SPECIAL ISSUE

Broadside

COMMUNITY CHILD CARE CO-OPERATIVE (NSW) AUTUMN 2017

Louise Murfet with children at Jacaranda Pre-School.

PHOTOGRAPH: JOHN VEAGE

Big business taking over **childcare**

Big business is moving into early education and care and we need to be concerned. Will they squeeze out smaller providers and community services? How will children be affected?

Early education and care is increasingly becoming big business in Australia and, in business circles, new corporate-speak has become the flavour of the month: "investment-grade asset", "aggregation", "profit-to-childcare place ratios" and "childcare landlords".

Corporate entities, private equity firms and developers have moved into the sector in a big way. And it's no wonder, considering the almost $1 billion in profits made by the childcare industry in the last financial year.

As the population grows and more children are born, it makes sense for governments and councils to focus on future needs of communities and ensure enough places for children, but who will be providing these places? Big business entities? Smaller providers? Community?

Will children's needs be safeguarded if childcare becomes the plaything of big business? Given that childcare is so massively supported by taxpayer-funded subsidies, is allowing these larger corporations and private equity firms to make such large profits a good use of those subsidies? And is this trio of corporates, private equity and developers acting in the best interests of children, if their primary interest is making vast returns for their owners and shareholders?

Councils fast-tracking development

In certain parts of NSW, there is a trend for local councils to fast-track the building and development of early education and care services, and small operators, the community sector and those that are interested in children's right to access high quality education and care have good reason to be concerned.

Kahibah is a small suburb south of Newcastle in the Lake Macquarie Council area. For decades, families living in the area have had a choice of a few education and care services in surrounding suburbs—several community-based long day care services, a community-based preschool and a private long day care. These services are small, mostly licensed for between 25 and 50 places.

This seemed like quite a suitable arrangement for this community, but then the developers moved in.

A developer created a 100-place childcare centre in the suburb and leased it to G8 Education, a corporate provider

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that owns almost 8 per cent of services across Australia. The developer then sold the property via an expression of interest campaign managed by real estate giant Colliers. The purchaser of the property was promised annual rent of $300,000, with 4 per cent annual rent increases and the tenant to pay all outgoings. A 15-year lease was provided to G8 Education, with an option to extend after expiry.

Corporates bypass planning regulations

From her office, Michelle Peden can see some of the construction of these large early education and care services in the horizon, and can see even more when she drives around the suburb. As the owner of Kinda Capers, a 33-place for-profit long day care centre that draws from Kahibah, she believes there are many problems with the G8 Education centre under construction.

"It's two storey, it doesn't comply with quite a number of the elements of the DCP [development control plan], it is down on car parking spaces and it's just 50 centimetres off the perimeter boundary," says Peden. "If I wanted to develop a centre, I would need to be five metres off the boundary. I just don't see how that centre can comply with the regulations in offering quality care to children. I can't understand why, as an owner–operator, I'm forced to comply with every single element of the DCP but when a large developer comes in, the DCP just goes out the door, they cut them all sorts of slack."

Peden is also worried about the children who will be using the centre. "They are not providing sufficient car parking and it's a corner block, so you've got children who will be getting out of cars near a corner on a busy road to get into a centre. The children don't have access to outdoor play areas. The potential for an accident is significant because they haven't been made to comply with the DCP."

And this is not the only problematic service. "We're finding that there's a lot of corporates, in conjunction with developers, opening very large centres in areas where there's not a demonstrated need."

Peden doesn't believe that the quality of some of these developments is consistent with the quality outcomes that are required under the EYLF or under the whole framework and regulations.

She also says she has never seen commercial leases like the ones being signed. "Developers are asking the lessee to pay a proportion of construction costs. Then they're signing them up to a lease for three-to-five years and then, if they want to activate that lease in three-to-five years, they're asking for another contribution of tens of thousands of dollars to be able to re-sign that lease."

She is also concerned about the contracts large providers are offering staff and their impact on relationships with children. "I don't know how they can even be legal."

According to Peden, there are staff on three-hour minimum contracts and if it's decided that they're not needed, they are told to go home. "If you're the one that that little person has bonded to for the day, and you're the only person that little person wants to deal with for the day, then tough luck, you've done your three hours, you can go home."

Peden says it is hard for the smaller providers to compete with the large developer-backed companies. "We've got these private equity groups coming in with really, really deep pockets and they're doing things like offering two months free childcare. That's an enormous attraction to parents who are cash strapped."

> At Affinity Education, only 11% of services were rated by ACECQA as exceeding the National Quality Standard. The national average is 30%.[1]

She also points to another large for-profit operator, in partnership with a developer in the area, that has offered $100 free groceries for every child who enrolled.

"My concern is that when I start complaining, I just look like a private centre who's whingeing about competition. I don't have any issues with competition at all, but flooding the market with childcare centres without ensuring the quality of the service that those centres can offer, I think, is extraordinarily problematic."

Peden says there is a problem with supply and demand. "We have a serious oversupply in the Newcastle and Greater Hunter areas." She also believes the councils in these areas have an attitude whereby they can't deny development applications based on the fact that other centres around aren't full, because they could be taken to the Land and Environment Court.

Peden believes the Australian Government should stop approving services for Child Care Benefit and Child Care Rebate as a way of ensuring supply meets demand. "Unless you can prove the centre you're building is needed in the area, you shouldn't be getting a CCMS licence."

Big business comes to Sutherland

Louise Murfet, the director of the community-based Jacaranda Preschool in the Sutherland Shire, shares Peden's concerns, with a rash of new development applications lodged in the Shire.

The *St George Leader* reported that 13 childcare development applications were lodged in the Shire over the last six months of 2016—the largest being a 174-place service. The 13 applications are for 800 new places overall.

This compares to the 321 places approved in total in 2015, and 315 in 2016.

Murfet says that large providers are assessing the amount of new apartment blocks being constructed in the area and are building childcare centres to capture the families from these, without looking at existing supply in the area—where there is actually an oversupply of places for 3–5-year-olds and an undersupply for 0–2-year-olds. But Murfet says the Sutherland Shire Council told her they cannot reject a development application, just because of issues relating to oversupply.

She is also worried about quality. "I look at some of these places that are going in and there's no outside area. There's no outdoor with sky and sun and breeze coming for these children. They're undercover all the time and that really concerns me. Sutherland Shire is not the middle of Sydney. We are not in the CBD, so these big places that are going in, are they what is best for children?"

How will smaller services survive?

Like Michelle Peden, Murfet is concerned about the viability of smaller services like hers. "I truly believe that if you've got a good program, that people will continue to come to you," she says. "I think good services will last out. But at the same time, for the smaller service, one or two places can make a big difference to your viability."

The *Draft State Environmental Planning Policy (Educational Establishments and Child Care Facilities*) was released earlier this year, and proposes changes to the NSW planning system, making it easier for early education and care facilities to be built or "to ensure that facilities are well-designed, appropriately located, and fit for purpose". The proposed SEPP introduces physical environment requirements for services that match the National Quality Framework and will reduce approval delays for developers.

The SEPP will also change the ability of local councils to implement a development control plan that contains requirements that exceed NQF requirements. These include conditions councils can insert to provide higher quality care or care appropriate for their area, such as restricting centre sizes or requiring a certain number of places for 0–2-year-olds. The SEPP will also change a council's ability to reject a development application on the grounds of location—the development may be located at any distance from an existing or proposed centre.

Large developers, large corporate tenants and changes to planning policy means that smaller services will increasingly come under pressure and councils will find it more difficult to provide access to higher quality services in their local area. The SEPP is now open for consultation, and Community Child Care will be raising these issues with the NSW Government.

The stats that matter

The squeeze on small services[1]

83% of **PROVIDERS** operate just **1** service

17% operate more than **1** service

these providers own **40%** of the market share

these providers own **60%** of the market share

This market share is getting **smaller**

This market share is getting **bigger**

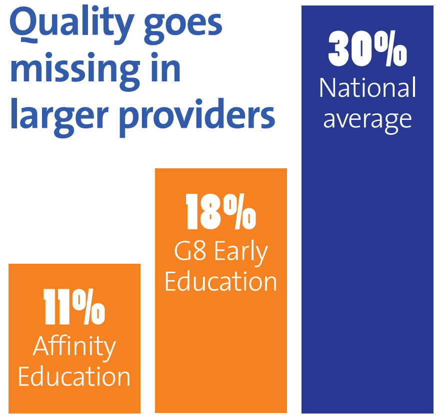
By 2036, in NSW there will be[2]…

2,700 extra LDC services

600,000 children under 5

Who will provide the additional places required?

Quality goes missing in larger providers



% of service providers rated by ACECQA as Exceeding the National Quality Standard.[3]

PROFITS = $1 billion Private profits created during 2015

1. Australia Children's Education and Care Quality Authority, *NQF Snapshot Q4 2016*.
2. NSW Department of Planning and Environment, *Draft State Environmental Planning Policy (Educational Establishments and Child Care Facilities*.
3. Australia Children's Education and Care Quality Authority, *National Registers*.

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And what about children?

Children? One might ask what do they have to do with any of this, really, because they seem to have been forgotten in this rapid expansion of services and places. Unless there are some very prodigious young learners out there, children wouldn't be overly concerned about who owns their early education and care service or issues surrounding private equity firms and profits, but they do recognise the good relationships with their peers and strong attachments with their educators. They might not be able to articulate it very well, but children know what a good service is.

Long-fought campaigns to improve educator-to-child ratios and the creation of the National Quality Framework had children at the centre of their focus, with the intention of improving outcomes for children attending early education and care services.

Many in the early education and care field recognise that good quality physical environments and quality educators result in children being better equipped with future challenges in life, which results in better communities. Yes, we all know this, but it needs repeating because it's apparent that the many people who should know better are not listening.

For some investors and private equity firms that are far removed from the day-to-day management of these services, educator-to-child ratios and quality standards are seen as impediments to profits, rather than something that improves outcomes for children.

As we saw with the rapid expansion of ABC Learning in the early 2000s, and the unbridled corporate greed that led to its collapse, early education and care at this level can quickly descend into chaos if left unchecked, only for governments to step in and sort out the resulting mess. The folly of high level corporate involvement in early education would not be tolerated if it were extended to the primary and secondary education sectors. So why is it tolerated in early childhood education?

Treating children and childcare as a commodity that relates more to "investment-grade assets" or "profit-to-childcare place ratios" than quality education means that we are standing at the edge of an abyss, where smaller services offering high quality education and care are squeezed out by corporate and private equity entities dangling all sorts of freebies and incentives to parents in their pursuit of profits. And, if this continues, it's a position that might be too difficult to scale back from.

Is your service being surrounded by new corporate entities or fast-tracked development? Share your stories with Community Child Care by sending an email to: **info@ccccnsw.org.au**

QUARTERLY WRAP

Some current movements and hot topics in early childhood education

New ACECQA CEO appointed

January 3: Gabrielle Sinclair is appointed as the new ACECQA Chief Executive Officer. Gabrielle comes to ACECQA with a wealth of knowledge and experience in children's education and care, and we look forward to working with her.

New minister in NSW

January 31: Sarah Mitchell is announced as the new NSW Minister for Early Childhood Education in a cabinet reshuffle caused by the resignation of Premier Mike Baird. Community Child Care CEO Diane Lawson has already met with the new Minister, continuing our strong role as an advocate for educators and children. Minister Mitchell has a three-year-old child in preschool, which she says provides with a parent's perspective in her new portfolio.

NQF changes are coming

February 13: Education ministers across Australia agree to make changes to the NQF, including clarifying and simplifying elements and standards. A revised National Quality Standard will be introduced in all states by 1 February 2018.

Kate Ellis to resign

March 9: Kate Ellis announces she will resign from politics at the next federal election. She is Shadow Minister for Education and Early Childhood, and was previously Minister for Early Childhood Education, Childcare and Youth.

The Omnibus bill

STOP PRESS!

March 23: The Australian Government struggles to have its 'Omnibus bill' approved and splits it into two bills. Community Child Care and 20 other peak organisations are voicing their concerns: the impact of the activity test on disadvantaged families; the emphasis on workplace participation and not early education; access for low-income families to at least 15 hours per week of early education; and additional top-up support (22.5) for ATSI families. **This is a rolling issue and updates will be provided through *Shortside*.**