

# Competition claims put ABC in freefall

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SHARES in childcare giant **ABC Learning** were in freefall again yesterday as founder and boss Eddy Groves was forced to defend accusations of anti-competitive behaviour by the ACCC.

The stock fell almost 10 per cent to a seven-year low of 71.5c. They have now plunged 90 per cent in 12 months as investors continue to lose confidence in Mr Groves' business model.

One analyst called for Mr Groves to resign, and others are warning shareholders to stay away from the stock because of poor management and worrying levels of debt.

The ACCC said it had begun proceedings in the Federal Court against ABC Learning over the alleged anti-competitive behaviour.

The ACCC said ABC Learning made agreements in December 2004 after its purchase of the rival group Pepper-

corn Management Group.

Those undertakings required ABC to not buy any other childcare centre licences in certain regional areas, and to sell a number of childcare centres in three regions, including two centres in Geraldton, WA — the Kidz Retreat and Little Buccaneers childcare centres — which are still owned by ABC.

"The ACCC alleges that between December, 2004 and the present, ABC did not divest the two Geraldton centres even though the ACCC agreed to extend the deadline several times, and this has resulted in a breach of the undertakings," the ACCC said.

The Federal Court has set a directions hearing, which includes two other alleged breaches of the undertaking, for August 8.

Due to high competition in the area, selling the centres has proven more difficult than anticipated, but there are "currently interested buyers," an ABC spokesperson said.

"[ABC] will continue its dialogue

with the ACCC with a view to resolving this matter," the company said.

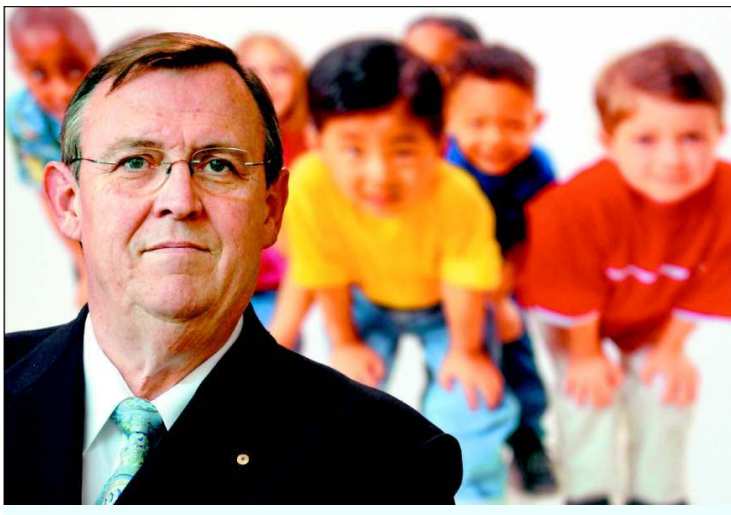
The shake-up of the company has claimed many scalps, including the resignation of a number of key executives and the retirement of chairwoman Sallyanne Atkinson.

Sharemarket analysis firm wiseowl yesterday repeated claims Mr Groves should have followed his colleagues.

"I think it is time for Eddy Groves to step aside," said wiseowl equities analyst Sven Restel.

Analyst Roger Montgomery from Clime Asset management said the continuing fall in the share price reflects a lack of confidence in the ABC Learning business model.

"It is unpopular now, and whether it becomes popular again in the long term will ultimately depend on the performance of the business, which at the moment is mediocre at best," Mr Montgomery said.



Tough ask ... ABC chairman-elect David Ryan has a tough job trying to deflect the ACCC's court challenge of ABC's undertakings Picture: DAVID SPROULE



Gone, going



Atkinson. Groves