

Watchdog attack on ABC Learning

INVESTORS have all but given up on ABC Learning Centres after the competition watchdog yesterday launched legal action against the company.

Shares in the company fell almost 10 per cent to a seven-year low of 71.5c as founder and chief executive Eddy Groves was forced to defend accusations of anti-competitive behaviour from the Australian Competition and Consumer Commission (ACCC).

The shares are just a fraction of what they were a year ago.

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

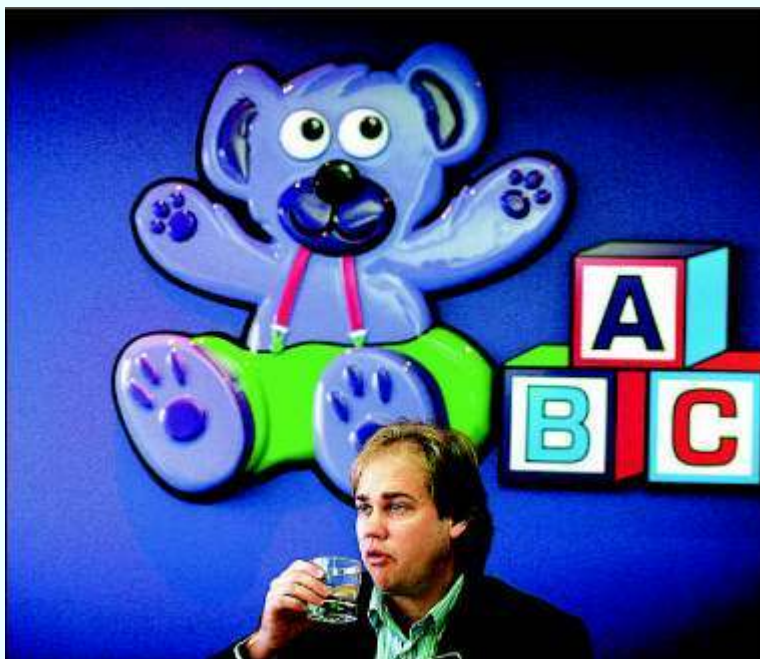
The ACCC said yesterday it had started proceedings in the Federal Court in Melbourne against ABC Learning regarding the alleged anti-competitive behaviour.

The ACCC said ABC Learning had agreed to conditions in December 2004 after the acquisition of rival childcare company Peppercorn Management Group.

The undertakings required ABC to not acquire any further childcare centre licences in certain regional areas, and to sell several childcare centres in three regional areas.

This included two centres in Geraldton, WA – the Kidz Retreat and Little Buccaneers child care 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



Told to step aside . . . ABC Learning Centres' CEO Eddy Groves

extend the deadline several times, and this has resulted in a breach of the undertakings,” said the ACCC.

The Federal Court has scheduled 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’, said an ABC spokesperson.

But acquisitive Gold Coast childcare centre operator Early Learning Services was not likely to be the one to come to ABC Learning’s rescue.

ELS chief executive John Hutchison said the company was not looking to acquire centres in that region, although WA was on its radar ‘given the growth (there) over the past 12 months’.

ABC Learning said it would ‘continue its dialogue with the ACCC with a view to resolving this matter’.

The shake-up of the company has claimed chairwoman Sallyanne Atkinson.

Sharemarket analysis firm Wiseowl yesterday repeated claims Mr Groves should have followed his colleague.

“I think it is time for Eddy Groves to step aside,” said Wiseowl analyst Sven Restel.