



Tuesday 29th September 2026

Committee Secretary
Senate Education and Employment References Committee
Parliament House
Canberra ACT 2600

RE: Inquiry into the state of Australia's early childhood education and care (ECEC) system in rural, regional and remote communities

Dear Committee Secretary,

The Australian Childcare Alliance (ACA) welcomes the opportunity to make a submission to this inquiry. As the national peak body for early childhood education and care (ECEC) service providers, the ACA represents more than 2,500 members with over 4,000 early learning services, supporting over 360,000 families throughout Australia. Our members are proudly independent, proudly local and deeply connected to the communities they serve.

Many of our members are small, locally owned providers, including services that are the only provider in their community. ACA supports a mixed system in which government, not-for-profit, community-controlled and independent providers each have a role in meeting local need.

The past two years have been a period of significant challenge and change for the early education sector. Serious child safety incidents have prompted regulatory reform and heightened community scrutiny. ACA's position is clear: the safety, wellbeing and best interests of children **must** remain at the heart of all policy and reform across the ECEC sector. However, reforms must also be practical, proportionate and implemented in a way that recognises the operational realities facing services and supports their capacity to deliver safe, high-quality early learning.

At the same time, providers are managing rising operating costs and ongoing workforce pressures. While these challenges are being felt across the sector, they can be particularly acute in rural, regional and remote communities, where service delivery is already constrained by geography, workforce availability, smaller populations and higher operating costs.

For families outside our major capital cities, access to ECEC is not merely a convenience; it is the economic backbone of communities and essential to broader workforce and health infrastructure. Without reliable care, regional workforces for essential industries such as agriculture, mining, education and healthcare cannot operate at full capacity.

Equally critical is ensuring that **every child**, regardless of their postcode, has the option to enjoy the benefits of play-based early learning, which provides opportunities to socialise with other children, develop the foundational skills they need to thrive, and be well prepared for the transition to primary school.

☎ 0411 587 170

✉ president@childcarealliance.org.au

🌐 www.childcarealliance.org.au

Level 1, 1535 Dandenong Rd
Oakleigh VIC 3166



The recommendations we have set out in the submission below focus on creating a sustainable, flexible and inclusive system that recognises and addresses the higher cost of delivery in rural, regional and remote locations while ensuring no child is left behind because of their geographic location or developmental needs.

ACA remains committed to working constructively with governments and sector partners to ensure future reforms strengthen the ECEC system and, above all, deliver the best possible outcomes for every child.

Yours sincerely,

Paul Mondo
President



Preamble

Access to high-quality, play-based early learning is crucial for children's wellbeing and development, helping them to build the social, emotional and cognitive skills that provide a strong foundation for school and later life. However, access to quality early education, is not always guaranteed, with children and families in rural, regional and remote areas continuing to face significant barriers to access.

The geographic distribution of early learning services in Australia partly reflects whether high-quality provision is financially viable. A service's revenue, which depends on fees and sufficient enrolments, must cover wages, rent, insurance, consumables, maintenance, upgrades and debt servicing. In thin markets, recurrent supply-side funding should enable all high-quality providers, including existing independent services, to meet community need where fee revenue alone cannot sustain delivery.

The Community Child Care Fund (CCCCF) supports services facing barriers to operation and families facing barriers to access, including in rural, regional and remote areas. ACA recommends a review of whether its grant amounts and indexation adequately respond to rising delivery costs and the development of a model that delivers more certainty of funding.

The Australian Education Research Organisation (AERO) published Delivery approaches in regional and remote thin markets in February 2025. It identified several approaches with promising or emerging evidence and concluded that locally tailored combinations are needed. Government provision and government funding interventions are among the approaches considered for children from birth to kindergarten or preschool age. Recurrent support for viable, high-quality mixed provision should form part of that response.

Much of the sector faces viability constraints in 2026. To quantify the issue, ACA conducted a nationwide Occupancy and Retention survey of its members in March 2026. The data show that median occupancy has declined across all geographic classifications since 2025, but that regional services continue to record higher occupancy and stronger unmet demand than urban services largely due to staffing challenges rather than a lack of licenced capacity.

Our evidence includes responses from 446 ACA member services to the March 2026 Occupancy and Retention survey. The results illustrate pressures reported by respondents; they should not be treated as estimates for all Australian services. They help this Committee consider service gaps outside metropolitan areas and the workforce required to expand access.

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✉ president@childcarealliance.org.au

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Oakleigh VIC 3166



Recommendations

1. Broaden eligibility for future Building Early Education Fund (BEEF) capital grants so that existing high-quality services in rural and regional areas with demonstrated unmet demand, as shown by waitlists and oversubscription, can expand, alongside a dedicated workforce strategy aligned with anticipated growth.
2. Review the indexation and adequacy and duration of the Community Child Care Fund so that existing rural, regional and remote services can meet rising operating costs with the certainty and stability needed for long term planning.
3. Supplement the Community Child Care Fund's time-limited, competitive grant model with a recurrent loading tied to the CCS hourly rate cap, either built into the rate cap methodology to reflect the structurally higher per-child cost of ECEC delivery in rural, regional and remote markets, or paid as a supplementary loading above the rate cap and weighted by remoteness, so that rural, regional and remote services have the ongoing financial certainty to meet rising operating costs and plan their workforce beyond a single grant cycle.
4. Implement the Productivity Commission's outstanding affordability recommendations, including a 100 per cent CCS rate for families with household incomes up to \$80,000, and its recommendations to increase funding for the Inclusion Support Program.
5. Support the establishment of a dedicated ECEC Industry Labour Agreement to allow rural, regional and remote providers to recruit qualified overseas educators where local recruitment cannot meet demand, as a complement to domestic training and workforce pathways.
6. Introducing financial incentives for ECEC educators to work in outer regional, remote and very remote areas, structured similarly to existing incentives for teachers working in those locations, including salary supplements, relocation grants and housing assistance.
7. Work with state and territory governments to recognise ECEC educators as essential or key workers for the purposes of regional key worker housing schemes, to reduce a significant non-wage barrier to educator relocation.

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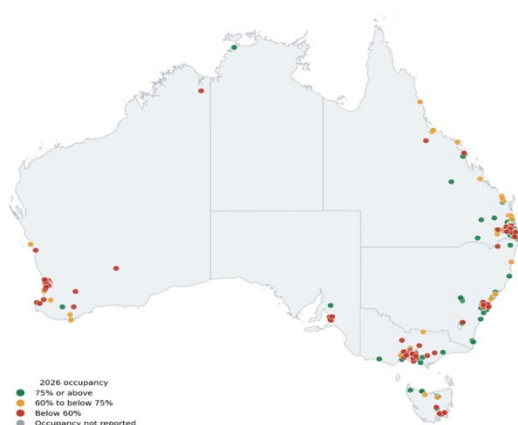
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Response to the Terms of Reference

1. Geographic distribution and community need

Of the 446 survey respondents in the ACA Occupancy and Retention survey in March 2026, 361 services are in urban areas (Major Cities under the ABS ASGS 2021 Remoteness Area classification), 81 in regional areas (Inner Regional and Outer Regional), and four in remote or very remote areas.

The national median occupancy in the reference week of March 2026 was 69.6 per cent, a 6.4 percentage point decline from the national median of 76.0 per cent in 2025.



State	n	Median occ. 2026	12-month change*	Below 70%
WA	81	51.9%	-13.2 pp	71%
SA	11	59.5%	-4.8 pp	73%
VIC	122	69.3%	-6.9 pp	50%
TAS	18	70.0%	-6.0 pp	50%
NSW	79	71.9%	-6.3 pp	46%
QLD	131	75.1%	-6.3 pp	41%
ACT	3	88.0%	+3.7 pp	33%
NT	1	77.3%	+2.2 pp	0%

Regional long day care services record a higher median occupancy than urban services (72.9 per cent versus 68.1 per cent). While some urban services report losing enrolments as new services open nearby, many regional services are unable to meet existing demand. This is less to do with the the capacity of facilities, but rather underlying and systemic workforce challenges.

While median occupancy for regional services is 72.9 per cent, ACA member survey data shows that 53.1 per cent of regional long day care services carry an active waitlist, compared with 39.9 per cent of urban services. Across all regional services in the sample, more than 2,200 children are currently on waitlists, averaging 27.5 babies, 17.1 toddlers and 10.3 preschool-age children per waitlisted service. This however is a small sample and likely requires deeper analysis to ensure an appropriately representative data sample.

The gap between occupancy and waitlist demand in regional services is likely to reflect age-group ratio requirements, room configuration and in particular, **workforce availability**, which can prevent services from offering vacancies in one age group to children waitlisted for another.



Classification	Services (n)	Median Occ 2026	Median Occ 2025	Services with Waitlist	Total Children Waitlisted
Urban (Major Cities)	361	68.1%	75.2%	39.9%	6,447
Regional (Inner/Outer Reg)	81	72.9%	80.8%	53.1%	2,233
Remote (Remote/Very Remote)	4	59.1%	70.7%	50.0%	5

Table 2 Occupancy and waitlists by geographic classification ACA member survey March 2026

Thin markets and the limits of capital investment

Geographic isolation creates thin markets where the cost of delivering care cannot be recovered through fees alone under the current CCS funding model. ACA acknowledges Commonwealth and state capital investments, including through the CCCF and Building Early Education Fund (BEEF), that have targeted identified supply gaps.

While these investments are welcome, ACA notes that service gaps in rural, regional and remote areas cannot be reduced to a shortage of buildings. A newly constructed centre in an undersupplied regional community cannot open without qualified educators.

ACA member survey data shows that all four remote services and 77.8 per cent of regional services cite recruitment and retention as pressures. Capital investment without a concurrent workforce strategy will not resolve the access gap it is designed to address.

The survey data point to two areas where investment could better meet community need:

1. Whilst some regional services report waitlists, they have limited capacity to increase the availability of existing licensed places due to workforce challenges. Broader eligibility and simpler access to BEEF grants for expansion of existing services could add places sooner where the site, approvals and workforce allow. Comparative costs should be assessed for each location and an appropriate needs analysis that genuinely ensures additional infrastructure is needed.
2. Workforce pressure remains a significant constraint for all geographic locations, but particularly for rural, regional and remote areas where access to housing and social services is limited. Workforce investment should be broadened to include industry labour agreements that support skilled worker migration to high-need early education locations, along with housing and social support to sustain the workforce.

Service closures and viability pressures

In addition to Occupancy and Retention data, ACA asked providers about their business outlook and future intentions, given concern that the current operating environment is prompting local and independent providers to consider leaving the sector.

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✉ president@childcarealliance.org.au

🌐 www.childcarealliance.org.au

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In the year to 30 June 2026, 425 new centre-based day care services opened, just short of the record 443 set in 2024-25; however, 204 centres closed, up from 149 in 2024-25 and 90 in 2023-24¹.

More than three-quarters of these services were rated Meeting or Exceeding the National Quality Standard (69 per cent and 8 per cent respectively). Of the 204 closures, 37 were in regional and remote areas and 53 of the 204 were operated by not-for-profit or public providers. While most closures occurred in major cities, the loss of a service can have a particularly serious effect in a community with few alternatives. ACA is concerned that household cost pressures may also affect participation and service viability in disadvantaged areas.

A further 72 services closed between 30 June and 31 August 2026: 15 were operated by not-for-profit providers, 3 by government and 54 by private providers. Geographically, 56 were in urban areas, 7 regional, 7 rural, and 2 remote; this included 9 that were assessed as Exceeding, 44 as Meeting, and 12 as Working Towards.

Our survey data shows that 27.2 per cent of regional service operators and 25 per cent of remote operators say they plan to exit the sector now or within one to two years. Among regional and remote services with active waitlists, 218 children are currently waitlisted at services whose operators are considering exit.

In communities where a single long day care service is the only provider, unmanaged exit does not produce a market correction; it leaves the community without access to early learning entirely.

2. Attracting, training and retaining a qualified ECEC workforce

The workforce challenge in rural, regional and remote Australia is not peripheral; it is a primary constraint on the effectiveness of other policy interventions, because a service cannot open, expand or maintain quality without qualified educators.

- ACA member survey data shows that recruitment and retention is an operational pressure for all four remote long day care services in the sample, 77.8 per cent of regional services and 81.4 per cent of urban services. The very small remote sample limits generalisation.
- Workforce quality and supply is flagged by all four remote services in the sample and 80.2 per cent of regional services.
- Among the four remote services in the survey, none reports annual staff turnover below 10 per cent, and two report turnover above 33 per cent.
- Regional and remote services are disproportionately small. ACA member survey data shows that 41.2 per cent of regional and remote services have fewer than 60 licensed places and 12.9 per cent have fewer than 40.
- Small services cannot offer the same career structures, specialist roles, peer learning environments or relief staffing arrangements that retain educators over time. A director of a small regional service often fills multiple qualified roles at the same time.

¹ Australian Children's Education and Care Quality Authority. NQF Snapshots. <https://www.acecqa.gov.au/nqf/snapshots>



Member feedback describes the difficulty of arranging qualified relief staff in a small regional service, especially when it is the only provider in town. This makes investment in recruitment, professional development and relief capacity important to maintaining quality and safe operations.

Wages, housing and transport

- ACA member survey data shows that 78.8 per cent of regional and remote services flag cost-of-living and fuel price pressures as affecting their operations.
- For educators in these communities, where housing costs are high relative to wages, transport distances are significant and professional development requires travel, the real value of an educator's wage is materially lower than the nominal rate suggests.
- In many regional hubs, the lack of affordable rental housing prevents qualified educators from relocating, even when positions are vacant.

3. Effectiveness of the Child Care Subsidy

The Child Care Subsidy is the principal mechanism through which the Australian Government makes long day care affordable for families. While recent reforms, including the 3 Day Guarantee, have improved accessibility for many families, the current structure does not adequately reflect the circumstances of many families and services in rural, regional and remote communities.

The Productivity Commission's 2024 final report, *A Path to Universal Early Childhood Education and Care*², identifies affordability reforms that would directly address the effectiveness of the CCS. ACA supports implementation of the outstanding recommendations and presents the following evidence in support.

Affordability and the hourly rate cap

- The Productivity Commission recommended raising the maximum CCS rate to 100 per cent of the hourly rate cap for families with household incomes up to \$80,000. Nationally, about 30 per cent of families with children aged 0 to 12 are eligible under this threshold. In rural, regional and remote communities, where household incomes are typically below the national median, the eligible proportion is higher.
- The CCS hourly rate cap does not reflect the cost structures of long day care services in regional and remote areas, where lower enrolment volumes, higher transport and supply costs, and the absence of economies of scale produce delivery costs that are structurally higher per child than in urban markets. ACA recommends that the Government review the hourly rate cap methodology to incorporate a geographic cost adjustment for services in regional, remote and very remote locations.

4. Existing Commonwealth programs and investments

The Commonwealth has invested meaningfully in expanding ECEC access in rural, regional and remote communities through the BEEF and related capital programs.

² Australian Government. Productivity Commission. A path to universal early childhood education and care Inquiry Report. <https://www.pc.gov.au/inquiries-and-research/childhood/report/>



ACA acknowledges this commitment and welcomes the targeted investments; however, evidence from the ACA March 2026 survey shows that capital investment for new centres alone is insufficient when many regional services have unmet demand that could be met by expanding existing facilities, and the binding constraints on access also include workforce supply and operational sustainability.

This section addresses three Commonwealth programs most directly relevant to the Committee's terms of reference: the Building Early Education Fund, the Community Child Care Fund and the Inclusion Support Program.

Building Early Education Fund

The BEEF supports capital expenditure to build or expand centres in areas of need, including on or near school sites. In the ACA Occupancy and Retention survey, 53.1 per cent of existing regional services reported an active waitlist, with more than 2,200 children waitlisted in total. Two of the four remote services also reported a waitlist.

The ACA member survey indicates that service-level data can help identify supply gaps that may not be apparent from administrative data alone.

ACA also notes that a newly constructed service in an undersupplied regional community cannot open without qualified educators, and current BEEF eligibility excludes many existing independent services with unmet demand from applying for expansion funding. All future BEEF investments should include a workforce strategy specific to the investment location and be funded separately from the capital grant. The workforce strategy should include local training partnerships, relocation support and, where required, transitional visa arrangements for qualified overseas educators.

Community Child Care Fund

The Community Child Care Fund (CCCF) includes grant streams that support sustainability, capital and special circumstances requirements. The fund aims to help services overcome barriers to operation, support vulnerable and disadvantaged families, and ensure continued access to early childhood education and care, particularly in rural, regional and remote communities.

Most CCCF funding is provided through time-limited, competitive grants, requiring eligible services to reapply across successive funding rounds.

This structure creates compounding problems for small rural, regional and remote providers:

1. It does not provide the ongoing revenue certainty services need to plan, invest or meet rising costs beyond the grant period.
2. A service cannot offer a permanent contract, invest in a qualified educator's relocation, or commit to retention strategies against a funding stream that may not be renewed at the next round.
3. Fixed grant amounts cannot meet ongoing viability needs when fee increases are constrained, wages rise and the cost of goods and services outstrips grant allocations.

ACA is concerned by the number of services closing due to viability pressures, and by the way geographic isolation compounds these pressures. Kids House in Gippsland, regional Victoria, operated by the Heyfield

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✉ president@childcarealliance.org.au

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Community Resource Centre, illustrates the consequence for small rural not-for-profit services that have relied on CCCF support to remain financially viable since 2017.

It was reported in September 2026 that Kids House's application for \$270,000 over three years under CCCF Round 5, to support staff wages, was unsuccessful, and without replacement funding, the service is no longer financially viable. More than 30 local families and five qualified educators are affected, and the service is Heyfield's only ECEC provider.

ACA recommends the Government supplement the current competitive CCCF grants with a loading mechanism tied to the CCS hourly rate cap. This could take the form of a loading built into the rate cap itself to offset the structurally higher per-child cost of delivery in low-density markets, or a supplementary loading paid above the rate cap, weighted by remoteness (and, where cost differences are demonstrated, by jurisdiction) to reflect differing service-delivery costs.

A weighted, recurrent loading of this kind would direct proportionately more support to services facing the greatest structural disadvantage and, critically, give services the funding certainty to plan their workforce years in advance, rather than one grant cycle at a time.

Inclusion Support Program

The Inclusion Support Program is the primary mechanism for funding additional educator support for children with disability, developmental delay and complex needs in CCS-approved ECEC services.

ACA Occupancy and Retention survey data and direct member feedback indicate the program is not meeting the financial requirements of services across all geographic categories, with particular consequences for services in regional and remote communities.

ACA member survey data shows that Inclusion Support Subsidy (ISS) funding gaps are cited as an active operational pressure by 81.4 per cent of all long day care services nationally, 79.0 per cent of regional services and all four remote services.

Pressure on Providers	National	NSW	VIC	QLD	WA	TAS
ISS funding gaps	81.4%	73.4%	85.5%	90.1%	75.3%	88.9%
Admin and paperwork	83.6%	73.4%	86.3%	90.8%	75.3%	88.9%
Recruitment and retention	80.9%	73.4%	85.5%	90.8%	88.9%	88.9%
Workforce quality and supply	82.7%	70.9%	83.1%	87.0%	67.9%	72.2%
Rental increases	79.4%	73.4%	79.8%	73.8%	90.1%	83.3%
New centres opening nearby	84.1%	73.4%	85.5%	87.0%	75.3%	66.7%
Worker Retention Payment	82.7%	73.4%	79.0%	80.2%	66.7%	83.3%
Undersupply (regional/rural)	79.1%	73.4%	75.0%	70.0%	75.3%	88.9%

Table 3: Percentage of services citing selected pressures, by state. ACA member survey, March 2026.

In regional and remote areas, the ISP is expected to fund the cost of additional educator support in environments where the allied health, diagnostic and specialist infrastructure that supports inclusion in

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✉ president@childcarealliance.org.au

🌐 www.childcarealliance.org.au

Level 1, 1535 Dandenong Rd
Oakleigh VIC 3166



urban settings is often limited or unavailable. In these communities, ECEC services become, by default, the primary intervention point for children with complex needs.

The current ISP settings require diagnosis before any additional funding can be secured to support services and children, but the delays in diagnosis slow down the capacity for services to access this additional support. In addition, the workforce challenges also mean that even if support becomes available, services have limited capacity to employ the required additional educators at short notice.

Members report that Inclusion Support Subsidy payments often fall short of the fully loaded cost and hours required of additional educators, particularly in cases requiring intensive support. ACA recommends that the Government quantify this gap and adjust funding accordingly.

The Productivity Commission's final ECEC report recommended an immediate increase in Inclusion Support Program funding and simpler administration, alongside its proposed ECEC Inclusion Fund. ACA supports those measures and asks the Government to clarify the timetable for implementation.

A needs based proactive funding approach would also allow these services to plan with certainty based on the needs of their community with developmental vulnerability disproportionately evident in these communities.

5. Governance, safeguarding and compliance in remote communities

The regulatory and compliance obligations placed on ECEC services have expanded substantially in recent years, reflecting legitimate and necessary reforms to child safety, workforce standards and service quality.

ACA strongly supports these reforms and the principle that child safety and quality standards must apply equally to every service, regardless of location. However, the capacity to implement them is not equal. A remote or very remote community-based service drawing its management committee from a small volunteer pool of residents does not have access to the dedicated compliance, HR, legal and governance resources that metropolitan providers or multi-site operators maintain as a matter of course.

Without targeted implementation support, the administrative demands of compliance can add to the viability pressures facing services in the communities where they are most needed and least replaceable. It is likely that different support mechanisms are needed in these communities to ensure services can meet their regulatory, governance and safeguarding obligations more effectively.

Policy and regulatory implementation should take account of the full complexity of early education service provision, including a service's geographic location and governance arrangements.

The Australian Childcare Alliance thanks the Australian Government for the opportunity to contribute to this important consultation. We welcome continued engagement and the opportunity to work collaboratively with Government to support a sustainable, accessible and high-quality ECEC sector for children and families across Australia.

☎ 0411 587 170

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🌐 www.childcarealliance.org.au

Level 1, 1535 Dandenong Rd
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