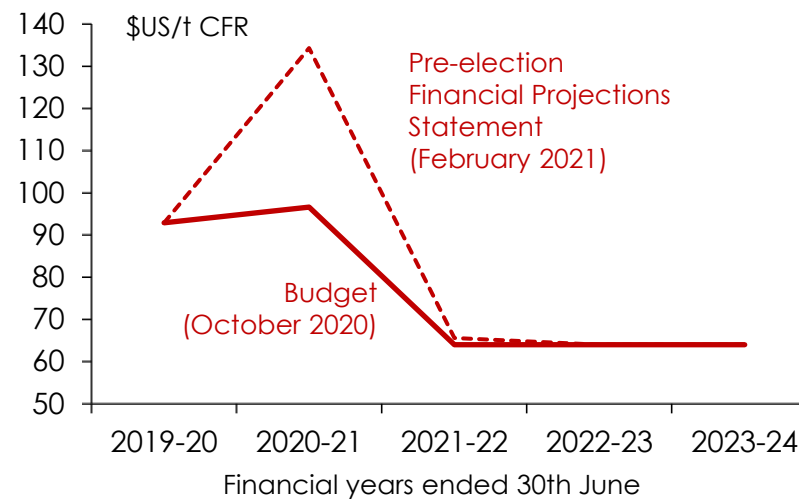
Mineral royalties revenue



Non-financial public sector net debt



Iron ore price assumption

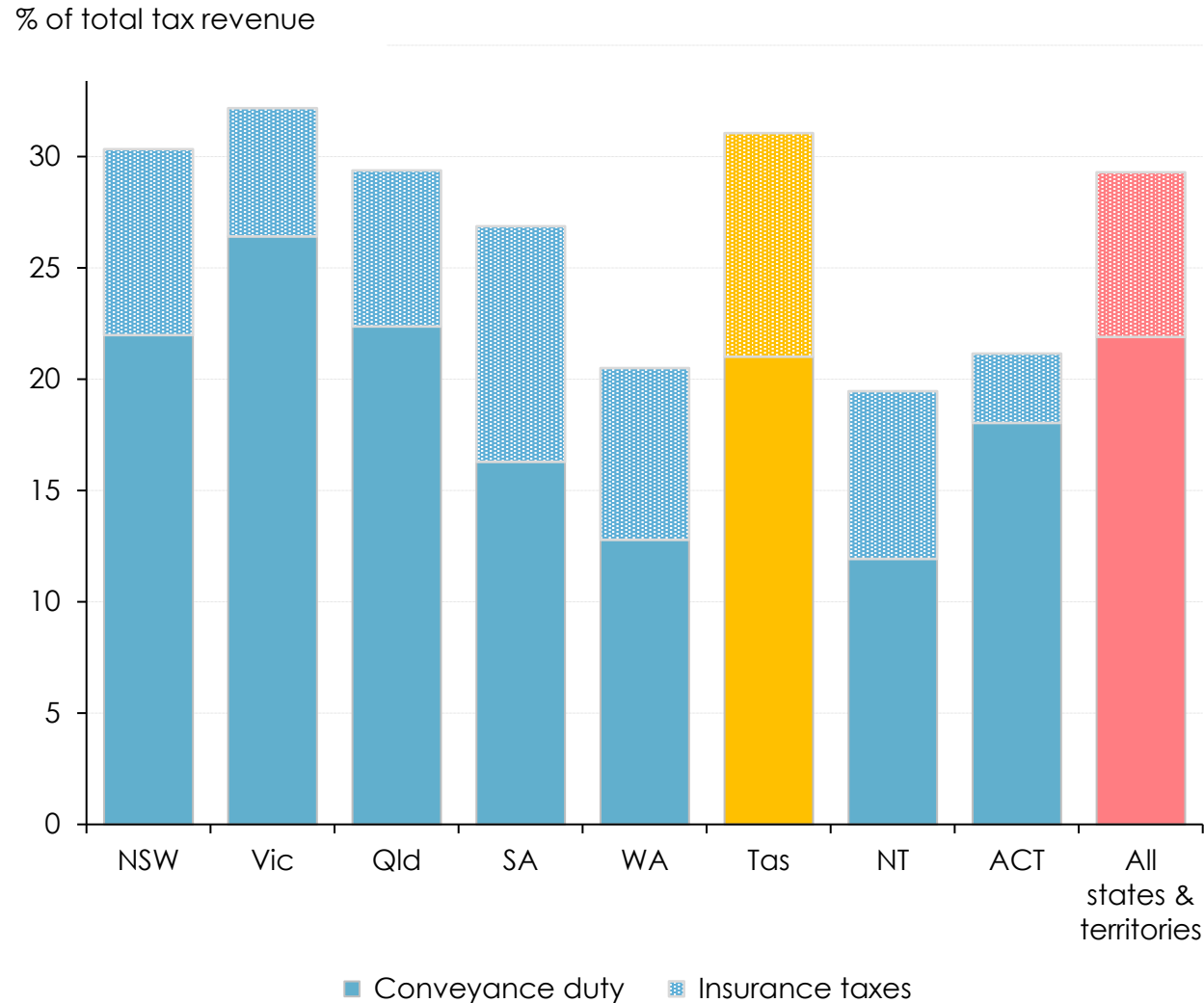


- Western Australia's might be the only government in the world which *isn't* projecting budget deficits this year and for the foreseeable future
 - WA Treasury's Pre-election Financial Projections Statement (PFPS) released ahead of next month's state election projects cash surpluses totalling \$3.9bn over the four years to 2023-24
 - these have been revised upwards from \$2.6bn in the Mid-Year Review published in late December, and \$0.8bn in the State Budget presented on 8th October last year
- The main reason for WA's strong financial position (and the improvement in it over the past four months) is the booming iron ore price
 - the PFPS assumes an iron ore price of US\$104 per tonne in 2020-21, up from \$97 in October's budget
 - which generates an additional \$2½bn in royalty revenues in 2020-21
 - the PFPS assumes iron ore prices come down to US\$64/t by 2022-23 – but each additional \$1/t is worth an extra \$81mn pa in royalty revenues
- As a result of changes to the GST revenue-sharing arrangements imposed by the Federal Government in 2019 (under pressure from WA), WA will get to keep much of these windfalls rather than having its GST share reduced

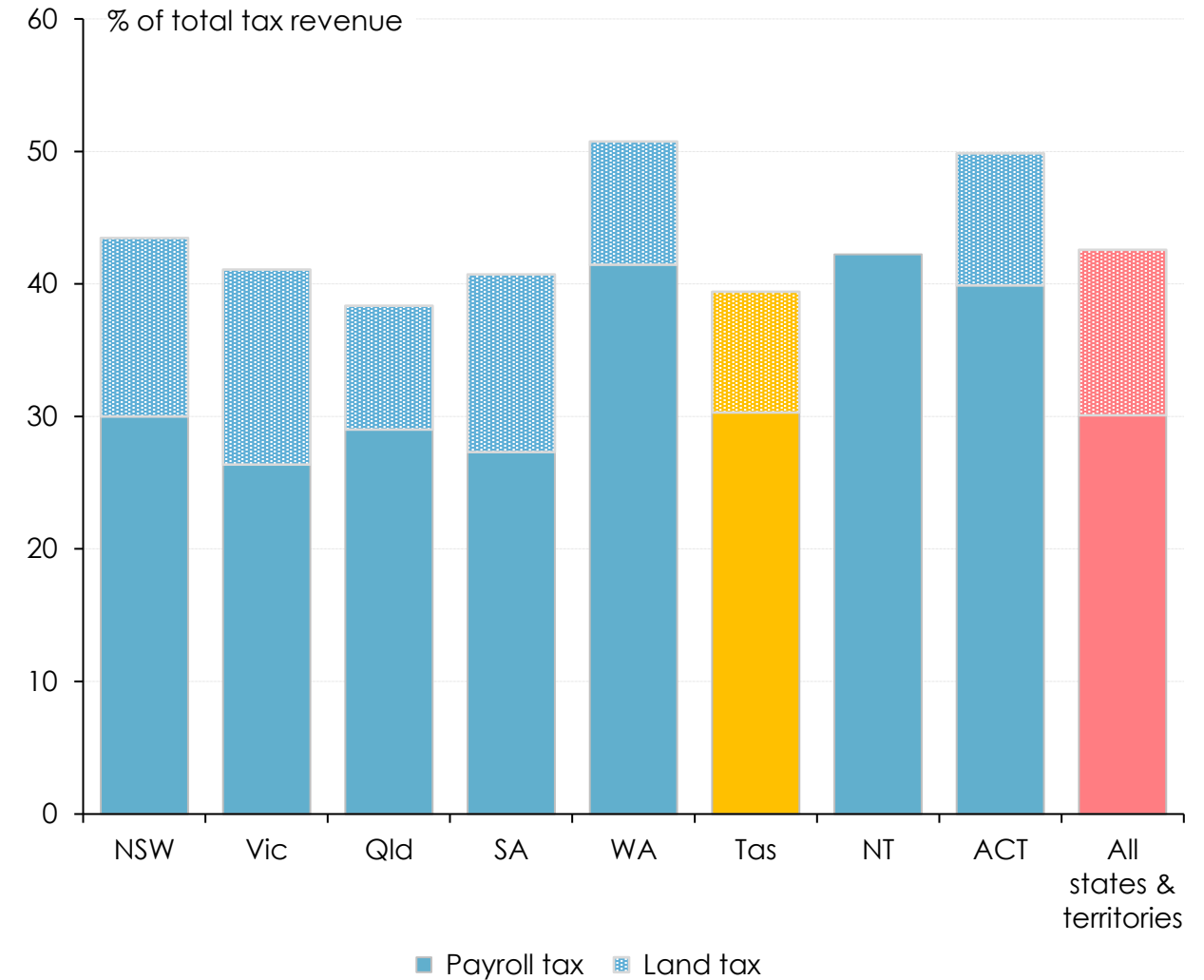
Note: 'CFR' means including freight costs. Sources: Government of Western Australia, 2020-21 [Budget Paper No. 3: Economic and Fiscal Outlook](#) (October 2020) and [Pre-election Financial Projections Statement \(PFPS\)](#) (February 2021).

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.

Contrasting attitudes to the need for state tax reform

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

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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