Coming soon: big box babycare [1]

Childcare advocates fear monopolization of the system
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EXCERPTS

A developer-backed, for-profit childcare company with ties to a failed Australian daycare corporation is rapidly moving into the Canadian market -- purchasing 17 Alberta-based centres in recent months, aiming to bring "quality and choice" to Canada's "fragmented" childcare market.

Childcare advocates warn that the government-subsidized "big box" daycare model generally provides poorer quality than non-profit centres, threatens to monopolize the industry and pours taxpayer money into shareholder pockets, not back into the centres.

But the CEO of Calgary-based Edleun Group Inc. says his company has a right to provide high-quality childcare in a competitive market.

"This is a very interesting industry and our goal is to set the bar very, very high," says Leslie Wulf. "We're going to grow through acquiring centres, remodelling and raising the quality of them and building new centres." But Martha Friendly, a researcher with Toronto-based Childcare Resource and Research Centre, points out that the company aims to own 10 per cent of the Canadian market -- an amount she believes is far too much, particularly if or when the company hits financial turbulence.

"It is completely in the wrong direction," says Martha Friendly, researcher with Toronto-based Childcare Resource and Research Centre. "Once you really move it in the direction of being a serious, big-time money-making commodity, it's hard to ever recover from that." In May, Edleun became the first publicly traded childcare corporation in Canada when it began trading on the TSX Venture Exchange. The company has been busy, scooping up several daycare centres in Alberta, including 11 123 Busy Beaver centres. On July 21, it paid $7.1 million for six additional daycare centres, including the property of five of those locations, with options for the sixth centre.

"The first 11 centres that I bought, I'm spending as much to remodel some of them as it cost to build the building 20 years ago," says Wulf. "We're all about quality and choice." Friendly points out that generally "significant" amounts of government subsidies that should be going into improving such centres and paying quality staff a livable wage often end up lining shareholder pockets instead.

"You can make a lot of money off of childcare if public policy is weak and there's public money involved -- significant public money," she says. "And if you get into the real estate business on top of that, you can make a killing." Bill Moore-Kilgannon, executive director of Public Interest Alberta, a childcare and education advocacy group, says although there's no evidence Edleun won't provide quality childcare, he is concerned the company will grow too big, too fast, and he points out it has links to failed Australian childcare giant ABC Learning Centres.

"Given who these people are and their history we are just concerned about what is going to become of our childcare system in this province as these guys rapidly expand," says Moore-Kilgannon.

In 1998, ABC began to aggressively buy daycare centres in Australia. Ten years later the firm, which cared for 120,000 children and employed 16,000 workers, collapsed amid trading irregularities, skyrocketing fees and a crushing $1.6-billion debt. The Australian government was forced to bail out ABC with $22 million of taxpayers' money in order to keep the daycares afloat until the end of 2008.

"We need to be cognizant that once one or two companies control a huge part of the market, they then can start dictating to the government their terms much more," says Moore-Kilgannon. "You can well imagine the provincial government would not want a bunch of childcare centres to close down just before an election for instance." Alberta government officials say they aren't worried about Edleun's entry into the province's childcare market or that it's a for-profit business. Alberta's childcare system is an even mix of non-profit and for-profit centres, with 45 per cent run by the private sector. Both models receive government subsidies to create new childcare spaces and attract staff.

"Our concern is the health and well-being of children," says Tom Olsen, spokesperson with Children and Youth Services. "We're less interested in the business model and more interested in children and youth who are cared for properly, so that's where our focus is." Moore-Kilgannon and van Kooy say several members of Edleun's management have ties to ABC and its Canadian offshoot, 123 Busy Beavers, including the company vice-president of operations Marnie Testa, formerly ABC's national operations manager.

Edleun's board of directors largely consists of property developers and investment experts. Board members include John Snobelen, a former minister of education with the Ontario government, and Traudi Kelm, who chairs Alberta's accreditation of early learning and care services and is a director with the Alberta Child Care Network.

Wulf scoffs at the criticism, vehemently denying links to the failed Aussie daycare giant, and accuses "special interest groups" of taking swipes at Edleun for their own self-interests. "This is an industry that has a lot of special interest groups that are funded by a lot of factors that have nothing to do with quality and choice of childcare," he says.

He says there's little chance Edleun will collapse, as did the overleveraged ABC. He insists Edleun is debt-free, aside from mortgages. "I've never worked for ABC," he says. "ABC's demise had nothing to do with the quality of childcare they provided, nothing to do with the economics of the business. They got overleveraged when the capital markets collapsed." "Every company is different," he adds. "Just because BP is in trouble, does that mean Exxon's going out of business? It may be self-serving for them to make those correlations, but as a company right now all we have is real estate debt."

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