

Senate Standing Committee on Education, Employment and Workplace Relations –
Legislation
Parliament House
CANBERRA ACT 2600

Dear Senators and Committee Secretary,

Thank you for your invitation for Child Care National Association (CCNA) to provide a submission at short notice to the Senate Legislation Committee Inquiry into the provisions of the Family Assistance Legislation Amendment (Child Care Budget Measures) Bill 2010.

Whilst CCNA does not have the resources of either the government, DEEWR or Treasury we note the following issues for Senators consideration:-

A] The Bill and Explanatory Memorandum appear to be deficient in a number of ways, principally as it is considered in an apparent vacuum as opposed to in the light of a whole of government point of view. Each year the Productivity Commission provides a Report on Government Services. The 2010 Report Volume 1 and the Chapter 3 Attachments are attached for the Committee. Senators attention is drawn to pages 3.32 and Attachment Tables 3A.12, 3A.22, 3A.24 and 3A.42.

- a) The Report (Table 3A.22) shows Australian long day care average utilization to be 63.4% following the GFC and ABC's demise. The Bill proposals will further reduce utilization at a time when services are financially very vulnerable. A repeat ABC type event (only much larger) would seem unwise and untimely. While there are two more recent reports of March 2010 (attached) these snapshot the State Child Care in Australian and Child Care Vacancies at the 'best' time of the year for services, a week in September/October. These reports are therefore not considered as truly representative as the Productivity Commission annual report figures.
- b) With any further childcare service financial collapses there would be both Taxation reductions and GEERS scheme payment impacts for government with reduced childcare staff employment opportunities.
- c) With any further childcare financial difficulties following the ABC demise it is likely such small businesses will have their access to finance curtailed which is, CCNA understands, the subject of another Senate Committee's inquiry.
- d) With increasing family out of pocket costs of any amount, female workforce participation will be reduced with further taxation implications for government; and
- e) Additional financial pressures currently being applied to many Australian services by DEEWR repayment requests for CCB incorrectly advanced by DEEWR approaching two years ago may result in individual financial service difficulties and potential childcare service collapses across Australia.

The above matters are Financial Impacts without apparent consideration in the Bill's Explanatory Memorandum. These impacts may completely negate or exceed the Explanatory Memorandum indicated net savings.

B] Much more significantly and inexplicably, no consideration by the Bill's Explanatory Memorandum is provided for the January 2012 to January 2016 proposed COAG changes which seems like "trying to have your cake and eat it as well". Some Members or Senators have claimed the Bill changes will only affect 3 % of children/families. This suggestion only represents the now historical past 2010 family cost patterns which must be considered ill-informed outside of the 'vacuum' of this Bill standing alone.

Many informed childcare stakeholders have foreshadowed cost increases flowing from the proposed COAG changes to be from \$1,500 to \$5,000 per child per year. The government's own details and cost figures in the COAG Consultation RIS July 2009 and COAG Decision RIS December 2009 (both attached) indicate cost increases of similar order to the above figures, though historically such impact estimates have significantly underestimated actual childcare cost increases. The COAG Decision appears to have elements of COAG Consultation options 2, 3 and 4 and appears then to be called option 2 in the COAG Decision. The Consultation RIS cost estimates for 2015 range from \$721 to \$1,023 per annum per full time LDC child and for final implementation from \$1,022 to \$1,521 per annum per full time LDC child. The Decision RIS cost estimates range up to \$1,937 per year per full time South Australian LDC child by 2015 and by final implementation to \$2,140 per year per full time South Australian LDC child.

The final COAG change costs will only be known following implementation but based upon all of the above, CCNA believes the COAG cost increases will be from \$1,500 to \$5,000 per child per year.

CCNA has further considered the 2010 Productivity Commission Report on Government Services information. Table 3A.23 appears to suggest total full time LDC care without subsidies per child per year to be \$14,820 (\$285 per week) in the March quarter 2009. There are very likely 2009 and 2010 childcare cost increases since March 2009. Table 3A.12 suggests children attend just over half the week at 25.8hrs. This might suggest an average \$7,600 cost per week a bit over half the above weekly average above which could easily be an average \$8,000 per year per child at today's 2010 care costs. Across Australia, CCNA estimate average CCB subsidy per child to be \$4,000 with \$2,000 per child of Childcare Tax Rebate available leaving a \$2,000 average 'out-of-pocket' per child per year. Table 3A.42 supports this Australian averaging analysis.

With the COAG cost increases included onto the average costs at \$1,000 per part time LDC child per year and \$2,000 per year per full time child, CCNA estimate the number children/families to be adversely affected by this Bill to be conservatively of the order of 1/8th (or 12.5percent) of all children/families rather than the 3 percent indicated by Members/Senators with additional out-of-pocket expenses for these families of an additional \$2,000 per year.

Though not expressing a view on the merits of the case, the national wage increase just awarded, will further increase the out-of-pockets for Australian families following implementation of this Bill.

Finally, CCNA has been just advised the next CCB subsidy rate indexation (released or about to be released) may be less than CPI and this will further increase the out-of-pockets of Australian families using childcare from 1st July 2010.

IN SUMMARY

- FURTHER CHILDCARE SUBSIDY REDUCTIONS ARE LIKELY TO HAVE WIDELY ADVERSE IMPACTS UPON AUSTRALIAN CHILDCARE PROVISION AND FOR AUSTRALIAN FAMILIES.

- MORE THAN 12.5% (NOT 3%) OF AUSTRALIAN FAMILIES ARE LIKELY TO BE ADVERSELY IMPACTED BY THIS BILL.
- IF INDEXATION IS TO BE HELD BACK AS PER THIS BILL, THEN THE CONCURRENT COAG CHILDCARE CHANGES MUST BE POSTPONED UNTIL THE INDEXATION RESUMES.

CCNA trust this analysis of this Bill assists Senators.

Yours sincerely

Child Care National Association