

Child care centres big business in 2004 ^[1]

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EXCERPTS

Child's play turned into big business this year when millionaire Eddy Groves turned his ABC Learning Centres into Australia's biggest childcare company, with a hold on nearly 20 per cent of the market.

ABC Learning Centres became an \$800 million group with more than 700 child care centres under its control following the merger with Child Care Centres Australia (CCCA) and Peppercorn Management Group (PMG) - two competitors who were interlinked via Peppercorn's management of CCCA's sites.

Mr Groves said at the time of the merger it would "provide further benefits to children and their families by increasing the availability of places in areas of unmet demand".

Not everyone was thrilled with the move, which attracted the ire of unions, who called for an Australian Competition and Consumer Commission (ACCC) investigation, and the federal opposition, which expressed concern about reduced price competition.

But there was no opposition from the board members of CCCA and PMG, who gave their unanimous endorsement - and the ACCC did its blessing, subject to ABC divesting some centres and undertaking not to acquire more in some areas in the interests of price competition.

Peter Drew, an analyst with Hunter Green Institutional Broking, said the ABC move had changed the industry enormously but should not be a cause of any significant changes to pricing for consumers or an end to growth and merger activity in the sector.

"I think the more interesting thing we will be watching is how the competitive dynamic changes now that you have taken out ABC's fiercest competitor, Peppercorn," Mr Drew said.

Further acquisitions run the risk of attracting the attention of the ACCC.

While three of the industry's big players have merged they still represent just under 20 per cent of child care providers in Australia.

Still operating freely are listed providers Hutchisons Child Care Services, which owns or manages 71 early learning centres, and Kids Campus, which has 67 centres, as well as a host of private and community-run centres.

ABC is in consolidation mode but, while the competitive dynamic might have changed in the child care sector, there is still plenty of potential for activity.

- reprinted from the Sydney Morning Herald

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