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Committee Secretary
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Dear Committee Members,

RE: Submission to the Inquiry into Private Equity Investment and its Effects on the Capital Markets and the Australian Economy

I welcome this inquiry into the reach and depth of private equity investment in the country. Following this letter is my survey of private equity in the aged care sector showing how this area of Australian socio-community life has been transformed.

Private equity is a pervasive form of investment throughout Australia, not only in the traditional industries of banking and finance, but also in service industries where non-profit and community based organizations are common such as the childcare sector. In entering not-for profit sectors, private equity investors have turfed out traditional non-profit organizations as they compete for the same pool of government funds and subsidies. Indeed, the allure of government subsidies have made the aged care sector a most attractive, stable 'investment' as part of a 'social infrastructure fund'.

The aged care sector is too important to be carved out by the desires of private equity Wall Street-type managers for short-term gain. The long-term pain will be felt by most Australians, especially those who have people close to them using aged-care facilities. Once the private equity players have maximized any profit out of this sector, they will depart from the sector to pursue profitability in other industries of the economy, leaving the Australian taxpayer to foot the costs and leave a dilapidated aged care sector.

Currently, the sector is an unbalanced, unequal playing field where the short-term investment horizon of private equity investment has placed these players at an unfair advantage against traditional non-for-profit participants. It is a matter of grave concern that a substantial part of the aged care sector is now in the hands of fund managers with little hands-on experience of the aged care sector. Furthermore, it is a matter of great concern that government policies in the aged care sector do not distinguish between private equity owners (who distribute their profits to their shareholders) and non-profit organizations (who reinvest any profit back into the sector).

As an outcome of this inquiry, I hope committee members will:

- shine light on the role of private equity into the aged care sector,
- recommend that short-term private equity investors should lengthen their investment horizon and discourage 'flipping' of aged-care assets
- reassess the aged-care subsidies provided to private equity owned facilities
- increase financial and operational support to non-for profit run facilities,
- and encourage new for-profit participants with transparent owners

Yours faithfully,

Marie dela Rama
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UTS Centre for Corporate Governane

Background to the Study
This research was prompted when a third party commissioned me to do a series of reports on the ownership, management and structure of organizations that are players in the aged care sector. Only publicly available information was used such as organization websites, annual reports ASX announcements, the Dun & Bradstreet database and Who's Who in Business in Australia. The period of research was throughout 2006.

The following table lists 16 organizations and they were selected as being significant providers of aged care services in the country. They represent a cross-section of aged care providers by category. This table lists them by their profit status:

Table 1: List of 16 Aged Care Organizations

Organization	For- Non-/Profit	Year of Entry in Sector
Anglicare Australia	Non-Profit	1857
Aevum	Traditional For-Profit	1868 as a Catholic charity, 1973 for first retirement village
Baptist Community Care	Non-Profit	1944
Craigcare	New Model For Profit	1970s
DCA Group	New Model For-Profit	1987
Ibis Care	New Model For-Profit	1997 (by phone)
Little Company of Mary Healthcare	Non-Profit	1885
Masonic Homes	Non-Profit	1890s
Moran	Traditional For-Profit	1956
Primelife	New Model For-Profit	1986
Principal Care	New Model For-Profit	1998
Ramsay	Traditional For-Profit	1964
Retirement Care Australia	New Model For-Profit	2005
Salvation Army	Non-Profit	1900s
St. Vincent de Paul	Non-Profit	1967 in Victoria website
Uniting Care Australia	Non-Profit	1928

From this sample, three distinct groups of aged care organizations can be recognized:

1. The **traditional non-profit organization.** This entity is usually religious and charity-based with a long history and presence in the sector.
2. The **traditional for-profit organization.** In the sample only 3 are designated as a traditional for-profit. Due to the rapid acquisitions that have occurred in the

sector, some of the original traditional for profit organizations has become part of the new model for profit organization.

3. The **new-model for profit organization** or **private equity owners.** This entity has emerged over the last 5 years to become an important player in the aged care sector. This new model is characterized by **"private equity".**

<u>The Traditional Non-Profit Organization: Charity and Religious Based</u>

In the sample, 7 organizations were identified as fitting the archetypal traditional non-profit organization. All are charitable and Christian religious based organizations.

Two of the organizations are Catholic based: the Little Company of Mary and St. Vincent de Paul, are Catholic-based. One of the Uniting Church's subsidiaries is Frontier Services which is the main aged care operator in outback Australia.

The raisons d'etre of these organizations were and are founded on the Christian precept of charity. The following email excerpt from a Uniting Church representative explains this responsibility:

> *"Caring for people has been a principal Christian activity for 2,000+ years. Churches ran the world's first orphanages, hospitals, schools, universities and hotels. In the 20th Century, Churches pioneered the care of older people. The history of providing care for older people goes back well before the creation of the Uniting Church (22nd June 1977). Each of the pre-union denominations (Presbyterian, Methodist and Congregational Churches) had its own strong commitment to providing for the welfare needs of the community, and this included older people.*
>
> *"The first services provided specifically for older people were accommodation-type services for homeless older men or women. Convalescent and other hospitals were also an expression of this sense of mission to minister to older people. The development of these services primarily came from action at the local congregation, parish, or parish mission level. The services represented the efforts of local faith communities to respond to the needs that they saw around them in their local communities, in acting out their Christian ministry."* (personal correspondence, 10 January 2007)

In 2004, the Salvation Army sold 15 of its 19 aged care homes to Retirement Care Australia, part of the Macquarie Bank, citing the increased financial costs of operating in the sector:

> *"…This is a very difficult decision for the Salvation Army which is a benevolent organisation. We know it's going to cause distress to residents and staff alike…Aged care centres cost a lot of money to operate and we know that in coming years we're going to be up for a lot of capital to ensure that these centres maintain the high standard that they have…And we have to say to ourselves that*

the need in aged care, while being great and very demanding, is not as great as the desperate need for those living below the poverty line." (Knight 2004)[1]

In late 2006, the St. Vincent de Paul Society announced their intention of selling 18 of their 20 aged care homes, citing

"the shortage of both high- and low-care places in many areas, coupled with the cessation of capital grants and an emphasis on user pays has resulted in a lack of available services in regions that the Society has identified as having significant number of people with little or no assets and who are in need of residential aged care."[2]

At the time of writing, the CEO of Vinnies (as the Society is colloquially known), John Coit, confirmed that they were still in the process of negotiations of selling the homes. However, he said that the entity they were speaking to was a non-for profit entity, not a for profit entity nor private equity player.

The other 5 organizations still hold some significant presence in the sector.

The 2002 annual report of the listed aged care company, Amity Group (now part of the private-equity owned DCA Group), contained a list of the top 10 residential aged care operators in the country. Six of the 10 were religious based: the Uniting Church (NSW, QLD and Old Synod), Anglican Retirement Villages, St. Vincent de Paul and Baptist Community Services. The table is reproduced below:

Table 2: Top 10 Aged Care Operators in Australia in 2002[3]

OPERATOR	SECTOR	NO. OF LOCATIONS	NO. OF BEDS	MARKET SHARE
Uniting Church (NSW)	Non-Profit	82	4,819	3.4%
Moran Health Care	Private	48	3,900[4]	2.8%
Uniting Church (QLD)	Non-Profit	57	3,021	2.1%
NSW Government	Government	20	1,718	1.2%
Anglican Retirement Villages	Non-Profit	16	1,671	1.2%
Amity/DCA Aged Care	Private	21	1,603	1.2%

[1] Knight, B. (2004) Salvation Army Sells up, ABC PM archive, 11 February http://www.abc.net.au/pm/content/2004/s1043074.htm accessed 11 Janaury 2007
[2] http://www.vinnies.org.au/services.cfm?parentid=2&id=2 accessed 10 January 2007
[3] Amity Group 2002 Annual Report
[4] The 2005 figure is 3,379 beds (see Operations). However, Moran Health Care is a private company and the number of beds could vary due to the paucity of information.

Uniting Church (OLD Synod)	Non-Profit	27	1,576	1.1%
Conform Group	Private	22	1,560	1.1%
St Vincent de Paul	Non-Profit	33	1,460	1.0%
Baptist Community Services	Non-Profit	23	1,440	1.0%

The Traditional For-Profit Organization

The three companies designated as a traditional for-profit organization have been in the sector for the last 30 years. Two are listed on the Australian Stock Exchange – Aevum and Ramsay. The other, the Moran Healthcare Group, is unlisted and is family owned.

Table 3: List of Traditional For-Profit Organizations in the Sector

"Traditional For Profit" Business		
Company	**Year of Listing (ASX Code)**	**Market Capitalisation (as at 9/1/07) or Revenues**
Aevum	2004 (AVE)	$266M market capitalization
Moran	Unlisted	$150M estimated revenues
Ramsay	1997 (RHC)	$1.98B market capitalization

Ramsay Healthcare

Ramsay Healthcare (RHC) was founded in 1964 by Paul Ramsay. Ramsay Healthcare is the biggest private hospital provider in the country and the largest market-listed corporation in the sector. The company owns 72 private hospitals, and 5 aged facilities in Australia and Indonesia. Ramsay employs 20,000 people and has 7,000 hospital beds. The dominant shareholder of Ramsay Healthcare is Paul Ramsay's private company, Paul Ramsay Holdings Pty Ltd, which owns 42.66% of the company.

In the hospital sector, one of Ramsay's subsidiaries is Affinity Health bought in April 2005 for $1.4B. Formerly known as Mayne Health, Affinity Health was previously owned by a group of venture capitalists (CVC Asia Pacific) led by Citigroup who bought it from Mayne Healthcare Citigroup consortium. The Affinity subsidiary operates 48 hospitals across Australia, with 3 in Indonesia. Its annual revenue is $1.3B. The Affinity acquisition was queried by the Australian competition watchdog over the market power this acquisition gave Ramsay Healthcare. It resulted in Ramsay Healthcare selling 14 of its hospitals to another healthcare company, Healthscope.

In the aged care sector, Ramsay Healthcare acquired 4 aged care facilities from Ellis Aged Care at a cost of $38.5M in April 2005. In March 2005, Ramsay Healthcare acquired Gracedale Private Nursing Home for $9.8M. Lastly, Home Care Services (HCS) was acquired in April 2005 for $1.5M. HCS is one of the largest commercial residential homecare businesses operating out of Adelaide. Established 12 years ago, it has offices in Adelaide, Victor Harbour, Port Augusta and the Tiwi Islands.

Aevum
Aevum was formally known as the Hibernian Friendly Society and its predecessor a Catholic society estalibhsed to assist Irish Catholics in funeral and sickness benefits in colonial Australia. It opened its first retirement village in 1973 and is now the largest for-profit operator in NSW. The society demutualised in 2002 and listed on the Australian Stock Exchange in 2004 as Aevum Limited and raised the $10M it was seeking.

In 2004, a takeover bid was made by Primelife. A significant owner of Primelife is the private equity group, Babcock & Brown. This bid was rejected. In 2006, Primelife increased its shareholding in Aevum to 39%. In August 2006, Aevum bought Moran Healthcare's West Australian homes for $128M.[5]

Moran Healthcare
The Group was founded by Doug and Great Moran and is run by members of the Moran Family. The group opened its first nursing home in 1956 and was Australia's largest private aged care provider.

In August 2005, Macquarie Bank's Retirement Care Australia acquired 12 Aged Care Facilities from Moran Healthcare for $186M.[6] A year later, the Aevum transaction occurred and in October 2006, AMP's Principal Aged Care entered into an agreement to purchase the leases and operations of 39 residential aged care homes from Moran Health Care Group for $129.3M.

The New Business Model For-Profit Organization or Private Equity Owners
The "new" owners in the aged care sector can be characterized by the ownership structure and investment horizon of their corporate entity: "private equity". As the name suggests, the shares of private equity entities – unlike their publicly listed counterparts – are not listed and are held in private hands - such as wealthy individuals, families and or listed/unlisted institutions. A short definition from the European Private Equity and Venture Capital Association (EVCA) states private equity investing as "investing in securities through a negotiated process."[7] A lengthier definition comes from Kaplan and Schoar:

> *"Private equity investing is typically carried out through a limited partnership (LP) structure in which the private equity firm serves as the general partner (GP). The LPs consist largely of institutional investors and wealthy individuals who provide the bulk of the capital. The LPs commit to provide a certain amount of capital to the fund. The GP then has an agreed time period in which to invest the committed capital—usually on the order of 5 years. The GP also has an agreed time period in which to return capital to the LPs—usually on the order of 10–12 years in total. Each fund or limited partnership, therefore, is essentially a closed*

[5] Klan, a. (2006) Meridien buys $180M village, *The Australian*, November 2 http://www.theaustralian.news.com.au/story/0,20867,20684144-25658,00.html
[6] http://www.macquarie.com.au/au/mcag/acrobat/mcal_financial_report.pdf
[7] http://www.evca.com/pdf/Invest.pdf EVCA (2004) Why and How to Invest in Private Equity, Zavantem, Belgium: European Private Equity & Venture Capital Association

end fund with a finite life. When the GP exhausts a substantial portion of a fund's committed capital, the GP typically attempts to obtain commitments for a subsequent (and separate) fund." (2005: 1793)[8]

Due to the nature of private equity investing, aged care facilities are seen as part of a portfolio of assets. Therefore, the performance of this portfolio depends on the other assets in that same portfolio. Aged care facilities may be placed in the same portfolio as airports, roads and other 'similar-stable' assets and promoted and sold to selected investors as one 'infrastructure' fund.

The private equity industry is a fast-moving sector and unlike traditional non-for profit organizations, ownership changes occur quickly while existing day-to-day management structures of the facilities may remain constant. Fund managers may be appointed to the board of directors. Generally, the fund managers belong to a division or subsidiary owned by a bigger organization.

Five of the 6 organizations identified in this sample are Australian-based, the European-American consortium CVC (CAID) being the exception. All have acquired pre-existing aged care facilities from traditional non-profit and/or for-profit organizations. All six private equity owners are part of publicly listed entities.

Table 4: List of 'New Business Model' For-Profit Organization

"New Business Model For Profit": Private Equity Owners			
Company	**Private Equity Owner**	**Corporate Owner**	**Year Acquired or Established**
Craigcare (WA)	Hastings Funds Management	Westpac	2003 (exited 2006)
DCA Group	CAID Pty Ltd	CVC and Citigroup	2006
Ibis Care	ANZ Capital	ANZ Bank	2006
Primelife	B&B Retirement Management Pty Ltd (17%)	Babcock & Brown	2005
Principal Care	AMP Capital Investors	AMP	2006
Retirement Care Australia and Zig Inge Group	Macquarie Capital Alliance Group Ltd	Macquarie Bank	2005

Craigcare / Hastings Funds Management / Westpac

Recently acquired by Westpac Bank, Hastings Funds Management is self-described as:

'one of the largest managers of infrastructure and alternative investments in Australia.'[9]

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[8] Kaplan, Steve N. & Schoar, Antoinette (2005) Private Equity Performance: Returns, Persistence and Capital Flows, *Journal of Finance*, August, 60 (4): 1791-1823

[9] http://www.hfm.com.au/index.php 10 January 2007

Hastings acquired Craigcare in 2003, a West Australian aged care operator of 16 aged care facilities since the 1970s. Craigcare became part of the Hastings Private Equity Fund. In 2006, the group triumphantly proclaimed:

> *"Hastings exited its investment in Craigcare in late 2006 achieving an IRR (internal rate of return) in excess of 27%."*[10]

with no mention, whatsoever, of their role in improving – or not – the aged care facilities under their tenure during those 3 years (2003-2006).

DCA Group / CAID / CVC and Citigroup

The DCA Group was formerly known as the Development Capital of Australia Limited. It has two main businesses: diagnostic imaging (the largest in Australia) with the I-Med Network and aged care.

Its aged care business in Australia is known as the Amity Group. In 2005, it acquired New Zealand's largest for-profit residential aged care provider called Guardian Healthcare Group.[11] In September 2006, the European private equity firm CVC, with its joint venture partner, the US financial conglomerate Citigroup (CVC Asia Pacific and CVC Capital Partners) – acquired the DCA group for $2.7B. The DCA shares were bought through a company called CAID Pty Ltd, newly established by the private equity partners specifically for the acquisition.[12]

Ibis Care

Ibis Care has been in the sector since 1997 operating 3 facilities in NSW and Tasmania. In March 2006, IBIS Care Holdings Pty Ltd was bought by ANZ Capital with the deal originating with ANZ's Aged Care Division Corporate Banking. The equity came from ANZ Capital and the debt was financed by ANZ Corporate Banking. The deal was formed under ANZ's Capital Acquisition and Development Funding.

ANZ has taken a minority-voting stake in IBIS and has an investment horizon of 5 to 7 years and this is ANZ's first private equity investment into the aged care sector. According to an ANZ press release:

> *Mr Robert Read, Senior Manager, ANZ Capital said* ***ANZ is pleased to be able to provide IBIS Care with access to investment-banking solutions that are historically only available for 'Wall Street' sized firms.*** *"ANZ Capital invests in companies looking at growth, acquisitions, and buy-outs and in particular profitable businesses with good management teams. This is our first private equity investment into the aged care sector. We are pleased to be supporting IBIS Care's*

[10] http://www.hfm.com.au/hpef/portfolio.php accessed 10 January 2007
[11] http://www.dcagroup.com.au/IRM/content/ourbusinesses_aged.html accessed 10 January 2007
[12] http://www.dcagroup.com.au/IRM/Company/ShowPage.aspx?CPID=1278 accessed 10 January 2007

top quartile management team with their growth and acquisition plans," he said.[13]

Primelife
Primelife was established in 1986 and listed in 1991. Primelife purchased its first village in 1992 and also manages the Primecare retirement communities in New Zealand, which provide housing to over 1300 residents. Primelife has nearly 60 retirement villages, aged care hostels and nursing homes, and a further 14 facilities under construction or planned across Australia.

The investment firm, Babcock and Brown (B&B), is a significant shareholder of Primelife. In September 2006, Primelife and B&B announced they were in discussions to establish a specialized retirement and aged care managed investment fund.[14]

Principal Care
Principal Aged Care owns 42 aged care homes around Australia in NSW, Queensland, Victoria and WA. In October 2006, Principal Aged Care entered into an agreement to purchase the leases and operations of 39 residential aged care homes from Moran Health Care Group for $129.3M. Principal Care is owned by a consortium of institutional funds, of which AMP Capital Investors manages 95.5%.[15]

AMP Capital Investors is the funds management arm of AMP, managing over $97B for investors. The Infrastructure Equity Fund of AMP Capital currently has 28 people in its team and $2.6B assets under management (December 2005 figures). From 1995-2005, the fund delivered an average 16.3% return to investors. To participate in the fund requires a minimum investment of $10M.

The fund is divided into three areas deal Origination (establishing infrastructure deals), asset management and portfolio Management. The fund invests in the follow key sectors:

1. Utilities
2. Transport
3. **Social Infrastructure** (Principal Healthcare falls under this category)

AMP Capital takes an:

> *"active role in managing investments and add value through both financial structuring and operational input. Investment management activities include the development of governance and Board structures, Board participation, liaison with debt providers, capital structuring advice and the development, evaluation and implementation of exit strategies."*

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[13] ANZ Media Release (2006) ANZ Capital supports leading aged care operator IBIS Care Pty Ltd, 21 March
http://www.anz.com/aus/Corporate/About_us/PDF/IBIS_ANZ_Capital_media_release_final_.pdf
[14] Primelife Media Release (2006) Update on Discussions with Babcock & Brown, 21 September
[15]Principal Care (2006) Principal Aged Care acquires aged care operations from Moran Health Care Group, 30 October http://www.principalcare.com.au/templates/pac/page/page_html_standard.php?secID=38

AMP Capital has Principal Healthcare marked as a **Mature** investment in the portfolio life cycle: [16]

Table 5: AMP Capital Investors 2005 Track Record[17]

Investment	Sector	Geographic Region	Life cycle
SMIF	Diversified	UK	Mature
Principal Healthcare	Social	Australia	Mature
Sydney University Village	Social	Australia	Mature
Jet Airways	Transport	India	Mature
SP Ausnet	Energy	Australia	Mature

In October 2005, Chief AMP Economist Shane Oliver reported that amongst the different infrastructure project types available, Social Infrastructure Funds may expect an income yield of 8-10% with an average return of 11% for 5-10 years. The risk in social infrastructure funds is low:

Table 6: AMP Capital Infrastructure for Investors[18]

Project Type	**Income Yield %**	**Expected return, %pa, next 5-10 years**	**Risk**
Infrastructure	7	11	Medium
- Airports	5-7	12	Low-Medium
- Toll Roads	5-10	12	Low-Medium
- Electricity/gas distribution	8-10	11	Low-Medium
- Social infrastructure	8-10	11	Low
- Rail	Low	12	High
Australian shares	3.7	9.7	Medium-High
Global shares	2.3	7.2	Medium-High
Unlisted property	7.0	9.5	Medium
Listed property	6.7	9.2	Medium
Australian fixed interest	5.3	5.3	Low-Medium
Cash	5.5	5.5	Very Low

[16] The stages of the portfolio life cycle are: Entry: Greenfield → Developing → Expansion → Mature: Exit
[17] http://www.ampcapital.com.au/institutions/infrastructure/trackrecord.asp accessed 30 March 2007
[18] Source: AMP Capital Investors; Oliver, S (2005) Infrastructure for Investors, AMP Capital Investors Edition 27, 4th October
http://www.ampcapital.com.au/_apps/knowledge/getdocument.exact.asp?TITLE=Infrastructure%20for%20investors

Retirement Care Australia
Retirement Care Australia (RCA) owns and operates 19 aged care centres across the country. RCA acquired 14 aged care facilities from The Salvation Army in July 2005. The facilities are located in Victoria, South Australia, Western Australia, Tasmania and the Northern Territory. In December 2005, RCA acquired 12 aged care centres from the Moran Health Care Group (Moran Group) located in New South Wales, Victoria, Western Australia and Queensland however the day to day management of these centres remain with the Moran group

Macquarie Capital Alliance Group Ltd. (MCAG) owns 98% of RCA. Tricare owns the remaining 2%. MCAG also has a 49% shareholding in the Zig Inge Group (ZIG) which runs 16 retirement villages on the East Coast of Australia. MCAG is an arm of the investment bank, Macquarie Bank. MCAG is also listed on the Australian Stock Exchange (Ticker symbol: MCQ). RCA and ZIG joins a stable of Macquarie infrastructure assets. MCAG securities were not available to the public, instead they were offered to certain institutional investors (including offshore and onshore institutions), and existing Macquarie shareholders.

MCAG is a triple stapled structure which consists of three entities:

1. Macquarie Capital Alliance Limited (MCAL), a newly incorporated Australian public company; This entity directly controls Retirement Capital Australia
2. Macquarie Capital Alliance Trust (MCAT), an Australian registered managed investment scheme; and
3. Macquarie Capital Alliance Bermuda Limited (MCABL), a company registered under the laws of Bermuda.

"MCAG currently has significant interests in five promising industry sectors:

- Aged care (Australia)
- Retirement living (Australia)
- Directories (Europe)
- Media services and broadcast playout (UK and Australia)
- Vehicle tyre inflation services (US, Canada and UK)"[19]

MCAG justifies the investment in RCA due to the following reasons:

- predictable revenues in the aged care sector (***"The aged care industry provides stable underlying revenue streams and predictable cash flows, primarily from government funding and subsidies."***)
- strong growth prospects,
- experienced management team and
- strong competitive position ("RCA's acquisitions…positions RCA as a significant operator in the growing Australian aged care sector. The experience and expertise of the management teams in providing quality aged care services, combined with MCAG's ability to access investment opportunities, positions

[19] http://www.macquarie.com.au/mcag/index.html accessed 10 January 2007

RCA favourably to participate in further consolidation and acquisitions in the sector.")[20]

The investment in ZIG is justified as follows:

- unique portfolio and position
- predictable revenues ("ZIG generates stable and recurring revenue streams and cashflows from deferred management fees (DMFs) and other ongoing management income.")
- strong growth prospects
- attractive business model ("ZIG's operations span all facets of retirement village development and management from the initial identification and design of new retirement village sites, to the development and construction of the villages, right through to the unit sales and ongoing village management. This model allows ZIG to capture the maximum profit available at each stage of the process.")
- experienced management team ("ZIG's highly rated management team is headed by joint managing directors Zig and Peter Inge and has been the driving force behind ZIG's 30 year track record of successfully developing and managing high quality retirement villages.")[21]

Conclusions

Private equity players have transformed and are transforming the aged care sector. They have turfed out traditional non-profit players. The non-for profits are competing against financial behemoths to survive in the current environment. The outlook for them in the sector is stark – relegated to the edges, their former benevolent role, reduced or vanquished. Figure 1 below shows how the polarity of these two groups from one end of the profit spectrum to the other.

Figure 1: Emerging Patterns of Value Ownership & Orientation in the Australian Aged-Care Sector

Stakeholder Value	↓	Non-Profit Organisations		
				'New Model For-Profit' Organisations: Private Equity
Shareholder Value		*Non-Profit Orientation*		*For-Profit Maximisation*
		→		

The reason for entry by private equity managers into the sector is motivated by pure and simple profit, underwritten by a bottomless pit of government subsidies. The non-for profit players had/have a benevolent role in the operation of their aged care facilities. Private equity players are more concerned with the balance sheet - and the financial well being of their undisclosed owners - rather than the social effects of their business decisions. The presence of private equity in the sector ought to attract continuous and close vigilance.

[20] http://www.macquarie.com.au/mcag/about_us/retirement_care_aust.htm accessed January 2007
[21] http://www.macquarie.com.au/mcag/about_us/zig_inge_group.htm accessed January 2007