

As fees keep climbing, this is why competition isn't enough to deliver cheaper childcare ^[1]

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Source: The Conversation

Format: Article

Publication Date: 5 Jul 2023

AVAILABILITY

Access online ^[2]

The Australian consumer watchdog is halfway through an inquiry into childcare prices.

The Australian Competition and Consumer Commission's interim report was released on Wednesday. It comes just days after the federal government's increased childcare subsidies kicked in on July 1.

This is one of two major inquiries the federal government has commissioned on childcare. The Productivity Commission is also looking at how early education is set up in Australia.

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The interim report flags the most important part of the ACCC's work is yet to come – understanding where the money is going.

The childcare market is highly diverse, with different models of care, and centres run by government, for-profit and not-for-profit providers. Many people struggle to understand how childcare can simultaneously cost so much for governments and parents, while its workers are paid so little.

Some in the industry are making good money. As articles in the financial media regularly remind us, it is a market where private equity and commercial property investors see attractive returns relative to the risks.

In the next phase of its inquiry, the ACCC will examine costs, profits, and quality across the sector. If there are excess profits being made, I'm confident the ACCC will find them.

This next stage of the inquiry will also inform whether the ACCC recommends stronger price regulation for the sector. This interim report is treading softly, but it looks like this is where the ACCC is heading.

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