The Role of Regions in Building a Better Australia

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I'd like to begin by acknowledging the traditional owners of the land on which we are gathered this evening—the Latji Latji people—and pay my respects to their Elders, past and present.

This area—Mildura meaning 'red earth'—has 60,000 years or more of history which has too often been ignored.

But I am pleased to be able to congratulate all First Peoples of the Millewa Mallee on receiving formal recognition of Native Title in July.

This is the first time the Federal Court has recognised native title in Victoria along the Murray River.

And it is the culmination of a decade's work from the filing of the claim in 2015.

Introduction

It's wonderful to be here in Mildura again and I am particularly honoured to be the first lecturer in this new Mallee Series at La Trobe University.

Throughout all my time in public life, I have always believed in and valued the battle of ideas.

Ideas drive action, and action drives impact. If Australia is going to succeed in a rapidly changing world, we need to be backed by good ideas about policy, about society, about the economy and the environment.

And that's what the Mallee Series is all about.

Mildura

Mildura is no stranger to the battle of ideas.

Last year I published a book—*A Better Australia*—with two co-authors, Stuart Kells and Scott Hamilton.

One of my co-authors—Stuart Kells—is about to publish <u>another</u> book called *Red Earth: A History of the Mildura Region*.

In that book he tells the story of the Chaffey brothers.

Many of you will know the story.

In 1884 a young MP by the name of Alfred Deakin went to America to learn about irrigation, and to explore the possibilities for irrigation in the colony of Victoria.

In California, he witnessed the pioneering work of George Chaffey and his brother William.

Not long after, George Chaffey came to Victoria, and travelled through the regions looking for the right spot for a big irrigation project.

And he found one here in Mildura.

Opponents in the Victorian Parliament called it a 'yankee land grab'—but in the end, as Stuart Kells writes: 'The new "irrigation colony" would be world famous, its irrigation experiment of worldwide importance.'

But this was more than just an irrigation project. In Stuart's words: 'Mildura itself was a colony within a colony, and it had been founded in part on Utopian principles. It was modelled, for example, on the mathematical, aesthetic, middle-class and temperance precepts that the Chaffeys had honed in California.'

This was a time in Mildura's history when a big idea had a lasting impact—one that reverberated around the world.

We need big ideas today. And not just in the capital cities.

This evening I want to talk about the role of the regions in building a better Australia.

A better Australia

Our book—*A Better Australia: Politics, Public Policy, and How to Achieve Lasting Reform*—is part of an ongoing conversation about Australia's future.

It contains interviews with many past political leaders, including Julia Gillard, Malcolm Turnbull, Cheryl Kernot, John Hewson, Ken Wyatt, Christine Milne and more.

And we offer some suggestions for a way forward.

There is no silver bullet in the book. One reviewer said that its main message is that 'positive change is complex but possible.' That's a good summary—but I would add, 'necessary'.

Necessary because we are living in a world that is going through a number of profound and lasting transitions.

Transitions

The first is geopolitical.

To see this, you only need to look at two numbers.

In purchasing power parity terms, the IMF predicts US GDP to be just under $30 trillion next year.

China's will be just over $37 trillion.

That $7 trillion gap tells you a lot of what you need to know about our changing world.

When I was a young person, the economic centre of gravity of the world was well and truly in the US and Europe.

That's where Australia's major trading relationships lay, and that's where Mildura exported its agricultural products, from citrus to dried fruits to nuts and wine.

China was dirt poor, as was much of Asia.

But then China opened its economy to the world in 1978 …

Then we saw the phenomenal growth of the Asian Tigers, led by Japan and South Korea in the eighties and nineties …

Then around 2013, China overtook the US as the world's largest economy in PPP terms …

And India's economy has now grown to about half the size of America's, making it the third largest economy in the world.

Our near neighbour Indonesia is already the eighth largest economy, and is predicted to be the fifth largest by 2030.

Today the economic centre of gravity is well and truly in Asia—what Robert Menzies called our 'near North', as opposed to the other side of the world.

Today, Victoria accounts for more than a quarter of Australia's food and fibre exports. And $5 billion of those exports go to our biggest trading partner—China.

Another aspect of the geopolitical transition is the movement of peoples.

The latest UN statistics show that about 280 million people migrate each year—and two thirds of them migrate to work.

The movement of peoples is driving increased migration and more diverse communities, including in regional cities, and it also offers opportunities in tourism.

As we grapple with this geopolitical transition, we are also experiencing an unprecedented environmental transition.

One thing is certain: the regions are already experiencing the effects of climate change, and will continue to be affected in ways the big cities don't fully understand.

Of course, the First People of the Mallee Millewa have a long history of adapting to a changing climate. In his book, Stuart Kells writes of the practices that emerged from the end of the last glacial phase, as the land became more dry. First Peoples knew how to find water—in the roots of plants, or the deep cavities of the kurrojong tree—and they found innovative ways of getting to it.

Today, water security, water infrastructure and efficiency in water use are more important than ever.

That's why the One Basin CRC Mildura Hub at the Mallee Regional Innovation Centre is so important, researching water management and agricultural productivity across the Murray–Darling Basin.

Finally, there is the technological transition.

It's often noted today that the computing power that achieved the moon landing is far less than the computing power you have in your pocket right now.

But the story is only just beginning. The most powerful computers in the world today have a processing power of about one exoFLOP.

It's been said that for a human to do what one exoFLOP can do in just one second, they would have to perform one calculation every second—for 31 billion years.

At the same time, Artificial Intelligence (AI) is re-shaping industries, including regional industries, and will help us address some of the big global challenges.

The UN expects that by 2050 the world will need to sustainably feed more than 9 billion people—almost 2 billion more than we have today. Every head of cattle, every square metre of wheat, every peach or pear tree, will need to be tracked, monitored and protected like never before. AI will help us do this.

So how do we build a better Australia in a world that is in profound geopolitical, environmental and technological transition? And how do we position the regions to drive a better, stronger and fairer Australia?

Innovation

As I'm sure you're aware, three weeks ago in Canberra there was a roundtable on economic reform.

The conversation was driven by some serious concerns about productivity. In fact just before the roundtable began, the Chair of Australia's Productivity Commission, Danielle Wood, gave a speech to the National Press Club, where she pointed out that: 'Australians born in the 1990s, who hit the job market in the 2010s when economic growth was slow—were the first generation not to earn more than people born a decade before.'

That's not a good legacy to be leaving our children.

The good news is that those Australians would be at least $14,000 per year better off if we could get growth back to its historic average. But that's hard to do when, as Danielle Wood noted, 'for the past decade, productivity has grown by less than a quarter of its 60-year average.'

Unfortunately, statistics suggest that the productivity story is even worse in the regions than the capital cities.

But it was not always thus. In fact, 25 years ago, at the turn of this century, productivity was higher in regional Victoria than in metropolitan Melbourne.

Today, it is the other way round. And in pure economic terms, that's a shame, because if productivity per worker in the regions had grown at the same rate as it did in Melbourne, Victoria would be about $30 billion better off.

So what can we do about it—how do we change the paradigm?

Regional development

We can start by looking at the big picture.

As Paul Keating likes to say, 'We are the only nation on earth with a continent to ourselves.'

But since European settlement, we have tended to stick very much to the edges of the continent.

From time to time in this country we have a debate about the desirability or otherwise of a 'Big Australia'.

But throughout our history, there have been many people who have thought that the more constructive conversation would be about a 'Balanced Australia'—a better balance between the regions and the metropolitan cities.

Of course, that's easy to say, but hard to do.

Many have tried: We can go back to the post-war period and the Snowy Mountain Scheme under the Chifley and then Menzies Governments, which brought tens of thousands of new migrants to Australia—many of whom stayed—and transformed towns such as Cooma and Jindabyne in New South Wales.

And beyond the Snowy, the Assisted Migration Scheme directed many new migrants to the regions, including here in Mildura, where there was a Commonwealth Immigration Hostel where migrants lived in the fifties.

Fast forward a decade or two. Even though he's famous for supposedly telling farmers that they 'never had it so good', Gough Whitlam was a firm believer in regional development. In 1973, for example, he established the Albury–Wodonga Development Corporation to acquire and develop land. The target was ambitious: to grow the Albury-Wodonga region from around 35,000 to 300,000 people by the year 2000.

Today it's about 100,000. If the goal had been met, then today—a quarter of a century past the year 2000—we might have had a city the size of Adelaide or Edinburgh or Zurich on our border.

But it was a worthy goal, and it involved an historic partnership between three governments. As Gough Whitlam said of the agreement at the time: 'There was a mutual feeling, shared by all concerned that this agreement and the cooperation it engendered was a symbolic first step towards a new and more human pattern of urban living in Australia.'

In more recent times the Rudd and Gillard governments established Regional Development Australia, and the Turnbull Government established the Northern Australia Infrastructure Facility—which covers 50 per cent of Australia's landmass.

Our government in Victoria became the first state government to establish a stand-alone agency with responsibility for the regions—Regional Development Victoria—a model later adopted by the Commonwealth and a number of other states.

And our Regional Infrastructure Development Fund, established in 2000, committed more than $600 million to around 400 different projects across the state. This meant a big influx of private investment—$2.47 for every dollar we invested—and it created nearly 4000 new full time jobs in the regions each year.

But if we look at all the regional development efforts throughout Australia's history—some successful, some not so successful—we can see that despite the enormous strengths and attractions of regional Australia—the natural beauty, the thriving local communities, the impressive local industries—when it comes to a more balanced Australia, we have not really shifted the dial.

I think there are two big things we should be doing today: investing in innovation, and investing in people.

Innovation

I have long believed that the biggest drivers of productivity growth are technology and education.

To see why, we can turn back to the turn of the century <u>before</u> this one.

In the early 1900's—just after Federation—Victoria led the world when it came to innovation. We'd embraced new technology from overseas—like the irrigation system here in Mildura.

We had the largest tramway system in the world, and some of the first and biggest skyscrapers on the planet. We came up with new tools and methods in agriculture like the famous Sunshine Harvester.

We were innovators when it came to minerals research, medical research, and even astronomy—the 'Great Melbourne Telescope' was the largest steerable telescope in the world.

We were also leaders when it came to the intersection of technology and culture. In 2007 UNESCO recognised The Story of the Kelly Gang, shot in Victoria in 1906, as the first feature film ever made.

It's no coincidence that around the time we were most innovative, Australia also had the highest per capita income in the world.

When I was Treasurer of Victoria, my head of Treasury used to often remind me that if we had increased our productivity growth by just an extra one third of a percentage point each year—0.33 per cent—we would still have the highest per capita income in the world. But we didn't. Our capacity for innovation dropped off significantly following the tremendous loss of life in the First World War, and dropped off even further during the Great Depression of the thirties.

We need to recover that innovative spirit today.

And it's not just a job for the capital cities—in fact, with the right plan in place, the regions can lead the way.

We need to use the strengths we have built up in biotechnology and the life sciences in Victoria—including research institutes like Agribio at La Trobe—to improve quality of life and to make our primary producers the most productive in the world.

The key is collaboration. We see this at the Mildura Regional Innovation Centre, which brings together La Trobe University, the University of Melbourne, SuniTAFE, government, industry, and more. This is about taking research and transforming it into impact.

We see it at Mildura's 'SmartFarm'—one of five in Victoria.

These are working farms where the very latest ag-tech can be developed and tested.

One area of focus for the Mildura SmartFarm is almonds.

From AI-driven spray systems, to high resolution sensors that offer fine-grained, real-time data across whole orchards, the Mildura SmartFarm is looking for ways to produce greater yield, higher value produce, and more efficient growing techniques.

This is exactly what is needed today. By 2050 the world will need to be producing 50 per cent more food than it did in 2010. And it needs to do this in the context of ongoing climate change.

Human capital

But innovation is only one piece of the puzzle.

A new tool is only as good as the person that uses it.

That's why the single biggest thing we can do to improve the prosperity and wellbeing of regional Australia is a big investment in what the economists call 'human capital'.

That is, we need to invest in people. And broadly, that means two things—health, and education.

To put it bluntly, if we want more people to live in the regions, we can't impose a health or education penalty upon them for doing so.

We know that, on average, living in a regional community still comes with a health cost.

In February this year the National Rural Health Alliance showed that avoidable deaths in the regions are nearly four times higher than in urban Australia. The biggest causes are heart disease and diabetes.

The starkest figures come when you look at life expectancy in the most remote areas, where people die more than 12 years earlier than their metropolitan counterparts.

One of the drivers of this disparity is the huge gap that still remains in health and life outcomes between Indigenous and non-Indigenous Australians—17 years after the Commonwealth Government set out to 'Close the Gap', there is still a lot of work to be done.

In regional Victoria the difference in life expectancy is just one or two years—but in a world of increased mobility and dramatic technological change, eliminating this difference should be achievable.

We see positive signs all over Mildura. The Icon Cancer Centre, for example, means Mildura residents can receive radiation oncology services without travelling long distances.

The Community Paramedicine Program—a partnership with La Trobe University—originated here in Mildura. It reimagines the role of paramedics to not just respond to emergencies, but to deliver preventative care in community settings such as libraries and town halls.

Earlier this afternoon I visited Mildura Health Fund—Australia's oldest open health fund, which has proudly served this community since 1929.

The fact is, healthcare and related services now employ more people than agriculture in Mildura.

This is a pattern repeated around Australia. Health and social assistance is growing faster than any other sector. It is predicted to account for almost 30 per cent of new jobs in the next decade.

Which brings me to the next piece of the human capital puzzle: education.

Education

In the regions we face two things: a need for more skilled workers on the one hand, and much lower participation in higher education on the other.

We should see this as an opportunity to solve two problems at once.

Australia's Jobs and Skills Commissioner recently pointed out that in regional Australia, one out of every six young people aged 18 to 25 are not in employment, or any form of education or training (NEET).

That's a big problem in itself. But there's a broader, more longstanding and more entrenched issue regarding education in our regions.

If we look at higher education in particular, we see that at the last census in 2021, around 40 per cent of metropolitan Australians aged 18 to 24 were enrolled in university or VET.

But when it came to the same cohort in the regions, the number was just 25 per cent.

That's a gap of around 15 per cent—and it grows larger the further you move away from the capital cities.

To me, this counts as a crisis.

I was a young teacher at Eaglehawk High School in the late seventies, and many of the students there became my constituents as Federal Member for Bendigo in the eighties.

I saw what the pathways looked like for those who were able to get themselves into education or training—and what they looked like for those who couldn't.

In my mind, this huge gap in higher education participation is the single most pressing issue for the regions. If we don't address this, our regions will be held back and won't be able to play their part in driving growth and opportunities.

Using 2021 Census data, my calculations suggest that to achieve parity, in just the 18 to 24 age group, we need another 87,000 regional students in higher education across Australia—with around 24,000 new regional students starting every year.

In Mildura, this would mean an additional 182 students starting university each year—and building over time to around 600 additional students in our system.

And again, that's just for the 18 to 24 age cohort. Addressing the imbalance across all age groups would mean hundreds extra on top of those numbers.

To critics who say that the jobs won't be there for those who study, I'd argue that nothing could be further from the truth.

Over the next ten years, the Australian economy is forecast to generate around 2 million new jobs. 51 per cent of those new jobs will require a bachelors degree or higher—and a further 42 per cent will be in occupations aligned with VET pathways.

And the biggest jobs driver of all will be in Health and Ageing and related services, accounting for a massive 30 per cent of all new jobs.

Imagine how this campus would look with another 600 students.

Imagine if we could fill all the nursing and teaching positions in Mildura and the region without having to recruit from interstate or overseas.

So how do we make this happen?

At La Trobe, our Pathways Program—which was extended to Mildura in 2023—has been a great success in intervening early and lifting post-secondary participation.

But we still have a long way to go to lift participation rates to anywhere close to the levels in metropolitan Melbourne.

While the federal government has genuine and ambitious goals to lift participation rates in TAFE and university, I don't think there is a clear enough understanding of how mission critical this issue is for the regions. There needs to be more urgency about this: clear targets, strategies tailored to local communities, and funding to match the existing need.

A practical and achievable growth plan for Mildura might include the following elements:

1. A Health and Education Compact—a tri-level government compact to align health training, SEM placements and WIP incentives aligned to La Trobe's Regional Plan;
2. An expanded Pathways Program to push into the secondary system, support students and lift aspiration;
3. Bonded Scholarships—up to 100 new scholarships each year in areas like nursing, teaching and allied health, bonded for at least two years of local service after graduation; and
4. Innovation—build on the Mallee Regional Innovation Centre to drive applied agri food and water research, A.I. in horticulture and SME projects.

Conclusion

The reality is, there is no ‘better Australia’ without a better <u>regional</u> Australia.

We know this well in Victoria, where Mildura Rural City alone covers almost ten per cent of the state.

That means if we don’t get the regional education equation right, not only will this affect the wellbeing and life chances of the young people in our regions—but it will diminish Australia as a whole.

Lifting regional participation in higher education and health workforce training to city levels can unlock the equivalent of a new growth engine for Australia —one that meets the workforce needs of the future and one that drives more balanced population growth across our country.

Danielle Wood warned that people in their thirties today risk falling behind their parents.

We can fix this, but it will take the whole country to do it.

We need to invest in the people of regional Australia, and give them the tools and technologies they need to grow regional economies.

And we need to encourage big ideas about the future.

Mildura can be a flagship model:

- A city growing not just through exports, but through people pipelines—students, health professionals, innovators;
- A hub for climate resistant agriculture and water innovation; and
- A model for how to close the education and health participation gaps.

That’s why this Mallee Series of lectures and discussions is so important.

Thank you to all the organisers, and to everyone for joining us tonight.

I look forward to continuing our conversation.

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