

29 October 2023

**Attention: Child Inquiry Taskforce**  
Australian Competition and Consumer Commission  
[ChildcareInquiryNotices@acc.gov.au](mailto:ChildcareInquiryNotices@acc.gov.au)

**Only About Children Pty Ltd – Submission in response to the September interim report**

1. We refer to the ACCC's second interim report in relation to the inquiry into childcare services released on 1 October 2023 (**September Interim Report**).
2. Only About Children (**OAC**) welcomes to opportunity to submit a response to the September Interim Report.

**About OAC**

3. OAC is an early years education and childcare provider with over 80 campuses across Sydney, Melbourne and Brisbane. OAC employs over 2,000 people and offers high-quality care to over 8,000 families. OAC offers three age-based curriculum levels:
  - (a) Nursery (6 weeks - 2 years)
  - (b) Toddler (2 - 3 years)
  - (c) Preschool and kindergarten (3 - 6 years)
4. OAC offers all-inclusive long day care (generally 11 hour each weekday, from 7am to 6pm), with shorter sessional care also available at select campuses. OAC's all-inclusive daily offering includes all meals and snacks (prepared by in-house campus cooks), nappies, formula, bedding, access to a family communication app, daily photos, diary updates and access to an expert health team, including occupational therapists, speech pathologists and dietitians. OAC's approach to high quality, innovative early learning focuses on education, social development, health and wellbeing, and is designed to give every child the best start to life - we call this The OAC Way.
5. OAC is owned by Bright Horizons, a leading global business dedicated to delivering high quality outcomes for children. Bright Horizons operates childcare businesses in the US, UK and the Netherlands, as well as in Australia through OAC.

**OAC engagement with the ACCC**

6. OAC both independently and through the Early Learning and Care Council of Australia (**ELACCA**) has been an active participant in the ACCC's inquiry into childcare services, including through invitational round tables and compliance with compulsory requests for data.
7. OAC would be pleased to have a call or meeting with the ACCC to discuss the September Interim Report and provide insights that OAC may be able to offer. This includes discussing the comments made in the report which seek to provide a comparative perspective on childcare in other jurisdictions, recognizing that OAC is part of a global childcare group which has firsthand experience of being a childcare provider in various countries.

**OAC's submissions in response to draft recommendations**

8. The September Interim Report canvasses a significant number of issues in considerable detail. In the time available to make submissions, OAC does not propose to address every draft finding and provide detailed response on the recommendations. Rather, OAC has sought to limit its submission to brief responses on the recommendations in the September Interim Report, as set out below.

**Draft recommendation 1**

9. OAC is supportive of the recommendation that the Australian Government reconsider and restate the key objectives and priorities of its childcare policies, but notes that any changes to supporting measures or regulatory mechanisms underpinning the sector should be the subject of careful consideration and substantive consultation, and should be appropriately targeted and calibrated. In particular, it is important to ensure that current policy settings which are effective and function well (of which there are many) are also acknowledged and taken into account during this exercise. OAC also strongly encourages the Australian Government to ensure that a nationally consistent approach is taken to the sector, including supportive measures and regulatory mechanisms, to ensure consistency across Australia and reduce the compliance burden and cost faced by providers operating across multiple jurisdictions.

**Draft recommendation 2**

*The ACCC recommends further consideration and consultation on changes to the Child Care Subsidy and existing hourly rate cap mechanism, to simplify their operation and address unintended consequences, including on incentives and outcomes. In doing so, we recommend consideration be given to:*

- (a) determining an appropriate base for the rate cap and indexing the cap to more closely reflect the input costs relevant to delivery of childcare services. This could include consideration of labour costs as well as the additional costs associated with providing childcare services in remote areas and to children with disability and/or complex needs*
- (b) changing the hourly rate cap to align with the relevant pricing practice for the service type. This could include consideration of a daily fee cap for centre based day care. Consideration will need to be given to setting and monitoring minimum requirements to avoid creating incentives for childcare providers to reduce flexibility or quality*
- (c) removing, relaxing or substantially reconfiguring the current activity test, as it may be acting as a barrier to more vulnerable children (for example, households with low incomes or disadvantaged areas) accessing care and creating a barrier to workforce entry or return for some groups. An alternative would be to consider a specific entitlement, such as a certain number of days of care*
- (d) including a stronger price and outcomes monitoring role by government, supported by a credible threat of intervention, to place downward pressure on fees.*

10. In terms of the overarching principle of recommendation 2, OAC is generally supportive of further consideration and consultation on changes to the Child Care Subsidy and existing hourly rate cap mechanism, so as to simplify their operation. OAC considers it important to ensure that any changes to subsidy and price mechanisms, whether on the supply or demand side, do not have unintended consequences. In particular, there will be a need to carefully consider such mechanisms from all angles, and ensure that their design or implementation (even if well intentioned) does not impose additional costs or burden on providers, create disincentives to supply high quality services, discourage innovation and differentiation by providers (which would reduce choice for families), or otherwise see the quality of care reduce.

**Draft recommendation 2(a)**

11. OAC cautions that determining a single appropriate base for a rate cap and indexing the cap to purportedly more closely reflect the input costs relevant to service delivery, is likely to be highly complex and challenging. This is because input costs vary depending on a number of factors, including (among other things) the business model of the provider (including what they offer and include in their pricing), the location and quality of childcare services offered by a provider (as discussed in Chapter 1 of the September Interim Report), and a provider's strategy in terms of managing their workforce and labour costs (including whether they pay above the award). As the September Interim Report highlights, labour costs are not only significant, but highly variable. From OAC's perspective, OAC's labour costs are above market average because OAC wish to attract and retain high quality staff. OAC also notes that costs vary with respect to the child age mix of a given centre (with nursery-aged children requiring a higher educator to child ratio and additional consumables such as nappies). Accordingly, it is important that costs are not merely considered at a headline level. OAC has real concerns regarding how these varying factors would flow into determining a singular set of input costs for the sector for the purpose of determining an appropriate base for the rate cap for all providers.

**Draft recommendation 2(b)**

12. In OAC's experience, the vast majority of providers utilise a daily rate pricing model (as opposed to hourly) and many parents use and require care on a daily (not hourly) basis. The current model based on an hourly rate cap is confusing and complex. Accordingly, while OAC supports changing this model, it is vital that any changes to the current rate caps are sufficiently flexible and workable for all types of providers and families, to ensure no unintended consequences.

**Draft recommendation 2(c)**

13. OAC is supportive of recommendation 2(c).

**Draft recommendation 2(d)**

14. The extent to which price or outcome monitoring undertaken by the Australian Government or regulatory agency (such as the ACCC) could place downward pressure on fees in the childcare sector is unclear. This is because fees are set based on a range of variables (and driven substantially by high fixed costs) and monitoring is likely to require providers to provide potentially significant volumes of data on a regular basis. To the extent that providers are required to create systems and processes to collect and provide data for these monitoring services, and take any additional steps and measures in relation to the same, this is likely to involve additional cost. This would flow into the cost base of providers, thereby unintentionally placing upwards pressure on fees, contrary to the notion that this would place downwards pressure on fees. OAC also notes the finding in the September Interim Report that families do not generally select a provider based on price, and accordingly the utility of price monitoring seems uncertain.

**Draft recommendation 3**

*The ACCC supports reconsideration of the information gathered for and reported on StartingBlocks.gov.au so that it is better focused on meeting parents' and guardians' information needs, and balanced against the costs of collecting and publishing information. This could include:*

- (a) considering the frequency, granularity and accuracy of information collected and published, to ensure currency for parents and guardians*
- (b) focusing on publishing information that assists parents to accurately estimate out-of-pocket expenses and relevant information to assist parents assess quality factors*
- (c) incorporating input and advice from the Behavioural Economics Team of the Australian Government*
- (d) ensuring information is appropriately and effectively publicised to parents and guardians.*

15. To the extent that the ACCC (and subsequently, the Australian government), intends to consider the redesign and continuation of StartingBlocks.gov.au, OAC would suggest that due consideration be given to ensuring that any information to be provided by childcare providers is not unduly burdensome, onerous, or costly to provide in terms of scope, frequency and complexity. Adding informational requirements is, for the reasons outlined above, likely to add to costs for providers.

**Draft recommendation 4**

16. OAC is supportive of this recommendation on the proviso that any proposed changes relating to educators (including to increase the workforce in the sector) does not impact quality or lead to increased costs for providers (which would place upwards pressure on fees). For example, lowering or reducing training requirements may increase staff numbers but lead to a diminution in skills and capabilities, flowing through to lower quality care being offered.

**Draft recommendations 5 and 6**

17. OAC is supportive of these recommendations.

**Draft recommendation 7**

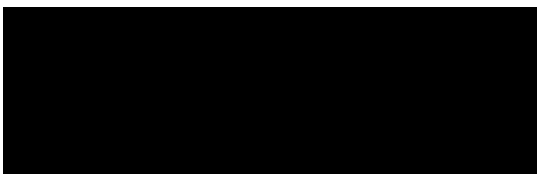
*The ACCC supports further consideration of supply-side subsidies and direct price controls. Some changes to the policy settings are likely to reduce the impact of the hourly rate cap as an indirect price control, and may warrant a shift to direct price controls supported by operating grants for regulated childcare providers.*

18. While OAC wishes to ensure that tax payer support of childcare is delivered in the most efficient and effective way possible, OAC cautions against any move to direct price controls or supply-side subsidies, especially without further deep consideration and meaningful consultation with industry.
19. OAC considers that poorly designed price regulation and supply-side subsidies could in and of themselves, lead to unintended and adverse consequences. This could negatively impact incentives for providers to provide high quality care, discourage or impede innovation and hamper the ability for providers to distinguish themselves from other providers on the basis of differentiated offering or quality, including high quality staff.
20. OAC considers it essential that the childcare system continues to encourage providers to innovate their offering in multifaceted ways and to continue to enhance the quality of their offer (whether through improved facilities, equipment, excursions/incursions, cultural/ language or other specialist programs, nutrition, novel inclusions etc). Not all families are the same, and providers need to have the ability and incentive to create and deliver services that meet the needs of different families, with different needs, in different locations. To this end, OAC has real concerns that price controls may result in the homogenisation of childcare, to the detriment of consumers of childcare, providers and productivity. OAC cautions against any regulatory steps which would diminish, discourage or reduce (including through decreased capacity to spend on) innovation and quality; recognising that doing so would significantly impede and materially degrade family choice.
21. Importantly, the childcare sector in Australia is already a heavily regulated industry. OAC strongly recommends detailed consideration – in conjunction with meaningful consultation with the industry (who are best placed to provide insights into the practical impacts on operating childcare centres) – before any further regulatory intervention in the childcare sector, cognizant that regulatory intervention via supply-side / price and similar market interventions has frequently led to significant distortions and (in some cases) counterproductive and problematic outcomes – the VET sector and the NDIS are examples of this.

**Conclusion**

22. Thank you for the opportunity to make this submission. Please contact us if you require any further information, input or clarification.

Yours faithfully



Anna Learmonth  
Chief Executive Officer  
Only About Children Pty Ltd