

**LA TROBE UNIVERSITY'S SUBMISSION TO THE
SELECT COMMITTEE ON REGIONAL
DEVELOPMENT AND DECENTRALISATION**

September 2017

**Inquiry into Regional
Development and
Decentralisation**

ENQUIRIES

Leon Morris
Chief of Staff
La Trobe University
Victoria 3086

T 03 9479 3397
E L.Morris@latrobe.edu.au
latrobe.edu.au

INTRODUCTION

La Trobe University welcomes the opportunity to participate in this timely *Inquiry into Regional Development and Decentralisation*. This review addresses the need for a coherent policy framework that positions regional social and economic development as a core national public policy objective.

La Trobe University is deeply invested in contributing to regional socio-economic development. With four campuses in regional Australia – located in Bendigo, Albury-Wodonga, Shepparton and Mildura – La Trobe is one of the leading higher education providers across regional Victoria. We are also partners with over 100 regional businesses and community organisations, and we make a significant contribution to regional economic activity. In 2015, gross regional product (GRP) in regional Victoria was projected to be around \$100 million higher as a result of La Trobe graduates entering the workforce.¹ It is reasonable to assume that other Australian universities with regional campuses make a similar contribution where they are located, so overall the higher education sector is an important contributor to regional prosperity and growth.

The key premise of this submission is that higher education and research have a key role to play in Australia's regional development, and that further support is required to support universities in this mission. This is why La Trobe supports the initiative by Committee Member and Member for Indi Cathy McGowan for the adoption of a regional higher education strategy². Similarly, the policy of decentralisation will have a limited impact unless it can be buttressed by a skilled regional workforce and a more distributed population.

La Trobe research³ shows that since the introduction of the demand-driven system, over a four-year period from 2008 to 2014 the number of regional students across Australia moving to a city location to study increased by more than 76 per cent. Between 2011 and 2014, the number of regional students moving to study in a city increased by more than 44 per cent, whereas the number of regional students studying in regional Australia increased by only 11 per cent. This gap represents a growing brain drain of students from the regions to the cities. Even more worrying is that fact that these students are not returning to regional Australia after graduating, compounding the impact on regional communities.

La Trobe believes that a sustained investment in regionally-delivered higher education and research will help stem the brain drain and will support regional development. The good news is that there are already a number of regional campuses across Australia that provide a foundation to support further activity and investment. The next step is to make these campuses sustainable and viable, and support their role as drivers of regional innovation. La Trobe made a number of recommendations to the ongoing 'Independent Review into Regional, Rural and Remote

¹ Cadence Economics (2017), 'La Trobe University's Regional Economic Contribution'

² http://parlinfo.aph.gov.au/parlInfo/download/legislation/amend/r5869_amend_e05af329-97e2-467c-a8b7-bcc7a6ede9e0/upload_pdf/17087McGowan.pdf;fileType=application%2Fpdf

³ Cardak, Brett et. al., 'Regional Student Participation and Migration: Analysis of factors influencing student participation and migration Australian higher education', (2017) La Trobe University

Education⁴, which we believe is linked to this Inquiry in that the recommendations to improve regional education outcomes are a prerequisite to sustained regional development and successful regional decentralisation.

A. SUMMARY OF RECOMMENDATIONS

Investing more resources in regionally-delivered education

1. Formulate a Commonwealth regional higher education and research policy to underpin regional development
 - Address the relative high cost of regional education delivery at every stage from early education to higher education including through reforming the regional loading.
 - Allocate specific additional resources to those areas, schools and universities where education participation and attainment is particularly low.
2. Introduce a 20% target for Commonwealth government-commissioned research and consulting to take place through regionally-based universities.

Expanding the choice of regionally-delivered tertiary education options

3. In order to address the 'brain drain' of regional, rural and remote students moving to cities for further study and to support the employment growth sectors in the regions:
 - support the development and implementation of flagship destination courses, such as medicine, in regional university cities.
 - support the development and delivery of increased course offerings on regional campuses.

Turning our regional campuses into hubs of regional economic development

4. Invest in regional research infrastructure to strengthen the ability of regional campuses to be sites of collaborative research activity between university researchers, industry and other external organisations.
5. Introduce capital and infrastructure incentives to encourage corporate decentralisation and industry involvement in regional university-led precincts.

Please note that a supplementary submission that proposes the establishment of a Lifelong Intergenerational Facility and Education Hub (LIFE Hub) at the University's Albury-Wodonga campus has also been provided.

⁴ <https://www.education.gov.au/independent-review-regional-rural-and-remote-education>

REGIONAL DEVELOPMENT AND REGIONAL DECENTRALISATION REQUIRE A HIGHLY SKILLED WORKFORCE AND A MORE DISTRIBUTED POPULATION

This Inquiry's Terms of Reference focus on three main areas: regional development, decentralisation of Commonwealth entities or functions, and corporate decentralisation.

La Trobe's comments are primarily focused on the 'regional development' aspect of the Inquiry, especially the sub-points on *developing the capabilities of regional Australians* (Point a.iii), *growing and diversifying the regional economic and employment base* (Point a. iv), and *an improved quality of life for regional Australians* (Point a.v).

Nevertheless, as noted above, the points outlined in this submission are relevant to the entire Review and we reiterate our view that a skilled workforce and improved regional education outcomes are prerequisites for successful decentralisation policies. For instance, **the benefits of government department decentralisation will be eroded if the regional skills pipeline is sub-optimal**. There are also opportunities to increase the benefit of activity in regional areas by engaging more deeply with universities. For example, the Federal Government could more usefully utilise academic expertise and knowledge that is available locally in regional universities when commissioning research or consulting services. There is significant untapped potential in this area. In 2015, universities with a regional participation rate over 20% obtained around 11% of Commonwealth Other public sector income or \$54 million⁵. We suggest that this could be increased to 20%, which would double the income flowing to universities with regional campuses to \$100 million.

Regional challenges impacting regional development

Regional Australia lags behind metropolitan Australia across a range of key indicators that are hindering regional socioeconomic development. For example, underperformance at the secondary school level impedes participation and success in higher education, as students are either inadequately prepared for university study or perceive themselves to be. A shortage of locally delivered higher education options means that many of those who do opt for further study move to the major cities, resulting in a brain drain from regional communities. Lower levels of educational attainment in regional and remote areas contributes to skills shortages and hinders economic and social development, compounding the problem further. Poorer social, economic and health outcomes in turn lead to underperformance in schools.

A summary of key indicators is listed below.

⁵ 2015 Research Income, Higher Education Research Data Collection, Department of Education and Training

Education

- Regional and remote students are:
 - 7 per cent less likely than metropolitan students to complete high school, after controlling for socio-economic status.⁶
 - 10 per cent less likely to have plans to attend university than metropolitan students, after controlling for socio-economic status.⁷
 - under-represented in universities, making up a significantly lower share of domestic students than the overall population.⁸
- Regional and remote areas:
 - have lower rates of bachelor level attainment, and fewer persons with post-secondary qualifications, than metropolitan areas.⁹
 - suffer from a brain drain, with increasing numbers of students moving from the regions to the cities to study.¹⁰

Economy and employment

- The bulk of Australia's economic growth is concentrated in the major cities. In 2015-16, GDP growth in Sydney and Melbourne accounted for around 67 per cent of national GDP growth.¹¹
- Regional and remote areas typically have higher levels of unemployment. In inner regional areas, 5.5 per cent of persons are in long-term receipt of an unemployment benefit, compared to 3.8 per cent of persons in major cities.¹²
- 11.8 per cent of inner regional families are 'low income, welfare dependent', compared to 9.4 per cent of families in major cities.¹³
- In all states, 'median weekly household income' is lower in inner regional areas than in metropolitan areas.¹⁴

Health

- Regional and remote areas experience reduced access to health professionals and services. In 2013-14, there were 102 GPs (full-time equivalent) per 100,000 persons in major cities compared to just 57 per 100,000 in remote areas.¹⁵
- Regional and remote areas perform poorly on a number of health indicators:
 - 30.5 per cent of those in inner regional areas are obese, compared to 25.9 per cent of those in major cities; and

⁶ Cardak, Brett *et. al.*, 'Regional Student Participation and Migration: Analysis of factors influencing student participation and migration Australian higher education', (2017), p16-17

⁷ Cardak, Brett *et. al.*, 'Regional Student Participation and Migration: Analysis of factors influencing student participation and migration Australian higher education', (2017), p16

⁸ Department of Education and Training, 'Higher Education Statistics, Appendices 5.4 and 5.5.

⁹ Australian Bureau of Statistics, 2011 Census.

¹⁰ Cardak, Brett *et. al.*, 'Regional Student Participation and Migration', p.45.

¹¹ SGS Economics & Planning (2017), 'Australian Cities Accounts 2015-16', p.7.

¹² Public Health Information Development Unit (PHIDU) (2016), '[Remoteness in Australia: Data by Remoteness Areas](#)'.

¹³ Public Health Information Development Unit (PHIDU) (2016), '[Remoteness in Australia: Data by Remoteness Areas](#)'

¹⁴ ABS, 2011 Census. The exception is Tasmania, where the entire state is categorised as 'regional' or 'remote'.

¹⁵ Australian Institute of Health and Welfare (AIHW) (2015), '[Australia's Welfare 2015](#)', p.380.

- 20.3 per cent of those in regional areas are current smokers, compared to 16.5 per cent of those in major cities.¹⁶

Demographics and age distribution

- A comparatively low share of those in regional and remote areas are of working age. 21-40 year olds make up 28 per cent of Australia's population, but only 23 per cent of regional and remote Australia. Similarly, 21-60 year olds make up 54 per cent of Australia's population but in regional and remote Australia they comprise 51 per cent, with females forming a slightly larger part of the working age population in the 21-60 age bracket than men.¹⁷

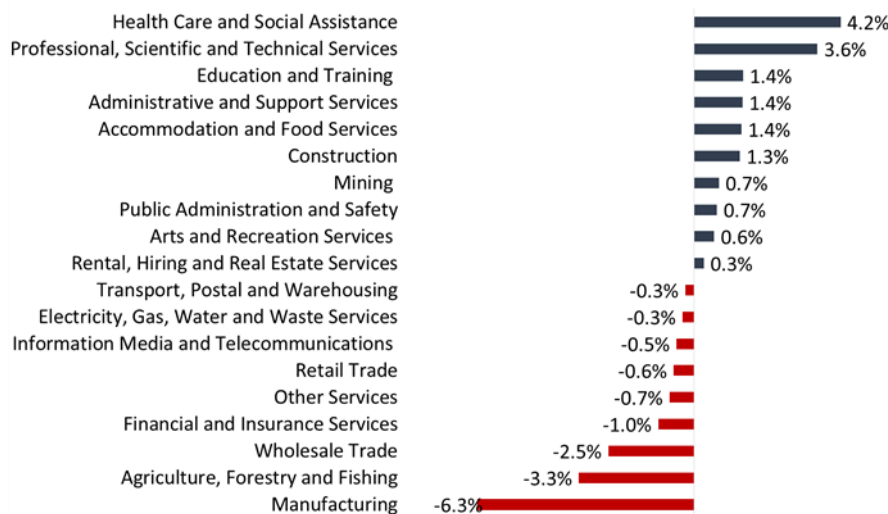
An economy in transition impacting on regions

While the social and economic challenges that confront regional and remote communities are far from new, and are in some respects linked to Australia's unique geography and vast land area, they have been heightened by structural changes to Australia's economy in recent decades.

Industry sectors that have underpinned regional employment are employing less people

Industry sectors that have historically dominated regional economies, such as agriculture and manufacturing, employ significantly fewer persons today than they did as recently as 1990, both in relative terms (as a share of total employment) and in absolute terms (See Figure 1).

Figure 1: Change in industry share of employment: Nov 1990-Nov 2016



Source: ABS Labour Force data (6291.0.55.003) Table 4.

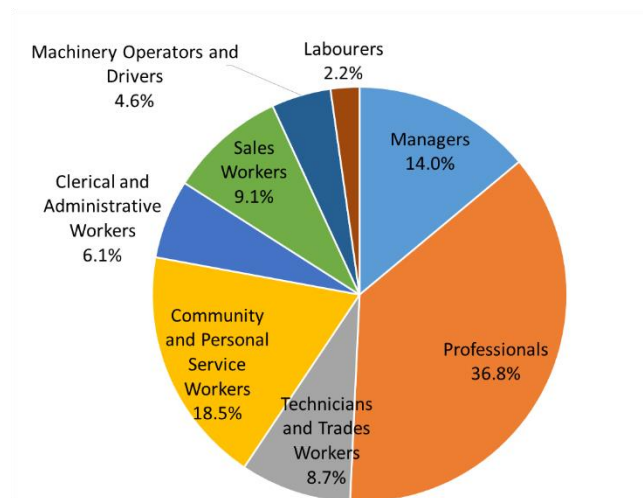
¹⁶ PHIDU, 'Remoteness in Australia'.

¹⁷ ABS, 2011 Census.

The jobs of the new economy require higher educational attainment

The changing distribution of jobs by occupation tells a similar story (see Figure 2). Australia-wide, there are around 4.2 million more persons employed today than there were in 1990. ‘Professionals’ make up 36.8 per cent of that growth; ‘Community and Personal Service Workers’ make up 18.5 per cent; and ‘Managers’ 14.0 per cent. At the other end of the scale, ‘Labourers’ and ‘Machine Operators and Drivers’ account for only 2.2 and 4.6 per cent of employment growth respectively.

Figure 2: Share of growth in employment by occupation: Nov 1990-Nov 2016



Source: ABS Labour Force data (6291.0.55.003) Table 7.

This data highlights the connection between levels of educational attainment and economic prosperity: the jobs created in the so-called ‘new economy’ are disproportionately jobs that require higher levels of educational attainment. **Regional areas with lower levels of post-secondary attainment are thereby limited in their capacity for economic advancement unless the role of regional higher education providers can be supported and strengthened.**

Regional Opportunities

Notwithstanding these challenges, it is important not to lose sight of regional Australia’s many strengths. Regional and remote areas provide a sense of community and belonging that is often absent from the suburbs that make up our major cities. Consequently, they outperform metropolitan areas on a number of prosperity measures. For example, regional cities and rural and remote areas tend to be rated more highly when it comes to health and safety, and community cohesion. The unique natural attributes of regional Australia, coupled with Australia’s proximity to Asia, also offer potential for growth in sectors such as tourism and food production.

Australia’s next phase of economic growth could and should be fuelled by its regions. As our capital cities become more congested and expensive, their capacity to sustain increases in economic

activity is likely to become strained. Regional Australia’s potential lies partly in its natural endowment, but also in the untapped potential for improvement in key determinants of economic success, such as education attainment levels. **While there are no quick fixes, this potential may be unlocked with the right approach to skills and to regional development. Accordingly, La Trobe believes that higher education and university research – delivered and conducted in regional areas – is a key ingredient to regional socioeconomic development.**

A REGIONAL EDUCATION AND RESEARCH POLICY TO UNDERPIN REGIONAL DEVELOPMENT

Increased provision of higher education in regional Australia will help to raise participation and attainment levels, broadening the skills available to regional economies, and will help stem the brain drain, allowing regional communities to hold onto their talented youth. Regional campuses also make an important contribution to local economies through direct employment of large numbers of professional and academic staff, and indirectly in their role as sites of research and innovation, and as potential collaborative partners with local businesses.

A comprehensive regional education and research policy should address the following issues:

A. Investing more resources in regionally-delivered education

In its submission to the Independent Review of Regional, Rural and Remote Education, La Trobe argued for a stronger investment in regionally-delivered education.

The Government-commissioned Deloitte Access Economics report¹⁸ released around the 2017 Federal Budget concluded that in higher education “teaching and scholarship costs are 17% higher for regional students”. This confirmed what La Trobe University already knew – that a higher proportion of regional students is associated with a higher cost of delivery. Accordingly, La Trobe submits that there is a strong case for increasing and modifying the regional loading, a mechanism of university funding (Commonwealth Grant Scheme) designed to assist higher education institutions with regional campuses to meet additional costs due to their location.

The current regional loading does not come close to matching the cost levels that the Government’s commissioned research identifies. This discrepancy could be simply and effectively addressed by increasing the loading in line with the actual costs incurred. Additionally, the current structure of the loading, which operates as a fixed pool of funds, means that resources decrease on a per capita basis as regional student participation increases. Should the Government’s proposed higher education package be legislated as set out in the *Higher Education Support Legislation Amendment Bill 2017*, the financial sustainability and viability of regional campuses will be at even greater risk.

¹⁸ Deloitte Access Economic (2017), ‘The Cost of Delivery of Higher Education’, p.61

The location loading, which is used in the schools system, is also inadequate in meeting the additional costs required for regional, rural and remote schools to invest essential activities such as teacher professional development and career advice.

B. Expanding the choice of regionally-delivered tertiary education options

One of the reasons that students leave regional, rural and remote Australia is the lack of adequate regionally-delivered tertiary education options. This could be remedied in part through more flexible policy settings that support a better interface between universities and TAFEs, which would enable expansion of sub-bachelor study options and the introduction of new pathways to higher skills. The current higher education reform proposals propose an expansion of sub-bachelor places to approved courses, which La Trobe supports however it is important to keep in mind any potential adverse repercussions on the TAFE sector. Regional Australia requires a strong TAFE sector as well as locally-provided higher education.

La Trobe has recently established a sector-leading 'dual enrolment' model with partner TAFE institutions, which involves students enrolling simultaneously in a bachelor program and a VET diploma, with the option of either exiting after one year with the VET qualification or continuing on in the bachelor program. This model has the potential to:

- increase participation and attainment rates in sectors experiencing identified skills shortages, particularly in regional areas of Australia;
- better address the challenges of the future workforce through providing work-ready graduates at multiple exit points;
- contribute to improved learning outcomes and completion rates through a smoother transition into higher education for students who require support;
- lead to greater efficiency and better return on public spending through shared investment in TAFE and university partnerships;
- support a more resilient and effective tertiary education system; and
- increase the suite of higher education options that are available in Australia's regions.

While La Trobe's initial experience with this dual enrolment approach has been very encouraging, there are significant policy and regulatory hurdles that can impede this type of collaboration. For instance, because VET completions are not recognised in the collection of higher education data, students who exit early with a VET diploma are viewed as having 'dropped out', thus negatively contributing to the measurement of institutional attrition and retention rates. This represents a disincentive for institutions like La Trobe to pursue dual enrolment programs, particularly given the spectre of Government introducing performance funding measures based on student retention.

Ensuring a broader suite of tertiary education options would contribute to retaining a skilled workforce in regional Australia. La Trobe's experience is that students who study at regional campuses are more likely to enter and remain in the workforce in the region where they studied. For example, according to the 2015 Graduate Destinations Survey, 73.5 per cent of graduates from the Bendigo campus found employment in regional Victoria. Of these, 50.2 per cent stayed within the local Loddon Campaspe region.¹⁹ In Mildura, where we have graduated approximately 100

¹⁹ Cadence Economics (2017), 'La Trobe University's Regional Economic Contribution'

nurses, 220 teachers, 120 business or accounting graduates, and 60 social workers, since 2006, around 95 per cent of our graduates get jobs, and around 85 per cent stay in the Mallee region. In every local primary state school in Mildura, at least half and as many as 70 per cent to 80 per cent of teachers are La Trobe graduates. We also know that around 85 per cent of graduates from metropolitan campuses (including Bundoora) stay in Melbourne. This data provides a very clear picture: regional students who move to the city are not returning to the regions, while regional students who are able to study in the regions will stay in their communities to live and work. At the same time, metropolitan graduates are unlikely to take up regional workforce opportunities.

Figure 3: Destination* of La Trobe graduates by region of employment

Campus	Home Region	Other Regional Victoria	Total Regional Victoria	Metro Victoria	Other Regions	Total
Albury-Wodonga	46.4	8.5	54.8	11.4	33.8	100.0
Bendigo	50.2	23.2	73.5	20.0	6.5	100.0
Shepparton	44.6	34.3	78.9	15.4	5.6	100.0
Mildura	81.6	4.9	86.6	4.1	9.3	100.0
Total regional campuses	52.3	19.7	72.0	16.9	11.1	100.0
Metro			8.5	85.2	6.4	100.0

Source: Graduate Destinations Survey (La Trobe University) 2006 to 2015, Cadence Economics Estimates²⁰

* Estimated as the average over the period 2006 - 2015

Introducing prestige courses in regional Australia

La Trobe strongly supports the expansion of prestige programs to regional campuses. This has multiple benefits including raising the aspirations and expectations of students, parents and communities; retaining high achieving students; and addressing skill gaps and workforce shortages in regional, remote and rural areas. Introducing and maintaining flagship courses in regional campuses is crucial to retaining high-achieving students in regional Australia. La Trobe research²¹ shows that regional students who obtain a high ATAR are likely to relocate to cities. One thing that might prevent them from leaving – and hence retain talent in regional Australia – is the availability of courses that are prestigious and selective such as Medicine or Dentistry. La Trobe is moving in this direction with the La Trobe dentistry course delivered solely from the University's Bendigo campus, and with the entire Law degree being offered from Bendigo as well. Criminology will be introduced

²⁰ Cadence Economics (2017), 'La Trobe University's Regional Economic Contribution'

²¹ Harvey, Andrew; Burnheim Catherine; Joschko Lucie; Luckman, Michael. (2012). From Aspiration to Destination: Understanding the Decisions of University Applicants in Regional Victoria. Joint AARE APERA International Conference, Sydney 2012

in 2018. This leads us closer to achieving our ambition of making Bendigo Australia's leading regional university town but it is not enough. As La Trobe University and Charles Sturt University have argued for many years, the next step is to have a medical school delivered at three main sites – Bendigo, Wagga Wagga and Orange.

The Murray Darling Medical School (MDMS) proposal is a stand-out example of a transformational program for regional and rural Victoria and NSW. The MDMS rural medical school model will target a minimum of 80 per cent of regional, rural and Indigenous students to solve the chronic shortage of doctors in regional and rural areas. It will improve health outcomes for regional and rural Australians; is estimated to be three to five times more efficient than metropolitan universities in training doctors who will work in regional or rural Australia; and will bring around \$2 billion in additional benefits to the region.²²

Universities in regional areas have the potential of becoming large, prestigious universities. For instance the University of Otago in Dunedin, New Zealand has more than 20,000 students, despite Dunedin's population being similar in size to Bendigo (around 100,000 residents).

C. Attracting more international students to regional Australia

While, regional Australia is often dependent on skilled migration for its workforce, it unfortunately does not reap benefits from the increase in international students in Australia, as the majority of international students study at metropolitan universities. Federal and State Governments could invest more effort in promoting regional Australia as a major higher education destination. The more specialised and prestige courses that are delivered from regional campuses, the easier it will be to attract international students. Even if international students choose to not study in regional Australia, some subjects could be delivered regionally. For instance, La Trobe's network of regional campuses host a number of place-based subjects in block mode throughout the year. Drawing on local cultural activities, industry, geographic and Indigenous heritage, these subjects present a unique opportunity for international students to experience regional Australia. Recent subjects have been delivered in partnership with the Bendigo Art Gallery, Mildura Writers Festival and the Man From Snowy River Bush Festival, and on traditional country in Alpine Victoria, the Goulburn Valley and Mungo National Park.

D. Turning our regional campuses into hubs of regional economic development

We believe that each of La Trobe's regional campuses has the potential to act as site of collaborative research activity between university researchers, industry and other external organisations. There are considerable economic opportunities outside of major cities, and research clusters can play a role in unlocking these opportunities. The master plans for each of our regional campuses incorporate this focus, and are designed to ensure that the possibilities for university-industry research engagement in regional Victoria are realised.

²² <https://mdms.edu.au/wp-content/uploads/2017/04/PPB-Economic-Impact-Analysis-Murray-Darling-Medical-School.pdf>

One example of our work in regional Australia is the La Trobe Accelerator Program. In 2016, La Trobe University was awarded \$1M from the Victorian State Government's LaunchVic program to establish a regional Accelerator Program. The purpose of the Program is to unlock the innovation that exists across the University and within regional communities, and to position Victoria as the world's number one start-up destination. Our mission is to create an innovative ecosystem in regional Victoria that is open to all. We are collaborating with Deakin and Federation Universities to bring innovation and entrepreneurship to all of regional Victoria.

Regional university-led precincts

Urban campuses are often physically constrained, through lack of space, in their ability to develop innovation precincts. This Inquiry should consider the greater social and economic gains that can be gained through the establishment and/or expansion of precincts in regional areas. In many cases, inner-city precincts are already somewhat mature and there are diminishing marginal returns to be gained through developing these precincts further due to both space and price constraints.

Precincts in regional areas have significant potential to generate local employment, retain talent in regional areas and deliver economic growth and social impact in these communities. In rural settings the establishment of precincts promises to alter the local demographic profile and deliver economic benefits of far greater magnitude than in metropolitan areas.

Attracting industry to regional Australia in regional precincts

A key issue impacting the likely success of corporate decentralisation is the need to ensure the availability of capital funding that is needed for the construction of buildings and facilities that will support the attraction and retention of industry partners. One barrier to attracting private investment in research infrastructure is the fact that private firms do not own, or are unwilling to assume ownership, of the land on which infrastructure is established. There is a role for Government in supporting business models that make industry investment in a research precinct attractive. Models worth considering include:

- A build and lease model, where Government subsidies are available to cover building costs, and are repaid through rental income on the relevant land
- Direct subsidies for building and operating costs
- Tax incentives for companies who build on and occupy research precincts

Surrounding infrastructure

University precincts are constrained in their development by gaps in the infrastructure of the surrounding area, most importantly in transport and ICT infrastructure. Where this surrounding infrastructure is lacking, organisations that might otherwise locate themselves within the vicinity of a precinct have a disincentive to do so, undermining the clustering effect that forms the basis of a healthy research precinct. A commitment to infrastructure upgrades would also encourage corporations who are seeking to move to regional Australia, and support the development of activity clusters to drive regional economic development.