

# Greater alignment of the provision of early learning services to support demonstrable need

## RATIONALE

- ACA believes that in the early learning sector there is a **direct correlation** between an oversupply of services and an **increase in costs to families, taxpayers and to government** along with a **decrease in the quality of education and care**.
- Early learning services should be made available **where needed**, as part of good, local community planning to allow for better access at a price that facilitates participation by all families, strengthens the local community and allows for sustainable, high quality services.

## CURRENT SITUATION

- Oversupply is a growing issue in Australia's early learning sector. With few barriers to entry for new or existing providers to set up new centres, the saturation of childcare centres in certain geographic areas has led to many services experiencing lower utilisation or being squeezed out of business.
- Planning data<sup>13</sup> predicts that there are currently over 1,000 new centres in the pipeline around the nation, which if completed could deliver another 90,000 childcare places in an already flooded market.
- A recent report from Urban Economics<sup>14</sup> reveals that the net increase in long day care centres in 2017 was roughly 2–3 times the estimated number of new centres needed per annum to meet future demand.
- If not addressed, oversupply will lead to **increased costs for families and an increase in government spending** and may have a negative impact on the **quality of services** in local communities.

- The early learning sector operates under a unique set of circumstances – it is subsidised by the Federal Government and includes a high level of fixed costs (wages, rent and mortgages). As a result, **prices are relatively inelastic**, and typically **do not decrease with increased supply and competition**.

## RECOMMENDATIONS

We call on all parties to support:

- The development of policy and frameworks that ensure greater intervention from the appropriate regulatory authorities at the local, state and federal levels to:
  - Foster more effective communication and information provision between relevant government agencies and individual/corporate developers looking to set up new centres.
  - Ensure that due diligence and planning considerations take place (taking into account the existing services in the local area, the projected population statistics, the elasticity of demand and the business model) prior to the development/construction of new early learning services.
- The consideration of the Pharmacy Location Rules in the context of ensuring the provision of ongoing affordable, high quality early learning services to **all Australian children** by better aligning service provision to demonstrable need. Benefits would include a viable sector, reliable, consistent services for families and a more effective, impactful delivery of government funding to the early learning sector.

<sup>13</sup> According to data sourced from [Cordell Connect](#)

<sup>14</sup> Occupancy and Performance Appraisal: Early Childhood Education and Care Sector – December 2018, <https://childcarealliance.org.au/news/192-new-report-explores-the-factors-influencing-the-supply-and-demand-of-early-learning-services-across-australia>