

[REDACTED]

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## Introduction

What is your name?

Name:

Michael Abela

What is your email address?

Email:

Are you responding to this survey as:

Childcare provider

What is your organisation?

Organisation:

TheirCare

Do you consent to the ACCC publishing your submission?

Yes

## Open written submissions

### Confidentiality and personal information

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If you wish to provide responses to all or any of the draft findings and recommendations outlined in the September interim report, please move to the next section 'Guided submissions' to provide responses against the relevant findings and or recommendations.

### Draft Findings - Costs

1. Labour is the main driver of cost for supplying childcare, accounting for 69% at centre based day care and 77% at outside school hours care. Labour costs have increased significantly for large centre based day care providers over the last 5 years.

Agree

Please provide further comment if relevant:

2. Land and related costs are the other significant driver of cost for centre based daycare providers.

Agree

Please provide further comment if relevant:

Escalation of rents have continued since COVID and often disproportionate to the slow return of children to OSHC services. Each State has a different approach, however states that have higher licence fees for facilities result in higher charges for families.

Licence fee increases for OSHC also result in high proportion of non viable services as OSHC providers cannot change fees without approval of schools who often restrict increases. So Schools ask for higher licence fees for facilities but are resistant to higher fees for families.

3. Not-for-profit providers appear to face lower land costs than for profit providers, but these savings are invested into labour.

Do Not Agree

Please provide further comment if relevant:

This is too simplistic a view. Often non for profit providers are offering services in areas that are lower population. As a result, there is lower expectation from schools as to the licence fees for the facilities. As a large provider, we bench mark our staff costs and these are equivalent or better than non for profit. Most providers are paying employees above award conditions to remain competitive in the labour market.

4. Location influences costs of supplying childcare services, although the influence differs depending on the cost category. Overall, costs to supply services to different areas of remoteness and socio-economic advantage do not differ greatly, except for the areas of most remoteness and most socio-economic advantage.

Do Not Agree

Please provide further comment if relevant:

I agree with the first part of this statement but not the second part of the statement. Location DOES have an influence as does very remote services. However, rural settings are also impacted in a range of ways. Cost of supervision increases through impacts such as travel fees for supervisors when you move out of metropolitan region. The lack of staff in rural and remote settings means that recruitment, engagement and training costs are all inflated.

#### Draft Findings - Competition

5. Parents' and guardians' demand for centre based day care is driven by a complex combination of factors. Parents look to prevailing market prices, however informal measures of quality are key considerations.

Agree

Please provide further comment if relevant:

This is correct. Whilst OSHC is available at school and is a relatively captured market, there are alternatives to care (both formal and informal such as family, friends etc). A combination of factors determine the choice for care by parents and guardians, including price, quality, child enjoyment, safety, continuity of educators providing care, facilities and operational times.

6. Providers' supply decisions are influenced by expectations of viability, which is heavily influenced by relative socio-economic advantage and geographic location.

Agree

Please provide further comment if relevant:

This is correct but the answer is much more complex. For OSHC viability is impacted by location and socio-economic advantage as this will have an impact on demand for care. However, there are many smaller schools in metropolitan settings and these can be unviable. The behaviours/needs of children can also have an impact on viability. For example, the existing CCS does not adequately fund services operating from Specialist Schools.

7. Staffing constraints are a barrier to more suppliers entering or expanding their operations in childcare markets.

Do Not Agree

Please provide further comment if relevant:

There are hundreds of OSHC providers so I disagree with this statement. Staffing constraints impact quality of offering and the ability to expand services. But that does not necessarily correlate to more suppliers rather than current suppliers being able to service the market better.

8. The nature of competition reflects the unique demand and supply factors in childcare markets; price plays a less influential role once households have chosen how much childcare to use and providers compete on quality to attract and retain children and families.

Do Not Agree

Please provide further comment if relevant:

All factors play a role and the weighting of these factors can change from community to community.

#### Draft Findings - Profitability, viability and quality

9. On average, large centre based day care and outside school hours care providers appear to be profitable and financially viable.

Agree

Please provide further comment if relevant:

Yes BUT there is a major difference within the sector. OSHC is no where near as profitable as Long Day Care for example. Further, whilst on aggregate I agree with this statement, there are still a reasonable proportion of services that have not had demand return after COVID and as a result are operating at a loss OR significantly impaired compared to pre-Covid. Further, the operation of complex services, such as rural and remote services and services operated at specialist schools are often impaired or operate at a loss and are cross subsidised by larger providers.

10. Occupancy is a key driver of revenue and therefore profits and viability.

Agree

Please provide further comment if relevant:

11. On average, margins are higher:

Agree

Please provide further comment if relevant:

12. The ability to attract and retain staff is a key determinant of quality, which affects the profitability and viability of a service.

Agree

Please provide further comment if relevant:

### Draft Findings - Price regulation mechanisms

13. The design of the Child Care Subsidy and existing price regulation mechanism has had a limited effect in placing downward pressure on prices and limiting the burden on taxpayers.

Agree

Please provide further comment if relevant:

It has had some effect. The hourly cap sets a benchmark and market signal and obviously charging beyond the cap has a large impact on families so is avoided within OSHC. However, the CCS with a one size fits all approach is impacted by regulation differences in each state (for example WA has more onerous staff ratios impacted cost).

14. Childcare providers are optimising session lengths to match current activity test entitlements to minimise out-of-pocket expenses for parents and guardians and maintain their revenues and profits.

Do Not Agree

Please provide further comment if relevant:

As a provider we have not done that but i cannot talk to the behaviour of other providers.

15. The Child Care Subsidy is complex for parents and guardians to understand and it is difficult to estimate out-of-pocket expenses.

Agree

Please provide further comment if relevant:

We market the subsidy strongly and still get comments from families that they were not aware or not sure if they could access. The activity test is confusing to many families, the ACCC is seen as a burden to many that would qualify and for OSHC the variation of three session types (particularly Holiday Programs) can see families expecting a rebate and running out of CCS and being caught with higher than expected out of pocket expenses.

16. More information is important for parents and guardians, yet the comparator website StartingBlocks.gov.au is not widely used by parents and guardians and can contain outdated information.

Agree

Please provide further comment if relevant:

There is already a significant amount of information. More advertising is not the always the answer. A simpler system that is more understandable and accessible will be more valuable.

### Draft Findings - International childcare costs and price regulation mechanisms

17. Overseas data indicates childcare in Australia is relatively less affordable for households than in most other OECD countries.

Do Not Agree

Please provide further comment if relevant:

This is too much of an oversimplification. Australian childcare is one of the most regulated childcare systems in the world. Regulation adds cost. The compliance/quality/safety outcomes are then subsidised. The comparison needs to be made on the whole offering.

18. Many OECD countries are moving toward greater regulation of childcare fees such as low fees or free hours for parents and guardians, supported with supply-side subsidies to cover providers' costs of provision.

Agree

Please provide further comment if relevant:

We are advocates to lower the boundaries for families to use childcare. The mechanism for the CCS is a good starting point but should be simplified, expanded and supported with some supply side subsidies for thin markets such as rural and remote services, complex services such as for Specialist Schools.

#### Draft Recommendations - Existing regulatory arrangements

Draft recommendation 1 - The ACCC recommends that the Australian Government reconsider and restate the key objectives and priorities of its childcare policies and supporting measures, including the relevant price regulation mechanism.

Support

Please provide further comment if relevant:

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.

Support

Please provide further comment if relevant:

Draft recommendation 2 (a) - Consideration be given to 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

Support

Please provide further comment if relevant:

There is a base cost to operate a service in a remote location which may not achieve the attendances required for it to be viable. States like Victoria and NSW have trialed subsidy programs that work (such as the Establishment Grants in Victoria). However, these are limited in length (running out at the end of 2024) putting hundreds of services at risk of closure. Similarly, schools for children with a disability have the demand but for safety have to run at significantly higher staff ratios (sometimes 1:2 or 1:1). CCS simply does not provide commercial viability.

Draft recommendation 2 (b) - Consideration be given to 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.

Support

Please provide further comment if relevant:

Draft recommendation 2 (c) - Consideration be given to 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.

Support

Please provide further comment if relevant:

Strongly advocate just removing it. It is a disincentive and confusing for families.

Draft recommendation 2 (d) - Consideration be given to including a stronger price and outcomes monitoring role by government, supported by a credible threat of intervention, to place downward pressure on fees.

Unsure / No View

Please provide further comment if relevant:

Regulation of any sort adds cost. We are in favour of delivering value to families but there is significant complexity in setting pricing. Competition, input costs and demand would all need to be considered for any monitoring.

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:

Unsure / No View

Please provide further comment if relevant:

Starting blocks provides more utility for families exploring long day care. OSHC is delivered at the school so the need to compare is reduced.

Draft recommendation 4 - The ACCC recommends that the governments further consider how the existing regulatory frameworks support and influence the attraction and retention of educators and workforce in the early childhood education and care sector.

Support

Please provide further comment if relevant:

Strongly agree. The current regulations were developed for pre school age children and do not best meet the needs of school age children and an OSHC environment. Over regulation is driving up cost and pushing staff out of the sector. There is a misalignment between how children are regulated during school time and when they transition to OSHC that causes confusion and does not promote consistent behaviours in children.

The slight reduction in ratios in OSHC to recognise the greater agency of children of school age would cost effectively provide additional care to families given staff shortages.

Further, the distinction between the regulations in each state, drives up the cost of deliver, causes confusion and does not result in better outcomes.

Draft Recommendations - Broader policy considerations for more significant change

Draft recommendation 5 - The Australian Government should consider maintaining and expanding supply-sidesupport options for Aboriginal Community Controlled Organisations that provide childcareand additional support services for First Nations children, parents and guardians.

Support

Please provide further comment if relevant:

Draft recommendation 6 - A market stewardship role should be considered for both Australian and state and territory governments, in identifying under-served areas and vulnerable cohorts, along with intervention whether through public or private provision. A competitive tender process is one tool that could be used by governments to facilitate delivery in these areas.

Support

Please provide further comment if relevant:

This has been effectively implemented in Victoria and NSW for OSHC. However, all these programs have limited funding windows and if not replaced when the funding period finishes will result in hundreds of service closures.

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.

Support

Please provide further comment if relevant:

As noted previously, any application of price controls MUST consider all cost inputs otherwise it will not encourage service operation.