

**The Future Governance of the Auckland Region:
the Place of the Tertiary Education Sector**

**Submission to the Royal
Commission on Auckland
Governance from the Committee
for Auckland**

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Executive Summary

- The Committee for Auckland's starting point is the terms of reference emphasis on governance.
- Worldwide the tertiary sector is now recognized as a significant contributor to regional sustainable economic development.
- "Higher education institutions can play a key role in joining up a wide range of national policies at the regional level." (OECD).
- One of the government's six current initiatives for economic transformation is "to make Auckland a world-class hub of innovation and internationalisation".
- Central to lifting Auckland's economic performance is an improvement in skill levels - with Auckland's productivity currently only 80% of the OECD average.
- Auckland's tertiary sector has much to be proud of. It dominates the country's tertiary education sector and supports an innovative research community.
- Despite that, there are serious gaps in performance, in provision and in equity of access as demonstrated by the most recent tertiary education regional statements.
- The issue is not just to lift the level and supply of skills within the Auckland region but also to respond to the needs of a diverse population with rapidly changing demographics.
- Counties Manukau is characterised by relatively low skill levels, significant problems with literacy and numeracy and relative lack of access to appropriate tertiary education. Forecast skill requirements for Counties Manukau show a significant mismatch between high-level skill needs, and current tertiary educational provision and achievement.
- The Central, North and West Auckland statement highlights problems of skill shortages, relevant qualifications, socially equitable access and geographic accessibility.
- Both statements emphasise particular challenges in meeting the needs of Maori, Pasifika and ethnic minorities.
- Both highlight the need for a strong regionally driven collaborative approach as well as major challenges which need to be addressed regionally rather than institution by institution.
- The crucial missing element is a mechanism which enables a truly regional approach for the development of tertiary education across the Auckland region as a whole.
- Addressing that missing element is clearly within the Royal Commission's terms of reference with their emphasis on the Auckland region as a growth engine in the

New Zealand economy, the ability of the region to compete internationally, and to respond to economic and environmental cultural and social challenges.

- Successful metropolitan regions are regions which are able to create strong, effective and enduring collaborative mechanisms to address the challenges of sustainable economic development.
- The Committee for Auckland expects the Royal Commission to draw a distinction between functions which are inherently regional, needing to be managed at a regional scale, and functions better managed at a district or local level.
- International evidence, including the OECD, is conclusive that key strategic issues for economic development, including skills development and tertiary education, need a regional focus through effective regional development mechanisms. This requires a mandate for a strong regional economic development body.
- In the Committee's view this requires an arms-length entity attached to the regional level local government body, governed by a board appointed on "fit for purpose" principles, and with a mandate which includes acting as the region's representative in working with central government, local government, business, the not-for-profit sector, Maori and Pasifika, and other key community stakeholders in the development and implementation of strategies deemed crucial for the region's economic development.
- One of those strategies should be a regional tertiary strategy for the Auckland region with coverage including needs assessment (both social and cultural needs as well as needs of current and future employers) and the optimal arrangements for developing and delivering the tertiary education services required to meet those needs.

1. Background

This submission has been prepared by the Committee for Auckland in support of the region's tertiary sector. It reflects the Committee's view that delivering on the vision of the terms of reference that "Auckland requires local and regional governance equal to the best in the world and capable of working effectively with central government to ensure Auckland is a successful, sustainable city in the Asia Pacific region and is recognized as such" will need to make specific provision for the role and contribution of the tertiary sector.

Committee for Auckland

The vision for the Committee for Auckland is to contribute to making Auckland one of the world's great places to live and work. It is an independent alliance of corporate directors and chief executives, tertiary sector, not-for-profit leaders and Mayors, working in the public interest.

It draws on the ideas, skills, resources, and influence of its Members to:

- accelerate progress on urban issues to strengthen private-public alliances, and work across sectors
- provide independent, well-researched work on key issues
- draw on the best demonstrated practices within New Zealand and overseas
- highlight key issues and influence urban leaders in order to make progress.

Governance not just Government

The Committee's starting point is the emphasis in the terms of reference on the **governance** of Auckland. Increasingly international practice and research both recognize that the success of metropolitan regions is dependent on the quality of governance and that this is a much more all-encompassing concept than the concept of **government**. Government refers to the formal institutions through which decisions are made within specific administrative and legal frameworks using public resources in a financially accountable way and backed up by the legitimate hierarchical power of the state. **Governance** on the other hand involves government plus the looser processes of influencing and negotiating with a range of public and private sector agencies to achieve desired outcome.

Common explanations for the shift in emphasis include:

- A response to globalisation as city regions become increasingly engaged in the international economy, competing for inward investment, skills and other resources; and

- A shift in the focus of local government from the basically 'local administration' focus of the mid and late 20th-century to an emphasis on well-being - seeking solutions for the so-called 'wicked issues' which now preoccupy public officials.

Changing views of the tertiary sector

Historically, the tertiary sector has been only indirectly linked with issues of local government and local governance. "The contribution of higher education institutions (HEIs) to developing their home regions has not previously been a major concern for public policy or the HEIs themselves" (Higher Education and Regions: OECD Policy Brief, September 2007 - <http://www.oecd.org/dataoecd/60/51/39311062.pdf>).

That view has now changed dramatically. First, HEIs are increasingly recognized as significant contributors to regional gross domestic product as major consumers and producers of goods and services. Next, and much more importantly, in a world which is increasingly focused on competition for scarce skills, the role of sustainable economic development, and the need to minimise demand on resources, HEIs are recognized as a key resource. In the words of the OECD Policy Brief:

HEIs have an even greater role in enhancing the human capital, pool of knowledge and attractiveness of the local area. From the perspective of agencies promoting city and regional development, HEIs are becoming a key resource: They contribute to the region's comparative advantage by generating new businesses particularly in knowledge-based industries and by upgrading existing industries; They strengthen the human capital base through attracting and retaining talent in the region, as well as providing professional updating of the workforce and lifelong learning. Finally, they provide local gateways to marketing and inward investment in the private sector and provide content and audience for local cultural programmes.

They have an important role to play in metropolitan governance, as governance has been described above:

HEIs play an important role in partnering with regional stakeholders. Some OECD countries have strengthened this role by requiring regional representation in higher education governance systems, and by encouraging the participation of HEIs in regional governance structures. As a result, HEIs are playing a more visible role in regional economic policymaking and have mobilised their joint intellectual resources to prepare and implement regional and urban strategies.

And

HEIs can play a key role in joining up a wide range of national policies at the regional level. These policies include science and technology, industry, education and skills, health, culture and sport, environmental sustainability and social inclusion. Creating more joined-up governance (Finance, Education, Science & Technology, and Industry Ministries, etc.) to co-ordinate decisions on priorities, resources and strategic items in regional development is therefore important.

The pivotal role of HEIs in metropolitan governance is increasingly recognized in practical initiatives, especially at a Metropolitan level.

In the United States, CEOs for Cities (www.ceosforcities.org) has recently published *City Anchors: Leveraging Anchor Institutions for Urban Success* noting that "it has become abundantly clear that partnerships and creativity are necessary to leverage existing resources to stimulate vibrant cities." And "" Great cities have great universities." Many universities carry the name of their host cities. Universities help shape their cities' identities. In fact, in San José and the Silicon Valley, higher education helped foster the growth of major industries. Indeed, the significance of higher education cities has been on display in recent years."

Closer to home, the Committee for Melbourne (www.melbourne.org.au), in August 2007 published "Higher Education at the Tipping Point". The publication recognized the current strengths of Melbourne's performance in tertiary education but also noted the risks from sources such as intensifying competition, risks which are even more pertinent in Auckland:

In summary, Melbourne is performing well at present, but is faced with intensifying competition and a range of structural and funding issues, which could see its higher education sector at risk of decline. A decline would prevent Melbourne from achieving its full potential as one of the world's leading cities. It would also have far-reaching effects on direct export earnings, government tax receipts, employment, livability and, most importantly, Melbourne's ability to future-proof its economy through the growth and development of innovative and profitable businesses.

Within New Zealand, and Auckland itself, there is a strong recognition of the importance of lifting Auckland's economic performance and that central to this is an improvement in skill levels and productivity - with Auckland's productivity currently at only 80% of the OECD average. One of the government's six current initiatives for economic transformation is "To make Auckland a world-class hub of innovation and internationalisation."

2. The Auckland Context for Tertiary Education

The tertiary sector in Auckland has much to be proud of. The Metro Project Action Plan published in October 2006 sums up the achievements of the Auckland tertiary sector as:

The city-region also dominates the tertiary education sector with the country's highest number of universities and other institutes. Auckland supports an innovative research community that is known for its excellence in biotechnology, environmental science, material science, health and medicine, as well as Maori language, culture and history. This fact is reflected in the higher proportion of skilled employees based in Auckland.

However, despite that assessment, there are serious gaps in performance, in provision and in equity of access. The issue is not just to lift the level and supply of skills within the Auckland region but also to respond to the needs of a diverse population with rapidly changing demographics. The current arrangements for funding tertiary education through the Tertiary Education Commission include a requirement for the preparation of tertiary education regional statements. In 2007 two such statements were prepared covering the Auckland region. They were, respectively, the Counties Manukau Tertiary Education Regional Statement and a Statement of Tertiary Education Needs in Central, North and West Auckland. Each highlights the major challenges which need to be addressed through a regional rather than an institution by institution approach.

Counties Manukau

The Counties Manukau region is characterised by relatively low skill levels, significant problems with literacy and numeracy, and relative lack of access to appropriate tertiary education (including staircasing and pathways arrangements). At the same time it has a rapidly growing economy with a bias, in labourforce requirements, towards higher skill levels. Against that background, the Counties Manukau tertiary education regional statement identifies the following priorities:

High priority must be given to ensuring that sufficient Counties Manukau residents have the skills required to support the predicted economic growth in Counties Manukau and greater Auckland.

A number of changes are necessary in tertiary education provision in Counties Manukau to achieve this.

1 Increase provision

The rate of population and broad nature of predicted employment growth in the Auckland region, combined with the reality that the current Counties Manukau qualification profile falls beneath that nationally and that required for the predicted employment opportunities means that there is a significant need for additional provision.

The Counties Manukau proportional share of Auckland's predicted employment growth to 2011 is 37,434 positions compared to population growth of only 43,500 in the same period. This suggests a need to greatly enhance participation rates overall in tertiary education and training if skill shortages are not to impede growth and if Counties Manukau residents are to be able to take maximum advantage of the opportunities available.

2 Enhance provision that meets the needs of industry, business and the demands of sector groups in Counties Manukau

Research on employment in the Counties Manukau region shows patterns of growth of job opportunity that takes account not only of growth within sectors but also the age profile of specific sectors. Provision of tertiary education and training in Counties Manukau should take account of such indicators but at the same time recognise that a significant proportion of those undertaking tertiary education and training in Counties Manukau will seek employment in the Greater Auckland Region.

Section 3 of this statement provides a reasonably extensive analysis of predicted employment demand.

3 Enhance development of the foundation skills of literacy, numeracy, digital literacy and learning skills

Business and the Industry Training Federation have identified that literacy and numeracy is now a key requirement for many elementary level positions and that many potential employees do not have these requirements. Further, research and environmental scans over a period of many years have established that a key factor in determining levels of participation in further education and training in Counties Manukau is the level of academic preparation of students who leave the compulsory school sector or who have been out of formal education and training for some time but who wish to engage or re-engage with further education and training.

Counties Manukau has a significant number of residents unable to effectively engage in employment or further tertiary education through poor literacy, numeracy and

learning skills. This group includes a disproportionate number of residents from the Maori and Pasifika communities and other migrant groups with special needs, particularly in the development of English language skills.

4 Enhance the creation of pathways that enable student to engage or re-engage with tertiary education and training

It is not the case that all potential tertiary education students are able to present themselves with cohesive starting qualifications appropriate to the entry levels of programmes. 77,000 (24%) adult Counties Manukau residents had no school or tertiary qualifications at all in 2006 and the number of such residents increased by 10% between 2001 and 2006, compared to only 3% nationally. The potential skill shortage suggested by the small difference between additional employment opportunities for Counties Manukau residents and the predicted population increase to 2011 indicates that there is an imperative in engaging significant numbers of residents in tertiary education and training.

Staircasing and pathways arrangements within and between providers are essential in bringing these students into the qualifications and educational experiences that will equip them for employment. Providers should therefore work collaboratively to ensure that such pathways are established and are effective.

5 Enhance programme development and delivery that enables those in employment to develop higher level qualifications in their specialist area and/or in management capability

There is a significant bias within the predicted employment opportunities towards more highly skilled positions. The qualification profile of Counties Manukau residents suggests that many of those in employment do not yet have the skills necessary to take full advantage of these better opportunities. In particular, a disproportionate number of residents do not yet have the Level 5 and above qualifications suggested as needed to support economic transformation in the Tertiary Education Strategy. The provision of pathways to higher level qualifications is central to getting more people into employment and those in employment into levels of employment requiring higher levels of skill.

6 Target provision where appropriate to meet the particular needs of Maori, Pasifika, new migrant groups and those from socially deprived sections of the Counties Manukau community

In summary, the Counties Manukau community is characterised by:

÷ High numbers of young people under the age of 25 (Manukau – 42%, Papakura – 40%, Franklin 36%, NZ – 36%);

÷ Very sizeable Pasifika (98,511 people = 22%) and Maori (71,380 = 16.5%) communities;

÷ 160,000 people living in areas of high social deprivation (Manukau – 49%; Papakura - 43%; Franklin – 18.3%);

÷ Relatively poorly qualified population;

÷ Relatively low numbers in fulltime or part-time employment (Counties Manukau 59.9% compared with New Zealand 62.8%) and high numbers of those employed are represented in the lower skill level classifications.

Many families within this community do not have a history of participation in tertiary education and there are well researched examples of real and perceived cultural and socio-economic barriers to engaging in training and education. Real barriers need to be overcome and perceptions addressed if these peoples are to participate fully in employment and society.

Central, North and West Auckland

The situation in Central, North and West Auckland is somewhat different from that in Counties Manukau for reasons including the somewhat different socio-economic mix, and the presence of the region's major tertiary institutions. However, the tertiary education statement for this region also identifies a number of significant challenges for the tertiary sector. These include access, both in terms of providing for minorities and geographic access, relevance - courses that match the skills requirements of the region's employers - and coping with growth. Particular emphasis is placed on the need for a strong regionally driven collaboration process.

The following material is taken from the conclusions to the tertiary education statement:

CONCLUSIONS

7.1 Providing for Growth

The regional population is likely to increase and generate continued demand for services from tertiary providers. Demographic and population issues often work in a counter-cyclical manner. For example, reducing migration may lessen demand, but a slowdown in the labour market will have the opposite effect. Population projections for the Auckland region, including Auckland City and Waitakere City, show steady growth over the period to 2026, and new technologies and demands for up-skilled labour will also drive demand for education and training across the region. Future trends in international student demand are less certain, depending as they do both on the policy and investment priorities of overseas countries and the individual decisions of students influenced by considerations of perceived value and actual cost. Demand will vary across different levels in the National Qualifications Framework.

Growth at level 4 and above is being experienced in the highly skilled sector and, with Government encouragement, is predicted to continue. Tertiary providers delivering above NZQA level 5 are therefore likely to continue to experience increasing demands for their services.

7.2 Providing Relevant Programmes

Employers facing skill shortages have called for more relevant qualifications and training. Many programmes are already relevant to the marketplace. However, a serious effort will have to be made to address skills gaps that already exist or can reasonably be predicted given industry trends.

7.3 Providing Socially Equitable Access

Access to educational opportunities is a major issue in the region. The population in the Central-Northern-Western sub-region is becoming more ethnically diverse, with significant population growth predicted in communities that have traditionally had only limited engagement with tertiary education. These communities are concentrated in parts of Auckland City and Waitakere in particular.

Additionally, providers will need to address the needs of the migrant communities in Auckland and Waitakere, and deliver qualifications at secondary and tertiary levels that engage the Maori and Pasifika communities more effectively. This may mean reviewing styles and modes of delivery to match the special requirements of these communities, backed by the promotion of foundation and transition courses to engage those who have left secondary school with limited or no qualifications. Failure to address these challenges will carry a very significant level of social and economic risk for both the Auckland region and the country.

7.4 Providing Geographic Accessibility

Aligned with considerations of social equity are those of geographic equity. Waitakere, Rodney and the North Shore are considerably under-resourced in comparison with Auckland City. This is not to imply that Auckland City does not have provision needs, but to state that particular consideration needs to be given to access for students more remote from the central area.

Investment in the regional transportation network over the next few years may be sufficient to keep travel times and real costs within current parameters. This should give students better access to key public transport routes and allow them to travel considerable distances to secure the education services they choose. People with access to transport may still be able to travel considerable distances to secure the education services they choose from the provider they choose. However, this is unlikely to completely solve the problems arising from the current unequal distribution of provision highlighted by participants in this assessment. Studies being

carried out in the North and North West should be able to assist in addressing these needs.

7.5 Delivering in Contemporary Mediums

All providers face challenges in maintaining relevance to the marketplace while enhancing the quality of teaching and learning for students. These necessary activities present particular problems, often requiring non-traditional and technologically supported modes of delivery. These issues for providers could well be addressed through a collaborative approach to regional needs.

7.6 Developing Collaboration Mechanisms

Most stakeholders and providers appear to agree that a strong, regionally-driven, collaboration mechanism should be developed for the region. This will require extensive consultation, and support from the TEC and the Ministry of Education, but could ultimately help to address several of the major concerns now being expressed in the region.

Commentary

In some respects both statements could be seen as rather conservative in their assessments of the challenges facing the tertiary sector in the Auckland region (this may be in part because of data limitations which both statements identify as a significant constraint). There is a strong sense of urgency on some aspects, especially in terms of meeting the needs of the large numbers of relatively unskilled people in Counties Manukau, but less so on others. Neither statement has quite the same sense of urgency on the need for economic transformation as appears from recent government statements, or from considering the implications of Auckland's relatively low productivity has competed with the OECD average.

What is noteworthy is the emphasis on the need for regionally driven collaboration. This consideration may require a somewhat different funding approach from the current emphasis on funding the investment plans of individual tertiary institutions. One of the key priorities for the current tertiary strategy is "Increase the achievement of advanced trade, technical and professional qualifications to meet regional and national industry needs".

Both of the tertiary education regional statements recognize the need for a regional approach. That for Counties Manukau, for example, acknowledges that some thousands of tertiary students from within the region directly travelling to university campuses in the Auckland CBD. The concerns expressed about access which is both socially equitable and geographically acceptable have within them a similar theme of

focusing on the needs of the region as a whole, rather than simply the investment plans of individual tertiary institutions.

What is currently absent is a mechanism which enables a truly regional approach for the development of tertiary education, in its broadest sense, across the Auckland region as a whole. The next section of the submission addresses that issue.

3. A Regional Approach to Tertiary Education

A regional approach to planning for the funding and delivery of tertiary education to meet the needs of Auckland is entirely consistent both with the Tertiary Education Strategy and with the government's economic transformation strategy. The missing link is an effective means of developing a regional strategy which brings together:

- An informed understanding of the region's skill requirements over the next 5, 10, 15, 20 years (which requires in-depth research in collaboration with the region's employers, as well as informed extrapolation of the likely changes within the region's economy).
- The region's various research institutions and actual and potential users of research through a process which strengthens the two-way linkages necessary to ensure that research priorities reflect the needs of industry and other users within the region, and users understand the contributions which research can make to their activities and how to make use of them.
- Networks which can reach deeply into the numerous different communities within the Auckland region including Maori, Pasifika and ethnic minorities.
- The different tertiary providers in both the public, private and not-for-profit sectors.
- Funders and providers through a process which can arrive at a commonly agreed policy on the mix, level and quality of provision required.

The Fit With the Governance of Auckland

First, enabling the contribution of tertiary education to realise its full potential in contributing to the future success of the Auckland region is clearly well within the Royal Commission's terms of reference which requires it to consider:

What ownership, governance, and institutional arrangements and funding responsibilities are required to ensure the effective, efficient, and sustainable provision of public infrastructure, **services, and facilities** to support and enhance—

(i) **the current and future well-being of the Auckland region and its communities;** and

(ii) **the performance of the Auckland region as a growth engine in the New Zealand economy** and in its role as a key transport hub for New Zealand and the Pacific region; and

(iii) **the ability of the Auckland region to compete internationally as a desirable place to live, work, invest, and do business;** and

(iv) the ability of the Auckland region to respond to economic, environmental, cultural, and social challenges (for example, climate change).

The elements highlighted in bold are those which especially require the support of a strong tertiary sector able to deliver relevant teaching, research and learning services.

Next, a strong emphasis on enabling the full potential of tertiary education is also consistent with the statutory purposes of local government, one of which requires it to "promote the social, economic, environmental, and cultural well-being of communities, in the present and for the future."

As has been outlined in the first section of the submission, it is now widely accepted that a strong tertiary sector plays a pivotal role in metropolitan governance in helping to create a sustainable and internationally competitive metropolitan region.

Successful metropolitan regions are regions which are able to create strong, effective and enduring collaborative mechanisms to address the challenges of sustainable economic development (that is economic development which not only drives productivity and regional GDP growth, but is also cognizant of the importance of improving social and environmental outcomes). Examples include Joint Venture Silicon Valley and the London Development Agency.

Each is a creature of its own environment. Joint Venture Silicon Valley reflects the American practice of strong business leadership in local and metropolitan governance. The London Development Agency represents the different Westminster tradition of collaborative mechanisms being enabled by the public sector but in partnership with other stakeholders and under arm's-length arrangements which ensure that governance is established on a "fit for purpose" basis.

Worldwide, the importance of economic development has been one of the major drivers for a renewed interest in metropolitan governance. This is recognized in the terms of reference themselves with the statement that:

WHEREAS, over the next 100 years, the Auckland region will face enormous change brought about by global economic, environmental, and political forces. Local trends, including high population growth, add to the challenges and opportunities for the region. Auckland has to compete in a global market place to sell its goods and services and to attract the talented people it requires to secure a sustainable and prosperous future.

There are a number of different players engaged in economic development across the Auckland region. Each territorial local authority has its own economic development agency or function. The Auckland Regional Council funds AucklandPlus as a regional economic development agency.

The Committee for Auckland expects that the Royal Commission, in its deliberations, will draw a distinction between functions which are inherently regional, that is which need to be managed at a regional scale, and other functions which will be better managed at a territorial or local/neighbourhood level. In the Committee's submission economic development comprises two separate but interrelated functions in terms of scale. One is regional economic development and the other local.

The former requires a focus at a level consistent with the functional boundaries of the Auckland regional economy. It is involved with major strategic issues including transport, inward investment, representing the Auckland economy internationally, skills and labour market issues including tertiary education, the regulatory climate for business as established by central government, input into strategic land use planning and other functions with a regional impact. The latter is much more concerned with working with individual businesses on issues such as skills training, access to capital, mentoring services etc (although the boundaries can occasionally be fuzzy).

Regional economic development, to be effective, requires a strong mandate. One current difficulty is that "competition" within the economic development space has made it difficult to assert a strong role for regional economic development. Another difficulty has been structure. Internationally it is clear that effective regional development requires strong governance which is "fit for purpose" and includes recognized leaders from the business community. This means a separate entity whether it is a stand-alone body such as Joint Venture Silicon Valley or an arm's-length offshoot of a local government entity such as the London Development Agency.

It is not the Committee's purpose in this submission to canvass the entirety of the future governance arrangements for Auckland. Instead its focus is on the governance arrangements and mandate for regional economic development.

The Auckland region requires a strong regional economic development function. It should be attached to the regional local government body, but as a separate arms-length function. Its governance should comprise people appointed because their personal qualities, skills and experience, coupled with their reputation, qualify them to take a leadership role in lifting the performance of the region's economy to a new level.

The mandate should include a requirement to act as the region's representative in working with central government, local government, business, the not-for-profit sector, Maori and Pasifika, and other key community stakeholders in the development and implementation of strategies deemed crucial for the region's economic development. In the committee's submission one of these strategies should be a regional tertiary strategy for the Auckland region. This should include:

- Needs assessment looking both at social and cultural needs of the different communities within the region, as well as the needs of the region's current and future employers – and this should cover teaching, research and learning needs.

- The optimal arrangements for developing and delivering the tertiary education services required to meet those needs - which in essence would result in the Tertiary Education Commission being invited to fund on the basis of an investment plan for the region as well as an investment plan for each individual tertiary education institution, with the regional investment plan acting as a collaborative mechanism to ensure that needs were met across the region. It would also provide a forum within which to determine which providers should have what responsibilities (and funding) in addressing currently unmet need.