

Groves may face a public grilling [AU] ^[1]

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EXCERPTS

ABC Learning founder Eddy Groves could face a public examination over his dealings with the collapsed childcare company he founded, while future court action could be taken to reverse deals made in the months before ABC's collapse.

The possibility of public examinations of former ABC directors was mooted for the first time yesterday during a heated Federal Court hearing in Sydney.

ABC's receivers, representing a consortium of banks, were accused of pretending to be acting in the interests of the 70,000 children in ABC centres and 13,000 employees when really they had been "cherry-picking" the centres they wanted and closing others, where they took children's toys and put them in a "dumpster".

ABC's administrator, Ferrier Hodgson's Gregory Moloney, is seeking a minimum six-month extension before he reports back to creditors. But the court heard there was little chance the unsecured creditors of ABC Learning would receive any money and that keeping the company in administration would only benefit the banks, which are owed \$955 million.

ABC Learning was placed into administration last November with debts of \$1.6 billion. The court heard yesterday it was the longest-running administration in Australia's corporate history.

Mr Moloney has been funded in the Federal Court action seeking the extension by receiver McGrathNicol, representing the banks. It wants the 715 profitable ABC centres sold in one line.

About 70,000 children attend ABC's childcare centres, which are staffed by 13,500 employees.

Opposing the application are two landlords, Orchard Capital Investments and Austock, which together hold leases for more than half of the 715 profitable ABC childcare centres, the court heard.

According to McGrathNicol, the banks are concerned that, if the extension is not granted, the landlords will be able to foreclose and the banks will lose the financial benefit of any goodwill associated with the centres. They also fear that the ABC Group will "have to cease trading at all or a considerable amount of the ABC Group".

Apart from the business, there were no other substantial assets owned by ABC, the court heard.

Orchard's barrister, Anthony Morris QC, said the receivers had "cherry-picked" the centres they wanted to keep and taken a "scorched earth policy" to the closure of some centres.

"The pretence projected in this case that there is the slightest interest for protection of the employees or parents is a nonsense," Mr Morris said.

He likened the ABC situation to a vampire being "undead, not alive but not quite having the stake through the heart".

Mr Morris said any examinations of directors and possible voidable transactions could be pursued if the company were placed into liquidation. Liquidators have powers to investigate deals at a public hearing.

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The hearing continues.

- reprinted from The Australian

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