

Cracow University of Economics

Local Economical Development

Stage of Affairs Report

of

Hobart

State Capital of Tasmania / Australia

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1. Introduction

This paper analyses the local economic development of Tasmania's state capital, Hobart. It will show its internal strengths and weaknesses as well as external threats and opportunities. The conclusion examines which of the SWOT analysis findings can be classified as Hobart's advantageous or adverse factors of attractiveness and competitiveness. Since this research acts as an basis for further research it will not reveal how to develop and implement those factors.

The authors decided to analyse Hobart because of its remote location, far away from other economic centres, trade routes and key markets. This makes Hobart an interesting city to have a look at – how does it handle these circumstances?

2. Hobart – An Outline

Since Hobart might not be well-known to Europeans and Americans, apriori a short outline shall provide basic information about Hobart to the reader. Hobart is the state capital of Tasmania, an Australian island state. As shown in figure 1, Tasmania is located 240 km (150 mi) south of the eastern side of Australia, on a latitude $42,5^{\circ}$ south which is a distance to the equator like northwards the Vatican City in Italy has.¹⁺² Less than 500,000 inhabitants populate the island which has a size of 68,000 square kilometres (26,000 sq mi) – two-thirds e.g. of Ireland's size. The language spoken is English, its currency is the Australian Dollar and the time-set is UTC+10.³ The average age of the city population is 37 years, the median income is \$1,446 per week and person.⁴

¹ Cf. <http://www.lakelandsd.com/tutorial/world.jpg>

² Cf. http://en.wikipedia.org/wiki/Vatican_City

³ Cf. <http://en.wikipedia.org/wiki/Tasmania>

⁴ Cf. Australian Bureau of Statistic, 2006 Census Figures

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Hobart itself is located in the south-east of Tasmania at the sea-side along on both sides of the Derwent River estuary. It was founded in 1803 as a penal colony, named after Lord Hobart, the Colonial Secretary. Nowadays the Greater Hobart Metropolitan area – consisting of three self-governing cities, City of Hobart, City of Glenorchy and City of Clarence, plus the urbanised areas – has a population of approximately 205,000 which makes Hobart one of the oldest and most populated cities of Australia and the biggest of Tasmania.⁵ The population density of Hobart with 148.9 inhabitants per km² is significantly higher than the population density of Tasmania with only 7.21/km².⁶ The 2006 census shows that 63.8% of residents specified a Christian religion, notably Anglicans and Catholics. 21.6% specified "No Religion" and 12.0% did not answer.⁷

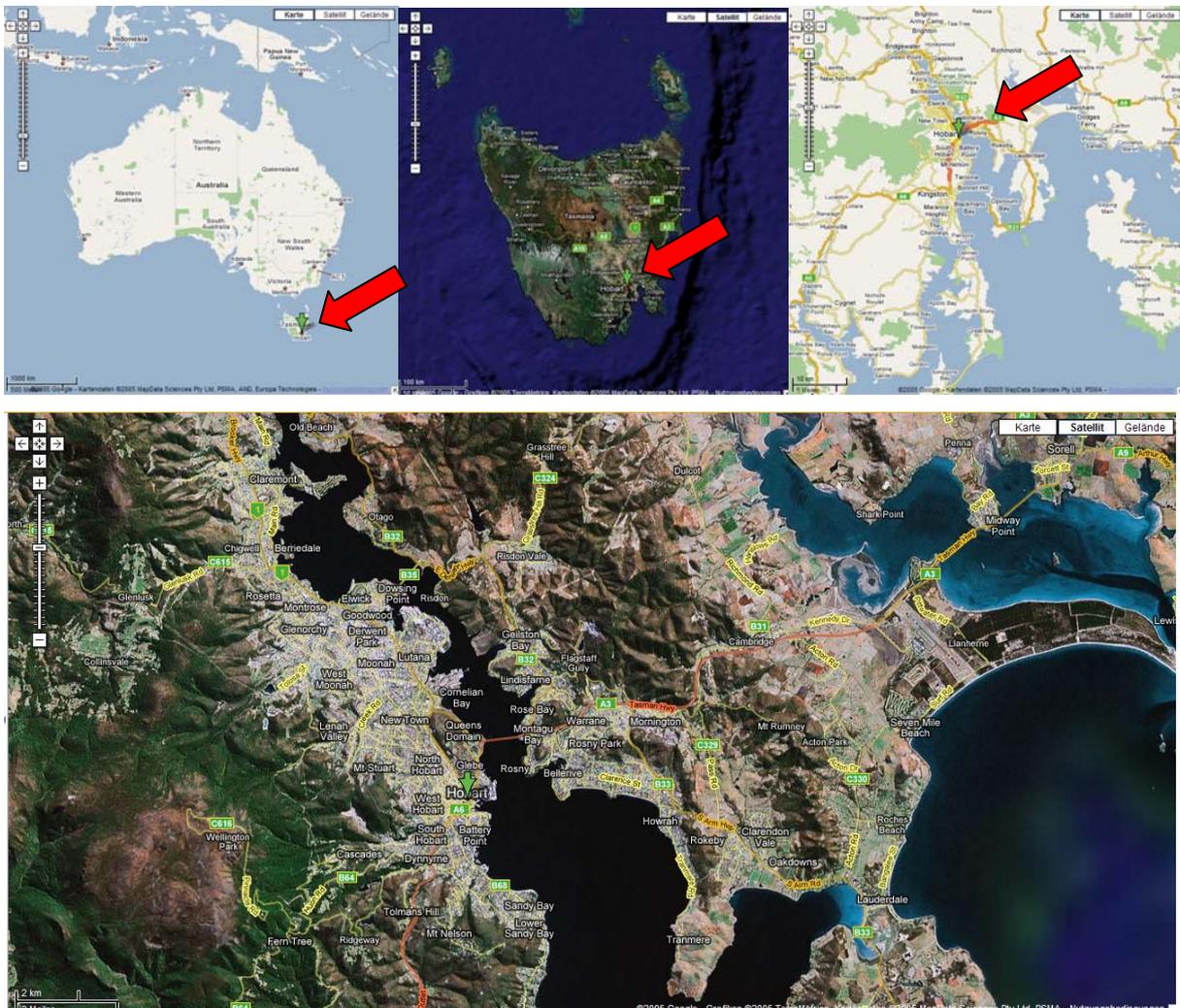


Figure 1: Geographical position of Hobart⁸

⁵ Whole break cf. <http://en.wikipedia.org/wiki/Hobart>

⁶ Cf. <http://en.wikipedia.org/wiki/Hobart>

⁷ Cf. <http://www.censusdata.abs.gov.au/>

⁸ Cf. <http://maps.google.de/>

3. Research

This analysis comprehends “Hobart” equal with the “Greater Hobart Metropolitan Area” since it’s basically one economic and social region. Taking broader factors like e.g. the infrastructure or the market size into the research, partly whole Tasmania will be considered because the authors were convinced that those information basically are adaptable to Hobart, since Hobart is the economic and social centre of the island.⁹

3.1 SWOT

Conducting a SWO analysis sometimes requires counterparts or competitors to classify the characteristics. On Tasmania there is no comparable city or region like Hobart. In this area the next comparable cities can be found only in a radius bigger than 600 kilometres (370 miles) in the south-east of Australia (Victoria / Melbourne and New South Wales / Canberra and Sydney) and perhaps New Zealand with more than 2000 kilometres / 1300 miles to Wellington.¹⁰ To analyse the attractiveness of Hobart these states were considered as far as possible.

3.1.1 Strengths

- Being the State Capital and most important city of Tasmania

Hobart concentrates the major parts of the administrative, economic, business and social activity of the island.¹¹ The population of Hobart is composed of multiples nationalities, approximately 12.0% of Hobart's residents were born overseas, commonly the United Kingdom, New Zealand, Germany and Netherlands.

- Dispose of considerable institutions

One of the biggest employers in Hobart is the government, and since Hobart is the state capital it concentrates the administrative staff of Tasmania.¹² The Government of Tasmania consists of ten departments covering all relevant areas like education, justice or infrastructure.¹³ The Department of Economic Development has the goal to “*encourage and*

⁹ Cf. <http://en.wikipedia.org/wiki/Hobart>

¹⁰ All distances determined by using Google Maps Distance Range Finder. Cf. <http://maps.google.de>

¹¹ Cf. <http://en.wikipedia.org/wiki/Hobart>

¹² Cf. <http://en.wikipedia.org/wiki/Tasmania#Economy>

¹³ Cf. <http://www.service.tas.gov.au/GovOrgs/>

*promote the balanced economic growth of Tasmania*¹⁴ and offers a wide range of support and information, e.g. for start-ups and interested foreign companies.

The city council of Hobart disposes a \$85 Mio (AUD) budget. A “Corporate Management Team” is a part of this council, it is responsible “*for delivering strong leadership to the organisation and carrying out the decisions (...)*”.¹⁵ Additionally the council follows a vision called “Imagine Hobart 2025”¹⁶ including mission and values, prompting the inhabitants and responsible persons to consider the future. The city councils of the Greater Hobart Area collaborate and e.g. provide services like the “Hobart Water” supply together.¹⁷

- Having a successful tourism industry

The island of Tasmania in 2006 received 581,400 visitors, with an average stay of 4.5 nights and an average amount spent of \$1,446 pp.¹⁸ Tourists that arrive in Tasmania usually come from Australia already after spending a longer holiday period there. The influx of tourists is mainly based on the relatively unspoiled natural environment which almost 37% of Tasmania in reserves. That allows them to promote the island as a Natural State, with the slogan “Island of Inspirations”. The list of Natural reserves is large, including more than a dozen natural reserves as well as six state reserves around Hobart.¹⁹

Hobart also offers its guests and inhabitants an extensive cultural life e.g. with several festivals during all year. The “Taste of Tasmania” is the chief event of the Hobart Summer Festival and is the state’s largest food and beverage event promoting as well local products.²⁰ In 2007, A\$600 million worth tourism-related projects were either planned or under construction.²¹

- Growing economy due to attractive features

Beside tourism there are a few successful industries, mainly in the high quality food sector but also in ship-building, information and communication technology and timber. The fishery industry has a large number of exporting companies with Tassal, Australia’s largest exporter of Atlantic aquaculture salmon, being the most important enterprise.²² An old and recognized wine industry, with “Moorilla Estate” as its most representative brand, is resident. The

¹⁴ Cf. <http://www.biztas.com/entrypoint/export/>

¹⁵ Cf. http://www.hobartcity.com.au/HCC/LANDING/ABOUT_COUNCIL.html

¹⁶ Cf. http://www.hobartcity.com.au/HCC/STANDARD/PC_1123.html

¹⁷ Cf. <http://www.hobartwater.com.au/HobartWater/About/Our+organisation>

¹⁸ Cf. Tourism Tasmania, June 2007

¹⁹ Cf. http://www.hobartcity.com.au/HCC/STANDARD/BUSHLAND_363.html

²⁰ Cf. <http://en.wikipedia.org/wiki/Hobart#Events>

²¹ Cf. <http://www.development.tas.gov.au/investintas/economy/prospectus.html>

²² Cf. <http://www.tassal.com.au/>

catamaran manufacturer company, called Incat. was founded in 1977 and currently export catamarans mainly to US military.²³ On a per capita basis Tasmania is a substantial exporter with approximately 17% of Gross State Product being derived from exports.²⁴

The labour cost are the lowest of Australia with \$ 1,023 per week (full-time) due to the lowest payroll tax burden of Australia. Additionally Hobart offers the highest workforce reliability, the lowest labour turnover, the lowest business licensing and planning costs of all Australian states. The Industrial Disputes Index shows that (only) 5,8 days per 1,000 employees were lost. With the roll-out of natural gas in the state and availability of hydro electricity, Tasmania has sufficient cost-competitive energy sources. In 2002, the state government deregulated the shop trading hours which lead to a rise in retail-related investment.²⁵

- Benefit from the brand “Tasmania”

The brand “Tasmania” is well known due to being a tourist destination and having “ambassadors” like the Tasmanian Devil or the Crown Princess Mary of Denmark, born and grown up in Hobart.²⁶ All around the world Tasmania is connected to its state capital Hobart.

- Extensive Infrastructure

Hobart faces a mild temperate oceanic **climate** with basically no snow in the winter and moderate heat in summer,²⁷ so there are no extreme weather conditions influencing neither the infrastructure nor the daily live.

Airlines: The Hobart International Airport,²⁸ located in a mainly unpopulated area 20 km away from the city centre, provides curfew free services and performs 20,000 flights with 1.6 Mio passengers per year.²⁹ For example Singapore Airlines heads into Hobart International Airport as well as local and domestic airlines like Tasair, Qantas or Virgin Blue.³⁰ This airport is also used to conduct regular flights to Antarctica.^{31 32}

²³ Cf. <http://en.wikipedia.org/wiki/Incat>

²⁴ Cf. http://www.pc.gov.au/__data/assets/pdf_file/0018/22365/sub041.pdf

²⁵ Whole break cf. <http://www.development.tas.gov.au/investintas/economy/prospectus.html>

²⁶ Cf. http://en.wikipedia.org/wiki/Crown_Princess_Mary_of_Denmark

²⁷ Average year temperature is 16,9 °C high and 8,3 °C low with a total of ca. 600 mm precipitation.
Cf. www.bom.gov.au

²⁸ Cf. <http://www.hobartairpt.com.au/>

²⁹ Cf. http://www.hobartairpt.com.au/images/HobartAirport_AR_2005.pdf

³⁰ Cf. http://www.hobartairpt.com.au/imagesdb/2004_MasterPlan_draft_full_for_website.pdf

³¹ Cf. <http://www.theaustralian.news.com.au/story/0,25197,23034484-23349,00.html>

³² Cf. <http://www.aad.gov.au/default.asp?casid=18>

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The **public transport** in Hobart is basically operated by “Metro Tasmania”, a company with 200 buses and 800 routes owned by the Government of Tasmania. These buses perform approx. 10 Mio passenger trips per annum on Tasmania.³³

Trains: Hobart is connected to the three economic centers of Tasmania by railroads³⁴ only for freight. The operating company “TasRail” uses a locomotive fleet consisting out of 16 diesel locomotives.³⁵ There is no public transport using trains. The public transport is operated with buses.³⁶

Ferries play an unimportant role for Hobart since the main ferry connection to the Australian continent uses the port of Devonport in the north of Tasmania, whence there are daily ferries crossing the wild waters of the “Bass Strait” both for passengers and freight to Melbourne.³⁷ Using the Highways 3 and 5 it takes approx. three hours to drive the 280 km by car from Hobart to Devonport.³⁸

The **port** of Hobart is the second deepest natural port of the world.³⁹ It offers rail and road links as well as cold storage facilities which support the development of both agricultural and fisheries industries.⁴⁰ The port enables e.g. the Australian Antarctic Division to conduct regular supply and transport connections to Antarctica.⁴¹ It serves as well as the finish point of the Sydney to Hobart Yacht Race,⁴² additionally approx. 20 cruise ships visit this port per annum.⁴³

Three **bridges** connect the two parts of Hobart on both sides of the Derwent River. The five-lane Tasman Bridge is with its 1,395 meters length the third longest bridge of Australia,⁴⁴ additional bridges are the Bowen Bridge⁴⁵ and the Bridgewater Bridge.⁴⁶

Hobart is connected to the other cities of Tasmania via the “Tasman **Highway**”.⁴⁷

The city of Hobart has a high speed up-to-date telecommunication infrastructure which enables Hobart serving as a good place e.g. for call centres companies to establish their

³³ Cf. http://en.wikipedia.org/wiki/Metro_Tasmania

³⁴ Cf. <http://www.railtasmania.com/lines/>

³⁵ Cf. <http://en.wikipedia.org/wiki/TasRail>

³⁶ Cf. <http://en.wikipedia.org/wiki/Hobart#Transport>

³⁷ Cf. <http://www.spiritoftasmania.com.au/theships/schedule.htm>

³⁸ Cf. <http://www.auinfo.com/Devonport-Tasmania.html>

³⁹ Cf. <http://en.wikipedia.org/wiki/Tasmania#Transport>

⁴⁰ Cf. <http://www.ccc.tas.gov.au/site/page.cfm?u=419>

⁴¹ Cf. <http://its-db.aad.gov.au/proms/public/schedules/voyage.cfm>

⁴² Cf. http://en.wikipedia.org/wiki/Sydney_to_Hobart_Yacht_Race

⁴³ Cf. <http://www.ccc.tas.gov.au/site/page.cfm?u=419>

⁴⁴ Cf. http://en.wikipedia.org/wiki/List_of_bridges_by_length

⁴⁵ Cf. http://en.wikipedia.org/wiki/Bowen_Bridge

⁴⁶ Cf. http://en.wikipedia.org/wiki/Bridgewater_Bridge

⁴⁷ Cf. http://en.wikipedia.org/wiki/Tasman_Highway

offices. “Online access centres” connect the population with the internet and provide hard- and software as well as computer trainings.⁴⁸

- Education system

Tasmania and Hobart follow the Australian system of education. The Council of Hobart offers two kindergartens and ten public schools which include kindergarten, primary school and mostly also high school education.⁴⁹ Additionally there are approx. forty child care centres in and around Hobart, offering parents the possibility to let someone take care of their children during the day.⁵⁰ Inhabitants in remote parts of Hobart can participate of the “distance education system” the state Tasmania offers.⁵¹ Hobart is the headquarters of the University of Tasmania with its main campus “Sandy Bay” located in Hobart.⁵² Six faculties broadly cover arts, business, education, health science, law and science, engineering & technology and participate in an international student exchange program.⁵³ Beside that there are also some private schools and colleges.⁵⁴ Tasmania offers Hobart’s inhabitants the possibility of self-improvement and second-chance education with its “Adult and Community Education” providing 1,400 learning courses.⁵⁵

3.1.2 Weaknesses

- Isolated position of Hobart and Tasmania.

The nearest country and cities are located in Australia but still further away then at least 600 km / 370 mi.⁵⁶ In addition, Hobart’s air link offers only rare direct connections to international destinations beside Australia.

- Also the **port plays a minor role** since it’s largely locally used for tourism, fishing and Antarctica supply.

- The **political attitude** of Hobart has a strong influence of environment protection and “green party”⁵⁷ which can be considered as a weakness following economical criteria's. That means some projects and new infrastructures can face a opposition from the inhabitants and officials of the city.

⁴⁸ Cf. <http://www.tco.asn.au/>

⁴⁹ Cf. <http://www.hobartcity.com.au/HCC/STANDARD/SCHOOLS.html>

⁵⁰ Cf. http://www.hobartcity.com.au/HCC/STANDARD/CHILD_CARE_CENTRES.html

⁵¹ Cf. <http://www.education.tas.gov.au/school/parents/general/taseducation>

⁵² Cf. <http://www.utas.edu.au>

⁵³ Cf. http://en.wikipedia.org/wiki/University_of_Tasmania#Faculty_Organisation

⁵⁴ Cf. http://en.wikipedia.org/wiki/Education_in_Tasmania#Private_education

⁵⁵ Cf. <http://www.education.tas.gov.au/ace>

⁵⁶ Cf. Chapter 2 of this paper

⁵⁷ Cf. <http://www.electoral.tas.gov.au/pages/LocalGovernmentMain.html>

- The domestic market is small

The size of the island and the small population make Hobart a little remote market, not attractive at the first blush for foreign investors and companies. Furthermore, the amount of university graduate people is not high, and these kind of high-skilled professionals use to emigrate to Australia, having the cities of Sydney, Melbourne or Canberra as destination.⁵⁸

“Tasmania is a relatively small domestic market surrounded by sea. Its economic potential in tourism and primary production is linked to success in external markets, particularly overseas markets.”⁵⁹

- Lack of employers

Beside the government a lack of big employers can be stated. Yet, there is no remarkable diversity among the existing companies and industry branches.

- Unsteady macroeconomic stability

During the 1990s, Hobart struggled like the whole island. There had been a decline in manufacturing, leading to a drain of the island's trained and experienced working population to mainland Australia. As recently as 2001 Tasmania achieved a positive turnaround due to the increase of tourism industry and others.⁶⁰

3.1.3 Opportunities

The most significant opportunity for Hobart is the increasing number of low cost airlines like “Virgin Blue”⁶¹ arriving with **tourists** which makes this destination more affordable. When connecting Tasmania and Hobart as a part of every “Australian holiday” in tourism marketing efforts it can effect an increase of number of tourists and nights spent at Hobart.

The other opportunity for Hobart is the **change of global business behaviour**. Web based services allow companies to set up their subsidiaries everywhere – distance does not matter any more. Hobart and its inhabitants seem to follow “western patterns of the way of life”, widely behaving like Europeans or U.S. Americans but preserving and pursuing their own traditions and history which make them familiar to international companies.

Following the official authorities, the outlook is positive. Hobart awaits **further investments** in near future like a proposed A\$1.4 billion pulp mill⁶² pushing the timber industry.

⁵⁸ Cf. http://www.taspop.tasbis.com/webapps/site/588/1401/info/info-page.html?info_id=1

⁵⁹ http://www.pc.gov.au/__data/assets/pdf_file/0018/22365/sub041.pdf

⁶⁰ Cf. <http://en.wikipedia.org/wiki/Tasmania#Economy>

⁶¹ Cf. <http://www.virginblue.com.au/>

⁶² Cf. <http://www.development.tas.gov.au/investintas/economy/prospectus.html>

3.1.4 Threats

The major threat is a **further isolation** of Tasmania because of the restricted maritime and air connection to Australia. Shipping and air traffic face an increase of cost for oil which leads to higher **travel and transportation costs**. Beside that, ships are quite slow what is a disadvantage in the speeding up world. Ship and airplane transport can also be considered as environmentally unfriendly, especially by the powerful influence of Tasmanians Green Party – e.g. the growing number of flights clashes with the image of the pure, unimpeded environment of Tasmania.

Additionally the **development of “nearby” tourist destinations** like New Zealand or Australia itself can attract tourists even more than Hobart and withdraw them. The result of the global warming can affect the unique Tasmanian climate adversely, making it unattractive for tourists.

3.2 Conclusion

This paragraph finally combines the presented strengths, weaknesses, threats and opportunities to create suggestions which can be conceived as “starting points” of Hobart’s further economic development. In the follow-up research they will be reviewed and it will be shown how they can be implemented successfully.

1. **S-O-Combination** (pursue new opportunities which fit to the strengths):
 - Further extend of Tasmania and Hobart as attractive tourist destinations. Its nature shall be understood as natural resource.
 - Attract businesses and high-qualified staff with Hobart’s good conditions. Thanks to low labour cost Hobart therefore can become “Ireland of Australia”.
2. **W-O-Combination** (eliminate weaknesses to use new opportunities):
 - Extend the importance of the port and the airport and vitalize rail traffic.
 - Locate attractive employers to reverse the brain-drain which makes people settle there, both increases the domestic market.
 - Increase Hobart’s business and employer diversity to ensure stable growth.
 - Increase the number of nights tourist stay in Hobart.
3. **S-T-Combination** (deploy strengths to deflect threats):
 - Continue using state-of-the-art management techniques for council and municipality.
 - Take advantage of carry-over effects of the strong brand “Tasmania”.

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- Exploit the availability of hydro-energy and environmental friendly technology, e.g. with a new ferry to Antarctica with a hybrid engine and SkySail Technology.⁶³
 - Boost businesses which are independent of the need to be close to its market like IT-based call centres.
 - Use the significant fracture of inhabitants of overseas origins to innovate products, services and processes
4. **W-T-Combination** (develop defences to avoid existing weaknesses becoming targets of threats):
- Research how “isolation” can be an advantage since it’s not a disadvantage under all circumstances, it might be interesting for some branches.
 - Convey a mutual understanding that protection of environment has limits.
 - Create cluster e.g. in seafood industry to integrate crucial parts of the value chain to achieve synergy effects and appreciate Hobart through agglomeration of economies.

This research convinced the authors, that Hobart is an interesting city for economists because of its strengths and problems. The responsible authorities seem to be aware of Hobart’s challenges and strive for enhancing its competitiveness and attractiveness. On the basis of this “inventory”, the next paper might provide further ideas and methods how to continue Hobart’s development.

⁶³ SkySails are wind propulsion systems. For more information see <http://www.skysails.info>