

Chapter 4

Federal funding of regional capitals

Introduction

4.1 This chapter outlines the federal funding arrangements for regional capitals. Regional capitals across Australia identified inadequate funding as their primary challenge.¹ However, other witnesses submitted that it is impossible to determine whether funding is adequate or, indeed, how much funding is reaching regional areas.²

4.2 It is difficult to assess the quantum of funding provided to regional capitals. This is related, in part, to the poor quality of data available to decision makers pertaining to regional capitals.³ Professor Fiona Haslam-McKenzie, Co-Director of the Centre for Regional Development, University of Western Australia, reported that there is poor collection of data, huge variability between regions and a lack of consistent population data. She noted that in relation to Western Australia, it is often 'very difficult to know exactly how many people are using resources and infrastructure in regional capitals'.⁴ Furthermore, it is often difficult to work out *who* is responsible for collecting the data.

4.3 The Regional Australia Institute advised the committee that it is 'factually impossible' to assess how much funding regional capitals receive. Mr Jack Archer, CEO, told the committee:

It is factually impossible to make a decent assessment of that situation. The information about how money from different levels of government is flowing into these places is impossible. I suspect that none of the governments know. Individual programs are doing their thing as best they can. It is not like it is wilful neglect but, across the broad complexity of government, one of the biggest challenges to the institute's work is there is no information base around that. One of the challenges we have—and we did not respond to that part of the inquiry's terms of reference, purely because we did not feel we could put the evidence on the table.⁵

4.1 In addition to difficulties associated with determining the quantum of funding, the committee heard that there is very little certainty that existing funding will continue for any period of time. Regional Capitals Australia (RCA) conducted an infrastructure assessment of federal program funding in regional capitals and

1 See, for example, Rockhampton Regional Council, *Submission 6*, p. 2.

2 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 4.

3 See, for example, Australian Sustainable Built Environment Council, *Submission 45*, p. 3.

4 Professor Fiona Haslam-McKenzie, Co-Director, Centre for Regional Development, University of Western Australia, *Committee Hansard*, 28 October 2015, p. 1.

5 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 4.

concluded that the only predictable funding programs were Roads to Recovery and the Black Spot programs. These programs were targeted at addressing the need for 'urgent repairs to decaying or dangerous infrastructure *not* to generate economic activity and growth'.⁶

4.2 Despite these challenges, the committee has made an effort to identify the range of federal funding streams available to regional centres.⁷

Federal programs

4.3 The federal government has a range of programs to support regional development. The Department of Infrastructure and Regional Development's 2015 submission lists the following:

- Infrastructure investment program
 - Heavy vehicle safety and productivity program
 - Black spot programme
 - Roads to recovery program
 - National highway upgrade program
 - Bridges Renewal program
- National stronger regions fund
- Regional development programs
 - Community development grants program
- Tasmanian jobs and growth package
- Finance assistance grant program (including Regional Centre Funding)
- Regional Development Australia (RDA) committees
- Air transport
 - Airports and aviation in regional centres
 - Regional package for international services
 - Regional airline access at Sydney Airport
- Intermodal transport hubs
- Relocating Commonwealth agencies to regional centres.⁸

6 Regional Capitals Australia, *Submission 48*, p. 22. Emphasis in original.

7 These funds are supported by funds from state and territory governments.

8 Department of Infrastructure and Regional Development, *Submission 76*, pp. 17–25 (May 2015).

4.4 The committee received evidence in submissions and during hearings about the effectiveness of these and other programs. Four of the more significant programs are discussed in more detail below.

Federal assistance grants

4.5 Federal Assistance Grants (grants) are untied grants and payments that are paid by the federal government to local governments through the states via the Local Government Grants Commission in each state and territory.⁹ The grant program comprises:

1. a general component that is distributed between the states and territories according to population (on a per capita basis); and
2. an identified local road component that is distributed between the states and territories according to fixed shares.¹⁰

4.6 Local government grants commissions recommend the distribution of the funding under the program to local governments in accordance with the relevant legislation and the National Principles for allocating grants.¹¹ The size of the grant to each state changes each year, in accordance with population and the Consumer Price Index. The aggregate grant for local government in each state and territory for 2016–2017 follows:

Table 4.1

Jurisdiction	General Purpose \$	Local Roads \$	Total \$
New South Wales	508,095,062	204,085,189	712,180,251
Victoria	397,215,307	145,020,454	542,235,761
Queensland	318,493,238	131,795,765	450,289,003
Western Australia	172,207,706	107,554,465	279,762,171
South Australia	112,799,283	38,657,876	151,457,159
Tasmania	34,275,869	37,276,466	71,552,335
Northern Territory	16,129,077	16,477,568	32,606,645
ACT	26,037,340	22,555,574	48,592,914
Total	\$1,585,252,882	\$703,423,357	\$2,288,676,239 ¹²

9 The grant is provided under the *Federal Government (Financial Assistance) Act 1995* (Cth).

10 Department of Infrastructure and Regional Development, *Submission 76*, p. 21.

11 National Principles for the allocation of grants under the Local Government (Financial Assistance) Act 1995, <http://regional.gov.au/local/assistance/national-principles-allocation-of-grants.aspx> (accessed 4 November 2016).

12 Department of Infrastructure and Regional Development, 'Financial Assistance Grant to Local Government', <http://regional.gov.au/local/assistance/index.aspx> (last updated 6 October 2016).

4.7 The Treasurer has discretion to alter the annual indexation of the grants. In the 2014-2015 Budget the federal government announced that it would freeze the indexation of the grant program for three years from 1 July 2014 to achieve a saving of \$925.2 million.

4.8 Submitters recognised the important function that grants perform in regional capitals. However, as discussed in Chapter 3, regional councils were critical of the federal government's decision to freeze the indexation of the grants in the 2014-2015 budget, and indicated the severe impact this measure would have on local governments.¹³ The City of Greater Geelong submitted that this decision would disproportionately impact 'high growth regional capitals'.¹⁴ Albury and Wodonga Councils argued that the freeze would result in a significant loss of revenue.¹⁵

4.9 The government's 2016-2017 budget papers suggest that indexation is expected to return in the 2017-2018 year; however the government has not made an explicit announcement that this is the case.¹⁶ The decision to freeze the indexation created additional financial pressures on regional councils across Australia and the government's failure to confirm whether the freeze will be lifted only perpetuates this stress.

4.10 Aside from the freeze on indexation, these grants were generally supported by regional capitals, particularly because they were untied grants.¹⁷

4.11 The Grattan Institute submitted that such grants do not particularly support 'bolting' regions, as the grants are 'awarded disproportionately to inland cities and rural areas, at the expense of both capital cities and capital city satellites'.¹⁸ This arises from 'out-dated formulae, which allocates a minimum amount to local councils even if their population is falling or lacks sufficient scale to support service delivery'.¹⁹

4.12 A number of submitters suggested that the grant formula does not recognise the functional role that regional capitals serve to residents of surrounding towns. For example, Geraldton provides services and infrastructure that is utilised by non-residents (and non-rate payers).²⁰ Similar arguments were made by a number of other submitters. Tamworth Regional Council submitted that:

13 Budget 2014-2015, Budget Paper No. 2, Part 2: Expenses and Measures, Infrastructure and Regional Development, http://budget.gov.au/2014-15/content/bp2/html/bp2_expense-18.htm

14 City of Greater Geelong, *Submission 30*, p. 3.

15 Albury and Wodonga Councils, *Submission 65*, p. 12

16 Budget Statements 2016-2017, Department of Infrastructure and Regional Development, Table 2.3.2, https://infrastructure.gov.au/department/statements/2016_2017/budget/dird_table_2-3-2.aspx.

17 Western Australia Local Government Association, *Submission 46*, pp. 13-14, citing, in part, a 2012 Ernst and Young report on local government infrastructure.

18 Grattan Institute, *Submission 2*, Attachment, Investing in regions: Making a difference, p. 45.

19 Grattan Institute, *Submission 2*, Attachment, Investing in regions: Making a difference, p. 45.

20 City of Greater Geraldton, *Submission 31*, p. 4.

Federal Funding [e.g. Federal Assistance Grants] is distributed on a range of factors including population and the relative —disability of a Council's demographic – but it does not take into account that Regional Centres provide a whole range of infrastructure, facilities and services to surrounding Councils where their ratepayers do not make any contribution – for example, sporting fields, regional playgrounds, swimming pools etc. are all paid for and subsidised by local ratepayers, but a visitor from a surrounding area does not make any substantial contribution toward the cost of providing that facility.²¹

4.13 The City of Ballarat also called for a funding model that recognised projected growth not just current population levels:

The critical issue facing Ballarat and other high growth regional capitals is not so much existing population, but future population. It is the expected future population that is driving many of the funding, financing and service delivery type issues – attempting to develop tomorrow's regional capitals, with today's budgets and limitations. In doing this, today's residents are funding the benefits that will be received by future residents; there are intergenerational equity issues being created by the existing funding models. Funding based on projected population, as opposed to existing population would commence this process to be readdressed.²²

4.14 The department's submission noted that the National Principles under the grant program enable local government commissions to take into account the functions of local governments and their capacity to raise revenue. Further:

Grants commissions can also divide Financial Assistance Grants according to local government priorities within the state, which could include providing greater funding to local governments affected by significant external activities, such as growth in non-resident populations.²³

4.15 The grant program is an important source of revenue for local governments across Australia. A key strength is the flexibility it provides to local governments. However, the effectiveness of this funding stream is hampered by the federal government's decision to freeze the indexation of the grant and, in the view of some regional capitals, the funding formula.

National Stronger Regions Fund and the Building Better Regions Fund

4.16 The National Stronger Regions Fund (NSRF) is a program targeted at the promotion of economic development in Australia's regions. The federal government initially announced the allocation of \$1 billion over five years commencing the 2015-2016 financial year. Local governments and incorporated not-for-profit organisations were eligible to apply for funding grants ranging from \$20,000 and \$10 million. The department described the purpose of the fund in the following terms:

21 Tamworth Regional Council, *Submission 60*, p. 13.

22 City of Ballarat, *Submission 27*, p. 13.

23 Department of Infrastructure and Regional Development, *Submission 76*, p. 21.

The programme is designed to enhance economic growth, activity and output of our regions and sustain these gains into the future. The Fund has a particular focus on assisting disadvantaged regions to achieve growth. While the Fund will be delivered nationally, regional centres that are able to demonstrate regional disadvantage will be better able to meet the assessment criteria during application appraisals.²⁴

4.17 During the 2016 election the government promised to change the NSRF to ensure that only regional, rural and remote Australia would be eligible for grant funding. The funding criteria would be expanded to include small community groups. The new fund would be called the Building Better Regions Fund (BBRF).²⁵ No new funding has been allocated as the outstanding funding in the NSRF of \$297.7 million over three years was transferred to the BBRF.²⁶

4.18 During the October Estimates hearing the Rural and Regional Affairs and Transport Legislation Committee sought further information from the department on the BBRF. The funding guidelines are not yet available; however Sydney, Melbourne, Brisbane, Adelaide, Perth and Canberra would not be eligible to apply for funding.²⁷ There will be two funding streams:

...a national infrastructure stream, and you will see projects similar to those that have received funding under NSRF be eligible under that element of the program—things such as sporting facilities, tourism infrastructure, healthcare facilities, agricultural infrastructure and general community infrastructure. That is the national infrastructure stream.

With regard to the community investment stream, this will include expansion of local festivals to bring more tourists to regional Australia, and it will provide leadership and training in mentoring, and strategic job plans for regions.²⁸

4.19 Less than a fifth of funding associated with the NSRF is allocated to regional cities or regional capitals.²⁹ Councillor Dickerson, Dubbo Council, described programs like the NSRF as 'great when you get them...disappointing when you miss

24 Department of Infrastructure and Regional Development, *Submission 76*, p. 23.

25 Senator the Hon. Fiona Nash, Minister for Regional Development, Regional Communications, and Rural Health, *Media Release*, 20 June 2016, <http://nationals.org.au/coalition-building-better-regions/> (accessed 5 September 2016).

26 Mr Mike Mrdak, Secretary, Department of Infrastructure and Regional Development, *Proof Estimates Hansard*, 17 October 2016, p. 39.

27 Ms Ruth Wall, Department of Infrastructure and Regional Development, *Proof Estimates Hansard*, 17 October 2016, p. 37.

28 Ms Ruth Wall, Department of Infrastructure and Regional Development, *Proof Estimates Hansard*, 17 October 2016, p. 37.

29 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 9.

out. They do seem to be a little bit sporadic and they do not seem to always be based on merit'.³⁰

4.20 Some witnesses were very critical of the NSRF, particularly the decision to fund some projects around the City of Perth.³¹ For example, Councillor Shane Van Styn, Board Member, Western Australia (WA) Regional Capitals Alliance, told the committee that regional capitals in WA had not 'seen any direct benefit from the Stronger Regions Fund'. In part this is because of the requirement to provide matched funding from the local government and state government. Councillor Van Styn argued that this is not practical for many regional capitals:

What is unique to regional capitals, of course, is that we do have smaller populations—so a smaller rate base and a smaller financial base—and so to do nation-building projects, such as a port, means the idea that the City of Greater Geraldton, for want of an example, is going to contribute one-third of the cost of a \$2 billion port is, quite frankly, ridiculous. And yet that port will deliver significant financial benefits to the nation. There is no allowance; they are using these population based statistics to go, 'We don't get our bang for buck.' There needs to be a far better look at the strategic importance of regional infrastructure.³²

4.21 Councillor Van Styn observed that funding should not be directed to sports stadiums and 'wonderful' projects, rather it should be directed to nation-building projects that promote development and employment, for 'we will transform a city on a road; we will transform a city on a port'.³³

4.22 The WA Local Government Association identified a number of weaknesses that arise from tied grants, like the NSRF:

- There is often little certainty that funding will continue and if so, for what period;
- The programs often operate for a short period of time and eligibility for grants may be limited;
- It is difficult for local governments to incorporate grants into their budgets, as assumptions must be made about probability of receiving the grant, the level of grant funding, and the date of receipt of the funds;
- Lower priority projects may be pursued because they receive grant funding and higher priority projects miss out; and

30 Councillor Mathew Dickerson, Chairman, Evocities, *Committee Hansard*, 4 March 2016, p. 36.

31 Councillor Shane Van Styn, Board Member, Western Australia Regional Capitals Alliance, *Committee Hansard*, 28 October 2015, p. 36.

32 Councillor Shane Van Styn, Board Member, Western Australia Regional Capitals Alliance, *Committee Hansard*, 28 October 2015, p. 42.

33 Councillor Shane Van Styn, Board Member, Western Australia Regional Capitals Alliance, *Committee Hansard*, 28 October 2015, p. 42.

- Local governments may have to invest in pre-construction work to apply for a 'shovel ready' grant that they may not receive funding for.³⁴

4.23 The committee considers that the reforms to the fund were necessary and appropriate, and are more likely to benefit regional capitals across Australia. It is nonsensical for Australian capital cities to obtain funding through a funding program targeted at supporting infrastructure development in Australia's regions.

Smart Cities Plan

4.24 During the committee's March 2016 hearing, the Regional Australia Institute suggested that the federal government follow the successful City Deals incentive program used in the United Kingdom (UK), City Deals. This would require the government to look for opportunities in regional capitals and assist those regional capitals through incentive funding to address gaps in particular projects.³⁵ The committee was interested in this proposal.

4.25 Shortly thereafter, on 29 April 2016, the government released its Smart Cities Plan. The government describes the document as a 'plan for supporting productive, accessible, liveable cities that attract talent, encourage innovation and create jobs and growth'.³⁶ A significant program within this plan is the City Deals. While not exclusively targeted at regional cities, the paper notes that regional cities are 'especially well placed to take advantage of City Deals'.³⁷

4.26 As noted, City Deals have their origins in the UK. The federal structure in Australia means that the implementation of the UK program will need to be tailored to local conditions. In Australia, the government will tie federal funding to reform and incentives at the state and local level.³⁸ The Department of Prime Minister and Cabinet explained that:

Through City Deals, governments, industries and communities will develop collective plans for growth and commit to the actions, investments, reforms and governance needed to implement them.

...

34 Western Australia Local Government Association, *Submission 46*, pp. 13–14, citing, in part, a 2012 Ernst and Young report on local government infrastructure.

35 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 5. See also, *Introducing City Deals: a smart approach to supercharging economic growth and productivity*, KPMG, 2014. <https://www.kpmg.com/AU/en/IssuesAndInsights/ArticlesPublications/Documents/uk-city-deal-economic-growth-productivity.pdf> (accessed 8 March 2016).

36 Australian Government, *Smart Cities Plan*, 2016, <https://cities.dpmc.gov.au/smart-cities-plan> (accessed 3 October 2016).

37 Australian Government, Department of Prime Minister and Cabinet, *Smart Cities Plan*, April 2016, p. 21.

38 Australian Government, Department of Prime Minister and Cabinet, *Smart Cities Plan*, April 2016, p. 21.

City Deals will be structured around nationally and locally informed objectives, with a focus on economic growth, jobs creation, housing affordability, and environmental outcomes.³⁹

4.27 The Senate Finance and Public Administration Legislation Committee sought further information about City Deals during the October 2016 Estimates. Dr Kennedy, Deputy Secretary, Department of Prime Minister and Cabinet, explained that:

City deals are an opportunity for...three levels of government to collaborate: local level, state and Commonwealth. They are typically constructed around areas where those levels of government can provide reform or promote, particularly, the jobs and growth opportunities in those cities. The model that is being developed, and is currently being developed in Australia, draws very much on the international practice. So city deals have been a feature of some countries, in particular the United Kingdom, where they have been used to reform, in some cases, local governance and planning reform. They have been used for incentives to, say, improve training processes. They might be structured around a key piece of infrastructure that is being provided to a city.⁴⁰

4.28 The City Deals discussion focuses on six areas of collaboration between the federal, local and state governments, including:

- infrastructure and transport;
- governance, city planning and regulation;
- housing, housing supply and affordability;
- jobs and skills;
- innovation and digital opportunities; and
- liveability and sustainability.⁴¹

4.29 RCA cautiously welcomed the City Deals program. The Chair of RCA and City of Greater Geraldton Mayor, Shane Van Styn said:

We've seen the needle begin to move when it comes to including regional cities in national urban planning. Now we need to ensure regional capital

39 Australian Government, Department of Prime Minister and Cabinet, *Smart Cities Plan*, April 2016, p. 21.

40 Dr Steven Kennedy, Deputy Secretary, Innovation and Transformation Group, Department of Prime Minister and Cabinet, *Proof Committee Estimates Hansard*, Finance and Public Administration Committee, 17 October 2016, p. 72.

41 Dr Steven Kennedy, Deputy Secretary, Innovation and Transformation Group, Department of Prime Minister and Cabinet, *Proof Committee Estimates Hansard*, Finance and Public Administration Committee, 17 October 2016, p. 72.

cities receive the transport, education, employment opportunities and technology services it needs to meet the needs of a growing population.⁴²

4.30 Two of the first three City Deals announced by the government focus on regional capitals: Launceston and Townsville (the third is Western Sydney).⁴³ The government announced its intention to enter into a City Deal with Townsville on 26 July 2016:

The Commonwealth Government is investing in the future of Townsville and the future of Northern Queensland, providing \$100 million towards a modern stadium, entertainment venue and headquarters in Townsville for the 2015 NRL premiers, the North Queensland Cowboys.⁴⁴

4.31 The government commenced discussions with the Tasmanian government and the City of Launceston to establish a City Deal to:

[M]aximise the long-term benefits of the UTAS relocation, committing \$7.5 million to the Council to renew the Launceston CBD, making it an attractive and accessible place to work, study, visit and live.⁴⁵

4.32 Dr Kennedy acknowledged that the three City Deals that have been announced are in cities where the federal government — prior to the City Deal — had already made significant infrastructure commitments. The federal government is negotiating with state and local governments to create incentives for particular types of behaviour, and the three city deals will act as pilot projects 'to get the structure right for subsequent city deal arrangements'.⁴⁶

4.33 Memorandums of understanding (MOU) have been signed with the Tasmanian government. No such MOU has been entered into with any other government.⁴⁷

42 Regional Capitals Australia, *Media Release*, 'Regional Capitals Australia focused on 'first 100 days' in Canberra', 12 September 2016.

<http://www.regionalcapitalsaustralia.org/index.php/news/rca-news/itemlist/date/2016/9?catid=1>

43 The Hon. Angus Taylor, Assistant Minister for Cities, 'New City Deal approach will deliver more affordable homes', *Media Release*, 12 September 2016.

44 The Hon. Angus Taylor, Assistant Minister for Cities, 'Townsville City Deal discussions underway', *Media Release*, 26 July 2016.

45 The Hon. Angus Taylor, Assistant Minister for Cities, 'Smart Cities Plan rolls out for Tasmania', *Media Release*, 14 September 2016.

46 Dr Steven Kennedy, Deputy Secretary, Innovation and Transformation Group, Department of Prime Minister and Cabinet, *Proof Committee Estimates Hansard*, Finance and Public Administration Committee, 17 October 2016, p. 72. The Launceston City Deal should be entered into in early 2017 and the NSW City Deal by the end of 2017: Mrs Wiley-Smith, First Assistant Secretary, Cities Division, Innovation and Transformation Group, Department of Prime Minister and Cabinet, *Proof Committee Estimates Hansard*, Finance and Public Administration Committee, 17 October 2016, p. 74, 76.

47 Dr Steven Kennedy, Deputy Secretary, Innovation and Transformation Group, Department of Prime Minister and Cabinet, *Proof Committee Estimates Hansard*, Finance and Public Administration Committee, 17 October 2016, p. 75.

4.34 The committee acknowledges concerns expressed by stakeholders that the goals of the program are excellent, but the detail is sketchy and the commitment to a UK-style program questionable.⁴⁸

4.35 While the committee welcomes innovation in regional investment, with only three City Deals announced and limited policy and implementation detail, it would be premature for the committee reach a conclusion as to the effectiveness of this new program.

Regional universities

4.36 Another aspect of investment in regional capitals is that of federal funding to regional universities across Australia. This funding is administered by the Department of Education and Training, and for this reason is not included in the Department of Infrastructure and Regional Development's list of funding programs designed to support regional development.⁴⁹ Yet universities are present in many regional capitals and make a key contribution to the economic, educational, community and social life in those cities.

4.37 The committee received submissions from a number of regional universities and also heard evidence of their importance during hearings.⁵⁰ A key point of contention arose from the Grattan Institute's suggestion that the government should reduce investment in regional universities as such investment did not provide a good return. The Grattan Institute concluded that regional universities in Australia do not:

- encourage additional productivity-enhancing innovation by local firms;
- promote higher rates of tertiary education participation and attainment; or
- help retain more skilled young people in the region.⁵¹

4.38 The Grattan Institute's analysis focused on the economic contribution made by regional universities to their regions and did not consider the contribution that regional universities may make to the cultural and community life of the region.⁵²

48 For a discussion of the appropriateness of applying the UK City Deals model to Australia see, for example, Richard Tomlinson, Professor of Urban Planning, University of Melbourne, 'New name, new look for latest national urban policy, but same old problem', *The Conversation*, 17 May 2016; Peter O'Brien, Andy Pike and John Tomaney, 'Deal or no deal: are UK-style City Deals a good bet for Australia?', *The Conversation*, 26 May 2016.

49 The majority of higher education funding is administered under the *Higher Education Support Act 2003* (Cth). See also: <https://www.education.gov.au/funding> (accessed 13 November 2016).

50 See, for example, Regional Universities Network, *Submission 11*; Deakin University, *Submission 34*; Charles Sturt University, *Submission 36*. Appendix 2 lists witnesses who appeared before the committee.

51 Grattan Institute, *Submission 2*, Attachment 1, J. Daley and A. Lancy, *Investing in our regions: making a difference*, Melbourne, Grattan Institute, p. 30.

52 Grattan Institute, *Submission 2*, Attachment 1, J. Daley and A. Lancy, *Investing in our regions: making a difference*, Melbourne, Grattan Institute, p. 30.

4.39 In hearings and submissions, universities stridently rejected these conclusions, and suggested that the Grattan Institute had misinterpreted the data and in some cases relied on incomplete data.⁵³ The universities that appeared before the committee made a persuasive case that they are a crucial part of their regional capitals and provide multiple returns on investment. For example:

- regional universities limit 'brain drain' from regional areas;⁵⁴
- students who study at regional universities are much more likely to continue to work in rural and regional areas;⁵⁵
- regional universities encourage participation rates in education in regional and rural areas;⁵⁶
- the cost of sending a student to a capital city is upward of \$20,000 per year per student, and this takes both the student and these funds out of the local community. Further this cost is out of reach for many regional students;⁵⁷
- regional universities provide areas of specialisation relevant to their local communities and work closely with local businesses to enable local communities to grow;⁵⁸
- many regional universities in large cities have study hubs and campuses in smaller cities and towns, thus providing educational opportunities to the wider community;⁵⁹

53 For two detailed discussions of the Grattan Institute's report see James Cook University, *Additional information from Professor Sandra Harding*, received 22 February 2016 and Regional Universities Network, *Additional information following hearing in Townsville on 16 February 2016*, received 19 February 2016.

54 Ms Karen Arbouin, Associate Vice-Chancellor, Townsville and North West Region, Central Queensland University, *Committee Hansard*, 16 February 2016, p. 52.

55 For example, Charles Sturt University, *Submission 36*; Professor Sandra Harding, *Committee Hansard*, 16 February 2016, pp. 23–24 (up to 81.4 per cent of students are retained).

56 For example, 65% of domestic students enrolled at the University of Central Queensland are rural and regional students: Ms Karen Arbouin, Associate Vice-Chancellor, Townsville and North West Region, Central Queensland University, *Committee Hansard*, 16 February 2016, p. 51.

57 Mr Charles Jenkinson, Executive Officer, Regional Development Australia – South West, *Committee Hansard*, 28 October 2016, p. 14. See also, Ms Karen Arbouin, Associate Vice-Chancellor, Townsville and North West Region, Central Queensland University, *Committee Hansard*, 16 February 2016, p. 52.

58 For example, James Cook University offers specialisation in the tropics, Professor Sandra Harding, *Committee Hansard*, 16 February 2016, p. 21. Deakin University has developed a centre of excellence in insurance and disability: Professor Jan den Hollander, Vice-Chancellor, Deakin University, *Committee Hansard*, 21 August 2015, p. 19. See also, Deakin University, *Submission 34*, pp. 3–4.

- regional universities are significant employers in their cities;⁶⁰
- regional universities are important for mature age students who wish to upskill but because of family, employment and other constraints are unable to relocate to cities to study;⁶¹ and
- regional universities provide other non-educational benefits.⁶²

4.40 Indubitably, universities perform a critical function in regional capitals and their surrounding communities. The committee recognised the need for continued federal support for these reasons.

4.41 The committee was also impressed by the role performed by study hubs such as the Geraldton Universities Centre (GUC). The GUC is not a university or a registered training organisation. It is a not-for-profit organisation based in Geraldton that supports local students who are enrolled in distance education.⁶³ With the support of the local community, the GUC provides support for nine different university programs, including: nursing, social work, engineering and teaching.⁶⁴ This includes at least two hours of face to face tutoring for students each week, pastoral care, IT services and library access. Through its work the GUC has boosted university participation in Geraldton and assisted in addressing skills shortages.

4.42 Ms Natalie Nemes, Director of the GUC, explained the benefits to individual students and the Geraldton community:

The key is that these students are staying and studying at GUC because they love their regional capital. This is where they want to be. So, why would we want to lose them? Why would we want our best and brightest to go elsewhere? We are also decreasing that revolving door of needing to bring professionals constantly in and out...⁶⁵

59 For example, Charles Sturt University has campuses in Albury-Wodonga, Bathurst, Canberra, Dubbo, Goulburn, Orange, Port Macquarie and Wagga Wagga: *Submission 36*; James Cook University has campuses in Cairns, Singapore and Townsville and has smaller study centres in Mount Isa, Thursday Island and Mackay. Central Queensland has more than 20 campuses locations, Ms Karen Arbouin, Associate Vice-Chancellor, Townsville and North West Region, Central Queensland University, *Committee Hansard*, 16 February 2016, p. 51.

60 For example, Deakin University, *Submission 34*.

61 Charles Sturt University, *Submission 36*, p. 9

62 These include social, cultural and environmental benefits: Regional Universities Network, *Submission 11*, p. 2; Charles Sturt University, *Submission 36*, p. 7.

63 Geraldton Universities Centre, *Submission 81*. The centre was initially established with seed funding from the WA Royalties for Regions program.

64 Ms Natalie Nemes, Director Geraldton Universities Centre, *Committee Hansard*, 28 October 2015, p. 25.

65 Ms Natalie Nemes, Director Geraldton Universities Centre, *Committee Hansard*, 28 October 2015, p. 26.

4.43 Despite the important contribution the GUC makes to the regional capital of Geraldton, because it is not a university it is unable to receive direct federal funding. Instead, it must negotiate with universities to share a portion of federal funding allocated per a student. This means that no funds are available for capital works. In order for organisations like the GUC to grow and establish in other regional capitals, reforms to federal funding are necessary.⁶⁶

Does federal funding promote economic development?

4.44 The Grattan Institute argued that governments should not attempt to promote economic growth in struggling regional centres as this is an undertaking doomed to fail. This conclusion is based on its study of the effectiveness of government investment in regional Australia which found that 'growth is primarily driven by economic factors governments don't control'.⁶⁷ The Grattan Institute criticised the regional equity approach to funding and recommended that government funding be allocated on the basis of the number of *new* residents in a regional centre (and not on the current population). This is because in their view regional growth is not being achieved through investment.⁶⁸ The Grattan Instituted observed that:

Local job attraction schemes, regional universities, small scale roads and major infrastructure are all expensive, but they do not appear to materially accelerate slow-growing regions. But not investing in regions where we can get the best return for our tax payer dollars, we sacrifice higher overall productivity and economic growth.⁶⁹

4.45 As a consequence of the regional equity approach based on current population, residents of high growth areas are treated unfairly, because funding is not directed to rapid-growth centres near capital cities and on the east coast.⁷⁰ The Grattan Institute was careful to make clear that it was not suggesting that funds should be stripped from smaller and slower growing parts of rural and regional Australia. However, it argued governments need to recognise that this support is provided for equity reasons and not because the support will promote 'self-sustaining economic growth'.⁷¹

4.46 This evidence received a varied response. Not surprisingly, a number of witnesses rejected the conclusions of the Grattan Institute, particularly those from the

66 Ms Natalie Nemes, Director Geraldton Universities Centre, *Committee Hansard*, 28 October 2015, pp. 30–31.

67 Grattan Institute, *Submission 2*, Attachment 1, John Daley and Annette Lancy, *Investing in regions: making a difference*, Grattan Institute, Melbourne, 2011, p. 20.

68 Grattan Institute, *Submission 2*. See also, John Daley and Annette Lancy, *Investing in regions: making a difference*, Grattan Institute, Melbourne, 2011.

69 Grattan Institute, *Submission 2*, pp. 1–2.

70 Grattan Institute, *Submission 2*, p. 2.

71 Grattan Institute, *Submission 2*, p. 2. Note: A full list of recommendations contained in the study are available at p. 7 of Attachment 1. Chapter 1 provides a useful history of regional cities.

regions that had been characterised as 'lagers'.⁷² The evidence provided by the Grattan Institute is an important reminder to the federal government that it should take care to articulate the *intended purpose* of federal funding.

Conclusion

4.47 RCA criticised the current federal funding model, submitting that it was responsive rather than proactive and recommended that funding should be more targeted. The RCA cited the following Organisation for Economic Co-Operation and Development (OECD) recommendation that described what regional funding should look like:

- a shift from subsidy approach to one based on strategic investments to develop the area's most productive activities;
- a focus on local factors as a means of generating new competitive advantages, such as amenities (environmental or cultural) or local products (traditional or labelled);
- a shift from a sectoral to a territorial policy approach, including attempts to integrate the various sectoral policies at regional and local levels and improve co-ordination at the national government level;
- decentralisation of policy administration and, within limits, policy design to those levels; and
- increased use of partnerships between public, private and voluntary sectors in the development and implementation of local and regional policies.⁷³

4.48 These proposals are worthy of closer consideration, particularly in Australia's federal context. The next chapter considers how federal investment can meet the economic and social infrastructure needs of regional capitals.

72 See, for example, Mr Robert Dobrzynski, General Manager, City of Launceston, *Committee Hansard*, 25 September 2015, p. 30; Mr Bruce Anson, Chief Executive, Warrnambool City Council, *Committee Hansard*, 21 August 2015, p. 37.

73 OECD Regional Outlook 2014, *Regions and Cities: Where Policies and People Meet*, October 2014 cited in Regional Capitals Australia, *Submission 48*, p. 22.

