



REGIONAL UNIVERSITIES NETWORK (RUN)

Submission to the Productivity Commission on the Initial Report on Transitioning Regional Economies

The Regional Universities Network (RUN) wishes to comment on the following point in the Productivity Commission's initial report on *Transitioning Regional Economies*:

- *Strategies for successful adaptation and development are those that focus on supporting people in regional communities to adjust to changing economic circumstances. Strategies work best when they are:*
 - *identified and led by the local community, in partnership with all levels of government;*
 - *aligned with the region's relative strengths;*
 - *supported by targeted investment in developing the capability of the people in the local community to deal with transition, adaptation, and securing an economic future;*
 - *designed with clear objectives and measurable performance indicators and subject to rigorous evaluation.*

We support this key point, and argue that regional adaptation and development could be improved by better harnessing regional universities through the formal recognition of the institutions in regional development policy, including in place-based policy and programs, such as in the UK's City Deals or European Smart Specialisations.

Furthermore, existing policies and programs in Australia do not always work in unison to support regional development. More could be done to harmonise policy at the Commonwealth level, and between the Commonwealth and other levels of Government.

Introduction

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 and stay in their regions, and are commonly the largest, or one of the largest, regional employers.

The institutions 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 physical, intellectual, cultural and sporting 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 regional capacity building, including internationally. Regional universities are major employers across a wide range of occupations, and purchasers of local goods and services.

If the economic power of these anchor institutions were more effectively harnessed, they 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).

In the UK, universities are recognised as key players in City Deals, to the benefit of their cities, towns and regions.

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 Network (RUN)

The six regionally-headquartered universities of the Regional Universities Network (RUN), CQUniversity, Federation University Australia, Southern Cross University, University of New England, University of Southern Queensland, and the University of the Sunshine Coast, 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

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.

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.

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.

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>

⁶ Infrastructure Australia Audit, 2015.

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 science; 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

Regional universities and place-based, holistic policies

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 initiatives⁸ 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/>.

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

⁸ 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/2rlBnBa>

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 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, 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.

Consistency of Commonwealth policy associated with the role of regional universities and regional Australia

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 example, the efficiency dividend of 2.5 per cent per annum on Commonwealth Grant Scheme (CGS) / teaching funding in each of 2018 and 2019 will reduce the capacity of universities, both regional and non-regional, to adequately service their communities. This will have a detrimental economic and social impact across Australia.

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.

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.