



Culburra Beach Pre School
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Culburra Beach NSW 2540

29th July 2014

Wendy Craik
Presiding Commissioner
Child Care & Early Learning
Productivity Commission
Locked Bag 2 Collins St East
MELBOURNE VIC 8003

Dear Commissioner,

Re: Child Based Assistance- Proposed Approach for the Australian Government. (Page 18 of report [or page 32 of computer version] – Fig 6)

You have outlined in your report a proposed new form of assistance (ECLS) Early Care & Learning Subsidy which will replace all current subsidies (mainly CCB & CCR) Child Care Benefit & Child Care Rebate. I note that this ECLS is subject to an activity test & that families who do not meet the requirements will be ineligible for any assistance. ***“Where at least one Parent does NOT work/study/train for 24 hours/fortnight”.***

The current system of CCB & CCR has virtually the same activity test but in the present case, these families who do not meet the criteria for work/study/train, are restricted to a maximum of 24 Hours CCB per week & are unable to access CCR. Later in this submission I will refer to these families as ***“24 Hour Families”***

I am the owner manager of Culburra Beach Pre School, an approved long day care service that has been operated by me since its inception 20 years ago in 1994. The service is a 20 place centre catering for children aged 2 to 5 years of age. My service is located in a regional coastal village of approximately 3,600 permanent residences, 23 kilometers east of Nowra NSW (just north of Jervis Bay). I would like to explain my current situation & then later how your proposed approach will affect my service (& many other coastal & regional services throughout Australia).

1. For the past sixteen years my service has had an Exemption from 24 Hour limit on CCB for Non Work Related Child Care. This was originally called the 20 Hour limit when I was first approved on 27 April 1998. I have had to re-apply for this exemption every 2 years & show Profit & loss statements & reasons why my centre needs this exemption to remain viable. It allows me to offer these “24 Hour Families” an extra day now & then to help keep my occupancy levels up. It is not something that I have ever abused.
2. For the past seven years my service has received “Sustainability Assistance” through the “Community Support Programme” via NSW Child Care Support – DEEWR. This requires the supply of Financial Activity Reports, Attendance & Utilisation Reports as well as Audited Financial Statements. This assistance is targeted toward small services in regional & remote areas which, because of low usage are in need of assistance to remain viable. It is also targeted towards communities where a

service is the sole provider of approved centre-based care, in regional & remote areas, areas of socio-economic disadvantage.

3. Unlike larger metropolitan areas our fee structure must be in keeping with the affordability of socio economics of the area. Therefore my fees are considered **LOW** compared to my city counterparts. **I currently charge \$64 per day per child.** These rose from \$60.50 on 7th July 2014 & from \$56.40 twelve months ago. These last two fee increases have been the largest yearly rises that I've ever had to make. Costs are always increasing (particularly wages & associated costs from the implementation of the NQF – NQS). Similar centres in larger metropolitan areas are currently charging somewhere between \$80 to \$110 per child per day & therefore generating a much greater income for their Centre. **It's interesting to note that all my major expenses such as Wages, Superannuation and Insurances are the same as the centres that are able to charge much greater fees than I can!**
4. In my 20 years of operation of I have never had a waiting list. At present I have 4 enquiry forms for families with children who are waiting to turn 2 years of age, and when that day comes, I will have a position for them. As I am licensed for 20 children a day & I am open 5 days per week, I have a total of 100 positions per week. (50% = 50 positions). I am currently at 91% occupancy but have averaged 75% to 80% per year for the past 7 years. I started this year at 74% occupancy. As this is a small Coastal Village, the number of children needing care can vary greatly from year to year.
5. My service requires an average of 75% to 80% occupancy along with the Sustainability Assistance to remain viable. However, a major portion of my occupancy levels are made up from "24 Hour Families". If your proposed approach is approved, these "24 Hour families" would be unable to afford Child Care. Without fee assistance they would have to pay full fees & this would be beyond their affordability.
6. Unlike larger metropolitan areas where there are long waiting lists & plenty of parents that meet the Criteria for Work/Study/Train, a large amount of small services in regional & remote areas (like mine) rely on these "24 Hour families" to assist in increasing our occupancy levels to a level that will keep us as a viable centre. I have completed a table below showing a break up of our occupancy levels from earlier this year & current. This is typical of most years. Shown in bold below are my occupancy levels if the Federal Government was to implement your proposed approach to fee assistance. I am confident that many other centres across Australia would be in this same position.

	Average Weekly Percentage of 24 Hour Families	Average Weekly percentage of Families that Meet the Criteria Work/Study/Train	Average Total Weekly Occupancy	My Centre's Occupancy Level if the Proposed New Approach is Approved
January 2014	32% +	42% =	74%	42%
July 2014	36% +	55% =	91%	55%

Should your proposed approach be implemented, I would estimate an average occupancy level of 45% to 50% over a 12 month period. An average 50% level at \$64 per child per day over a 50 week period would generate a gross income for my service of \$160,000 per annum.

I currently have 3 staff (to meet the Child / Staff Ratios & to provide Quality Care). I am required to

have at least 2 Qualified Staff on the premises at all times. Even when my occupancy levels drop to 50%, I am unable to cut the cost of wages as I still require 3 staff. Please consider they require meal breaks / toilet breaks & one staff to be off the floor at times preparing morning & afternoon tea.

In short even when my occupancy levels drop, I am unable to reduce my major costs in Wages / Superannuation / Insurances / Rates / Loan Repayments / Utilities etc. I will list a few expenses from the 2013 – 2014 financial year.

Wages / Superannuation / Insurances (including Public Liability & Workers Comp)	\$*****
Rates / Loan Repayments / Utilities (Water-Gas-Electricity-Phone)	\$*****
TOTAL	\$*****

As you can see at a 50% occupancy level I CANNOT even cover the major costs involved in running a small 20 place child care centre. Examples of other costs that I have not yet mentioned are Advertising / Bank fees / Cleaning & Rubbish Removal / Donations / Excursions / Government Charges / Printing & Stationery / Purchases Food / Purchases Equipment / Purchases Art & Craft / Repairs / Staff Training / Subscriptions / Tax. The total if these items are approximately \$*****. The only other item is of course MY WAGE. As a Sole Trader my wage comes out of what is left over after costs.

In conclusion I would like to remind you that this is not just my small centre that will suffer if you stop Fee Assistance to families that don't meet the Criteria for Work/Study/Train. Quite simply if you go ahead with this decision, I will have to close this Child Care Centre as the costs far outweigh the income. My great staff will be out of a job as will I. The families that do meet your Criteria would be without a local facility leaving them with the difficulty of finding new care & many kilometres & much travelling time.

One set of rules does not fit all Child Care situations or localities. What works in the big Cities does not work in Regional Areas. Regional areas are not made up of just western districts, they also include coastal regions. There have to be allowances made for these isolated & regional areas & assistance provided to them if you want working families in these areas to have access to Quality Child Care.

Your offer of a "Viability Assistance Program" (Page 20 [or page 34 of computer version]) has me confused as you are offering assistance to remain viable but only for 3 years out every 7 years. Would this apply to my centre as I would need a lot of assistance every year?

Please give careful consideration to your future recommendations for the Australian government in regard to Child Care Fee Assistance. Could I boldly suggest the your Productivity Commission research all regional centres on this issue & how it will affect them, perhaps a little more thoroughly than has been done to date.

Yours Sincerely

Andrew Heffernan
 Owner / Manager
 Culburra Beach Pre School