

■ ANTI-COMPETITIVE BEHAVIOUR CLAIM

Watchdog acts as ABC falls

**Rhys Haynes and
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SHARES in childcare giant ABC Learning were in free-fall yesterday as founder and chief executive Eddy Groves was forced to defend accusations of anti-competitive behaviour by the competition regulator.

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

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

The Australian Competition and Consumer Commission said yesterday it had begun proceedings in the Federal Court in Melbourne against ABC Learning regarding the alleged anti-competitive behaviour.

The ACCC said ABC Learning had agreed to certain undertakings in December 2004, following the acquisition of rival childcare company Peppercorn Management Group.

These required ABC to not acquire any further childcare centre licences in certain regional areas, and to sell a number of childcare centres in three regional areas.

This included two centres in Geraldton, WA — Kidz Retreat and Little Buccaneers — 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 watchdog said.

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

An ABC spokesman said competition in the area had made selling the centres more difficult than anticipated, but there were "currently interested buyers".

"(ABC) will continue its dialogue with the ACCC with a view to resolving this matter," the company said.

The recent shake-up at ABC has claimed many scalps, including chairwoman Sallyanne Atkinson last month.

Market analysis company Wiseowl yesterday repeated claims Mr Groves should have followed his colleagues.

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

Roger Montgomery at Clime Asset Management said the continuing fall in the share price reflected 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.