

Trader junks offer for ABC Learning centres ^[1]

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EXCERPTS

A multinational childcare company owned by an American billionaire once jailed for white-collar crimes has pulled out of the race to buy the ABC Learning group, on the anniversary of its collapse.

The Singapore-based Knowledge Universe group, chaired by US junk bond king Michael Milken, had been a frontrunner to snap up the remains of Eddy Groves's empire, which controls 15 per cent of Australia's childcare centres.

But it has withdrawn from the bidding process, ahead of a campaign by unions and rival childcare operators demanding federal government intervention to keep ABC Learning's 705 centres out of corporate control.

ABC receiver McGrathNicol is now negotiating with Archer Capital, the private equity investment house that snapped up ABC Learning's share of Funtastic Toys last year, and a consortium of five charities led by Mission Australia.

The childcare union, the LHMU, yesterday demanded the federal government guarantee a "quality buyer" for ABC Learning, which collapsed with \$1.6 billion of debt a year ago.

"It's not appropriate for the big banks to decide behind closed doors who will control these centres merely because they are ABC Learning's major creditors," LHMU assistant national secretary Sue Lines said yesterday.

Ms Lines called on the Council of Australian Governments to introduce national licensing conditions when it meets next month. The existing state and territory licensing laws did not scrutinise the financial viability or experience of companies buying childcare centres, she said. "You are taking a leap of faith when you enrol your child in a centre," she said.

"The provisions are occupational health and safety issues and the number of toilets, but not the bona fides of a company that is going to be in charge of your child every day."

Childcare Minister Kate Ellis said COAG would consider a new "single regulation" system to link licensing with quality assurance.

The sale of ABC Learning was the "responsibility of the receiver", she said.

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McGrathNicol intends to sell the 705 centres -- which care for 73,000 children -- by Christmas.

ABC Learning's founder Mr Groves said yesterday the receivers should sell to multiple buyers to maximise the sale price. "I think the best thing is to break it into small pieces," he said.

"I think a single buyer will try to pay too little for it."

An ABC Learning rival, non-profit group C&K, also warned against selling the centres to a single operator.

"It's almost 'back to the future' in terms of replicating the ABC concept," C&K chief executive Barrie Elvish said.

But he also criticised a takeover by a consortium of Mission Australia, the Benevolent Society, the Brotherhood of St Laurence, Social Ventures Australia and Melbourne University Graduates Group.

"I don't support the idea of the charities getting involved because you run the risk of services being tainted as social welfare childcare services," he said.

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