



REGIONAL UNIVERSITIES NETWORK (RUN)

Submission to the House Select Committee on Regional Development and Decentralisation - Inquiry on Regional Development and Decentralisation

General comment

The Regional Universities Network (RUN) is of the view that regional development and decentralisation policy and programs could be improved by better harnessing the expertise and resources of regional universities.

Regional universities are anchor institutions for their regions, and are commonly the drivers of economic growth through their graduates, research, service and employment. The role of universities in regional development is better recognised in Europe and the UK through policies such as Smart Specialisations and City Deals.

Furthermore, existing policies and programs in Australia do not always work in unison to support regional development e.g. parts of the Government's recent higher education reform package will disproportionately, negatively affect regional universities and regional students. More could be done to harmonise policy at the Commonwealth level, and between the Commonwealth and other levels of Government.

A National Regional Higher Education Strategy, as proposed by Cathy McGowan MP during the debate on the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 (HESLA Bill), could work to put regional campuses at the centre of harmonised policy and programs across education, employment, research, innovation and regional development.

Introduction - Regional Universities Network (RUN)

The six regionally-headquartered universities of the Regional Universities Network (RUN), CQUniversity, Federation University Australia, Southern Cross University (SCU), University of New England (UNE), University of Southern Queensland (USQ), and the University of the Sunshine Coast (USC), all have strong links to their communities and enshrine a fundamental commitment to regional Australia. They make a major economic contribution. RUN universities contribute over \$2.1 billion in gross domestic product, \$1.2 billion in household income and more than 14,000 full-time equivalent jobs to the Australian economy annually.¹

RUN universities have a combined revenue of about \$1.7 billion and combined assets of \$3.6 billion², exceeding those of many metropolitan universities.

The Australian economy is moving from a heavy reliance on mining and manufacturing to a new era in which skills, knowledge and ideas will become our most precious commodities. By improving opportunities for people to access higher education, RUN universities help unlock the full human and innovative potential of regional Australia for the national good. The jobs and industries of the future will need highly skilled university graduates who can connect regional Australia with the global, innovative economy. We need to generate new jobs and industries through innovation to make regional economies more resilient. Through university study and research, students become more highly skilled, and are better prepared to be creative, entrepreneurial and flexible to meet future job challenges.

RUN universities teach around 112,000 students or around 9 per cent of enrolments at Australian public universities.³ They educate 23 per cent of Australia's domestic, regional and remote students at the undergraduate level, 16 per cent of its low socio-economic status (SES) students and 17 per cent of its Indigenous students. They also enrol 28 per cent of external students and 33 per cent of domestic students in enabling courses. Many students are first in family to attend university.

People who study in the regions largely stay in the regions to work. A study undertaken for RUN demonstrated that 60 – 80 per cent of employed, recent graduates of RUN universities were employed in regional Australia.⁴ A report by Cadence Economics for Universities Australia has estimated that for every 1000 university graduates entering the workforce 120 new jobs are created for people without a university degree.⁵ Regional universities therefore boost regional employment more broadly than just through their graduates.

¹ Regional Universities Network, 2013, *Economic Impact of the Universities within the Regional Universities Network*, page 10 Available from http://www.run.edu.au/cb_pages/news/Economic_Impact_Study.php.

² Department of Education and Training, 2015, *Finance 2015, Financial Reports of Higher Education Providers*.

³ Department of Education and Training data, 2015.

⁴ RUN, 2013, *Economic Impact of the Universities within the Regional Universities Network*, page 10. Available from http://www.run.edu.au/cb_pages/news/Economic_Impact_Study.php.

⁵ Cadence Economics, 2016, *The Graduate Effect: Higher Education Spillovers to the Australian Workforce*. Report for Universities Australia. Available from <https://www.universitiesaustralia.edu.au/Media-and-Events/commissioned-studies/The-graduate-effect--higher-education-spillovers-to-the-Australian-workforce>

Regional universities are a great “value add” industry for the regions. Growing congestion in the capitals will cost Australians \$53 billion per annum by 2031⁶, and regional universities encourage the development and economic growth outside capital cities.

Many of RUN’s universities are significant distance education providers. Distance education diversifies regional economies, and runs counter to the cycles of other regional industries (e.g. agriculture) and reduces pressure on infrastructure in capital cities. It also provides students who would be unable to participate in on-campus study, with the opportunity to embark on higher education studies in a flexible manner that fits in their existing family, work and personal commitments.

RUN universities are also leaders in mature age and professional education, educating people throughout their lives, and contributing to changing skills needs in the workplace.

Our universities perform a growing share of Australia’s highly ranked research, much of which is undertaken in close partnership with regional Australian industries and communities and which also has global relevance.

The quality of our research is nationally recognised, with key disciplines ranked at the highest international standards in the Excellence in Research for Australia (ERA) assessment, including:

- Agriculture, land and farm management; animal production; crop and pasture production; forestry sciences; geochemistry; geology; oceanography; environmental science and management; soil science; ecology; and zoology;
- Human movement and sports science; nursing; complementary and alternative medicine; other medical and health sciences; psychology and cognitive sciences; and
- Mathematical sciences including applied mathematics; and materials engineering.

RUN universities recognise the importance of translating research outputs to benefit Australians. Much of the research undertaken at RUN universities is applied and is performed in close partnership with the users of the research. We make a fundamental contribution to regional innovation.⁷

⁶ Infrastructure Australia Audit, 2015.

⁷ RUN, 2015, *RUN research, regionally embedded, globally engaged*. Available from http://www.run.edu.au/resources/Research_Brochure_2015.pdf.

Comments against specific Terms of Reference

- a. *best practice approaches to regional development, considering Australian and international examples, that support:*
 - i. *growing and sustaining the rural and regional population base;*
 - ii. *the benefits of economic growth and opportunity being shared right across Australia;*
 - iii. *developing the capabilities of regional Australians;*
 - iv. *growing and diversifying of the regional economic and employment base;*
 - v. *an improved quality of life for regional Australians;*
 - vi. *vibrant, more cohesive and engaged regional communities;*
 - vii. *leveraging long-term private investment; and*
 - viii. *a place-based approach that considers local circumstances, competitive advantages and involves collective governance.*

Regional Educational Attainment

Lifting educational attainment in regional Australia, both with respect to Year 12 and bachelor degree completions, will have a positive effect on regional economies.

Regional Australia is characterised by lower rates of higher education participation than in our capital cities. This is an important equity issue for the individuals concerned and has implications for the economic development of their communities.

The gap has started to narrow in recent years, largely due to the introduction in 2012 of the demand driven system of student funding, which allows universities to enrol as many eligible students as they wish in bachelor degrees. However, the proportion of the working age population with Year 12 and bachelor degree or higher attainment levels remains significantly lower in regional and remote areas than in major cities.⁸ In 2014, about 15-19 per cent of working age Australians living in regional and remote areas held a bachelor degree or above (there are lower levels of attainment with increasing distance to major cities) compared with around 33 per cent of the population in major cities.

In 2015, the proportion of persons aged 25-34 years with Year 12 or above was above 80 per cent in major cities and between around 61 to 64 per cent in regional Australia.⁹ The proportion of 25-34 year olds with a bachelor degree or above in major cities was about 42 per cent compared to around 21 to 18 per cent in regional Australia (becoming lower further away from major cities). Significantly, the proportion of regional Australians with a

⁸ Australian Bureau of Statistics, 2014, *Education and Work 2014* Cat no. 6227 – analysis based on data downloads.

⁹ Australian Bureau of Statistics, 2015, *Education and Work Australia*, May 2015. Analysis based on data cubes 2 and 7.

bachelor's degree or above in inner and outer regional areas has marginally declined from 2014 to 2015.¹⁰

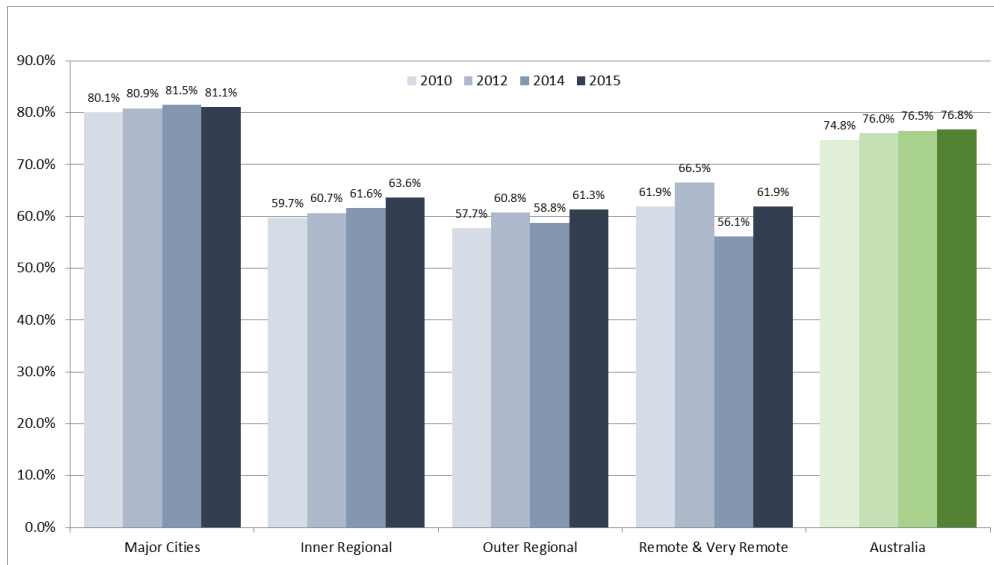


Fig. 1 The proportion of persons aged 25-34 years with Year 12 or above, by remoteness area, year (based on Australian Bureau of Statistics data).

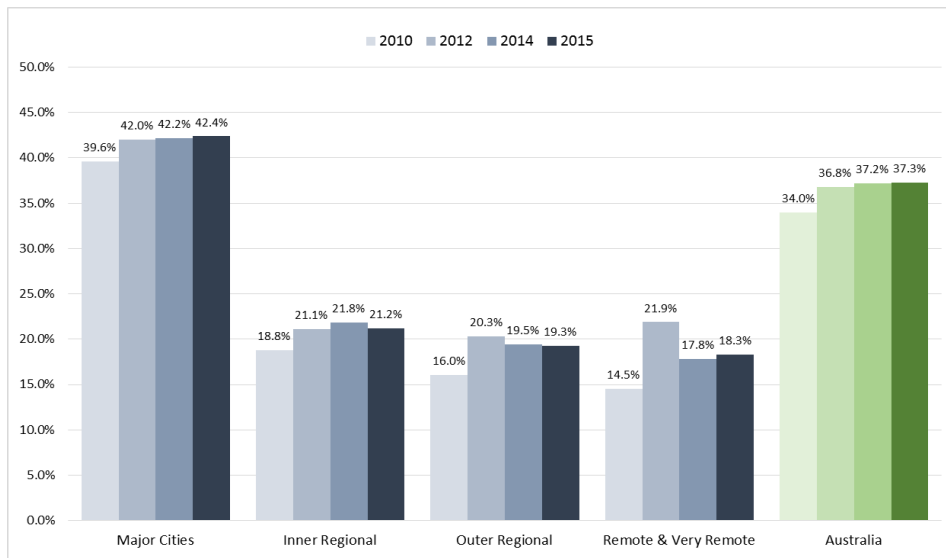


Fig. 2 The proportion of 25-34 year olds with a bachelor degree or above, by remoteness area, year (based on Australian Bureau of Statistics data)

Increasingly, there will be the need for more highly skilled workers who are university graduates as automation take over more low skilled jobs. Within two decades, more than 40 per cent of Australian jobs that exist today may disappear as technology reshapes entire industries, professions and work practices.¹¹ Regional Australia will be the worst affected

¹⁰ Australian Bureau of Statistics, 2015, Education and Work Australia, May 2015. Analysis based on data cubes 2 and 7.

¹¹ Durrant-Whyte, H, McCalman, I, O'Callaghan, S, Reid, A, & Steinberg, D, 2015, "The impact of computerisation and automation on future employment", in Committee for Economic Development of Australia, Australia's Future Workforce?, CEDA, Melbourne, p.58.

part of the nation, due to the high proportion of low skilled jobs. The regions need more highly skilled, university-trained professionals to drive the innovative industries of the future.

It is therefore vital that increased Year 12 completion and university participation continues to be a priority in regional Australia, and that regional universities are adequately supported in the task of supporting the success of regional students in their studies.

Regional universities make a fundamental contribution to the economic development of regional Australia, and are anchor institutions for their regions. That is, they are embedded in their regions, and are commonly the largest, or one of the largest, regional employers.

Universities enable the best use of regional human capital and resources and contribute to educational opportunities, economic prospects, innovation and community capabilities for the more than 30 per cent of Australians who live outside the capitals. They are one of the largest and most visible assets in their regions and cities. The teaching and learning activities, research and innovation and service functions of regional universities contribute to: human capital development; regional governance and planning; community development; health and ageing; arts, culture and sport; environmental sustainability; and industry and business development in regional Australia. Staff and students play active and visible roles in their communities and contribute to capacity building, including internationally. Regional universities are major employers across a wide range of occupations, and purchasers of local goods and services.

Outreach activities to schools lift the aspiration of students for university study, support students for success in their high school studies, and provide professional development for teachers and career advisers.

RUN supports greater international student enrolment in regional universities. Smaller campuses and smaller class sizes mean better access to lecturers, more opportunity to make friends, and generally a more supportive learning environment. Students generally enjoy lower accommodation costs than in metropolitan areas, and there are opportunities for part-time work while studying. International students provide increased student numbers in science, technology, engineering and mathematics disciplines which are not necessarily in demand from domestic students. They can therefore potentially fill areas of skills shortage in regional Australia.

Furthermore, international students diversify regional communities, and facilitate and enrich cultural development. Our communities are welcoming of international students, who can potentially help to fill areas of skills shortage in the regions.

International models

If the economic power of universities was more effectively harnessed, the institutions could contribute even more to community wealth building.

In Australia there has been little recognition of the place-based importance of universities in education, research or innovation funding (exceptions being regional loading funding associated with student numbers, and the regional round of the Education Investment Fund).

Australia has started to recognise the role of universities in some of the first tranche of Australian city deals, but the long term commitment of the Government to such policies is, as yet, uncertain.

Regional universities can play a pivotal role as Australia rolls out more City Deals – a model which is transforming local areas in the United Kingdom.

City Deals (including smaller cities and towns and their regions), Growth Deals (outside city areas) and smart specialisations in the UK and Europe have been implemented in recognition that aspatial policy and funding frameworks that do not take account of local circumstances do not deliver for all. Placed-based policies for economic development, collaboratively developed from the bottom up by local stakeholders, give regions and cities a sense of hope for a brighter future. For national cohesion and prosperity, regions and cities cannot be left behind.

Universities are recognised as anchor institutions for their regions and are a driving force behind many of the initiatives¹² e.g. The University of the Highlands and Islands in the Inverness, Highland and City Region Deal, and Cardiff University in the Cardiff Capital Region City Deal. Although not part of a formal city deal, Keele University has led a vision for the development of its region, captured in the Keele Deal and New Keele Deal, and persuaded local government to sign on <https://www.keele.ac.uk/newkeeledeal/>.

Australia has only recently started to follow the British and European models and can learn much from these examples.

Universities are uniquely placed to lead the development of the deals in that they are politically neutral, can bring disparate parties together, and can be brokers and facilitators. For example, the Cardiff Deal brought together 10 councils, plus the Welsh and UK Governments

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508268/Cardiff_Capital_Region_City_Deal.pdf.

Universities can use their knowledge, research and connections, including in the international context, to inspire a vision for development for the local city or region. Education and training programs relevant to local industry as part of the vision work to encourage people to study locally and work in the region.

Innovation precincts, commonly centred on university campuses, are included in many City Deals. For example, a health innovation centre and a broader, Northern Scotland Innovation

¹² Caroline Perkins, 1 June 2017, Regional Universities have a Pivotal Role to Play in Australia's City Deals, The Conversation, available at <http://bit.ly/2rIBnBa>

Hub, is part of the Highland and City Region Deal. The Cardiff Deal includes the development of a Social Science Research Park.

When packaged in the context of regional development, innovation is seen as a positive force for jobs and growth and not the source of disruption and job loss. The development of university innovation precincts, currently being considered by the Commonwealth Government, is ideally suited to be part of City Deals.

In Australia, universities are participating in the first tranche of City Deals. The University of Tasmania is at the heart of the Launceston City Deal, including moving its campus to the central business district, and designing programs for regional workforce needs. CQUni and James Cook University are participants in the Townsville City Deal. Further City Deals should be rolled out in regional cities, with universities playing a key role.

Other Commonwealth place-based policies, such as the Regional Growth Fund, announced in the 2017 Budget, and the university innovation precincts agenda, also offer opportunities for potential involvement by universities.

National Regional Higher Education Strategy

A National Regional Higher Education Strategy, as proposed by Cathy McGowan MP during the debate on the Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017 (HESLA Bill), could work to put regional campuses and universities at the centre of harmonised policy and programs across education, employment, research, innovation and regional development.

Such a strategy would pick up many of the issues, policies and programs outlined in this submission, and draw on international examples such as the UK City Deals and the European Smart Specialisations. It could also draw on the University of Tasmania's role in developing its state's economy (including in the context of the Launceston City Deal).

The Minister for Education and Training, the Senator the Hon Simon Birmingham, has asked that the proposal for a National Regional Higher Education Strategy be considered in the context of the Independent Review into Regional Rural and Remote Education, but it is also relevant to this inquiry.

RUN will work to develop a strategy over the next few months.

Need for Consistency of Commonwealth Policy which impacts the regions

The Federal Government has announced a range of policies that will assist regional Australia, its students, universities and communities. These include some of the measures in the higher education reforms announced in the recent Budget, such as retaining the demand driven student system, easing the capping arrangements on sub-bachelor programs, providing funding for new regional study hubs, and providing funding certainty

for the Higher Education Participation and Partnerships Program. These initiatives will complement other Government programs (such as Regional City Deals, the new Regional Growth Fund, the Regional Jobs and Investment Package, and the decentralisation of Government bodies) and encourage people to work and live in regional Australia.

However, other elements of the Government's higher education reforms will be damaging to the regions. For regional universities, Commonwealth Grant Scheme (CGS) funding is used to support not only a wide range of teaching, learning and research functions, but also contributes to the many ways our universities provide for our students and their communities. Universities do not receive separate funding for regional development so our universities experience added pressure on their CGS funding compared with metropolitan universities. Regional universities are, proportionally, more reliant on government funding for teaching and learning (around 40 per cent for RUN members), than older, metropolitan universities (e.g. less than 20 per cent for the Group of Eight). The impact of the CGS efficiency dividend and performance funding will therefore be greater for our universities.

The higher education reforms may also work to further lower the participation rate of regional students in higher education. The proposed increase in student contributions may deter some students, particularly those who are mature age and / or part-time.

The proposed decrease of the first threshold for the repayment of student loans from around \$52,000 to \$42,000 is a significant change and will disproportionately affect low income households. Financial circumstances have been shown to be a major contributor to students dropping out of university.¹³

Policy contradiction at the Commonwealth level is encapsulated in the new Rural and Regional Enterprise Scholarships program for regional students to study STEM subjects in higher and vocational education. While noting that the program is of limited duration and impact, RUN welcomes these scholarships as a means to help alleviate the financial stress faced by many regional students. However, the mechanism to allocate scholarships to students does nothing to encourage students to study at regional campuses. Around three quarters of regional students who go to a metropolitan university to study never return to work in the regions. This initiative, as currently conceived, is thus likely to contribute to the further loss of human capital in regional Australia.

Innovation policy

For Australia to remain a prosperous nation with high standards of health and well-being, it will be important for the Government's policy settings to encourage innovation across diverse industry sectors and geographic locations. Central to this outcome will be:

- a highly educated and adaptable workforce;
- institutions and firms that can generate and exploit knowledge;
- strong networks that connect individuals, groups and organisations; and

¹³ Devlin M. and McKay J. 2017 Facilitating Success for Students from Low Socioeconomic Status Backgrounds at Regional Universities. Research Report, Federation University Australia.

- the economic and business conditions, and the policy settings that encourage investment and innovation.

Regional universities have a fundamental role to play in innovation, productivity and national development.

Australia must have a responsive innovation system characterised by: a highly educated and adaptable workforce; institutions and firms that can generate and exploit knowledge; strong networks that connect individuals, groups and organisations; and the economic and business conditions, and the policy settings that encourage investment and innovation. Public policy and the Government's overall approach to innovation should be focussed on strengthening these key components within Australia, including in regional Australia.

Universities' education and research functions make them central components of the innovation system. They produce the graduates and postgraduates required to support high skill, knowledge-based jobs and industries, and generate much of the nation's world class research. Universities Australia has estimated that Australia's graduates are worth \$188 billion to the Australian economy annually and that a third of jobs will require a university degree in the coming years.

RUN universities produce graduates across a wide range of disciplines including science, agriculture, engineering, accounting, business, education, finance, health, hospitality management, languages, law, tourism, and, information technology. Most graduates of regional universities stay in regional Australia where they continue to contribute to the ongoing wellbeing of regional Australia.

However, universities' contributions to innovation are diverse and complex. They play an important role in promoting competitiveness. A tool developed by the RAI called InSight, which is modelled on the World Economic Forum's Global Competitiveness Report, tracks the competitiveness of Australia's 560 Local Government Areas (LGAs). It takes account of each area's performance against ten themes (such as infrastructure and essential services, economic fundamentals, human capital, innovation, and market size) and 59 indicators. As might be expected, the LGAs that host the major campuses of RUN universities perform relatively well, particularly in relation to access to tertiary education, innovation and human capital. These outcomes are achieved despite the fact that higher education attainment rates in regional Australia are only half those of the capital cities.

Innovation precincts are places where researchers and businesses co-locate for cross-fertilisation and mutual benefit. Regional universities house innovation precincts, such as USC's Innovation Centre, which has become a focal point for business innovation on the Sunshine Coast. It has supported the start-up and growth of over 100 knowledge economy businesses since its establishment in 2002. With a \$2.2 billion world-class health and medical precinct now under construction in the region, the Centre is working with regional partners to leverage the benefits of this significant new regional asset to attract and assist innovative health, science and technology related start-ups and high growth companies.

Federation University's Technology Park was established in 1995 in partnership with the City of Ballarat and the Victorian State Government. The Centre caters to large-scale

organisations such as IBM (which employs 740 staff at the Centre with plans for further growth), early stage technology focused businesses and innovative technology SMEs. The Technology Park's role in attracting enterprises to Ballarat, stimulating business start-up and growth, creating jobs and retaining young people in the region, has led to the Park's strong ongoing support from key regional bodies.

The Commonwealth Government is currently considering Precincts Policy. It is important that the development of precincts is encouraged in regional Australia on or near regional university campuses, and the policy works in such a way to capitalise on other government initiatives e.g. the new Regional Growth Fund.

b. decentralisation of Commonwealth entities or functions, as a mechanism to increase growth and prosperity in regional areas, considering Australian and international examples, including:

- i. examining the potential for decentralisation to improve governance and service delivery for all Australians, considering the administrative arrangements required for good government;*
- ii. identifying the characteristics of entities that would be suited to decentralisation without impacting on the ability to perform their functions;*
- iii. identifying the characteristics of locations suitable to support decentralised entities or functions, including consideration of infrastructure and communication connectivity requirements;*
 - considering different models of decentralisation, including:*
 - relocation of all or part of a Commonwealth entity to a regional area;*
 - decentralisation of specific positions, with individual employees telecommuting, considering any limitations to this in current Australian Public Service employment conditions and rules; and*
 - co-location of decentralised Commonwealth entities or employees in existing regionally based Commonwealth or State Government offices.*

Governments have a role in facilitating innovation, regional development, and the growth of professional and highly skilled jobs in the regions. This can be achieved including via program or infrastructure funding, or through the relocation of government agencies or bodies to regions. Where the investment is focussed in an area with a regional university, the prospect for long term benefit is magnified.

While essentially all government initiatives involve upfront expenditure and cost to the taxpayer, the investment pays off in the long term. In many cases, Commonwealth government initiatives leverage other funding, including from state and local government and private business. Locating a government institute or agency at or near a regional university may act as a nucleus for the future growth, and the development of an innovation precinct. Other players may be attracted, including from the private sector. Synergies

between the Commonwealth agency and a university's teaching and research profile could help guide co-location.

The relocation of the Australian Pesticides and Veterinary Medicines Authority (APVMA) to Armidale, NSW, complements an already strong university and private sector investment in agricultural science and technology, and can be expected to encourage additional, relevant investment in due course.

Locating Commonwealth bodies on or near regional university campuses will deliver many benefits: it will boost the aspirations of school students to pursue tertiary study, provide opportunities for internships and work integrated learning, and encourage research collaboration, including with regional business. It will increase the number and range of highly skilled jobs in the region, boost career opportunities for graduates in regional Australia, and encourage universities to diversify and tailor their course offerings to meet employer needs.

These outcomes are important not only for regional economies, but the nation.