CITY OF HOBART

AGENDA

Economic Development & Communications Committee Meeting

Open Portion

Thursday, 29 July 2021

at 4:30 pm
Council Chamber, Town Hall

THE MISSION

Working together to make Hobart a better place for the community.

THE VALUES

The Council is:

People	We care about people – our community, our customers and colleagues.
Teamwork	We collaborate both within the organisation and with external stakeholders drawing on skills and expertise for the benefit of our community.
Focus and Direction	We have clear goals and plans to achieve sustainable social, environmental and economic outcomes for the Hobart community.
Creativity and Innovation	We embrace new approaches and continuously improve to achieve better outcomes for our community.
Accountability	We are transparent, work to high ethical and professional standards and are accountable for delivering outcomes for our community.

ORDER OF BUSINESS

Business listed on the agenda is to be conducted in the order in which it is set out, unless the committee by simple majority determines otherwise.

APOLOGIES AND LEAVE OF ABSENCE

Economic Development & Communications Committee Meeting (Open Portion) held Thursday, 29 July 2021 at 4:30 pm in the Council Chamber, Town Hall.

This meeting of the Economic Development and Communications Committee is held in accordance with a Notice issued by the Premier on 3 April 2020 under section 18 of the *COVID-19 Disease Emergency (Miscellaneous Provisions) Act 2020.*

The title Chief Executive Officer is a term of reference for the General Manager as appointed by Council pursuant s.61 of the *Local Government Act 1993* (Tas).

COMMITTEE MEMBERS
Thomas (Chairman)
Zucco
Sexton
Dutta
Ewin

Apologies:

Leave of Absence: Nil.

NON-MEMBERS
Lord Mayor Reynolds
Deputy Lord Mayor Burnet
Briscoe
Harvey
Behrakis
Sherlock
Coats

1. CO-OPTION OF A COMMITTEE MEMBER IN THE EVENT OF A VACANCY

2. CONFIRMATION OF MINUTES

The minutes of the Open Portion of the Economic Development & Communications Committee meeting held on Thursday, 24 June 2021, are submitted for confirming as an accurate record.

3. CONSIDERATION OF SUPPLEMENTARY ITEMS

Ref: Part 2, Regulation 8(6) of the *Local Government (Meeting Procedures) Regulations 2015*.

Recommendation

That the Committee resolve to deal with any supplementary items not appearing on the agenda, as reported by the Chief Executive Officer.

4. INDICATIONS OF PECUNIARY AND CONFLICTS OF INTEREST

Ref: Part 2, Regulation 8(7) of the *Local Government (Meeting Procedures) Regulations 2015*.

Members of the Committee are requested to indicate where they may have any pecuniary or conflict of interest in respect to any matter appearing on the agenda, or any supplementary item to the agenda, which the Committee has resolved to deal with.

5. TRANSFER OF AGENDA ITEMS

Regulation 15 of the *Local Government (Meeting Procedures) Regulations 2015*.

A Committee may close a part of a meeting to the public where a matter to be discussed falls within 15(2) of the above regulations.

In the event that the Committee transfer an item to the closed portion, the reasons for doing so should be stated.

Are there any items which should be transferred from this agenda to the closed portion of the agenda, or from the closed to the open portion of the agenda?

6. REPORTS

6.1 Economic Development Issues Paper Presentation
File Ref: F21/71677

Memorandum of the Senior Advisor Research and Policy and the Director Community Life of 22 July 2021 and attachment.

Delegation: Committee

City of HOBART

MEMORANDUM: ECONOMIC DEVELOPMENT & COMMUNICATIONS COMMITTEE

Economic Development Issues Paper Presentation

A team of UTAS interns will present highlights of the findings from their *Economic Development Investigative Report.*

Background

Creating a new economic development strategy is a key project of the City's COVID-19 Economic Response and Recovery Action Plan. The City's most recent economic development strategy ran up until 2018, and, since then, economic development work has been guided by a set of principles derived from the community vision:

1. Our businesses and industries reflect and support our Hobart identities.
2. We believe in meaningful work.
3. We support diverse journeys through working life.
4. We build on our connections.
5. Hobart is our workshop, supporting entrepreneurs and small businesses.
6. Our economies are diversified.
7. We balance local needs with those of visitors and investors.

A surge in interest in Hobart as a place to live, work, visit, and run a business had already provided an opportunity to re-imagine the City's economic development work. The COVID-19 pandemic has further highlighted opportunities and challenges facing Hobart.

As a first step towards reinvigorating economic development work to match this new context, the City has commenced a research phase. The aim of this phase is to understand the trends, issues and other factors that will influence Hobart's economy in the next 5-10 years, and thus the City's economic development work. The research takes an interdisciplinary view of economic development, i.e. that varied factors influence and are influenced by economic outcomes.

University of Tasmania work placement

The City arranged for a group of three University of Tasmania students to undertake the first research project. They contributed 400 hours towards the project. The team was comprised of two final-year economics students from the Tasmanian School of Business and Economics (TSBE) and one Master of Planning student from the School of Geography, Planning and Spatial Sciences. They had particular

backgrounds in energy and environmental economics, local business, and development control and urban walkability. The purpose of this approach was to give the research an economics focus, but with additional lenses of social and environmental issues.

The project deliverable was an issues paper (provided at **Attachment A**) covering critical topics for the City to consider in creating an economic development strategy. The report includes the following:

- analysis of general global, national and local economic trends
- in-depth analysis of population demographics, housing affordability, transport and sustainable economic development, local business, tourism and climate change, energy and environmental health
- identification of topics for further research or consideration.

In-depth topics were selected based on scale of potential impact and student expertise. The report includes a set of recommendations to consider or further investigate in developing the new strategy. Some pertain directly to local government's remit, whereas others are for broader consideration in terms of the City's role.

Fleur Mealor, Will Dobson and Kim Nguyen will present an overview of their findings and recommendations.

RECOMMENDATION

That the report be used as an input by officers in the creation of a new economic development strategy.

As signatory to this report, I certify that, pursuant to Section 55(1) of the Local Government Act 1993, I hold no interest, as referred to in Section 49 of the Local Government Act 1993, in matters contained in this report.

Marisa McArthur
SENIOR ADVISOR RESEARCH AND POLICY

Tim Short
DIRECTOR COMMUNITY LIFE

Date: 22 July 2021
File Reference: F21/71677

Attachment A: UTAS intern project: Economic Development Investigative Report ⇩

City of HOBART

City of Hobart Economic Development Investigative Report

By Will Dobson*, Fleur Mealor* and Kim Nguyen^

* University of Tasmania, Tasmanian School of Business and Economics, undergraduate student

^ University of Tasmania, School of Geography, Planning and Spatial Science, Master's student

Executive summary

The purpose of this report is to present evidence-based research on economic development in Hobart and provide a broad set of recommendations to support the City of Hobart's upcoming economic development strategy. The City of Hobart is the governing body of the Hobart Local Government Area (LGA) and is responsible for providing the key services to enable a flourishing and prosperous city economy. The City's previous economic development strategy expired in 2018 and, after weathering the impacts of COVID-19 lockdowns in 2020, there is a desire to create an updated economic development strategy.

The research and information gathered to inform the report comprised of literature reviews, economic and other data, and interviews conducted with internal and external stakeholders. Economic development encompasses a broad field of research and strategy that can influence all facets of a community. In particular, our research identified population demographics, housing affordability, transport, local businesses, tourism and climate change, energy and environmental health to be key themes influencing the Hobart economy.

Research undertaken into these areas explored global trends, formal theories, government policy, contrasting beliefs and case studies and associated challenges and opportunities for Hobart. Our findings reinforce the understanding that Hobart's economy is complex, themes are strongly interrelated and the growth of the city and its industries is influenced by varying factors. We also identified various threats to the Hobart economy which may restrict the city's long-term economic growth. These included the city's ageing population, current housing supply and affordability, insufficient transport infrastructure, complex and evolving business markets, lack of tourism strategy and extensive economic damage associated with climate change and rising global temperatures.

An extensive set of recommendations are provided. Key recommendations include considering strategies to encourage migration, investigating affordable housing strategies, providing opportunities for increased public transport, improving business support and communication, increasing tourism regulation and implementing innovative urban design practices to increase environmental resilience.

Our research suggests Hobart exhibits a strong economy and is well-positioned to create economic growth over various industries in the next decade. The city has several competitive advantages that position it as a unique and attractive place to live, work and study. Hobart is in a promising situation to leverage its opportunities to create a strong, resilient and diverse economy that can support the welfare of residents and communities.

Overall, Hobart's upcoming economic development strategy will be a key resource that shapes the city's future. As such, an extensive and collaborative effort should be made to ensure it reflects the values of its residents, businesses and stakeholders.

Summary of recommendations

This report provides recommendations based on findings from a range of academic, government, peak body, and other sources. The report covers six topics in-depth, and recommendations to do with those topics are provided below. Additional topics for future research are also discussed in the report, and further investigation is recommended (see Recommendation 1.1).

Some recommendations pertain specifically to the local government role (for example, Recommendation 4.2). Others raise issues outside of local government's direct control, but where identifying a role or capacity to influence would be valuable to encouraging positive economic outcomes for Hobart (for example, Recommendation 3.4).

Section 1: Global, national and local trends

1.1 Address the limitations of this report through further research, for example, involving case studies and stakeholder engagement.

In particular, consider investigating the additional topics raised in Section 8.2: educational attainment levels, technology, academic research, international students, shift in power from government to private sector, rise of misinformation/lack of consumer information, level of government spending, public and active transport, and hotel development.

Section 2: Demographic change

2.1 Identify policies that enhance Hobart's attractiveness and capacity as an education and work destination.
2.2 Look into a domestic and international work exchange programs, encouraging professionals to work in Hobart for a specified period.
2.3 Investigate opportunities to increase efficiency and supply of Hobart's health facilities and aged care services.
2.4 Advocate to the Tasmanian Government to explore a range of policy strategies that reduce the incentive of an early retirement. For example, investigating 'phased in retirement' schemes that encourage older people to remain in the workforce longer instead of retiring early.

Section 3: Housing affordability

3.1 Promote housing infill options to establish more housing supply within the City.
3.2 Promote training and employment opportunities for construction trade workers and labourers.
3.3 Look further into short-stay accommodation and its effect on the housing market. It may be of interest to advocate for expansion of the *Short Stay Accommodation Act 2019* to include more stringent limitations or requirements on short-stay accommodation (SSA) hosts.
3.4 Increase social housing options to support current housing demand. This can include emergency housing services, as well as medium to long-term housing support services.
3.5 Generate a new legislative framework that mandates universal design standards in social housing, co-designed by social housing providers and tenants.

Section 4: Transport and sustainable economic development

4.1 Consider impacts of major investments in road infrastructure (motor vehicle ways) in the city.
4.2 Consider impacts of changes to parking space provision in the city centre.
4.3 Explore and provide opportunities to encourage the shift from private vehicle use to other active and sustainable transport modes.
4.4 Consider streets as a type of transport infrastructure and consider investing in pedestrian environment (e.g. footpaths, seating, awnings, public art and active frontages) within the City's transport investment strategies and budgets.
4.5 Conduct in-depth research on the particular characteristics of the city and explore the potential for efficient investment on sustainable transport modes and infrastructure.
4.6 Liaise with public community and local businesses to promote a shift towards sustainable transport modes and sustainable economic development.

Section 5: Local businesses

5.1 Create walkable business districts that are attractive to pedestrians.
5.2 Work with the Tasmanian Government to support business development.
5.3 Continue to foster entrepreneurship within Hobart and investigate factors that support entrepreneurship.
5.4 Encourage the environmental sustainability of small businesses, including investigating business owner education as a means of increasing uptake of environmentally-friendly business activities.
5.5 Offer or direct businesses to materials supporting and teaching general business skills (cash flow, obtaining capital, budgeting, information technology and managing overheads).
5.6 Consult Hobart-based small businesses to identify specific issues and the potential opportunities to create an enabling regulatory environment.
5.7 Provide small business support networks and mentoring programs to help them overcome common difficulties, especially in the early stages of development.
5.8 Provide incentives to increase employment, especially of apprentices, graduates and trainees, to help local businesses resolve staffing challenges.
5.9 Make local government tender processes straightforward and accessible.

Section 6: Tourism

6.1 Encourage off-peak season tourism via a variety of experiences, events and festivals.
6.2 Encourage the transition from casual employment structures to permanent part-time and full-time contracts.
6.3 Ensure adequate tourism infrastructure as outlined by Haneef (2017) and Grzinic & Saftic (2012, p. 44):
    1. Ensure accessibility to and within the destination.
    2. Improve communal infrastructure.
    3. Develop new accommodation capacities.
    4. Advance the service quality of the provided services.
    5. Develop the necessary infrastructure.
    6. Upgrade existing accommodation capacities.
    7. Focus on destination safety and cleanliness.
6.4 Encourage the consumption of a certain percentage of locally-sourced goods and services within the tourism sector.
6.5 Promote and advocate for sustainable, Hobart-based tourism business models to ensure the industry remains viable and prosperous in the long-term.

Section 7: Climate change, energy and environmental health

7.1 Continue to update Hobart's climate change adaption strategy in line with recent climate data, economic modelling and advancements in technology.

7.2 Investigate opportunities to incorporate 'working with nature' urban design methods into the city's built environment to increase environmental resilience.

7.3 Undertake energy efficiency renovations on City properties and provide strategic workshops to local businesses to share cost reduction strategies while supporting positive economic and environmental outcomes.

7.4 Support the uptake of a Tasmanian renewable hydrogen industry and market Hobart's capacity as a key consultancy and services hub.

Section 8: General recommendations

8.1 Advocate for a behavioural economics section to be established within the Tasmanian Government, similar to the Behavioural Economics Team of the Australian Government (BETA). Such a function would assist the Tasmanian Government in designing more effective public policies based on defined, rather than assumed, behaviour (Institute of Public Administration Australia, 2021).

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1. Background

The City's previous economic development strategy expired in 2018. Due to operational limitations and ongoing discussions about economic development priorities, superseding the existing approach was suspended in favour of adopting a set of economic development principles:

- Our businesses and industries reflect and support our Hobart identities.
- We believe in meaningful work.
- We support diverse journeys through working life.
- We build on our connections.
- Hobart is our workshop, supporting entrepreneurs and small businesses.
- Our economies are diversified.
- We balance local needs with those of visitors and investors.

The principles were derived from the community vision and have guided internal economic development work since they were adopted in July 2018.

Economic development work has had a more internal focus in recent years. This work intends to specifically analyse evidence and experiences from the community, with a view to creating a new strategy that is more public-facing.

Updating the economic development strategy has resurfaced as a priority given recent changes and trends. Modernising the economic development strategy is identified as a key action in the City of Hobart's *COVID-19 Economic Response and Recovery Framework and Action Plan 2020-22* and is a priority for 2021-22.

The COVID-19 recovery plan generated economic response goals, including:

- Support participation in the economy and job market.
- Regain economic and social vibrancy in Hobart.
- Identify the changes in economic conditions and help people and businesses adjust.
- Respond to the impacts of global economic conditions on Hobart's economy.
- Position Hobart's economy for the future, responding to emerging trends and boosting competitiveness.
- Advocate for Hobart-specific needs as Tasmania's capital city.
- Ensure the financial stability and viability of the capital city local government.

The nature of economic development at the local government level is to build community resilience by strengthening and developing the economic foundations supporting community welfare and the capacity to sustain itself long term. Community welfare and capacity are produced via sustained employment and balanced communities, through a variety of services and facilities that assist families, attract population growth and provide sufficient lifelong opportunities. The City of Hobart, by nature of its local representativeness, is best situated to understand the current capacity, opportunities, and threats facing their long-term economic sustainability and growth.

1.1 Current economic overview

1.1.1 Global trends

Priestley, Carlson and Cureg (2018), Economics Online (2020), Cebr (2021) and the OECD (2021) highlighted the trends that are anticipated to disrupt the global economy over the next decade. Trends include:

1. **Baby Boomers**[1] **turning 70**: With an ageing population, the reliance on healthcare increases alongside a general increase in medical expenses and government pension and support payments.
2. **Changing generational mindsets**: While the Baby Boomer generation consciously invested in and purchased tangible assets, Millennials have instead accessed a broad spectrum of assets without ownership. Millennials rent instead of own property and utilize services like Uber and Lyft for access to motor vehicles.
3. **Technology-caused unemployment**: The assumption that advancing technology generates jobs is fallacious. With the rapid growth and advancement of technology, employment in a range of sectors may decrease with the surge of automation services.
4. **Austerity**: Globally, governments have acknowledged their expenditure levels are decreasing due to economic policy. Pending an increase in government revenue through responsible and effective taxation, societies are incapable of resolving prominent concerns that would historically rely on government activity. Issues include providing accessible and affordable transportation, education, and healthcare.
5. **Entrepreneurs solving meaningful problems**: Governments restricted by policies and politics, who are, in some cases, incapacitated to fund and invest in research and innovation, can facilitate today's entrepreneurs to resolve issues with more agility and effectiveness than before.
6. **Poverty and inequality**: The poverty gap separating the developed and the less developed world is widening, in conjunction with the widening distribution of income within countries and regions, is a fundamental global issue.
7. **Unequal economic development**: Development concentrates on creating freedom for people and removing obstacles to greater independence. Barriers include poverty, scarcity of economic opportunities, corruption, poor governance, lack of education and lack of health.
8. **Exhaustion of non-renewable resources, climate change, environmental degradation, biodiversity loss:** The consumption of non-renewable resources impacts the global natural environment. With unregulated market intervention, the costs associated with stock pollutant damage are not internalised, creating a negative externality[2].
9. **Medium and long-term effects of COVID-19:** The global pandemic widened gaps in economic performance between countries and industries, with long term risk to employment prospects and living standards.
10. **Chinese economy to become the largest in the world:** The effective management of the pandemic and the economic damages facing western economies, led China's relative

[1] Baby Boomers: describes the population born between the post war boom of 1945 and 1965 (Pinnegar et. al, 2012).

[2] Negative externality: an unintended cost produced from the production or consumption of a good or service (Kenton *et al.*, 2020)

economic performance to improve. Reporting suggests that China will overtake the US economy in 2028 (BBC, 2020).

1.1.2 Australian trends

In addition to the global trends, (Thirlwell, 2020) describes the economic trends Australia faces specific to the national economic environment. Trends include:

- **Population growth:** Australia's population growth rates are slowing, partly due to declining domestic fertility rates. Australia is becoming increasingly reliant on net overseas migration as a source of economic growth.
- **Urbanisation and changing land zoning:** There is an increased shift of populations into urban areas and cities are becoming the dominant economic hubs, creating a range of associated issues with land use and zoning.
- **Technological advancement:** Innovations in cloud computing, artificial intelligence, machine learning, digitisation and other areas are reshaping business models, labour market performances, market structures and competition.
- **Globalisation and increased international travel:** Until the Global Financial Crisis (GFC) of 2008, economies were becoming increasingly globalised. However, this trend has stagnated due to falling cross-border trade, declining capital flows, the emergence of trade wars and increased protectionism policies.
- **Climate change, evident by the increasing regularity and growing losses from natural disasters:** The compounding effects of anthropogenic emissions are causing global temperatures to increase, resulting in a range of detrimental consequences for Australia and its economy.
- **Rising domestic political instability and unrest:** An increasing rise in domestic political instability and unrest is occurring alongside declining trust in government and democracy. The increase in political populism has contributed to a shift around potential government policy decisions. The emergence of misinformation has also contributed to this political instability and threatens to stifle Australia's current economic activity.

Australian labour productivity declined in 2018-19, sustaining a period of weak productivity since 2012-13. The COVID-19 pandemic further decreased Australia's labour productivity as stringent social distancing and lockdown measures resulted in reduced business activity and temporary closures. Although the impacts of COVID-19 on Australia's economy were not as severe as anticipated, lockdown measures negatively impacted labour productivity growth as many workers were unable or unwilling to work (ABS, 2020). This weak labour productivity growth correlates with the decline in the pace of advanced economy productivity growth that began around 2005 (Thirlwell, 2020).

1.1.3 Local trends

Hobart has become a popular place to live and visit in recent years and has seen a surge in individuals and families moving for the unique lifestyle on offer (Branley, 2020). This migration has led to pressure on housing and infrastructure as the city struggles to keep up with increasing demand. Hobart's affordable housing and alluring investment opportunities have increased its attractiveness as a lifestyle destination, inviting more buyers into the housing market (Humphries, 2021). This high market demand has contributed to the inflation of Hobart's housing prices and the displacement of local residents who struggle to keep up with increasing rental rates (Branley, 2020). Housing Tasmania has a growing public housing waitlist of over 3,300 families, where, on average,

high-priority families are waiting over a year to be housed (Ainsworth & Baker, 2020). Low wage growth coupled with a rapidly growing housing market has meant it is increasingly difficult to buy or rent a house, even for Tasmanians with a stable income (Beavis, 2021).

Hobart has also experienced an influx of families and older workers looking for a change of pace, while many younger professionals have left the state to explore other opportunities on the mainland. This migration has likely contributed to Hobart's status as having the highest median age of any Australian capital city (38 years). This migration is likely stifling Hobart's productivity, as it is unable to retain the city's best young talent, which leads to a reduction in economic efficiency. However, this outward migration also creates opportunities for inward migration and may encourage new residents into the city. Hobart's ageing population highlights the need for increased health services and aged care industries to accommodate increased demand pressures.

The city's largest employers are healthcare and social assistance, education and training, public administration and safety, accommodation, food services and professional, and scientific and technical services (ABS, 2016). Hobart's economy is predominately services-based, with the tourism industry becoming an increasingly important employer for the city. Tourism has grown Hobart's economy, but an overreliance can make the city vulnerable, for example, when the COVID-19 pandemic lockdowns disrupted sectors of the tourism economy.

The number of people studying in Hobart has increased significantly in recent years, with more people completing higher education and vocational education and training programs as the city transitions to a knowledge-based economy. The growth in Hobarts's education sector has developed its reputation as a study destination and increased the uptake of international students choosing to study here (Blackwood, 2019).

See Figure 1 on the following page for an overview of the Hobart economy.

1.2 Purpose

The purpose of this report is to present evidence-based research and recommendations for consideration when the City of Hobart creates its new economic development strategy. This project will identify strategies and areas for economic development to advance the city as a resilient, supportive and flourishing community.

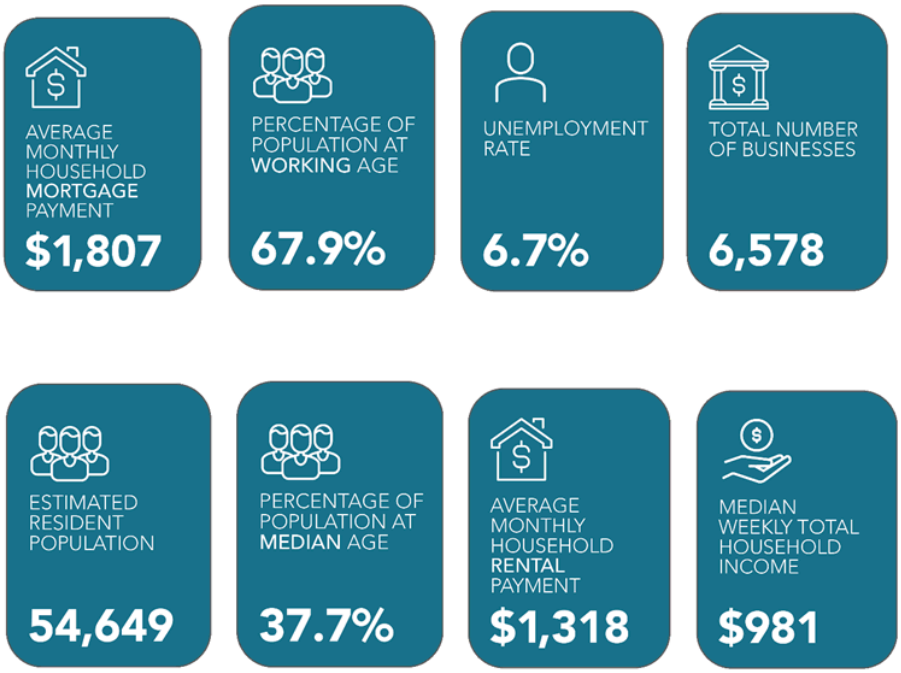
The structure of the report reflects the interrelatedness of the issues affecting the Hobart economy. To align with the City of Hobart community vision and its associated pillars, all recommendations reflect on the content and intent of the pillars.

1.3 Scope

This report will centre on a literature review about issues affecting economic development in the Hobart local government area (Hobart LGA). It will analyse research from a range of sources (see Sections 1.6 and 1.7) and provide insights into issues to consider in economic development work.

The project will not create the economic development strategy itself, nor will it provide recommendations for immediate-term pandemic recovery.

Figure 1: Overview of the Hobart economy



1.4 Aims

The project intends to achieve the following:

1. Provide an evidence base for economic development, considering different aspects of Hobart's economy when producing future strategies at the City of Hobart. This report will inform the Economic Development, Engagement and Strategy Unit and other City divisions and staff. The findings and recommendations will be used to identify, design, and progress future economic development strategy and projects.
2. Test the need for a new economic development strategy at City of Hobart.
3. Provide an information resource for elected members, stakeholders, and community members about issues influencing Hobart's economic development.

1.5 Objectives

The objectives of the project are to:

1. Produce a set of targeted findings and recommendations designed to improve the economic outcomes of the city in ways consistent with the Hobart community's vision and values.
2. Research and review a range of literature sources to identify appropriate policy recommendations and considerations.
3. Collate a strong evidence-base for informing the economic development strategy.
4. Identify and understand the key trends and influences on economic development in Hobart, outlining how the city can be best positioned to address them while facilitating sustainable economic growth.
5. Identify ways Hobart can position itself to become economically competitive and industrially diverse moving into the future.
6. Identify how economic development intersects with social and environmental issues, including key factors to consider.

1.6 Research methodology and methods

This section describes the research methods that were used to inform the reports economic analysis, discussions and findings.

Initially a review of the following City of Hobart strategies was undertaken to provide a foundational understanding of Hobart's current economic development strategy and associated values:

- *COVID-19 Economic Response and Recovery Framework and Action Plan 2020-22*
- *Capital City Strategic Plan 2019-29*
- *Hobart: A community vision for our island capital.*

The research and information gathered to inform the report comprised of the following sources.

1. Literature review

a. analysis of previous City of Hobart economic development strategies, including trends, themes and recommendations
b. academic literature associated with economic development, policy, obstacles, resolutions and diversification approaches
c. professional journal articles and corporate reports analysing various aspects of economic development

d. various news articles, surveys, websites, planning documents and books relevant to economic development and/or Hobart's economy
e. case studies, strategies and plans from a sample of cities and countries across the globe
f. other City of Hobart plans and strategies that respond to and reflect Hobart's economic future.

The literature review provided the foundational evidence for the study and selection of the reports key themes. Research strategies were comprised of 1) evaluating theoretical approaches to economic development and 2) analysing examples of economic development strategies and their outcomes across different regions. The extensive literature review enabled the report to be approached from a local government perspective of economic development and its application in Hobart.

2. Statistics, data and economic indicators

a. ABS data set of Hobart (C) LGA which compares data across a range of indicators from the years 2014, 2015, 2016, 2017, 2018, 2019.

The report utilised statistics provided by the Australian Bureau of Statistics (ABS) to analyse a range of economic, social and environmental factors concerning economic development in Hobart.

3. Interviews

a. conversations with key people engaged or experienced in economic development strategy or similar areas, including City of Hobart staff, elected members, government employees and economics researchers from the University of Tasmania
b. a workshop discussion with local business representatives at the Hobart Economic Recovery Business Consultative Group meeting on 5 May 2021.

These interviews were undertaken to provide insights into the report's various themes and potential topics to consider.

The intern group undertook 8 interviews with participants who had a range of backgrounds and experiences in economic development. The interviews were semi-structured and consisted of asking all interviewees a set of questions relating to economic development and their views on what entails a successful economic development strategy for Hobart. The interviews varied in length from 40 to 60 minutes.

Interviews and workshop discussions provided insights into, for example, economic trends impacting Hobart, issues affecting local businesses, and potential opportunities for Hobart to capitalise on.

1.7 Limitations

The report was written within one university semester, and the internship placement also included introduction to research methods and the City of Hobart organisation. The time constraints meant the report was limited to selected key issues, despite other issues linked to economic development and growth – note that rationale for each topic included is provided at the introduction of each theme. To generate an issues paper of greater depth, encompassing all impacting factors of economic development, additional research should be undertaken.

Another limiting factor centred on the authors' expertise. The authors were students at the University of Tasmania, with no prior experience generating government reports. Time was needed

to develop appropriate knowledge of new concepts and themes to produce the analysis provided within the report.

The authors' backgrounds comprised of two disciplines (planning and economics). Additional disciplines would have added further insights but were outside the scope of the project team. Time was spent discussing and explaining both disciplines within the project team to create a cohesive amalgamation of disciplinary insights and personal interests.

Time limitations meant it was not possible to speak to the diversity of people who could have contributed valuable insights to the report. Communication with stakeholders was limited to eight interviews, with majority of communication occurring within the organisation. A meeting with the COVID-19 Economic Recovery Business Consultative Group provided insights into issues affecting local businesses, however detailed conversations were restricted due to time constraints.

Numerous other stakeholders could have contributed insights, and a recommendation would be to engage with stakeholder groups not included within this report.

1.8 Recommendations

	Recommendation	Alignment with Community Vision
1.1	Address the limitations of this report through further research, for example, involving case studies and stakeholder engagement. In particular, consider investigating the additional topics raised in Section 8.2: educational attainment levels, technology, academic research, international students, shift in power from government to private sector, rise of misinformation/lack of consumer information, level of government spending, public and active transport, and hotel development.	**Pillar 1.4.1** We recognise the interconnectedness of the parts of city life, which includes all aspects of identity and each of the pillars.

2. Demographic change

Our research identified changing demographics to be a large influence in the Hobart economy and an important factor to drive sustainable economic development. The reason to analyse demographics and distributions over other economic factors was due to a large body of research demonstrating their considerable influence in driving economic development. Notably, Harvard economist David Bloom states that a population's age demographic and structure can have significant effects on its economic performance, as economic needs and behaviour vary at different stages of life (Bloom et al, 2003). This research suggests that populations with higher proportions of elderly citizens typically require more resources and are less productive than populations with less elderly (Bloom et al, 2003). The economic implications associated with demographics were viewed as particularly relevant to the Hobart economy and an important consideration in economic development.

The global population is ageing, not just Tasmanian communities. People are living longer and healthier lives, representing one of the greatest achievements of the last century. Australia's healthy life expectancy (years of 'full health' without disease or injury) is 73 years, roughly 10 years higher than the global average (MLC, 2020). By 2030, projections indicate that 1 in every 8 people will be aged 65 and over (National Institute of Aging, 2007). Despite scientific evidence, the implications of an ageing population are yet to be fully understood. Ageing populations increase government spending, pension payment quantity and public health expenditure. Direct challenges for the public health system include changing health profiles[3], increased demand for health services, and rising health costs (Australian Institute of Health and Welfare, 2014). In many respects, Australia is particularly well placed to plan for and manage the economic and fiscal impacts of ageing. For example, the pension and superannuation arrangements in Australia ensure that households, and governments, are generally better arranged to finance retirement compared to many other countries (Demographic Change Advisory Council, 2007).

Population ageing is not unique to Tasmania with most developed countries having high and increasing proportions of their population aged 65 and over (Demographic Change Advisory Council, 2007). Australia's population is ageing because of sustained low fertility rates and increased life expectancy. Consequently, these factors have resulted in proportionally fewer children (under 15 years of age) in the population coupled with a greater proportion of people aged 65+ (Australian Bureau of Statistics, 2019). Tasmania's population is expected to age at a greater rate compared to the rest of Australia (Demographic Change Advisory Council, 2007). Juxtaposed against other Australian states, Tasmania has the highest proportion of residents aged 45 and over (ABS, 2020). 47 per cent of the Tasmanian population is 45 or over, which is 7 per cent higher than the national average (ABS, 2020). This figure is influenced by the trend of adults in older age brackets relocating to the state in combination with interstate migration of younger generations from Tasmania to the Australian mainland (Australian Bureau of Statistics, 2019).

Hobart has the highest median age demographic of any Australian capital city (38 years), presenting challenges for the future as it experiences a declining labour force and increasing pressures on health and aged care services (ABS, 2020). An ageing population will suggest fewer people contributing goods and services to the Hobart economy, slower economic growth, a decrease in pareto-efficiency[4] and higher taxes for the remaining workforce (CEDA, 2021). There will be substantial impacts correlated with Hobart's shifting age demographics, requiring informed policymaking to ensure financial and economic resources are allocated efficiently while addressing a

[3] Health profiles: The various age groups of a population and their likelihood of developing chronic health issues.
[4] Pareto efficiency: occurs when it is impossible to make one party better off without making another party worse off.

stagnating economy. Hobart will need to reallocate resources from younger generations to older people and consider policy changes to encourage individuals to work in Hobart's healthcare industries, filling the increasing number of job vacancies (Guarino, 2018)

The ageing of Tasmania's population is both numerical and structural in terms of the actual number of older people and the proportion of the population they represent.

- Numerical ageing of the population is the increase in the number of older people and is typically driven by increases in life expectancy and migration patterns of older people.
- Structural ageing of the population is the increase in the proportion of the population that is older. Structural ageing is primarily influenced by declining birth rates, decreasing the proportion of the 'younger' population and thereby increasing the proportion of the 'older' population. Structural ageing is also affected by migration patterns of all age groups. In Tasmania, net migration loss in younger age groups has a significant impact on structural ageing (Eyles et al., 2013).

Economic implications arising from an ageing population include:

- a decreasing labour force participation rate
- a reduction in income tax revenue
- a decrease in the size of the working-age population
- increasing pressure on medical and healthcare services which may lead to future shortages of appropriately skilled workers within these industries (Australian Institute of Health and Welfare, 2014).

Overall, Hobart's ageing population provides considerable challenges for the local economy. Failure to address this trend with accurate strategic planning and policy may lead to considerable pressures on Hobart's labour force, tax revenue, local government spending and health care services. The consequences of an ageing population can be severe, where many of the burdens will be shifted upon future generations and their ability to increase labour productivity.

Figure 2: Effects of an increased proportion of retired workers

2.1 Population macroeconomic theory

The Solow Growth Model (SGM) is a neoclassical economic model that analyses changes in output levels in an economy over time, attributable to changes in a population's birth rate, savings rate, human capital and technological advancement (Corporate Finance Institute, 2021). This model was developed by the economist Robert Solow and the assumptions made under the SGM make it useful for comparing growth rates across countries or states (Pettinger, 2019). The SGM improves on other growth models such as the Harrold-Domar model and provides the basis for modern economic growth theory, introducing the concept of a steady-state equilibrium (Corporate Finance Institute, 2021). The steady-state equilibrium describes a hypothetical scenario where production growth matches population growth and all resources are allocated efficiently. The standard SGM predicts

that, in the long run, economies converge to their steady-state equilibrium and that permanent growth is only achievable through technological progress (Romer, 2006).

This model predicts that as a population's birth rate increases it has a positive correlation to the country's growth rate, resulting in a higher steady-state equilibrium. The model also predicts that a decrease in a population's birth rate with fixed capital, technology and investment levels will lead to a decline in a country's growth rate and a lower steady-state equilibrium (Romer, 2006).

The model implies that if Hobarts's birth rate declines while all other factors remain fixed, the city will experience a reduction in its growth rate and a smaller economy in the long run (Corporate Finance Institute, 2021).

2.2 A decreasing labour force participation rate

Baby Boomers are more engaged in the workforce for their age compared to previous generations. However, the next decade will yield significant changes as the youngest Baby Boomers reach 65 and exit the workforce (Chi, 2020). As older citizens enter retirement, the supply of the labour force decreases (Demographic Change Advisory Council, 2007). A decreasing labour force will have substantial implications for the Tasmanian economy, with fewer workers leading to decreased investment, wage growth and employment (Romer, 2006). If unmanaged, the decreasing labour force participation rate will eventually lead to a decline in Hobart's financial capital, long-term investment and economic growth (Romer, 2006; Bernake, Olekalns & Frank, 2014).

2.3 A decrease in the size of the working age population

A decrease in the size of the working-age population (the number of 15 to 64-year-olds) could lead to gaps in the job market (Royal Geographical Society (with IBG), 2015). A declining working-age population simply implies that there will be more employment opportunities compared to employees available to fill positions. Tasmania has the lowest working-age population compared to other Australian states (ABS, 2016). As an increasing number of Baby Boomers exit the labour force, they leave a significant knowledge, labour and leadership gap for following generations.

A decreasing working age population impacts a variety of economic issues including:

- a decline in economic outputs generated from decreased employment
- a decline in economic outputs negatively affecting Hobart/Tasmania's net export rate
- a declining consumption level[5] as Tasmanian goods and services will be priced out of the market by competitors
- increased uptake of substitute goods[6] may result in a decline in local economic activity and may impact the level of monetary circulation (Romer, 2006; Bernake, Olekalns & Frank, 2014).

These factors would demonstrate to prospective investors that Hobart's economy is stagnating, reducing the incentive for investment within Hobart and Tasmania. The combination of these factors could produce a significant reduction in economic activity, contracting the Hobart economy.

[5] Consumption Level: the aggregate amount of goods and services consumed by a population.
[6] Substitute goods: Goods that are similar products that can derive similar utility. For example, tea is a substitute for coffee.

Decreasing working-age population rates is not only influenced by the growing aged population. Youth migration patterns also play an important role, influencing the overall size of the working-age population.

2.4 Youth migration

Tasmania's ageing population is tied to migration trends. Compared to other Australian states, Tasmania generally receives more older persons whilst losing more younger persons (Tasmanian Government, 2018). Tasmania experiences a significant number of talented young individuals relocating outside of the state to pursue opportunities elsewhere. Traditionally this migration pattern has been associated with increased employment and educational opportunities available elsewhere. Despite the strong allure of education and employment, a key driver of young professionals to the mainland is associated with lifestyle. The Youth Network of Tasmania recognise that:

> 'Young people who are studying not only need part-time work to support their studies, but also need long-term, permanent employment when they graduate' (Department of State Growth, 2015).

The recent generational shift has seen an increasing number of young generations valuing lifestyle and travel over 'traditional' Australian values, e.g., homeownership (Priestley, Carlson and Cureg, 2018). Growing up and starting a career in Tasmania can result in reduced opportunities and experiences due to the relatively smaller scale and disconnected island geography of the state. This experience can generate the desire to relocate when the opportunity arises. The Australian mainland provides a range of activities Tasmania cannot offer. Often students are enticed by the prospects of warmer weather, large sporting events, shopping, nightlife and culture. The size advantages of Melbourne and Sydney indicates Tasmania is unable to compete with the number of youth activities available (Font, 2017).

Instead, Tasmania should specialise in its comparative advantages[7] and focus on specific areas that align with young people's interests. This is because Tasmania will be able to attract more talent by developing fewer key industries rather than developing a broad range of uncompetitive sectors (Font, 2017). For example, capitalising on Hobart's status as an Antarctic gateway city and research hub can attract some of the nation's brightest minds engaged in that industry. Hobart should highlight its uniqueness and market itself as a city connected to the natural world, offering opportunities not found on the mainland. Hobart should strive to build a community supporting student life and interests, for example investing in local mountain biking trails and marketing to the younger population. Investment in the arts, marketing, festivals, major events, scholarships and student residencies are key areas that can help retain young brains and attract students to Tasmania.

The recent success of MONA and its associated festivals highlighted Tasmania's capacity as an artistic and cultural hub, attracting young individuals passionate about these areas (Font, 2017). Providing unmatched opportunities in specific fields while offering a uniquely Tasmanian lifestyle will be a key aspect to retaining and attracting some of the nation's brightest minds.

Importantly, shared concerns of youth migration have decreased over recent years due to the recent growth of Hobart's economy, the increased prevalence of remote working arrangements and

[7] Competitive Advantage: refers to factors allowing a company or region to produce goods or services better or cheaper than its rivals (Twin and Anderson, 2021).

evidence of younger professionals eventually returning to the state for lifestyle purposes, with interviews strongly reinforcing this theme. The idea of younger professionals returning to Hobart to start a family was anecdotally expressed through many of the interviews contributing to this report.

2.5 A reduction in income tax revenue

A reduction in income tax revenue would further exacerbate the effects of austerity policy measures. Acknowledging that local governments, such as the City of Hobart, receive approximately 3 per cent of income tax revenue (Australian Taxation Office, n.d), a decrease in income tax would limit government funding available for public goods and services vital to the Tasmanian and Hobart economies (Australian Taxation Office, n.d). Services include funding schools and tertiary student loans, age pensions, roads and bridges, national parks and sports facilities, rescue services, medicine and emergency health care (Australian Taxation Office, n.d).

For Hobart LGA, nearly 20 per cent of residents were over the age of 65 in 2016 with this number expected to increase (COTA For Older Australians, 2017). As stated in Section 2.6, the reliance on health services and pensions will increase as the population ages, and reduce available government funding and investment into these sectors. This trend will negatively impact the quality of life experienced by older generations, as there will be fewer resources directed towards health services. Hobart's substantial health and medical service sectors could decline with a lack of governmental funding and damage Tasmania's reputation as a retirement destination (Office of the Coordinator-General, 2021).

Locally, an ageing population indicates a need for increased government-funded medical and healthcare services. Governments were the main funders for healthcare services during the 2011-12 financial year, accounting for approximately 70 per cent of total health expenditure (Australian Institute of Health and Welfare, 2014). Increases in health expenditure have typically been matched by an increase in government tax revenue (Australian Institute of Health and Welfare, 2014). A reduction in federal governmental funding may increase other tax revenues collected by state and local governments to bridge the gap associated with an ageing population. Increasing alternative tax revenue sources may further exacerbate issues such as increasing housing costs (explored further in Section 3). Increasing costs passed on to residents and local businesses will result in a decrease in public savings (Romer, 2006). The shrinking financial safety net will encourage Hobartians to alter their economic behaviour, decreasing their consumption and investment levels (Romer, 2006). A reduction in consumer and business confidence suggests residents are less inclined to participate in the local economy for items other than necessities, reducing economic growth and possibly a recession in the long term (Bernake, Olekalns & Frank, 2014).

2.6 Increasing pressure on medical and healthcare services

Demand for health services is impacted by a variety of factors, however older people generally consume higher levels of health services compared to younger people, and so demand is expected to increase as the population ages. The increased pressure on medical and healthcare services associated with an ageing population may lead to a future shortage of appropriately skilled workers within the industry (Australian Institute of Health and Welfare, 2014). In 2009, approximately 50 per cent of Australian residents aged between 65–74 had 5 or more long-term health conditions; this figure increased to 70 per cent when residents are aged 85 and over (Australian Institute of Health and Welfare, 2014)

Increasing pressure on the Hobart medical and healthcare system combined with the decrease in the working age population indicates an excess demand on health services. Excess demand, coupled

with the possibility of reduced government funding, would place the medical system under immense pressure without the infrastructure, human capital and supplies in place to support growing demand. Hobart may also face challenges due to the widespread view that Tasmania is the place to retire.

2.7 Case study: Japan

Japan is one of the world's most advanced economies but is experiencing a severely ageing population and an increasingly concerning economic outlook (Hong and Schneider, 2020). Currently, more than 20 percent of Japan's population is over 65 years old, the highest of any country in the world. Japan's post-war boom saw an increase in birth rates and economic growth as manufacturing and other industries grew substantially (*Statistics Bureau of Japan*, 2016). Since this boom, Japan has experienced a declining birth rate that has been attributed to changes in lifestyle, individuals marrying later, economic insecurity and an increasing life expectancy. As older workers retire and leave the labour force, businesses are unable to find enough young workers to fill vacant positions. This lack of labour could mean Japan's larger industries such as manufacturing and electronics are unable to maintain their current levels of production and will experience a decline in scale. The macroeconomic implications of a cumulative decline in production could see Japan's economy shrink and the welfare of its citizen's wane (Walia, 2019).

The Japanese Government has identified policies to increase the nation's fertility rate by supporting young couples to raise children. For example, the government is offering free pre-school education to incentivise birth rates. The government is also pursuing labour reforms to increase productivity of workers by encouraging greater female participation and extending the official retirement age. Japan is also predicting that the increased health of older individuals will mean they are able to exert greater productivity and remain in the labour force for longer. Improving the health of older citizens will lead to a higher savings rate, reduced medical expenses and increased foreign investment (Hong and Schneider, 2020). The government aims to remove the stigma attached to older workers and create an 'age-free society' where individuals 65 and over are not considered as senior citizens but are instead encouraged to stay healthy and engage in the workforce. Japan's rapidly ageing population poses a considerable challenge for the economy, however losses in savings and investment can be mitigated by stimulating operational efficiency and encouraging older workers to remain in the labour force for longer (Walia, 2019).

2.8 Recommendations

	Recommendation	Alignment with community vision
2.1	Identify policies that enhance Hobart's attractiveness and capacity as an education and work destination.	**Pillar 4.3.1** We all follow different paths through working life. We value diverse educational pathways. We prize our educational institutions as both preparing us for work and enriching our lives.
2.2	Look into a domestic and international work exchange programs, encouraging professionals to work in Hobart for a specified period.	**Pillar 4.3.7** We embrace those who have moved to Tasmania from elsewhere and work together for better economic outcomes. We welcome new people into our culture, quality of life and opportunities for meaningful employment.
2.3	Investigate opportunities to increase efficiency and supply of Hobart's health facilities and aged care services.	**Pillar 7.6.1** We acknowledge that it is important to plan for future generations but also that we are all going

	Recommendation	Alignment with community vision
		through change now, as we move through different stages in life. Planning, infrastructure and development take part in facilitating the changing needs of people and communities.
2.4	Advocate to the Tasmanian Government to explore a range of policy strategies that reduce the incentive of an early retirement. For example, investigating 'phased in retirement' schemes that encourage older people to remain in the workforce longer instead of retiring early.	**Pillar 4.2.3** We acknowledge that not all work is paid work. We value and recognise volunteering and giving back to our communities. We value and recognise the unpaid work that supports the life of our city, including home duties, raising children and caring for others.

3. Housing affordability

Our research identified housing affordability to have a significant influence on the Hobart economy, with this topic to be acknowledged as an important factor to investigate to achieve sustainable economic growth. This topic has been included within the report as academic literature identified that increasing housing stress exacerbates the risk that housing price fluctuations influence the overall volatility of the economy (Berry, 2006). A 2018 report conducted by the University of New South Wales states that housing outcomes (including costs, location, dwelling type and occupancy) have numerous impacts on the economy, with effects not adequately supported in current policy debates (Maclennan *et al.*, 2018). Additionally, housing unaffordability is associated with increasing living and business costs, prompting the attractiveness of an area to decrease as employment and economic growth decline (Chakrabarti and Zhang, n.d). These economic implications were viewed as particularly relevant to the Hobart economy and an important consideration in the LGA's economic development.

Housing affordability can be defined as the ability of households to buy or rent adequate housing, without harming the household's ability to meet basic living costs (OECD, 2021). Particularly middle-class households face increasing challenges to afford high housing costs, while low-income and vulnerable households have continuously encountered difficulties within the housing market and continue to do so (OECD, 2021). Household incomes for Greater Hobart in 2016 illustrate a smaller quantity of high-income households (receiving $2,500+ per week) and a larger proportion of low-income households (receiving less than $650 per week), compared to other greater capital cities (Id Community, n.d). With a higher proportion of the Hobart population falling within the low-income bracket, the number of residents struggling with the housing markets and its associated costs would be higher compared to other national cities. In stating this, there is a general consensus that access to housing is a basic human right (Parliament of Tasmania, 2020). Article 11 of the International Covenant on Economic, Social and Cultural Rights, which Australia consented to abide by, declares that 'States Parties will take appropriate steps to ensure the realization of this right' (Human Rights and Equal Opportunity Commission, 1996). This article illustrates the importance of government in attempts to provide adequate housing for a population. Understanding the economic implications and factors influencing Hobart's housing prices is vital to satisfying obligations under Article 11.

Tasmanians have historically experienced higher rates of homeownership than mainland counterparts (Minshull, 2017). Recent years have shown the number of Tasmania's owning and occupying their own homes is decreasing. This decrease is in part influenced by house pricing remaining near historically high levels, rental unaffordability and factors negatively affecting the supply of available properties (Jacobs, Flanagan and Denny, 2019). Houses in Tasmania remained near historically high levels due to the significant capital growth over recent years pertaining to the short supply, affordability, lack of attractive alternative investment destinations at the time, a tighter rental market and competitive rental returns (Peleg, 2020). The Chair of the House of Assembly Select Committee on Housing Affordability, Alison Standen stated that:

> 'There has been a perfect storm around rental and housing affordability within Tasmania as a whole and greater Hobart in particular… [and] it is threatening the very lifestyle we hold so dear in this place …' (Parliament of Tasmania, 2020).

Housing affordability has worsened substantially as Hobart housing values have surged higher (CoreLogic, 2019). The housing market has shown strong growth in Tasmania throughout 2017 and into 2018, particularly in Hobart where annual housing price growth has been around the highest in

the country (Department of Treasury and Finance, 2018). Within the last decade, property prices within Hobart increased 38.2 per cent. A more recent update revealed that Hobart property prices increased by 15.9 per cent for houses and 19.6 per cent for units within the last 12 months (SQM Research, 2021b). The data also illustrated a 9.2 per cent increase in house rental prices and a 6.1 per cent increase in unit rental prices, compared to 2020 data (SQM Research, 2021c). Within 2019 alone, the average property price in Hobart rose 8.7 per cent (Jacobs, Flanagan and Denny, 2019). Over the same time period, median rental prices have also increased strongly as demand for rental accommodation has been greater than supply (Department of Treasury and Finance, 2018). The National Housing Affordability Report released in 2019 highlighted that:

> 'Hobart stands out as the most unaffordable capital city rental market, based on the proportion of gross annual household income dedicated to paying the weekly rent' (CoreLogic, 2019).

Hobart's housing unaffordability has reached a point where it now has the power to negatively impact economic growth. Understanding and rectifying these issues would assist in any future economic growth Hobart wishes to attain. Hobart's housing market has become so unaffordable due to a variety of reasons, including;

- a lack of housing supply
- employment shortages within the construction sector
- investors pushing first home buyers out of the market
- housing prices outpacing income growth (Isles, Watts and Taylor, 2019)
- short-stay accommodation (specifically entire home listings, at least some of which would be suitable as long-term rentals).

3.1 Understanding the positive correlation between supply and price

A significant influencing factor on Hobart's housing affordability stems from a lack of supply. Conversely, this indicates that there is excess demand for housing within the Hobart economy. Traditionally, an increase in prices of a good (housing) would result in an increase of that good offered. The increase in offerings derives from the producer (homeowners/developers) wanting to maximise possible monetary gains (Lusted, 2018). The general question related to the supply curve within any economic diagram is: 'If this producer is faced with a specific price, how much of a good will it be able to and willing to sell?' (Lusted, 2018). Typically the higher the price, the more of the good the producer is willing to sell.

However, with the Hobart housing market, there is a shortage of available housing despite increasing prices. This result could stem from housing having a low level of affordability by the public such that, even with a more supply, the cost of housing would still be considered unaffordable (Lumen, n.d). If this is the case, a dangerous societal risk could arise, as housing is considered a human right.

Another impact of increasing house prices may result in generating a wealth effect which can promote households to increase spending, causing inflationary pressures and macroeconomic instability (Song, Jou and Tripe, 2014).

3.2 Lack of housing supply

Housing prices are linked to the supply and demand of properties available. As the supply of properties decreases due to a range of reasons (including high investor returns and short-stay

accommodation) the consequence results in prices increasing. There is clear evidence of Hobart's housing supply shortage which can be illustrated through the rental vacancy rate of 0.6 per cent (Humphries, 2021a). This vacancy rate of 0.6 per cent is the lowest rate when compared to other Australian capital cities (SQM Research, 2021a). For comparison, a healthy vacancy rate is 3 per cent, as this signifies an equilibrium point where the market is evenly balanced between supply and demand (Brewsters Property Grop, 2015).

Before COVID-19, migration rates illustrated an increase of 5,000 people during the 2018-19 financial year, equating to 80 per cent of Tasmanian's population growth for that year (Denny, 2020). From these additional 5,000 people, combined with the knowledge that Hobart accommodates approximately 10 per cent of the state's population, it can be assumed that 500[8] new migrants arrived in Hobart during that time (HillPDA, 2021). These new migrants are likely to be pre-retirees, young families and professional couples, particularly those working in the medical sector (Rivera, 2019).

These new arrivals would increase housing demand, creating an even greater supply shortage within the property market, further exacerbating prices. Increasing housing unaffordability negatively impacts many sectors of the Hobart economy. A lack of affordable housing may limit the level of migration into the area, as other capital cities such as Adelaide, Perth and Darwin have more affordable housing options available (Hayes, 2019). As housing becomes increasingly unaffordable, local and state residents plus potential new migrants may decide to settle outside of Tasmania, effectively using other capital cities as a cheaper substitute for Hobart. Limited migration into the area – combined with trends of outward youth migration, the labour force participation rate and working size of the population – may decrease the economic implications of these trends. These factors are in further detail in Sections 2.2 through 2.4.

It is important to note that the supply of housing does not respond immediately to changes in demand. Prinsloo (2018) explains that there are often supply delays of several years due to the approval process for new housing, obtaining finance and construction time. If there is an unanticipated jump in housing demand, with new housing supply restricted, most of the demand increase results in higher prices (Prinsloo, 2018). After some years to allow for supply to respond according to demand, the rate of price increases slows or falls.

3.3 Increased pressure on social and community housing

Over 100,000 Tasmanians live in poverty or substantial income stress, having to balance expenditure on basic needs to survive (TasCOSS, 2019). With migration rates and natural population growth, the number of Tasmanians facing the possibility of poverty increases annually (TasCOSS, 2019). The impact of housing prices on the population signposts that roughly 30,000 households within the Greater Hobart private rental market could soon be paying an extra $5,000 per year in housing costs, signifying a substantial financial burden on household budgets and the wider economy (SGS Economics & Planning, 2020). With households facing stronger financial ramifications from housing costs, there is speculation that low-income residents will rely more on government social housing options as they get pushed out of the housing market (Armooh *et al.*, 2020). Blunden (2015) indicates that Australia has limited social and public housing options available compared to other OECD countries. This level of social and public housing was not meeting demand in 2016, with 6.3

[8] 5000 new residents * 0.10 = 500 new residents for Hobart

per cent of Australian households expressing demand which is higher than the level of supply at 4 per cent per cent (Blunden, 2016; Australian Housing and Urban Research Institute Limited, 2017).

At a local level, the Hobart LGA has approximately 624 social and public housing options as of June 2018 (Department of Health and Human Services (Tasmania), 2018). The ABS (2019) states that Hobart LGA had a population of 53,684 residents, resulting in roughly 1 social/public housing option for every 86 residents[9]. Recent research suggests Tasmania needs an increase of 14,200 social and public housing over the next 20 years to effectively meet demand. Of these 14,200 dwellings, 11,100 are required to respond to current need, distributed across the State (Jacobs, Flanagan and Denny, 2019).

This increased reliance on social housing would increase government expenditure levels, resulting in either increased taxes to cover costs or underfunding other vital economic sectors to the Hobart economy. Despite the presence of the *2015-2025 Tasmania's Affordable Housing Strategy* and the *2019-2023 Tasmania's Affordable Housing Action Plan*, there is still a large discrepancy between current supply and demand.

The combination of low incomes and an undersupply of housing impacts housing prices, however, the impact of the unemployment rate and the demand for cheaper or social housing could be an impacting factor. Tasmania has a high percentage of unemployed residents, equating to 6.1 per cent in 2019, with Tasmania remaining above mainland unemployment rates for the majority of the last decade (TCCI, 2019). For Hobart, the unemployment rate is slightly lower than the Tasmanian average, 5.4 per cent compared with 6.3 per cent respectively in 2020 (Local Jobs Program, 2020). This promising news is offset by the approximately 21 per cent of Hobart and Southern Tasmanian residents on income support. Tasmania's perpetually high unemployment rate, combined with 1 in 5 Southern Tasmanian residents relying on income support, increases the number of Hobart residents at risk of housing stress (Local Jobs Program, 2020). As access to affordable housing has become increasingly sparse in recent years, without any immediate action taken may result in forcing low-income households out of the private rental market, while those who can secure housing will be forced to pay a higher percentage of their income on housing (Eccleston *et al.*, 2018).

3.4 Employment shortages

One obvious method to reduce the costs of housing is to increase the housing supply. According to neoclassical economic theory, creating more supply should bring the housing market closer to equilibrium which would result in cheaper housing on average (Albo and Panitch, 2019). However, to achieve this, Hobart needs to have enough resources to complete the building process, including enough human capital.

In 2018 the *Local Government Association Tasmania* highlighted that construction trade workers and labourers were among the occupations that declined significantly (Local Government Association Tasmania, 2018). The recruitment activity for technicians, trade workers and machinery operators stands at its highest level in 12 years, signifying there are more positions vacant than there are employees to fill said positions (National Skills Institute, 2021). Bolton (2018) goes further stating that Tasmania is suffering from a shortage of skilled tradespeople in every sector of the building industry. This results in employers being unable to find enough skilled labour to fill roles, delaying projects and stagnating economic growth.

[9] 53,684 people / 624 social housing options = 86.03 people per 1 social housing option

When employers within the construction sector are unable to obtain enough skilled human capital, the number of projects that can be accepted and completed reduces. With fewer labourers, less work can be completed. Economic implications of a shortage of construction workers on housing supply, apart from fewer new housing opportunities, are visualised in Figure 3.

Figure 3: Economic impacts of a shortage of construction workers

The Tasmanian Government has already recognised the importance of the construction sector and distinguish that the construction industry is a key area to ensure economic development. Their acknowledgement resulted in the unveiling of a $3.1 billion package over two years (Bolton, 2018). The package is designed to bring forward government expenditure and aims to stimulate investment in the private sector while creating thousands of jobs. This package must be supported by a skilled labour force and involves significant apprentice work, experience and training.

At current levels, the Tasmanian construction labour force will likely be insufficient to meet project goals and timelines; instead, interstate labour will be required to meet current local shortfalls. Encouraging and facilitating quality education in the VET sector should be a key priority in Hobart's economic development. The amount of skilled tradespeople in Hobart underpins a variety of other issues including investment, infrastructure development and migration.

3.5 Investor behaviour and housing prices

According to the Global Property Guide (2020), housing prices for all Australian capital cities increased by 8.1 per cent during the 2019-20 financial year, with Hobart ranking the third highest state for house price index increases. The *Foreign Investor Guide to Property Investing in Australia*, written by KlearPicture (2020), lists a variety of reasons for which investors are interested in Australian property markets, including consistent capital growth, less restrictive foreign investment laws compared to other countries and Australian property's ability to maintain consistent rental yields. In addition to these incentives, Australia allows for negative gearing, which is almost an uniquely Australian practice (Blunden, 2016). Negative gearing is a tax rule that persists despite remaining inconsistent with international tax regimes and being a subject of criticism (Blunden, 2016). The property industry progressively 'used negative gearing as the hook to attract investors' (Hulse *et al.*, 2012).

The main criticism of negative gearing argues it is an ineffective housing demand subsidy in the context of the housing market, resulting in property price inflation, driving up the threshold costs to enter homeownership (Blunden, 2016). In other words, the option of negative gearing distorts capital allocation, undermines the tax system's equity and integrity and subsidises higher-income older Australians while disadvantaging younger, aspiring homebuyers (Wood, Ong and McMurray, 2011; Eslake, 2013; Blunden, 2016). Yardney (2021) believes that investors are pushing first home

buyers out of the market, despite the first home buyer incentives available. Typically, first home buyers compete with investors for similar properties, with investors able to out-price first home buyers (Barry, 2017; Prinsloo, 2018). In addition, Kusher (2017) states that the aggregate lending to investors has increased over recent years, however this is done the expense of first home buyers.

The trend of investors acquiring property (as a means of capitalising on the reliable returns of investment the Tasmanian property market currently provides) results in limiting the housing options available to Tasmanians. Over the 2018-19 financial year, there were a total of 107 investor transactions accounting for $45.3 million (Foreign Investment Review Board, 2019). 71 out of the 107 transactions (66.36 per cent) were classified as established dwellings and 23 transactions (21.5 per cent) for vacant land. There was no further information regarding if new properties were developed on this vacant land or if the land was held as an investment only (Foreign Investment Review Board, 2019).

Investors entering the Hobart property market adds an additional level of demand. As mentioned previously, there is already an excess demand for housing within the LGA and adding further demand will exacerbate the economic imbalance. This excess of demand will result in economic conditions outlined in Section 3.2.

3.6 Housing prices have outpaced income growth

Isles, Watts and Taylor (2019) indicate the housing price growth rates for renters and owner-occupiers exceeded the income or wage growth. The concept of housing affordability is generally to determine the financial amount an individual can afford for monthly housing costs (Rahim, 2015). A household is classified as having affordability issues when there is a lack of adequate income used for household expenditures and other households needs supplementary to housing (Rahim, 2015). A household is classed as being under housing stress (rental or mortgage) when it has to pay more than 30 per cent of income to meet housing costs. Economic principles indicate that if housing prices outpace income growth, at some point households will no longer be able to afford property procurement and demand will decrease, bringing prices down (Andre, Gupta and Alana, 2014). However, this has not been the case within the Hobart LGA. House prices have been increasing steadily, and it is unlikely that the market will show any signs of decreasing prices soon (Humphries, 2021b). With housing prices still increasing and expected to remain high, understanding the price-to-rent ratio and price-to-income ratio can show insights into how unaffordable housing has become.

The price-to-income ratio provides an indication of the comparative cost of a home for a typical household, with a price-to-rent ratio similar to the price-to-earnings ratio for equities (Fox and Finlay, 2012). Currently, Australian house prices cost an average of 7 years' annual income compared to 3 years' average annual income in the 1980s (Prinsloo, 2018). Wage measurement tools such as the Wage Price Index (WPI) and Average Earnings in the National Accounts (AENA) illustrated low growth in recent years (The Australian Treasury, 2017). Other measures of wage growth, such as Average Weekly Earnings (AWE), Average Weekly Ordinary Time Earnings (AWOTE), or Average Annualised Wage Increase (AAWI) implied from active Enterprise Bargaining Agreements, also indicate low wage growth (The Australian Treasury, 2017). It is important to highlight that Tasmania is not the only state experiencing low wage growth. All Australian states and territories are experiencing low real wage growth across all industries (The Australian Treasury, 2017).

Increasing housing prices coupled with low wage growth rates would indicate that housing is becoming increasingly unattainable for Tasmanian and Hobartian households. Excessively high

housing prices can produce social and economic inequalities that may be exacerbated by unequal access to homeownership and housing opportunities (Andre, Gupta and Alana, 2014).

As highlighted previously, high housing prices are influenced by a variety of reasons including low-interest rates, demographic pressures or tightness of supply (Fox and Finlay, 2012; Andre, Gupta and Alana, 2014; Song, Jou and Tripe, 2014). High housing costs can prevent an efficiently functioning labour market and can erode the competitiveness of the economy (Andre, Gupta and Alana, 2014).

3.7 Short-stay accommodation (SSA)

As the tourism sector has expanded rapidly in recent years and become increasingly vital to the Hobart economy, the rise of short-stay accommodation (SSA) options has multiplied (Verdouw and Eccleston, 2019). Despite the gains generated from increased tourism on the short-stay accommodation market, there have been negative consequences on housing affordability. Short-stay accommodation involves owners of properties renting out rooms or an entire property (or properties) on platforms such as Airbnb. With property owners electing to rent rooms/entire properties on SSA markets instead of the real estate market, the option of available housing for Hobart residents is reduced. According to Inside Airbnb, there are 1,270 listings within the Hobart LGA, with approximately 76.5 per cent of listings offering entire properties (Inside Airbnb, no date). With 971 properties[10] removed from the real estate market, short-stay accommodation options operate as another mechanism to limit the supply of housing for Hobart residents. Eccleston et al (2018) lists the consequences of SSA on the housing market stating;

> 'Consequences of this [short stay accommodation] - typically borne by the most vulnerable in our city - include low rental vacancy rates, rising rents, and declining affordability that translate to increased housing stress and risk for low-income Tasmanians' (Eccleston *et al.*, 2018).

These consequences have already been analysed and discussed in this report, with impacts of SSA on housing supply similar to those described in Section 3.2.

3.8 Case study: Hong Kong

The 2021 *Demographia International Housing Affordability Survey* assesses housing affordability across 92 major metropolitan markets in eight nations[11] for the third quarter of 2020. The survey utilises the median multiple[12] method to determine the middle-income housing affordability. The table below summarises the housing affordability rating and the corresponding median multiple scores.

Table 1: Demographia housing affordability ratings (van Onselen, 2021)

Housing Affordability Rating	Median Multiple
Affordable	3.0 and below
Moderately Unaffordable	3.1 to 4.0
Seriously Unaffordable	4.1 to 5.0
Severely Unaffordable	5.1 and above

[10] 1,270 Airbnb properties * 0.765 = 971.55 properties
[11] Nations assessed are: Australia, Canada, Hong Kong, Ireland, New Zealand, Singapore, United Kingdom, and the United States (van Onselen, 2021)
[12] Median Multiple: median house price divided by gross annual median household income (van Onselen, 2021)

The Hong Kong property market had a median multiple rating of 20.7, indicating a severely unaffordable housing market. Hong Kong took the title of having the most unaffordable housing market compared to other markets assessed (Leung, Ng and Tang, 2020; Cox, 2021; van Onselen, 2021).

Hong Kong faces similar challenges to the Hobart LGA, in terms of population density, developers increasing housing costs, steep housing prices and the low housing supply and high demand (Saiidi, 2017). For context:

- Hong Kong is ranked the fourth-most densely populated area within the Chinese sovereign states or territories (Statista, 2019; World Population Review, 2021).
- It takes approximately 20 years of median annual income to afford a $60m^2$ property (Yip, 2020).
- Renting is equally expensive, leading to multiple occupant flats being in high demand among lower-income households (Yip, 2020).
- Homelessness rates increased 300% between 2002 -2018 (Yip, 2020).

To combat the increasing demand and lack of private property supply, unaffordability and homelessness issues, the Hong Kong government had to establish mechanisms to support its citizens. The Hong Kong Housing Authority (HKHA), a social housing company established in 1973, increased its share of rental stock available to the population. The HKHA held the largest number of rental properties in the world during 2018, accommodating more than 830,000 residents (Yip, 2020). The main difference between the Hong Kong and Australian public housing system is that Hong Kong caters for the poorest but also middle-income households (Yip, 2020). The poorest 40 per cent of households can apply for highly subsidised rental housing whereas middle-income households are supported with government developed flats which are sold at a discount (60–70 per cent) through a shared ownership arrangement in an attempt to increase homeownership.

Studies related to public housing within Hong Kong state that 'the provision of public housing improves the income inequality problem' (Lui, 2007). Lui (2007) suggests that to ensure public housing success in minimising housing stress on lower socioeconomic families, relatively well-off families should be prohibited from subsidised public rental housing units. To ensure that well-off families are not incentivised to access public housing, public rental housing should be of the quality 'decent but basic' so that well-off families would not be content to reside in public housing (Lui, 2007).

3.9 Recommendations

	Recommendations	Alignment with community vision
3.1	Promote housing infill options to establish more housing supply within the City.	**Pillar 7.2.2** We diversify our land usage so that our neighbourhoods cater for residential, commercial and other aspects of life. We design for how the city will actually be used, at human scale.
3.2	Promote training and employment opportunities for construction trade workers and labourers.	**Pillar 4.3.3** We are aware of the skills and talents we need, at local, national and international levels and create ways to contribute.

	Recommendations	Alignment with community vision
3.3	Look further into short-stay accommodation and its effect on the housing market. It may be of interest to advocate for expansion of the *Short Stay Accommodation Act 2019* to include more stringent limitations or requirements on short-stay accommodation (SSA) hosts.	**Pillar 7.4.2** We manage visitor accommodation so that it does not negatively affect or infringe on the availability of longer-term housing or reduce neighbourhood safety or cohesion.
3.4	Increase social housing options to support current housing demand. This can include emergency housing services, as well as medium to long-term housing support services.	**Pillar 7.1.5** We have housing available for those of us experiencing disadvantage. We cater for vulnerability. Social housing is part of, not separate from, the communities, services and access that are everyone's right.
3.5	Generate a new legislative framework that mandates universal design standards in social housing, co-designed by social housing providers and tenants.	**Pillar 7.1.1** Our city is our home, and we all have access to a place to live, no matter our life stage or situation.

4. Transport and Sustainable Economic Development

4.1 Transport and sustainable economic development: general concepts

4.1.1 Sustainable development: what is it?

The concept of sustainable development has been widely explored in scholarly and other literature, and there are many ways in which 'sustainable development' has been defined and interpreted. The World Commission on Environment and Development, in a widely-cited report called *Our Common Future*, also known as the Brundtland Report, has defined sustainable development as '[d]evelopment that meets the needs of the present without compromising the ability of future generations to meet their own needs' (WCED, 1987, p. 43). Meanwhile, Turner (1988) has another interpretation. He has explained that 'in principle, such an optimal (sustainable growth) policy would seek to maintain an acceptable rate of growth in per-capita real incomes without depleting the national capital asset stock or the natural environmental asset stock' (Turner, 1988, p. 12). Both of these definitions contain some particular ambiguity and uncertainty. For example, it is unclear at this stage about the needs of future generations, and it is also noteworthy that needs vary among different groups of people and change over time (Elliott, 2013).

Other researchers and practitioners have explained sustainable development in many various ways and with quite divergent orders of priorities (Elliott, 2013). However, many of them still share some same concerns about 'growth', 'development', and the intertwining relationship among ecological, social and economic aspects (Elliott, 2013). Sustainable development, therefore, no longer fits neatly within the boundaries of any particular ecological, social or economic discipline (Newman, 2001).

The relationship between economic activities, social outcomes, environmental considerations and sustainable development is illustrated in the Figure 4 below.

Figure 4: Sustainable development relationship (Elliott, 2013, p. 20)

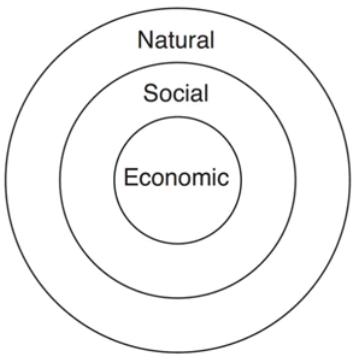


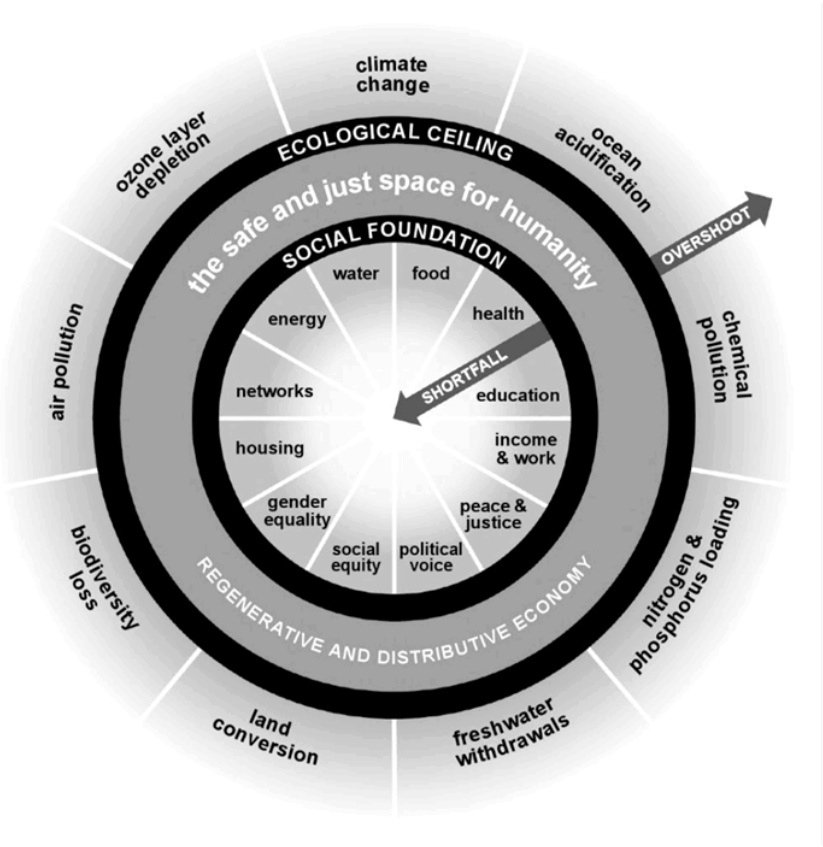
Figure 4 shows the concept of sustainable development being nested within the circles of economy, society and ecology. In this figure, the spheres of economy and society are set within the wider scope of ecology, which implicates that sustainable social and economic activities must be confined within the boundaries of environmental limits (Elliott, 2013).

This depiction mainly emphasises the importance of environmental limits and understands environmental limits as a frame that shapes social and economic activities and defines sustainability.

However, some also argue that ecological, social, and economic aspects should be considered equally, and some also suggest that cultural diversity, human rights, and inclusivity should also be considered as values that underpin sustainable development (Elliott, 2013).

Another depiction that has been adopted by several cities (e.g. Amsterdam) is the Doughnut by Kate Raworth (2017), as shown in Figure 5 below.

Figure 5: The doughnut diagram of social and planetary boundaries (Raworth, 2017, p. 38)



This Doughnut illustrates a sustainable system that is framed by both social and planetary boundaries (Raworth, 2017). Between these social and planetary boundaries (i.e. the social foundation and ecological ceiling) is a safe and just space for sustainable development (Raworth, 2017).

4.1.2 The relationship between transport and sustainable economic development

Transport and economy are closely tied together, and transport investment can affect economic development in the short, medium and long term (Helling, 1997; Banister and Berechman, 2000). The impacts of transport infrastructure on the economy can be direct and/or indirect and can occur at various scales or levels (Banister and Berechman, 2000). One of the most important outcomes of

transport investment is the potential changes in the cost of accessibility to different destinations (Banister and Berechman, 2000), hence the changes in accessibility to goods, resources, services and employment. Other indirect impacts of transport investment can include changes in land use, entrepreneurship, and property prices (Helling, 1997; Banister and Berechman, 2000).

However, not all of these changes are positive, and not all investment in transport can have a significant beneficial impact on economic development. Since the concept of sustainability has been adopted in the fields of transport and economics, it is noteworthy that the term 'economic development' is now recognised to not only mean economic growth or increases in Gross Domestic Product (GDP), but to also encompass environmental quality and equity effects (including both social equity and spatial equity) in a broader concept (Helling, 1997; Banister and Berechman, 2000). An uninformed transport investment decision that is purely based on cost-benefit analyses and does not involve an integrated planning approach may lead to a further marginalisation of disadvantaged people and increased spatial inequality in the city (Feeney, 2016). One of some examples appearing in our research is the $1 billion investment in the light rail system in Gold Coast, which was argued to disproportionately benefit people living close to the stations, marginalising many other residents (Feeney, 2016).

In addition, there are also concerns relating to the growing importance of environment in the transport sector (Banister and Berechman, 2000). One fifth of the carbon dioxide (CO_2) in the atmosphere originates from transport activities (Reisi *et al.*, 2014), and the level of CO_2 emissions in transport has been directly associated with the amount of fossil fuels used (Banister and Berechman, 2000). Transport has also been the third largest source of greenhouse gas emissions with a total of 17 per cent of total emissions in Australia, and cars have contributed approximately half of Australia's transport emissions (Climate Council, 2017). Moreover, besides air pollution, there are also other environmental costs related to transport activities such as noise, visual impacts, congestion and urban sprawl (Banister and Berechman, 2000).

Therefore, to ensure a high level of transport investment efficiency and long-term sustainable development, there would be a need to identify situations in which the economic, social, and environmental factors are best considered (Banister and Berechman, 2000). The goal of sustainable development clearly presents a significant challenge to the sector of transport (Gudmundsson and Hojer, 1999), but transport and sustainability cannot be detached from each other in any healthy and liveable city.

It should also be noted that the level to which an improvement in transport infrastructure can impact the economic development of an area depends on several characteristics of that area, including economic and demographic characteristics (Banister and Berechman, 2000). Moreover, in areas where there is already a highly-developed and well-connected transport infrastructure network (e.g. road network, rail network), a further investment into that infrastructure, even of a considerable size, will be unlikely to result in economic growth (Banister and Berechman, 2000, 2001). Hence, to facilitate efficient transport investment, it is important to conduct in-depth research on the characteristics of the area and to carefully select the types of transport infrastructure and the modes of transport to invest in.

4.2 Major types of transport infrastructure and modes of transport

Generally, transport infrastructure is understood to be comprised of roads, railways, canals, waterways, airways, interchanges and terminal facilities such as car parks, ports, stations and warehouses (Banister and Berechman, 2000; Hossain, 2018). Amongst these, the types relevant to

the local Hobart context are particularly roads, waterways and associated facilities, including carparks and ports.

A road is mainly considered as a way with hard surfaces to carry cars and vehicles (*Oxford Learner Dictionary* 2021), and investment in road infrastructure is generally regarded by transport researchers as investment in motor vehicle ways (Banister and Berechman, 2000). The notion of streets, however, is different from that of roads. The street is much more than an urban road (Marshall, 2003). Streets function not only as transport routes that facilitate vehicle movements, but they are also considered to encompass other features such as pedestrian footpaths and building frontages, which contribute to pedestrian environment (Marshall, 2003). However, only a small body of literature has considered streets as a major type of transport infrastructure to invest in. Considering streets as a type of transport infrastructure will allow more attention to be paid to pedestrians and the walking mode in the city.

Regarding modes of transport, some of the most popular modes of transport in Australia include private cars, public transport, aviation, cruise ships, ferries, active transport such as walking and cycling, and recently the emerging mode of rideshare (Infrastructure Australia, 2019). In the specific Hobart city context, the most relevant modes used for regular commute are private cars, public transport, cycling, and walking (Tableau, 2021).

Public transport, cycling and walking are considered as some sustainable transport modes compared with cars or private motor vehicles. However, due to time constraints, the remainder of this section will explore the most popular mode of transport (i.e. private vehicles) and transport processes in Hobart City. We also analyse the major issues related to private vehicle use and provide recommendations on how to improve and/or invest on transport infrastructure to promote sustainable economic development in Hobart City.

Whilst waterways and freight transport are an important component of the transport system in Hobart, due to time and scope constraints, it will be not a focus of analysis in the following sections.

4.3 Transport in the Hobart context: private vehicle mode, roadways and parking facilities

4.3.1 A car reliance culture

Cars or private vehicles are currently the dominant mode of transport in Hobart and Tasmania in general. In Hobart local area alone, all residents made a total of 110,600 trips and travelled for a total of 908,300 kilometres using their private vehicles every day in 2019 (Tableau, 2021). In 2016, 62.4 per cent of employed people in Greater Hobart aged more than 15 years travelled to work by car (id, 2021a). This proportion is ahead of the average of 59 per cent in Australian Greater Capital Cities (id, 2021a). The number of employed people travelling to work using cars (as driver) in Greater Hobart has increased significantly by more than 3,000 from 2011 to 2016 (id, 2021a). In addition, the Greater Hobart region has seen a substantial change in car ownership, with the number of households owning cars increasing by almost 3,500 between 2011 and 2016 (id, 2021b). In 2016, 85 per cent of the households in Greater Hobart owned at least one car (id, 2021b). Tasmania has also had the highest car ownership density in the country, with 885 vehicles per every 1,000 residents, and is considered to have an increased reliance on cars over the years (Mather, 2017).

The high reliance on cars and the high percentage of households owning cars means high household spending on transport. It is estimated that, on an average, a household in Hobart will spend $14,000 on transport every year (Automobile Association of the Northern Terriory, 2018). This spending on transport is equivalent to almost 19 per cent of the median annual household income in the city

(Australian Bureau of Statistics, 2020). It is also noteworthy that the recorded costs of car maintenance and servicing in Hobart are even higher than those of registration and licencing (Automobile Association of the Northern Terriory, 2018).

Besides the cost impacts, the overreliance on cars in Hobart and Tasmania also results in several social and environmental effects, including (but not limited to) traffic noise, air pollution, and public health impacts (Environment Protection Authority, 2013; Tasmanian Climate Change Office, 2018). Tasmania has been reported to have reliance on imported fossil liquid fuel for transport energy use (Tasmanian Climate Change Office, 2018). A high consumption of fuel for car use can lead to an increase in greenhouse gas emissions and a downgrade in air quality. Community health impacts such as obesity and respiratory issues are also likely to increase (Infrastructure Tasmania, 2018).

4.3.2 Issues about road infrastructure and parking facilities

Recently, increasing traffic congestion in the city is a major complaint of local residents (MacDonald, 2018). It has been found that there are up to 35,000 vehicle movements on both Macquarie and Davey Streets every weekday, and traffic congestion in Hobart costs the economy approximately $100 million every year (The Royal Automobile Club of Tasmania, 2019).

A lack of car parking spaces in the CBD is viewed by many local residents, particularly business owners, as a significant issue (Kitto, 2021). Each morning, approximately 76-79 per cent of vehicles go to the CBD and stay in the CBD (City of Hobart, 2018b), resulting in a high demand in car parks. Parking spaces with high restrictions in time (e.g. 5-minute parking), and hotel developments being approved without a provision for car parking spaces in the city (e.g. Crowne Plaza Hotel) are of concern to local businesses (City of Hobart Business Consultative Group 2021, pers. comm., 5 May).

However, this study considers that there would not be a need to provide further parking spaces in the city centre. The fees for parking in Hobart public car park facilities are currently very low compared with other Australian capital cities. For example, parking fee per hour inside the central Melbourne city is $7 at present, whereas in Hobart, there is an early bird and, until recently, a free first 90-minute parking scheme (it is now the first 60 minutes free) (City of Hobart, 2020a; City of Melbourne, 2021). The free and low parking fee in Hobart has already made the city centre more attractive to cars and private vehicles. When more parking spaces (particularly low-fee and free spaces) are provided in the city, further impacts on traffic congestion and pollution will likely be created.

Drawing on the above, it is considered that there are currently a number of issues relating to the private vehicle mode and motor vehicle infrastructure in Hobart. However, since the stock of roadway infrastructure in Hobart has already been high (e.g. Hobart roads are characterised by multiple travel lanes and there are several public car parking facilities in the CBD), a further investment on road infrastructure – in the form of adding more lanes on the existing roads, providing more car parking spaces and similar – is not expected to be an effective solution to address the current traffic issues (Banister and Berechman, 2000). Instead, considering other active and sustainable modes of transport, such as buses, cycling and walking, can be more beneficial to the city, since these modes of transport have been found to involve less pollution emissions and lower traffic congestion and congestion costs (Buchanan, 2019; Litman, 2020, 2021).

4.4 Recommendations

	Recommendations	Alignment with community vision
4.1	Consider impacts of major investments in road infrastructure (motor vehicle ways) in the city.	**Pillar 5.1.2** Any growth or changes to transport and technology must be unobtrusive; natural, environmental and cultural elements are all taken into account whenever we are contemplating any changes to our transportation and technology system.
4.2	Consider impacts of changes to parking space provision in the city centre.	**Pillar 5.3.1** Our cityscape is easy to access and move through, encouraging the movement of people ahead of cars.
4.3	Explore and provide opportunities to encourage the shift from private vehicle use to other active and sustainable transport modes.	**Pillar 5.1.5** We seek out and respond to transport and technological opportunities that reduce emissions.
4.4	Consider streets as a type of transport infrastructure and consider investing in pedestrian environment (e.g. footpaths, seating, awnings, public art and active frontages) within the City's transport investment strategies and budgets.	**Pillar 5.3.1** Our cityscape is easy to access and move through, encouraging the movement of people ahead of cars.
4.5	Conduct in-depth research on the particular characteristics of the city and explore the potential for efficient investment on sustainable transport modes and infrastructure.	**Pillar 5.1.4** We are bold: we investigate, trial and implement energy efficient transport and technology alternatives for the community.
4.6	Liaise with public community and local businesses to promote a shift towards sustainable transport modes and sustainable economic development.	**Pillar 5.6.3** We develop appropriate long-term and sustainable solutions by investing in skills, systems and processes in conjunction with the community and a variety of partners.

5. Local businesses

Our research identified local businesses as a significant impacting factor on the Hobart economy and recommends that this topic be considered an imperative factor to investigate in achieving sustainable economic growth. This topic is included in the report as academic literature, in combination with general themes arising from stakeholder engagement, indicated the importance local businesses have for the Hobart economy. A 2012 report from the Reserve Bank of Australia highlights the importance of small businesses, stating 'through innovation and expansion, small businesses are a source of employment growth and competition' (Connolly, Norman and West, 2012). Gilfillan (2020) reiterates this concept, further indicating that the small business sector provides strong contributions to the Australian economy, accounting for a considerable portion of total private sector employment growth. Hobart's small businesses are key contributors to the local economy and sense of place. This sector should be a key consideration when deriving an economic development strategy.

The *Macmillan Dictionary* (2021) defines 'local' as 'in or related to the area that you live in, or to the particular area that you are talking about'. A local business provides goods or services to consumers in its particular area. In Hobart (and Tasmania more broadly), many local businesses are also small businesses, which are defined by the Australian Bureau of Statistics (ABS) as having fewer than 20 employees (excluding the agriculture sector) (The Australian Small Business and Family Enterprise Ombudsman, 2016). The businesses that employ fewer than five people are specifically called micro businesses.

Tasmania has a total of 38,300 businesses, and amongst these, small enterprises account for approximately 97 per cent of Tasmania's business community (Tasmania Department of State Growth, 2019a). These small enterprises contribute significantly to Tasmania's economy, with almost two-thirds operating in six major industries and employing approximately half of the workforce in the private sector (Tasmania Department of State Growth, 2019a). They create jobs for around 100,000 Tasmanians (Barnett, n.d). Between the 2017-18 and 2018-19 financial years, small businesses experienced a 2.6 per cent growth in numbers in Tasmania (Tasmania Department of State Growth, 2019b). In the Hobart local government area alone, there are currently 6,578 businesses including small and other types of businesses (ABS, 2019b). Local or small businesses are important to economic growth and development because they provide employment and generate local wealth. They are also self-reliant, innovative and responsive in nature (Barnett, n.d; Carree & Thurik, 1998). In addition, small enterprises play a significant role in community development and long-term stability and sustainability: they promote community events and activities and provide communities with needed products and services (Fitzgerald & Muske, 2016; Gebremariam et al., 2004).

Notwithstanding the significant and potential contribution to the economy, it is worth noting that small businesses in Tasmania and Hobart have been and will continue to be impacted by several factors, including but not limited to transportation factors, tourism factors, the ongoing advancements in technology, and the current policies and regulations at national, state and local levels. In terms of transportation, the Tasmanian Government has developed a major land freight corridor that connects Hobart with other main ports, population centres and industrial areas in Launceston, Devonport and Burnie (Tasmania Department of State Growth, 2016a). Hobart also has a deep-water port located directly adjacent to the city centre (Hudspeth, 2006; Tasmania Department of State Growth, 2016b). These potentially implicate convenient access to imported materials and goods from overseas, the mainland and other parts of Tasmania for local businesses.

Regarding transportation at a smaller scale, some interviewees argued that the increase in traffic and the limited car parking spaces in the city centre can discourage people from travelling to the city (and shop). Public transport in Hobart is viewed by most locals as overly infrequent and inconvenient, particularly at night and on weekends, which can have an adverse impact on local businesses (Dunlevie, 2019).

There is also a strong connection between tourism and local or small businesses in Hobart. Given that Hobart is one of the gateway cities to Antarctica, it is an increasingly attractive destination for those interested in the southernmost continent of the world (Leane & Nielsen, 2020). Many local businesses in Hobart can benefit from the economic opportunities provided by those visitors (Leane & Nielsen, 2020). Short-stay tourist accommodation (SSA) is another factor that provides revenue growth opportunities for local small businesses, despite affecting the housing market and contributing to the housing crisis in Tasmania (Grimmer & Vorobjovas-Pinta, 2020; Verdouw & Eccleston, 2019). Some local small business owners in Hobart have reported an increase in the number of visits from Airbnb guests to their businesses (Grimmer & Vorobjovas-Pinta, 2020).

The close connection and the reliance of local businesses on tourism, particularly interstate and international tourism, indicates that small enterprises can be vulnerable to collapse when there is a sudden process that affects tourism (Roy Morgan Research 2020). Many local businesses in Tasmania, including those in Hobart, were hit hard when there were changes with social distancing requirements and constant changes with border restrictions during the evolution of the COVID-19 pandemic around the country and the world (Moran, 2021; Ross, 2020).

In relation to technology, it is evident that rapid technological advancement is significantly impacting businesses (Kelly et al., 2021). The Australian Government has encouraged businesses to go digital and conduct business online (at least partially) due to several potential benefits, including convenient access (for customers), increased flexibility, increased professionalism and increased environmental friendliness (less paper waste) (Australian Government, 2021; Business Queensland, 2021). However, it is noteworthy that besides the benefits and opportunities, technological innovation can also pose many challenges to small businesses. For example, small businesses often lack the expertise and resources to apply information technology securely and effectively (Burgess, 2001). They need more support to move online, and support programs such as Digital Ready for Business (Tasmania Department of State Growth, 2021) appear to be a positive initiative.

Apart from support programs, there are a wide range of regulations and standards small businesses in Tasmania are required to follow. Some consider these regulations a barrier for small businesses. Many small businesses have 'no clue as to how to manage their ATO, Fair Work and ASIC compliance' (Tasmania Department of State Growth, 2019a, p. 6), and as a result, they may encounter costly situations that could have been avoided with adequate business planning. The Tasmanian Government Business Growth Strategy 2019-23 suggests a need to reduce regulatory burden for small businesses and assist them in navigating regulation.

Drawing upon topics already introduced in this report, it is understood that local or small businesses in Hobart are faced with some opportunities and challenges. The factors that impact or result from small businesses include the following:

- quantity and complexity of small business regulation, potentially creating barriers to entry
- the benefits and challenges facing small businesses in the integration of information technology
- importance of entrepreneurship for economic growth
- increasing local government revenue

- benefits to local employment levels
- environmental factors relating to small businesses.

5.1 Economic importance of small businesses

Small and medium retailers make vital contributions to local communities and their economies and are an important source of employment and tax revenue (Parnell, 2013; Tajeddini, Elg and Trueman, 2013; Grimmer, Grimmer and Mortimer, 2018). Hobart accounts for approximately 20 per cent of all retail employment for the state and is the fifth largest employment sector, based on 2016 Census data (City of Hobart, no date).

Small and medium organisations often occupy niche markets and promote innovation, economic variety and integration, and social stability, as well as activating competition within the market (Grimmer, Grimmer and Mortimer, 2018). Operating a small business within Tasmania is challenging due to the 'low socio-economic' nature and relatively small population size, however, Brown (2018) contradicts this stating that small businesses are more likely to survive when operating within a relatively small population size (Grimmer, Grimmer and Mortimer, 2018). Despite being the capital city of Tasmania and having the highest number of residents per hectare, Hobart is the least populated Australian capital city and also presents aspects of a big city with small business operations (ABS, 2019a; .idcommuity, n.d). Within big cities, small businesses typically offer a diverse array of products and/or specialise in providing unique or personalised customer experiences (Brown, 2018). Local businesses also attract tourists and visitors into the area (Grimmer and Vorobjovas-Pinta, 2019).

Clark (2017) highlights six pivotal roles small businesses have in making local communities vibrant again. These six pivotal roles include:

1. Small businesses are more innovative and develop new products more quickly compared to large companies.
2. Small businesses employ more people and have higher job retention rates during economic downturns. If they survive a downturn, small businesses typically recover faster than multi-national companies.
3. Differences between the lowest and highest-paid employees are significantly lower within small businesses compared to giant corporations.
4. Small businesses typically provide superior customer service compared to large multinational corporations.
5. Small businesses procure increased levels of local goods and services than large competitors.
6. Small businesses invest up to three times more back into the local economy compared to large chain stores on a per dollar of sales ratio (Clark, 2017).

The above point highlights the importance local businesses have for the Hobart economy. In addition to the social and equality benefits, Hobart's 6,578 small businesses present economic benefits, including:

- increasing local tax revenue
- creating employment opportunities, with commensurate flow-on effects
- reducing environmental impacts
- promoting entrepreneurship and community uniqueness (Robinson and LaMore, 2010; Department of State Growth, 2019; Grimmer and Vorobjovas-Pinta, 2019).

5.2 Entrepreneurship and economic growth

Entrepreneurship has been recognised to be a key contributor to sustained economic growth and development, as it not only generates employment but increases spending in markets, knowledge transfers, employment and innovation (Meyer and Jongh, 2018). The importance of entrepreneurship in economies was highlighted in 1998 by the US Small Business Administration, stating: 'the crucial barometer of economic freedom and well-being is the continued creation of new and small firms in all sectors of the economy by all segments of society' (Toma, Grigore and Marinescu, 2014).

It is entrepreneurship that encourages the majority of positive economic impacts, such as minimising unemployment and increasing local tax collections. To promote entrepreneurship within Hobart LGA, Quednau (2016) highlights three key roles governments have in generating entrepreneurship.

Firstly, they ensuring that planning and other regulatory standards minimise running costs for small businesses can encourage more Hobart residents to initiate a new business. For example, by allowing for mixed-use buildings (commercial venture on the first floor and residential premise upstairs), vacant residential properties can be converted into storefronts. Another example is permitting a variety of mobile food vendors, which can assist in reducing the financial strain faced by entrepreneurs starting food businesses (Quednau, 2016). If Hobart permits creative use of space and smaller floor space options compared to the typical stand-alone store, the barriers to entry for small business owners reduce (Quednau, 2016).

Secondly, creating a walkable business district assists the success of entrepreneurial endeavours by creating an environment where pedestrians are more inclined to visit multiple businesses than if they were driving to one specific store (Quednau, 2016). Typically, walkable districts produce a greater tax revenue per square foot when compared to other types of development (Leinberger and Alfonzo, 2012; Quednau, 2016). Recommendations to improve the city's walkability include reducing speed limits in existing business districts, widening sidewalks, and placing public benches and planters to improve the landscape – the majority of which the City is already implementing (Quednau, 2016). Further suggestions to improve the walkability of commercial and retail areas include road network connectivity, footpath continuity and the presence of streetscape features (e.g. shade trees), which benefit the pedestrian setting (Nguyen, 2020). Aspects of walkability design guidelines place a high focus on building facades, street surfaces, pavement materials, road crossings, traffic speeds, street trees, planters, signage and public art (Nguyen, 2020).

Finally, simplifying regulations for starting new businesses could increase the number of enterprises entering the Hobart economy. Quednau (2016) and the Department of State Growth's *Business Growth Strategy 2019-23* highlight the importance of creating an enabling regulatory environment that encourages business development and expansion. Removing unnecessary steps or requirements can reduce barriers to entry, increasing the likelihood of new enterprise within the area (Quednau, 2016; Interaction Design Foundation, 2020). A 2004 report suggests that:

> 'Regulations that protect intellectual property and develop financial markets tend to have favourable effects while excessive bureaucratic regulation of entry or labour tends to have adverse effects. Identifying the optimal degree of government intervention in regulating the environment in which firms operate, however, is a matter for further research' (Laeven, Rajan and Klapper, 2004).

Additionally, creating an environment to support business growth should be a focus. Working together with the Tasmanian Government to support business development and growth should provide entrepreneurs with the support required to start a local small business.

5.3 Benefits

5.3.1 Benefits to local businesses to communities

Small businesses underpin the Tasmanian economy, currently accounting for 97 per cent of Tasmania's business community (Department of State Growth, 2019). These small businesses are driving employment and investment throughout Hobart and enable local communities to prosper. These businesses provide various benefits to the Hobart community and allow the city's economy to flourish in ways consistent with the City's community vision. Hobart's local business community provides significant character and individuality to the city; they establish a communal identity that draws domestic and international visitors. Local businesses generally support communities considerably more than large multi-national chain firms (BBB, 2019). For example, many of Hobart's local businesses sponsor community sports teams, charities and festivals.

Hobart's local businesses can supply niche markets and contribute to the city's sense of place. These businesses can offer greater client interaction and establish personal relationships among their communities, which can give owners valuable insight into current trends in consumer demand.

Local businesses regularly support other local businesses by utilising their services, which fosters a strong environment that benefits all members of the community. These businesses help money to circulate within local economies and create more employment opportunities. A healthy and growing supply of local businesses encourages further entrepreneurship in communities, and driving this business confidence is key to creating a unique and resilient Hobart economy. Increased competition drives greater innovation and raises the standard of goods and services businesses provide. The benefits that local businesses provide to communities is immense and an effective economic development strategy should outline projects that support local businesses.

5.3.2 Increasing local tax revenue

One of the numerous benefits subsequent to the correlation between entrepreneurship, economic growth and the increase in the number of local businesses is an increase in tax revenue. The taxation obligations for businesses generate revenue for local governments to meet social and community infrastructure requirements. Increasing the number of small local businesses and their profitability within the LGA would result in higher taxation revenue. Thriving local businesses will generate higher levels of profit, indicating that businesses will pay higher taxes, including on local property (Pineapple Payments, 2017; Brown, 2018; Cumberland Area Economic Development Corporation, 2018). This increased tax revenue can be utilised to fund necessary services, including aged and healthcare services and education.

Thriving small businesses can improve property prices within a community, increasing a homeowner's bottom line while generating more property taxes for local governments (Brown, 2018). It would be strongly suggested to further analyse the impact on increasing property prices generated by a prospering small business sector, factoring in the economic implications of the already steep property prices within Hobart (as explored in Section 3). However, increasing the annual assessed value and land value of a property increases council rates, generating increased taxation revenue.

Local council rates are comprised of the assessed annual value[1] (AAV), land value[2] and capital value[3] (City of Hobart, 2020a). Increasing the number of local businesses within the Hobart LGA can improve the overall value of property within the district increasing the AAV and subsequently council rates. Similarly, with increasing demand for commercial premises signalling a supply shortage, overall property prices would increase, which results in a land value increase, which, in turn, increases the land value component of rates. If the land value increases the capital value of a property also increases.

Figure 6: Effects of increased number of local businesses

Figure 7: Effects of increased local business

The benefit on local tax revenue rates when small/local business and entrepreneurship is encouraged is significant, particularly in terms of funding other vital community services. According to the City of Hobart's website, approximately 63 per cent of city funds are raised through rates. Increasing the numerical amount of rates collected would enable greater community support services offered by the Council.

5.3.3 Employment benefits

Small businesses are widespread throughout all sectors of the Australian economy and are present in all of Australia's regions (Australian Small Business and Family Enterprise Ombudsman, 2016). The number of small local businesses within the economy indicates a large and vibrant sector, vital to the health of the Australian economy (Australian Small Business and Family Enterprise Ombudsman, 2016). Within Australia, small businesses employ a greater number of people compared to the majority of other employer types (Smith, 2020). In 2018, approximately 44 per cent of all employed Australians worked for small business within the private sector (Gilfillan, 2020). The proportion of Tasmanian residents working for small businesses within that same period was higher, sitting at 47.3 per cent, which was the largest small business share of total private sector employment in the country (Gilfillan, 2020).

With nearly 50 per cent of all private employees working for small local businesses, the impacts on employment rates are positive assuming these small businesses are not operating under the sole trader business structure. Natter (2018) supports this sentiment stating small local businesses typically employ personnel who reside in the communities in which the business operates. In regard to annual wages, small business employees receive on average lower wages and salaries compared to medium and large-sized firms (Gilfillan, 2020). However, annual wage growth rates are stronger for small businesses (3.7 per cent per annum compared to 1.5-2.7 per cent for larger firms) (Gilfillan, 2020).

The benefits of local businesses on the Hobart LGA are summarised in Figure 8.

Figure 8: Effects of increased entrepreneurship

With an increasing level of entrepreneurship and business creation within the LGA, the opportunities for increasing the employment levels increase subsequent to the increase in the demand for workers. Employees of small businesses are then able to purchase goods and services offered by other businesses, funnelling money back into the local economy (Natter, 2018). This effect generates increased money circulation and velocity of money within the LGA (Chris, 2015). For example, coffee shops, cafes and newspaper stores rely on commuters and office workers for daily sales (Shakespeare, 2020). To support local businesses, consumers will often purchase goods and services from nearby small businesses rather than from big-brand stores (Natter, 2018). Similarly, small business owners are inclined to support other local businesses, through purchasing supplies (Natter, 2018).

With income garnered through employment spent at local businesses, the average profitability of enterprises may increase from the increase in the number of sales. With increased business revenue and employment rates, the desirability of the area may increase, increasing the AAV, land value and capital value of the area. An increase in these three aspects could increase the total amount of rates charged by the City of Hobart.

Tasmania's unemployment levels soared during the COVID-19 pandemic, with an increase of 22.3 per cent of unemployed residents from March 2020 to March 2021 (Department of Treasury and Finance, 2021). Increasing the number of employment opportunities available may serve to reduce unemployment rates. It is important to note that the increase in employment within the City may have a positive effect in minimising the number of residents living in poverty or facing substantial income stress. The positive employment effects may limit the number of residents negatively impacted by the cost of housing, as outlined in Section 3, but may not eliminate the negative impacts entirely.

5.4 Current and emerging industries

5.4.1 Current industries

There are five key industries underpinning the Hobart economy, with the workforce dominated by sectors that are largely publicly funded including:

- health care and social assistance
- public administration and safety
- education and training
- accommodation and food services
- retail trade (Denny, 2020; City of Hobart, no date).

The healthcare system is a key pillar of the economy, employing the highest percentage of residents compared to other sectors (Australian Bureau of Statistics, 2019). As of August 2020, 16 per cent of Hobart and Southern Tasmanian residents were employed within this sector (Local Jobs Program, 2020). With significant funding focused towards the public health sector, its importance for the local economy is huge. The healthcare and social assistance sector has the largest labour force, contributing the highest growth in both absolute and relative terms to the whole Tasmanian workforce (Denny, 2020).

Public administration and safety employees are a considerable portion of full-time workers within Tasmania, with close to 8,000 employees within Hobart alone (WorkSafe Tasmania, 2018; City of Hobart, no date). As the capital city, Hobart houses the State's Parliament and ministry office, the majority of the State Government offices and a variety of administrative teams of the Australian Government within the LGA (City of Hobart, no date). Employment within this sector is typically constant with minimal demand changes, however this sector employs 10 per cent of Southern Tasmanian residents as of 2020 (Local Jobs Program, 2020).

Education and training is a large sector within the Hobart economy, acting as the base for the majority of the state's higher education (City of Hobart, no date). In terms of employment, education and training provided 10.1 per cent of all local employment as of the 2016 census (Australian Bureau of Statistics, 2019). As the majority of Tasmania's higher education is located within the LGA, there is a corresponding influx of international students which provides further economic benefits to the Hobart economy.

Hobart has been an increasingly popular tourist destination, with the accommodation sector growing as a response. The increase in accommodation and food services reflects the ever-increasing demand generated by interstate and international visitors (City of Hobart, no date). As tourism continues to be a growing sector of the economy, the likelihood that accommodation and food services will continue to be a significant aspect of the local economy is high (Tourism Tasmania, 2019a; City of Hobart, no date). Additionally, the tourism sector positively impacts the retail trade sector, which accounts for approximately 20 per cent of the State's total retail employment (City of Hobart, no date). With a large portion of Hobartians and tourists within the city on any given day, the retail sector experiences a constant stream of business activity.

5.4.2 Industry opportunities

Antarctic research

As one of the five 'gateway' cities to Antarctica, Hobart has a competitive advantage in its ability to draw in scientists and tourists due to its proximity to the region and presence of quality Antarctic science and research programs (Fantin, 2017). The presence of the Institute of Marine and Antarctic Studies (IMAS), CSIRO, the Australian Antarctic Division (AAD), the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR) and the Antarctic Climate and Ecosystems Cooperative Research Centre (ACE CRC) all operate within Hobart and have positioned the city to become an important research destination (Fantin, 2017). The University of Tasmania supports a wide range of research into temperate marine, Southern Ocean and Antarctic environments, and it offers significant opportunities for collaborative research of domestic and international significance. The University's IMAS division is an internationally recognised centre of excellence and attracts a range of individuals from across the world to the state (University of Tasmania, 2019). The Antarctic sector contributed over $180 million to the Tasmanian economy in 2017 through wages and logistics and is an important employer for the Hobart economy (Fromberg, 2017). The Antarctic research industry is a unique, differentiating sector for Hobart. Increased investment in this industry will likely support a range of jobs and garner further international interest.

Renewable hydrogen

Tasmania's capacity to produce renewable electricity at low costs is one of the state's key competitive advantages. As discussed further in Section 7.4, the abundance of natural resources has underpinned the industry's sustained growth and has positioned Tasmania as a world leader in the production of renewable energy (Department of State Growth, 2020b). As demand for clean energy increases, demand for exportable hydrogen produced from renewable sources is growing. Tasmania has the potential to export renewable hydrogen energy to domestic and overseas energy markets, and current scenario modelling suggests the business of supplying global hydrogen demand is likely to be a substantial one (Australian Renewable Energy Agency, 2018). The availability of hydroelectric infrastructure, knowledge and natural resources allows the state to be internationally competitive and produce hydrogen at a low cost. As the state's capital, Hobart will be a key hub for the state's renewable hydrogen industry, having the capacity to contract with domestic and overseas markets. This emerging industry is an exciting prospect for the city and could see considerable increases in economic growth and local employment.

Organic farming, veganism and plant-based products

Demand for organic produce in Australian and global markets has been primarily driven by increased consumer health consciousness and environmental impact concerns. Veganism and plant-based products have soared in popularity worldwide. Australia has contributed to this trend as the vegan popularity has increased alongside a broader range of products (Lane, 2020). There is evidence of this growing trend emerging in the Hobart economy. For example, Hobart's first exclusively vegan restaurant was established in 2017 and popularity has grown among locals and tourists (VegBar, 2020). More Hobart-based restaurants and eateries are catering for the growing demand for plant-based produce. Organic farming is on track to become a $3.7 billion industry by 2025, driven by a rise in health consciousness among consumers and growing demand for environmentally responsible farming (Black, 2020). The organic farming industry is forecast to grow substantially, as exports are expected to rise at 14.6 percent per annum over the next five years (IBIS, 2020). The growth in demand for organic produce provides considerable opportunity for Hobart, as the city has the

potential to supply both domestic and international markets. Tasmania has a strong reputation for its high-quality produce, pristine environment and GMO-free status. Hobart is positioned well to leverage this status to develop a competitive plant-based organic farming industry that can support the local economy and create jobs.

Emerging tech sector

The tech sector is a vital component of modern economies, and currently contributes approximately 7 per cent to Australia's GDP (AlphaBeta, 2019). Numerous tech companies are pioneering a path for future businesses within the sector to establish themselves within the Hobart LGA. Three notable businesses flourishing within Hobart include Savage Interactive, Secret Lab and Biteable. These companies combine internationally competitive skills while capitalising on the fastest internet speeds compared to all other Australian states (Duke, 2018).

Hobart has the opportunity to capture the emerging tech sector, with incentives including the relaxed lifestyle combined, strong connectivity, low running costs, support from local and state government and the isolated geographical borders which allows organisations to test [their products] with absolute accuracy (University of Tasmania, 2016; Murdaca, no date).

With these incentives, Hobart is in a position to generate increasing interest in the LGA's tech sector, with global companies already expressing interest in developing technologies within the state (University of Tasmania, 2016). Benefits to Hobart include increased employment for ICT specialists and new business opportunities (Make It Tasmania, 2017).

5.5 Challenges and opportunities for local businesses

The 2018 Thinkbank report conducted by the Tasmanian Leaders NGO surveyed several local businesses to identify their business area, challenges they face and opportunities to improve their business operations (Tasmanian Leaders, 2018). A total of 95 participants were surveyed from a range of industries and business sizes. The report found the most common challenge for local small businesses was staffing issues. Over 36 respondents identified attracting and retaining reliable, motivated staff as an ongoing challenge. Filling vacancies for qualified apprentices and tradespeople remains difficult due to a lack of supply in Tasmania. Many businesses experienced a need to invest in staff training and retention to ensure their organisation had a consistent group of loyal and quality staff to maintain business operations. Respondents also highlighted the challenges to attract and retain graduates in regional areas which have contributed to slower business growth and unclear succession paths (Tasmanian Leaders, 2018).

Another common challenge for local small business owners was associated with cash flow, obtaining capital and managing overheads. Businesses can struggle to keep track of cash flow and exercise discipline in all areas of the business's automated systems. Many owners struggle with general business literacy, creating opportunities for small business seminars to provide financial education. Other common challenges identified in the survey were found to be competition (16), red tape (12) and time management (11) (Tasmanian Leaders, 2018). Red tape relates to the amount of paperwork businesses face, government compliance and regulatory barriers. Complexities arise for many small businesses undertaking their tax returns, but regulatory challenges also occur at the local government level. For example, the survey suggested that permit processes to change the use of a business's building were currently overly lengthy and confusing. This challenge can likely be addressed through consultation with Hobart-based small businesses to identify specific issues and potential opportunities to reduce red tape. A lack of support, information and assistance in small

business start-ups was a reoccurring issue highlighted by survey respondents (Tasmanian Leaders, 2018).

In terms of business opportunity, over 61 respondents identified expansion and growth to be a primary opportunity they seek to capitalise on (Tasmanian Leaders, 2018). The growth in Hobart's tourism and the city's recognition both nationally and internationally presents opportunities for businesses to expand. The development of Tasmania's brand over recent years has provided flow-on effects to local businesses. For example, some respondents noted Hobart's increasing popularity as an experience destination, stating they would feel comfortable increasing their business fees based on relatively inelastic demand.[13] There were opportunities identified to undertake capital investment into new equipment to supply a greater number of consumers. For example, some respondents believed investment in information technology (IT) was an exciting opportunity to potentially increase online sales growth. Overall, most respondents believed the opportunity for expansion and business growth was the most exciting opportunity they face in the next 1-3 years (Tasmanian Leaders, 2018).

There are a range of opportunities for the City of Hobart to assist small businesses.

One is to provide educational support, such as workshops, that educate owners on managing their business' finances and growth. Providing small business support networks and mentoring programs would be useful for helping businesses overcome problems, especially in the early stages of development.

Creating an enabling regulatory environment, to avoid restricting business activity and developments, is another possibility. Our research has shown new ideas can be stifled by overly complex regulation and bureaucracy (Smith, 2020).

Another way to support local businesses would be to provide or encourage incentives to employ apprentices, graduates and trainees, which could assist with staffing problems. This could be undertaken through government work experience programs that connect students with local businesses, benefitting both the students and employers.

Providing businesses with grants in the early stage of their life cycle to assist with initial start-up costs is another opportunity to support local businesses. However, this opportunity is confined to government budgetary constraints and appropriate business screening should be taken while allocating grants (Tasmanian Leaders, 2018).

5.6 The impacts of technology on Hobart small businesses

The last decade saw a rapid transition in the small business operating environment, as stores had to adapt their traditional retail settings to compete in an increasingly online environment. This transition benefitted small businesses in several ways, such as greater consumer reach, increased product marketing and lower operating costs (Ramaswamy, 2019). The uptake of information technology (IT) has enabled small businesses to streamline their operations and focus on their core business services. Businesses that integrate comprehensive IT strategies into their core business model can increase their efficiency of operations and create greater value for consumers (Vitez, 2019). Smaller businesses have many advantages over larger firms, such as their ability to anticipate and respond to market changes faster and their closer interaction with customers (Ramaswamy,

[13] Inelastic demand refers to demand that is relatively stable to changes in price. For example, changes in petrol prices do not vastly change consumption patterns (Amadeo, 2021).

2019). However, small businesses may be disadvantaged in IT development and incorporation compared to larger firms. For example, small businesses can be run by owners with limited technology literacy and fail to incorporate an IT strategy into their business model. This problem can compound into a failure to align the businesses resources with its strategic objectives (Ramaswamy, 2019). The consequences of not developing an IT strategy can be substantial, as opportunities to use technology to improve the business's performance will be missed. Competitors who do utilise comprehensive IT strategies in their business models can achieve greater competitive advantage than their rivals and can eventually lead to less developed firms exiting a market (Vitez, 2019).

Information is a significant input that a business can use to generate competitive advantages in the modern economy. Information is required to ensure businesses can remain competitive, streamlined and accommodate the latest consumer trends. Small businesses require accurate information to inform their decision-making processes and to increase the competitiveness of their services (Edology, n.d). Business professor Mysore Ramaswamy states that 'the ability of businesses to survive in a global competitive environment is predicated upon their capacity to leverage information as a resource' (Ramaswamy, 2019). The dynamic market Hobart's local businesses face requires managers to be highly responsive to changes in consumer demand, competitor actions and the market environment. The incorporation of data analytics into small businesses is a strategy that can be pursued to achieve greater growth by identifying processes that can exploit new innovations in an area (Edology, n.d).

The advancement of IT and the evolving transition to an online market environment is changing the way Hobart's small businesses operate. The adoption of IT across Hobart's local businesses raises concerns about the long-term impact this shift will have on the city's employment levels. Small businesses that invest in improving their IT services can increase business efficiency and can more effectively supply niche markets (Saunders, n.d). At the same time, there are fears that increased business automation will result in greater unemployment as firms can save on labour costs by utilising technology that can undertake human tasks at a fraction of the cost.

However, technology is unlikely to replace a substantial portion of the Hobart economy for now. This is because, in the short to medium-term, automation is only able to replace workers in controlled environments, where workers undertake simple tasks that can be translated into code for technology to follow (Saunders, n.d). Because Hobart's service-based economy is complex and human capital is substantial, many workers currently undertake intricate tasks that are not easily replaced by technology. Instead, advancements in technology are likely to complement labour by improving the productivity of labour and business operations (Saunders, n.d). For example, bookkeeping software has improved the efficiency of accountants but has not made them redundant. Hobart's small businesses should look towards IT advancements as opportunities to generate further economic growth, which will result in higher employment levels across the city. The adoption of online markets allows sellers of niche products to market their goods to an international audience through the platform of large online retailers.

Tasmanian business Blundstone provides a key example of this opportunity. The successful adoption of their business model into online markets has allowed them to target international consumer. This strategy has seen the boot manufacturer supply over 70 countries and establish a strong presence in North American markets (ABC News, 2020).

5.7 Environmental impacts of local businesses

Environmental sustainability is a highly topical issue. As a result, there are large amounts of research assessing the impacts human activity has on the environment (Failte Ireland, no date). Redmond *et al.* (2008) suggest that small businesses are more pollution-intensive than larger firms but note that the actual environmental impact is unknown. Engaging in educational and legislative requirements for small businesses to actively monitor their environmental impacts may assist the Tasmanian 'clean and green' branding. Please refer to Section 7.6 for a detailed discussion on what businesses can do to reduce their environmental footprint.

Environmentally-sustainable businesses may have a competitive edge compared to other non-sustainable business when enticing customers and investors. Modern consumers are conscious of social and environmental concerns and try to remain informed of which businesses are acting responsibly in the community (Failte Ireland, no date). Similarly, investors are aware of environmental issues with a developing trend emerging towards investing in environmentally sustainable companies (Failte Ireland, no date). Some argue that creating environmentally-friendly businesses is unsustainable due to the costs involved. However, Failte Ireland (n.d) believes that, in the long term, being environmentally conscious is considered to improve profitability through the reduction of expenses and increased competitiveness.

Local businesses do have some positive environmental implications. Articles state that local businesses can reduce transportation requirements, traffic congestion and greenhouse gases associated with transportation (Robinson and LaMore, 2010; Lague, 2020). Lague (2020) states that transporting and importing products contributes to preventable greenhouse gas emissions, fuel consumption, and pollution. Robinson and LaMore (2010) explored the benefit of local businesses on transport, stating:

> 'Locally owned businesses can make more local purchases requiring less transportation and generally operate from within city centers as opposed to developing on the outskirts of a city. More commercial districts result in fewer vehicle miles traveled and leads to less sprawl. Less transportation also means less traffic congestion, which has the potential to reduce the amount of fuel emission that contributes to air pollution. This generally means contributing to less sprawl, congestion, wildlife, habitat loss and pollution'.

Local businesses can also reduce the transportation costs for employees, by enabling 'green commuting'[14]. When employees live locally they are often closer to work premises and might be able to walk or bike to work instead of drive (Jen, 2020). (However, it is important to note the impacts of housing affordability on this possibility, a critical issue for Hobart.)

Another benefit of local businesses is their ability to produce less waste through eliminating unnecessary transportation and delivery, consequently reducing the quantity of packaging used (Robinson and LaMore, 2010). With less packaging, a reduced quantity of waste enters landfill facilities.

One constraint, due to Tasmania being an island state, is the limited entry points into the state. The Tasmanian freight system is pivotal in the transportation of goods interstate/internationally as well

[14] Green commuting is defined as using alternative transportation methods to commute to work instead of relying on cars, e.g walking, riding, taking public transport and carpooling (Andreas, 2020).

as intrastate (Department of State Growth, 2019). That being said, the minimisation of transportation impacts can only be reduced to an extent, as the freight system is critical to Tasmanian businesses maintaining existing markets, entering new markets and increasing market share (Department of State Growth, 2019).

5.8 Recommendations

	Recommendations	Alignment with community vision
5.1	Create walkable business districts that are attractive to pedestrians.	**Pillar 5.3.1** Our cityscape is easy to access and move through, encouraging the movement of people ahead of cars.
5.2	Work with the Tasmanian Government to support business development.	**Pillar 4.5.2** We create opportunities for start-up businesses and entrepreneurs with new ideas.
5.3	Continue to foster entrepreneurship within Hobart and investigate factors that support entrepreneurship.	**Pillar 4.5.2** We create opportunities for start-up businesses and entrepreneurs with new ideas.
5.4	Encourage the environmental sustainability of small businesses, including investigating business owner education as a means of increasing uptake of environmentally-friendly business activities.	**Pillar 6.4.3** Best practice in energy efficiency is our standard. We ensure buildings and infrastructure lead to the best possible environmental outcomes.
5.5	Offer or direct businesses to materials supporting and teaching general business skills (cash flow, obtaining capital, budgeting, information technology and managing overheads).	**Pillar 4.5.1** We embrace Hobart's small city scale. The city is our workshop, where we can gather knowledge, create, and test our ideas in an environment that supports and challenges us.
5.6	Consult Hobart-based small businesses to identify specific issues and the potential opportunities to create an enabling regulatory environment.	**Pillar 4.5.5** Our businesses are able to navigate regulatory and administrative systems to get things done.
5.7	Provide small business support networks and mentoring programs to help them overcome common difficulties, especially in the early stages of development.	**Pillar 4.1.3** We collaborate, supporting each other to succeed. We compete together.
5.8	Provide incentives to increase employment, especially of apprentices, graduates and trainees, to help local businesses resolve staffing challenges.	**Pillar 4.3.3** Provide incentives to increase employment, especially apprentices, graduates and trainees to assist with staffing problems.
5.9	Make local government tender processes straightforward and accessible.	**Pillar 4.5.5** Our businesses are able to navigate regulatory and administrative systems to get things done.

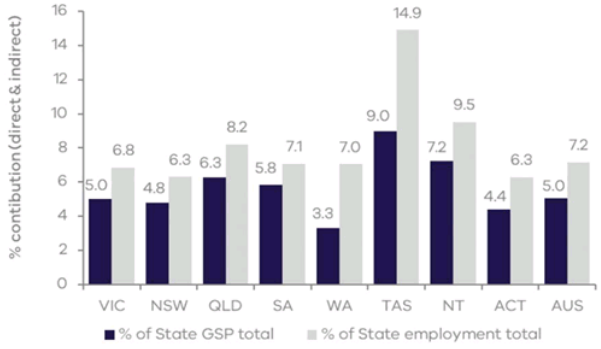
6. Tourism

Our research identified tourism as a considerable impacting factor on the Hobart economy. We recommend that this topic be considered an imperative factor to investigate in achieving sustainable environmental, economic and social growth[15]. We highlight tourism in this report as academic literature continually emphasised its importance and impacts. Yehia (2019) states that 'tourism is vital for the success of many economies around the world … [and tourism] boosts the revenue of the economy, creates thousands of jobs, develops the infrastructures of a country, and plants a sense of cultural exchange between foreigners and citizens'. This outlook is backed by numerous academic and other sources, including Tourism Research Australia, 2011; Australian Trade Commission, 2021 and Agaraj and Murati, 2009. Hobart's tourism sector is key to the local economy and this sector should be a key consideration when deriving an economic development strategy.

The tourism sector is an important part of Hobart's and Tasmania's economy, although previously it was not well presented or separated from many other traditional industries in economic profiles (id, 2021c). In the 2017-18 financial year, tourism, directly and indirectly, contributed approximately $3.2 billion or 10.3 per cent to Gross State Product (GSP) (Tourism Tasmania, 2019b). Direct contribution involves money spent directly within the tourism sector (e.g. visitor accommodation, transport, food services and retail trade). Indirect contribution is defined as money being spent elsewhere in the economy (i.e. the flow-on effect) (Tourism Research Australia, 2021b). In 2017-18, tourism supported 42,800 jobs or approximately 17.2 per cent of total Tasmanian employment (Tourism Tasmania, 2019b). The contributions of tourism to GSP and employment in Tasmania were the highest in the country (Tourism Tasmania, 2019b), which implicates a high reliance of Tasmania's economy on the tourism sector compared with the other states.

In the 2019-20 financial year, due to the damage caused by the COVID-19 pandemic, tourism's share of Tasmania's GSP decreased to 9 per cent and its share of employment decreased to 14.9 per cent (Tourism and Events Visitor Economy - Research Branch, 2021). However, these numbers were still the greatest in Australia, followed by those of the Northern Territory with 7.2 per cent and 9.5 per cent respectively, and those of Queensland with 6.3 per cent and 8.2 per cent (Tourism and Events Visitor Economy - Research Branch, 2021). These percentages imply a high reliance of Tasmania's economy on the tourism sector compared with the other states. Figure 9 below describes the contribution of total GSP and employment to each state and the national economy.

Figure 9: Tourism's share of total GSP and employment to each state and the national economy (Tourism and Events Visitor Economy - Research Branch, 2021)

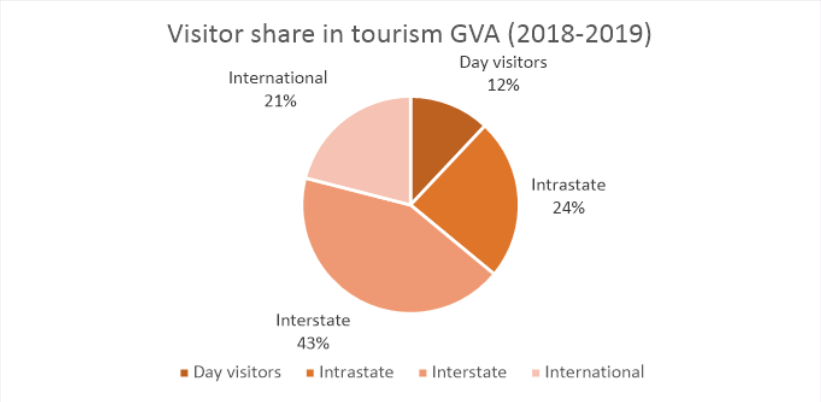


[15] Sustainable economic growth is a rate of growth which can be maintained without creating other significant economic problems, especially for future generations (Economics Online, 2020).

Tasmania's tourism wealth is reliant on interstate and international visitors. In the 2018-19 financial year, interstate and international visitors contributed approximately 64 per cent to the total tourism gross value added (GVA) in the state, whereas day-trippers[16] and intrastate visitors contributed only 36 per cent (Tourism Research Australia, 2020). The contribution of interstate and international tourism to tourism GVA in Tasmania was the third highest in the country, after only the Australian Capital Territory and Northern Territory (Tourism Research Australia, 2020). The share of international tourism in GVA also saw an increase of 3 per cent over the period from 2008-09 to 2018-19, as illustrated by Figures 10 and 11 below.

Figure 10: Visitor share in Tasmania's tourism GVA in 2008-2009 (produced by the authors, based on data from (Tourism Research Australia, 2020)

Figure 11: Visitor share in Tasmania's tourism GVA in 2018-2019 (produced by the authors, based on data from (Tourism Research Australia, 2020)



[16] Day visitors are those who travel for a round trip distance of at least 50 kilometres, are away from home for at least four hours and do not spend a night away from home. Same day travel as part of overnight travel is excluded, as is routine travel such as commuting between work/school and home (Tourism Research Australia, 2021a).

Hobart City is a major destination in Tasmania's tourism. Amongst 1,236,400 visitors coming to Tasmania in the year ending December 2016, almost 894,300 people chose Hobart as a place to visit and/or stay (City of Hobart, 2021c), equivalent to approximately 72 per cent of all Tasmania's visitors in the year. They stayed for an average of 4.3 nights in Hobart and spent an average of $1,734 per person (City of Hobart, 2021c). Besides the numbers listed above, an addition of almost 144,000 tourists visited Hobart by cruise ship in 2016. For the year 2018-19, which was immediately before the start of the COVID-19 pandemic, tourism and hospitality contributed a total value added of $935.15 million or 13.1 per cent of the total industry in Hobart (.id, 2021). Tourism has been identified as a key economic sector in this capital city since at least the 1890s (City of Hobart, 2018a).

Visitors are motivated to come to Hobart for several reasons. For interstate visitors, one reason is the availability of direct and/or cheap flights to Hobart (Tourism Research Australia, 2014). Moreover, the Southern Tasmanian region, which includes Hobart, is perceived by visitors as having diverse attractions, a good range of accommodation, and many activities in comparison with other regions (Tourism Research Australia, 2014). People have planned to visit around the region using the metropolitan hub of Hobart accordingly. Salamanca Market, kunanyi / Mount Wellington and, recently, the Museum of Old and New Art (MONA) have been the top attractions in the Greater Hobart region and Tasmania generally (Roy Morgan Research, 2021).

Another motivation for visiting Hobart is the place-branding of this city being a gateway to Antarctica (Leane and Nielsen, 2020). Hobart is one of the five port cities located near the South Polar region and able to provide convenient access to and from the far south (Leane and Nielsen, 2020). Therefore, Hobart has become an appealing destination not only for tourists interested in visiting and encountering Antarctic culture but also for visiting researchers. A large number of touristic, commercial, exploratory and scientific voyages have been reported to depart from Hobart recently (Leane and Nielsen, 2020). The Antarctic meetings and conferences during the Antarctic Centennial year from 2011-12 in Hobart contributed $2.75 million to the economy (Leane and Nielsen, 2020).

Chinese tourism is also an important part of Hobart's tourism sector. For over 5 years before 2016, the Chinese visitor market in Tasmania witnessed an average increase of 29 per cent annually (Tourism Tasmania, 2016). Chinese tourists have been reported to spend an average of 7.9 nights in Tasmania, and the majority of their stay was in Hobart and the South. Their most visited destinations were kunanyi / Mount Wellington and Salamanca Market. A favourite activity has been to purchase gifts from local businesses for their friends and family (Tourism Tasmania, 2016).

Hobart is a top tourist destination in Tasmania and has many opportunities for further growth. The following points outline current opportunities and challenges facing Hobart:

- the infrastructure required to support increasing numbers of tourists
- the effects of short-stay accommodation, such as Airbnb
- increased local government revenue
- employment creation and challenges faced by seasonal aspect of tourism
- the environmental impacts of tourism.

There will be a need to balance the growth in tourism with Hobart's sense of place to ensure the industry remains sustainable in the long-term. However, this might not be an easy to achieve.

6.1 Tourism benefits

6.1.1 Job creation

Tourism can generate employment opportunities for residents, with the United Nations stating that approximately 1 in 10 jobs is within the tourism sector globally (Behrens, 2018). As equitable employment is vital to increasing social inclusion, harmony and security, employment creation should be a high priority for economic development (Rifai, 2017). Job creation stemming from the tourism sector positively impacts other sectors of the economy, including construction, manufacturing and IT services (Rifai, 2017). It is estimated that every job in the core tourism sector generates approximately 1.5 additional or indirect jobs in the tourism-related economy (Rifai, 2017). The tourism sector is labour-intensive, permitting relative simplicity of market access, with limited barriers to entry (Meyer and Meyer, 2015). Policymakers identified tourism development as a possible solution to increasing employment rates for young people and lower-skilled workers (Meyer and Meyer, 2015).

Tasmania has the lowest year 12 attainment rates compared to the rest of Australia with Rowen and Ramsey (2018) stating that the 'Tasmanian public secondary schooling system reproduces socio-educational disadvantage to a much greater extent than elsewhere in Australia'. With this apparent educational disadvantage, a higher proportion of Tasmania residents would be classified as an 'unskilled worker' (Kagan, 2021). Unskilled labour is typically depicted through lower educational attainment (e.g. high school diploma) and results in lower wages (Kagan, 2021). With Tasmania and subsequently Hobart comprised of a lower-skilled labour force (compared to mainland counterparts), the tourism industry is an important employment opportunity to many. Tourism can provide many benefits for local areas, including poverty reduction (Meyer and Meyer, 2015). With the combination of low-skilled workers and high unemployment rates within the LGA, tourism could greatly benefit the Hobart economy by supporting the livelihoods of many residents.

In addition to employing the unskilled labour force, tourism also generates employment creation within local businesses, construction, IT services and a plethora of others. TAFE Western Sydney Institute published a shortlist outlining the industries that benefit from tourism, including;

- **Construction industry**: benefits from tourism through the creation, renovation and expansion of accommodation services and tourist attractions, as well as additional services tourists need
- **Telecommunication services**: provide improved communications to regions outside the CBD or metropolitan area
- **Utility providers**: install and maintain gas, electricity, water, plus other utilities resources and supplies
- **Transportation companies**: employ engineers and maintenance staff, drivers and distributors.
- **Businesses and suppliers**: provide consumable commodities to tourists
- **Manufacturers**: provide goods such as furnishings for accommodation and souvenirs
- **Auxiliary services**: provide laundry and plumbing services (TAFE Western Sydney Institute, no date).

The benefits to the Hobart economy in terms of employment opportunities generated by the tourism sector are vast and can positively impact economic growth. Tourism can employ many lower-skilled workers, enabling them to better support themselves financially. With greater familial incomes, the reliance on social services may reduce with residents now having the greater capacity

to house, feed and live comfortably within society with minimal social assistance. Additionally, if governments encouraged or mandated the consumption of a certain percentage or a specific annual expenditure percentage of locally sourced goods and services, this could result in increased revenues of local businesses and could see entrepreneurship flourish. The economic impacts of entrepreneurship on the local economy was discussed in Section 5.2.

6.1.2 Increased Revenue

The benefits tourism has on the local economy can be measured with the Tourism Multiplier Effect. In simple terms, this effect refers to how many times money spent by a tourist can circulate within an economy (Ma, 2014). Frechtling and Horváth (1999) state that the tourism multiplier represents the overall increase in output, labour earnings and employment through inter-industry linkages in a region, resulting from tourism expenditures.

As tourists typically spend a good proportion of their stay within Hobart, the likelihood they will purchase unique goods from local providers is high. The tourism multiplier effect comes into action when tourists spend money on souvenirs, unique local goods and visit local attractions, cafes and services. This additional business revenue received from tourists is redistributed throughout the economy through the consumption and selling of additional products. The TAFE Western Sydney Institute provided an excellent example of the tourism multiplier effect in action.

> 'Imagine that you travel from Australia to France and stay in a hotel. You are an inbound visitor and therefore bring new money into France. When you pay your hotel bill, you initiate a chain of events with this money. The money used to pay for the hotel accommodation may then be used (in part or in full) to pay wages of a hotel employee who subsequently uses their wage to purchase grocery items from the local supermarket. The local supermarket owner may then use some of that money to purchase petrol for their company or private car. In this example, the money is used over and over again, providing individuals and businesses with income' (TAFE Western Sydney Institute, no date).

This increased revenue experienced by local businesses is similar to the income benefits local businesses have on government revenue, described in Section 5.3.2. Increased business revenue generated through tourism may ultimately result in increased local government income through the increase of rates within the LGA, as well as revenue from tourism-related services, fees and charges.

6.2 Negative effects of tourism

6.2.1 Seasonal impacts on employment

Tourism typically operates in a cyclical pattern, with a seasonal rush followed by minimal activity (Behrens, 2018). With numerous flow-on effects generated by tourism, the off-peak season presents negative impacts on the local economy. With seasonal tourism demand variations, the livelihoods of business and service employees employed within the tourism sector are negatively affected (Behrens, 2018). In the off-peak season, unemployment rates increase and the number of jobs generated decreases (Morse and Smith, 2015).

Negative impacts generated from the off-peak season are both direct and indirectly observed. Direct consequences include a reduction in employees or work hours within the tourism sector; these impacts create a ripple effect in the local economy, prompting two, concurrent effects.

Effect 1:

With limited income, tourism employees may spend a higher proportion of their income on necessities like housing, food and utilities*. With less discretionary income, the consumption of luxury goods decreases. Reduced consumption of luxury goods results in decreased individual consumption levels. Diminished consumption negatively impacts business revenue. If reduced aggregate consumption is substantial, this may indicate that businesses need to reduce their expenditure. If companies reduce overhead costs, unemployment or reduced income can spread to a larger quantity of residents.

This cycle can repeat numerous times, gradually impacting an increasing number of businesses and employees. If this cycle affects a considerable number of businesses, the local economy can contract, which can indicate negative economic growth and recession.

*Effect 2:

This effect arises when households spend more on necessities.

When households spend larger quantities of their income on necessities, they try to minimise expenses. For example, consumers switch to substitute goods or find alternatives to a now luxury product. Cheaper goods are generally mass-produced and imported due to economies of scale (Chen, 2016). When residents buy mass-produced items, local businesses may suffer financially and inadvertently begin the cycle of Effect 1 to cut costs.

The reduced earning potential challenging employees and businesses reliant on the tourism sector can increase the dependence on social services. The two effects explored negatively impact economic growth at the local level, highlighting the importance of promoting tourism during the off-peak season. Generating intrastate and external tourists can minimise the negative impacts seasonal tourism has on the employment level. Devising niche experiences and events can encourage tourism within the off-peak season, minimising the impacts of the two effects. Examples of unique off-peak experiences Hobart can offer include:

- A winter survival training course. Can be targeted to provide training to new Antarctic workers and the general consumer. This showcases Hobart's environment, aligning with pillar 6.2.1 of the *Capital City Strategic Plan 2019-29.*
- A winter ice festival. This festival can remind residents that Hobart is a gateway city to Antarctica and aligns with pillar 4.5.3 of the *Capital City Strategic Plan 2019-29.*

To minimise the effects felt by seasonal tourism, moving away from the gig economy towards a more standard full-time employment model can limit the impacts of Effects 1 and 2. The Gig Economy includes short-term, project-based, outcome-defined work (Mills and Jan, no date). If the gig economy is well structured and legally protected, the non-standard work structure offers flexibility for employment demand and supply (Mills and Jan, no date). However, this economic structure is held responsible for employment insecurity in the market (Mills and Jan, no date). A 2019 article by Power states individuals employed casually are excluded from annual leave, as firms are not obligated to provide continual employment, limiting employee's access to rest and recreation (Power, 2019). Amidst experiencing income fluctuations, minimal entitlements and irregular employment, the likelihood of gig employees financially supporting themselves is doubted.

Incentivising businesses to hold more permanent employment positions can help smooth over the seasonal booms of employment and stabilise employment rates. This allows Hobart residents to generate a consistent income and reduce the impacts of Effects 1 and 2. Advocating for businesses within the tourism sector to transfer employees from casual to part-time can serve as an intermediate step in transiting towards more full-time standard employment.

6.2.2 Demand and expenditure for city services

The infrastructure available in a location is a determinant of the overall desirability of a tourism destination (Mohammad, 2009; Hospitality Net, 2017). Poor tourism amenities typically cause negative impacts on other aspects of tourism and can lead to lower investment levels, higher unemployment rates and weak tourism revenues (Mohammad, 2009). The growth of tourism depends significantly on the available adequate infrastructure provided (Mohammad, 2009; Haneef, 2017). For this reason, tourism increases the effective demand for infrastructure facilities offered (Zaei and Zaei, 2013). As the tourism industry promotes infrastructure investments, these investments also improve the living conditions of residents (Haneef, 2017). Examples of infrastructure developments motivated by tourism include airports, roads, marinas, sewage systems, water treatment plants, restoration of cultural attractions and nature centres (Haneef, 2017). Additionally, it has become crucial to ensure that infrastructure offered is to a high standard, with the most crucial aspect being safety and security (Haneef, 2017).

According to Haneef (2017) and Grzinic & Saftic (2012), there are seven steps local governments can accomplish to ensure adequate tourist infrastructure:

1. Ensure accessibility to and within the destination.
2. Improve communal infrastructure.
3. Develop new accommodation capacities.
4. Advance the service quality of the provided services.
5. Develop the necessary infrastructure.
6. Upgrade existing accommodation capacities.
7. Focus on destination safety and cleanliness.

Mohammad (2009) states that an attempt should be made when developing infrastructure to avoid as much congestion, overcrowding and environmental damage as possible.

With the infrastructure required by tourism, the costs to a given council can be immense. In many cases the cost of a service is reassigned from the state government to local government with no corresponding relocation of income to provide the service (Parliament of Australia, no date). With the variety of infrastructure demanded for tourism, the council would be left to fund an increasing number of services. The financial strains borne by local governments are displayed through the inadequate funding of asset maintenance of local government infrastructure, according to a 2007 report by the Australian CEOs Group. Councils typically generate income through rates, grants and fines and fees; however, increasing infrastructure expenditure may have a negative impact on the local economy (Local Government Victoria, 2015).

Increasing rates, fine or fees may place undue strain on struggling households within a local government area. Assuming that a household's income is remaining constant, increasing rates, fines and fees would reduce the amount of disposable income households have after paying required expenditures. With less income available to spend on goods, the consumption rate of households may decrease. With consumption rates decreasing, the number of sales businesses make would also

reduce, leading to less business revenue and activity. This in turn negatively impacts the economic prosperity of Hobart and can result in reduced investments.

The main challenge for local government is to balance the infrastructure tourism requires with the financing available. Tourism can place an increased strain on local councils' expenditure, which when passed on to residents, can negatively impact economic growth. Councils should locate a sustainable funding method to continue maintaining and expanding on tourism infrastructure, while minimising any increases in funding generated from residents.

6.3 The impacts of Airbnb and other short-stay accommodation platforms

Hobart's tourism industry has been shaped by the global emergence of new online marketplaces and accommodation services. The growth of online accommodation marketplace Airbnb has been substantial, with the company currently hosting over 7 million listings in more 100,000 cities across the world, and aims to accommodate 1 billion guests annually by 2028 (Barker, 2020). The growth of Airbnb has led to improved access to holiday lets, tourist affordability and unique experiences compared to what is found in hotels. The emergence of the platform has provided many economic benefits to local economies that receive greater tourist numbers and affordable holiday listings. The uptake of Airbnb has benefited landlords who can transform their properties into short-term listings that can offer more lucrative revenue than longer-term rental contracts.

Hobart has been heavily influenced by this global trend, with a recent Australian Housing and Urban Research Unit (AHURI) report showing that 12 per cent of all private rental properties were listed on short-term accommodation platforms. Hobart has one of the highest rates of Airbnb listings in Australia, with concerns being raised by the Tenants Union of Tasmania about the impacts on local communities (Uibu, 2020). Recently, the impacts of Airbnb on local economies has come under increased scrutiny and a global spotlight. A report from the Economic Policy Institute analysed the influence that Airbnb is having on local economies and found that the economic costs of Airbnb likely outweigh its benefits (Barker, 2020). Economist Josh Bivens summarises that 'the costs of Airbnb to renters and local jurisdictions likely exceed the benefits to travellers and property owners, thus there is no reason policymakers should reverse long-standing regulatory decisions simply to accommodate the rise of a single company' (Bivens, no date).

The conversion of rental properties into Airbnb listings can provide impacts similar to gentrification, as more tourists occupy properties, rental supply decreases and prices increase causing the displacement of local residents who slowly become priced out of the market (Barker, 2020). Although this issue is in its infancy in Hobart, many larger cities around the world are experiencing severe housing crises partly due to the influence that short-stay accommodation is having on housing markets. Many countries and cities have recognised the impact that short-term accommodation platforms are having on their local communities and housing costs. For example, Berlin has enforced restrictions against short-term lets on online markets like Airbnb since 2016, which requires landlords to acquire a permit if they want to rent 50 per cent or more of their main residence as a short let (Barker, 2020).

Although Airbnb represents a small proportion of total housing in any city, it can represent a large percentage in certain neighbourhoods and areas popular with tourists. For example, a 2015 study found that 9.6 per cent of Barcelona's total housing was listed on Airbnb, but this proportion rose to 16.8 per cent of housing in the city's popular Gothic Quarter. This rise in short-stay accommodation in the city has provided similar effects to gentrification and has displaced many local residents who are being priced out of the market. In a study of 42 Barcelona residents, 40 discussed the impacts

that short-term accommodation were having on displacement, tenant expulsions, harassment and daily disruptions (Guttentag, 2018). Similar studies undertaken in Los Angeles in 2014 found that almost half of Airbnb listings were clustered in seven neighbourhoods, which saw rents increase 30 per cent faster than the city average (Guttentag, 2018).

Housing markets are influenced by a range of factors, and it is likely that Airbnb is only one input alongside broader supply shortages and regulatory inefficiency. However, in situations where the vacancy rate is already extremely low, even small changes to housing supply can have significant impacts.

The uptake of Airbnb listings in Hobart provides strong economic benefits by encouraging more tourists to visit the city which helps to support local businesses and the broader economy. However, Hobart's current housing market is currently experiencing a severe shortage, with many local residents being unable to find consistent affordable housing. A healthy housing market is the bedrock to a strong economy and regulatory mechanisms should be enacted to ensure an affordable housing supply is available to Hobart's residents. As such, a strong economic development strategy should provide a clear framework for how short-term accommodation platforms such as Airbnb will be regulated to ensure the housing market does not become overly inflated and local communities are not displaced.

Analysis of the impact of SSA on housing affordability was included Section 3.7, with a recommendation provided in Section 3.9.

6.4 The longevity of tourism

Tourism has seen considerable growth in the world over the last century, with international tourist arrivals increasing from 25 million globally in 1950 to over 1.32 billion in 2017 (Sustainable Tourism, 2018). The industry has become a significant contributor to the world's economy, creating employment for millions of workers and representing approximately 10 per cent of global GDP in 2016 (Sustainable Tourism, 2018). However as more nations are expanding their tourism industries, consumption of natural resources, adverse biodiversity impacts and pollution are all increasing (Briassoulis and Straaten, 2013). Tourism can also impact socio-cultural aspects of an area by breaking down the cultural traditions of a society and displacing locals through the gentrification of popular areas (Briassoulis and Straaten, 2013) These impacts highlight the need for balanced management and informed planning to ensure the tourism industry can operate sustainably into the future (Sustainable Tourism, 2018).

Ecotourism has emerged as an alternative to traditional tourism which seeks to minimise the impact on the environment and local culture, ensuring the same resources will be available for future generations. Ecotourism is defined as economically, socio-culturally and environmentally sustainable, where conducting ecotourism ensures sociocultural and environmental impacts are neither permanent nor irreversible (Weaver, 2001). Ecotourism goes further than monetary motives and seeks to maintain and give back to the resources it uses and the environment it occupies. For example, Tasmanian tourism provider Maria Island Walks takes visitors on luxury four-day walking tours around the island, offering premium accommodation and gourmet food and wine (Great Australian Secret, 2018). The business emphasises that its operations have minimal impact on the island's environment and gives back by contributing to local conservation projects such as Save the Tasmanian Devil programme (Great Australian Secret, 2018).

Tasmania generally employs high standards of responsible tourism to ensure that human impact on natural assets is minimised where possible. Tasmania's tourist appeal is primarily derived from the

state's unique geographical assets and this has led to tourism operators adopting strong practices to protect the environment (Great Australian Secret, 2018). For example, Pennicott Wilderness Journeys offer a variety of boat trips from Hobart's waterfront while implementing strong environmental practices. This business is completely carbon-neutral, has high ecotourism accreditation and undertakes annual sustainability assessments. They employ local staff, use local produce and products and donate to several conservation and community projects (Great Australian Secret, 2018). The success and longevity of Hobart's tourism industry will be determined through the ability of government and businesses to regulate the industry and ensure that economic, environmental and societal impacts are sustainably managed.

6.5 Sustainability as a competitive advantage

Capitalising on a business's sustainability of operations is increasingly becoming a source of competitive advantage in the tourism industry (Kuokkanen and Rios-Morales, 2013). As consumers are becoming more informed about the scientific evidence linking environmental externalities with economic activity, they are demanding stronger social responsibility from companies (Kuokkanen and Rios-Morales, 2013). Results from surveys conducted by Accenture Strategy found that most consumers choose to purchase goods and services from firms that take a stand on important social, cultural, political and environmental issues (Parletta, 2019). The study identified that two-thirds of consumers will prefer to buy goods and services from businesses whose practices align with their core values. In particular, over 60 per cent of respondents said they support companies that are committed to reducing their usage of single-use plastics and improving environmental outcomes (Parletta, 2019).

Companies that choose to neglect their social responsibilities are becoming increasingly boycotted by consumer groups (Parletta, 2019). In the Hobart economy, there is a strong public desire to maintain the city's natural values and implement sustainable practices. For example, in 2013 the *Tasmanian Plastic Shopping Bags Ban Act 2013* was established as a result of public dissatisfaction with the damage these single-use shopping bags were having on Tasmania's environment (EPA Tasmania, 2013).

However, many critics of corporate social responsibility (CSR) claim that practice is wasteful as it stifles economic activity by burdening businesses with unnecessary costs. There have been considerable studies undertaken that suggest CSR has a positive relationship with Corporate Financial Performance (CFP). Results from meta-analysis studies of corporate social performance by Margolis and Walsh (2003) found that there is a clear beneficial relationship between corporate social performance and corporate financial performance. These studies found significant evidence that corporate social performances supports a company's financial growth rather than hinders it (Kuokkanen and Rios-Morales, 2013). This is largely due to the positive reputation a business earns which is reflected in increased consumer demand for their products and services. CSR can ensure firms invest in innovative new practices, strategies and technology such as replacing older equipment with energy-efficient alternatives that lower long-term costs.

Tourism businesses are becoming increasingly aware of this demand for social responsibility and many have adapted their operations to involve more sustainable practices (Scott, de Freitas and Matzarakis, 2009). This adaption not only provides societal benefits but also serves as a source of comparative advantage for businesses. Businesses that can highlight their capacity as an accredited sustainable organisation can gain increased demand from many tourists that seek out products and services that reflect Tasmania's 'clean and green' image. Ensuring Hobart's tourism industry is

sustainable is not only required to ensure it can remain viable in the long-term but also to ensure that businesses are competitive and can maintain their social licenses.

6.6 Recommendations

	Recommendations	Alignment with community vision
6.1	Encourage off-peak season tourism via a variety of experiences, events and festivals.	**Pillar 7.4.1** We invite visitors and tourists to enjoy our city and recognise their important contributions to city life.
6.2	Encourage the transition from casual employment structures to permanent part-time and full-time contracts within the tourism industry.	**Pillar 4.3.4** We enable everyone to participate in the economic life of the city.
6.3	Ensure adequate tourism infrastructure as outlined by Haneef (2017) and Grzinic & Saftic (2012, p. 44): 1. Ensure accessibility to and within the destination. 2. Improve communal infrastructure. 3. Develop new accommodation capacities. 4. Advance the service quality of the provided services. 5. Develop the necessary infrastructure. 6. Upgrade existing accommodation capacities. 7. Focus on destination safety and cleanliness.	**Pillar 7.3.2** Our infrastructure, services and other aspects of our built environment support equal access for all.
6.4	Encourage the consumption of a certain percentage of locally sourced goods and services within the tourism sector.	**Pillar 2.3.1** Enhanced by its human scale, Hobart thrives on connectedness—to each other, our places and spaces, our services and activities. We create opportunities for new connections to develop.
6.5	Promote and advocate for sustainable Hobart-based tourism business models to ensure the industry remains viable and prosperous in the long-term.	**Pillar 2.2.9** We welcome visitors, and we strike a balance between meeting the needs of tourists and the needs of our communities.

7. Climate change, energy and environmental health

7.1 The economics of climate change

Our research identified climate change, energy and environmental health to have considerable influence over Hobart's current and future economy. Our literature review resulted in a range findings underlining threats and opportunities stemming from these issues, in particular how they shape economic development. These findings suggest an economic development strategy would be significantly enhanced by their inclusion.

Climate change presents a threat to the global economy and the most significant negative externality to date. An economic externality is an unintended cost or benefit that occurs to a third party outside of a transaction, where external costs or benefits are not reflected in the final cost of a product or service (Corporate Finance Institute, 2015). Externalities create problems for economies as they make markets inefficient, which can eventually lead to market failure. Negative externalities are produced from poorly defined property rights; the ambiguous ownership of common resources creates a situation where individuals start to consume or produce more while part of the cost is received by an unrelated party (Corporate Finance Institute, 2015). This is evident in climate change, as inefficient economic activity is contributing to enhanced carbon emissions and is adversely impacting the welfare of future generations. The issue is global in nature; policy actions taken by governments are seldom useful unless there is a coordinated global response (Chenkov-Shaw, 2019). The environmental consequences and economic implications of climate change are difficult to comprehend and absorb. Governments do not have a clear vision for how short-term investments in climate intervention will generate direct benefits in the long run. Simultaneously, the climate change debate has become increasingly polarised and ideologically-rooted. The scale of climate change and its impacts makes it unlike any other negative externality. Addressing climate change will require significant innovation, critical thinking and collaboration across nations (Deloitte, 2020b). Putting a price on climate change will discourage firms from polluting and incentivise them to adopt sustainable production practices to remain competitive. Restructuring the way nations allocate resources is key to improving global environmental outcomes and placing a price on climate change will be key to achieving this (Chenkov-Shaw, 2019).

7.2 The Australian context

A recent report undertaken by Deloitte Access Economics found that if climate change continues to be substantially unregulated, Australia's economy will shrink by 6 per cent and have 880,000 fewer jobs by 2070 (Deloitte, 2020b). This contraction represents a $3.4 trillion dollar cost to the Australian economy and will severely impact industries across mining, manufacturing, services, trade and tourism (Climate Council, 2019).

The reality is that Australia's current economic activity is resulting in a warming world and a changing climate. It is becoming increasingly apparent that the costs of climate change are rising each year along with the costs of taking preventative action (Deloitte, 2020b). Insufficient policy action and the failures of governments to take firm action to address climate change is increasing Australia's risk of a climate catastrophe (Deloitte, 2020b). In 2020, both public and economic policy rapidly progressed to provide swift recovery from the COVID-19 pandemic. This scenario has highlighted the inconsistency in policy approaches and speed and scale of action, i.e. strong climate change mitigation policy, while an serious necessity, has not been developed at a similar rate. The

economic impacts and consequences of climate change should be considered with the similar urgency, as the consequences of climate change will be irreversible.

The issue of climate change has arisen from the false economic assumption that the environment is an endless resource, where production systems can generate unconstrained greenhouse gas emissions to create unconstrained growth (Deloitte, 2020b). This linear view has been challenged by an overwhelming amount of scientific data that tells us the current system of economic production is unsustainable and that it is creating physical change to the earth's climate that is damaging the environment, biodiversity, economic growth and humanity's welfare (Climate Council, 2019). This data has caused governments around the world to re-evaluate the perception that unconstrained emissions create unconstrained growth.

The climate change debate has become increasingly important, but discussions almost always become fixated on the significant costs of acting. This apparent tension highlights the underlying issue and fundamental flaw of how the climate debate is viewed. Viewing the costs of taking climate action against an economic future that assumes the economy will continue to grow with unconstrained emissions and consequences is problematic (Deloitte, 2020a). This viewpoint results in a debate that weighs up a high cost of addressing climate change against few benefits. Instead, this economic baseline needs to be rejected in favour of one that identifies unconstrained emissions to be detrimental to economic growth. In the long-run, damages to the environment result in damages to the economy and this needs to be accounted for in decision-making (Deloitte, 2020a). The policy choices over the next few years will be instrumental in shaping the climate outcomes for the next few decades. This narrow window of time presents the opportunity to take the change to prevent a warming planet and the disastrous economic implications that come with it (Deloitte, 2020b).

Economic modelling undertaken by Deloitte Access Economics identified that an economic future where Australia and the rest of the world do not mitigate the worst effects of climate change would result in a global average warming of 3°C by 2070. Over the next 50 years, this would result in a reduction in Australia's economic growth by 3 per cent per year and cost around 310,000 jobs per year every year (Deloitte, 2020a). The costs associated with climate change will compound yearly and by 2055 it is expected that Australia will suffer economic losses equivalent to the COVID-19 pandemic annually (Deloitte, 2020b). Climate change will have considerable macroeconomic impacts on Australia, such as reduced agricultural yields, damages to property, commodity price increases and broad financial instability (Climate Council, 2019). A warmer climate will impact our ability to work outside, build infrastructure, live where we choose and enjoy recreation such as weekend sport.

However, in the wake of the COVID-19 pandemic, we have a significant opportunity to act on climate change and avoid severe economic disaster. Government and private sector investment should be utilised to drive Australia's energy transition and shift to a low emissions economic structure. Achieving a low emissions economy will require supporting jobs in high-growth industries, improving Australia's infrastructure, utilising technological progress and increasing emissions efficiency across key industries (Climate Council, 2019).

7.3 The Tasmanian context

Tasmania is not immune from the impacts of climate change. The health of the state's economy will be inherently linked with Australia’s and the world's ability to achieve effective emissions reduction.

The Climate Futures for Tasmania Project (CFT) was an initiative undertaken to analyse climate change projections at a local scale in order to coordinate the state's response (Climate Futures for Tasmania, 2015). The CFT project conducted climate modelling using the Intergovernmental Panel on Climate Change's (IPCC) A2 scenario (high emissions) and B1 (low emissions) scenario. The analysis found that under the high emissions scenario (A2), Tasmania's mean temperature will increase by 2.9°C over the century (Climate Futures for Tasmania, 2015). This projection suggests that temperature increases will be smaller in the early part of the century but the rate of change will increase considerably later in the century. Under the low emissions scenario (B1), Tasmania's mean temperature is expected to increase by 1.6°C over the 21st century, with a lower rate of change compared with the A2 scenario. The results from the study also found that increased rainfall will occur in Tasmania's coastal regions while the central highlands and the north-west will see reductions in rainfall (Climate Futures for Tasmania, 2015). The decreased rainfall in these areas will likely impact water runoff and catchment facilities and has the potential to negatively impact the state's production of hydroelectricity.

7.4 Renewable energy generation

The Tasmanian Government has identified emissions reductions to be a key priority for the state and is outlined in the *Tasmanian Renewable Energy Action Plan* (Department of State Growth, 2020a). Tasmania is currently Australia's largest producer of renewable energy, currently producing enough energy for the state to be 100 per cent self-reliant (World Economic Forum, 2020). The state's long-running investment in renewable energy has seen it become a global leader in emissions reductions, having reduced emissions by 95 per cent from 1990 levels (Department of State Growth, 2020a). The renewable energy industry will be a significant driver of Hobart's economic growth. Investment in the state's capacity to generate renewable energy will create jobs, increase energy security, lower prices and improve environmental outcomes. The State Government has legislated a target to increase renewable energy production by 200 per cent of current needs by 2040 (Department of State Growth, 2020a). This ambitious target would enable Tasmania to export a significant energy capacity to supply the growing demand for clean energy.

Tasmania has a natural competitive advantage in the production of renewable energy. The abundance of water and wind resources has underpinned the industry's sustained growth. The state has had a century-long history of hydro-industrialisation, and this has positioned Tasmania as a world leader in the production of renewable energy (Department of State Growth, 2020b). As nations across the world strive to decarbonise their economies, the use of hydrogen produced from renewable sources is emerging as a tool to achieve this goal. Tasmania has the potential to export renewable hydrogen energy to domestic and overseas energy markets, and current scenario modelling suggests the business of supplying global hydrogen demand is likely to be a substantial one (Australian Renewable Energy Agency, 2018). The availability of hydroelectric infrastructure, knowledge and natural resources allows the state to be internationally competitive and produce hydrogen at a low cost. The State Government is committed to developing a renewable hydrogen industry in Tasmania and has pledged $50 million in support measures over 10 years (Department of State Growth, 2020b).

The growth of this industry will be largely beneficial for the Hobart economy. Although renewable energy production will likely take place regionally, the investment will support a range of office and administrative jobs in the Hobart city centre. As the capital of Tasmania, Hobart will be a key hub for the state's renewable hydrogen industry, having the capacity to contract with domestic and overseas markets, undertake research and offer a range of energy consulting services. The State

Government's *Renewable Energy Action Plan* estimates that a renewable hydrogen industry could add $5.7 billion to the Tasmanian economy, with a significant portion flowing into the Hobart economy (Department of State Growth, 2020a). The production of renewable hydrogen could also provide domestic benefits to Hobart. For example, the uptake of hydrogen buses through Metro Tasmania would provide a host of environmental benefits and contribute to Hobart's green image. The renewable hydrogen industry is an exciting prospect for the Hobart economy and efforts should be made to support the development and uptake of hydrogen end use. There should be strong strategy that aligns with the State Governments *Renewable Hydrogen Action Plan* to encourage the growth of hydrogen related research and technical services industries in Hobart. Tasmania's ability to develop a world class renewable hydrogen industry could create a first-mover advantage[17] for the state. This would see Tasmania establish contracts with international markets and achieve an early advantage over emerging competitors.

7.5 Hobart's environment

Hobart's unique environment, natural values and proximity to bushland sets it apart from other capital cities and is a significant draw for tourists and migrants. The city's environmental health, biodiversity, pollution control and aesthetic presentation are all key inputs that determine its attractiveness as a place to live, work and invest. Ensuring Hobart's natural values are not compromised during development is key to establishing economic longevity. Creating an environment that provides all the amenities for business to be successful will be conducive to investment and a flourishing business community. Hobart's built and natural environment will be key to achieving this, and ensuring the city's services and environment can comfortably meet demand will be required to attract future investment.

The Hobart floods of 2018 demonstrated the damage natural disasters can inflict on the economy. The engulfment of streets, businesses and shopping precincts resulted in damages of more than $5 million and stagnated business activity across the city (Bailey, 2018). Although natural disasters cannot be prevented, risks can be minimised through implementing effective environmental management practices. Innovative management techniques such as Water Sensitive Urban Design (WSUD) can be used to reconfigure urban water infrastructure, minimising impacts on ecosystems and increasing water efficiency. This design method utilises natural processes to create infrastructure that reduces flood risk and improves local ecologies (Derwent Estuary Program, n.d). Designing infrastructure that maintains the natural hydrologic behaviour of catchments whilst protecting ecological processes is a win-win, as flood resilience can increase while creating attractive green spaces (Melbourne Water, 2015). Innovative developments that utilise natural processes to improve societal and environmental outcomes should be investigated and promoted when deriving economic strategy.

The impacts of climate change pose serious risks for the Hobart economy. In particular, Hobart's proximity to bushland makes it vulnerable to increased frequency and severity of bushfires under current climate predictions. Hobart is one of the most bushfire-prone cities in Australia and strong management and policy is required to protect people, property and natural assets. Bushfire fuel reduction programs and other practices are being implemented year-round to increase Hobart's resilience. The increased severity and occurrence of bushfires highlights a need for significant

[17] A first mover is a business that gains a competitive advantage by being the first to enter a market with a product or service. Being first typically enables a company to establish strong brand recognition and customer loyalty before competitors enter the industry (Tarver *et al.*, 2020)

investment in comprehensive management plans, preventative strategies and fire-awareness promotion. Other climate-associated impacts to the Hobart economy will likely include coastal erosion, property inundation, infrastructure damage, increased power outages and demand for health services (University of Sydney, 2019). These impacts will be substantial to Hobart's economy, and an up-to-date climate change adaption plan is required to formally outline a set of strategies to increase the city's resilience.

7.6 Improving Hobart's energy efficiency

The City of Hobart has taken substantial energy efficiency initiatives across the city to reduce its energy expenditure, improve its efficiency of operations and increase its sustainability. In the last decade, the city has undertaken 85 major energy efficiency projects, saving over $1 million in energy costs in 2019-20 (City of Hobart, 2020b). These savings were driven by the City's *Corporate Energy and Greenhouse Gas Program* that has achieved a reduction in energy use of 40.4 per cent on 2010 levels and seen a reduction of greenhouse gas emissions by 19.9 per cent (City of Hobart, 2020b). These achievements were made possible through significant restructuring of the city's assets, such as improving the insulation of large buildings and transitioning street lighting to use energy efficient globes (City of Hobart, 2020b). These savings are impressive, and further investigation should be undertaken to identify future energy saving strategies. Reducing the city's energy costs ensures a larger pool of funds are available to allocate to other city services. This enhances Hobart's economic development while improving environmental outcomes.

The significant energy savings made across council assets highlights the potential for businesses to take similar action. Increasing the energy efficiency of Hobart's private sector will reduce operating costs and improve businesses' bottom-line. Small actions taken to improve energy efficiency can result in big savings in the long run, which can be used to drive further investment, business expansion and employment. Businesses can improve their energy usage in several ways such as undertaking an energy audit, purchasing energy-efficient equipment, reducing peak demand and improving the insulation of office sites (Constellation Energy, 2021). A cumulative investment into energy efficiency across Hobart's industries will see the city's energy costs significantly decline, drive economic development and strengthen the city's green image. The City of Hobart could seek to engage Hobart businesses with energy-efficiency and market the benefits it can bring to their businesses. One strategy the council could pursue would be providing workshops on energy-efficiency to small business owners to discuss benefits, possible actions and calculating equipment payback costs. Energy usage has considerable influence on the Hobart economy, and ways to improve efficiency should be investigated when creating an economic development strategy.

7.7 Recommendations

	Recommendations	Alignment with community vision
7.1	Continue to update Hobart's climate change adaption strategy in line with recent climate data, economic modelling and advancements in technology.	**Pillar 6.5.3** We mitigate climate change and have adaptation strategies in place.
7.2	Investigate opportunities to incorporate 'working with nature' urban design methods into the city's built environment to increase environmental resilience.	**Pillar 6.5.1** We have designed and maintained our city's infrastructure so it can handle extreme weather events.
7.3	Undertake energy efficiency renovations on City properties and provide strategic	**Pillar 6.4.3**

	Recommendations	Alignment with community vision
	workshops to local businesses to share cost reduction strategies while supporting positive economic and environmental outcomes.	Best practice in energy efficiency is our standard. We ensure buildings and infrastructure lead to the best possible environmental outcomes.
7.4	Support the uptake of a Tasmanian renewable hydrogen industry and market Hobart's capacity as a key consultancy and services hub.	**Pillar 6.4.2** Renewable energy systems power our city.

8. Conclusion, limitations and summary of recommendations

8.1 Summary of recommendations

This report summarises implications for economic development in Hobart, based on detailed analyses of six fundamental themes in the city as follows:

1. Changing demographics
2. Housing affordability
3. Transport
4. Local businesses
5. Tourism
6. Climate change, energy and environmental health

This report provides 35 recommendations based on findings from a range of academic, government, peak body, and other sources. The report covers the above six topics in-depth, and recommendations to do with those topics are provided below. We outlined additional topics for future research, and further investigation is recommended (see Recommendation 1.1 and Section 8.2 below).

Some recommendations pertain specifically to the local government role (for example, Recommendation 4.2). Others raise issues outside of local government's direct control, but where identifying a role or capacity to influence would be valuable to encouraging positive economic outcomes for Hobart (for example, Recommendations 3.4 and 8.1).

Section 1: Global, national and local trends

1.1 Address the limitations of this report through further research, for example, involving case studies and stakeholder engagement.

In particular, consider investigating the additional topics raised in Section 8.2: educational attainment levels, technology, academic research, international students, shift in power from government to private sector, rise of misinformation/lack of consumer information, level of government spending, public and active transport, and hotel development.

Section 2: Demographic change

2.1 Identify policies that enhance Hobart's attractiveness and capacity as an education and work destination.

2.2 Look into a domestic and international work exchange programs, encouraging professionals to work in Hobart for a specified period.

2.3 Investigate opportunities to increase efficiency and supply of Hobart's health facilities and aged care services.

2.4 Advocate to the Tasmanian Government to explore a range of policy strategies that reduce the incentive of an early retirement. For example, investigating 'phased in retirement' schemes that encourage older people to remain in the workforce longer instead of retiring early.

Section 3: Housing affordability

3.1 Promote housing infill options to establish more housing supply within the City.
3.2 Promote training and employment opportunities for construction trade workers and labourers.
3.3 Look further into short-stay accommodation and its effect on the housing market. It may be of interest to advocate for expansion of the *Short Stay Accommodation Act 2019* to include more stringent limitations or requirements on short-stay accommodation (SSA) hosts.
3.4 Increase social housing options to support current housing demand. This can include emergency housing services, as well as medium to long-term housing support services.
3.5 Generate a new legislative framework that mandates universal design standards in social housing, co-designed by social housing providers and tenants.

Section 4: Transport and sustainable economic development

4.1 Consider impacts of major investments in road infrastructure (motor vehicle ways) in the city.
4.2 Consider impacts of changes to parking space provision in the city centre.
4.3 Explore and provide opportunities to encourage the shift from private vehicle use to other active and sustainable transport modes.
4.4 Consider streets as a type of transport infrastructure and consider investing in pedestrian environment (e.g. footpaths, seating, awnings, public art and active frontages) within the City's transport investment strategies and budgets.
4.5 Conduct in-depth research on the particular characteristics of the city and explore the potential for efficient investment on sustainable transport modes and infrastructure.
4.6 Liaise with public community and local businesses to promote a shift towards sustainable transport modes and sustainable economic development.

Section 5: Local businesses

5.1 Create walkable business districts that are attractive to pedestrians.
5.2 Work with the Tasmanian Government to support business development.
5.3 Continue to foster entrepreneurship within Hobart and investigate factors that support entrepreneurship.
5.4 Encourage the environmental sustainability of small businesses, including investigating business owner education as a means of increasing uptake of environmentally-friendly business activities.
5.5 Offer or direct businesses to materials supporting and teaching general business skills (cash flow, obtaining capital, budgeting, information technology and managing overheads).
5.6 Consult Hobart-based small businesses to identify specific issues and the potential opportunities to create an enabling regulatory environment.
5.7 Provide small business support networks and mentoring programs to help them overcome common difficulties, especially in the early stages of development.
5.8 Provide incentives to increase employment, especially of apprentices, graduates and trainees, to help local businesses resolve staffing challenges.
5.9 Make local government tender processes straightforward and accessible.

Section 6: Tourism

6.1 Encourage off-peak season tourism via a variety of experiences, events and festivals.
6.2 Encourage the transition from casual employment structures to permanent part-time and full-time contracts.
6.3 Ensure adequate tourism infrastructure as outlined by Haneef (2017) and Grzinic & Saftic (2012, p. 44):
1. Ensure accessibility to and within the destination.
2. Improve communal infrastructure.
3. Develop new accommodation capacities.
4. Advance the service quality of the provided services.
5. Develop the necessary infrastructure.
6. Upgrade existing accommodation capacities.
7. Focus on destination safety and cleanliness.

6.4 Encourage the consumption of a certain percentage of locally-sourced goods and services within the tourism sector.
6.5 Promote and advocate for sustainable, Hobart-based tourism business models to ensure the industry remains viable and prosperous in the long-term.

Section 7: Climate change, energy and environmental health

7.1 Continue to update Hobart's climate change adaption strategy in line with recent climate data, economic modelling and advancements in technology.
7.2 Investigate opportunities to incorporate 'working with nature' urban design methods into the city's built environment to increase environmental resilience.
7.3 Undertake energy efficiency renovations on City properties and provide strategic workshops to local businesses to share cost reduction strategies while supporting positive economic and environmental outcomes.

7.4 Support the uptake of a Tasmanian renewable hydrogen industry and market Hobart's capacity as a key consultancy and services hub.

Section 8: General recommendations

8.1 Advocate for a behavioural economics section to be established within the Tasmanian Government, similar to the Behavioural Economics Team of the Australian Government (BETA). Such a function would assist the Tasmanian Government in designing more effective public policies based on defined, rather than assumed, behaviour (Institute of Public Administration Australia, 2021).

8.2 Topics for further research

As stated within the methodology limitations, the time constraint presented restrictions on the number of issues included within the report. Themes to be investigated within further research include the following.

Educational attainment levels

Empirical analysis conducted by Pegkas (2014) revealed a long-term relationship between educational attainment and GDP. Results indicate that secondary and tertiary education has a

statistically significant positive influence on economic growth. Increasing the average schooling years strengthens the economy only if education boosts cognitive skills (Hanushek *et al.*, 2008).

Technology

Technology plays a significant role in driving economic growth through its ability to increase the efficiency of labour. New developments in technology will have the capacity to change how Hobart's economy operates and functions. For example, machine learning, artificial intelligence, cloud computing, autonomous vehicles and 5G networks are all emerging technologies with implications for global, national and local economies. An economic development strategy should consider the adoption and regulation of new technologies in Hobart.

Academic research

Within macroeconomics, new and evolving knowledge generated through academic research is likely to present an economy with numerous benefits in regards to innovation, development and economic growth (Pinto and Teixeira, 2020). Academic research provides economic growth and development opportunities, through direct commoditisation of research outputs, and innovation, through business-university collaboration (University Alliance, National Centre for Universities & Business, and Innovate UK, 2014). This collaboration is vital to encourage new businesses and to increase efficiencies and value of existing firms in the market (University Alliance, National Centre for Universities & Business, and Innovate UK, 2014).

International students

International education accounted for $376 million of the Tasmanian economy in 2017 (Department of State Growth, 2021). In addition to GDP contribution, international education contributes significantly to Tasmania's social and economic opportunities, through the promotion of global linkages and enhancing cultural and linguistic diversity (Department of State Growth, 2021). Overseas students provide an entrepreneurial and diverse part-time workforce to sustain the fast-growing tourism and hospitality sectors, generating direct and indirect economic benefits to the local economy (Deloitte Access Economics, 2015; Department of State Growth, 2017).

Shift in power from government to private corporations

Global corporations have succeeded in obtaining trade and investment liberalisation policies, creating the freedom to actively chase international profits (Anderson and Cavanagh, 2000). These companies persuaded governments to take an aloof approach to private monopolies, arguing that mega-mergers are required for firms to compete in global markets (Anderson and Cavanagh, 2000). One report concluded that obtaining widespread trade and investment liberalisation contributed to an environment where influential corporations enjoy high economic and political power exceeding the benefits provided to society (Anderson and Cavanagh, 2000).

Rise of misinformation and lack of consumer information

A recent study revealed that approximately 50 per cent of CEOs questioned highlighted their concern that misinformation could threaten business growth (Nicol *et al*, 2021). If businesses suffer stagnating or reduced growth due to misinformation and disinformation, the economy may function at a slower growth rate than anticipated. The Hobart local government will not be able to stop the spread of misinformation however understanding the impacts it has on the economy will provide a greater understanding to better plan for economic growth.

Equally as concerning are the impacts that a lack of consumer information can have on market efficiency. The Nobel-prize winning economist George Akerlof analysed this impact in his 'market for lemons' example. In this example, Akerlof illustrates how an asymmetry of information between sellers and buyers can result in either a market's collapse, reduced profitable exchanges or only low-quality products being supplied (Chen *et al.*, 2020). Firms can also capitalise on a lack of consumer information to raise their prices above the competitive level and increase their market power. This creates a deadweight loss in markets, as less goods are supplied to consumers than at the competitive level (Chen *et al.*, 2020). The implications of imperfect consumer information are far-reaching and has potential to stifle the Hobart economy.

Level of government spending to stimulate economic growth

Economic growth largely depends on the level of public goods and infrastructure provided by the government (De Mello, 2002). Government spending within specific sectors can support the economic growth of local communities, with spending on health and sanitation having the strongest impact on economic growth at the local level (De Mello, 2002). Investigating the relationship between government spending and economic growth is vital to establish a solid foundation of the key sectors underpinning economic growth and understanding how to utilise said relationship in economic decision making.

Public transport

Public transport, including rail and bus transport, can contribute to reducing urban traffic congestion and congestion costs if executed correctly (Buchanan, 2019; Litman, 2020). Public transport is also related to lower pollution emissions and crash incidents compared to private motor vehicles (Litman, 2020). Australia has high expectations for public transport, particularly rail transport, with almost $1.8 billion estimated to be spent on rail transport in 2020-2021 (Delbosc, 2015). However, it is worth noting that not all investment in public transport can provide sustainable benefits to society and the economy. Adopting the appropriate modes of public transport to invest in is important. A recent study has shown that bus rapid transit has significantly more advantages for cities than light rail, with benefits including lower costs, greater flexibility and less disruption (McGreevy, 2021).

Active transport

Active transport is also called non-motorised transport and mainly refers to walking and cycling (Litman, 2021). These modes of transport have been found to positively impact economic development as they involve modest roadway costs, parking costs, energy costs, and crime risks in comparison with cars and private vehicles (Litman, 2021). In addition, walk-friendly districts and foot traffic have been found to be more beneficial to local businesses than car-based mobility (Transport Research Board of National Academies, 2012; Tavares and Chaiechi, 2019).

Active transport also includes other variants such as wheelchairs, scooters, and other types of mobility aids (Litman, 2021). These lightweight devices or mini-vehicles are considered as micro-mobility solutions (Abduljabbar et al., 2021). With advances in technology, micro-mobility is becoming more popular as a shared transport mode, which can be rented and booked using applications on mobile devices (Abduljabbar et al., 2021). This trend provides substantial ecological, social, and economic benefits, including increased efficiency and travel time savings, increased accessibility to locations that have limited public transport services, and reduced car dependency and congestion. However, how to manage footpaths and curb space effectively to accommodate shared micro-mobility on the street, and how to ensure micro-mobility can be more accessible and

equitable for different groups of users are some of the emerging challenges (Abduljabbar et al., 2021).

Tourism and hotel development

The tourism boom and the increased demand for tourist accommodation have driven a recent surge in hotel development in Tasmania and Hobart, with 779 new rooms opened or under construction in Hobart between 2018-19, with other 224-room hotel investments having been approved by mid-2019 for development (The Urban Developer, 2017; Property Council of Australia and Tourism Industry Council Tasmania, 2019). One on hand, these developments can have positive impacts in terms of both public revenue and local business growth. On the other, they have resulted in some conflicts among various stakeholders, including local residents, developers, advocate groups and the local government. There have been several concerns and debates about the height limit for development in Hobart and the number of parking spaces provided with new hotel development in the CBD (Business Consultative Group 2021, pers. comm., 5 May; Burgess, 2018; Howard, 2020).

8.3 Conclusion

Strong economies underpin the health of local communities and raise welfare levels of residents. Hobart's economy is complex, and the growth of the city and its industries is influenced by a broad range of factors. The key themes analysed in this report were identified based on their capacity to influence the Hobart economy, their potential to raise the welfare standards of residents and the interests and backgrounds of the report's producers. However, it is important to recognise that these themes are strongly interrelated; what happens to one sector of an economy can influence numerous other areas of an economy. For example, increases in Hobart's tourist visitor numbers may provide detrimental effects to the city's housing affordability and traffic congestion.

Our research has identified various threats to the Hobart economy which may restrict the city's long-term economic growth. The city's ageing population presents a significant and long-term challenge for the economy, as the labour force size decreases and demand for health care and aged services increases. The city will need to consider strategies to encourage migration and fill vacancies in high-demand industries.

This challenge is strongly associated with other issues pertaining to Hobart's current housing supply and affordability. This report suggests housing affordability has worsened considerably as Hobart's housing values have surged due to a lack of supply, construction worker shortages, aggressive investor demand, low wage growth and an increase in the number of short-stay accommodation listings in the city. The increase in the city's housing unaffordability over recent years now threatens to negatively impact the city's economic growth, as workers and middle-class families are increasingly discouraged from living in the city. A lack of affordable housing can limit the level of migration into Hobart, as migrants are drawn to other capital cities with more affordable housing options available.

Hobart's current transport infrastructure is facing pressure from increased demand from daily commutes into the city, resulting in high traffic congestion and associated costs (e.g. financial costs, such as for infrastructure, and other impacts, such as from vehicle emissions). This is partly attributed to Hobart's growing car ownership culture and the availability of parking spaces, free-parking and low parking fees that incentivise individuals to drive into the CBD. Instead, investing in other active and sustainable modes of transport such as public transport, cycling and walking may be more viable in the long-term, due to their capacity to produce less pollution emissions, lower traffic congestion and costs.

Hobart's small businesses are facing a range of challenges relating to a complex and evolving market environment. The report's findings suggest a need for greater business support and communication between government and businesses to enable a prosperous business community in Hobart. The growth in the city's tourism industry can provide challenges for employment security, housing supply, city services and sustainability.

Climate change presents one of the most severe threats to Hobart's economic longevity, as climate-related impacts and shocks disrupt economic activity.

However, none of these challenges is entirely unique to Hobart, as the city seeks to address a range of global issues shared with other cities across the world. Overall, Hobart exhibits a strong economy and is positioned well to create economic growth over various industries in the next decade. The city has several competitive advantages that distinguishes itself from alternative cities, creating a unique and attractive place to live, work and study. The report's recommendations suggest a range of opportunities that can be implemented to assist sustainable economic growth. Hobart is in a promising situation to leverage its key opportunities to create a strong, resilient and diverse economy that can support the welfare of its residents and communities.

An economic development strategy produced by the City of Hobart should encompass a wide array of strategic policies that enable investment, innovation and growth in line with a shared community vision outlined in previous strategies. Economic development should take a holistic approach and focus on sustainable long-term investment strategies to avoid boom/bust cycles. Overall, Hobart's upcoming economic development strategy will be a key resource that shapes the city's future. As such, an extensive and collaborative effort should be made to ensure it reflects the values of its residents, businesses and other stakeholders.

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6.2 2021-22 Fees and Charges Adjustment - Tasmanian Travel and Information Centre - Community Life
File Ref: F21/70139

Report of the Manager Activation Programs and Tourism and the Director Community Life of 22 July 2021 and attachment.

Delegation: Council

REPORT TITLE: **2021-22 FEES AND CHARGES ADJUSTMENT - TASMANIAN TRAVEL AND INFORMATION CENTRE - COMMUNITY LIFE**

REPORT PROVIDED BY: Manager Activation Programs and Tourism
Director Community Life

1. Report Purpose and Community Benefit

1.1. The purpose of this report is to present a revised set of proposed fees and charges for the Tasmanian Travel and Information Centre (TTIC) for the 2021-22 financial year.

1.2. The adjustment is required as there are delays to the relocation of the TTIC from 20 Davey Street to the ground floor of the Council Centre and the proposed new fees will be included in the 2021-22 TTIC advertising prospectus.

2. Report Summary

2.1. The Council at its meeting of 24 May 2021 approved a set of advertising fees and charges for the Tasmanian Travel and Information Centre for 2021-22.

2.2. As it was expected that the TTIC would relocate from its current premises at 20 Davey Street by the end of the 2020-21 financial year these fees and charges reflected new advertising opportunities in the Council Centre.

2.3. The relocation of the TTIC has been delayed and as a result, a new set of advertising fees and charges has been prepared.

2.4. The new fees and charges apply to the 2021-22 financial year and relate to advertising opportunities in the current building, 20 Davey Street.

3. Recommendation

That the schedule of fees and charges for the Tasmanian Travel and Information Centre, Community Life Division, marked as Attachment A to this report, be adopted for the 2021-22 financial year.

4. Background

4.1. The Council at its meeting of 24 May 2021 approved a set of advertising fees and charges for the Tasmanian Travel and Information Centre for 2021-22 in accordance with the requirements of the Council Pricing Policy and Guidelines dated 30 January 2020.

4.2. The fees and charges approved by the Council reflected advertising opportunities in the Council Centre as it was expected that the TTIC would relocate from its current premises at 20 Davey Street by the end of the 2020-21 financial year.

4.3. The relocation of the TTIC has been delayed and as a result, a new set of advertising fees and charges has been prepared.

4.4. The new fees and charges apply to the 2021-22 financial year and relate to advertising opportunities in the current building, 20 Davey Street.

4.5. The new fees and charges are lower than fees and charges approved for 2019-20 (and proposed for 2020-21) to reflect the uncertainty of tourism in the current COVID-19 pandemic, as well as the loss of Q1 this financial year, due to the lateness of having the advertising prospectus available.

4.5.1. At the time of preparing this report, Tasmania's borders are closed to Victoria and New South Wales.

4.5.2. The identified benefits associated with relocating from 20 Davey Street to co-locate with Customer Services in the Council Centre include, amongst others, a reduction in operating overheads, a flatter staffing structure and visibility of the travel centre service to 'locals' using the centre.

4.6. The total income generated through the proposed revised fees and charges is estimated to be in the order of $155,375. This represents approximately $40,000 less income than originally proposed for the 2021-22 financial year.

5. Proposal and Implementation

5.1. It is proposed that the attached schedule of fees and charges for TTIC be implemented for the 2021-22 financial year.

6. Strategic Planning and Policy Considerations

6.1. The proposal for new fees and charges is undertaken in accordance with Council's Pricing Policy and Guidelines.

7. Financial Implications

7.1. Funding Source and Impact on Current Year Operating Result

7.1.1. Fees and charges for the TTIC are accounted for within the 2021-22 budget estimates for the Community Life Division (Activation Programs and Tourism Unit).

7.1.2. The total income generated for the 2021-22 financial year is estimated to be $155,375, or $40,000 less than originally forecast.

7.2. Impact on Future Years' Financial Result

7.2.1. The impact on future year's financial results would be subject to the Council's annual review process of fees and charges.

8. Legal, Risk and Legislative Considerations

8.1. Pursuant to section 205 of the *Local Government Act 1993 (Tas)*, Council may impose fees and charges for various services.

9. Delegation

9.1. This matter is delegated to the Council.

As signatory to this report, I certify that, pursuant to Section 55(1) of the Local Government Act 1993, I hold no interest, as referred to in Section 49 of the Local Government Act 1993, in matters contained in this report.

Iris Goetzki
MANAGER ACTIVATION PROGRAMS AND TOURISM

Tim Short
DIRECTOR COMMUNITY LIFE

Date: 22 July 2021
File Reference: F21/70139

Attachment A: 2021-22 Fees and Charges Adjustment - Tasmanian Travel and Information Centre ⇩

Adjusted 2021-22 Fees & Charges: Tasmanian Travel and Information Centre/Information Centre

Fee Description	2019-2020 Fee incl. GST	2020-2021 Fee incl. GST	Pricing Method	Last Changed (type 2021/2022 if applicable)	Proposed Fee 2021 - 2022 incl. GST	2020-2021 Fee incl GST ADJUSTED	Fee includes GST (Y/N)	GST $	Unit	Comment
A 1% surcharge applies to all payments made by credit card for all Tasmanian Travel and Information Centre/Information Centre fees										
General Brochure Displays										
Toursim Industry Council Tasmania accredited businesses										
DL brochure	$250.00	$250.00	Market Pricing	2021/2022	$270.00	**$205.00**	Y	$18.64	each	
DL brochure half year			Market Pricing	**New Fee**		**$103.00**	Y	$9.36	each	
A4/A5 brochure	$450.00	$450.00	Market Pricing	2021/2022	$460.00	**$340.00**	Y	$30.91	each	
A4/A5 brochure half year			Market Pricing	**New Fee**		**$170.00**	Y	$15.45	each	
General Brochure Displays - Non-tourism Accredited										
Tourism Industry Council Tasmania non-accredited businesses										
DL brochure	$375.00	$375.00	Market Pricing	2021/2022	$395.00	**$296.00**	Y	$26.91	each	
DL brochure half year			Market Pricing	**New Fee**		**$148.00**	Y	$13.45	each	
A4/A5 brochure	$495.00	$495.00	Market Pricing	2021/2022	$500.00	**$375.00**	Y	$34.09	each	
A4/A5 brochure half year	$495.00	$495.00	Market Pricing	**New Fee**		**$188.00**	Y	$17.09	each	
General Brochure Displays - Food, Drink & Retail								$0.00		
DL brochure	$250.00	$250.00	Market Pricing	2021/2022	$270.00	**$205.00**	Y	$18.64	each	
DL brochure half year			Market Pricing	**New Fee**		**$103.00**	Y	$9.36	each	
~~A4/A5 brochure~~	~~$450.00~~	~~$450.00~~	~~Market Pricing~~	~~2021/2022~~	~~$460.00~~		~~Y~~	~~$41.82~~	~~each~~	Remove
~~A3 Poster~~										
~~Central pole A3 poster - annual~~					~~$500.00~~		~~Y~~	~~$45.45~~	~~each~~	Remove
~~Central brochure rack end window facing A3 poster - annual charge~~					~~$350.00~~		~~Y~~	~~$31.82~~	~~each~~	Remove
~~Central brochure rack end A3 poster - annual charge~~	~~$500.00~~	~~$500.00~~	~~Market Pricing~~	~~2013/2014~~	~~$500.00~~		~~Y~~	~~$45.45~~	~~each~~	Remove
Prime position angled display A1			Market Pricing	**New Fee**		**$2,000.00**	Y	$181.82	each	
Prime position angled display A1 half year			Market Pricing	**New Fee**		**$1,000.00**	Y	$90.91	each	
Pillar-end poster display				**New Fee**		**$375.00**	Y	$34.09	each	
Pillar-end poster display half year				**New Fee**		**$188.00**	Y	$17.09	each	
Pillar poster package				**New Fee**		**$600.00**	Y	$54.55	each	
Pillar poster package half year				**New Fee**		**$300.00**	Y	$27.27	each	
Advertising Displays								$0.00		
A1 Internal landscape light box	$1,200.00	$1,200.00	Market Pricing	2021/2022	$1,100.00	**$900.00**	Y	$81.82	each	
A1 Internal landscape light box half year			Market Pricing	**New Fee**		**$450.00**	Y	$40.91	each	
~~Events screen - per month~~			~~Market Pricing~~	~~2021/2022~~	~~$300.00~~		~~Y~~	~~$0.00~~	~~each~~	Remove
~~Events/digital screen package (centre+mall) per month~~			~~Market Pricing~~	~~2021/2022~~	~~$500.00~~		~~Y~~	~~$0.00~~	~~each~~	Remove
LED video screen display	$2,500.00	$2,500.00	Market Pricing	2017/2018	$2,500.00	**$2,000.00**	Y	$181.82	each	
LED video screen display half year			Market Pricing	**New Fee**		**$1,000.00**	Y	$90.91	each	
On the go screen package - per 30 sec ad	$600.00	$600.00	Market Pricing	2017/2018	$600.00	**$500.00**	Y	$45.45	each	
On the go screen package - per 30 sec ad, half year			Market Pricing	**New Fee**		**$250.00**	Y	$22.73	each	
A1 Internal portrait light box (window site and brochure)			Market Pricing	2021/2022	$1,500.00	**$2,000.00**	Y	$181.82	each	
A1 Internal portrait light box (window site and brochure) half year			Market Pricing	**New Fee**		**$1,000.00**	Y	$90.91	each	
Prime retail screen and brochure			Market Pricing	**New Fee**		**$900.00**	Y	$81.82	each	
Prime retail screen and brochure half year			Market Pricing	**New Fee**		**$450.00**	Y	$40.91	each	
Special featues										
Featured Business of the Week										
~~Special board - non-peak season~~	~~$75.00~~	~~$75.00~~	~~Market Pricing~~	~~2018/2019~~	~~$75.00~~		~~Y~~	~~$0.00~~	~~each~~	Remove
DL brochure stand - weekly			Market Pricing	**New Fee**		**$90.00**	Y	$8.18	each	
Itinerary Feature										
~~Per quarter~~	~~$100.00~~	~~$100.00~~	~~Market Pricing~~	~~2017/2018~~	~~$75.00~~		~~Y~~	~~$0.00~~	~~each~~	Remove
Per month			Market Pricing	**New Fee**		**$75.00**	Y	$6.82	each	

Fee Description	2019-2020 Fee incl. GST	2020-2021 Fee incl. GST	Pricing Method	Last Changed (type 2021/2022 if applicable)	Proposed Fee 2021 - 2022 incl. GST	2020-2021 Fee incl GST ADJUSTED	Fee includes GST (Y/N)	GST $	Unit	Comment
~~Prime Position~~ Exclusive options								$0.00		Exclusive options are site specific
Exclusive offer 1a - ~~wall banner (vertical, mezzanine) full year~~			Market Pricing	2021/2022	$6,000.00	**$6,600.00**	Y	$600.00	each	
Exclusive offer 1 half year			Market Pricing	**New Fee**		**$3,300.00**	Y	$300.00	each	
~~Exclusive offer1b - wall banner (vertical, mezzanine) half year~~			~~Market Pricing~~	~~2021/2022~~	~~$3,000.00~~	**$3,300.00**	~~Y~~	~~$300.00~~	~~each~~	Remove
Exclusive offer 2 half year			Market Pricing	**New Fee**		**$900.00**	Y	$81.82	each	
~~Exclusive offer 2a - wall banner (above exit) full year~~			~~Market Pricing~~	~~2021/2022~~	~~$8,000.00~~		~~Y~~	~~$0.00~~	~~each~~	Remove
~~Exclusive offer 2b - wall banner (above exit) half year~~			~~Market Pricing~~	~~2021/2022~~	~~$4,000.00~~		~~Y~~	~~$0.00~~	~~each~~	Remove
Exclusive offer 3			Market Pricing	**New Fee**		**$3,000.00**	Y	$272.73	each	
Exclusive offer 3 half year			Market Pricing	**New Fee**		**$1,500.00**	Y	$136.36	each	
~~Exclusive offer 3a - wall banner (east facing) full year~~			~~Market Pricing~~	~~2021/2022~~	~~$8,000.00~~		~~Y~~	~~$0.00~~	~~each~~	Remove
~~Exclusive offer 3b - wall banner (east facing) half year~~			~~Market Pricing~~	~~2021/2022~~	~~$4,000.00~~		~~Y~~	~~$0.00~~	~~each~~	Remove
Exclusive offer 4			Market Pricing	**New Fee**		**$2,500.00**	Y	$227.27	each	
Exclusive offier 4 half year			Market Pricing	**New Fee**		**$1,250.00**	Y	$113.64	each	
~~Exclusive offer 4 - refreshment refrigerator branding~~			~~Market Pricing~~	~~**2021/2022**~~	~~$4,000.00~~		~~Y~~	~~$0.00~~	~~each~~	Remove
Exclusive Offer 5			Market Pricing	**New Fee**		**$900.00**	Y	$81.82	each	
Exclusive Offer 5 half year			Market Pricing	**New Fee**		**$450.00**	Y	$40.91	each	
~~Exclusive offer 5 - DST map~~			~~Market Pricing~~	~~**2021/2022**~~	~~$3,200.00~~		~~Y~~	~~$0.00~~	~~each~~	Remove
Exclusive Offer 6			Market Pricing	**New Fee**		**$2,500.00**	Y	$227.27	each	
Exclusive Offer 6 half year			Market Pricing	**New Fee**		**$1,250.00**	Y	$113.64	each	
Exclusive Offer 7			Market Pricing	**New Fee**		**$2,500.00**	Y	$227.27	each	
Exclusive Offer 7 half year			Market Pricing	**New Fee**		**$1,250.00**	Y	$113.64	each	
Exclusive Offer 8			Market Pricing	**New Fee**		**$900.00**	Y	$81.82	each	
Exclusive Offer 8 half year			Market Pricing	**New Fee**		**$450.00**	Y	$40.91	each	
Exclusive Offer 9			Market Pricing	**New Fee**		**$5,000.00**	Y	$454.55	each	
Exclusive Offer 9 half year			Market Pricing	**New Fee**		**$250.00**	Y	$22.73	each	
~~Mall Booth~~ Elizabeth Mall Info Hub										
Digital video screen - 1/2 year			Market Pricing	**New fee**		**$900.00**	Y	$81.82	each	
Digital video screen - monthly	$300.00	$300.00	Market Pricing	2017/2018	$300.00	**$300.00**	Y	$27.27	each	
~~Digital video screen - quarterly~~	~~$700.00~~	~~$700.00~~	~~Market Pricing~~	~~2017/2018~~	~~$700.00~~		~~Y~~		~~each~~	Remove
~~Digital video screen - weekly~~			~~Market Pricing~~	~~2021/2022~~	~~$150.00~~		~~Y~~		~~each~~	Remove
Digital video screen - weekly feature			Market Pricing	**New Fee**		**$150.00**	Y	$13.64	each	
Brochure display - DL	$300.00	$300.00	Market Pricing	2017/2018	$210.00	**$205.00**	Y	$18.64	each	
Brochure display - DL half year			Market Pricing	**New fee**		**$103.00**	Y	$9.36	each	
Brochure display - A4/A5	$425.00	$425.00	Market Pricing	2017/2018	$380.00	**$340.00**	Y	$30.91	each	
Brochure display - A4/A5 half year			Market Pricing	**New Fee**		**$170.00**	Y	$15.45	each	

7. COMMITTEE ACTION STATUS REPORT

7.1 Committee Actions - Status Report

A report indicating the status of current decisions is attached for the information of Elected Members.

RECOMMENDATION

That the information be received and noted.

Delegation: Committee

Attachment A: Economic Development and Communications Committee Open Status Report

ECONOMIC DEVELOPMENT AND COMMUNICATIONS COMMITTEE – STATUS REPORT

OPEN PORTION OF THE MEETING

July 2021

Ref	Meeting	Report / Action	Action Officer	Comments
1.	**COVID-19 ECONOMIC RECOVERY PLAN – JULY 2021 UPDATE** Council, 5/7/2021, Item 14 **COVID-19 ECONOMIC RESPONSE AND RECOVERY FRAMEWORK AND ACTION PLAN** Council, 17/12/2020, Item 15 **COVID-19 ECONOMIC RESPONSE AND RECOVERY** Council, 10/08/2020, Item 15	That: 1. The COVID-19 Economic Response and Recovery Framework and Action Plan 2020-22 – July update, marked as Attachment A to item 6.2 of the Open Economic Development and Communications Committee of 24 June 2021 be endorsed as the second and final update to COVID-19 economic recovery planning. 2. The Council note the shift in focus from economic recovery to economic development as of this update. 3. The updated framework and action plan marked as Attachment A to item 6.2 of the Open Economic Development and Communications Committee of 24 June 2021 be provided to the Economic Recovery Business Consultative Group for information and discussion. 4. Officers continue to engage with the Economic Recovery Business Consultative Group on the future of Hobart's economy, seeking their input on the new economic development strategy as it is progressed. 17 December 2020 4. The Lord Mayor,[and] Chair of the Economic Development and Communications Committee and Chair of the Finance and Governance Committee seek to coordinate a meeting with relevant Australian and/or Tasmanian Government representatives to inform economic recovery planning.	Director Community Life	Complete The Council decision 5 July 2021 has been noted and actioned. 4. The Lord Mayor will raise this request directly with the Premier during their next quarterly meeting. Officers will maintain contact with departmental representatives, with respect to any updates to the recommendations made by PESRAC.

Ref	Meeting	Report / Action	Action Officer	Comments
2.	**ECONOMIC DEVELOPMENT ISSUES PAPER PRESENTATION** Committee, 24/6/2021, Item 6.1	That the item be deferred to a workshop to be conducted at the appropriate time.	Director Community Life	This matter is listed on the agenda.

8. QUESTIONS WITHOUT NOTICE

Section 29 of the *Local Government (Meeting Procedures) Regulations 2015*.
File Ref: 13-1-10

An Elected Member may ask a question without notice of the Chairman, another Elected Member, the Chief Executive Officer or the Chief Executive Officer's representative, in line with the following procedures:

1. The Chairman will refuse to accept a question without notice if it does not relate to the Terms of Reference of the Council committee at which it is asked.
2. In putting a question without notice, an Elected Member must not:
   (i) offer an argument or opinion; or
   (ii) draw any inferences or make any imputations – except so far as may be necessary to explain the question.
3. The Chairman must not permit any debate of a question without notice or its answer.
4. The Chairman, Elected Members, Chief Executive Officer or Chief Executive Officer's representative who is asked a question may decline to answer the question, if in the opinion of the respondent it is considered inappropriate due to its being unclear, insulting or improper.
5. The Chairman may require a question to be put in writing.
6. Where a question without notice is asked and answered at a meeting, both the question and the response will be recorded in the minutes of that meeting.
7. Where a response is not able to be provided at the meeting, the question will be taken on notice and
   (i) the minutes of the meeting at which the question is asked will record the question and the fact that it has been taken on notice.
   (ii) a written response will be provided to all Elected Members, at the appropriate time.
   (iii) upon the answer to the question being circulated to Elected Members, both the question and the answer will be listed on the agenda for the next available ordinary meeting of the committee at which it was asked, where it will be listed for noting purposes only.

9. CLOSED PORTION OF THE MEETING

RECOMMENDATION

That the Committee resolve by majority that the meeting be closed to the public pursuant to regulation 15(1) of the *Local Government (Meeting Procedures) Regulations 2015* because the items included on the closed agenda contain the following matters:

- Confirm the minutes of the Closed portion of the meeting
- Questions without notice in the Closed portion

The following items are listed for discussion:-

Item No. 1	Minutes of the last meeting of the Closed Portion of the Committee Meeting
Item No. 2	Consideration of supplementary items to the agenda
Item No. 3	Indications of pecuniary and conflicts of interest
Item No. 4	Questions Without Notice