

MEDIA RELEASE – 11 DECEMBER 2018

IS OVERSUPPLY A REAL ISSUE IN THE EARLY LEARNING SECTOR?

A recent report commissioned by the [Australian Childcare Alliance](#) (ACA), the [Early Learning and Care Council of Australia](#) (ELACCA) and [Australian Community Children's Services](#) (ACCS) explores the factors that influence the demand for, and supply of, child care services across Australia.

This independent analysis, prepared by Urban Economics, examines the results of a recent national survey of child care operators, looking at available places, enrolment, performance and key issues influencing individual centres and the sector more broadly.

The report 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 the same growth is to be continued in the coming years, there is likely to be an enormous impact on the viability of all services.” ACA President Paul Mondo said.

“Whilst we know that oversupply is a growing issue in some areas, there are still some locations where demand outstrips supply. It is important for decision makers to understand how these few communities can be better supported to supply access in that space, be it metropolitan or rural.”

In terms of occupancy rates, the report indicates that while these are diverse across regions, significantly, around **20% of regional and remote centres across all states**, and almost **50% of regional and remote centres in NSW** demonstrated occupancy rates **less than 60%**.

The report calls attention to that fact that the early learning sector operates under a unique set of circumstances, the result being that **increased supply in this sector simply will not bring prices down** to increase affordability for families.

In a typical market scenario, the price of a service would be influenced by both the level of demand and supply and specifically, would be expected to decrease with additional supply.

However as childcare in Australia is subsidised by the Federal Government and includes a high level of fixed costs (wages, rent and mortgages), prices are relatively inelastic, and typically **do not decrease** with increased supply and competition.

In fact, a centre which is substantially underperforming due to a local oversupply situation may increase fees to offset costs, close rooms or in a worst-case scenario may cease operation; removing choice and accessibility for the communities in which they locate.

“ACA has been closely monitoring the relationship between low occupancy levels and the oversupply of early learning services in certain geographic areas over the last couple of years.” Mr Mondo said. “This report effectively illustrates that increased supply does not bring costs down for families. This is an important issue affecting the affordability of early learning for Australian families, which government intervention could influence.”

“Australia’s Pharmacy Location Rules have proven that government regulation can indeed deliver greater access to services for more Australians. ACA believes that the government also has a role to ensure responsible investment in the early learning sector.”

The complete report is available from the ACA’s website at www.childcarealliance.org.au or <https://nsw.childcarealliance.org.au/services/submissions>.

“ACA will continue to engage with the Federal Government and State Governments on this important issue, with a view to ensuring a sustainable early learning sector that continues to provide families with affordable high quality early learning services, thus giving Australia’s youngest generation the best start in life.” Mr Mondo concluded.

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As the national peak body in the Australian Early Childhood Education and Care (ECEC) sector, the Australian Childcare Alliance (ACA) represents more than 2,500 members and approximately 360,000 families throughout Australia.

We work on behalf of long day care service owners and operators, predominantly private, to ensure families have an opportunity to access affordable, quality ECEC throughout Australia.

The ACA has existed in various forms for more than 30 years and has extensive experience in the fields of early childhood, education, training and management. Our experience means that we understand the critical role a quality ECEC program plays in the life of families and the importance of a viable long day care sector in preparing children for the best start in life and learning.

The ACA’s national and state bodies work collaboratively with all levels of government, regulatory bodies and other stakeholders to ensure that families are supported into the future with a sustainable, affordable and viable sector, with a focus on the best interests of Australia’s young children.

Australian Childcare Alliance (ACA) NSW ([www.nsw.childcarealliance.org.au](https://nsw.childcarealliance.org.au)) is the peak body for privately owned early childhood education and care services in NSW, numbering approximately 1,600 childcare services, over 25,000 employees and supporting over 125,000 families. ACA NSW provides advocacy, policy and regulatory and business support and advice, member services and professional development for members and their staff across the state.