

Balancing supply with demand: Stabilising the sector & preventing ballooning of costs

OVERSUPPLY OF SERVICES INCREASES COSTS FOR FAMILIES

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**.

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**.



NO DUE DILIGENCE FROM SITE DEVELOPERS

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 data¹ 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 Economics² 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.

¹ According to data sourced from Cordell Connect

² Occupancy and Performance Appraisal: Early Childhood Education and Care Sector - December 2018, <https://childcarealliance.org.au/news/192-new-reportexplores-the-factors-influencing-the-supply-and-demand-of-early-learning-services-across-australia>

PLANNING IS THE KEY

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.

THE SOLUTION

We call on the Australian Government to:

- Allocate funding to allow for the development of aggregated occupancy reports published quarterly via clusters of postcodes or state electorates across Australia. Such reports would be invaluable to advise the market as to where oversupply and undersupply exist and therefore allow for careful town planning; and
- Consider the application of legislation similar in concept to the Aged Care Act 1997 which allows for an annual allocation of subsidised places, 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, localised need.

