



Occupancy and Performance Appraisal: Early Childhood Education and Care Sector



Prepared on behalf of:

Australian Childcare Alliance, Australian
Community Children's Services, ELACCA

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Warranty

This report has been based upon the most up to date readily available information at this point in time, as documented in this report. Urban Economics has applied due professional care and diligence in accordance with generally accepted standards of professional practice in undertaking the analysis contained in this report from these information sources. Urban Economics shall not be liable for damages arising from any errors or omissions which may be contained within these information sources.

As this report involves future market projections which can be affected by a number of unforeseen variables, they represent our best possible estimates at this point in time and no warranty is given that this particular set of projections will in fact eventuate.

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EXECUTIVE SUMMARY

- This Report has been prepared by Urban Economics providing an independent analysis of the factors influencing demand for, and supply of, Early Childhood Education and Care (ECEC) across Australia.
- This independent analysis examines the results of a national survey of ECEC operators, centres and managers exploring available places, enrolment, performance and key issues influencing the sector and individual centres.
- A survey of centre operators was undertaken between August and October 2018 as input to this analysis, with operators asked to report their enrolment numbers and occupancy rates for the week ending May 25th 2018, enabling comparisons of the results with a survey undertaken in Queensland in May 2017.
- Occupancy rates were diverse across regions, even reflecting different occupancy rates within the same regions, indicative that there were a range of factors at play in influencing centre performance including catchment size, age of facilities, location, accessibility, operator, quality etc. There has generally been a decrease in occupancy rates, particularly in South Australia and Queensland, which is coincident with an increase in the opening of new centres.
- By their very nature, supply additions are “lumpy” rather than incremental like population growth or demand for ECEC places, therefore the addition of a new centre is likely to have implications for some existing facilities and centres, at least for the short to medium term as population growth and demand for additional ECEC places or utilisation of ECEC places absorbs additional supply.
- As highlighted in the following TABLE, Metropolitan areas typically demonstrated a higher incidence of centres with occupancy rates in excess of 90%, whilst regional and remote centres demonstrated a relatively even distribution of occupancy rate performances across peak high and low brackets.

TABLE A: Occupancy Ranges by Location

State Occupancy Rates	Inner Metropolitan %	Outer Metropolitan %	Region/Remote %
Qld <60%	9	22	22
Qld >90%	51	14	24
NSW <60%	23	12	16
NSW >90%	39	32	38
VIC <60%	10	17	19
VIC >90%	36	29	21

- Significantly, some 20% of regional and remote centres and 20% of outer metropolitan/suburban centres in Queensland demonstrated occupancy rates less than 20%.
- Occupancy rates also vary by local geography and with regard to the availability of employment opportunities, with inner CBD areas and other major employment nodes such as North Ryde typically demonstrating a higher number of places relative to the children living within these areas.
- From the supply perspective, an appetite for ECEC centre investment has emerged with the advent of national and international operators taking control of independent operators.
- Political and legislative changes to ECEC are also influencing the supply of, and demand for, ECEC services in Australia. The Federal Government's 'Child Care Package' is the most significant policy change to the ECEC system in recent times, seeking to "*make child care more affordable, accessible and flexible for working families.*"
- In a typical market scenario, the price of a service such as ECEC would respond to both the level of demand and supply and specifically, price would be expected to decrease with additional supply. ECEC in Australia however, is subsidised and includes a high level of fixed costs (wages, rent and mortgages). As such, prices are relatively inelastic, and typically do not decrease with increased supply and competition; dispelling the theory that increased supply will simply increase affordability for families. In fact, it is a more tenable proposition that a centre which is substantially underperforming due to an oversupply situation may increase fees to offset fixed costs, close rooms or in a worst case scenario may cease operation; removing choice and accessibility for the communities in which they locate.
- For instance, higher breakeven rates are evident in South Australia, with more than 60% of centres indicating that their breakeven rates are in excess of 70%, suggesting some higher cost rates associated with long day care operations.
- However, breakeven rates of between 60-70% continue to be identified as the modal rate for centres in other states. Higher breakeven ranges were typically associated with centres located in Metropolitan areas, indicative of higher occupancy and fixed costs.

1.0 INTRODUCTION

Urban Economics has been commissioned by a consortium of Early Childhood Education and Care (ECEC) organisations and operators to examine and profile the performance of the ECEC sector within Australia. This independent analysis explores the performance of the sector through a survey of member centres and a critique of demand and supply drivers.

A survey of members nationally was undertaken during August to October 2018, and member organisations also provided summary data sets of centre occupancy and performance data to supplement the quantitative and qualitative results collated through the survey. The results of the survey have been compared with a comparable survey conducted on behalf of Australian Childcare Alliance (Qld) in 2017, noting changes over time.

The results of this comprehensive analysis will be utilised by the sector to advocate on behalf of the sector and their members as to the key issues influencing their sector including but not limited to the supply of places, staffing, regulations and perceptions of the sector.

Urban Economics is a specialist economic and market research consultancy teamed by professionals with a passion for understanding how we live, work, play and learn within our urban environments. We enjoy exploring vertical and horizontal integration and linkage opportunities and critiquing the commercial realities underpinning these opportunities. Our consulting experience has spanned the breadth of urban developments from child care to aged care, and we are experienced in investigating economic development strategies and opportunities across a broad spectrum of development scales.

2.0 STUDY METHODOLOGY

The overall objective of this analysis is to explore the performance of the ECEC sector and to examine the demand and supply factors influencing the performance of the sector. This analysis has applied a range of primary and secondary research tools in assessing the performance of the ECEC sector Australia-wide and on a state by state basis. The study process has adopted the following approach:

- '*Discover what is*' through a comprehensive survey of ECEC centres and member organisations nationally;
- Assessed the performance of ECEC centres based on enrolment and occupancy rates;
- Examined the relative provision of ECEC services and places across Australia relative to the number of children 0-4 years,
- Examined the demand supply balance of long day care centres;
- Critiqued trends in ECEC supply and demand;
- Critiqued implications of performance for the ECEC sector.

A total of 889 responses to the on-line survey were collected, together with data sets from Goodstart, YMCA, Foundational Early Learning, Guardian and SDN which have been collated to present a quantitative analysis of occupancy and attendance performance. A total sample of 1,342 centres has therefore been collected, with the following TABLE summarising the number of responding centres by State/Territory:

TABLE 2.1: Responding Centres by Location

State/Territory	No. Centres	%
NSW	537	32%
VIC	352	21%
QLD	412	31%
WA	180	11%
SA	128	8%
TAS, ACT & NT	49	3%
TOTAL	1,658	100%

With a total of 1,658 responding centres, this represents a statistically significant sample from which inferences as to the performance and occupancy rate of the total population of long day care centres can be derived. In optimising the statistical significance of the centre data, we have combined the results for Tasmania, the Australian Capital Territory and the Northern Territory, however, this remains less than 50 centres and whilst an overview of results has been provided in this Report, inferences for the total number of centres are cautioned.

On a state by state basis, the following maximum margins of error are attached to the results based on sample sizes:

TABLE 2.2: Sampling Tolerances – 95% Confidence

State/Territory	Sample Size	Maximum Error Margin
NSW	537	4.5%
VIC	352	5.8%
QLD	412	5%
WA	180	8.2%
SA	128	10%
TAS, ACT & NT	49	14.1%
TOTAL	1,658	2.6%

Source: Urban Economics, McNair

Respondents to the survey were asked to provide information regarding enrolment at their centre by age group and by day of the week for the week ending May 25th 2018 and for the week ending May 26th 2017 in order to compare results with the 2017 Survey conducted by Urban Economics on behalf of ACA Qld, and to provide a timeline of data from which results can be compared and contrasted.

According to the Department of Education and Training's Early Childhood and Child Care December Quarter 2017, there were some 7,349 long day care centres nationally. The 1,658 centres therefore represent a sample of 23% of all long day care centres, which is statistically significant.

3.0 EARLY CHILDHOOD EDUCATION & CARE NETWORK

This Chapter sets the scene for the analysis, summarising key trends in the ECEC sector influencing and influenced by the supply of centres and supply of places, and identifying the network of centres across Australia. This Chapter also summarises the key performance of centres that responded to the survey at a national and state by state level.

3.1 TRENDS AFFECTING THE ECEC SECTOR

Commercial Property Investment Trends

- The Australian ECEC investment market has grown exponentially over the last five years with strong transaction volumes.
- An appetite for ECEC centre investment has emerged with the advent of national and international operators taking control of independent operators. The larger operators can provide better certainty for investment yields and leasing terms which can make ECEC centres attractive for property investors and developers.
- Major international private equity firms and investment banks are signalling confidence in the sector by acquiring large portfolios or taking equity positions.
- Self-managed super funds (SMSF) and ‘mum and dad’ investors/owner operators are attracted to the sub-\$5million price point of many centres coupled with the long leases to operators and are therefore competing with institutional and corporate real estate; driving record yields for centres (particularly in metropolitan areas) across Australia.
- ECEC centres are also increasingly integrated within mixed use developments. Whilst once the focus of education precincts, integration of ECEC facilities into mixed use precincts is becoming more common, with movements to also integrate with other forms of development; commercial office buildings, not only in CBDs but also in business parks; and as early education “hubs” with other facilities such as swim schools, challenging the planning and approvals processes.
- “End-of-trip” facilities such as showers and bike storage which were once not common within CBD offices are now considered a standard inclusion by building owners to attract and retain tenants. It is also now considered that ‘lifestyle’ facilities such as ECEC and co-working spaces are being demanded by workers and businesses in CBDs or near their place of work.

- Following the collapse of ABC Learning Centres in 2008/09, ECEC facilities were predominantly operated by not-for-profit groups and smaller ‘mum and dad’ operators. In more recent times, corporate, and for-profit operators have emerged, consolidating numerous ECEC brands and facilities within their operations. The long-term leases and security provided by ECEC centres as real estate investment products have similarly attracted sophistication in the development of the sector and specialisation from property funds and real estate investment trusts.
- Political and legislative changes to ECEC continue to influence the supply of, and demand for, ECEC services in Australia. The Federal Government’s ‘Child Care Package’ (CCP) is the most significant change to the ECEC system in recent times. Initiated by the Productivity Commission’s Inquiry into Child care in 2015, the Package seeks to “*make child care more affordable, accessible and flexible for working families.*” Impacts on takeup and availability of places have yet to be quantified.

ECEC Utilisation

- The Australian Bureau of Statistics (ABS) estimated that the number of children who use long day care services increased by some 106,000 between 2011 to 2017, representing 15% of all children aged 0-12 years (Cat. 4402 2017 Child Care Survey). It is noted that the ABS survey was conducted before the implementation of the new Child Care Package. It is interesting to note that while the total number of children using long day care has increased, the proportion of children has remained fairly stable.

TABLE 3.1 Number of Children Who Used Long Day Care

Year	Number of Children (0-12years)	Proportion
Jun-11	496,000	13.6%
Jun-14	520,000	13.5%
Jun-17	602,000	15.0%

Source: ABS

- Significantly, 36.7% of children aged 0-4 years nationally, usually attended a long day care centre in 2017. In comparison, at the time of the 2014 ABS Survey, 32.5% of children aged 0-4 years usually attended long day care, indicative of growing demand and participation in long day care by young children. The following TABLE summarises the utilisation of long day care by children 0-4:

TABLE 3.2 0-4 Children Who Used Long Day Care

Year	Children 0-4 years	Proportion
Jun-11	468,600	32.3%
Jun-14	496,400	32.5%
Jun-17	574,700	36.7%

Source: ABS

- Whilst the number of children aged 0-4 years increased by 39,100 between 2014 and 2017, the number attending long day care increased by 78,300, indicating increasing utilisation of long day care by young children.
- The following table shows the proportion of children attending long day care by age. More than 50% of 3-year-old children in 2017 usually attend long day care centres (50.9%), as summarised in the following TABLE:

TABLE 3.3: Participation in Long Day Care by Age 2017

Age	Participation in Long Day Care	
	%	
0	9.7%	
1	35.5%	
2	48.3%	
3	50.9%	
4	37.8%	

Source: ABS

- The following TABLE summarises the share of children 0 to 5 years by State and Territory that usually attend long day care, based on the 2014 and 2017 ABS Child Care and Education survey results. There has been a general increase in the relative share of children 0 to 5 years attending long day care, particularly in Queensland and Victoria.

TABLE 3.4: % 0-5 Children Attend Long Day Care

	2014	2017
NSW	32.4%	33.7%
VIC	25.6%	31.1%
QLD	28.2%	37.5%
WA	22.1%	26.0%
SA	25.4%	27.9%
TAS	8.5%	12.2%
NT	11.8%	8.6%
ACT	15.9%	16.4%

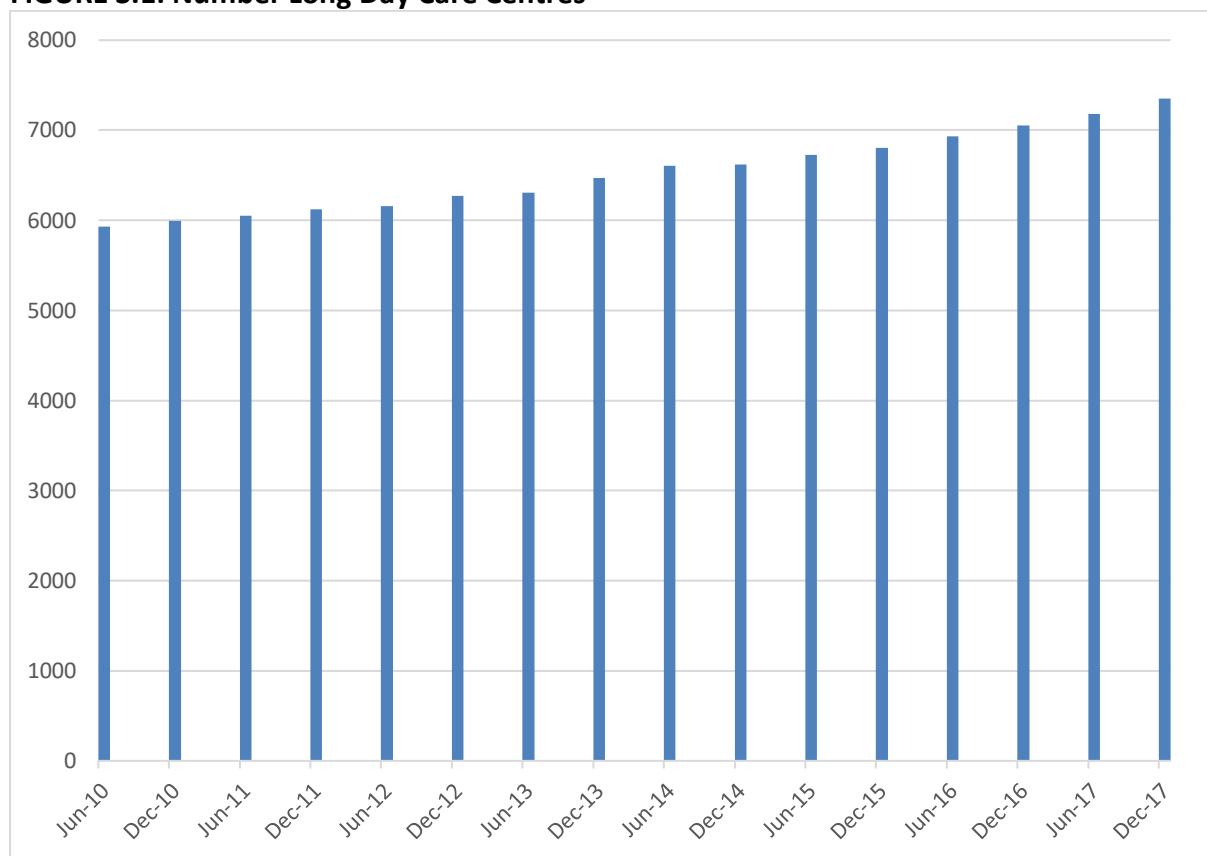
Source: ABS

3.2 SUPPLY PROFILE

3.2.1 SUPPLY OF PLACES

- FIGURE 3.1 summarises the Department of Education's Child Care & Early Learning in Summary data for long day care centres in Australia between June 2010 and December 2017,
- On average, there were 194 new facilities per annum added to the supply network over this period.

FIGURE 3.1: Number Long Day Care Centres



Source: Department of Education

- The following TABLE summarises the number of approved Long Day Care Places by State as provided by the Australian Children's Education & Care Quality Authority data:

TABLE 3.5: Number of Approved Long Day Care Places

State	Number of Places	Children 0-4 2017	Children per Place
NSW	164,578	508,752	3.09
VIC	127,844	392,237	3.07
QLD	125,254	323,305	2.58
WA	38,793	177,558	3.73
SA	28,280	105,377	4.57

Source: ACECQA

- As at December Quarter 2017, there were reported to be 7,349 long day care centres as defined by the Department of Education and Training (DET), comprising 40% of all 18,524 ECEC services nationally.
- The DET report also estimated that between December Quarter 2016 and December Quarter 2017, the number of children utilising long day care increased by some 27,680 children to 734,250 children.

- Centre occupancy rates are a key metric in determining the viability of an operation. Whilst there is no ‘one size fits all’ measurement for occupancy rates, 70% occupancy is often adopted as the target break-even point for a long day care centre. Data released by larger and sophisticated operators through annual reports suggest that an occupancy rate over 80% and above is targeted for profitable centres.
- A 2016 report by Colliers International estimated that average occupancy rates across Australia were 70% although, regional areas were noted to have occupancy rates averaging between 50% and 70%, whilst metropolitan areas were in the order of 80%.
- Occupancy rates derived from the results of the survey of centres are summarised by State for 2018 and 2017 for reporting centres in the following TABLE, highlighting stable or declining occupancy rates across all markets, particularly in Queensland and South Australia. (A lower incidence of centres reported 2017 results and we have rounded to the nearest whole value to reflect the smaller sample sizes generally).

TABLE 3.6: Occupancy Rates by State & Territory

State/Territory	2017	2018
NSW	79%	80.7%
VIC	82%	78.6%
QLD	80%	72.4%
WA	71%	71.0%
SA	78%	70.9%
ACT/TAS/NT	82%	76.7%

- Occupancy rates by market and day for 2018 are therefore summarised in the following TABLE. As expected, occupancy rates are highest across the board mid-week, with the lowest occupancy rates for most markets evident on Mondays.

TABLE 3.7: Occupancy Rates by Day

Market	Monday %	Tuesday %	Wednesday %	Thursday %	Friday %
NSW	74	85	86	85	75
VIC	72	84	83	84	73
QLD	63	75	77	77	66
WA	64	79	77	79	67
SA	61	75	76	76	65
ACT/TAS/NT	72	82	81	82	71

Survey results have been summarised by major markets in the following sections of this Report.

3.2.2 NEW SOUTH WALES

Between 2009 and 2017, the number of registered ECEC services within New South Wales (NSW) has increased by 1,410 businesses.

TABLE 3.8: ECEC Service Businesses by Employment Ranges – New South Wales

	Non Employing	1-19 Employees	20-199 Employees	200+ Employees	Total
Jun-09	1,282	1,146	481	7	2,916
Jun-10	1,369	1,183	506	8	3,066
Jun-11	1,381	1,201	535	10	3,127
Jun-12	1,408	1,439	378	9	3,234
Jun-13	1,427	1,440	411	9	3,287
Jun-14	1,723	1,541	459	10	3,733
Jun-15	1,832	1,656	433	11	3,930
Jun-16	1,978	1,699	446	15	4,135
Jun-17	2,080	1,767	462	16	4,326

Source: ABS

As summarised in TABLE 3.5, 164,578 long day care places are approved across NSW. Based on the number of children 0-4 years in NSW, it is estimated that there are 3.09 children per long day care place.

Key findings of the survey for NSW centres are summarised below:

- A total of 537 centres provided data to the survey, with almost three quarters of responding centres located in metropolitan areas as outlined below:

TABLE 3.9: Location of Reporting Centres

Area of Centres	%
Inner City	26%
Other Metropolitan	47%
Inner Regional	20%
Outer Regional	7%
Remote	1%
TOTAL	100%

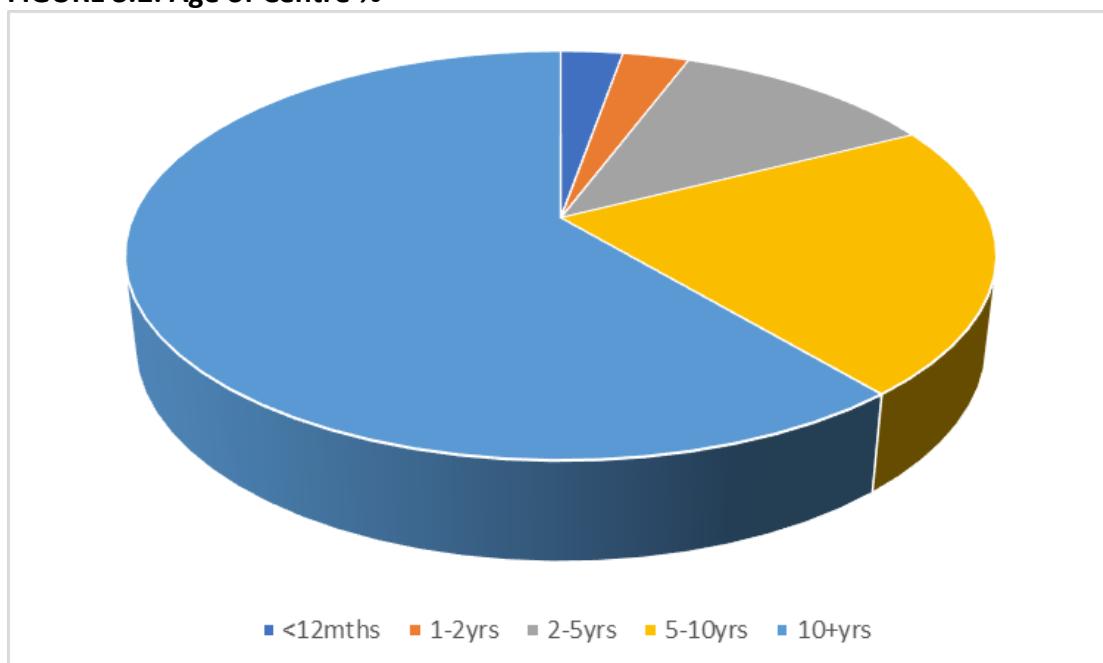
- Some 29,926 licensed places were recorded across 525 reporting centres, representing an average of 57 places per centre, the smallest average places per centre for the States and Territories.
- The following breakdown of places for reporting centres was recorded by age group, noting not all responding centres recorded the number of licensed places by age group:

TABLE 3.10: Licensed Places by Age Group - NSW

Age Group	No.	%
0-2 years	6,088	21%
2-3 years	7,600	27%
3yrs to school age	14,551	52%
TOTAL	28,239	100%

- 451 centres reported places for infants (births to 2 years), representing an average of 13 places per reporting centre, 84% of all reporting centres providing places for infant age groups.
- A significant 61% of the reporting centres had been operational for at least 10 years, and only 17% were less than 5 years old, as illustrated in the following FIGURE 3.2:

FIGURE 3.2: Age of Centre %



- The following TABLE summarises the average charge per day for reporting centres by age group, with distinct differences in fees by location, with inner city Sydney rates typically in excess of \$130 per day and in many instances in the order of \$150-\$160/day:

TABLE 3.11: Fees per Day

Age Group	\$/Day
Birth-2 years	\$114.44
2-3 years	\$112.31
3 yrs – school age	\$105.77

- Based on the licensed places and enrolled children for the week ending 25th May 2018 and 26th May 2017, the following occupancy rates are estimated for New South Wales, estimating an increasing occupancy between 2017 and 2018:

TABLE 3.12: NSW Occupancy Rates

NSW	Occupancy Rate
	%
2017	79%
2018	80.7%

- Occupancy rates for reporting centres in NSW were the highest of all the State and Territory markets investigated.
- Centres in metropolitan areas of Sydney typically recorded high occupancy rates, with some 39% of metropolitan centres demonstrating occupancy rates in excess of 90%, whilst 16% of regional and remote areas demonstrated occupancy rates less than 60%, indicative of employment derived demand for places.
- Of the 318 centres that reported whether they currently had vacancy lists or not, 194 centres indicated that waiting lists applied for the 0-2 years age group, representing 61% of reporting centres.
- 50% of reporting centres identified waiting lists for children aged 2 to 3 years and 30% of reporting centres identified waiting lists for children 3 years to school age (smaller sample sizes).

3.2.3 VICTORIA

The number of ECEC services across Victoria has increased by 1,080 services, almost. TABLE 3.5 reported 127,844 long day care places in Victoria and an average of 3.07 children per long day care place.

TABLE 3.13: ECEC Service Businesses by Employment Ranges - Victoria

	Non-Employing	1-19 Employees	20-199 Employees	200+ Employees	Total
Jun-09	551	359	263	6	1,179
Jun-10	571	391	304	9	1,275
Jun-11	528	393	355	11	1,287
Jun-12	543	516	270	7	1,336
Jun-13	561	527	285	8	1,381
Jun-14	863	657	288	8	1,816
Jun-15	1,055	632	266	6	1,960
Jun-16	1,239	623	256	13	2,134
Jun-17	1,348	627	277	7	2,259

Source: ABS

The following summarises the key results of the survey for Victoria:

- Some 352 centres responded to the survey, with 81% of these centres within the Melbourne Metropolitan area, which dominates the Victorian market.

TABLE 3.14: Location of Reporting Centres

Area of Centres	%
Inner City	37%
Other Metropolitan	44%
Inner Regional	14%
Outer Regional/Remote	5%
TOTAL	100%

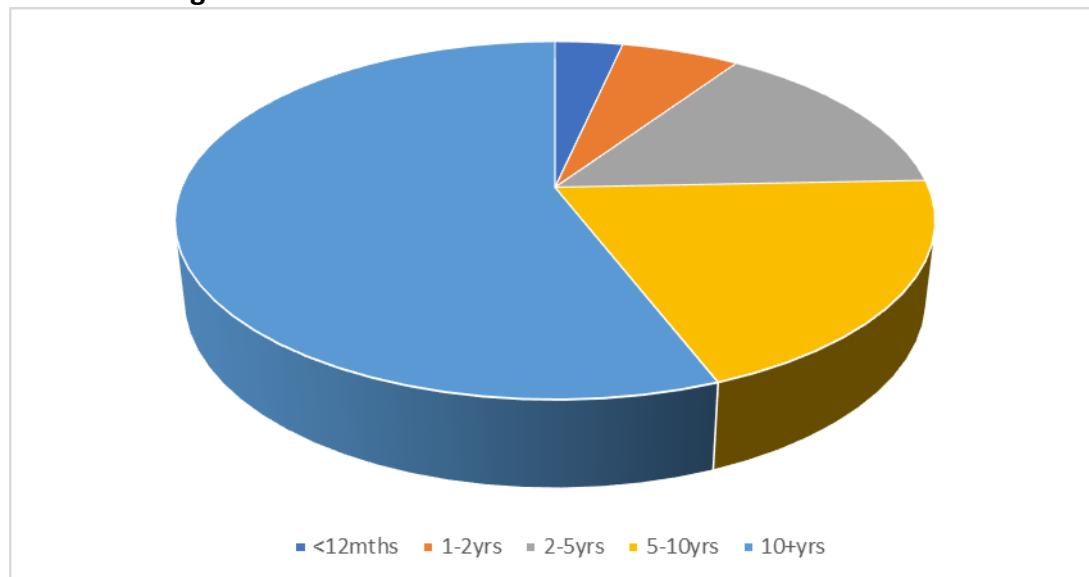
- A total of 28,181 licensed places were reported by 345 centres, representing an average of 82 places per centre.
- Of the 327 centres that reported the number of licensed places by age group, the following breakdown of places was reported:

TABLE 3.15: Reported Places by Age Group - VIC

Age Group	No.	%
0-2 years	6,898	25%
2-3 years	6,634	25%
3 yrs to school age	13,426	50%
TOTAL	26,958	100%

- Some 56% of reporting centres have been operational for more than 10 years, and only 22% have opened within the last 5 years. 12 of the reporting centres indicated that they had opened within the 12 months prior to the survey.

FIGURE 3.3: Age of Centre %



- The following TABLE summarises the average charge per day for reporting centres by age group, representing the highest average daily fees by State, although noting that rates in the ACT are higher generally for the small sample size. Only 5% of Inner Metropolitan areas reported daily rates less than \$110 for children less than 3 years of age and 21% reported rates less than \$110 for those over 3 years. In comparison, 15% reported daily rates more than \$140 for infants, 27% for those 2 to 3 years and 11% in excess of \$140 for children over 3 years of age. Significantly, 46% of regional centres reported daily rates less than \$110 for children less than 3 years of age:

TABLE 3.16: Fees per Day

Age Group	\$/Day
Birth-2 years	\$117.80
2-3 years	\$119.36
3 yrs – school age	\$115.44

- As outlined in TABLE 3.17, the occupancy rate for centres across Victoria has declined from 82% in 2017 to 78.6% across the reporting centres in 2018.

TABLE 3.17: VIC Occupancy Rates

Occupancy Rate %	
2017	82%
2018	78.6%

- Some 36% of metropolitan Victorian centres reported occupancy rates in excess of 90%, whilst 21% of regional centres reported occupancy rates less than 60%.
- 70% of reporting centres identified a waiting list for children birth to 2 years and a further 113 centres identified waiting lists for either or both 2 to 3 years and 3 years to school age.

3.2.4 QUEENSLAND

The Department of Education and Training's Early Childhood and Child Care in Summary for the June Quarter 2017 estimated that some 159,030 children utilised long day care services in Queensland, and the State included 1,482 long day care services in the period and around 116,000 licenced places. This suggests that on average, more than 107 children can be attributed to each centre or ratio of 1 place for every 1.37 children utilising long day care services.

Similarly, as at June 2016, Queensland included an estimated 324,000 children aged 0-4. Assuming that this age group were the only users of long day care services, and allowing for double counting of children which may present at more than one facility; between 45% and 50% of children aged 0-4 in Queensland utilised long day care services through the June Quarter 2016.

Based on the registered number of ECEC services, a growth of only 283 new ECEC services has been recorded between 2009 and 2017. There has been particularly strong growth in the number of smaller ECEC operations employing between 1-19 employees, indicative of independent operators within Queensland. 210 additional businesses with between 1 and 19 employees in Queensland have been registered between 2009 and 2017.

TABLE 3.18: ECEC Service Businesses by Employment Ranges – Queensland

	Non-Employing	1-19 Employees	20-199 Employees	200+ Employees	Total
Jun-09	1,125	366	433	9	1,933
Jun-10	1,190	340	442	18	1,990
Jun-11	1,218	517	306	9	2,050
Jun-12	1,140	519	321	10	1,990
Jun-13	1,104	498	341	9	1,952
Jun-14	1,187	536	330	8	2,061
Jun-15	1,275	535	327	7	2,147
Jun-16	1,314	565	306	8	2,194
Jun-17	1,316	576	318	7	2,216

Source: ABS

Some 125,254 places are approved across Queensland, representing an average of 2.58 children per long day care place.

Data for 412 centres was collated across Queensland through the on-line survey and collation of centre data. The following summarises the key findings of the supply and performance of centres and licensed places:

- For those centres that reported the number of licensed places, 31,126 places were reported, representing an average of 80 places per centre in Queensland. This is consistent with the Department of Education & Early Childhood Training estimates.
- Some 67% of the reporting centres were Metropolitan based, as summarised below:

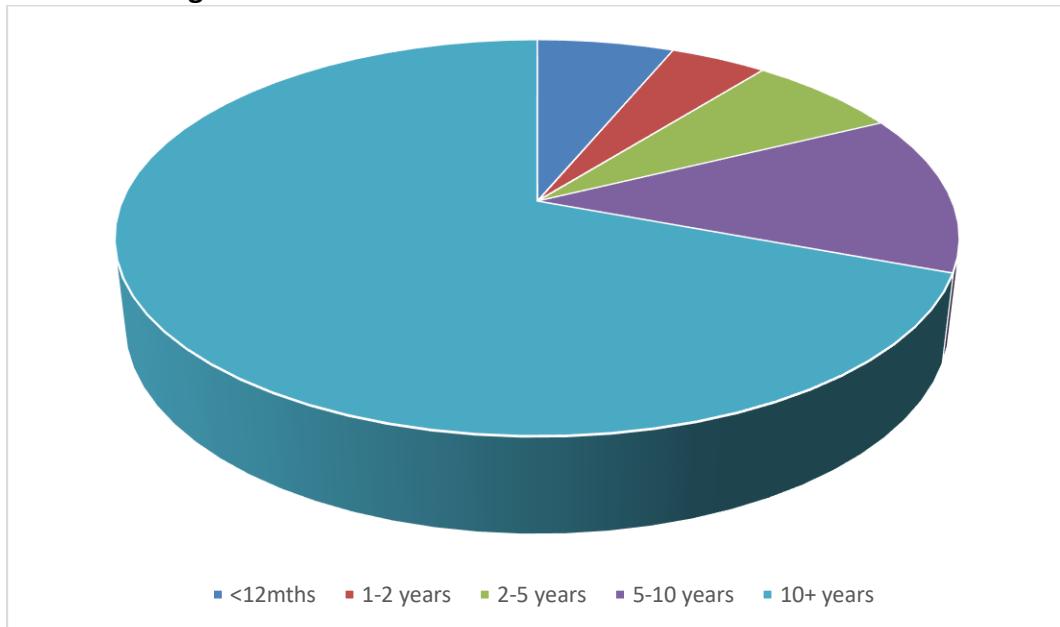
TABLE 3.19: Location of Reporting Centres

Area of Centres	%
Inner City	22%
Other Metropolitan	45%
Inner Regional	17%
Outer Regional	14%
Remote	2%
TOTAL	100%

- Based on the total number of licensed centres and places for the State, it is estimated that the sample data set from the survey results represents 29% of all long day care or ECEC centres in Queensland, which is significant.

- 20% of reported places were for children birth to 2 years, 26% for children 2 to 3 years and 54% of reported places were for children aged 3+.
- Some 69% of reporting centres were opened more than 10 years ago, whilst 6% of Queensland reporting centres opened within the 12months prior to the survey. This is comparable to the results from the 2017 Queensland survey whereby 65% of centres had been operating for at least 10 years.

FIGURE 3.4: Age of Centre %



- The following TABLE summarises the average charge per day for reporting centres by age group:

TABLE 3.20: Fees per Day

Age Group	\$/Day
Birth-2 years	\$99.69
2-3 years	\$97.99
3 yrs – school age	\$95.02

- Some 75,200 days of demand were reported for Queensland for the week ending 25th May 2018, based on enrolled children Monday to Friday. For centres that reported their total number of places and enrolled children (103,830 place days) total enrolments represented an occupancy rate of 72.4%. The following TABLE summarises occupancy rates for 2016, 2017 and 2018 based on the survey results:

TABLE 3.21: Trends in Occupancy Rates

Year	Occupancy Rate %
2016	74%
2017	80%
2018	72.4%

- The 2017 surveys results had estimated an occupancy rate of 76% for the 218 responding centres in Queensland, suggesting that the addition of more corporate headquarter data and doubling of the sample size has consolidated occupancy rate reporting. Based on the relative sample sizes and associated standard errors, we conclude that there is consistency between the occupancy rate data for Queensland between the 2017 and 2018 surveys.
- Inner City metropolitan areas were more likely to have occupancy rates in excess of 90%, with more than 50% of reporting centres indicating occupancy rates in excess of 90% in locations proximate to major employment nodes. 22% of other metropolitan and suburban areas identified occupancy rates less than 60% and 14% in excess of 90%, with a further 21% of centres reporting occupancy rates between 70% and 90%.
- In comparison, 24% of regional and remote communities identified occupancy rates in excess of 90% whilst 22% identified occupancy rates less than 60% in 2018.
- Waiting lists apply for the birth to 2 years age group for 58% of the 219 reporting centres or 31% of all Queensland centres.

3.2.5 WESTERN AUSTRALIA

Approximately 922 ECEC services are registered in WA, as summarised in the following TABLE.

TABLE 3.22: ECEC Service Businesses by Employment Ranges – Western Australia

	Non Employing	1-19 Employees	20-199 Employees	200+ Employees	Total
Jun-09	335	192	174	6	707
Jun-10	371	191	184	5	751
Jun-11	378	189	178	5	750
Jun-12	373	248	133	6	760
Jun-13	342	259	144	6	751
Jun-14	376	283	145	5	809
Jun-15	439	257	133	3	841
Jun-16	474	278	130	5	886
Jun-17	495	286	133	5	922

Key findings from the centre survey are summarised below:

- Data for a total of 180 centres throughout Western Australia has been collated. 80% of the reporting centres were classified as within Metropolitan areas including inner city locations and a further 20% in regional and remote areas. By its very nature, there was a higher incidence of centres from remote communities including mining towns reporting in the survey.
- Some 11,129 places were recorded across the 174 reporting centres, with an average of 64 places per centre.

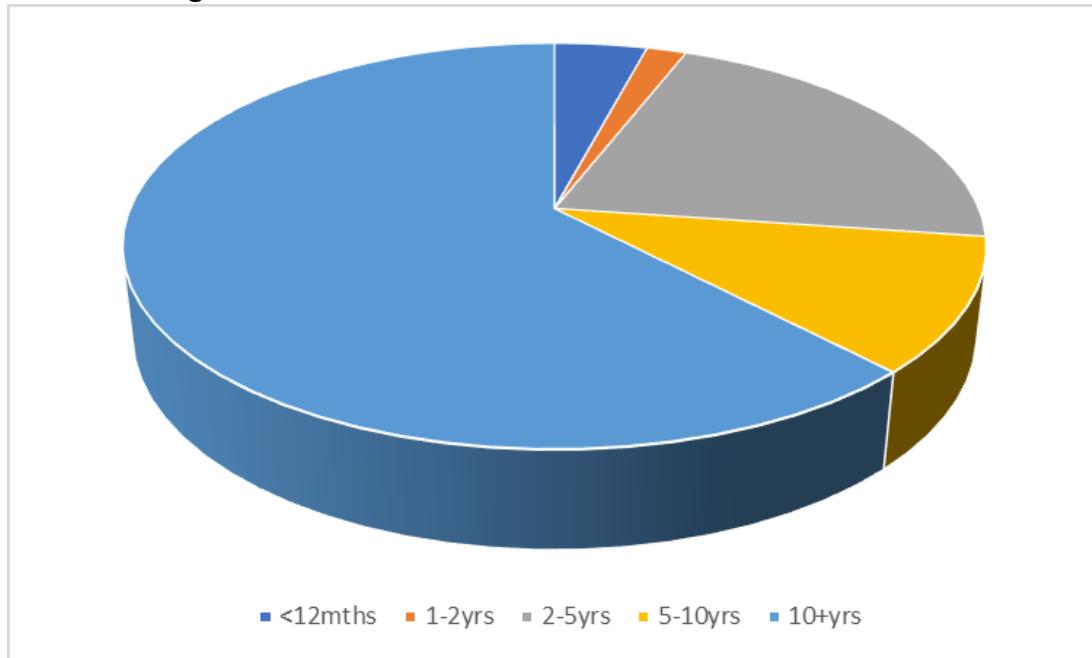
- The WA network recorded the lowest overall share of places reported for children aged 3 years to school age (44% of all places) relative to the infant (26%) and toddler age groups (30%), which is a factor of the different legislation and funding models implemented.
- The following TABLE summarises the average charge per day for reporting:

TABLE 3.24: Fees per Day

Age Group	\$/Day
Birth-2 years	\$106.26
2-3 years	\$104.74
3 yrs – school age	\$102.71

- Some 62% of responding centres have been operational for at least 10 years as illustrated in the following GRAPH:

FIGURE 3.5: Age of Centre %



- Occupancy rates for the WA markets were estimated to be 71% in 2017 and remaining comparable at 71% in 2018.
- Occupancy rates by day ranged from 66% on Mondays to 81% on Thursdays.
- Approximately 45% of the reporting centres indicated waiting lists applying for the birth to 2 years age group, although the sample of centres that reported whether they currently had waiting lists or not was modest.

3.2.5 SOUTH AUSTRALIA

Approximately 467 ECEC services are registered in South Australia (SA), as summarised in the following TABLES.

TABLE 3.23: ECEC Service Businesses by Employment Ranges – South Australia

	Non-Employing	1-19 Employees	20-199 Employees	200+ Employees	Total
Jun-09	295	66	92	3	456
Jun-10	316	65	92	0	473
Jun-11	306	63	101	3	473
Jun-12	286	83	81	0	450
Jun-13	260	79	88	3	430
Jun-14	276	89	91	3	459
Jun-15	295	100	86	3	476
Jun-16	280	111	76	3	471
Jun-17	267	104	88	3	467

Key findings from the centre survey are summarised below:

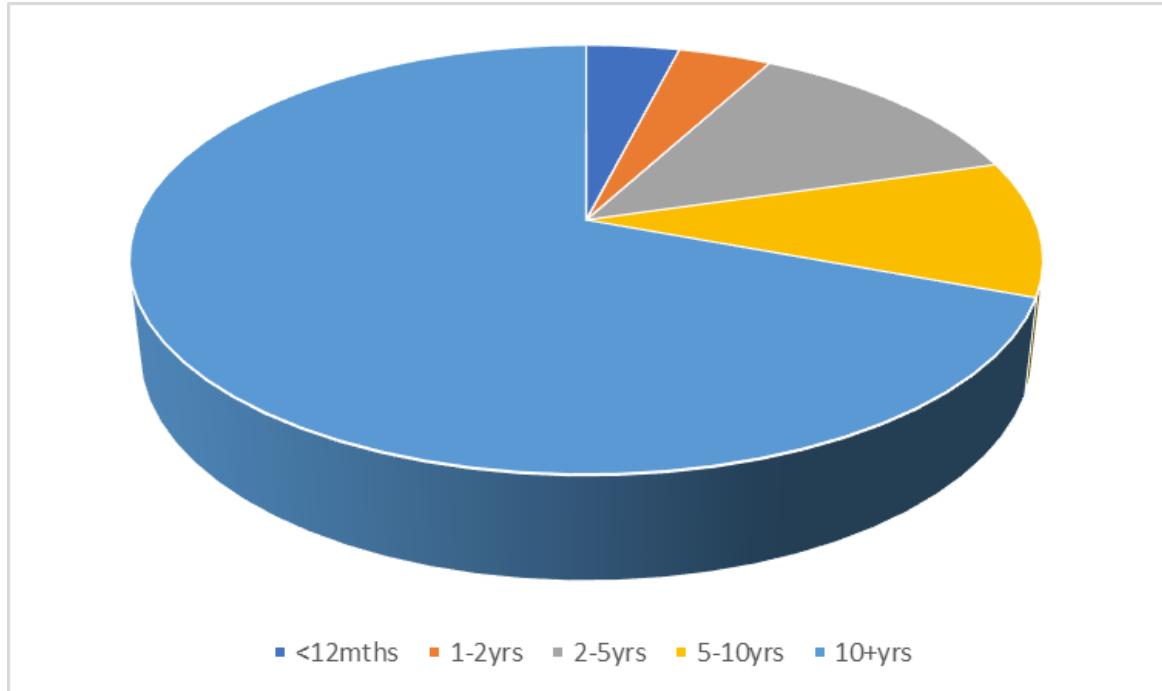
- Data for a total of 128 centres throughout South Australia has been collated. 92% of the reporting centres were classified as within Metropolitan areas including inner city locations and a further 8% in regional and remote areas.
- Some 9,692 places were recorded across the 128 reporting centres, with an average of 76 places per centre.
- The following TABLE summarises the average charge per day for reporting centres:

TABLE 3.24: Fees per Day

Age Group	\$/Day
Birth-2 years	\$105.84
2-3 years	\$106.10
3 years – school age	\$105.00

- Some 69% of responding centres have been operational for at least 10 years, comparable to Queensland as comprising the oldest mix of centres for the mainland states as illustrated in the following GRAPH:

FIGURE 3.6: Age of Centre %



- Occupancy rates for the SA markets were estimated to be 78% in 2017 reducing to 70.9% in 2018, influenced by two centres reporting occupancy rates in the order of 10%. Removing these “outliers”, the occupancy rate in 2018 is reported to be 73%.
- Occupancy rates by day ranged from 61% on Mondays to 76% on Wednesdays and Thursdays.
- Less than half the reporting centres indicated waiting lists applying for the birth to 2 years age group, although the sample of centres that reported whether they currently had waiting lists or not, was modest.

3.2.7 OTHER

TABLES 3.25 to 3.27 summarise the total number of ECEC businesses for Tasmania, the Northern Territory and the Australian Capital Territory, with a total of 427 licensed services including long day care, family day care, outside school hours care, occasional care.

TABLE 3.25: ECEC Service Businesses by Employment Ranges - TAS

	Non-Employing	1-19 Employees	20-199 Employees	200+ Employees	Total
Jun-09	148	37	21	0	206
Jun-10	156	39	21	0	216
Jun-11	173	42	21	0	236
Jun-12	180	44	18	0	242
Jun-13	164	47	19	3	233
Jun-14	168	46	24	0	238
Jun-15	171	42	22	0	233
Jun-16	167	41	22	0	232
Jun-17	152	46	20	3	216

TABLE 3.26: ECEC Service Businesses by Employment Ranges - NT

	Non-Employing	1-19 Employees	20-199 Employees	200+ Employees	Total
Jun-09	55	17	19	0	91
Jun-10	68	22	22	0	112
Jun-11	65	19	20	0	104
Jun-12	77	21	20	0	118
Jun-13	65	27	15	0	107
Jun-14	66	27	15	0	108
Jun-15	64	29	15	0	103
Jun-16	67	29	17	0	110
Jun-17	67	30	14	0	115

TABLE 3.27: ECEC Service Businesses by Employment Ranges - ACT

	Non-Employing	1-19 Employees	20-199 Employees	200+ Employees	Total
Jun-09	32	10	30	5	77
Jun-10	40	13	34	4	91
Jun-11	32	20	28	4	84
Jun-12	26	22	27	3	78
Jun-13	25	21	28	4	78
Jun-14	30	20	30	3	83
Jun-15	29	28	23	3	84
Jun-16	33	31	25	3	90
Jun-17	34	28	30	3	96

Combining the results of the survey for the ACT, NT and Tasmania, the following summarises the key findings, although noting the small sample size of responding centres:

- Together, 49 reporting centres have been summarised for the ACT, Tasmania and Northern Territory markets. At this sample size, a maximum margin of error of 14% is attached to results so it is important to utilise these results as indicators as to

performance not as inferences as to the total population of centres across the three geographic areas.

- Of these centres, a total of 3,866 places were reported representing an average of 79 places per centre.
- 15% of reported places were for infants (0 to 2 years), a further 49% for children 2 to 3 years and 36% of reported places were for children 3 years to school age.
- The majority of reporting centres have been operational for at least 10 years (83%) and there was distinct diversity between the outer and remote location of centres across the Northern Territory and the inner city and Metropolitan nature of centres in the Australian Capital Territory. Insufficient sample size is available from which analysis by centre type can be derived.
- Fees per day are averaged in the following TABLE for the three markets

TABLE 3.28: Fees per Day

Age Group	\$/Day
Birth-2 years	\$112.31
2-3 years	\$110.80
3 yrs – school age	\$109.93

- A 2018 occupancy rate of 77% is estimated for reporting centres across the Northern Territory, ACT and Tasmania, with highest occupancy rates evident in the ACT, which also demonstrated fees in excess of \$120/day per age group.

3.3 IMPLICATIONS FOR THE SECTOR

Whilst occupancy rates nationally have declined based on the results of the survey for 2017 and 2018, occupancy rates remain approximately 80% for centres in NSW and Victoria, but approximately 72% across centres in Queensland and 71% in Western Australia and South Australia. Queensland also demonstrated some of the lowest average daily fees and the lowest ratio of children to places.

TABLE 3.29: Occupancy Rates by State & Territory

State/Territory	2017	2018
NSW	79%	80.7%
VIC	82%	78.6%
QLD	80%	72.4%
WA	71%	71.0%
SA	78%	70.9%
ACT/TAS/NT	82%	76.7%

Age of centres is a factor likely to influence perceptions of the sector and capacity of existing and established operators to compete and retain high occupancy rates, particularly in an open market.

Metropolitan areas typically demonstrated a higher incidence of centres with occupancy rates in excess of 90%, whilst regional and remote centres demonstrated a relatively even distribution of occupancy rate performances across peak high and low brackets. More than 20% of Queensland centres in outer metropolitan/suburban or regional areas reported occupancy rates less than 60%.

TABLE 3.30: Occupancy Ranges by Location

State Occupancy Rates	Inner Metropolitan %	Outer Metropolitan %	Region/Remote %
Qld <60%	9	22	22
Qld >90%	51	14	24
NSW <60%	23	12	16
NSW >90%	39	32	38
VIC <60%	10	17	19
VIC >90%	36	29	21

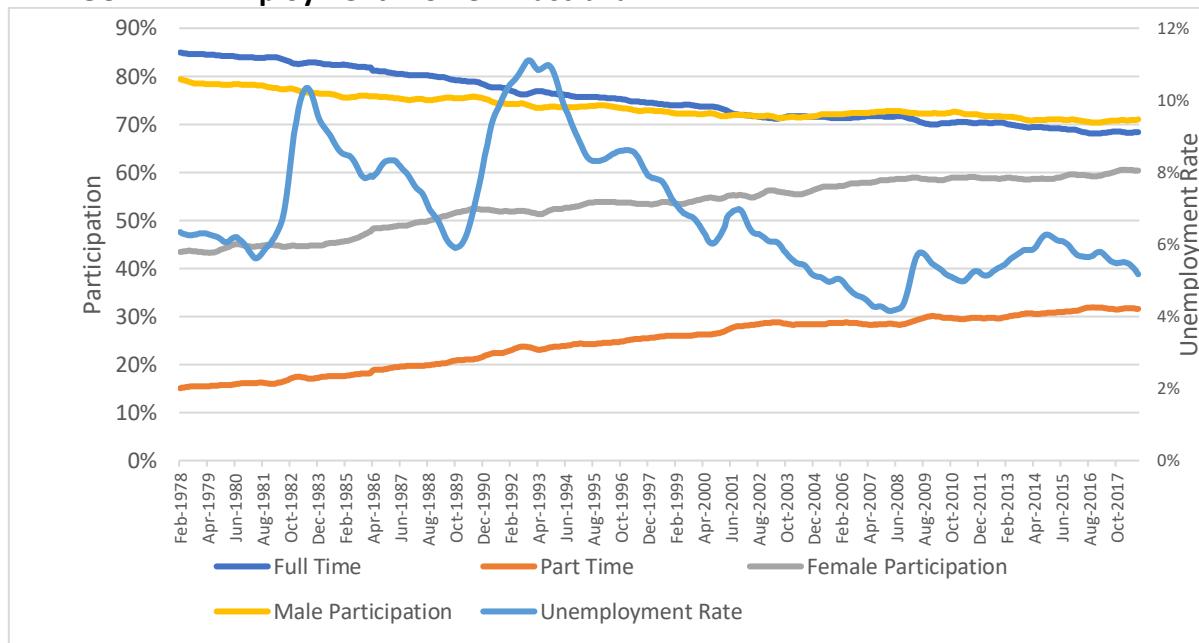
4.0 DEMAND FOR EARLY CHILDHOOD EDUCATION & CARE

4.1 DEMAND DRIVERS

Workforce Trends

- There is significant interplay between increasing casualisation of the workforce and increases in the rate of female workforce participation rates as illustrated in FIGURE 4.1. This growth has moderated since 2009, but peaks in female participation have been reached in 2018 together with declining unemployment rates, indicative of increasing labour force participation.

FIGURE 4.1: Employment Profile – Australia



Source: ABS

- Whilst employment overall continues to grow, casual and part-time job creation has outpaced full-time employment, with declining rates of full term employment. Between 1978 and 2018, the share of workers employed part-time has increased from 15.1% to 31.6% by September 2018, although this has moderated from the Global Financial Crisis (GFC) with increasing casualisation of the workforce.
- Similarly, unemployment rates have been reported within a healthy range of below 6% over this period, a rate which is being maintained by part-time and casual workers. As at September 2018, the national unemployment rate was reported by the ABS to be 5.2%, its lowest point since July 2012.

State Government Preschool Funding Policy

State Government delivery and funding models for preschool programs in the year before school have a significant impact on the demand for child care, not just in the year before school, but for earlier ages as well. The two states (New South Wales and Queensland) that have the highest reliance on long day care programs for the roll out of preschool programs in the year before school also have the highest participation rates of children aged 0-4 in early learning. By contrast, the States that rely heavily on government or community provision of preschool in the year before school (Western Australia, South Australia, Victoria and Tasmania) have markedly lower participation rates in child care for children aged 0-4 years.

TABLE 4.1: Participation of Children in Preschool Programs in the Year Before School and In Childcare (CCB Approved Services) by Age

PARTICIPATION OF CHILDREN in	NSW	QLD	VIC	WA	SA ¹	TAS	ACT	NT
% children enrolled in preschools	26.2	27.4	53.8	78.3	56.3	79.5	43.0	65.1
% children enrolled in LDC preschool programs	54.7	63.1	37.3	1.9	20.6	3.6	41.8	11.5
% children aged 0-3 in child care	44.2	46.7	40.8	33.6	38.9	41.9	53.7	28.2
% children aged 4-5 in child care	51.2	49.8	42.4	30.0	42.5	42.0	54.9	27.5=4

(Prod. Comm (2018) "Report on Government Services" Table 3A.18, 3A.2, 3A.15, preschool data reported as 2016, child care includes long day care and family day care; ¹SA provides funding for preschool programs in long day care services as well as funding government preschools)

While State Government preschool policies clearly have a significant impact on child care participation rates, they do not explain fully the wide variation in child care participation rates between states. This suggests that parental preferences and attitudes to formal care may also vary markedly between states.

4.2 POPULATION & HOUSEHOLD GROWTH

The following TABLE 4.2 summarises the 2017 estimated number of children aged 0-4 years by State relative to the number of places, together with the projected growth in children aged 0-4 years. Very modest growth in the number of children aged 0-4 years in South Australia in particular is projected over this period, suggesting limited growth opportunities based on sheer number of children from which low occupancy rates in South Australia can be improved.

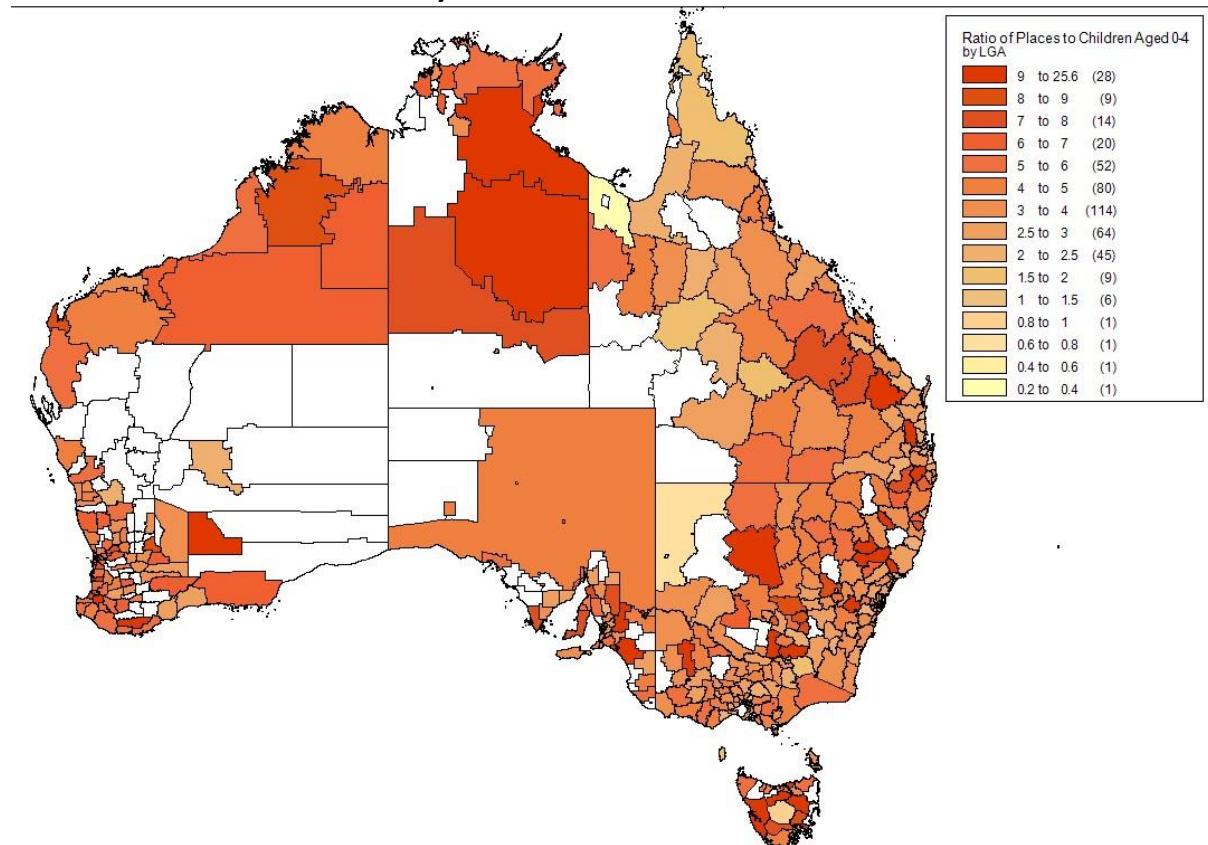
TABLE 4.2: Children 0-4 years 2017 and 2021

State	Places	2017	Children per	2021	2026
		0-4 children	Place	0-4 children	0-4 children
NSW	164,578	508,752	3.09	535,070	570,350
VIC	127,844	392,237	3.07	423,490	452,173
QLD	125,254	323,305	2.58	337,960	353,356
WA	38,793	177,558	4.57	205,460	214,090
SA	28,280	105,377	3.73	106,060	104,847

Source: Urban Economics, ABS, Various State Projections

There is significant variation in the ratio of children to ECEC places by region as illustrated in the following FIGURE 4.2 which illustrates the ratio or balance by Local Government Area (LGA).

FIGURE 4.2: Children to Places by LGA



The darker red and orange colours represent a higher ratio of children to places with the pale-yellow colours representing a lower ratio and higher representation of the number of places to children.

For instance, LGAs such as the Adelaide LGA which effectively represents the Adelaide CBD, demonstrated one of the lowest relative ratios of children to places (0.6), which reflects the employment nature of the CBD and the prevalence of ECEC places within employment precincts. The lowest ratio was demonstrated in Burke LGA, which effectively operates as a regional service centre and Fly in Fly Out (FIFO) centre for the surrounding regional and resource communities.

At the other end of the spectrum the highest relative ratio of children to places was demonstrated in Gulf Country areas (25.6), which exhibit high incidences of young children and limited long day care places, with other forms of care and informal care catering to young children in these areas.

TABLES 4.3 to 4.12 illustrate the LGA's with the lowest and highest relative ratio of children to places, with individual State maps included in the APPENDIX.

TABLE 4.3: NSW LGA'S with Low Relative Ratio of Children to Places

LGA	0-4	Approved Places	Ratio
Sydney (C)	8,202	5,644	1.5
North Sydney (A)	4,112	2,298	1.8
Ryde (C)	7,761	3,832	2.0

- The Sydney, North Sydney and City of Ryde LGA's have a low ratio of children to places indicative of employment nodes with a low incidence of children aged 0-4 and a heightened supply of centres.

TABLE 4.4: VIC LGA'S with Low Relative Ratio of Children to Places

LGA	0-4	Approved Places	Balance
Melbourne (C)	5,190	4,126	1.3
Towong (S)	317	171	1.9
Nillumbik (S)	3,595	1,930	1.9
Alpine (S)	553	274	2.0
Glen Eira (C)	9,489	4,654	2.0
Wodonga (C)	2,986	1,296	2.3

- Melbourne, Glen Eira, Wodonga and Nillumbik have a low ratio of Children to places; indicative of LGA's with heightened supply of ECEC centres and in the case of the Melbourne City, reflect proximity of major employment opportunities and inclusion of ECEC places that particularly cater to the children of CBD workers.

TABLE 4.5: QLD LGA'S with Low Relative Ratio of Children to Places

LGA	0-4	Approved Places	Balance
Burke (S)	18	86	0.2
Cook (S)	252	149	1.7
Winton (S)	72	41	1.8
Blackall-Tambo (R)	128	65	2.0
Gold Coast (C)	35,918	18,127	2.0

- With the exception of the large the Gold Coast LGA, all other LGA listed above reflect LGA's in regional and remote communities with a low incidence of 0-4's and sufficient network of ECEC centres.

TABLE 4.6: WA LGA'S with Low Relative Ratio of Children to Places

LGA	0-4	Approved Places	Balance
Perth (C)	926	834	1.1
Nedlands (C)	1121	995	1.1
Leonora (S)	124	61	2.0
Perenjori (S)	40	19	2.1
Cambridge (T)	1609	616	2.6

- Both Perth and Nedlands are inner Metropolitan LGAs, supporting a limited number of children but a large and increasing number of places particularly catering to children of workers.

TABLE 4.7: SA LGA'S with Low Relative Ratio of Children to Places

LGA	0-4	Approved Places	Balance
Adelaide (C)	562	944	0.6
Norwood Payneham St Peters (C)	1744	1365	1.3
Prospect (C)	1278	681	1.9
Walkerville (M)	330	150	2.2
Clare and Gilbert Valleys (DC)	480	208	2.3

- These LGA's have a low ratio of children to places; indicative of LGA's with heightened supply of ECEC centres and in the case of the Adelaide City, reflect proximity of major employment opportunities and inclusion of ECEC places that particularly cater to the children of CBD workers.

TABLE 4.8: NSW LGA'S with High Relative Ratio of Children to Places

LGA	0-4	Approved Places	Balance
Upper Hunter Shire (A)	880	57	15.4
Federation (A)	630	46	13.7
Greater Hume Shire (A)	639	50	12.8
Cobar (A)	380	31	12.3
Liverpool Plains (A)	465	41	11.3

- These LGA's reflect lower level of Children aged 0-4 years, low level of approved places and heightened ratio of Children to places; indicative of an area with a low supply of centres.

TABLE 4.9: VIC LGA'S with High Relative Ratio of Children to Places

LGA	0-4	Approved Places	Balance
Yarriambiack (S)	314	24	13.1
Corangamite (S)	896	150	6.0
Gannawarra (S)	555	96	5.8
East Gippsland (S)	2,410	439	5.5
Greater Dandenong (C)	1,1630	2206	5.3

- Overall, these LGA's potentially reflect underserviced communities but also the proximity of long day care places in adjacent LGAs.

TABLE 4.10: QLD LGA'S with High Relative Ratio of Children to Places

LGA	0-4	Approved Places	Balance
Palm Island (S)	334	22	15.2
North Burnett (R)	533	46	11.6
Somerset (R)	1,627	176	9.2
Banana (S)	1,038	133	7.8
Central Highlands (R) (Qld)	2,589	360	7.2

- These LGA's reflect regional and remote communities serviced by other care facilities including community and family day care, as well as communities such as Somerset Regional Council whereby workers are commuting to nearby areas such as Ipswich for employment.

TABLE 4.11: SA LGA'S with High Relative Ratio of Children to Places

LGA	0-4	Approved Places	Balance
The Coorong (DC)	336	30	11.2
Berri and Barmera (DC)	567	59	9.6
Mid Murray (DC)	392	41	9.6
Lower Eyre Peninsula (DC)	337	44	7.7
Port Pirie City and Dists (M)	985	129	7.6

- Overall, these LGA's reflect underserviced local government area's; indicative of higher demand for centres than the existing supply especially The Coorong, Mid Murray and Berri and Barmera Local Government Area.

TABLE 4.12: SA LGA'S with High Relative Ratio of Children to Places

LGA	0-4	Approved Places	Balance
Coolgardie (S)	339	24	14.1
Donnybrook-Balingup (S)	333	25	13.3
Cottesloe (T)	418	34	12.3
Waroona (S)	244	24	10.2
Plantagenet (S)	242	24	10.1

- Heightened ratio of children to places reflective of rural and regional communities as well as communities such as Cottesloe, which are proximate to supply of places in adjacent areas.

5.0 DEMAND AND SUPPLY BALANCE

The following TABLE applies the current ratio children aged 0-4 years per long day care place (from TABLE 4.1) to the projected population of children aged 0-4 years in 2021 and estimates the additional number of places over 2018 places that would be required to 2021. This assumes no change to the ratio of children to long day care places nor to any further increasing utilisation of long day care centres. This was then compared with the actual net increase in long day care centres in 2017. 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.

TABLE 5.1: 2021 Children and Places

State	Children 0-4 2021	Children per Place	Number of Places	Additional Places	Implied Centres p.a.	Actual increase in Centres*
NSW	535,070	3.09	173,200	8,600	29	99
VIC	423,500	3.07	137,950	10,100	34	91
QLD	337,965	2.58	131,000	5,750	19	41
WA	205,460	4.57	45,000	6,200	20	34
SA	106,060	3.73	28,400	100	<1	18

*December 2016 to December 2017

TABLE 5.2 summarises the various state planning department population projections for the 0 to 4 age group toward 2041 where available and the additional number of places required over this period based on each state's children to long day care place ratio.

TABLE 5.2: 2021 to 2041 0-4 Children and Places

	2021	2026	2031	2036	2041	2021-2041 Places	2021-2041 Centres
NSW	547,750	570,350	584,850	603,700	631,750	27,184	362
VIC	423,495	452,173	465,837	484,077	513,666	29,372	392
QLD	332,052	353,356	376,679	398,549	420,900	34,437	459
WA	207,010	214,090	-	-	-	1,549*	21*
SA	104,881	104,847	106,037	108,105	111,248	1,707	23

*2021 to 2026

6.0 OTHER FACTORS INFLUENCING THE SECTOR

Respondents to the survey were also asked to comment on any other factors that they consider are influencing the performance of their centre and the ECEC sector generally, including opportunities and constraints.

There were essentially four main themes that respondents identified as issues, constraints or opportunities facing their centre or the industry generally:

1. The supply of places and in particular noting an oversupply of centres or concerns about construction of new, modern and large centres
2. Staffing issues including availability of staff, cost of staff and availability of quality, trained staff
3. Regulatory and funding issues
4. General cost of living issues influencing family capacity to afford and access ECEC.

(Multiple responses were allowed).

In terms of opportunities or prospects facing the ECEC sector:

- 12% of those who responded to this question, identified an oversupply of new centres or that there were too many centres being built generally.
- A further 13% identified staffing issues as critical.
- Education was an important opportunity identified by respondents, including the education and training of staff but importantly the significance of ECEC centres as the first and critical step in educational pathways.

A key opportunity identified by respondents for the sector was the need to improve the perceptions of the sector overall, “*to be taken seriously*” and to be perceived as “*professionals*” educating the public as to the role of the sector in influencing early childhood development. Respondents identified an opportunity to change from the perception of a “babysitting service” or child minding, to an early learning or early childhood education and care service.

This reflects the importance of early developmental years, the transition from early development to school and of educational pathways. Ongoing education and training of staff as professionals was also identified as synonymous with this movement to early childhood education and care services.

With particular regard to the factors or issues facing individual centres or operations:

- 22% of those who responded to the question, indicated some level of concern about the opening of centres in their local area or about the new supply of centres generally;
- 11% of respondents indicated some level of concern with regulations, funding and administration or operations influencing their centre;
- Others identified that their centre design, presentation, age and the places that they are able to offer were limiting them or at issue, particularly in light of the opening of new “shiny” centres.

7.0 OCCUPANCY RATES AND CENTRE VIABILITY

This Section critiques the potential impact of ECEC centre supply in relation to occupancy rates, and the ongoing viability of centres.

In a typical market scenario, the price of a service such as ECEC would respond to both the level of demand and supply and specifically, price would be expected to decrease with additional supply. ECEC in Australia however, is subsidised and includes a high level of fixed costs (predominantly wages) as outlined in TABLE 7.1 and 7.2. As such, prices are relatively inelastic, and typically do not decrease significantly with increased supply and competition; dispelling the theory that increased supply will increase affordability for families. In fact, it is a more tenable proposition that a centre which is substantially underperforming due to an oversupply situation may increase charges to cover costs, reduce the rooms available, reduce staffing or potentially cease operation; removing choice and accessibility for the communities in which they locate.

The following TABLES compare performance benchmark data between 2014/15 and 2015/16 based on information from the Australian Taxation Office (ATO), highlighting the continued significance of labour costs as a component of centre performance.

TABLE 7.1: Performance Benchmarks - ECEC Services – 2014/15

Key benchmark range	Annual turnover range		
	\$65,000 – \$200,000	\$200,001 – \$600,000	More than \$600,000
Total expenses/turnover	52% – 63%	72% – 86%	78% – 87%
Average total expenses	58%	79%	83%
Benchmark Range	\$65,000 – \$200,000	\$200,001 – \$600,000	More than \$600,000
Labour/turnover	23% – 45%	38% – 51%	44% – 52%
Rent/turnover	9% – 14%	7% – 12%	7% – 11%
Motor vehicle expenses/turnover	5% – 7%	1% – 3%	1%

Source: ATO

TABLE 7.2: Performance Benchmarks - ECEC Services – 2015/16

Key benchmark range	Annual turnover range		
	\$65,000 – \$200,000	\$200,001 – \$600,000	More than \$600,000
Total expenses/turnover	51% – 64%	71% – 85%	79% – 88%
Average total expenses	58%	78%	84%
Benchmark Range	\$65,000 – \$200,000	\$200,001 – \$600,000	More than \$600,000
Labour/turnover	21% – 37%	37% – 51%	44% – 53%
Rent/turnover	9% – 13%	7% – 12%	7% – 11%
Motor vehicle expenses/turnover	4% – 6%	2% – 3%	1%

Source: ATO

- It is important to note that Federal changes to staffing ratios were implemented from the start of 2016. TABLE 7.2 demonstrates evidence of increasing employment expenses and costs, which are expected to become more apparent as full financial year data becomes available subsequent to these changes.
- 70% occupancy is the oft quoted break-even point for a ECEC centre (Ibisworld industry report) however; the Productivity Commission in its 2015 Review suggested that increased costs may now place this figure closer to 80%.
- Based on the results of the survey, for those centres reporting their estimated breakeven point, the modal response from all States with the exception of South Australia was the 60-70% bracket, whilst 50% of South Australian responding centres indicated a 70-80% bracket as their breakeven range. The following TABLE summarises the breakeven rates by State:

TABLE 7.3: Breakeven Rates

State	<60%	60-70%	70-80%	>80%
NSW	33%	34%	11%	22%
VIC	37%	44%	11%	8%
QLD	8%	63%	17%	12%
WA	40%	31%	14%	15%
SA	18%	31%	42%	9%

- Centres in NSW were more likely to report higher breakeven rates in excess of 80%, indicative of operating costs including rents in inner Sydney areas.
- According to Goodstart Early Learning Annual Report (2017) a 0.9% increase in occupancy (year on year) was achieved, reversing a declining trend over the previous two years through organisational wide strategies to raise the quality of practice, contain costs, improve engagement with families and upgrade centres to compete.
- G8 Education reported declining utilisation rates from 70.1% in 2018, 72.6% in 2017, 80.85% in 2016 and 81.88% in 2015 across its portfolio; with significant increase in new centres through opening of new centres and acquisition by G8 Education across Australia during this period.
- Urban Economics's Survey of ECEC centres nationally reported occupancy rates of 71% in South Australia and up to 81% for reporting centres across NSW.
- The following TABLE summarises occupancy rates by major region for NSW, Victoria and Queensland, with lower occupancy rates reported for centres in Queensland's outer metropolitan areas, which are typically subject to greenfield and suburban growth suggesting new supply may be outstripping population growth in some of these areas. Significantly, occupancy rates of at least 30% in regional and remote centres and in the order of 46% in regional and remote reporting centres in NSW were evident:

TABLE 7.3: Occupancy Ranges by Location

State Rates	Occupancy	Inner Metropolitan %	Outer Metropolitan %	Regional/Remote %
Qld <60%		9	22	22
Qld >90%		51	14	24
NSW <60%		23	12	16
NSW >90%		39	32	38
VIC <60%		10	17	19
VIC >90%		36	29	21

- A study of government involvement within the ECEC sector in the UK states that an 80% occupancy is the rate of viability for a ECEC centre (Penn, 2007).
- 76% occupancy rate reported by the respondents to the Queensland survey for 2017.

8.0 CONCLUDING COMMENTS

Based on the findings and analyses of this Survey and Report, Urban Economics concludes that:

- There has generally been a decrease in occupancy rates, particularly in South Australia and Queensland, which is coincident with an increase in the opening of new centres.
- Higher breakeven rates are also evident in South Australia, with more than 50% of centres indicating that their breakeven rates are in excess of 70%, suggesting some higher cost rates associated with long day care operations.
- Breakeven rates of between 60-70% continued to be identified as the modal rate for centres in other states, with breakeven rates in excess of 90% typically located in inner Metropolitan locations indicative of higher occupancy costs within these locations. Nonetheless, 34% of NSW centres continued to identify breakeven rates in the 60-70% range.
- Regional centres in Victoria and Queensland and centres in outer Metropolitan Queensland centres are demonstrating the lowest occupancy rates, with in excess of 20% of reporting centres indicating occupancy rates of less than 60%. This is in part a reflection of the opening of new centres in Greenfield locations as communities establish in outer Metropolitan Queensland, and in part the provision of long day care centres almost as a service in regional towns.
- The ratio of children to places typically reflects occupancy rates; with areas having lower rates of children to places, characterised by areas with higher occupancy rates. Occupancy rates vary by geography and with regard to the availability of employment opportunities, with inner CBD areas and major employment nodes such as North Ryde typically demonstrating higher number of places relative to the children living within the CBD areas.

APPENDIX 1 – ECEC PROVISION BY LGA

FIGURE A.1 – NSW

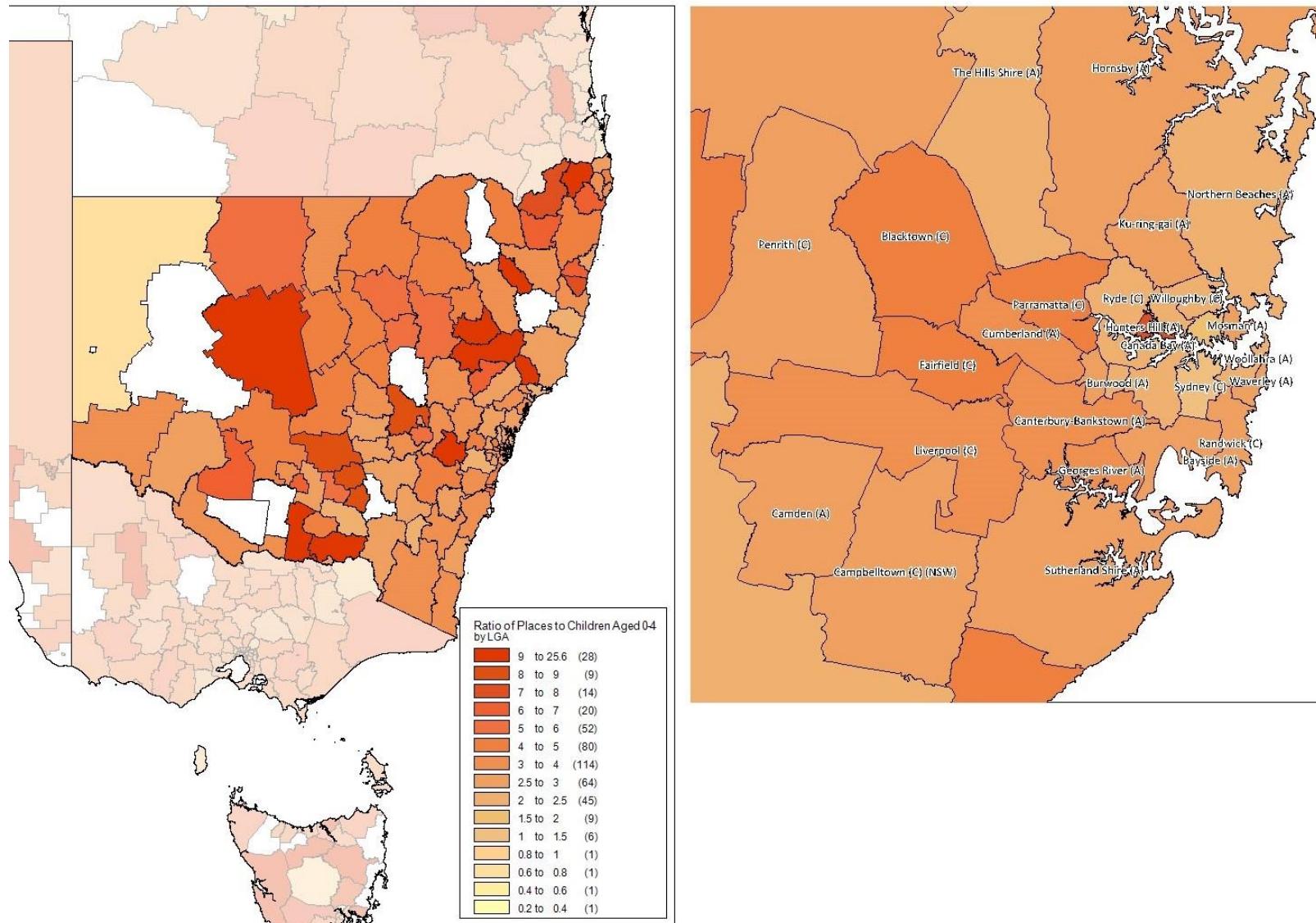


FIGURE A.2 – VICTORIA

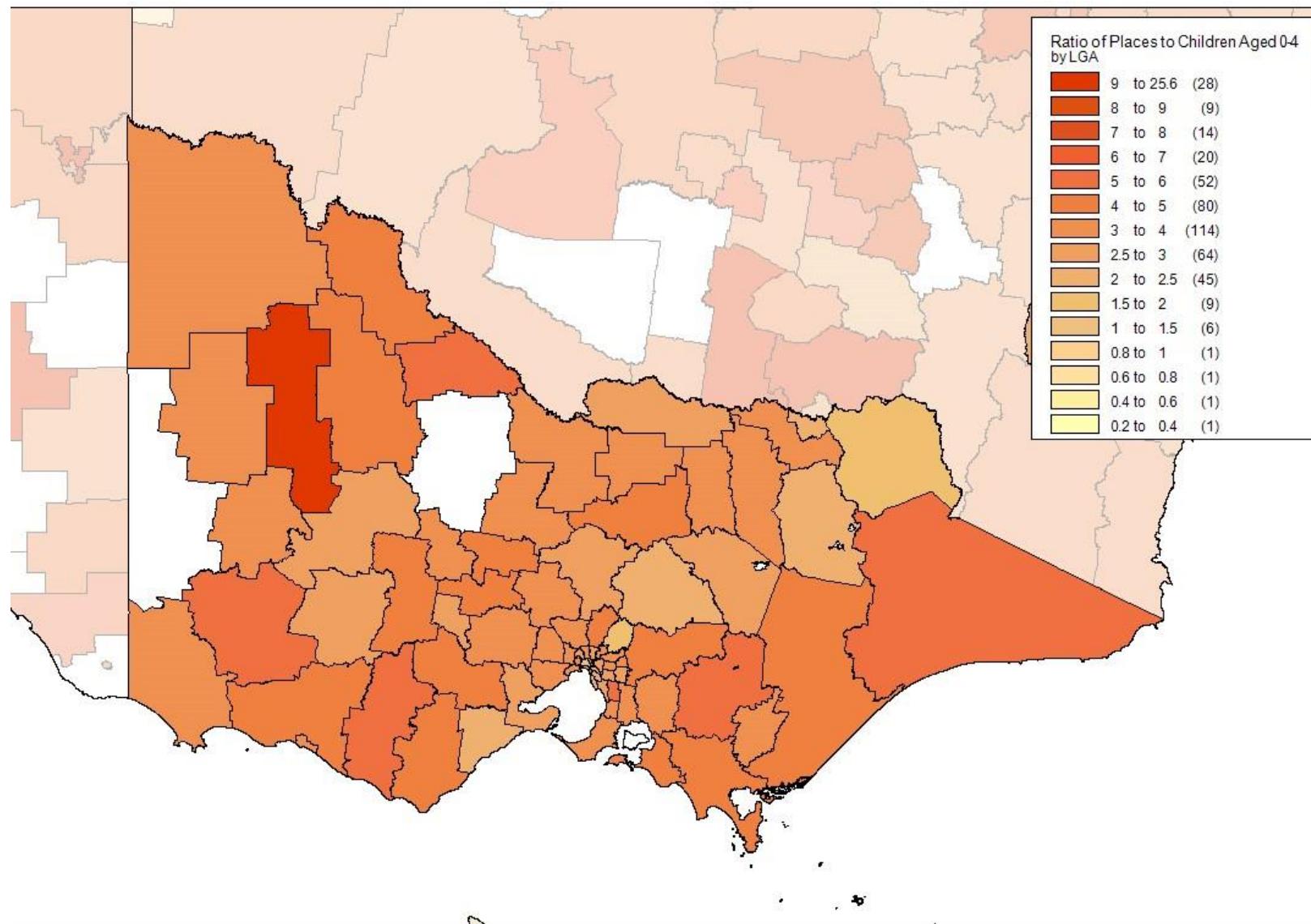


FIGURE A.3 – QLD

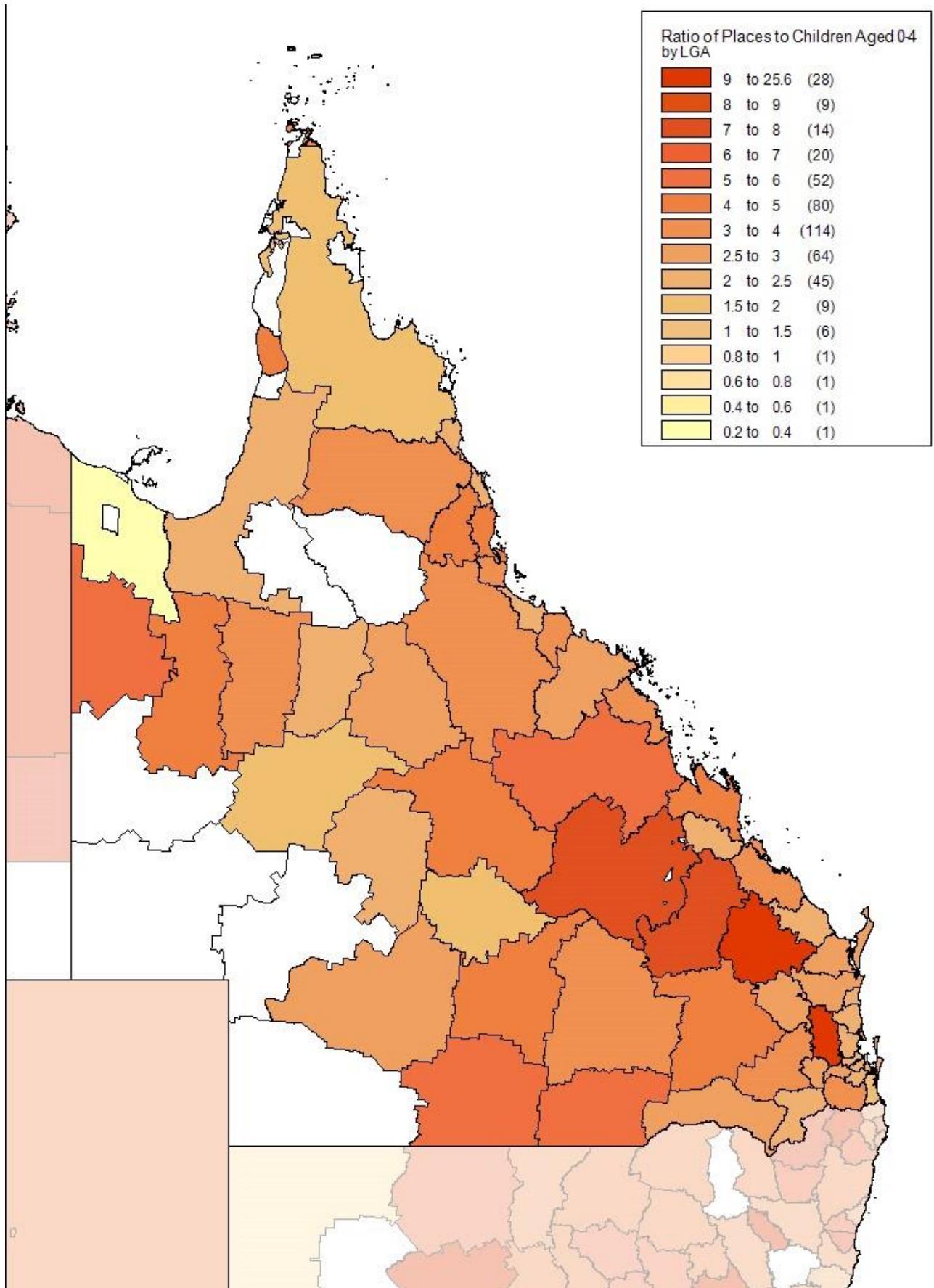


FIGURE A.4 – SA

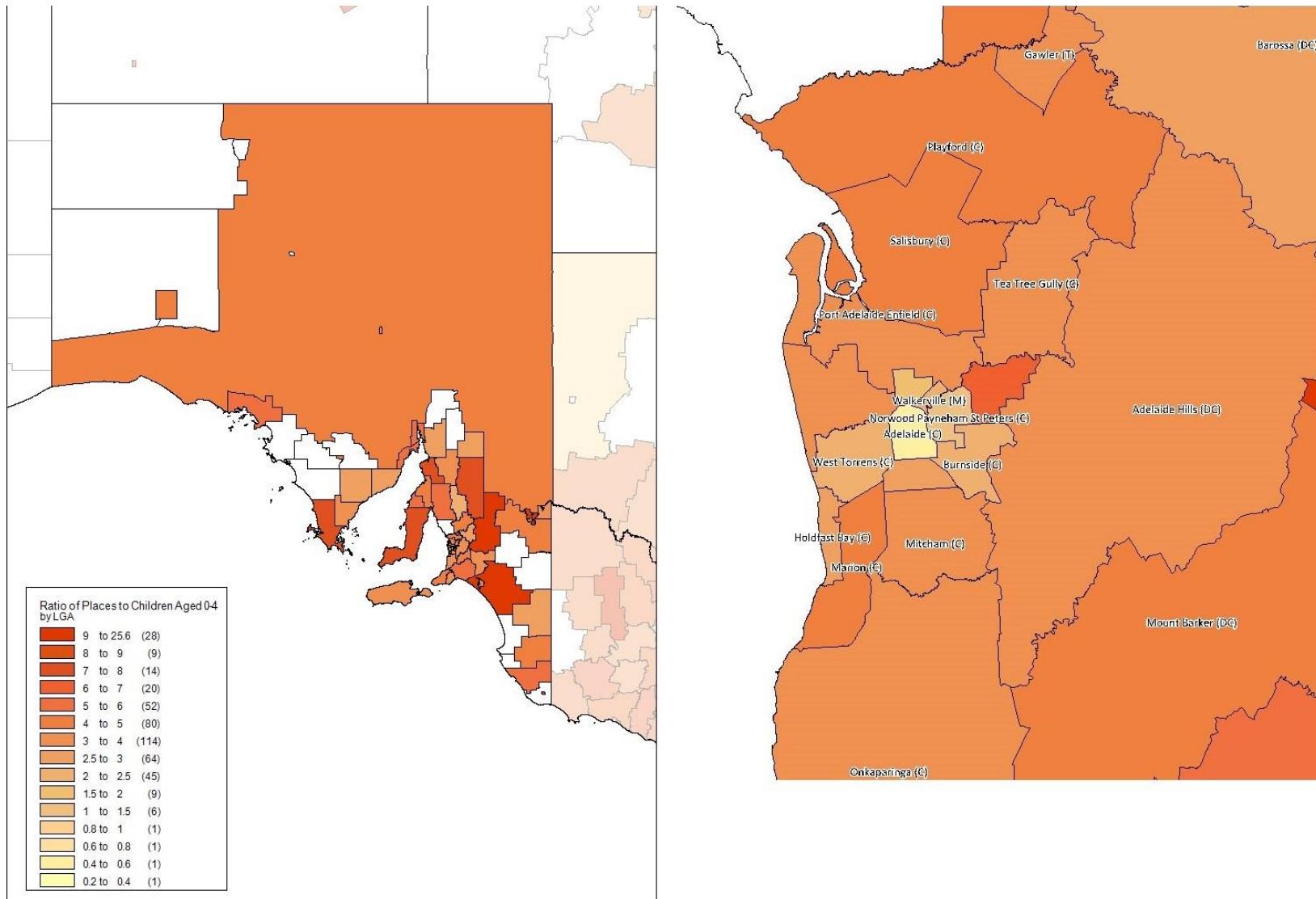
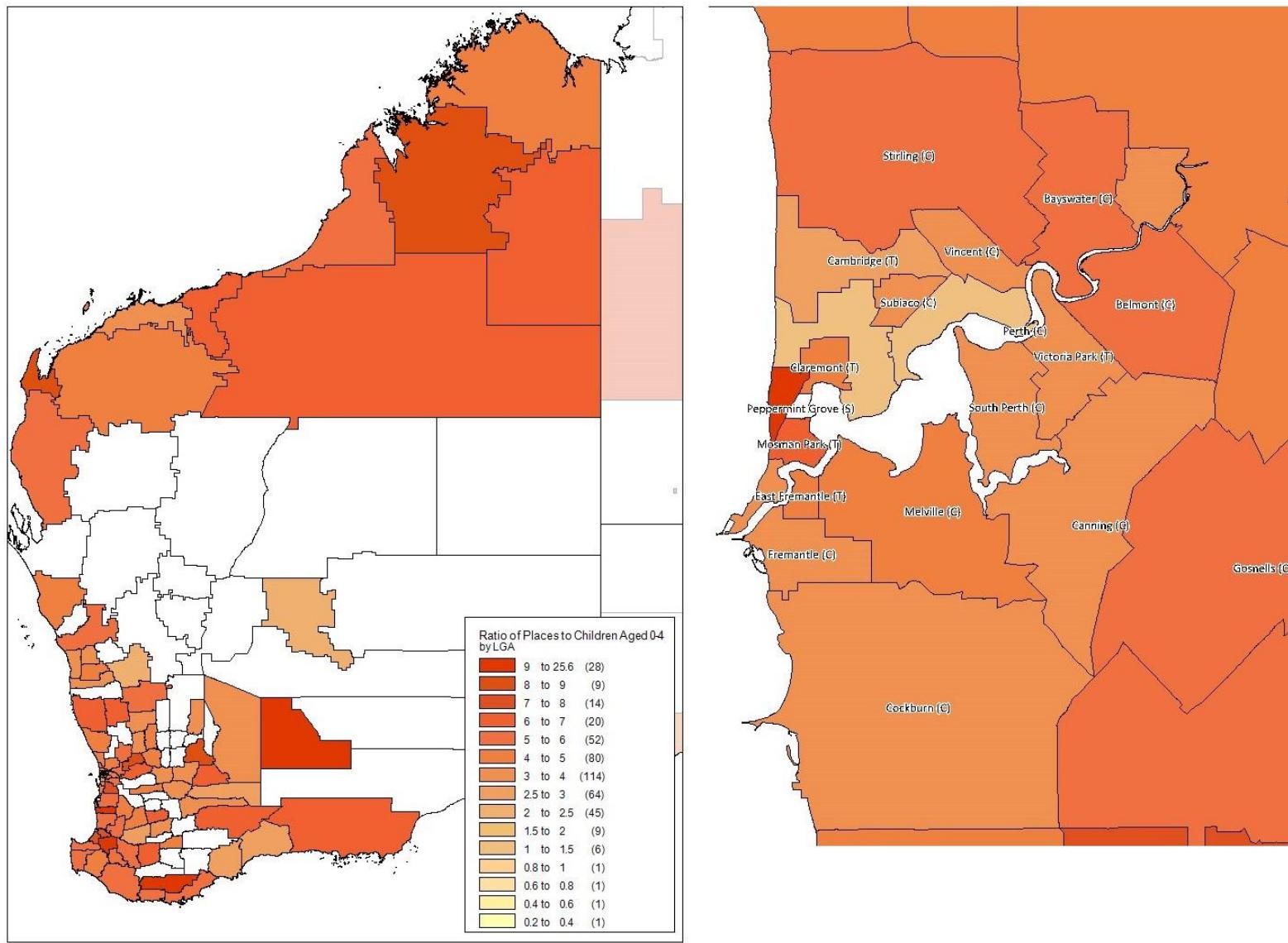


FIGURE A.5 – WA



APPENDIX 2 – SURVEY QUESTIONNAIRE

Your centre matters - make it count!

Urban Economics has been commissioned to undertake independent research exploring the supply of child care places and occupancy rates of child care centres nationally.

In developing a clear and accurate picture of our industry, the opportunities and constraints to growth of the sector, we are undertaking a quantitative survey of members and child care operators. It would assist you in responding to this survey to have access to your centre attendance figures

1. Centre Details - For classification purposes only (optional)

Centre Name

Address

Suburb/City

2. What group or organisation if any is your centre associated with?

- Affinity
- G8 Group
- Goodstart
- Church Run/Operated
- Bright Horizons
- C&K
- Other Community Group
- YMCA
- Other Chain (specify) _____
- Other _____
- None/Independently Run
- Other (please specify) _____

*** 3. In which area is your centre located?**

- Queensland
- New South Wales
- Victoria
- Western Australia
- South Australia
- Northern Territory
- ACT
- Tasmania

*** 4. What postcode is your centre in?**

5. Could you please indicate if your centre is located

- Inner city metropolitan
- Other metropolitan/suburban
- Inner Regional centre
- Outer Regional centre
- Remote

6. Number of licensed places by age group

Birth to 2 years	<input type="text"/>
2 to 3 years	<input type="text"/>
3 years to School age	<input type="text"/>
Total Licensed Capacity	<input type="text"/>

When did this centre open?

- Within the last 12 months
- Within the last 1 to 2 years
- Within the last 2 to 5 years
- Within the last 5 to 10 years
- More than 10 years ago

8. What do you currently charge per day? (For classification purposes only)

Birth to 2 years

2 to 3 years

3 years to School Age

9. For the week ending 25th May 2018, could you please indicate the number of children attending your centre by age group.

Birth to 2 years

2 to 3 years

3 years to School Age

10. And for this same week ending 25th May 2018, could you please indicate the number of children enrolled at your centre by age group.

Birth to 2 years

2 to 3 years

3 years to School Age

11. For this same week ending 25th May 2018, could you also indicate the number of children attending your centre by day.

Monday

Tuesday

Wednesday

Thursday

Friday

12. Similarly, for the week ending 25th May 2018, could you also indicate the number of children enrolled at your centre by day.

Monday

Tuesday

Wednesday

Thursday

Friday

13. We are also interested in looking at trends. For the same week 12 months ago (ie ending Friday 26th May 2017) could you also indicate below the number of children enrolled by age group if you have the data readily available?

Birth to 2 years

2 to 3 years

3 years to School Age

14. And again thinking 12 months ago, the number of children enrolled by day for that same week ending Friday 26th May 2017.

Monday

Tuesday

Wednesday

Thursday

Friday

15. Do you currently have a waiting list for any of the following age groups?

Yes/No

Birth to 2 years

2 to 3 years

3 years to School Age

16. At which occupancy level is the breakeven point for your centre?

- <50%
- 50-60%
- 60-70%
- 70-80%
- 80-90%
- >90%

17. What do you consider are the key opportunities and prospects facing the child care sector?



18. What factors or issues (if any) do you believe are influencing or constraining your centre at this point in time?

19. Are there any other factors or issues that you would like to raise concerning the operation of your centre or the industry as a whole?

This survey is being conducted under the auspices of the Privacy Act. All responses will remain confidential and no individual responses will be identifiable.

If you have any questions about the survey, please do not hesitate to contact Kerrianne Meulman, Managing Director of Urban Economics on (07) 3839 1400 or alternatively at kerrianne@urbaneconomics.com.au



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