

Response to ACCC Issues Paper on Proposed Merger between Camp Australia and Junior Adventures Group

25 August 2017 via email to: mergers@acc.gov.au

ACCS is pleased to offer the following responses to specific questions posed in the *ACCC Statement of Issues 10 August 2017 Camp Australia – proposed merger with Junior Adventures*.

Paragraph 86

The ACCC invites comments from market participants on its preliminary views about the relevant product markets. In particular, the ACCC invites comments on:

- what alternatives parents or schools are willing to consider if the service levels of Camp Australia or JAG deteriorate as a result of the proposed merger?
- How likely and prevalent is it that long day care providers can and do switch to competing in before and after-school care markets? Please provide examples.
- How credible is the threat of a school continuing to supplying before and after-school care in-house to obtain a better deal from an external provider? Or reverting to supplying care in-house to obtain a better deal? What factors affect the credibility of these threats?

ACCS Response:

- Parents are extremely limited in the alternatives available to them if poor service levels of OSHC are provided in the school that their child attends; barriers to using OSHC at another venue include absence of safe transport while the parent is at work and reluctance of children to break up friendship groups
- Private arrangements for care of children before and after school are problematic. For example, ACCS is aware of a National family support service which is regularly asked to find a nanny for families who are unhappy with the school's OSHC provider; however it is extremely difficult to recruit a nanny willing to work 3 hour shifts in non-social hours, such as 6am start
- ACCS members report that there are limited opportunities for long day care services to offer before and after school care; barriers include transport for school children to and from the long day care service, skills of long day care educators in programming for older children, adequate space and age-appropriate equipment
- ACCS is aware of one long day care service in Melbourne which busses children in from a local school for after school care; the school aged children are required to have their afternoon tea at furniture designed for children aged under 5 years and to use bathrooms designed for this age group. The program is limited to passive activities such as board games as there is inadequate space for active play that is

safe for children ranging from birth to 12 years. This limited range of activities is not consistent with the national framework for OSHC *My Time Our Place*

- A threat by a school Principal to keep the OSHC program in-house exerts very weak competitive discipline on an external provider like Camp Australia or JAG in negotiating contract conditions. Usually a school which starts a discussion with an external provider has already considered its options and reached a decision to outsource, as they do not recognise the value of providing a continuity of education, care and age appropriate leisure activities from the school program through to the OSHC program

Paragraph 139

The ACCC invites comments on: the nature and height of any barriers to expansion and entry in the markets for OSHC; and whether there are particular providers in the industry whose experiences and progress illustrate the nature and height of any barriers to expansion or entry.

In particular, the ACCC invites comments on:

- What desire and ability do operators of single-site services have to expand? Please provide examples.
 - What marketing channels are most important to entry and expansion and why? What are the relative positions of Camp Australia, JAG and their competitors in these channels? Compared with these most important channels, what other ones are available and how do they compare in, for example, cost and return on investment?
- Single-site OSHC services are unlikely to expand; their operational model is designed for delivery on a single site and usually would require significant change to enable expansion to multiple sites
 - There are additional challenges for non-profit providers to expand given the uneven tax benefits available to for-profit providers, including the tax deduction benefits available for the for-profit sector. For example, the for-profit sector is able to, and does, run many operating costs of their childcare business operations as tax deductions, including phones, cars, a variety of mobile devices and tablets, and home computers. In addition, they can raise finance (capital and operational) through loans and overdrafts (again tax deductible) through their governance structures. Not-for-profit services do not enjoy any of these benefits, and cannot raise capital easily due to the governance structures of an association with limited and dispersed personal liability. Financial institutions are not willing to lend money to these types of governance entities.
 - The main marketing channels for entry and expansion in provision of OSHC are directly to the decision-makers in schools – School Principals, Administrators and ultimately school councils usually through their state and national associations. Camp Australia has a significant advantage over smaller OSHC providers in its capacity to fund exclusive sponsorship deals with professional associations that enable direct marketing of their services and often block marketing by competitors, for example with exclusive rights to a marketing presence at a state or national conference. See <https://www.campastralia.com.au/Principals/IndustryAlliance> for information on the nationwide reach of these partnerships with government, Catholic, Lutheran and other school systems in every state and territory.

- Smaller providers cannot compete with this broad marketing and so the returns to Camp Australia from this investment are likely to be very high

Paragraph 144

The ACCC invites comments from market participants on the following:

- Why do some schools choose to provide OSHC services in-house over out-sourcing these services to an external provider?
- Schools which provide OSHC in house usually have a strong understanding of the value of a whole-of-school approach to providing an environment that supports education, care and leisure across the day, including hours that suit parents in the paid workforce.
- This philosophy is supported by the national framework for school age care in Australia *My Time Our Place* (see http://files.acecqa.gov.au/files/National-Quality-Framework-Resources-Kit/my_time_our_place_framework_for_school_age_care_in_australia.pdf)

Paragraph 145

The ACCC invites comments from market participants on its preliminary view that the proposed merger is unlikely to raise concerns in the supply of OSHC care in the NT and Tasmania.

- ACCS disagrees with this preliminary view. Based on the experience with ABC Learning, growth of large providers through mergers enables them to gather the resources to expand into every state and territory.