

# Women tolled warning bells but no one wanted to listen [AU] <sup>[1]</sup>

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## EXCERPTS

The women knew. For some time ABC Learning Centres had troubled the child-care experts. The company's baffling balance sheets did not make sense and the labyrinthine company structures were a worry to them.

But no one took notice of a bunch of female child-care experts with degrees in early childhood education and politics. Critics were dismissed as ideologues and anti-business, and told they were picking on ABC. Even Labor's parliamentary secretary for child care, Maxine McKew, told a public forum in Melbourne this year, where people had raised concerns about the child-care behemoth, that "there are more things to worry about than ABC".

Now the company, once the biggest child-care provider in the world, with a network of 1100 centres in Australia, more than 100,000 places, amounting to about 25 per cent of the market, has called in the receivers and the administrators.

Prue Warrilow told the Howard government at least three years ago that the ABC model was not viable. It could come to grief under accumulated debt. She was dismissed as an agent of the non-profit child-care sector.

Even when child-care experts hauled in female colleagues from university accountancy departments to shed some light on the mystery of the company's books, the Federal government did not investigate further. Treasury officials sat in on a symposium where Professor Deborah Brennan, a child-care expert, and Sandra van der Laan, an accountancy lecturer, delivered a paper on ABC Learning last November. A University of Sydney associate professor in accountancy, Sue Newberry, had also contributed to the forensic analysis. They'd spent fruitless weeks trying to draw the corporate diagram.

Among the matters raised was how ABC could ascribe a value in its books of \$1.3 billion to child-care licences that have no intrinsic value. Child-care centre licences are not transferable. Child-care people know this. Given the licences accounted for most of the company's assets on its balance sheet, it raised red flags. The apparent strength of its balance sheet was a big factor in ABC's rampant expansion.

Treasury officials were surprised by the women's account, but nothing happened, even though the government pours \$300 million a year in subsidies to ABC. Nor did the Australian Securities and Investments Commission think it a problem when it was warned two years ago about ABC's questionable accountancy practices.

No one wanted to argue with a rising share price. No one, that is, except the women who understood child care. They worried how a single corporation could grow so powerful on the back of public subsidies, the charismatic personality of Eddy Groves, and a set of complicated accounts. Increasingly the company books came to resemble a spider's web. By the end, there were so many trusts, subsidiaries and apparently inter-related companies that the corporate sleuths who tried to get to the bottom of it, like Fran Press, former head of the Office of Childcare in NSW, threw up their hands. "There was no transparency," she said.

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Few wanted to rock the boat. Certainly not the Coalition. The bigger ABC became, the more the government needed it. Australia's exposure to a single provider was unique in the world. Larry Anthony, the minister for children under Howard, took a seat on the ABC board, and Sallyanne Atkinson, the former Liberal mayor of Brisbane, was the chairwoman.

Even the women who worried about ABC's viability were worried about its reputation for litigation. It was hard to find their written critiques.

What could a government have done? It might have acknowledged that child care was not a commodity like hamburgers. Child care needed different rules against anti-competitive practice to prevent one player becoming so huge. It is not private child care that is the problem but corporate child care. The Rudd Government also needs to take a more active interest in governance, and the probity of accounts of main players who devour hundreds of millions of dollars in public money.

Australia has several large non-profit providers, KU Children's Services and SDN Children's Services, for example, with long, unblemished records. It would be a pity if a way could not be found for them to take over some of ABC's centres.

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- reprinted from the Sydney Morning Herald

**Region:** Australia and New Zealand <sup>[2]</sup>

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