

Commercial daycare company acquiring seven centres in Ontario ^[1]

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EXCERPTS:

Small children are about to be big business in Ontario, as an acquisition-hungry Western child-care company takes its controversial blueprint to a province whose daycare industry is struggling to keep up with demand for space.

Edleun Group Inc. will spend millions to acquire seven Montessori daycares in the province - four as-yet-undisclosed centres in Toronto and three in Windsor. Parents may not see prices drop when they take over, the company says, but they also won't rise as fast as they might have otherwise.

Critics, however, charge the company's unprecedented consolidation of daycare centres threatens to commercialize the education of young children, and will result in subpar services as the company looks to squeeze as much profit as possible out of each centre.

This is the Calgary-based company's first foray into a province whose daycare sector is under increasing pressure. Governments in such major centres as Toronto are considering cuts to city-subsidized spaces because of a budget crisis, and the introduction of all-day kindergarten has thrown the financial plans of many small operators into disarray.

"We understand there are a number of non-profit operators who worry they will need to vacate their space and this creates an opportunity," said chief executive officer Ty Durekas. "We believe we are offering what is on par with the public system, and in many cases we are investing more into the classroom than would happen otherwise."

The company says its model allows it to create new spaces for less - it can buy supplies in bulk and outsource administrative functions to a central office. But critics take a dimmer view.

"The bottom line is this is a business and a business exists to make money," said Martha Friendly, founder and executive director of the Childcare Resource and Research Unit, a policy and research-oriented facility focusing on early childhood education and child care. "And any money that is considered profit is money that is not being spent on children."

While the daycare sectors in Britain and the United States tend to be dominated by a few large, publicly traded companies, Canada's daycare centres have remained mostly privately owned and non-profit (a report from Ontario's Childcare Resource and Research Unit estimates 75 per cent of Canadian daycares are non-profit).

Private equity funds and venture investors have long eyed Canadian centres, but were deterred because of the thousands of small operators. Edleun has stepped in to fill that void, raising more than \$40-million to buy centres across the country.

Edleun is counting on its belief that daycare operators feel threatened by economic uncertainty and funding models that are often dependent on government contributions, while at the same time facing increasing operating costs. Better to sell now, Edleun contends.

-reprinted from the Globe and Mail

Region: Ontario ^[2]

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