

Cradle snatcher ^[1]

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EXCERPTS On a muggy summer morning in a quiet street not far from Clovelly Beach, children bounce on battered, foam-filled vinyl cubes, the smell of frying hamburgers fills the air and the sound of Twinkle, Twinkle Little Star wafts from a sunny day room. The scene at the Clovelly Child Care Centre is one that is repeated at thousands of similar places around Australia. ... With two-thirds of mothers now working, demand is insatiable - Australia is short 100,000 places, a recent survey found. The director of this centre is Maria Pender, a feisty campaigner for community centres such as Clovelly, a woman with close-cropped grey hair, a master's degree in education and little time for the large corporations which have muscled in on child care in recent years, turning a feelgood cottage industry into a stockmarket play. The Clovelly centre, a red-brick building shaded with palm trees and sheltered behind a childproof fence, was built 21 years ago, one of hundreds of similar centres constructed across the country with joint federal and state funds, where parents could take their children for subsidised care. In the 1990s these subsidies were extended to privately owned centres, and then in 1997 the Howard Government stopped funding construction. Since then centres such as Clovelly have been struggling to stay afloat. Almost overnight they lost their taxpayer-funded operating subsidy of \$38,000 a year, and had to raise their fees. Twenty years ago, the centre charged \$55 a week, says Pender. Today it's \$55 a day for the 55 children who are two or over and \$60 for those aged under two. ... Clovelly, sniffs Pender, is not for sale. Like most in community child care, she is convinced that private enterprise leads to increased prices and a fall in the quality of care, and places profit ahead of social obligations such as catering for children with disabilities or those aged under two, who are more expensive to look after. Big child-care companies, she says, cherry-pick affluent suburbs and ignore less well-off communities. To see the new, corporate face of the child-care industry you have only to drive 10 minutes to the flash new twin-tower Westfield shopping centre at Bondi Junction. There, on the roof in a children's city of shops with such names as BonzaBrats, Esprit Kids and Treehouse "children's decor", is the latest acquisition by Australia's - and the world's - largest publicly listed child-care company, ABC Learning Centres Ltd. ... An electronic security system guards the screened-off playground where children sink almost ankle-deep in spongy green artificial turf, the equipment is sparkling new and brightly coloured, soothing digital music is played through a laptop while half a dozen toddlers take their noon nap on custom-designed plastic stretchers. There are views over Sydney Harbour from the windows. The mod cons come, of course, at a price - the daily rate for a four-year-old at this centre is \$80. The good news is that - for now, at least - there are plenty of places. Junction Juniors opened in January and has dozens of vacancies - for those who can afford it. The man behind ABC is a colourful Queensland businessman named Edmund Stuart Groves who favours aligator-skin boots, commutes by helicopter, drives a Ferrari and has impeccable Coalition connections. Born in South Africa and resident on the Gold Coast, "Eddy" Groves was ranked No. 2 on BRW's list of the richest Australians aged under 40 last year, with an estimated wealth of \$272 million. As well as holding 14.5 per cent of ABC (with his wife and co-director Le Neve) Groves is a director of more than 40 other companies. He controls Quantum Foods, one of Queensland's largest milk distributors; he is a director of Bet Worldwide, which owns Canberra's online gaming venture Sports Acumen; and he is often seen courtside at Brisbane Bullets games, the erratic basketball team he owns. But it is ABC which has catapulted Groves into wealth - and controversy. He opened his first child-care centre in the Brisbane suburb of Ashgrove in 1989, when he was 22, and when he floated the company on the stock exchange in 2002 it was capitalised at \$25 million. Fewer than four years later it is worth about \$1.2 billion, the kind of growth that has not been seen since the dotcom bubble, and which earned Groves the nickname "Fast Eddy". ... Groves has estimated that more than 70,000 children attend his Australian centres, one child in five of those in what is technically called "long day care". And he expects to continue expanding at the rate of four new centres a week through to 2008. This dismays Lynne Wannan, the convener of the National Association of Community-Based Children's Services, who has recently returned from a tour of Canada campaigning to prevent an Australian-style "privatisation" of child-care services there. The association formally objected to ABC's takeover of the rival Peppercorn group in 2004 to the Australian Competition and Consumer Commission, on the grounds that it would lead to regional monopolies. The commission allowed the takeover to go ahead after ABC gave undertakings to close some centres - it has shut or sold 60 - and not to buy any more in certain regional markets. Wannan says that in the past 15 years the number of privately run centres in Australia has risen from fewer than half the total to 70 per cent, with many community centres closing or being taken over. "But instead of increased competition, lower prices and improved quality, the reverse has happened," she says. "It has led to a classic market failure." ... In a research paper late last year, Michael Messara, an analyst with finance house UBS, headlined ABC a "quality performer with legislated growth". By that, he meant the company had tapped into a rich seam of taxpayer funding which was underpinning its earnings with a government guarantee. The Federal Government pays parents a means-tested subsidy for each child, ranging from \$144 a week to \$24.15 a week for parents earning more than \$95,683. In addition, from July 1, 2004, there is a 30 per cent tax rebate on the balance of the cost of care, although parents have been upset by the fine print which caps the rebate at \$4000 and postpones its payment for two years. ... Messara's

calculations give investors an even juicier insight. In the five years to 2008 he expects ABC to make net profits of \$379 million. If that figure of 44 per cent remains constant, this will represent \$167 million of taxpayers' money transferred directly into the pockets of Eddy and Le Neve Groves and their fellow shareholders - on top of the \$400,000 salary packages the two receive. ... But there is also a dark side to ABC's operations that is little discussed, because the company is fiercely litigious towards competitors and critics alike. After complaints in 2004 that ABC had been underpaying its staff and forcing them to clean toilets and buy their own uniforms, the Queensland branch of the union that represents child-care workers, the Liquor, Hospitality and Miscellaneous Union, handed parents pamphlets which Groves says portrayed him as "mean and greedy" and implied he was "trying to drive down low wages of child-care workers to line his own pockets". In an unprecedented action, Groves sued the union's Queensland secretary, Ron Monaghan, for defamation. This has had the extraordinary outcome that none of the union's officials contacted by the Herald would risk commenting on the pay or conditions of ABC staff. The union's officer responsible for child-care workers in NSW, Jim Lloyd, said: "I am not able to comment on ABC at all." When asked whether this was connected with the litigation in Queensland, he said: "Good question." ... Even after the substantial rises granted this week, the minimum award rate for a child-care worker with one year's experience is \$611 a week. However, ABC workers' pay cannot be independently verified because they are required to sign confidential agreements. Groves has pointed out that, in return, they are issued with 150 shares (currently worth \$1200) as a signing bonus - and he says he has a low staff turnover rate of 8 per cent a year. And then there is ABC's attitude towards its competitors. ... Last year, a property development company called Petrac Ltd was given council approval for a creche as part of a retirement village it is building. ABC, which has a child-care centre nearby, lodged an objection with the Queensland Planning and Environment Court - and Petrac dropped its proposal. "They made a commercial decision not to have the project held up forever while they fought a court case," Dowling says. "ABC has not insignificant resources." As a result, the Redland community is short one child-care centre - Petrac gave the land to the council, and the council decided it would best be used as a park. In South Australia, ABC also decided to battle a potential competitor - but in this case the child-care giant lost, in a case which was inevitably dubbed a David-and-Goliath contest with two local women who spent their life's savings to set up a centre in a converted medical centre in Tea Tree Gully, on the outskirts of Adelaide. ABC, which operates a big, purpose-built centre 700 metres away, appealed against council approval of the centre to the South Australian Environment, Resources and Development Court, arguing that there were already sufficient places in the area, even though ABC planned to double the size of its own centre. In her judgement, Judge Susanne Cole was scathing, saying ABC's argument "really amounts to the dressing up of a concern about commercial competition in planning language ... I am satisfied that this appeal has been instituted solely for an improper purpose, namely the delay or prevention of the establishment of a child-care centre which will compete for business with [ABC's] existing, and expanding, child-care centres." ... ABC has also been forced to deny that its political connections have in any way unfairly advantaged it in its business dealings. In the latest Australian Electoral Commission returns, for 2003 and 2004, Groves is listed as having donated \$15,000 to the Queensland Liberal Party and \$60,000 to its Coalition partner, the Nationals. The former Liberal lord mayor of Brisbane, Sallyanne Atkinson, has chaired the company since its float; she earns \$77,000 a year and holds 695,000 shares, worth more than \$5 million. The former federal minister and Nationals MP Larry Anthony raised eyebrows when he joined the board in March last year, five months after losing his seat; he earns about \$40,000 a year and latest returns show his family trust has been issued with 75,000 shares, worth about \$600,000. One month after Anthony joined the board, ABC won a contract to manage 19 Defence Department child-care centres around Australia. These centres had been run for more than 10 years by KU Children's Services, a 110-year-old not-for-profit chain based in NSW, with the help of a government subsidy. ... There have also been sporadic complaints about health and safety issues at ABC centres, which come under supervision by state children's services departments. ABC has been prosecuted in Victoria and in NSW, and in Queensland has had to respond to a case in which a child was seriously injured. Last April, a toddler went missing for 20 minutes after climbing the fence of the ABC centre on a busy road in Hoppers Crossing, in Victoria. The company was found guilty of providing inadequate supervision and fined \$200. It has appealed against the conviction. In NSW, the Department of Community Services says it has prosecuted 34 child-care centres since 1996, only one of them operating under the ABC brand. Last September, ABC Learning Centres Ltd was ordered to pay \$76,792 in fines and costs after an inspection of a centre at Wee Waa found mouse droppings on the floor and in bedsheets, redback spiders in an outdoor toy storage area accessible to children, and no smoke detectors. The company had also failed to keep "dangerous cleaning materials, disinfectants, poison, medication and other dangerous substances away from children". ... Talking of the industry in general, rather than ABC in particular, Lynne Wannan says: "Standards have been lowered, poorly paid and inexperienced staff employed and dubious practices crept in as larger providers built bigger centres and strove to get economies of scale. As they became larger, they used predatory pricing to drive smaller, community-based services and even smaller private operators out of business." And Fast Eddy? He's just got richer and richer. "I don't care about the criticism we receive," he said in that Canadian interview. "We have raised the standard enormously." - reprinted from the Sydney Morning Herald

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