T R A N S C R I P T

STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

Inquiry into the retirement housing sector

Ballarat — 19 October 2016

Members

Mr Edward O'Donohue — Chair	Ms Fiona Patten
Ms Nina Springle — Deputy Chair	Mrs Inga Peulich
Ms Margaret Fitzherbert	Mr Adem Somyurek
Mr Daniel Mulino	Ms Jaclyn Symes

Participating Members

Ms Colleen Hartland

Mr Gordon Rich-Phillips

Staff

Acting secretary: Mr Patrick O'Brien

Witnesses

Mr Andrew Preston, business and finance manager, and

Mr Stewart Gull, director, Country Club Villages.

The CHAIR — Good morning, ladies and gentlemen. Thank you very much, everyone, for being here this morning. It is great to see so many people in the gallery. We very much appreciate the interest in the Ballarat community about our inquiry. I would like to welcome Mr Andrew Preston, the business and finance manager from Country Club Villages, and Mr Stewart Gull, who is a director of the same organisation.

Gentlemen, before I invite you to make some opening comments, I will just caution that all evidence taken at this hearing today is being recorded. You are protected for any comments you make at the hearing today, but such protection does not apply outside the hearing. You will be provided with a proof version of the transcript in the next week or so, and we thank you very much for joining us. We have allowed about half an hour for our time today. We have received your submission; thank you very much. So I invite you to make some opening remarks and thereafter we will have comments. Sorry we have got this distance between us too.

Mr GULL — Thank you very much for the opportunity. First of all I would like to welcome you to Ballarat and thank you for coming to Ballarat on this beautiful day. This is a very important inquiry because a lot of sensitive issues happen in retirement villages, and probably it is a balance between everyone's interests. Fundamentally over the years this is probably the best that the industry has been running. There have been numerous inquiries over that time, and I think the balance is pretty right at the moment. So I thank you for the opportunity again.

My name is Stewart Gull, and I am a director of Country Club Villages. We have been developing and managing retirement villages for the past 22 years. We currently have eight villages, seven in Victoria, with one in Bendigo, three in Ballarat, one in Geelong, one in Bacchus Marsh and one in Broadmeadows, and one also in Noosa. Also during that time we have developed and managed two other villages. We would be the last family group still standing in Victoria that is still operating. Most of the other family businesses have been taken over by the corporate operators — public companies. Fundamentally the industry is strong corporate wise, it is diminishing family business wise, and it is really being dominated by the non-profit sector of the retirement village industry.

That really is principally at least 60 per cent of the industry. So we have got a smaller proportion each day of the corporates, and the non-profits are getting stronger because many of them with billion-dollar balance sheets are developing retirement villages, and fundamentally those non-profits develop them on the same formulas and the same contract conditions as the corporate operators. They have got the ability to do that off their balance sheets and not off banking requirements. With bankers today, if you talk to bankers also — which could be interesting to this inquiry — it is very difficult to finance retirement villages through the banking system.

So the retirement village industry is finely balanced. With the statistics, there are only five operators in Australia that are building more than 150 units per year. Australia is a big economy, you think there is a lot of construction, but that is the statistical facts — that is, there are only five doing it in Australia, and luckily we are one of those operators.

We get our numbers of units up over five or six sites. It is fundamentally impossible to build a retirement village in a year. The numbers are very difficult to deal with when looking at the future of retirement villages — the statistics and demographics. We need to really develop 100 000 units across Australia over the next 10 years, but the fundamentals of that are that the industry will only develop about 5000 units. When we talk about this industry there is a belief sometimes that these retirement villages can just pop up here, there and everywhere; that is just not the fact, and fundamentally I do not believe there will be another retirement village built between Ballarat and the South Australian border for the next 10 years just because of the amount of money that is needed to develop a village, and probably the banking system, with the way they are treating retirement villages.

So the story is not so easy for developers, and they have got to have a commitment to the industry to really follow through the industry. We are pleased with our business structure that we have been able to stick in this industry for the past 22 years. Really what we do not need is any uncertainty with regulations, and dramatic changes can have an immediate impact on confidence in the industry in that not only are we trying to build new villages, we have still got to manage those existing villages and those structures.

If we can just have a look at what happened with the recent federal changes to the aged-care funding model and the dramatic effect that has had on virtually every aged-care business in Australia, they have been under enormous pressure just by a simple change of the way the payment system has been made. Every aged-care business has been devalued because of just a simple change as to how that funding is still paid.

Importantly we think that the DMF model — the deferred management model — is the right model. It is the accepted model within the industry, both in charitable and commercial operations, and the reason is clear. It is the choice of a resident whether they wish to buy a unit in Ballarat or Melbourne. If they buy a unit in Ballarat, for example, the price that they will pay for that unit in Ballarat is the same price that they would buy into a retirement village unit, but it is a lifestyle decision that residents make, and they make that decision because a modern village now provides fantastic community facilities. It combines reception, a medical room, a mail room, a theatrette, a library, a billiard room, a craft room, a dance floor area, indoor bowls, lounge rooms, dining rooms, a bar, a kitchen, barbecue facilities, bowling greens, indoor pools, gymnasiums, a workshop and caravan facilities. Now that is what retirees expect, and so they should. That is the choice that they make, that they do not only go there to buy a unit, they go to change their lifestyle.

Often that lifestyle is changed because of health reasons. They do not feel safe in their own homes, they do not feel confident in their homes and they go to villages for friendship. It is a balance between commercial purchasing and lifestyle changes, so the modern village is a much different village to what has been presented in the past. Also a developer has to support the services system for maybe up to 10 years, that if you provide those services and management, the residents' levies do not cover the cost of those services. So a developer has to support the residents communities budgets, or their fee budgets to maintain those services. If they did not do that, all that would happen is that services would be cut. That is why the DMF system is in place.

Also the industry at the present I believe is well informed, much better informed than they were years ago. The last amendment review regulation disclosures set out the details of the purchase and of the resales. For example, we have many doctors, lawyers, accountants, professionals and very competent people in the villages, and when they enter into the contract, those disclosures are more than informing people. I think it is the only product virtually in Australia where you cannot buy the product unless your lawyer inspects the documentation for 21 days before you buy. I do not know of anything else in real estate or any other aspect where that regulation is there to protect the resident.

So a resident buys under the DMF system because they want those services and they wish to use their existing funds during their lifetime rather than pay for those expenses up-front, and their lifestyle is important to them. That is why the DMF system is there. If you did not have the DMF system, it would be impossible to develop retirement villages. The industry knows that, and that is why I think the balance is correct at the moment. Virtually all the contract documentation across the board is so similar that there might be an odd word there which changes but the gist of it is pretty consistent across the board.

Surveys in Australia over the last 22 years — and we have been part of those — show that probably the acceptance or the decision-making is something like 92 per cent that the resident has been happy with their purchase in a retirement village. It is an exceptional percentage and probably higher than most other surveys that have ever been taken. That is because everyone that is in the village, when they are properly surveyed, they have their say, and there is some good evidence out there — which maybe this inquiry should look at as well — of the happiness of people in retirement villages. They are happy because the lifestyle is what they are looking for. They need their friendship, and they are part of a community. I think that has got to be valued in this also.

I think what might help this inquiry a little bit is that the USA retirement village industry fundamentally has a take-up rate of close to 8 per cent of the over-55 population. In Australia we are something around about 4.5 per cent, but America is an older population than Australia. So I think we should use that evidence and the numbers, the demographics and what the US system has supplied. Fundamentally Australia has copied the US system; the fundamentals of this living style have been copied by the Australians looking back 38 years ago.

We are in Ballarat. The first commercial village built in Victoria was Midlands Terrace in Ballarat by the Knowles Group. Byrne, Jones and Torney, the local solicitors, drew up the documentation. So we were a part of that system. So it is not an old system in Australia; it is relatively new compared to the American system and the charitable system in Australia. Some of their villages over there have about 30 000 residents, and there are fundamentally millions of people living that lifestyle in the US.

I believe that at the moment the system is balanced. It is fair. It has governance. It works for residents and developers, and it works for the Victorian economy. This is an important aspect for the Victorian economy as well that the business is becoming more sophisticated, that each operator is trying to gather more services into the village. It is much easier for councils and health suppliers to service larger numbers of people in the one area. Fundamentally the industry is supplying a healthy and planned lifestyle for retirees. They can plan their costs. Andrew does the budgets, and fundamentally we have got to run those budgets with the CPI provision.

I am just saying to the inquiry that the industry needs certainty. It does not need change for the sake of change. If it is not broken, I do not think it really needs fixing. It might need some tinkering, but I do not think it needs any dramatic fixing. So thank you for the opportunity, thank you for coming and I would like to hand it over to Andrew Preston, who has got some specific points about our issue.

The CHAIR — Thank you, Mr Gull. Mr Preston, if you could keep your comments very brief, because we would like some time to ask questions, and we are rapidly running out of that time.

Mr PRESTON — Not a problem. Look, again, thank you for the opportunity to speak today. I am just going to focus on two quick points, one being the differential rates in retirement villages for council rates and the other one being the aged-care payments. Unless you have been under a rock I guess you would be well aware of the push from residents and resident groups for a differential rating system. The main argument of course for the residents and for the retirement villages is that they maintain their own internal infrastructure and therefore reduce the asset maintenance burden on councils.

In each retirement village there are kilometres of roads, paths and kerb and channel that alone would make a rate reduction justified. However, you add to that communications, power, public lighting, a variety of communal facilities, such as those mentioned by Stewart — the swimming pools, the bowling greens, workshops and community centres — and there is certainly a case for a rate reduction on those. The infrastructure not only benefits the mature population that is within the village but also outsiders. Residents bring in their friends, their family and we can also invite external parties. Council provides no maintenance whatsoever on any of this infrastructure, and in fact they actually withdraw other services such as in Ballarat here we had our waste collection removed as well.

Our retirement villages are the size of large residential developments, so the rate of return for council revenue purposes on retirement village land is higher than any other development except the multistorey projects. A retirement village would generate approximately three times the revenue of a standard residential subdivision, so I think with a rate reduction to councils they would still be well ahead.

The CHAIR — Can I ask you, Mr Preston, why should the government mandate that? Why is that not a matter for local government?

Mr PRESTON — It has been put forward by the Minister for Local Government in regard to ministerial guidelines on differential rates that Victorian councils should have a differential rate. So I think this inquiry, because — —

The CHAIR — I think those guidelines say that Victorian councils should have the option of a differential rate. So I suppose my question to you is: why should this committee recommend a differential rate; why should it not need not be with the villages and the councils to determine?

Mr PRESTON — Those guidelines also recommended some consistency amongst the councils, and at the moment the arguments for and against from the councils go against each other. There is no consistency in their arguments, and I just think it is reasonable for the residents of retirement villages to have a consistent approach from all councils, and this is where this inquiry could give some sort of guidance to those councils.

When residents enter a retirement village they take responsibility for their own futures. They reduce their burden on community services. Retirement villages are basically self-sustaining. A differential rate for retirement villages of course increases their disposable income and makes it a more desirable option and, again, is good for the long-term growth of the retirement village industry. In summary, we believe that it is imperative that the committee recommend differential rates for all retirement villages in Victoria.

The CHAIR — What rate would you recommend; what discount?

Mr PRESTON — The rate that is being thrown around is 25 per cent. I think anything up to that figure is reasonable.

The CHAIR — Should there be different approaches for different styles of villages? Some offer more services than others. If you are using a user-based argument, should there be a difference for those that offer more services than those that offer less services?

Mr PRESTON — I guess I can only speak for the ones that we operate. Ours provide a lot of services, and I think that 25 per cent figure is reasonable in our case. I have not done the research on the other styles of villages, but I think there needs to be some sort of figure — whether it is slightly lower than that overall, but some sort of balance there across all retirement villages.

The CHAIR — You think all retirement villages should be dealt with the same regardless of service provision?

Mr PRESTON — I think any sort of reduction for all retirement villages is better than none. I think 73 out of the 79 councils are giving no reduction, so residents are pushing for some sort of decrease, and I think that is warranted.

The other topic is the aged-care payments. As we know, and Stewart mentioned, there were changes in 2014 to the aged-care payment laws, and this has indirectly affected also the retirement villages. One of the key aims of this inquiry, as has been recorded, is supporting the sector to grow and meet future needs. The changes to the aged-care payments mean retirement villages, including ours, have to find significantly more funds to make advance payments to fund aged-care room costs. If a village is finding it difficult to obtain quick resales, or if there is a general downturn in the property market and sales, then this can have a serious cash flow impact on retirement villages.

Funding requirements for retirement villages, as again Stewart alluded to, are extremely restrictive and difficult, and these changes will only compound that issue, making it even less attractive for developers to move into the retirement village sector. Previously accommodation bonds were assessed only for persons entering low-level care, and they were determined with reference to their assets. If a person entered high-care level, they only had to pay the daily fees. However, now rooms are allocated a price regardless of whether they are low or high-care rooms.

In summary, again we believe that the committee should make a recommendation to review the Victorian aged-care rule in the Retirement Villages Act and bring some sort of equilibrium to that process. The property council recommended a solution for owners to pay the daily accommodation payment on behalf of the resident up until the dwelling is sold, and we certainly endorse that recommendation of the Australian property council. That is really it.

I have one other comment. There is a minor thing about the dispensing of an auditor in the act. It talks about residents having an opportunity to dispense with an auditor. I think that is a bit of a waste of time really. In the 15 years that I have been operating I have never had a resident say they do not want an auditor to audit the books of a retirement village. That is just a minor thing there, and I think it should be recommended that that clause be removed. Thank you.

The CHAIR — Thank you both for your evidence today. Mr Gull, I am interested in the issue of future supply because we have heard this from Stockland when they gave evidence to the committee in Parliament House. On the figures you have quoted — was it 100 000 units needed over the next 10 years and 5000 will be built? What changes to the market landscape are needed to encourage more growth in the marketplace to respond to that demand that is coming down the road?

Mr GULL — Fundamentally no-one can get any land that supplies the sort of services that we are talking about. You are talking fundamentally 20 to 30 acres of residential land, and in Ballarat, Bendigo and Geelong it is very restrictive now to find those parcels. Councils do not assist the process. You would think they would with what has been happening. I will use Peter Inge's comments, who is the leader in the industry, that fundamentally the average from when a person buys the land to actually develop the land is somewhere between four and five years — to go through the process, fund the process, drag the services into the site and build the facilities. So there can be up to a four or five-year lag from when you purchase the property to get this process through.

Every council has a different scenario of roof colours and brick colours. It is a very time consuming and difficult process, and most operators have been in the industry. When they supply information they supply council with the full pack of information, and fundamentally the councils cannot deal with it. They just cannot deal with the amount of information that comes through, and it just does not help the process. Even if you give it or they call for it, they delay the process. But land is the big problem. We are very close to all the other operators — Australian Unity — and you can see what is happening with the high-rise development now where retirement villages are fundamentally going into high-rise in Melbourne. Australian Unity in Carlton and Catholic Homes in Hawthorn; it is all high-rise development.

Maybe the manufactured home sector is supplying a percentage of the market. That is going along okay. They are getting some reasonable numbers up, but they are not great. I think Lifestyle only built about 100 residences last year. This is not massive. So the biggest problem is land and the process. So Stockland, Aveos and that with big balance sheets — they did 250 homes or something last year. This is the problem. It is going to be a supply problem.

That is why we came here, really. The industry is finely balanced. You would not want much change for people to just drop out of the industry. If you look at Ingenia, they are not doing the traditional retirement village. This is another sector — the mobile park, removable-type dwelling village. The services are quite fine, but they are fundamentally servicing a section of the market, not the overall market.

Land is critical. Zoning is critical. You cannot build a retirement village in a rural zone anymore in Victoria; that is prohibited. You used to be able to do that.

Ms SPRINGLE — I do apologise for missing the first half of your presentation, and thank you for coming today. I note that you were talking about a survey that you ran that had 92 per cent satisfaction rates in — —

Mr GULL — Sorry, I did not run it. That is industry surveys which have been done consistently across the years.

Ms SPRINGLE — Right. Okay. So regardless — —

Mr GULL — Ours would be higher.

Ms SPRINGLE — Okay, sure. But that would also indicate that there are a small percentage of people that do have issues with where they are living and their satisfaction rate. Can you outline what the dispute resolution process is within your villages and how successful it is?

Mr GULL — We have been very successful over the years. Obviously some of the disputes are not between management; they are between residents, which we have to deal with as well. Often some of the disputes are purely about residents' issues, sometimes between themselves. Some of the disputes are health related. I will put it this way; sometimes they are not sensible disputes. They are health issues that we have to deal with within an industry. We know what is happening with health and we are dealing with people with up to an average age of 80 years, so sometimes the dispute is not a rational dispute. But with a dispute that is rational you go through the process, you interview the people, you talk to the people and if it wants to go further, obviously always the option is for someone to go to VCAT. We have never been to VCAT since we have been in the industry.

Ms SPRINGLE — Can you give me an example of what you would classify as an irrational dispute?

Mr GULL — The irrational dispute will be where someone just believes at this stage they do not want to pay their residence fees, which is part of the resident payment system. They just decide that they do not wish to pay the fees for some minor reason. But that all goes into the resident account. They say that we do not want that because we do not believe that our lawns are being cut properly. Sometimes residents do not pay their fees, and that is a dispute between the company and the resident. Sometimes there are maintenance issues. Look, it is a fully blown community; there are always issues. We think we deal with disputes fairly well. We have just done eight annual meetings of all our villages, and we think the process works fairly well.

Ms SPRINGLE — You talked about disputes that were in relation to health. Could you just talk a little bit more about that?

Mr GULL — Sometimes some of our people are not sound at that stage of their life, and they are doing very irrational things, and that can cause disputes with other residents. It can cause disputes between the manager and the resident. That is something that does not really come up, but that is a real factor in some of our villages; it is the relationship between the resident and the manager. We think that if you have got reasonable managers, you have got to protect the rights of the manager but you have also got to protect the rights of the resident. So there is a process to go through, but sometimes it is not a rational dispute — for health reasons. I will term it that way.

Ms SPRINGLE — I do recognise that it is a business and it is not necessarily a health service, but is there any kind of outlet for pastoral care in those sorts of circumstances? I guess what I am getting at is if in your view you have got people who are perhaps not sound of mind, which is what I am hearing — —

Mr GULL — I am saying that is not the most — I want to be fair with everyone, but that is — —

Ms SPRINGLE — Sure. But then I guess the logical conclusion from that for me is that it is unlikely they are going to end up in VCAT. So how are the disputes managed if they are not managed internally and there is no pastoral care?

Mr GULL — Well, I think it depends on whether they have got family close at hand or they have got other representatives. I will term it this way: I think a successful retirement village is 50 per cent from the pocket and 50 per cent from the heart. Now, if you have not got that balance, you will be in VCAT; you will be in every place under the sun. I think if there is a big problem, there has got to be a process where they can be dealt with.

We have never been to VCAT. I do not know many people who have been to VCAT. But I think if you have a look at the numbers of VCAT issues that have come, I think they are just relatively tiny. I think in the industry, with what is there and the processes that are in place — the disputes resolution process — that everyone has fundamentally got to follow that dispute resolution process. I think sometimes it is about what is classified as a dispute. I think there are some serious disputes, there are some minor disputes and then there is just an issue.

Andrew handles all our annual meetings. Any serious disputes have got to be disclosed at an annual meeting for all residents. Obviously some names can be kept out of it, but that has got to be disclosed at annual meetings. So it is something that developers cannot hide and they cannot run away with, and there has got to be disclosure.

Mr PRESTON — We obviously get residents who have some mental health issues sometimes, just like anywhere in the community. Whenever that is the case, we certainly try to involve the family straightaway. If we believe it could be the case, we involve the family straightaway, we refer them to, you know, external parties that can assist with that situation and we access all the resources we possibly can in that situation.

Ms PATTEN — Thank you both, Mr Preston and Mr Gull. I have two questions. One, I was interested in your point around restricted banking for retirement villages and the difficulty in accessing appropriate funding for that. Could you just expand on that? It is the first time we have heard this.

Mr GULL — The banking industry does not embrace the retirement village industry, and the reason — —

Ms PATTEN — It does not embrace me either.

Mr GULL — The reason why is that the contractual arrangement of a retirement village is not like every other property transaction. If you go to the fundamentals of that, it is a lifestyle decision for some of the reasons I just pointed out before. For example, if you do a normal residential development, a bank requires 10 per cent deposit on a sale and a certain number of unconditional sales before it allows the development to proceed. In a retirement village a person can buy $500 000 or $600 000 or $700 000 purchase on $2000. Fundamentally the reason it is $2000 is there is no retirement village operator that is ever going to sue a potential buyer to make sure that they follow through with the property. If that was the intention, the deposit would be 10 per cent. So the industry helps the retiree enter into the industry by, in real terms, a ridiculously low commitment amount. They can pay $2000 and then pay nothing else and enter into a unit.

The banking industry does not accept that formula. They want surety and they want commitment, and they are part of all of these apartment issues that are in Melbourne at the moment. So the bank is scared of people not settling. They are very restrictive in all aspects of the operation. Some of your major names in the industry are doing joint ventures with private operators in Melbourne because they cannot build these apartments in Melbourne without having a joint venture partner to do the construction. I am saying this: I do not believe that anyone could build a retirement village like, for example, we build anywhere else in Victoria and get funding, because the banks will not fund a new operator unless they have got experience.

All the experience fundamentally is leaving the industry and being corporatised into the Stocklands and Aveos. So where a little village might have popped up in Ararat or Stawell or Hamilton or Warrnambool, they are never going to happen again. The charities did a fantastic job for 50 or 60 years supplying the community. If anything, some of the parishes and some of the groups made mistakes. The banks that banked those groups are still there in the system. The parish borrowed the money; they did not have the support of the church or the charities. They are nervous about retirement villages. Sometimes some residents are nervous too as to whether the village will be completed, and I think that is an issue.

We are proud that we can actually complete our villages and run our villages, but traditionally Stockland — for every one of them, it just is not as simple as it sounds. You just buy this land, put up some units, put in these facilities and it just flows. I think it would be a good idea to know not only developers' capacity but the funding capacities of how Victoria supplies a lifestyle for retirees. I think that is our challenge. Every developer will tell you the same thing: 'We can't find the land. We can't find suitable land. The land has got to be relatively level. You can't go on cliff faces. It's got to be close to services. The town has got to have hospitals. It has got to have services within it'. So fundamentally the bankers do not accept the low-deposit, pay-at-the-end process.

Ms PATTEN — Yes, I get it, Mr Gull. That makes complete annoying sense. You are quite strong in your recommendations about the Victorian aged-care rule and that it creates an unfair system. If I get it right, if a resident is moving from your facility to a higher needs facility, you are required to pay them an exit payment prior to their property being sold.

Mr GULL — Yes, that is right.

Ms PATTEN — If the resident was to leave in other circumstances, you are not required to pay that exit payment. I guess that is a problem. When someone has higher needs they need to get in somewhere, so how do we solve that?

Mr PRESTON — There are two payment options. There is the RAD, which is the lump sum payment. There is also the DAP, which is the interest payment.

Ms PATTEN — Yes.

Mr PRESTON — The Property Council of Australia recommended that retirement villages could simply just pay the DAP, as you can, and that way the implications are not as harsh on the operator.

Ms PATTEN — Got you.

Mr PRESTON — They are paying a weekly fee rather than paying a large, up to $550 000 one-off fee for a room.

Mr GULL — Look, it is horses for courses. In regional Victoria you are dealing with probably maximum prices of up to $600 000 across the board. In Melbourne you are dealing with units that are $1 million, $2 million. That is quite common now around the central areas of Melbourne. You should not have any impost on any person, because that impost — say you have five people go into this sort of operation and someone has got to come up with $5 million. That can have an effect on the whole operation of every other resident. The village could go broke. It could go into receivership because of that system. Maybe one is okay, but no-one knows how many numbers are going to come under this sort of legislation. Developers of retirement villages should not be just supporting some system that was never intended to be supported. This legislation was never intended to support any other services other than when the unit was sold.

Ms PATTEN — Yes, I take your point. Thank you. Just one other question. We have heard from various submissions about reinstatement fees. Sometimes it is called reinstatement; sometimes it is called refurbishment.

Mr GULL — Yes.

Ms PATTEN — Some of the evidence and submissions we have received have been very concerned about the cost of this. They would argue that it is actually refurbishing not reinstating and why should an exiting person have to pay for the company to make improvements on that property and therefore get a better value?

Mr GULL — The reason is pretty clear. If you are setting a standard for a retirement village over 100 units or 200 units, the funding system is that there has got to be a sinking fund to protect the outside of the units.

Ms PATTEN — Yes, like any strata management.

Mr GULL — Sometimes there is no consistency on the treatment of the unit over a 15-year period, for example, by a particular resident. Some residents look after their units exceptionally well. Some smoke in their units. Some do not treat their unit as well as they could. They might have started off when a couple was there. Single men sometimes are not as good as the ladies in the units, so there are lots of issues which come up in the refurbishment of that unit. The refurbishment is there to get the value out of the unit. Now, if you do not refurbish that unit and you have got competition with the good unit, the unit will not sell. It will not sell.

A developer never makes any money out of the refurbishment. It is all about making sure that — well, people can laugh, but they know nothing about the whole industry and just cannot back up with any factual statements. We are open. Anyone can inspect the books of any of our refurbishments anywhere. The reason is, if you do not refurbish that unit, it will not sell, because they have got competition.

Ms PATTEN — I totally understand that, Mr Gull. Basically, is it a flat rate, or is it on a case-by-case basis? So if someone has been in the unit — —

Mr GULL — It is on a case-by-case basis.

Ms PATTEN — Case-by-case. So you do not average it out?

Mr GULL — It is a case-by-case basis. Andrew talks to the family sometimes, say, for example, with newer products that come along. You can have a unit with a laminated bench, for example. Andrew can talk to the family and say, ‘Would you like to put a stone benchtop on and make sure that your unit is comparable with other units?’, because often that resale unit has got to compete against a new unit. So as modern construction has gone along, you cannot just leave the unit, because all that will happen is that the unit has got to sell for less money than its competition. I think it is a simple fact. If you do not want to sell your unit, do not refurbish it. That is the same on any house; you are in a competition market for any property.

Ms PATTEN — That is right. It is the same. If the person does not put a stone bench in as all the other units are doing, they just get a lower resale price.

Mr GULL — That is right.

Mr PRESTON — It should be noted too that the resident or the resident’s family actually set the sale price. So we basically have lost that power to set the sale price.

The CHAIR — We had better leave it there. Mr Gull, Mr Preston, thank you both very much for your evidence today, for your submission and your preparedness to answer our questions. As I said, the transcript will be with you in the next week or so.

Witnesses withdrew.