



STANDING COMMITTEE ON EDUCATION
EMPLOYMENT AND WORKPLACE RELATIONS
PO BOX 6100
PARLIAMENT HOUSE
CANBERRA ACT 2600

ATTENTION: MR JOHN CARTER

Dear Mr Carter

RE: INQUIRY INTO THE PROVISION OF CHILDCARE

Childcare Association of Western Australia (CAWA) represents the Child Care Industry in Western Australia. With a data base of 83 members throughout both the metropolitan and rural regions of WA.

Thank you for the opportunity to forward a submission addressing the inquiry. Our responses relate directly to the areas raised by yourself in your correspondence dated 3/12/08.

1. Financial, social and industry effects of the ABC Learning collapse on the provision of Child care.

FINANCIAL

- The main concerns raised here with the corporate style structure was the ability to undercut the fees of centres in areas of oversupply, thus pushing small boutique style businesses out of the market.
- The consensus was that every centre needs to be able to financially stand alone with a break even fee incorporating a profit margin for the owner. Unlike

the "ABC Learning" structure that allowed financially non viable centres to remain open thus putting the whole company in jeopardy along with having other centres in the area close due to the under cutting of prices.

- More recently, it would seem that the very generous support offered to ABC by the government could be seen to be subsidising the low fees being charged by ABC, further adding to the financial impact on local, responsible operators.

SOCIAL

- There is a disappointment that the Government is now responsible for a Publicly Listed Company, where profits were made by both Directors and Shareholders in prior years. The expenditure of tax payers' funds to have financially unviable businesses remain open could be seen to be irresponsible of the Government in business management.
- The industry has lobbied and requested for over 20 years an increase in funds to be able to better integrate children with additional needs into main stream care. This has never been addressed due to lack of funds, although there is \$50m+ to have underutilised and financially unviable child care centres remain open.
- Accountability levels need to be increased within the industry. This could be achieved through reporting methods to DEEWR being linked to Child Care Benefit (CCB) eligibility and applied stringently.
- There is a belief that a 'cap' on chain style centres should apply, although the number is debateable. We believe this should be linked to licensed places rather than number of centres.

INDUSTRY

- To date there has been no known impact on the industry with the ABC Learning collapse, we see this largely due to the \$50m+ that the Federal Government has contributed to keep these financially non viable businesses open.
- To close the non viable businesses would allow other centres in the local areas to increase their occupancy and thus ensure they have the ability to keep fee increase in 2009 to a minimum.
- Due to ABC Learning previously undercutting fees (and this is evident in the financial collapse) clients will not move to a financially viable centre with fees at \$20per week (\$1,040 pa) more as long as the Government continues to subsidise these clients fees at the unviable ABC Learning centres.
- We believe the closure of the ABC Learning, non viable businesses, will also assist the industry with the shortage of qualified workers. Many centres still continue to operate under license capacity due to lack of Qualified workers or under State based Regulation exemption.

2. Alternative options and models for the provision of child care

- It was with concern that Child Care was ever able to be a Public Company and be listed on the Stock Exchange.
- Reporting methods and checks can be measured against licensed places and linked to CCB eligibility.
- As stated above the accountability of child care centres as 'stand alone' individual business should be measured. This could be achieved through an audited statement of each centre with Profit & Loss and Balance sheets reflecting a viable business, with this being linked to CCB eligibility with no exceptions allowed.

3. The role of governments at all levels

LOCAL GOVERNMENT

We can only comment on Western Australia.

- There are many inconsistencies throughout the 139 Local Governments in Western Australia, these vary with implementing standards from the requirements of Food Safe, Health and Hygiene inspections through to interpretation of the Building Code of Australia.

STATE GOVERNMENT

- We believe the current system within Western Australia under the Child Care Licensing & Standards Unit meets the industries needs, with regular reviews and increasing industry and public consultations.
- The current financial requirement on applications, for a new service or for renewal of an existing, only require the Company Financial records, Balance Sheet and Profit and Loss if the company is less than 2 years old. This should be a minimum requirement as discussed previously to ensure the license is only renewed to individual centres of viable companies. If this had been implemented perhaps ABC Learning would have had a number of centre licenses' not renewed in past years, thus having prevented the 'over supply' of positions in areas along with the collapse of the whole company, including the financially sound centres.

FEDERAL GOVERNMENT

- Assist the industry in achieving Quality Care by the subsidizing of Qualified employees, reference is made to the New Zealand model where by centres submit payroll information of appropriately qualified employees for a rebate able hourly rate, thus encouraging centres to employ Qualified Workers.
- CPI increases have not been sufficient with CCB. The costs to provide the quality care in services has increased far more than CPI increases. This is evident in the wage increases over the past 3 years has been more than the CPI increases for CCB.
- There is a need for more industry and community feedback to improve this national quality system (NCAC).

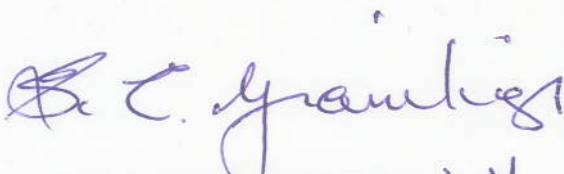
- The Child Care Tax Rebate (CCRT) is most important for those most in need of child care; families requiring care for work or study related reasons, CCB does not assist all these families.
- There is grave industry concern that this CCTR rebate is now provided to families where often the family has not paid for the care to the centre, but are receiving these funds automatically from the Family Assistance Office, thus putting the industry in a precarious financial position.

4. The feasibility of establishing a national authority to oversee the child care industry.

- CAWA believe there are merits for and against this suggestion.
- We believe there would need to be fair representation of the industry across Australia. WA is a vast state representing very isolated communities and inner city services. The needs vary enormously of these services and there is a concern for adequate representation to be achieved.
- It is with concern that in WA we have always had the added financial burden of a higher staff:child ratio than other states in Australia. We would be disappointed to see Western Australia's ratios increase further without other states matching WA and sufficient research to show the benefits of the proposed increase. Doubled with how the Government would support services in keeping the fees to a level that does not overprice quality care being assessable to all Australian families.

We trust that our representation of our members is considered within this submission. Any further clarity can be obtained by contacting the undersigned on 0438 863134.

YOURS SINCERELY



BERNADETTE GIAMBAZI A.M.
PRESIDENT
27/1/09