

TRANSCRIPT

STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

Inquiry into the retirement housing sector

Melbourne — 12 October 2016

Members

Mr Edward O'Donohue — Chair

Ms Nina Springle — Deputy Chair

Ms Margaret Fitzherbert

Mr Daniel Mulino

Ms Fiona Patten

Mrs Inga Peulich

Mr Adem Somyurek

Ms Jaclyn Symes

Participating Members

Ms Colleen Hartland

Mr Gordon Rich-Phillips

Staff

Acting secretary: Mr Patrick O'Brien

Witnesses

Ms Angela Buckley, Executive General Manager – Retirement Living Communities, and

Mr Michael Morgan, Territory Operations Manager, Vic South, Aveo.

The CHAIR — I welcome Ms Angela Buckley and Mr Michael Morgan from Aveo. Thank you both very much for being here with us this evening, particularly at this hour of the evening. It is very good of you.

Before I invite you to make some opening remarks, I will just issue the standard caution that all evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Legislative Council standing orders; therefore you are protected against any action for what you say here today, but any comments made outside of the hearing are not afforded such privilege.

Today's evidence is being recorded. You will be provided with a proof version of the transcript in the next week, and the transcript will ultimately be made public and posted on the committee's website. We have laid out half an hour for our session tonight, so I would like to thank you very much for your submission and invite you to make some opening remarks, and thereafter the committee will have questions.

Ms BUCKLEY — I guess I will start by just saying who Aveo is. That is Aveo, not Aveo, or any other terminology. We are a publicly listed company, and we own and operate 89 retirement villages across the eastern seaboard. My colleagues from Stockland have gone, but we usually have a 'who has got the biggest?', and we believe that we have the most. We have over 12 000 residents, and our business is a mix of both freehold title and leasehold. The average age of our residents is 82.5. We are in the business of caring for older Australians.

A number of years ago — three years ago — our CEO changed us. We were a property business, and we have moved now to becoming a pure paid retirement business. So that is why we are in the care business and in the business of looking after older Australians. Here in Victoria we have 26 retirement villages. We have a mix of freehold and leasehold, and the reason I say that is the freehold has obviously we've got to work through the owners corporation and the strata acts and with our residents around that, and sometimes it can be a bit tricky managing those. So 22 of our 26 villages have some freehold component. That could be half the village or a mix of contracts.

Twenty-one of our villages in Victoria are owned by the fund manager Retirement Villages Group. Aveo was the largest shareholder in RVG, or Retirement Villages Group. We were the largest, but we also provided fund management services and property management services. Because it was a fund management group and we only had partial ownership, we actually were not able to manage those villages as much as we had wanted to and certainly introduce some of our new offerings and care services. So in August 2006 we finally completed the purchase of this group, and so now Aveo is now at 100 per cent ownership of Retirement Villages Group.

We have a mix of standalone independent units and serviced apartments, and we have 3600, more or less, residents here in Victoria. To support and manage our villages our state is broken up into three regions. Michael is one of our regional managers. We have two managers that manage the independent villages and one that manages the serviced apartments. This management structure allows us to make sure that we are out and about in the villages, because it is really important that we can be there to talk to our residents, to find out what is going on. Similar to Geoff and Stockland before, we do not want disputes. If we are out there we can handle it, we can answer it. So that is really important for us.

We do have a high level of satisfaction. I was not here for the property council submission, but I know that they talked in their submission around the net promoter score for the retirement industry being 25, when the average for a net promoter score is negative 40. At Aveo we conduct our own research, and our net promoter score is at 28. So it is 3 percentage points above the retirement industry average.

Some of the comments that I have read through in the other submissions were around their pricing. I think it is really important. We provide a service to older Australians, but in the retirement living industry we are not, as I am sure you are aware, government funded, so we have to look at ways to obviously create income and also create profit. We have three costs Ingoing. Our costs are market driven, and similar to what the other guys were saying, your contracts, your prices, your DMF and all of your those things, people can compare those, and they will then choose the retirement village that is right for them and the contract that is right for them. So there are the three costs ingoing. The ongoing — which is the day-to-day management — that is cost recovery. As an operator you cannot make any profit on that, so it is important that that is kept to a minimum, and that is obviously why I talk about differential rates as being really important because that does impact on residents funds.

The other price is obviously the exit fee, or the DMF. I am not sure how much you know about that, but that is a fee that is paid on exit. It is probably the fee that is understood the least out of all of them, but it forms part of the contract. It is agreed on at the beginning by both the operator and the resident buying into the village. I think it is important, as I said, that unlike the aged-care business, we do not have any government funding, and the DMF, or the exit fee, is the revenue that retirement village operators rely on. So that obviously enables us to put a whole lot of infrastructure in, but also to add value to the village.

We disagree that the DMF is price gouging. Our return on assets in the last financial year was 6.3 per cent, which is around what most Australian Stock Exchange companies are getting. If there was price gouging, you would expect to get super profit, as the banks have in the past, of around 16.5 per cent. We know that the banks are at around 10 to 12 per cent. But at 6.3 per cent, that is certainly average, and we are certainly not generating super profits from our retirement business.

In regard to consumer protection, under the Retirement Villages Act — and I think Geoff said this too — there really are some strong protections for the residents with that act. I think the important thing is that there are those protections when they are in the village, but there is also the 21-day cooling-off period. So that means, even if they feel pressured into the sale, they do have that 21 days — not that they usually are; certainly not from Aveo. We provide fact sheets and disclosure documents, and also the Retirement Villages Act provides for the ongoing fees and restrictions around increases, as we know. One of the other things is as part of our sales process we encourage and want all of our potential residents to contact family and obtain legal advice. We know that not everyone does, but we certainly know that the majority of them do.

Before a contract is signed they have to also meet with the village manager so that they can ask questions about the village and find out: are there any by-laws if it is a strata village? Are there any other village rules around pets, around where you can put your pots? Some of those rules the residents themselves have created for the village, and so they are there and they are not operator-imposed. So it is important that when you are coming into living in a community you understand what that community expects of you.

The 21-day cooling-off period, I think, is a really important part, and we are the only state — I am not sure if you are aware — that has the 21-day cooling-off period. Our practice as well is that residents can withdraw from their contract up to the time of settlement, so even after the 21 days. As well as that, we have a 90-day settling-in period, which is a money-back guarantee. So if they have moved in and they still do not like community life and they are not really sure about this, they can actually move out with only having to pay, obviously, the monthly levies for the village.

Our new contract that we have implemented over the last 18 months is a leasehold contract, so we have moved from strata to leasehold in the majority of our villages nationally, and the reason we have done that is because that creates certainty for our residents. We can tell them what the ingoing is, what the costs are and then what you are going to get when you leave. A leasehold contract allows that flexibility. The leasehold contract also allows us to give the money-back guarantee. So there are those kinds of things.

One of the other things with our new contract is what we have found from resident research was that coming into a retirement village the DMF can be an obstruction to moving out. So you are here in Victoria and your family all moves to Queensland. Within Aveo you only strike up one DMF and you can actually move to another village under our new contract without starting up a new DMF. So that way they have that flexibility of moving, but it has to be one of our villages.

In regard to complaints, I think it is really important to note that when you live in a community there are always going to be differences between the people in that community, and when you have not lived in community living before there are always going to be those things that you are finding a bit strange. We certainly understand that. We are also in the accommodation industry, and so we know that, you know what, we are not going to please 100 per cent of people all the time. But it is important to us to actually stave off those complaints or those issues, which is why the territory managers go out there. It is about listening to our residents, talking to our residents and trying to resolve those complaints or those issues as soon as possible.

Just to let you know, in the 2015 calendar year we have statistics from Consumers Affairs Victoria: from our 3600 residents, 22 of them actually contacted CAV. They were the contacts; that was not necessarily a complaint. That is less than half a per cent of our residents actually contacting consumer affairs.

As part of our complaints or our issues resolution process, we encourage our residents to go to our territory managers. We also have our quality and compliance managers that do relief management. So what we do is, when a village manager goes on leave, we put in a more senior quality and compliance manager to go in there and to lift the lid, but also to be there to see what is going on and get a feel of the village. So if there is anything, they are there as well; there is another person that the residents can go to. We also have a national concierge service. That is a number that can bypass all levels of management. It is manned by customer service agents, who residents can talk to or even just talk with — sometimes it is just about somebody hearing you. They listen to their issue, and if there is an issue, then it is obviously passed on to the necessary person.

For us it is really around making sure that we act on our complaints. Certainly when we have issues like around management issues, we certainly act on those and do not tolerate any management poor performance. But, as you would know, we have to obviously act within the employee relations law, and sometimes residents do not think we act fast enough, and obviously for confidentiality reasons we cannot actually tell them what we are doing. So even when we do have an issue with a manager, we work with them and we do what we can and we move them on, but we obviously cannot communicate that to the residents.

From a compliance and regulation perspective, just to let you know that at Aveo we have got 723 policies and procedures and we have 299 forms and supporting documents. It is a lot; I do not want to scare anybody. But just to let you know that we actually have four internal quality audits. So we have the work, health and safety annual audits. We have an annual operational audit conducted by our operational compliance managers. They audit to the Retirement Villages Act, and they follow the Lifemark accreditation. We have a biennial quality company audit, so that is actually people from our finance department that audit every village every two years. They go over the policies and procedures and make sure that we have got all the right documentation — just some things double up. Then we also have deep-dive village audits, and that is one to two per annum here in Victoria. That is where we audit everything from beginning to end. All of our villages are accredited through Lifemark, and we have done it over three years because obviously we have a significant amount of them, but also to get them all done we had to do a three-year process.

In village management skills and development is very important to us, and we have a robust training program for all our village managers. We have a diploma of management that has been actually designed for us with the Hotel School. That is for all village managers and assistant village managers. We also have an annual training program. We provide annual strata and body corporate training for managers who have a strata village. Even though you can train people, there are still things — people are people, they forget things — but we certainly try and keep up that level of knowledge. We have a continuous leadership program for our village managers, with all managers going through a two-day leadership program called Leading with the Edge, and we have biannual upskilling sessions. Only last week here in Victoria we conducted conflict resolution and dealing with mental health issues in the workplace. We also attend the Property Council courses, including navigating the Retirement Villages Act.

The CHAIR — I do not mean to interrupt, but we need time for questions, so I am keen to just skip to the main points you want — —

Ms BUCKLEY — That is it pretty much. The last thing I was going to say was around communication. That is really important, and we have a number of vehicles to do that. As the other speakers have said, it is really about getting in front of the residents and making sure they can understand the issues — and often what their issues are is actually understanding certain things. Done. Sorry.

The CHAIR — Thank you very much. I might ask the same question I asked Stockland, given that you have a national reach.

Ms BUCKLEY — Yes.

The CHAIR — Can you tell us what some other jurisdictions do differently to Victoria and perhaps what we can learn from other jurisdictions as far as the regulation space is concerned?

Ms BUCKLEY — Yes. So if I looked at a couple of the acts, I think in South Australia they have the advocate, and certainly in my experience working with that, that has worked really well. It has worked well because they are an independent person that can talk to the resident but can also advise the operator. So we have found them really quite useful in a number of issues we have had with the department of ageing over there.

The CHAIR — Sorry to interrupt, but has the advocate driven some outcomes?

Ms BUCKLEY — Yes, it is actually helpful for us because the residents did not get it. They had some probably wrong advice and were going down a path, and the advocate was able to go, ‘Hang on’ and point out to the residents where they were going wrong and what they should do, and it helped them come to a resolution.

The CHAIR — What is the sort of background of the advocate?

Ms BUCKLEY — That is a good question; I am glad you asked. I am not sure.

The CHAIR — Informed about the industry, obviously?

Ms BUCKLEY — Yes. Certainly the advocate in South Australia really does understand retirement, but I am not sure what their background is or where it is from. One of the other things, from a New South Wales perspective, is in their Retirement Villages Act they actually have a section which is called — I can give it to you after — —

The CHAIR — Sure.

Ms BUCKLEY — It is around bullying. The residents are not allowed to bully each other and village management and staff are not allowed to bully. Because it is in the Retirement Villages Act, you can actually act on it and get something determined by it, whereas we do not have anything in that. One of the other things that we find really useful in Queensland is called an S154 meeting, because that is the standard. What it is is that you have to have a conference. If you have got an issue at a retirement village or you have got an issue with an operator, before you can take it to the equivalent of VCAT, QCAT, you have to have had one of these conferences. What that means is that VCAT then do not get things that have not even been tried to be resolved back at the coalface. So that has enabled us to actually deal with things, get things done, without actually having to hold up the resources in QCAT. So that is a really good initiative I think in their act, certainly around complaint resolution. But all the acts have got pros and cons and things like that.

The CHAIR — Sure.

Ms BUCKLEY — But I said I was **not** focused on the dispute resolution.

The CHAIR — Thank you.

Ms SPRINGLE — You talked a little bit about your transitioning from strata title to leasehold.

Ms BUCKLEY — Yes.

Ms SPRINGLE — Can you talk us through how you are transitioning and how that impacts on perhaps residents who are trying to buy out of the strata title arrangement. They do not want to stay in the village; they want to not be part of a leasehold?

Ms BUCKLEY — The thing is, the reason that we moved over to leasehold was because of a couple of things. Pretty much we found that residents wanted certainty, and the only way we could do that was with a leasehold contract. So strata leasehold, the contract to us was quite relevant, but it was the fact that we wanted to be able to provide certainty, and that was certainty about ingoings and outgoing. Also, one of the worst things that happens when someone leaves a retirement village — and that is where I think a lot of complaints come from — is, ‘Who is going to pay for the refurbishment? I don’t want to refurb’, and that sort of thing. So in our new contract, or in the leasehold contract we have now taken over, we take responsibility for the refurbishment, so then the resident does not have to worry about that. But that is all, obviously, worked in the ingoing and outgoing.

One of the other things having the leasehold contract allows us to do is the 90-day cooling-off period. It allows us the transfer. As well as that, we also have a 12-month guarantee buyback. So if you cannot sell your unit within 12 months, we will actually buy it back from you. Because that is another thing people are worried about: if their unit stays on the market. That is why we went to leasehold. For the current residents, it does not change anything for them; it does not change anything at all. But if they wanted to move out of the village, we would be more than happy to buy them out or to work around that with them. But it does not change — —

Ms SPRINGLE — So it would sort of be the same as if you stayed at — —

Ms BUCKLEY — Correct.

Ms SPRINGLE — The way it was?

Ms BUCKLEY — Correct; it does not change. Sorry, go on, Michael.

Mr MORGAN — The transition from freehold to leasehold is over time.

Ms BUCKLEY — Sorry, yes.

Mr MORGAN — It is not as if we have pulled the trigger and gone, ‘Everyone turns to leasehold’. As our residents transition, and most of the time they are moving out at this point for higher care or they are passing away, the transition from freehold to leasehold would be in relation to the ongoing sale. So it would be purchased back and then on-sold to an incoming resident.

Ms BUCKLEY — We see it is going to take 10 to 12 or 15 years before we actually have our strata villages converted to fully leasehold.

Ms SPRINGLE — When you talk about certainty, can you just elaborate a little bit on what that means to you?

Ms BUCKLEY — For us it is around, ‘What does it mean for me when I leave the retirement village?’. Because what happens is, when someone comes in, ‘It is going to cost you \$300 000 to get in, and when you leave, well, depending on how much the refurbishment cost is, depending on the market value, depending on how much’ — you know, all of that. ‘You have paid \$300 000; you might get \$250 000, you could get \$270 000, you might get \$150 000. I can’t really tell you that’. So what we are able to do is say, ‘Ingoing contribution of \$400 000. We will refurbish it. We’ll give you your ingoing contribution minus your DMF, and then all sales and all marketing costs will come to us’, so they know exactly what their ingoing is and they know exactly what their outgoing contribution is.

Ms PATTEN — The deferred management fee?

Ms BUCKLEY — Yes.

Ms PATTEN — It has been a learning cycle, but I noticed the property council just called it a deferred payment, and when they were speaking about the deferred payment they were suggesting that the developer would build a property and it would be about this much.

Ms BUCKLEY — Yes.

Ms PATTEN — You would come in at below market price, and then the deferred payment at the end was what you would pay, I guess, to match that market price at the end and hopefully you would also leave with some sort of capital gain on that. Why do you call it a deferred management fee?

Ms BUCKLEY — Just another terminology. We call it an exit fee as well.

Ms PATTEN — Okay. You just all call it something different?

Ms BUCKLEY — It the same, same, but different. Sorry about that.

Ms PATTEN — I have to say we have had some submissions from residents from Aveo villages, and they certainly voiced some considerable concerns about the exit program within your villages. I would love you to comment on this. I think one of the submissions that we received said that it was impossible to sell because the contract that they had with the management was not something that an external real estate agent would accept and take onto their books, and that it was only after a considerable period of time, where they were still paying a substantial monthly fee even though they were no longer residing at the village, and at the end of that the offer that the management made to them meant they were considerably out of pocket by the end.

Ms BUCKLEY — I am not sure who that is, but having read most of the submissions, I know it. Firstly, you are right, a lot of the real estate agents do not understand the contract, but I would actually have to disagree with the fact that it is a hard contract, because certainly we do not have any trouble selling any of our villages. The majority of them are actually sold out here in Victoria.

The fees that they are talking about are the ongoing fees. In a strata, as with any strata complex you might buy into, there are strata OC levies that you have to continue to pay, so that is probably right, depending on what the contract is. Some of the old contracts that are significantly older did have that you had to continue to pay fees and what have you, but none of our new contracts have that. Under leasehold obviously the fees can stop after six months, but under strata you have got to continue to pay those strata levies.

What else? Just remind me. I was just thinking I knew who it was.

Ms PATTEN — Yes, thank you. I think the final piece was that when the management agreed to buy back the property it was at a considerably reduced level to what they thought that it was worth, but they had no choice because the management were the only people who would buy.

Ms BUCKLEY — Yes, certainly we buy back units all the time for different reasons, and we get market rate for them. We go and get valuers. I do not know about that particular incident. What I do know is some people do get it wrong.

Ms PATTEN — Yes, sure.

Ms BUCKLEY — But we certainly do have valuers for any of our buybacks — all of them.

Mr MORGAN — And I think that in some respects that is one of the criticisms of the owners corporation and strata title contracts that currently exist. It is that the conditions under those are substantially different to those under the leasehold, even older leaseholds. The strata title under the Owners Corporation Act and all the bits and pieces have substantially different legislative requirements and ongoing cost requirements compared to leasehold in the Retirement Villages Act. It is a matter of working out which of the acts they are operating under, and that is one of the reasons that freeholds or strata titles are no longer attractive going forward.

Ms PATTEN — It is so interesting that you say that, because the previous witness would say exactly the opposite. He would say that with the strata title, where you actually hold a title to that property, you have a greater level of certainty, but it was the fact that GST and duties and a whole range of other fees were charged. So it is more attractive, the leasehold, because of the duties, GST and other — —

Ms BUCKLEY — It is a choice, because if people want their block of land and they want their title, they will move into a strata village. If they are happy with a 99-year lease and are happy with the Retirement Villages Act — and that is a really strong governing act — then they will move into a leasehold. It is all about choice, and the market will drive that choice. Certainly from our perspective we believe that the leasehold environment is one that offers much more flexibility because, in that, you can do many, many things. You can reduce fees up front and collect them at the end. You can do a whole bunch of things that you cannot do in a strata contract.

Ms SYMES — Fiona kind of covered off on where I was heading, but in terms of the fees that people have to pay in addition to the entry fee, so the ongoing fees, what do they consist of? Is that services and the like?

Ms BUCKLEY — I will let you talk to that, Michael.

Mr MORGAN — Generally it is divided into two portions within a village, and the villages are self-funding models, so all the expenses in operating a village are paid for by the residents. If it costs \$1000 to operate that village — gardens, maintenance, fire servicing, heating, ventilation and cooling — then that is apportioned to all the residents or the unit holders within that particular village. The charge that is charged to our residents pays for exactly those charges, and that is all.

Ms BUCKLEY — It is for the running of the village. It is the gardening staff. It is the electricity and the insurance and all of those things that you have to run a village. Staffing costs.

Ms SYMES — With this guaranteed buyback with the 12 months, if you move out to higher care or you pass away, do you still have to pay your fees while the house is being sold or moved onto the next leasehold?

Mr MORGAN — It depends a little on which act you are operating under. The Retirement Villages Act has a number of legislative issues there that require that we can pay back a portion of their incoming contribution while the settlement is being done. Under the Owners Corporation Act, it is a little bit more difficult than that, being a freehold title.

Ms BUCKLEY — As an operator, one of the things that Aveo does is, if someone is doing it tough or cannot pay, we actually hold those and we say, ‘We’ll stop charging you and you won’t have to pay them until your property is sold’, even if they are being accrued because of the strata, so we do that. And as well as the ongoing contribution, there are a number of our villages here in Victoria that we actually fund. Even though the Retirement Villages Act says that the residents have to fund it, we actually contribute to those budgets because, if we did not, the fees would be too high, the kitchen would not run or some of the services that the residents enjoy would not be able to run. So it is important for us to make sure that we make it affordable and that people still want to move in there. If the fees are too high, there are certainly a number of our villages at which we do that — we subsidise their village budgets to make it easier for residents.

Ms SYMES — I think I heard you say before that a lot of the Victorian places are sold out. Is it basically that they are not sitting there for 12 months empty in your experience?

Ms BUCKLEY — Certainly our independent living units, and they are the broad acre villages. The majority of those are — —

Ms SYMES — Do you have waiting lists and that sort of thing?

Ms BUCKLEY — Yes. There is no stock available. Pretty much as soon as we get something and we have got it refurbished and ready to go, we sell it.

Ms PATTEN — But the other?

Ms BUCKLEY — The serviced apartments are the ones where we have a high vacancy. We have probably got 20 to 30 per cent vacancy there. So one of the things we are doing is introducing a higher care model into those villages so that we can actually improve that. We know that that old model of serviced apartments where it was bed and breakfast and a little bit of care is not really what people are wanting when they move into a serviced apartment, so we know that we have to change our model to do that. We are hoping that accounting next year will be able to say that we have a waiting list for them, too.

Mr MULINO — Thanks for your evidence. You have cited a statistic that a small number of residents have taken complaints on to CAV. That is pretty consistent with evidence received earlier tonight from other providers. I guess on the other hand, as you know, we have heard voluminous numbers of people with complaints and various levels of issues which have not been resolved. It is going to be a very important issue for us to try and think through, what the prevalence of unresolved issues are when we are thinking about what is the appropriate dispute resolution mechanism. We have got an advocate on the table and an ombudsman and other mechanisms. There are a number of possible explanations for that nominal incongruity. One might be that there are low levels of disputation in some systems and higher levels in others that we may not necessarily talk to, or it may be that there are a lot of disputes that are not raised because people feel daunted or for all sorts of reasons. I am just curious as to the way you would interpret those numbers.

Ms BUCKLEY — This is what we think. You are right. There are some villages that are happy and running beautifully, and there are some that have more issues in them. That can be for a number of reasons. That can be because — I am trying to give you an example without giving you an example — some residents have got a bee in their bonnet about something and they get a collective and they will continue to do it. So even though you might consult with them and work with them, they might not necessarily agree with the answer that you give them. So sometimes those are unresolved because of that. I think you do have some villages where there are more complaints.

I do not believe that residents in retirement villages are frightened or are worried about complaining. What I do know is that most of them just want to be there to retire and not be bothered and just have a really enjoyable life

there. Sometimes: is complaining and going through all of that rigmarole, is worth it? Actually, I'm quite okay. I do not think that residents are frightened or worried about complaining. I can guarantee that, because certainly if I get any letters or anything, from my experience I do not think that they are. Some of them are probably more frightened of some of the people in their village than they are of the operator, to be fair.

Mr MULINO — In some other sectors — telecoms, financial services — where some entities, companies or whatever end up becoming identified as a focal point of complaints, there are options for regulators to take a closer look. We have had a number of options put on the table that are broad ranging across the whole sector, like an advocate, an ombudsman or whatever. I am just thinking: are there mechanisms that might make sense to try to identify where there are systemic problems within an operator and where maybe some kind of examination would be appropriate?

Ms BUCKLEY — Certainly from our perspective what we have got in place is that we have just introduced a new system where we are recording electronically all of the issues that come to the village level so that we can then identify trends and identify which villagers are doing what and those sorts of things, and then we can act on them. I think collecting any data is really important. But to me it is not necessarily about the number of complaints but about the resolving of the complaints and making sure that we are actually meeting what our residents want from us. As the other guys said earlier, our business is looking after older Australians and finding accommodation for them. Reputation is really important. You want to be able to work with your residents and make sure that you have a good working relationship with them. Yes, sure, you are not going to make people happy all of the time. It is like any other accommodation. Any people living in a community are not necessarily going to like everything that happens. We have to understand that and work with people to try to make it as agreeable as possible across all angles.

I cannot think of anything to say about how to pinpoint sectors or different people and whatever. Certainly I think it is important to work with your residents, and that is why Michael and the other two regional managers, from our perspective, are out there. That is why our compliance officer is out there. That is why I go out there is much as I can, even though I am looking after quite a few more, so that we are accessible. Our CEO has a meeting with a representative from every single village every year, so then he can talk to them and hear their issues in an open forum. Anything we get from that we act on.

I think it is about ensuring your staff, your employees, out there to make sure that you are listening to residents and understanding their concerns. At the end of the day we want to do the right thing. We want to make sure that our residents are happy. That is important to us. We are happy for any feedback on anything to improve, to do anything better. That is why we are happy to talk to our residents and get that feedback.

Ms FITZHERBERT — I want to ask you about how you manage change and whether that is part of the Aveo way. You said earlier that residents move to a retirement village and they just want to be left alone. I think that is right; people make a big, expensive life-changing decision. One form of feedback we have had from residents is that there is constant change. They think that things are settled, but they are not, and it is change about big and important issues. I acknowledge that much of that is not of your making — it is the regulatory environment; it is the industry — so how do you manage that?

Ms BUCKLEY — Certainly from us, because we have had a lot of change in our business, we have resident forums, so it is really important that we go out and talk to residents and have the question-and-answer sessions. The other thing too is sometimes they see things happen quickly. What we found though with residents is that if we can talk to them and then talk to them again and provide them with a significant amount of time to digest that and understand that and ask questions, we find that that works a lot better than just going, 'We thought we would try this new thing next week'. So it is really important to give them a lot of notice and a lot of time to work through the issues.

Our process is really we first always start with the chairman and the committees. We take the idea or take what it is to the chairman of the committees and say, 'This is what we're doing. What do you think? Do you think it will work?' — blah, blah, blah, whatever it might be — or, 'This is something because of regulation we have to change'. So we always start with the committees. Then we say, 'Okay. When do you think we could talk to the residents?', so then it is important to have follow-up sessions if you can, following up with written information.

One of the things that we actually heard from our chair lunches that we just had with Geoff Grady last week was that residents said, 'After we have had these sessions, can you give us dot point notes?'. We thought, 'We

told you'. They go, 'Oh no, but can you give us dot point notes so that we can take that away and digest it'. That is a great idea, so that is something we will implement going forward. But it is really about giving them time, going through the right channels and providing them with material. Certainly we try to make sure that we have got enough material and provide our village managers with as much information as well, because often the village managers are the first point of call, and if they are not understanding what is going on, then they cannot explain that to the residents.

Ms FITZHERBERT — And what if you get to the end of that process and people do not accept the change? The argument we have, and you would understand this very well, is that it is an unequal relationship, and that people are in a home, their own home — —

Ms BUCKLEY — Yes, sure.

Ms FITZHERBERT — But there is an unequal power relationship and, short of leaving, they cannot really reject a change, can they? So what happens?

Ms BUCKLEY — It depends what the change is. Some of it is legislative, so it is, 'Unfortunately we have to do this', or, 'This is compliance; we have to do this', and try to take the residents on that journey with you. It all depends on what it is, but if it is things that we have implemented, we are always open to change them and whatever. It depends what it is. I think we have to be really careful around that.

At the end of the day there are always people that are going to be more open to change than others, so sometimes you can get a tiny group that are just so resistant to the change, but the other 90 per cent of people think it is a great idea and are happy with it. It is kind of like, 'Okay. We've got 90 per cent of the village happy with this change and are ready to move on. What is it that we can do to get this other 10 per cent on with us, or are we never going to get there?'. You kind of have to, I guess, make that decision.

Ms PATTEN — I just have a quick one which is following on from the last questions. I think it is probably to you, Michael. Obviously with 25 years you have got some properties that you have been managing for a considerable length of time, and as Margaret has mentioned, there is the change and the evolving at Malvern that has happened over there. From what I understand, in some of those circumstances you may have a village that may have residents with many different contracts.

Ms BUCKLEY — Correct.

Ms PATTEN — So you will have a resident who has been there for 15 or 20 years and has one contract; someone who has been there for 10, that is another; and someone who has been there for two, that is another. So you have a vast array of different contracts and different expectations. Do you try to bring those old contracts up to speed with the new ones, or do you just try to work on the fact that you have got 27 residents working on 27 different contracts? That must be hard.

Mr MORGAN — In a sense, yes. It can be difficult. I think the essence of the contracts are relatively the same. I think some of the changes over the years that have been forced upon us legislatively have actually been of assistance in that. But you are correct; a contract from 25 years ago compared to one a year ago can be substantially different, but the essence is roughly the same. The most important thing, I suppose, in dealing with any resident is to not try to generalise in villages where we know that we have a wide variety of contracts. Often when you might be dealing with a specific resident you may need to check their contract out first just to make sure that you are not dealing with something that is incorrect.

It is also about trying to get them to understand the differences as well, because within those 25 different contracts you can also have 25 different service fees and different levels of service fees, which can also affect the ongoing maintenance fees and the expenses in running with it.

Ms PATTEN — I can imagine that would affect the ongoing harmony as well if people are paying differential rates?

Ms BUCKLEY — Absolutely. Yes.

Mr MORGAN — Absolutely, but if a resident has got a contract, we have got to honour that particular contract, if they have got a DMF over 15 years or 10 years or 3 years or 8 years, or whatever it is. At the end of

the day, as I said, a lot of the village rules and plans of subdivisions and all those sorts of things, a lot of the basics of it have not changed. Where it has changed, I think, is the introduction of other laws that have come along over time — the Retirement Villages Act, consumer affairs law and all the bits and pieces that have then required additional clauses to be added into contracts that make them from — I think as the gentleman said before — a 3-page contract is now a 17-page contract. It is that input from all the different legislation. Is it difficult? Yes, but at the end of the day we try to look after our residents. That is not to say that you do not get it wrong sometimes.

Ms BUCKLEY — You could actually go on a mission to change all those contracts. That would be very confusing and can be very upsetting for residents, so I think it is really important to honour the contracts that they have got, that they know and to make sure that we look after that.

We have got some contracts in Queensland where they have a live-in manager. There are three contracts in the village, so while those three people still have that in their contract, we still have a live-in manager. It is about doing it, but it is about understanding that. Sometimes that can be really difficult for village managers, because as Michael said, you then have a whole bunch of them. I think it is about understanding that that is a problem that is created from different operators, different owners, changes in legislation and so on and so on.

The CHAIR — We had better leave it there. Ms Buckley and Mr Morgan, thank you so much for your time and again for being prepared to be here at this hour of the day. Thank you.

Witnesses withdrew.