

Multi-National Corporate Child Care is Coming to Canada

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The Australian example

Before 1991, Australia had a predominantly (about 70%) not-for-profit child care infrastructure. The government then opened up funding to the for-profit sector, promising to ensure high quality through an accreditation process. Now more than 70% of the sector is commercially owned. The largest corporation is ABC Developmental Learning Centres, which owns about 25% of child care supply. ABC is covered by the media on a variety of issues ranging from acquisitions to quality concerns on a regular basis.

Last year ABC reported [operating profits of \\$81.1 million](#)¹, representing an 86.4% increase from the previous year. ABC Learning Centres Limited is a publicly traded company. [Edmund \(Eddy\) Groves](#)² who was named the richest under-age 40 Australian in 2005 is the co-founder and director of ABC as well as the CEO Operations (Global).

[Forbes Magazine](#)³ (2007) described Groves' phenomenal rise -- "in 1988, Groves, then a 22-year-old milkman, started with one day care centre in a Brisbane suburb. ABC grew slowly, until the Australian government started offering generous child care payments to parents".

ABC became a publicly traded company in 2001. It is documented that much of its profit margin has come from Australia's now considerable free-flowing public funding for child care. (Brennan 2007, see appendices) It is reported that [40% of ABC's profits](#)⁴ in Australia come from government revenues. An Opposition MP called this "[subsidy milking](#)⁵" in Parliament.

ABC has had close ties with well-connected government official although this has been controversial according to some [commentators](#).⁶ Among these officials are the ex-Minister for Children, [Larry Anthony](#)⁷ who became a member of the board less than a year after he lost his seat and board chairwoman Sallyanne Atkinson, a former Liberal mayor of Brisbane.

To date, much of ABC's growth has come from acquisitions and mergers in Australia and abroad, particularly other chains.

¹ <http://abclcl.republicast.com/ar2006/ABC%20Learning%20Centres%20AR2006.pdf>

² <http://www.smh.com.au/news/national/cradle-snatcher/2006/03/10/1141701698670.html?page=fullpage#contentSwap2>

³ http://www.forbes.com/free_forbes/2007/1001/102.html

⁴ http://www.forbes.com/free_forbes/2007/1001/102.html

⁵ http://www.forbes.com/free_forbes/2007/1001/102.html

⁶ <http://www.smh.com.au/news/national/cradle-snatcher/2006/03/10/1141701698670.html?page=fullpage#contentSwap2>

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http://action.web.ca/home/crru/rsrsc_crru_full.shtml?x=73891&AA_EX_Session=5632d0426b1af585bf789dac530a3458

Going global

Initially, ABC concentrated on acquisitions in Australia and then New Zealand. However, late in 2005 ABC began to go truly global by acquiring one of the largest US-based child care companies, Learning Care Group, which now operates as the umbrella to its sub-brands: The Children's Courtyard, Childtime Learning Centers, La Petite Academy, Montessori Unlimited and Tutor Time Child Care / Learning Centers. As part of the US acquisition, franchises in Hong Kong, Indonesia, the Philippines and Canada (Ontario) were acquired by the company.

ABC is now the 2nd largest child care provider in the US.

In 2006, ABC bought Busy Bees, the largest child care company in the UK, then acquiring another UK firm, Leapfrog.

It has become the biggest child care provider in the UK and its overseas acquisitions have made ABC the largest child care provider in the world.

During the summer of 2007, seven notable companies were registered under the [Australian Securities and Investment Commission](#)⁸ (ASIC). They are:

- 123 Global Holdings Pty. Ltd.,
- 123 Global Holdings (Australasia) Pty. Ltd.,
- 123 Global Holdings (China) Pty. Ltd.,
- 123 Global Holdings (Europe) Pty. Ltd.,
- 123 Global Holdings (Japan) Pty. Ltd.,
- 123 Global Holdings (North America) Pty. Ltd., and
- 123 Global (Australasia) Pty. Ltd.

All these companies have their principal place of business listed as 20 Metroplex Avenue Murarie Queensland, the same address as ABC Developmental Learning Centres. The listed director's name is Donald Vivian Jones, 52 Boomerang Crescent Sorrento QLD. The 123 Global website also contains a way to submit suggestions, proposals or products for consideration for the child care centers through project ACE, [Architectural Childcare Excellence](#)⁹.

123 Global (North America) advertised for many jobs in September including, corporate lawyer, comptroller, and accountant. They are based in Chicago.

Additional companies that appear to play a role are ABC Acquisitions Pty and Miltonia Pty Ltd. The directors of ABC Acquisitions Pty. Ltd. and Miltonia Pty. Ltd. are listed as Donald Vivian Jones (as with the 123 Global companies) and Heather Jillian Jones. Their place of business is listed as 52 Boomerang Crescent Sorrento QLD 4217, which was also their [home address](#)¹⁰. (see appendices)

⁸ <http://www.asic.gov.au/asic/asic.nsf>

⁹ http://pdf.aigroup.asn.au/publications/industry_magazine/2006/IND_39_national_news.pdf

¹⁰ <http://www.whitepages.com.au/wp/initResSearch.do>

One article discusses "[the apparent complexity](#)" of accounting¹¹ at ABC Learning Centres.

According to the article "ABC and the trust pay money to centre developers and a commission to ABC Acquisitions" in arrangements with a set of linked companies involving "the childcare group, a trust fund, and a company co-ordinating centre developers and sellers. The last company called ABC Acquisitions is based at ABC Learning Centre's headquarters".

Other ABC corporate connections are:

- [123 Careers](#)¹² is listed under ASIC as 123 Careers Pty. Ltd. and is the staff recruitment arm for ABC.
- [National Institute of Early Childhood Education](#)¹³ is ABC's private training and assessment program.
- [Austock](#)¹⁴ describes itself as a financial services group that builds corporate success. Its executive chairperson, William (Bill) Bessemer is also an ABC board member. Austock does [ABC's capital rising](#)¹⁵.
- [Funtastic](#)¹⁶ is the largest toy distributor in Australia recently purchased [Judius from ABC](#)¹⁷. [ABC holds almost 18% of Funtastic](#)¹⁸. Judius is now ready for [trading in the US](#)¹⁹.
- Queensland Maintenance Services is a company used by ABC for cleaning and maintenance is operated by [Mr. Grove's brother-in-law](#)²⁰.
- Quantum Food, the largest distributor of milk in Australia is still [owned by Groves](#)²¹, according to newspaper reports.

Coming to Canada

During the third week of September, there were significant changes to the [123 Global](#)²² website that are pertinent to the move into Canada. An online [video presentation](#)²³ describes ABC

¹¹ <http://www.news.com.au/couriermail/story/0,,21354586-3122,00.html>

¹² <http://www.123careers.com.au/>

¹³ <http://www.childcaretraining.com.au/>

¹⁴ <http://www.austock.com.au/>

¹⁵ <http://www.news.com.au/couriermail/story/0,23739,20512406-3122,00.html>

¹⁶ <http://www.funtastic.com.au/>

¹⁷ <http://www.theage.com.au/news/Business/ABC-Learning-Centres-throws-its-toys/2006/11/08/1162661761940.html>

¹⁸ <http://www.theage.com.au/news/Business/Funtastic-ready-for-trading-in-the-US/2007/08/20/1187462136208.html>

¹⁹ <http://www.theage.com.au/news/Business/Funtastic-ready-for-trading-in-the-US/2007/08/20/1187462136208.html>

²⁰ <http://www.news.com.au/couriermail/story/0,23739,22349771-3122,00.html>

²¹ <http://bulletin.ninemsn.com.au/article.aspx?id=139621>

Acquisitions as the corporation that helps its clients expand in the child care industry. Their stated goals are continued expansion in Australia with a focus on corporate care (employer-supported child care) and New Zealand along with cooperation with their United States company.

Their new development goals identify Canada, China, India, United Arab Emirates, and the Netherlands. In addition, the world map on the site has now added Canada; one click leads to an ABC Acquisitions contact form. According to the presentation, it takes 15 months to go from a 'green field' site to an operational centre.

ABC is now listed as a key client of 123 Global. The global group is moving into Canada under the name of 123 Busy Beaver Learning Centres. According to reports, they will test the market initially in Alberta and Ontario. The 123 Busy Beavers Learning Centres Corporation is registered in British Columbia, Alberta, and Ontario (see appendices).

A group apparently representing the global group met with Calgary and Area Regional Child and Family Services and the Alberta Association for the Accreditation of Early Learning and Care Services in June and again in October. The group included Marnie Testa identified as a 'national operations manager' at ABC. Through this process, it has been reported that there will be a number of child care centres opening soon and that land has been purchased in Calgary.

The corporation 123 Busy Beavers Learning Centres Inc. was registered in Alberta on September 28th 2007. The date of formation in British Columbia was in July 2007 (see appendices). The director is listed as Graeme Wilkie, Oakville Ontario. 123 Busy Beavers Learning Centres was also registered as a corporation in Ontario in August 2007. The domain name 123busybeavers.com²⁴ was registered in July 2007 by QK Technologies in Brisbane Australia²⁵. Another person at the Alberta meetings was Leslie Wulf. Mr. Wulf is also one of the two signers of a letter (signed by "Leslie Wulf" and "Mark Davis" on the letterhead of "Adroit Investments") received by child care centres across Ontario showing interest in purchasing child care centers on behalf of a large financial/childcare group. (see appendices and below).

Leslie Wulf is originally from Saskatchewan but has lived in both Texas and Australia. According to SEC searches, from October 1994 until July 1995 Mr. Wulf served as President and Chief Executive Officer of Kidsport's International, Inc., a company which owns and operates 42 family entertainment, educational and fitness centers in eleven countries. Mr. Wulf also served as President of Funster's, a company engaged in the operation of family

²² <http://www.123-global.com/>

²³ <http://www.123-global.com/australasia/video.htm>

²⁴ <http://www.123busybeavers.com/>

²⁵ QK Technologies is listed as one of the software providers of the child care management systems that the national government in Australia is now requiring that all child care centres install. Their software is called Qikkids. The national government will be subsidizing these systems.

(http://www.facsia.gov.au/internet/facsinternet.nsf/childcare/ccms_software-providers.htm)

Another software provider listed in the Australian government bulletin is RTMS (Real Time Management Systems). ([http://www.facsia.gov.au/internet/facsinternet.nsf/vIA/ccnews/\\$File/ccnews_special_ed_8.pdf](http://www.facsia.gov.au/internet/facsinternet.nsf/vIA/ccnews/$File/ccnews_special_ed_8.pdf)). Leslie Wulf is referred to as the CEO of RTMS in a 2005 newsletter posted on their web site. (http://www.rtms.com.au/RTMS_AU_Mag_Story_Final_Copy.pdf) The links for their sites in the UK, US, and Canada no longer work but their software product Centrecalc seems to be in the hands of a company that may have superseded RTMS remains on a September list released by the government.

entertainment facilities in conjunction with adult health clubs. From January 1992 until October 1994. Mr. Wulf was President of JJAX Entertainment, Inc from March 1996 and President of Jumpin' Jax Entertainment, Inc., from July 1995.

Before this period - during the period 1987 until January 1992 - Mr. Wulf was Australia President, Vice President of Operations and Vice President of Development of Grandma Lee's, an international bakery and restaurant franchising operation.

In addition, in the late 1990s until approximately 2001, Mr. Wulf was CEO of Dallas-based Children's Choice Learning Centers. In 2001, a lawsuit was reportedly threatened against the company when one of its centres apparently experiencing low enrolment was abruptly closed (reported in Knight-Ridder/Tribune Business & News September 6th, 2001).

He was also President of the company Boundless Motorsports from July 2003 until 2004 when he left the company.²⁶

In 2005, he is identified as CEO of RTMS in Australia; a Mark Davis is identified as RTMS' President.

Aside from Children's Choice which, according to their website (<http://www.childrenschoice.com>), is under different management, and possibly the Australian arm of RTMS, all these companies no longer seem to exist.

What this means

Public dollars used for profit

The ABC/123 group of corporations has been formed to expand internationally. In Canada the hare of current and future government investment in child care would be attractive. ABC owes its success to government funding--it is reported that government funding represents [40% of its revenue](#)²⁷ in Australia. If there is widespread expansion of 123 Busy Beavers across Canada, it will reduce the chances of a comprehensive Canadian child care program as government funds will be turned into profits instead of a system.

Affordability

[Child care costs in Australia have been spiraling](#)²⁸ for parents, and child care issues have had a reported impact on the workforce. Since 1990, parent fees have risen 123 per cent - or more than doubled - while household income has increased by only 62 per cent. The national government in Australia provides considerable funding to individual parents. Government payments to parents have been increased with no discernible effect on affordability because according to news reports [the private corporation raises the fees](#)²⁹ when government funding increases.

²⁶ <http://www.sprintcarnews.com/DJ.html>

²⁷ http://www.forbes.com/free_forbes/2007/1001/102.html

²⁸ <http://www.news.com.au/story/0,23599,21234701-5007133,00.html>

²⁹ <http://www.news.com.au/adelaidenow/story/0,22606,22429893-2682,00.html>

Quality issues

Unlike Canada, there is little research in Australia documenting quality differences between non-profit and for-profit corporate child care.

In a 2006 study published by the Australia Institute, survey responses from child care staff showed “Responses also suggested that where there are problems, these are disproportionately located in corporate chain centres. One in every five respondents from corporate chain centres said they would not send their own child aged under two to the centre they were employed at due to quality concerns. This compares with only one in every twenty-five respondents from community-based centres who said the same thing”.³⁰

In a further analysis of a sub-sample of staff at ABC centres, Rush and Downie (June, 2006) found that “Only 29 per cent of respondents from ABC Learning Centres said they always have enough time to develop individual relationships with the children they care for, compared with 54 per cent of community-based centre staff. This may be related to poorer staff-to-child ratios at ABC Learning centres: only 15 per cent of respondents from ABC Learning centres said their centre employs more staff than legally required, compared with 40 per cent of staff at community-based centres” and that “55 per cent of ABC Learning centre respondents said enough food was always provided for children, compared with 80 per cent of staff at community-based centres”.³¹

Political scientist Deborah Brennan (2007) documents the Australian for-profit sector’s lobby against improvements in standards on a number of occasions. A recent instance of this was this year in New South Wales, when it was reported that the for-profit representatives on a government panel studying staff-child ratios swayed the government against the panel’s recommendations of improved ratios.

Australia has a national system of accreditation of child care centres, presumed to be a safeguard against poor quality. However, commenting on the findings on the accreditation system that were part of a [major review](#)³² of quality issues in Australia, “[rather than indicating quality, child-care experts say, the high pass rate shows the system is not working and measures the wrong things.](#)” Frances Press, a former director of the Office of Childcare in NSW, now an academic, said: “[A 96.5 per cent pass rate is a highly unbelievable figure in a field that is apparently full of staff shortages and high turnover.](#)”³³

³⁰ <http://www.tai.org.au/documents/downloads/DP84.pdf>

³¹ <http://www.tai.org.au/documents/downloads/DP87.pdf>

³² http://www.facsia.gov.au/internet/facsinternet.nsf/childcare/review_national_standards_childcare.htm

³³

http://action.web.ca/home/crru/rsrscs_crru_full.shtml?x=85808&AA_EX_Session=a21d148b7f6cdc6fadf18f8019e991fd

When Australia participated in the decade-long OECD Thematic Review of Early Child Education and Care, the quality of its child care was identified as an issue, by the [OECD](#)³⁴:

It was felt that the low pay, low status and training levels of Early Childhood Education and Care staff undermine quality, and may counterbalance the investments governments are making in the sector, despite state regulation and national monitoring of quality through a quality assurance system. In addition, attention was drawn to the poorer work conditions experienced by staff in the early childhood child care sector, compared to other education sectors.

Accessibility

In Australia, concerns have been raised about how some [communities have suffered](#),³⁵ as market failure is the operating principle in Australia when it comes to serving children with special needs and children in rural and smaller communities where there is no profit to be had. In these instances, it has been up to community-based non-profit child care sector to step into the breach. It has been observed that in rural areas, the for-profit child care providers simply do not want to set up.

Trade

The trade concerns associated with the global child care giant's entrance to Canada have serious implications for the future of high quality early learning and child care in this country. According to a [legal opinion](#)³⁶, the investment and services rules in the North American Free Trade Agreement (NAFTA) and the World Trade Organization's General Agreement on Trade in Services³⁷ (GATS) would likely apply if child care services are provided on a commercial basis.

Both NAFTA and GATS trade disciplines could be interpreted to deny governments the right to prevent foreign child care companies from acquiring a dominant position in the child care sector.

The GATS could curb governments' ability to specify qualifications for child care workers, or the licensing requirements for child care institutions, where those regulations are "more burdensome than necessary." The ability of governments to create and maintain standards in the child care sector would be severely limited.

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³⁴ <http://www.oecd.org/dataoecd/16/48/37423214.pdf>

³⁵ <http://www.parliament.nsw.gov.au/prod/parlment/HansArt.nsf/V3Key/LA20060926017>

³⁶ http://www.cupe.ca/updir/childcare_trade_opinion.pdf