

The Hon. Julia Gillard, MP
Prime Minister of Australia
House of Representatives
PO Box 6022
Parliament House
CANBERRA ACT 2600

20th April 2011

Dear Prime Minister,

We are writing to you to express our concern about media reports that the government is, or was, planning to means test the Child Care Rebate for families with a combined income greater than \$150 000. KU Children's Services, SDN Children's Services and Gowrie NSW are unequivocally opposed to any plans by the government to cut assistance to thousands of families because it would discourage women from returning to work and put the cost of child care out of reach.

Although the Treasurer has subsequently denied Sunday's media report, we are very concerned that a fully costed Budget proposal is sitting with Treasury and could be brought out at the next Budget.

As you know, the Child Care Rebate was introduced as a tax incentive measure and is not middle class welfare. Australia has one of the lowest rates of workforce participation in the OECD for women of child-bearing age and any policy to effectively increase the cost of child care would further erode the participation of women in the workforce.

The average cost of two children in long day care for three-days a week in Sydney is \$480, which is the same weekly repayment as the average \$300 000 Australian mortgage. Because of this expense, working families rely on the government rebate to make child care affordable.

If means testing of the CCR was introduced there would no doubt be children taken out of long day care, this would mean that centres would have to cut staff or increase fees to remain viable – resulting in more women out of the workforce.

We are working to implement the new national quality standards, which as a group of not-for-profit providers we fully support, but there are associated costs we are absorbing. Any policy change that would result in greater financial pressure on working families or on the childcare sector would undoubtedly result in fee increases, staff cuts or possibly both.

We are seeking clarification of the government's policy position on means testing CCR as a matter of urgency. Should you wish to discuss the implications of means testing CCR on families and on the sector, please do not hesitate to call us at anytime.

Yours sincerely,



Ginie Udy
CEO of SDN Children's Services



Chris Legg
CEO of KU Children's Services



Ruth Callaghan
CEO of Gowrie NSW

This letter has been sent to Deputy Prime Minister Wayne Swan, Senator Penny Wong, Minister Peter Garrett and Minister Kate Ellis.

Attachment

The impact of means testing the Child Care Rebate on families

We have developed some scenarios that are representative of families using long day care to illustrate how means testing the Child Care Rebate would affect working families.

The Jones Family

Dad – fulltime wage - \$100 000

Mum – three-days a week - \$50 000

Children aged 6, 4 and 2

The 2 and 4 year old children are in long day care three days a week at a cost of \$80 each per day. Total annual cost is \$24 000 (for 50 weeks). Plus after school care of \$25 per day making the annual child care cost \$27 750.

Mum's take home wage minus tax (\$8 850) and child care (\$27 750) is \$13 400 or \$257 per week with no rebate, compared to \$27 275 under the existing system.

The Jones family is \$13 875 worse off per year or \$266 per week.

The Smith Family

Dad – fulltime wage is \$85 000

Mum – works four days a week wage is \$65 000

Children aged 3 and 5. Grandparents look after the three- year-old one day a week and she is in care three days a week at a cost of \$80 per day. The 5-year-old daughter is in before and after school care at a cost of \$25 per day.

The total child care bill is \$15 750 and tax is \$13 350. After tax and child care, the mother works four days a week for a take home pay of \$35 900 per year or \$690 with no rebate, compared to \$43 775.

The Smith family is \$7 875 worse off per year or \$151 per week.

The Kearney family

Dad – fulltime - \$150 000

Children aged 1, 3 and 5.

Mum does not contemplate returning to work because of prohibitive child care costs.