

Draft Education and Childcare State Environmental Planning Policy (SEPP) can create more childcare oversupply

Submission to NSW Planning
7 April 2017



Australian Childcare Alliance
New South Wales

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1.0 About the Australian Childcare Alliance (ACA) NSW

The Australian Childcare Alliance (ACA) NSW is the peak body for privately-owned early childhood education and care services in New South Wales. We provide advocacy, policy and regulatory support and advice, member support and professional development for our members across the state.

ACA NSW members are privately-owned long day care services, with approximately 65% of members being metropolitan-based. Our members operate about 1,600 childcare services, employ over 20,000 employees, and are committed to providing excellence in early childhood education and care for the more than 100,000 families we provide essential services to.

ACA NSW aims to:

- equip members with the information and resources to assist them in delivering high quality early childhood education and care;
- positively influence policy and legislation to achieve high quality, accessible, affordable early childhood education and care for children and their families; and
- enable members as small businesses to be financially sustainable and contribute towards the national gross domestic product while caring for, educating, developing and nurturing the children.

ACA NSW is a proud member of the Australian Childcare Alliance, advocating for the future of Australia's children and working to ensure that families and their children have an opportunity to access quality, affordable early childhood education and care (ECEC) throughout Australia. Alongside our peer state bodies, we collectively represent more than 2,500 members and approximately 360,000 families throughout Australia. Notwithstanding, we work on behalf of long daycare service owners and operators to ensure families have an opportunity to access affordable quality ECEC.

Additional issues ACA NSW and ACA are also addressing on behalf of its members include:

- the consequences of the Federal Parliament's Jobs for Families (childcare reform) proposal to increase/change subsidies and rebates;
- the Education Council's proposed amendments to the National Quality Framework (including reducing the standards from 18 to 15, and quality areas from 53 to 40);
- childcare shortages;
- the Fair Work Commission's consideration of the Equal Remuneration Order and the Review of the Modern Awards;
- labour shortages;
- the future of Universal Access funding beyond December 2017 and Long Daycare Centre Professional Development Program (LDCPDP) funding beyond 30 June 2017;
- the NSW Department of Education's Assessment and Rating process; and
- the NSW Department of Education's new Service Provider Application process.

2.0 Executive Summary

In as early as 2014, childcare services across metropolitan Sydney were reporting significant waiting lists in areas nearer to and in the Sydney Central Business District, yet childcare services across Western Sydney suburbs (for example) were struggling to fill childcare vacancies¹. Other articles about Canberra² and other interstate³ experiences of childcare oversupply, as well as centres that close due to financial unsustainability⁴ point to signs of childcare oversupply being real and not imagined.

The Australian Childcare Alliance (ACA) NSW engaged with the NSW Government in the leadup to the 2015 NSW State Election with a view of improving the twin issues of grossly slow development application processing times (of up to 53 calendar weeks) as well as resolving childcare oversupply. Following that election, the re-elected NSW Coalition Government convened a Joint Working Group that ultimately developed the proposed *Draft State Environmental Planning Policy (Educational Establishments and Childcare Facilities) 2017*. Unfortunately, when it was finally released for public consultation on 4 February 2017, ACA NSW realised that the Draft SEPP was poised to significantly improve processing times for development applications, but potentially could be too successful that instead would threaten to accelerate existing childcare oversupply without any relief or solutions.

ACA NSW identified 6 key concerns in relation to the SEPP and proposed 9 recommendations, namely:

1. the reinstatement of proximity requirements for new childcare services;
2. the reinstatement of the requirement to provide demonstrated need or demand for childcare services;
3. the request for research to be commissioned into the impact of the size of childcare services and their consequential impact on the quality of early childhood education and care standards and outcomes;
4. the disallowance of site amalgamations in low-medium density residential zones for the purposes of creating “mega” childcare services;
5. the disallowance of complying development applications of large childcare services from using private certifiers and oblige such applications to be subject to normal public scrutiny;

¹ Daily Telegraph article (7 October 2014), “Sydney childcare vacancies: City parents face huge waiting lists while west struggles to fill places” (<http://www.dailytelegraph.com.au/newslocal/competitions/sydney-childcare-vacancies-city-parents-face-huge-waiting-lists-while-west-struggles-to-fill-places/news-story/60603b4df02917b58305b792a0071d53>).

² Canberra Times article (21 November 2015), “Canberra childcare provider points to oversupply of places” (<http://www.canberratimes.com.au/act-news/boom-in-childcare-places-creates-oversupply-20151118-gl2aaw.html>).

³ Daily Telegraph article (29 April 2014), “Childcare vacancies increase Australia’s richest suburbs” (<http://www.news.com.au/lifestyle/parenting/childcare-vacancies-increase-in-australias-richest-suburbs/news-story/efe8b951620d60558f0abcc5db9f4515>).

⁴ Quest Community News (26 July 2016), “Parents scramble as not-for-profit childcare closures” (<http://www.couriermail.com.au/questnews/southwest/parents-scramble-as-notforprofit-childcare-closures/news-story/b03028d79546fb087f241a1f04f32b63>).

6. to reduce the periodic review of the proposed SEPP to 3 years instead of 5 years after commencement of the SEPP, or in coordination with the National Quality Framework's periodic mandated review;
7. the consideration of planning and regulatory incentives for development applications as well as service applications for childcare whereby such services can be located in projected population growth areas instead of letting natural market forces to gravitate them by default to only high demand areas;
8. the removal of family daycare services to be included as centre-based childcare services under the proposed SEPP; and
9. the assurance for all childcare service related development applications be made to provide traffic and pedestrian safety measures so as to protect children and their parents/guardians from motor vehicle accidents.

This Submission to NSW Planning also provides evidence of existing childcare oversupply in 28 local government areas across Greater Sydney, Newcastle and Wollongong. Such evidence being proposed and already approved development applications that will provide new childcare places over the next 3 years that are extraordinarily surpasses those same local governments' Residential Development Strategies' projected needs by the year 2031. Proving ACA NSW's concerns, this Submission asks the NSW Government to address oversupply before implementing this SEPP.

3.0 About the Childcare Services Sector

The latest data provided by the Federal Department of Education and Training⁵ indicates that for the March quarter 2016, there were over 1.24 million children across 843,000 families using approved child care in Australia, with approximately 677,380 (54.5%) in long day care, reflecting the continued demand for ECEC services.

According to the latest data from the Australian Children's Education & Care Quality Authority (ACECQA)⁶, during the March quarter 2016, there were 15,429 children's education and care services operating across Australia, of which 6,862 (45%) were long daycare centres, 3,124 (20%) preschool/kindergartens, 1,056 (7%) family day care and 4,279 (28%) outside school hours care.

Of these services, 46% are privately owned and operated, with the vast majority (83%) of approved providers operating only one service, and only 1% of approved providers operating 25 or more services.

The Productivity Commission's most recent **Report on Government Services**⁷ confirms that in 2015, 55.1% of all children aged 2 years; 61.8% of all children aged 3 years; and 54.2% of all children aged 4 years attended CCB-approved child care.

In the 4 year-old bracket 95.1% of children were enrolled in a preschool program in the year before full time schooling, an increase from 90.9% in 2013.

During the same period 75.4% of 4-year-old Aboriginal and Torres Strait Islander children were enrolled in a preschool program in the year before full time schooling. This proportion has increased from 73.9% in 2013 and 65% in 2012.

According to the *2013 National Early Childhood Education and Care Workforce Census Report*⁸, the number of workers employed in the sector grew by an average of 10% across all service types from 139,187 in 2010 to 153,155 in 2013.

The number of services and children in care is estimated to have increased by 5.7% and 15.3% respectively over the same period. There was above average growth in the number of workers across all service types except preschool (5.8%) and family day care (3.5%), above average growth (13.0%) in the number of males in the workforce, and strong growth in Western Australia (19.2%) and amongst workers aged 55 and over (18.3%).

In terms of future growth, there are currently in excess of 1,000 planning applications for new privately operated long day care services in Australia⁹. At an average service size of 90

⁵ Department of Education and Training (2016) [Early Childhood and Child Care in Summary March Quarter 2016](#)

⁶ ACECQA [National Quality Framework Snapshot Q3 2016](#)

⁷ Productivity Commission (Feb 2016) [Report on Government Services](#)

⁸ 2013 National Early Childhood Education and Care Workforce Census report - <https://docs.education.gov.au/node/35535>

⁹ Based on privately commissioned data provided by Cordell Information – www.cordell.com.au

places and 25 educators per service, this represents over 25,000 new educators being trained before the end of 2018, when it is reasonable to expect these services are operating.

This level of expansion in such a short time span is already placing significant pressure on:

- the ability to source the required volume of quality early childhood educators; and
- the capacity of training providers to meet the demand for initial qualifications training.

Meanwhile, there is predominantly an oversupply of childcare services across Australia, with many services operating well below 100% occupancy. This especially affects small business owners with many facing closure due to unsustainable level of enrolments. Many community based services are also feeling the effects of oversupply with a number already closing down.

Whilst there are pockets of Australia where demand currently outstrips supply, these are discrete, minority areas.

4.0 Concerns about the Existing Planning Framework for Childcare Services

In as early as 2014, childcare services across metropolitan Sydney were reporting significant waiting lists in areas nearer to and in the Sydney Central Business District, whereas childcare services across Western Sydney suburbs (for example) were struggling to fill childcare vacancies¹⁰.

In the lead up to the NSW State Election in March 2015, the Australian Childcare Alliance (ACA) NSW pursued the NSW Coalition and NSW Labor regarding its concerns about the delays inherent in the existing planning framework while addressing the issue of childcare supply.

In October 2015, the NSW Coalition Government set up a Joint Working Group whose main aim is to make it easier for new childcare services to get established.

On 3 November 2016, the then NSW Minister for Planning, the Hon Rob Stokes MP, confirmed that processing childcare-related Development Applications (DAs) was estimated at a median range of between 204 and 265 business days (ie 40-53 calendar weeks).

Notwithstanding the efforts of the NSW Government in improving the planning system to be more efficient in processing development applications, the Australian Childcare Alliance (ACA) NSW continued to be concerned that there was insufficient attention placed on existing childcare oversupply.

These concerns were confirmed and magnified when the Draft Education and Childcare State Environmental Planning Policy (SEPP) was released for public consultation on 4 February 2017.

ACA NSW welcomes the Draft SEPP where it proposes to impose on the remaining 6 local councils out of 152 to allow childcare centres to be built and operated in R2 Low-Density Residential Zones, as well as compelling about 100 local government areas to allow childcare centres to be built and operated in IN2 Light Industrial Zones. ACA NSW also applauds the introduction of a 28-day consultation period on all new childcare development applications (DAs) with the NSW Department of Education. From that perspective, the Draft SEPP will indeed provide benefits to future childcare services, owners, developers, and ultimately parents and children.

However, ACA NSW is seriously concerned that the Draft SEPP will only benefit future childcare owners and developers as it fails to address existing and future childcare oversupply. The proposed abolition of proximity requirements of new childcare services to those existing, and the absence of any meaningful incentives to place new childcare services

¹⁰ Daily Telegraph article (7 October 2014), "Sydney childcare vacancies: City parents face huge waiting lists while west struggles to fill places" (<http://www.dailytelegraph.com.au/newslocal/competitions/sydney-childcare-vacancies-city-parents-face-huge-waiting-lists-while-west-struggles-to-fill-places/news-story/60603b4df02917b58305b792a0071d53>).

in areas of current and future need raises concern that pre-existing evidences of childcare oversupply over the past few years are not noticed or understood by legislators and policymakers. Hence, ACA NSW is asking NSW Planning to draw equal attention in order to protect the availability and affordability of existing quality early childhood education and care services.

5.0 Review of the Draft Education and Childcare SEPP

Based on feedback from ACA NSW members and analysis of the *Draft State Environmental Planning Policy (Educational Establishments and Child Care Facilities) 2017* (hereafter known as “the SEPP”), ACA NSW is supportive particularly of the following aspects:

1. the proposed alignment of the state and local government planning framework with the National Quality Framework (Part 3 of the SEPP);
2. the consent authority must, within 7 days of receiving a development application must forward a copy of the development application and notify the NSW Department of Education (Section 20, Clause (3) of the SEPP); and
3. the NSW Department of Education must provide concurrence within 28 days of being notified of the development application (Section 20, Clauses (3) and (5) of the SEPP).

That said, ACA NSW’s key concerns are that the SEPP:

1. imposes a non-discretionary standard that the development may be located at any distance from an existing or proposed early childhood education and care facility (Section 23, Clause (2)(a) of the SEPP);
2. removes the requirement for the development application to no longer require any demonstrated need or demand for child care services (Section 24, Clause (1)(c) of the SEPP);
3. the absence of constraints on the excessive sizes of the proposed childcare services;
4. the handling of complying development (Division 5, Section 17 of the SEPP);
5. the Review of Policy after the end of 5-years (Section 7 of the SEPP); and
6. the absence of any incentives for new childcare places to be located in projected population growth areas where prevailing demands are moderate/low.

ACA NSW is equally concerned that the proposed *Standard Instrument (Local Environmental Plans) Amendment Order (No 2) 2016* replacing the term “child care centre” with the term “centre-based child care” to include “*a family day care service (within the meaning of the Children (Education and Care Services) National Law (NSW))*”.

Moreover, removing planning controls when there is already oversupply in many areas will have detrimental effects on long-term operational viability, threaten the quality of Early Education and Care for all children and put upward pressure on fees for parents.

ACA NSW strongly request a need for better planning based on true (and not speculative) and timely population growth trends, existing capacities, and the need for retention/insertion of proximity requirements.

5.1 Request Reinstatement of Proximity Requirements between Childcare Services

In many Australian local governments, there exists proximity requirements in their Development Control Plans (DCPs) that impose minimum distances between proposed and existing childcare services. The primary aims for such a control are so that:

- (a) appropriate traffic flow and people safety are achieved;
- (b) site amalgamations that can magnify the yield of childcare places are avoided;
- (c) the aims of the land use, especially in R2 low-density residential zones, are maintained and not have short-medium term intensification of childcare services on the same streets or near vicinity; and
- (d) the amenity of the local neighbourhood is preserved as reasonably as to be expected by the local residents.

Unfortunately, the SEPP proposes a non-discretionary standard that would enable any development to be located at any distance from an existing or proposed early childhood education and care facility (Section 23, Clause (2)(a) of the SEPP). In doing so, all the primary aims of the local governments' DCPs would be at risk.

Moreover, ACA NSW has received feedback from its childcare service provider members that the phenomenon of having multiple childcare services exist on the same street, next door to or in close proximity of each other have already been occurring for some years now in many parts of Sydney, Newcastle, Wollongong and Coffs Harbour. This is primarily due to:

- (a) some local councils not having any proximity requirements in their DCPs;
- (b) some local councils not having effective proximity requirements in their DCPs;
- (c) their local councils not consistently applying their own standards; and
- (d) development applications refused by local councils then being overturned by the Land and Environmental Court.

RECOMMENDATION 1:

That the NSW Minister for Planning, through the Draft SEPP (Educational Establishments and Childcare Facilities), reinstate proximity requirements such that development applications for new childcare services:

- (i) be prohibited from being sited adjacent to one another; and
- (ii) be separated physically using a new minimum standard (eg 1 kilometre in metropolitan areas) in order to take into consideration traffic impact, pedestrian safety and local neighbourhood amenity.

5.2 Request Reinstatement of Development Applications to demonstrate proper need or demand for Childcare Services

As evidenced in Section 7 of this Submission to NSW Planning, ACA NSW has concluded that the existing regulatory environment that facilitates approval of childcare services has

inadvertently created childcare oversupply primarily because of the absence of demonstrated need or demand for child care services relative to the proposed location.

In high demand areas, ACA NSW has also observed that there are far too many childcare service provider applicants and developers who tend to rely on at best speculative information, for example waiting lists of various existing childcare services, without appreciating that parents often put their children on multiple waiting lists, thereby giving rise to significant overlap across waiting lists.

Also, banks and financial lending institutions appear to assess childcare demand based on the ratio of existing childcare places to the number of children aged 0 to 6 years old in any given area. While this may be fairly accurate for up to 6 years, new childcare services approved are expected to be financially sustainable for the duration of business loans that far exceed 6 years. And since human communities cannot be relied upon to produce consistent birth rates across multiple years, let alone beyond 6 years, this can put significant uncertainty and risk to childcare demand projections.

RECOMMENDATION 2:

That the NSW Minister for Planning, through the Draft SEPP (Educational Establishments and Childcare Facilities), be requested to require appropriate demonstrated need or demand for childcare services, as well as existing occupancy levels (and therefore vacancy rates) as part of the assessment for all development applications for new/additional childcare services.

It is worth noting that the aged care sector, pharmacies, public/private schools and even lottery agents are all subjected to either a government or government-supported planning regime before they can be approved to operate in their proposed areas. And during 1998-2000, the then Federal Government had imposed a successful planning framework that regulated the siting of childcare services based on need.

5.3 Request Inclusion of Constraints on the Excessive Sizes of the Proposed Childcare Services

After consulting childcare service providers, ACA NSW has learned of unique proposals including 5 storey childcare services and childcare centres with in excess of 200 places.

As outlined in Section 8, there exists research showing that the excessive size of childcare services can have a negative effect on children between the ages of 0 to 6 years old.

RECOMMENDATION 3:

That the NSW Minister for Planning and the NSW Minister for Education be requested to commission research into the impact of the size of childcare services, their consequential impact on the quality of early childhood educational and care standards and outcomes for children aged 0 to 6 years old before allowing such development applications to be approved.

One of the more common planning problems occur when low and/or medium residential zoned sites are amalgamated in order to achieve much higher childcare capacity yields than would normally be allowed. This would typically attract opposition from local residents because of its intrinsic conflict with the original intentions of the legislated land use.

RECOMMENDATION 4:

That the NSW Minister for Planning, through its proposed SEPP, be requested to disallow site amalgamations in low-medium density residential zones (eg R2 and R3) for the purposes of creating childcare services with much higher capacity yields than would normally be allowed without amalgamation of such parcels of land.

5.4 Handling of Complying Development

The intent of allowing complying development is to facilitate faster processing of development applications when they are in compliance with all requirements of the planning framework.

The proposed SEPP however reduces the overall level of requirements, making compliance much easier to achieve, thereby arguably enabling more development applications to be approved in a much faster timeframe.

The concern of ACA NSW is of development applications for large childcare services that technically comply with all planning and regulatory requirements as well as being approved by private certifiers, thereby potentially bypassing appropriate public scrutiny.

RECOMMENDATION 5:

That the NSW Minister for Planning, through its proposed SEPP, be requested to disallow all complying development applications of large childcare services (for example those proposing over 100 childcare places) from using private certifiers, and oblige such applications to be subject to normal public scrutiny.

5.5 Reducing the Review of the SEPP to less than 5-years

Given the existing phenomena of childcare oversupply as well as the concerns of the SEPP to be able to create even more childcare oversupply, ACA NSW does not believe the normal 5-year periodic review of the SEPP is appropriate. Instead, a shorter time frame is sought in order to ensure the planning framework is more reflective of the dynamic needs of the childcare sector.

RECOMMENDATION 6:

That the NSW Minister for Planning be requested to bring forward the periodic review of the proposed SEPP to 3 years instead of 5 years after commencement of the SEPP, or in coordination with the National Quality Framework's periodic mandated review.

5.6 Request Geographic-based Incentives for the SEPP

Like any community infrastructure, childcare services should be ideally located in anticipation of rising demand and be flexible enough to provide the capacity levels commensurate with community needs.

Unfortunately, neither the existing planning nor regulatory framework can fulfil this objective. In reality, childcare services are placed either speculatively or in reaction to prevailing demand where existing supply is insufficient.

RECOMMENDATION 7:

That the NSW Minister for Planning and the NSW Minister for Early Childhood Education be requested to consider planning and regulatory incentives for development applications as well as service applications for childcare whereby such services can be located in projected population growth areas where demand is moderate-low, be financially sustainable in the interim, and have pre-approvals to increase their capacities up to a pre-agreed maximum level as demand increases.

5.7 Request Removal of Family Day Care Services from the SEPP

Feedback from ACA NSW's childcare service members have questioned why family day care services are to be considered equally as centre-based childcare services within the proposed framework of this SEPP and the proposed *Standard Instrument (Local Environmental Plans) Amendment Order (No 2) 2016*.

Given the overarching aim to align the planning model for childcare services to the National Quality Framework (NQF), NSW Planning should be aware that the NQF distinguishes centre-based childcare services differently from family daycare services.

And in planning terms, NSW Planning should be considering the significant physical differences between family daycare services to their centre-based childcare services. For example, family daycare services by their very nature:

- (a) need to seek a change of use from fundamentally a residential amenity to a home-based business;
- (b) are not usually required to overcome noise issues or address customer ingress and egress limits in deference to their neighbours, especially in multi-unit dwellings in R3 and R4 residential zones;
- (c) tend not to be able to make any changes to their existing windows in order to provide sufficient natural sunlight for the children under their care.

Moreover, in light of prevailing childcare rorts emanating from family day care services, NSW Planning would be wise to remove family day care services from the SEPP and associated LEP.

RECOMMENDATION 8:

That the NSW Minister for Planning:

- (i) remove “a family day care service (within the meaning of the Children (Education and Care Services) National Law (NSW))” from definitional inclusion with the term “centre-based child care” in the proposed *Standard Instrument (Local Environmental Plans) Amendment Order (No 2) 2016*;
- (ii) consult the Federal Minister for Education, the NSW Minister for Education and the NSW Department of Education about an effective planning model to regulate where approved family daycare services can be located, especially within multi-unit residential development zones like R3 and R4; and
- (iii) implement the minimum amounts of floor space to be associated with the maximum numbers of children proposed in development applications for concurrent approvals by the NSW Department of Education.

5.8 Other Considerations for the SEPP

With children’s wellbeing and safety at our foremost of mind, ACA NSW members are also concerned that the SEPP may leave traffic and pedestrian safety issues exposed particularly for childcare services development applications that are to be sited on busy main roads.

RECOMMENDATION 9:

That NSW Planning be requested to assure that childcare service related development applications are required to provide traffic and pedestrian safety measures to protect children and their parents/guardians from motor-vehicle accidents.

6.0 The Myth of Increasing Childcare Affordability by Purely Increasing Supply

Generally, prices of goods and services respond to the levels of demand and supply. Therefore, under normal circumstances, prices would expect to decrease when supply increases relative to demand.

However, in the Australian childcare sector, due to:

- particularly in NSW where it leads with the earliest implementation of the highest ratios of staff:children and bearing the highest living and operational costs in the nation; and
- the Federal Parliament having just passed the Jobs for Families package, which represents the first substantive increases in childcare subsidies in 9 years, and will not materialise until 1 July 2018;

childcare prices in NSW are relatively inelastic, and usually do not follow any downward direction.

Consequently, whenever local competition in childcare supply increases, it usually does not translate to improvements in childcare affordability for reasons given above.

With the predominance of staff costs estimated at over 70%-80% of turnover and being the bulk of fixed costs, childcare services are unable to reduce fixed costs due to obligations to regulatory compliance, including maintaining high staff:children ratios.

Hence, government policy to increase childcare supply on the presumption that it will have a downward impact on childcare fees almost always tend not to eventuate.

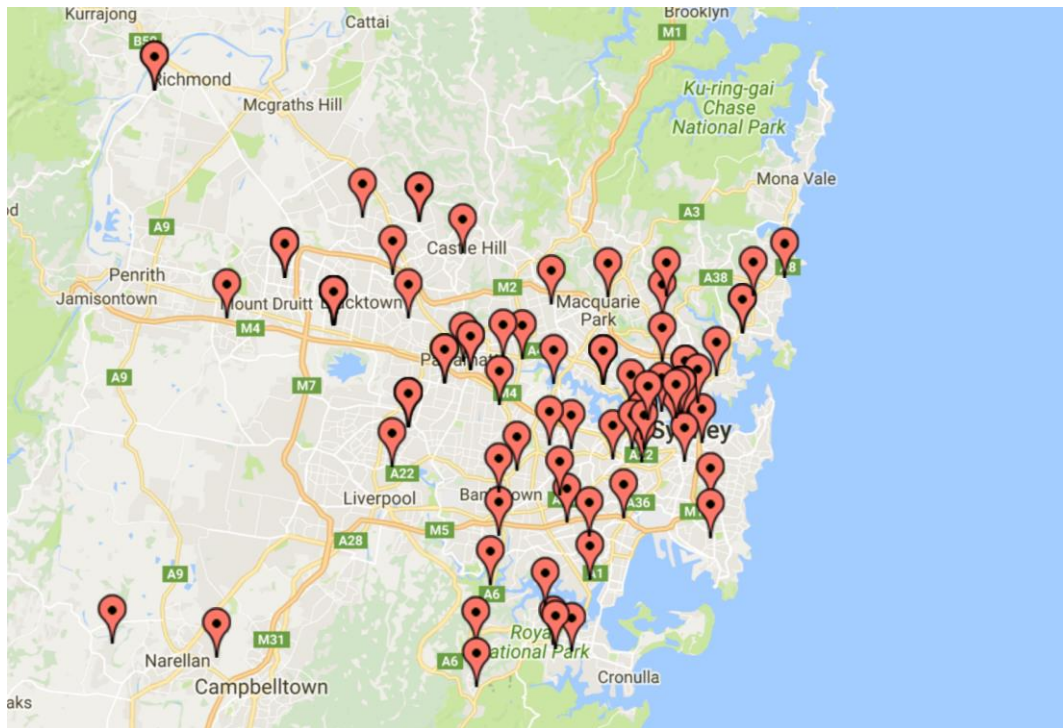
And mindful of the significant amount of upfront costs needed to be invested before operating a centre-based childcare service, because of the high cost of regulatory compliance, expertise, childcare-specific infrastructure, it is therefore in the owners' self-interest to ensure long-term financial viability in order to recoup such initial investments. Those are yet more reasons why childcare fees tend to behave inversely to competition.

7.0 Analysis of Existing Childcare Oversupply

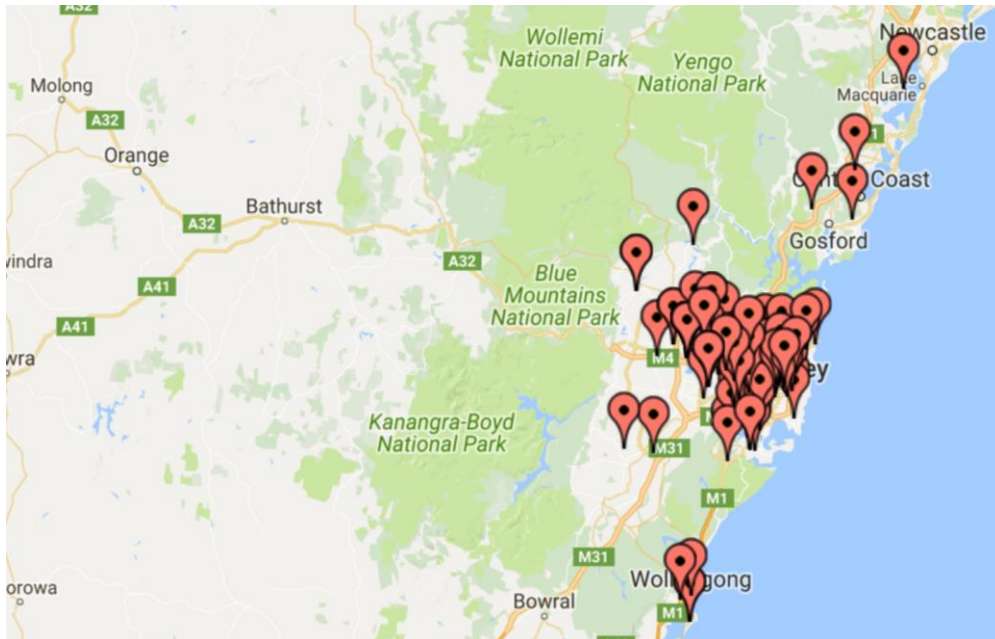
This Submission to NSW Planning seeks to provide data collected from suburbs and local government areas to prove childcare oversupply in terms of:

- the quantum and percentage increase of new versus existing childcare places;
- the occupancy levels of existing childcare services and therefore the amount of available childcare places; and
- the current population levels and therefore the projected number of childcare places needed by 2031 based on the respective local governments' Residential Development Strategies.

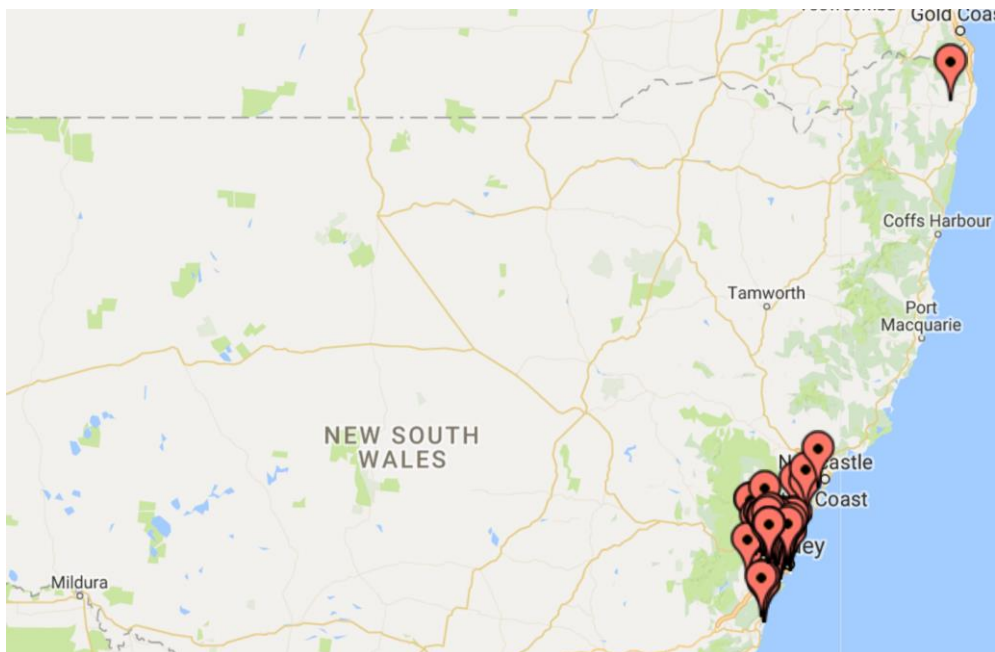
When consulting all centre-based childcare services across New South Wales in March 2017, the initial responses of where childcare oversupply were experienced are shown in Maps A, B and C.



Map A – Initial responses of where childcare oversupply exist across Greater Metropolitan Sydney (March 2017)



Map B – Initial responses of where childcare oversupply exist across Sydney, Newcastle and Wollongong (March 2017)



Map C – Initial responses of where childcare oversupply exist across New South Wales (March 2017)

The following table seeks to identify where oversupply is already occurring primarily based on new development applications under consideration or already approved by yet to be constructed to 2020. It therefore demonstrates that childcare oversupply can only be accelerated with the introduction of the Draft SEPP. Consequently, ACA NSW believes appropriate solutions are required to address existing and future childcare oversupply before the SEPP can be implemented.

Local Government Areas	Current Population	Existing Childcare Places	Projected Population by 2031	Projected Childcare Places needed by 2031 ¹¹	Nett Increase in Childcare Places required over next 14 years	Anticipated/ Approved New Childcare Places to 2020 ¹²	Current Average Occupancy Level ¹³	Overall Oversupply ¹⁴ , Potential Oversupply ¹⁵ or Undersupply ¹⁶
Ashfield	45,550	1,848	53,400	2,166	318	306	TBA	OVERSUPPLY
Auburn	91,700	1,765	130,600	2,514	749	1,124	81%	OVERSUPPLY
Bankstown	201,850	7,803	240,800	9,309	1,506	741	78%	POTENTIAL
Blacktown	348,850	13,122	473,500	17,811	4,689	1,176	83%	UNDERSUPPLY
Botany Bay	45,300	4,654	56,050	5,758	1,104	672	TBA	POTENTIAL
Burwood	34,200	3,031	47,500	4,210	1,179	351	TBA	UNDERSUPPLY
Camden	84,400	3,404	162,350	6,548	3,144	1,557	TBA	POTENTIAL
Campbelltown	151,150	7,162	215,750	10,223	3,061	225	TBA	UNDERSUPPLY
Canada Bay	90,250	4,087	111,350	5,043	956	568	TBA	POTENTIAL
Fairfield	205,950	3,835	239,900	4,467	632	378	TBA	POTENTIAL
Gosford	173,650	5,903	189,950	6,427	524	799	TBA	OVERSUPPLY
Hawkesbury	67,650	2,290	80,650	2,730	440	573	TBA	OVERSUPPLY
Holroyd	112,600	8,514	136,000	10,283	1,769	398	TBA	POTENTIAL
Hornsby	171,400	6,598	201,750	7,766	1,168	848	TBA	OVERSUPPLY
Lake Macquarie	201,500	5,637	217,850	6,094	457	1,186	TBA	OVERSUPPLY

¹¹ Based on a linear projection on current versus projection population growth by 2031 according to the corresponding local government's Residential Development Strategies

¹² Based on privately commissioned data provided by Cordell Information – www.cordell.com.au

¹³ Based on telephone survey conducted by the Australian Childcare Alliance NSW during March and April 2017. This survey will continue past April 2017 with an updated report to follow.

¹⁴ Oversupply is estimated on the basis of anticipated/approved new childcare places to 2020 relative to nett increase in childcare places required over the next 14 years to 2031, or by known oversupply due to current occupancy level, or a combination of both.

¹⁵ Potential oversupply bears similar characteristics to oversupply but may require further analysis

¹⁶ Undersupply is estimated on the basis of anticipated/approved new childcare places to 2020 being lower than the pro-rata amounts required over the next 14 years

Local Government Areas	Current Population	Existing Childcare Places	Projected Population by 2031	Projected Childcare Places needed by 2031 ¹¹	Nett Increase in Childcare Places required over next 14 years	Anticipated/ Approved New Childcare Places to 2020 ¹²	Current Average Occupancy Level ¹³	Overall Oversupply ¹⁴ , Potential Oversupply ¹⁵ or Undersupply ¹⁶
Lane Cove	35,150	2,951	42,250	3,547	596	804	TBA	OVERSUPPLY
Leichhardt	58,150	3,091	67,550	3,591	500	240	TBA	POTENTIAL
Liverpool	211,200	7,268	288,950	9,944	2,676	395	75%	UNDERSUPPLY
Maitland	77,900	3,642	100,500	4,699	1,057	760	TBA	POTENTIAL
Manly	44,950	2,191	53,600	2,613	422	360	TBA	POTENTIAL
Mosman	30,500	1,163	35,350	1,348	185	None	TBA	UNDERSUPPLY
Newcastle	164,400	6,428	190,050	7,431	1,003	1,852	TBA	OVERSUPPLY
North Sydney	71,550	7,283	85,750	8,728	1,445	145	TBA	UNDERSUPPLY
Parramatta	174,800	20,721	253,900	30,098	9,377	437	TBA	UNDERSUPPLY
Penrith	184,600	9,328	261,450	13,211	3,883	1,332	TBA	UNDERSUPPLY
Pittwater	63,900	2,677	77,600	3,251	574	244	TBA	POTENTIAL
Randwick	147,100	6,059	174,300	7,176	1,120	869	91%	OVERSUPPLY
Ryde	128,650	5,488	153,000	6,527	1,039	1,180	82%	OVERSUPPLY
Sutherland	220,250	9,640	267,750	11,719	2,079	879	86%	OVERSUPPLY
Strathfield	37,250	1,944	50,900	2,656	712	72	77%	POTENTIAL
Sydney	207,250	11,695	273,500	15,433	3,738	1,567	TBA	OVERSUPPLY
Warringah	148,400	8,193	179,600	9,916	1,723	812	TBA	OVERSUPPLY
Waverley	68,700	7,594	82,150	9,081	1,487	115	94%	POTENTIAL
Willoughby	71,150	6,625	90,300	8,408	1,783	876	65%	OVERSUPPLY
Woollahra	56,300	3,369	67,250	4,024	655	114	TBA	OVERSUPPLY
Wollongong	210,350	3,284	232,450	3,629	345	409	TBA	OVERSUPPLY

8.0 Favours High Quality Small Private Childcare Centres

Due to the funding mechanism of childcare, “parents can be fooled into buying low quality care, (and) low-quality providers will be able to under-price higher-quality producers and drive them out of business”¹⁷.

Australia’s National Competition Policy (NCP) assumes that competitive markets deliver “the best outcomes”, hence reforms should pursue market arrangements¹⁸. However, Quiggin¹⁹ argues that if competitive market conditions existed NCP would be unnecessary, and when monopoly conditions emerge NCP ‘mechanisms’ are ineffective. He dismisses NCP as ‘wishful thinking’, warning governments to ‘be more cautious’ when proceeding with reforms that rely on market solutions unless they are ‘willing to accept the likelihood of an enduring private monopoly, usually foreign-owned’. The marketisation of ECEC is one such reform²⁰.

Larger corporate child care operators emerged, child care prices increased rapidly, and the cost of child care became a general election issue. while a recent tax review²¹ acknowledged the Government’s funding system may ‘put pressure on child care fees’. This paper identifies another contributing factor: a structured business model, such as ABC’s opco-propco model may contribute to rising prices by exploiting the government funding stream²².

ABC Child Care believed the new government support for child care signalled a growth in demand that would not be met by community-based services and individual owner-operators and that ‘increasingly stringent’ regulations would drive out smaller operators²³.

The NCP existed throughout ABC’s existence as a listed company. There were no signs on the competition regulator’s (ACCC) website that ABC came to its attention. The ACCC’s competition policy criterion for mergers and acquisitions required ACCC to respond if an acquisition would ‘substantially’ reduce competition. But there was nothing to prevent ABC’s expansion by acquiring many small operators because no single acquisition would substantially reduce competition.

The Senate report acknowledged a ‘high level of scepticism’ about the quality of corporate-provided childcare. It recommended economic modelling to determine the most efficient government funding system, and possible changes to the funding system (pp. 1–2). However, a subsequent tax system review recommended retaining the existing price subsidy system of government funding while acknowledging its potential to ‘put higher

¹⁷ Cleveland and Krashinsky, 2002, p. 40

¹⁸ Hollander, 2006, p. 36

¹⁹ 2009, pp. 287–89

²⁰ Brennan 2013 p. 6

²¹ Henry, 2010, p. 591

²² Newberry and Brennan 2013 p. 8

²³ ABC, 2000, 3.2

pressure on child care fees and government expenditure'²⁴. The market-oriented funding system is still preferred, even though the anticipated choice and cost effectiveness benefits of marketisation are elusive.

Australia's NCP provides the legislative and institutional framework to marketise all services but the framework does not lead automatically to a competitive market. Marketisation undoubtedly helped ECEC to expand rapidly but, in contrast to expectations of cost efficiencies and increased choice from marketisation, the arrangements that emerged worked in the opposite direction. Australia's marketised framework for ECEC remains in place, even though the idea of a competitive market is not well accepted by the wider public and competitive market conditions are unlikely.

²⁴ Henry, 2010, p. 591

9.0 Conclusion

The Draft SEPP does provide improvements that will significantly improve development application processing times. However, ACA NSW cannot ignore the fact that the same Draft SEPP can also have detrimental effect on accelerating childcare oversupply.

ACA NSW respectfully asks NSW Planning to revise the Draft SEPP and implement the 9 recommendations.

10.0 Contact the Australian Childcare Alliance NSW

ACA NSW welcomes the opportunity to further participate in discussion with the NSW Government in relation to the Draft SEPP and the issue of childcare oversupply.

Please feel free to contact:

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Thank you for your kind consideration.