

Cracow University of Economics

Local Economical Development

Policies for sustainable growth

of Hobart,

State Capital of Tasmania / Australia

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1. Introduction

This paper follows-up the first paper, in which a comprehensive SWOT-analysis was conducted. The results of that research will be evaluated and further developed. To be realizable, specific policies to overcome the problems and take advantage of strengths identified will be suggested. Following these policies, the authors anticipate that the prospective future of Hobart will be marked by sustainable growth.

2. Utilization of the SWOT-analysis findings

Combining the findings of the SWOT-Analysis, several suggestions were provided in the first paper and outlined here:

To **pursue new opportunities which fit to the strengths** Tasmania and Hobart should be further extended as attractive tourist destinations and its environment should be understood as natural resource. Businesses and high-qualified staff should be attracted with Hobart's good conditions so that due to low labour cost Hobart can become the "Ireland of Australia".

To **eliminate weaknesses using new opportunities** the importance of the port and the airport should be extended and the rail traffic vitalized. Attractive employers should be located to reverse the brain-drain which makes people settle there, both should increase the domestic market. Beside number of nights tourist stay in town, Hobart's business and employer diversity should be increased to ensure stable growth.

To **deploy strengths to deflect threats**, state-of-the-art management techniques for council and municipality should be continued to use. Advantage of carry-over effects of the strong brand "Tasmania" should be taken as well as businesses which are independent of the need to be close to its market like IT-based call centres should be boosted. The significant fracture of residents of overseas origins should be used to innovate products, services and processes. The availability of hydro-energy and environmental friendly technology could be exploited e.g. by establishing a new vessel to Antarctica with a hybrid engine and SkySail Technology.¹

Finally **defences to avoid existing weaknesses** becoming targets of threats should be developed by researching how "isolation" can be an advantage since it's not a disadvantage under all circumstances, it might be interesting for some branches. Furthermore a mutual understanding that protection of environment has limits should be conveyed and a cluster e.g. in seafood industry could be created to integrate crucial parts of the value chain to achieve synergy effects and appreciate Hobart through agglomeration of economies.

¹ SkySails are wind propulsion systems. For more information see <http://www.skysails.info>

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To broaden the findings of the SWOT-analysis, Tasmania shall be additionally compared with New Zealand. New Zealand is the next “nearby place”² beside other states of Australia, so Tasmania and its vital capital Hobart evidently in the long run has to compete with New Zealand while making every effort to attract new businesses and inhabitants. Using the Global Competitiveness Index, Australia as the “country” Tasmania belongs to, has the lead. All in all, Australia ranks position 19 out of 131 nations worldwide in the “Global Competitiveness Index”, just behind France and five positions prior to New Zealand.

	Australia	New Zealand
Global Competitiveness Index 2007-2008	19	24
Subindex A: Basic requirements	12	17
Institutions	13	9
Infrastructure	18	33
Macroeconomic stability	34	36
Health and primary education	17	4
Subindex B: Efficiency enhancers	10	18
Higher education and training	14	12
Goods market efficiency	11	9
Labor market efficiency	13	9
Financial market sophistication	7	4
Technological readiness	17	23
Market size	20	59
Subindex C: Innovation and sophistication factors	23	25
Business sophistication	28	29
Innovation	22	25
Business Competitiveness Index 2007-2008	18	22
Sophistication of company operations and strategy	24	25
Quality of the national business environment	15	20

Out of 131 countries / economies

Figure 1: Ranked global competitiveness of Australia and New Zealand³

² The capital of New Zealand, Wellington, is about 2,000 km / 1,300 mi away. Distances determined by using “Google Maps Distance Range Finder”. Cf. <http://maps.google.de>

³ Own figure highlighting advantageous factors, based on “The Global Competitiveness Index”, cf. <http://www.gcr.weforum.org/>, 2008-04-26

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So Tasmania's neighbour, New Zealand, ranks position 24 which on the first glance seems to be a quite similar "place", but on the second sight there are some differences which might play an important role while attracting businesses and people as well as while forming policies. Notably differences in the ranking shall be analysed briefly.

Australia fares better than New Zealand in infrastructure (Tasmania also could do better here e.g. with only one relevant port and its poor railway system), technological readiness (which is good in Hobart due to e.g. excellent communication infrastructure and open-minded residents), market size (which is not fully applying considering only small Tasmania) and the quality of national business development, the latter fully applying for Tasmania which puts strong efforts on its state development through its own "Department of Economic Development".⁴

On the other hand, Australia's health and primary education come off comparably bad but the authors are convinced that this doesn't apply for Hobart being the centre of the island, gathering especially health⁵ and educational institutions⁶.

Australia's business competitiveness is ranked on position 18 out of 131, since its business development – also and especially in Tasmania – is advanced emphatically it also does better than New Zealand and considerably better than e.g. Italy (42) or Poland (56).

To sum up the short additional analysis up can be said that Hobart especially has to take care of its surrounding – Tasmania's – infrastructure to get improved continuously to outcompete New Zealand.

⁴ <http://www.development.tas.gov.au/>

⁵ Cf. http://www.hobartcity.com.au/HCC/STANDARD/IMMUNISATION_AND_HEALTH.html

⁶ Cf. http://en.wikipedia.org/wiki/Education_in_Tasmania

3. Policies

Cities concentrate a lot of activity on a small amount of land and therefore offer advantages. The city of Hobart on the sparsely populated Tasmania⁷ e.g. allows to reduce search and transaction costs, to smooth demand and to encourage specialisation.⁸ Additionally, since through agglomeration more activity is going on nearby also innovation is made easier,⁹ e.g. through spill-over effects within the concentrated workforce.

This chapter provides policies that in all likelihood will create and continue Hobart's endogenous and sustainable growth as a city and agglomeration. Following the concept of the policy circle,¹⁰ the SWOT-analysis and the further research can be understood as an agenda setting which now serves as the basis of the policy formation. It will be pointed out, what the authors think the chosen policies will effect and therefore are reasonable.

Following Richard Florida's idea of the "creative class", places like the city of Hobart for a sustainable growth require "technology, talent and tolerance" to attract the vital workforce.¹¹

The policies will be subsumed under these three factors.

3.1 Technology: Having the technological infrastructure which is necessary to fuel an entrepreneurial culture

The **infrastructure needs to be vitalized** especially to connect Hobart to international destinations. This makes it easier for businesses and businessmen to easily travel to Hobart and transact business there. Therefore Hobart's airport without a night-flight ban should be supported e.g. with tax holidays to be an attractive destinations for airlines as well as the port should benefit from low state and municipal fees to attract more "traffic". A subsidized, frequently starting minibus-fleet could directly connect Hobart and Westport in the north of the island (which has the main ferry connection to Australia).

⁷ In Hobart the density of population is 150 / km² while whole Tasmania only has 7 / km².

Cf. <http://en.wikipedia.org/wiki/Hobart>

⁸ Cf. O'Flaherty, B., p. 31

⁹ Cf. O'Flaherty, B., p. 16

¹⁰ Cf. http://en.wikipedia.org/wiki/Policy#Policy_cycle

¹¹ Cf. http://en.wikipedia.org/wiki/Creative_class#Places_of_high_creative_class_populations

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Hobart already has several industries like food-processing (especially aquaculture seafood, but also e.g. a Cadbury-Schweppes chocolate factory), ship-builders, Antarctica-services, brewery and wine-growers or a zinc smelter beside several call-centre businesses providing e-services for remote customers. This **diversity of businesses should be further facilitated** by the authorities – which as well increases the creativity of the resident workforce.¹² The authors think that especially for the Antarctica-services an **agglomeration of niche-industries** could result in specialisation, increasing returns to scale and lower search-costs as well as innovation.¹³ Same is valid for the aquaculture-seafood production, all self-evident requirements for such a cluster of businesses like the sea, cooled storage and transportation is already available.

Latter “industries” are basically interested in being eco-friendly and non-polluting and therefore are comparable more suitable for Hobart than more ecologically influencing / harmful industries like smelters, pulp mills etc. – which due to the good energy and raw material supply nevertheless also can be build up to reasonable agglomerations. Beside that, a research in Sweden showed that patent activity is higher if a larger share of employment is concentrated in chemicals, electronics and transport industries than in pulp and paper. This clashes with Hobart planned 1,6 billion pulp mill.¹⁴

Tourism should be understood as an industry. Like every industry also tourism needs and can use technology, e.g. for the remote natural parks around Hobart GPS-based handheld-guides can be developed by the tourist department in cooperation with a company. In and around Hobart more than 270 “geocaches” are hidden as a part of the world-wide treasure-hunt game called “geocaching”. They can attract tourists as well when combined with those handheld-GPS-guides.¹⁵

¹² Cf. Andersson, R. et al., p. 462

¹³ Cf. Ebenda, p. 450

¹⁴ Cf. Ebenda, p. 459

¹⁵ Cf. <http://www.geocaching.com/seek/gmnearest.aspx?lat=50.05773&lng=19.93887>

3.2 Talent: Having a highly talented, educated and skilled population

During the 1990s, the region was confronted with a “brain-drain” as well as a drain of trained and experienced working population especially to Melbourne and Sydney. The efforts of the states authorities e.g. by creating favourable economic conditions throughout Australia resulted in a reverse of that drain.¹⁶ Since 2001 the population is growing again and today more people than ever before live in Hobart.¹⁷ It is important to **continue to attract and create talent and creativity furthermore**. Since it is not only the quantity but also the quality of the workforce, beside continuing the actions to increase the population another policy should **improve the qualification of the immigrants and residents**. Having a talented workforce can be seen as a “magnet for globalization innovation, so the jobs go to the people”.¹⁸

The density and scale of Hobart’s regional activity being the centre of the island will have a strong influence on its creativity.¹⁹ Since everybody is creative,²⁰ the city council should **intensify the creativity** e.g. by establishing an “Hobart-Creativity-Day” where all inhabitants, workforce as well as young, retired, child-care-taking persons systematically try to find creative solutions for problems and opportunities in their environment. This approach encourages people to be innovative, activates idle creativity and creates a common bond among the residents – something which might be called “city identity”. The result could be published in international media to signal “outsiders” that Hobart is a place with plenty of creativity.

Hobart already has a relatively large internal diversity due to approximately 12 % of Hobart’s residents were born overseas, commonly in the United Kingdom, New Zealand, Germany and the Netherlands.²¹ This “external” know-how should be use as well, e.g. through an innovation-overseas-task-force which consults local businesses, the consulting “immigrants” can get rewards like special childcare offers etc..

¹⁶ Cf. <http://en.wikipedia.org/wiki/Tasmania#Economy>

¹⁷ Cf. <http://www.censusdata.abs.gov.au>

¹⁸ Florida, R., p. 16

¹⁹ Cf. Andersson, R. et al., p. 446

²⁰ Cf. Florida, R. p. 19

²¹ Cf. <http://en.wikipedia.org/wiki/Hobart#Demographics>

Also, Hobart should **focus on attracting especially midsize businesses and support existing ones** e.g. which tax breaks. As Andersson's research notes, especially medium size firms increase the patent activity, so Hobart shouldn't try to only attract huge employers but smaller specialized businesses which are linked to the regional industries like seafood.²²

Also higher education results in research activity and more patents.²³ Hobart can **benefit from Tasmania's university** having its main campus in Hobart. It is home for 14.000 students, 12.000 of them in the undergraduate program. Exchange arrangements with over 40 institutions throughout Europe, Asia and North America are agreed.²⁴ The university allows 2,800 international students to study there with average student fees of ~US\$ 12,000. Domestic students averagely pay US\$ 8,800.²⁵ Since students are the leading indicator of global talent flow,²⁶ Hobart's University should enhance the exchange conditions in collaboration with the authorities. They could **encourage research projects of the local university** by offering scholarships for foreign high-potentials e.g. for Antarctica research since the presence of university research increases the number of patents in a labour market by about 0,5% in any year and the presence of R&D facilities established by the private sector increases the number of patents by about 0,3 %.²⁷

Finally, Hobart can especially promote its outstanding and highly competitive environment not only to tourists, but also to the "free moving" global workforce. *"Knowledge workers prefer places with a diverse range of outdoor recreational activities (e.g. rowing, sailing, cycling, rock climbing) and associated lifestyle amenities. Access to water and water-based recreation is of particular importance to these workers. Knowledge workers prefer regions where amenities and activities are easy to get to and available on a "just-in-time" basis."*²⁸

While attracting the foreign workforce the local authorities should also protect its inhabitant.²⁹ Following this idea, the city council could **regulate the rents** – e.g. by a law that rents might only increase within a specific small range – so that even if city further develops, the rents will stay moderate low. In doing so, the inhabitants are protected against some bad side of private ownership and still have short distances to their workplace – which keeps the city attractive.

²² Cf. Andersson, R. et al., p. 445

²³ Cf. Andersson, R. et al., p. 456

²⁴ Cf. http://en.wikipedia.org/wiki/University_of_Tasmania

²⁵ Cf. http://www.topuniversities.com/schools/data/school_profile/default/universitytasmania

²⁶ Cf. Florida, R., p. 11

²⁷ Cf. Andersson, R. et al., p. 462

²⁸ <http://www.radioboise.org/assets/competing-RR.pdf> p. 15

²⁹ Cf. Smith, N., p. 435

Beside public funds also revenues from the tourism (e.g. a visitor's tax or entry fees for national parks) can contribute money to **co-finance the expenditures** which e.g. result out of the listed tax breaks, scholarships etc. above.

3.3 Tolerance: Having a diverse community, which has a 'live and let live' ethos

Florida's tolerance-idea is often connected with being open-minded concerning gays, artists and musicians so Hobart should act and think **open-minded, pro-active and supportive**.

The Tasmanian Bob Brown was the first "*out-and-proud*" member of the Australian parliament. Tasmania nowadays has "*one of the most liberal set of laws with regard to gay rights in Australia*" and therefore is a popular destination for gay and lesbian travellers.³⁰ The active "Tasmanian Gay & Lesbian Rights Group" tries to enforce and increase anti-discrimination rights.³¹ The harbour-side district of Salamanca with the city's art gallery is the gay-friendly centre of artists, art shops and street cafés.³² The authorities shall be instructed to **continue the development of the Salamanca district** und **use the liberal laws** to explicitly address gay people to settle and work in Hobart and not only travel there. Suggestions and wishes of the gay community should be handled privileged.

Beside that the authors think that tolerance is also connected to other fields so that e.g. the city council should **continue being open to use modern management techniques** to outpace typically bureaucratic city councils of competing cities. The city council should **be aware of the environmental protection and as well its limits** e.g. while establishing new industries and infrastructure to find a balanced mixture of protection and progression. Since "cities are replacing the states in the construction of social identities"³³ state authorities like the "Department of Local Development" should be aware that Hobart could and should tap benefits and advantages of its state Tasmania to create a win-win-situation. It might need special efforts to **convince the inhabitants to more and more share their amenities** with the growing number of tourists and to show, how they benefit from that in the long-run.

Having and wanting a internal and external growing population it is important to **establish alternative norms and social practices** especially for immigrants so that they feel comfortable,³⁴ e.g. by special language courses or the authorization of specific practices of religion for the new inhabitants. Finally Hobart should define an approach to the trend of an

³⁰ Whole break cf. <http://www.gay.com/travel/premium/?sernum=400>

³¹ Cf. <http://tgllrg.org/index/>

³² Whole break cf. <http://www.gay.com/travel/premium/?sernum=400>

³³ Cf. Smith, N., p. 435

³⁴ Cf. Smith, N., p. 437

intensification of partnerships between private capital and local state which also diffuses the decision-making power of e.g. the City Council.³⁵

3.4 Outlook: What to keep in mind

Hobart possesses the comfortable position of being the most important city on the island by far. Even so, other cities on Tasmania shouldn't be forgotten and considered as a local competitors. For example, Westport provides the crucial port to connect Tasmania to Australia, so this city has some advantages like lower shipping costs.³⁶

The idea of establishing remote work places sounds great considering on the one hand, but on the other hand it must be said that “total remote places do not work” since all the listed advantages of cities are lowered or non-existent.

Some of the policies will change established way of thinking so a “task-force” should develop some kind of change management. Clear responsibilities and milestone shall indicate how the policies come into force. A scope statement should describe who the policy affects in which manner and which actions are impacted by the policy. The applicability and scope may expressly exclude certain people, organizations, or actions from the policy requirements. This task-force also should analyse and evaluate the implementation of the policies permanently.

Finally it might be a good idea to ask the students of the University to find out how Hobart's Isolation might be an advantage – e.g. for some special sciences which need solitude for undistorted research.

4. Conclusion

Hobart was a prison island in the 19th century with its local people annihilated, which was the strongest form of gentrification.³⁷ Nowadays, the prisoners are gone and instead more people than ever before live, work and create value in Hobart which distinctly proves the inhabitant's ability to adapt to new circumstances. Currently, Hobart and Tasmania already seem to benefit from the systematic work of the authorities. As R. Florida showed, talent is a magnet for globalized innovation so that “the jobs go to the people”.³⁸ Implementing the provided policies, Hobart can look forward to new employers and employees – the authors are convinced that a progressive upturn will be the long-term result.

³⁵ Cf. Smith, N., p. 441

³⁶ Shipping costs depend on the size of the port. Cf. O'Flaherty, B., p. 15

³⁷ Cf. Smith, N. p. 439

³⁸ Cf. Florida, R., p. 17

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