When making money is child's play [AU] [1]

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EXCERPTS

He's one of Australia's richest men and, according to BRW, the fourth-richest Australian under 40. Amazingly, Eddy Groves, worth $143 million, has made his fortune in child care, and in doing so has sparked a revolution.

He has transformed a cottage industry associated with low-paid women workers into an empire of 202 child-care centres across Australia (and 11 in New Zealand). His Brisbane-based ABC Learning Centres was the first child-care corporation listed on the Australian Stock Exchange.

Each week 20,000 children under the age of six spend their days at one of his long-day-care centres. Decorating the walls is the corporate logo, a cuddly bear extending two welcoming arms. It recently replaced the old logo of a bear extending one arm.

The charming and dynamic Groves has shown, to the astonishment of many, that child care is a river of gold if you pay attention to detail. And the beauty of his business is that almost 60 per cent of its revenue comes directly from Federal Government subsidies.

In his inexorable rise as a child-care mogul, Groves has inspired fear, anxiety, jealousy and admiration. But according to a fellow Queensland child-care operator, Gwynn Bridge, the president of the Australian Federation of Child Care Associations: "Eddy was the one who had the foresight to change the face of child care in this country."

Now Sydney is in his sights. Recently he told a forum of investors that he aims to own 700 long-day-care centres in Australia and New Zealand by the end of the decade. And in the next two years he will embark on an aggressive buying spree that will see him acquire up to 127 centres in Sydney.

Groves already has 50 centres in NSW, 11 of them in the metropolitan area. Late last year he wrote to all local councils in NSW seeking to buy or lease their child-care services. Sooner or later an ABC Learning Centre is coming to a corner near you.

The rise of corporatised child care, so different from the non-profit neighbourhood enterprises that took off 30 years ago, has created immense ructions. Shareholders who bought ABC shares at the start have seen the value of those shares increase tenfold in 2 years. The company made a $12 million profit last year, up 75 per cent in a year. That's $600 profit a child.

But Groves's very success has alarmed some child-care educators and competitors. They fear it heralds a McDonald's-style, dumbed-down approach to child care: a one-size-fits-all model, centralised curriculum, showy buildings and bare regulation staffing levels.

Inevitably, the critics say, children will be short-changed in the desire to please shareholders. "There's an inexorable tension between obligations to shareholders and obligations to children," says Antoinette le Marchant, the chief executive of KU Children's Services, which operates 120 non-profit centres.

The issue is not substandard care. Groves's centres are licensed by state government departments which police regulations, and are accredited by a federal agency. They meet mandatory minimum standards. The issue is whether children deserve better than the legal minimum if extra money is available, given many experts believe the regulations on staffing and qualifications are inadequate.

"Good child care costs money," says Alma Fleet, an associate professor of early childhood at Macquarie University. "And if there's spare money in the system it should not be for shareholders, it should go to the wellbeing of children, the resourcing of centres and the professional development of staff."

In the big philanthropic organisations, such as KU and SDN Children's Services, centres are often staffed above regulation requirements. International research consistently shows children do measurably better when there are more qualified staff and superior adult:child ratios.

Says Sandra Cheeseman, the deputy CEO of SDN Children's Services, "The biggest concern we have is the power and influence the big operators can exercise to weaken regulations."

All child-care centres have difficulty in attracting trained staff, especially university-trained early childhood teachers. But some say ABC Childcare exacerbates these problems through its use of individual employment contracts, its anti-union tenor and its insular approach to training.

Groves says the use of individual employment contracts is linked to a workers' share plan designed to promote employee loyalty. On signing, staff receive $400 in cash or in shares. Seventy-five per cent have chosen the shares.

Thirty years ago, people believed you couldn't -- and shouldn't -- make profit from child care. It was like school. Community activists convinced the Hawke Labor government to subsidise fees and the non-profit centres took off. In 1991, for-profit operators convinced the Keating government to extend the fee subsidies to them, too. Small mum-and-dad child-care businesses burgeoned.

Groves is the best known of a new breed of entrepreneurs. It is no surprise most hail from Queensland where looser child-care regulations, translating into lesser costs, have prevailed. All also benefited from Howard Government policies which ended the special grant paid to non-profit centres - known as the operational subsidy - which resulted in the closure of 33 non-profit centres in south-east Queensland alone and increased the child-care benefit paid directly to all centres.

Groves sees unlimited potential: "There are 4 million children under six years of age, and only 700,000 use private day care," he told the investors' forum. "The 3.3 million children represent an enormous opportunity for ABC Learning. We aim to continue to increase our standards in order to attract as many children as possible."

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