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Additional Viewpoints to the Productivity Commission draft report.

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The ECEC sector is growing, so the financial subsidies available to families for ECEC Services is essential for educators and programs to support Children and Families. Accessing ECEC services is an expectation for most Australian Parents for their Children, and is widely understood to be beneficial to children of all ages. We understand that families are not always able to find a child care place when they need to commence work, some children are still starting school with undiagnosed developmental delays, vulnerable children are still falling through the cracks in regional and vulnerable areas, services need to operate in a system that had clear and sustainable business arrangements including regulation, planning and funding, and that government are getting the best return on investment in the Early Years.

Total Childcare Solutions Australia (TCSA) is a management and consultancy company providing training and information to the ECEC sector. Our clients are varied, and range from an Employer Sponsored ECEC in a remote region to investors requiring a complete management service. We have been operating since 2008 and have 40 years collective experiences in the ECEC sector.

Is there a shortage of Child Care?

The Global Financial crisis and the collapse of the largest ECEC provider in 2008 (ABC Learning) resulted in a tightening of lending policy from Financiers, disappearance of the Private Developer's from the market with the valuations on business returns uncertain. The industry stagnated with few new ECEC Centres being built. Total Childcare Solutions Australia Ltd (TCSA)has seen this trend **reversing**, and many private projects back in the development pipeline.

Through early 2000 – 2007 we saw a saturation of ECEC Centres every three years. With the current developments and interest of the private sector to development of facilities, we anticipate that a saturation of centres will occur within the next 2-3 years.

Recently published guidelines for Local Government on development of ECEC Centres in their communities will have the effect of better local government policy to ensure that communities are being well serviced by better planning and foresight. The document encourages Local Government to work with State Government, and take a collaborative approach to development.

Example 1.

ACTPLA is the planning authority in the A.C.T. Recently ACPLA have released land specifically zoned and located for the development of an ECEC facility. ACTPLA realised the need of the community for an increase in ECEC services. The land was publicly auctioned and purchased by a private developer. The private developer will pay the cost of the land purchase to ACT Government and Stamp Duty + GST. The developer will pay on going rates and land taxes for the life of the development. This is a windfall for the ACT Government.

Some areas are experiencing an never seen before explosion of urban infill in CBD locations and planning for ECEC services has not been able to keep up with the demand and population explosion in these locations. Local Government have the responsibility of ensuring that with approvals for development, concession for services in ECEC must be considered for both residential and commercial office development.

Fringe Benefits Tax?

Outside of the existing funding envelope for parent subsidies, there has been no incentive offered to Employer Groups to assist with workforce participation due to an FBT impost. Could the Commission make some recommendations in regard to FBT and how employers should be incentivised to support programs by relaxing the application of this tax to ECEC services? Some employers would consider funding places for mothers returning to work after maternity leave to ensure that places were available at the Centre of choice. We do not agree that this would only advantage high income earners and the large Companies; there are many industry applications where this would be measured in productivity and taken up by employer groups. We already see companies with policies to assist women back to work, and have subsidised and co-located Child Care Centres, and this type of program has not been generally taken up by companies.

Opportunity for employers to form agreement with local centres and ensure that a place is available when the employee wants to return to work would be more workable with the FBT not applying to arrangements between the employer and ECEC? How could this work?

Example 1.

Price Waterhouse Coopers (PWC) in Canberra has several staff that are on maternity leave and due to return in the New Year. PWC forms an agreement with a local ECEC provider like the YWCA & YMCA that has services located across Canberra. PWC has a commercial agreement that secures "**Priority Access"** will be granted to PWC employees across Canberra in all of the ECEC services and OSHC programs for children of their employees. There is a Commercial agreement between PWC and the Operator that is an assessed annual fee or based on placement.

Example 2.

The Australian Federal Police (AFP) have a commercial agreement with a local provider so that all AFP members have priority of access to care. This arrangement is secured by way of a "one off" enrolment payment to the service when a child commences. This is to ensure that members that are relocating to and from the community have access to needed ECEC services and should be disadvantaged when relocation occurs, or a change of family circumstance. AFP believes that increasing the family supports to its members has long lasting benefits to support structure for families, productivity for its workforce, and less stress for mothers who wish to return to work part-time following the birth of a child. AFP does not desire to own and operate an ECEC service, but understand the complex needs of its members, and support the fabric of the family structure through priority access.

Understanding complex assessment for CCB and CCR and a **Deemed Cost** of Care

We believe in one simple and easy to understand payment for families. Often families are unsure of what entitlements they have, and can be misled in self-assessment resulting in Centrelink payback and hardship. Streamlining these processes for payment would be beneficial for families. The existing CCMS system works well for an operational perspective in the ECEC service as we no longer have the responsibility of administrating the benefits. Capping the Rebate Fee has often created confusion for parents. ECEC services cannot provide care for the cost of the Rebate Fee but CCB is only applied to this fee? Not the total fee incurred.

We are vulnerable in business as our labour exceeds 70% of our income on average and rent 12%. Profitability is often a fine line for services across the sector. State governments are enjoying our payroll tax, land taxes and rates. Further changes to the rebated fee would see increases to parent portion payments. Whilst the Commission may take a view that a "Deemed" fee for the provision of care across the board, there would never be an equitable solution to reach a deemed cost for the provision of care as it costs more to provide care in remote locations and regions where it is harder to staff. CBD locations are more expensive in their land and building costs.

Example 1.

ECEC service in Darwin is paying above market rent as the land content and constructions costs are higher. Labour shortages require the employer to bargain with each individual employee and are paying above award to all qualified staff to meet licensing requirements. The profitability of the service is impacted but the ability of Parents to pay higher than current fees is not possible as the cost of living is high. There is a labour shortage and 457 visas are being sponsored at the expense of the employer to try and meet guidelines. The service is vulnerable at the hands of negotiations with employees. The service cannot currently increase fees.

Example 2.

Sydney CBD location rent is $450,000 per annum, and rental bond is $450,000 + property outgoings $100,000 per annum. The ECEC must remain at above 90% occupancy to break even. Fees are $120 day +   the ECEC averages 80% occupancy and is losing money each year. The operator would like to close but would still be liable for the rental for the term of the lease. The operator remains to recover as much as possible and hopes that higher occupancy levels can be achieved to break even or better. Without profit the business is not saleable. What would the <u>Deemed</u> cost do to a centre like this? Would the parent subsidy decrease because they are in a CBD location where all expenses are much higher?

Preschool Funding

We support the continuation of support for children in the pre-school year where an EC Teacher has been employed. Losing children in the 3-5 year age group will severely impact on the financial viability of many services where children may enrol in school based Preschool.

The LDC ECEC style of delivery allow3s children complete ownership of their classroom space and the enjoyment of belonging. Packing away is not required, seeing children immerse themselves in learning for much longer periods of time. Long Term projects of research are a common occurrence in the LDC environment, and children are familiar with Educators over their lifetime in the service. This is intimate knowledge on the child, and not sessional classroom expectations are our norm. there is great learning value in the provision of education and also Care in the LDC classrooms. Funding ECEC for the 4-5 years saves Federal, State and Local Government on the provision of services, and the windfall of property rates and taxes, and supports working families to maintain their career objectives whilst their children are being prepared for school.

Placing Preschools located on a school campus under the Department of Education guidelines, will see a disparity in the Education and Care of our 4-5 year olds. We will see the children from the ECEC services with a ration of 1:11 move to a much higher school ratio. From a "learning playfully", to a more structured classroom. When children from different learning styles are merged into the same Kindergarten (1 year of formal schooling) classroom, how will this unfold for a teacher and her students? We advocate for a play based curriculum in the early years. Are we robbing our children of an opportunity to learn through play?

Would this additional funding for schools to provide programs on campus for 4-5 year old students see an exodus of children from ECEC Centres?

Are we becoming a Nanny State?

For many years, families have used private "in home" care as an alternative to external care. There are no regulations unless the Carer has been provided by a registered and reputable Agency. There are instances where Care and Protection will add the services of an "In home Carer" for a variety of reasons that external care would not be an alternative.

However, would the use of subsidised Nannies for in home care provide parents with more work choices? Would parents be then opting for the shifts at work that had the highest loadings? Would parents be less inclined to negotiate with their employers for flexible work arrangements as they are a working parent with children?

As private operators can attest, there is significant capital investment into the construction of a quality ECEC centre, to provide a rich and inspiring for children and their learning. Would providing subsidised nannies become competition for staff and children?

What are the alternatives when Nanny is sick, on holidays and leaves her position as they are often inclined to do? Will we have parents in crisis knocking on our doors for casual care until the next nanny can be found? Consistency of care is essential for attachment and trust. Will we see a decline in the quality of education as children learn so much from social and playful interactions with other children. Are parents able to use the hours of a subsidised Nanny for non-work activities?

Regulation could be introduced however this would require enormous manpower to monitor the increase of parents using in home care with nannies out and about with children whilst being monitored? How could the Commission assure the safety of children, and the quality of the care and education that the government would be subsidising? As our large investment into quality ECEC facilities could be compromised as a result of subsidised nannies for in home care? Are the grandparents going to get paid for providing care that they may have been previously providing for free? We would prefer to see that nannies were private arrangements between families and agencies, as it would be difficult to supervise and regulate to the same standard as the rest of the ECEC industry NQF and EYLF. This would seem unfair and undermining the previous investment in the ECEC sector and regulation of the FDC scheme.

Thank you Commissioner's for taking the time to read our submission.

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