

# TRANSCRIPT

## STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

### Subcommittee

#### Inquiry into the retirement housing sector

Melbourne — 16 November 2016

#### Members

Mr Edward O'Donohue — Chair

Ms Nina Springle — Deputy Chair

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#### Participating Members

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#### Staff

Acting Secretary: Mr Patrick O'Brien

#### Witnesses

Ms Elizabeth White, CEO, Victorian Caravan Parks Association, and

Mr James Kelly, Vice-President, Victorian Caravan Parks Association and Managing Director, Lifestyle Communities.

**The DEPUTY CHAIR** — I would like to welcome James Kelly, the vice-president of the Victorian Caravan Parks Association, and Elizabeth White, the CEO of the same organisation, here with us this afternoon. Just a reminder that all evidence taken in this hearing is protected by parliamentary privilege; therefore you are protected against any action for what you say here today, but if you do go outside and repeat the same things, those comments may not be protected by that privilege. I welcome you, as I have just said. We have allocated 45 minutes for your session today. Could you keep your opening comments to around about 5 to 10 minutes to give us plenty of time for questions?

**Mr KELLY** — Lovely. Thanks, Nina. Thank you for the opportunity to come and speak to the committee. I actually wear a few hats today. I will just quickly cover them off. I am chair of the Residential Land Lease Alliance, which represents residential communities around Australia, so I chair that group. I am also a vice-chair of the Victorian Caravan Parks Association. I am managing director of Lifestyle Communities, which is the largest provider of residential parks in Victoria. We have about 2000 residents living in our communities. Finally, Elizabeth and I are also on a reference group for the review of the current Residential Tenancies Act. So they are the sort of four perspectives we bring today.

There is no doubt affordable housing is probably one of the greatest challenges Australia is currently facing at the moment. As housing prices go up, more and more people are being excluded from housing. Certainly our industry associations have been very active in discussing this issue of affordable housing and also talking about some sort of more left-field ideas in terms of how we might increase affordable housing supply, which I will touch on at the end. About 100 000 Australians live in a caravan park or residential park. That compares to something like 14 per cent of Americans who actually live in a land-lease community or residential-park style. Whether that is going to increase after Donald Trump I have no idea. In Australia there are about 2500 parks — —

**Mrs PEULICH** — They might get more homes.

**Mr KELLY** — They might get more homes. That is quite true, actually. So there about 2500 caravan parks in Australia; 1650 of these are just pure tourist parks. There are about 750 which are hybrid parks — what we call hybrid parks, which is the mix of permanents and tourism — and then there about 170 residential parks in Australia. In Victoria over 7000 Victorians live in these types of communities. There are about 431 parks in Victoria, and 80 per cent of those have permanents living in them, so about 80 per cent are hybrid parks, if that makes sense. We have about 25 residential parks in Victoria as well.

So who lives in these communities or in these parks? Typically they are the average Australian. Fifty per cent of Australians have \$470 000 or less, and that is in total wealth. Most of that wealth has been locked up in the family home and in other assets. Very little equity in the bank is what we see, and 77 per cent of Australians who are currently retired are on the pension. Our business is very much around providing affordable housing for affordable Australians who are going to be retiring on the pension.

In hybrid parks particularly, often this accommodation forms the sort of last stop before someone might actually face homelessness, so we tend to find, in the regional markets particularly, caravan parks are the provider of the accommodation when there is nothing else available. Typically housing in residential communities or caravan parks is priced around 50 to 80 per cent of the median house price of the areas in which they best serve.

Typically the mix of people in these types of communities are — what we have seen and what our survey shows — 45 per cent single women, 50 per cent couples and 5 per cent single men. The reason for moving to these types of communities is wide and varied, mostly driven through affordability, companionship, security — all those sorts of issues feature front and centre in why someone would move into these types of communities.

So why are they so affordable? Typically for two reasons: one, because of the house price itself, which is about 50 to 80 per cent of median house price. Whether it is with a lifestyle community or a hybrid caravan park, we are the most affordable housing currently on the block, and typically we see someone sell a home, downsize and put some money in the bank. In regional Victoria often we see people who are just looking for a form of housing, so it does vary very much. Site fees — the way the model works is that someone buys the home and then leases the land. That lease can be anything from a year to 5 years to 90 years in the case of one of our types of communities. That rental typically can vary from \$50 to \$195.

**Mrs PEULICH** — Per week?

**Mr KELLY** — Per week that is. Yes, absolutely. And that rent covers, typically, the land-based costs, such as council rates and all of that sort of stuff and any of the water rates, sewerage charges and those sort of land-based costs. Really what the site fee is paying for are the managers, maintenance of the roads and the community facilities, picking up the garbage. All of those types of services that you would typically see a council do, that is pretty much what a park will do with that site fee.

I guess what the most important thing is — and I read some of the submissions that are being made to this committee — that what is unique about this model is that it attracts rental assistance from the commonwealth government. That is absolutely critical to the sustainability of this model. I have seen some submissions saying perhaps this would be better served under a different bit of legislation. The really cautionary note I put here, and this was very much discussed when we got the new legislation through in 2011, is that one of the critical features of this model throughout Australia is the fact that land-lease models in caravan parks attract commonwealth rental assistance; retirement villages do not. That is one of the key differentiators. I will just caution any thoughts here that try to shift it to other legislation: you will be cutting off the nose to spite the face, in the sense that it will mean that our home owners or residents will not be able to get commonwealth rental assistance, and that is one of the key things to making this work for both the owners of these parks and for someone living in these parks.

The rent typically works out at about 20 per cent or less of the pension after commonwealth rental assistance. If you think that the state government currently takes 25 per cent of the pension to live in a housing commission flat or house and that social housing takes 25 per cent, 20 per cent means it is very sustainable long-term, and it means people we find in our communities — and again, we have got 2000 home owners — we get no rental defaults and the only time we ever get problems is with problem gamblers. There is a thing called Centrepay that helps us with keeping a roof over their heads, and it means that the rent comes one nanosecond before they get their pension. That is something we do in agreement with them just to keep a roof over their heads.

That is one component of the fee. Some parks these days also charge a deferred management fee. It is interesting. When I started Lifestyle Communities back in 2003 I did not have one of those, but my concern was: how would this be long-term sustainable? It would not be just run into the ground. I went to the United States and looked in Florida, Arizona and some places where these land-lease communities have been going a lot longer than we have and I saw some terrible situations where the clubhouse had been run into the ground and the carpet was chipped and the laminate, and it was just terrible. I would speak to the managers and they would say, 'Well, you know, I put a capex request in five years ago, and I'm yet to hear back'. What had happened is these communities had been rolled up into some big Wall Street-listed entity and it was just a yield play in terms of collecting rent. No-one was incentivised to invest back in the community.

So we came back firmly with the view — and this is the way I explain it to our home owners as well — that this is very important to have a DMF, because it keeps a vested interest in the end owner of that income stream and in improving that asset. Unless there is a vested interest in that, then what will happen is you will just see the park progressively run into the ground. We see that as a very critical part of the sustainable matrix for these types of communities going forward. So we promote it. I always say it is a bitter pill, I know. It means we can sell at a low price going in, so that is a tick. But it is a very central component in terms of maintaining those communities.

**Ms SYMES** — I am just wondering if you could explain in just a little bit more detail specifically how your deferred management fee would typically apply.

**Mr KELLY** — Ours is accrued up at 4 per cent per annum for five years, capping at 20 per cent.

**Ms SYMES** — Right. Thank you.

**Mr KELLY** — I know typical retirement villages can be a lot higher than that. It had to be meaningful enough to create an incentive, but we did not want it equally to be a sort of penalty which became then a barrier to exit, if that makes sense. So, yes, we are 4 per cent. That is typically what you will see pretty much in the residential parks industry. It is around that sort of number of 20 per cent, from what I have certainly experienced anyway.

**Mrs PEULICH** — Off the cost of the capital?

**Mr KELLY** — This is off the cost of the resale price of the home, and that is critical because — —

**Mrs PEULICH** — So how much capital growth is there in your sector versus, say, retirement villages?

**Mr KELLY** — It is a very good question. I cannot really talk about retirement villages. What I can say is that we are typically seeing our communities grow at a greater rate than the mean house price in which our communities are situated. We are seeing across the board at the moment anything between 5 and 20 per cent per annum annual growth in our community prices, and it is a supply and demand issue, and that is really driven by the baby boomer generation.

**Mrs PEULICH** — And is it because of the location in many instances?

**Mr KELLY** — I think it is more just around supply. The great age we have in Australia is — I keep saying to my team, ‘We are seeing the ripples across the water of this great tsunami coming, and that is called the baby boomer’.

**Mrs PEULICH** — I thought that was just called the beach.

**Mr KELLY** — So that is really the age bulge of Australia. That is the big demand driver for this. They are very underfunded, they have only got their own equity in their own home, but the difference to the war generation is that they will actually — —

I call it the FOMO generation, in the sense that they look at Facebook. I am a baby boomer, so I am very much in that space. You look at Facebook, you see what all your friends are doing and you go, ‘Gosh, why aren’t I doing that?’. It is this fear of missing out. So there is a big driver to downsize, we see. We used to call the war generation the more negative trigger buyers in the sense that it was more about security and concern versus the baby boomer generation, which is a very big generation but they have a different driver to look at this type of accommodation. I am very mindful of time too.

The industry has really evolved very much over the last 50 years. I have just got some great old photos here. It is actually of a park we bought. That is a very early 1970s relocatable home. It is a caravan. That then evolved to — —

I’m sorry the audience cannot see this. Then they start putting roofs over them. That sort of made them semipermanent, but they are still a caravan with the wheels taken off. It then evolved into a more fixed structure with an annex. That was very popular in the 80s. Then in the 90s you start to see more of a cabin-type structure. That is one of the first cabins to come out of a manufactured-home plant. Then you went to these littler cabins, which were called single-wides, just to get you into the terminology.

**Mrs PEULICH** — Single?

**Mr KELLY** — Single-wide. It just meant that one section fitted on a truck. I will show you what a double-wide looks like. That is a double-wide. That is a house that came in two halves. It was called a double-wide. That dates from about the late 80s, early 90s. That is a very early double-wide cabin that was very popular actually. It does not look like much these days, but it was very popular at the time. Then it sort of evolved. This is a Lifestyle Communities homes. We have had this sort of process of evolution, really. It is the same product; it is still relocatable. That is a shot of us relocating one of these homes a few years back to move it to a different site. But I do hear also — —

**Mrs PEULICH** — So how much would one of those be? The cost.

**Mr KELLY** — To buy?

**Mrs PEULICH** — To buy.

**Mr KELLY** — In regional Victoria it could be anything from 10 000 in the old caravan form to 300 000 in Melbourne metro, where median house prices might be 410 000 and the land cost obviously would be vastly greater than what you are paying out in regional Victoria. So it is really a factor of land cost as to what drives the overall cost.

The evolution of this industry is that. I do read a lot and read that this no longer looks like a caravan park. True, but for each one of those phases I am sure the same claim would have been made to say, 'That's not a caravan park'. So at the end of the day, we are evolving and improving the quality of what we do, which is really important in terms of then providing a better level of accommodation. Probably the watershed moment for our industry, it was — —

**Mrs PEULICH** — I am just hanging around to ask you one question.

**Mr KELLY** — I was just going to say, probably the watershed moment for our industry — I am nearly finished — was when the new legislation came in in 2011. That was a watershed moment in the sense that it was the first time we had a specific bit of legislation declared for this industry. That started negotiation back in 2008. It was a long process of consumer consultation and industry consultation, and VicParks in particular and our industry seized that moment to try and bring in new practices and new disciplines into our industry. VicParks, particularly the Victorian Caravan Parks Association, brought in training programs, standard agreements and a whole range of other things to improve the way parks operated.

The benefit of that was that we saw our dispute level drop dramatically. I think we had 18 complaints to CAV over two years in 2014 and 2015. I sense that out of this next review that we are currently going through, which I can only see improving the legislation again, we will see also a drop in further consumer issues, and a lot of it is about education. We are certainly not perfect by any means, and there is a lot of work to do. One of the big challenges of managing when you have got 25, 30 homes per hectare in that sort of high density is you are going to get issues between residents. You are going to get blow-ups, bust-ups and a whole range of different issues for which there is a complexity in managing, and we are very much trying to — —

We host national conferences and training sessions to work with our park operators to try and look at the way they improve service delivery and customer service to those residents. Lifestyle Communities, I will just very quickly touch on that and I will go to your question. We started in 2003. We started with social, ethical and moral values in trying to set up our business. We wanted it to be sustainable, we wanted it to be affordable and I think I can say 13 years later we pretty much still tick all those boxes. We are now ASX listed. We have got Australian Super and all the big corporates on our register, which is good. But nothing has really changed from where we started. We have now got over 2000 residents living in our communities. So as the managing director, how do I know that we are still doing things right across 13 communities and all the rest?

We keep growing. We have got a 94 per cent rate of residents who would refer us to their friends or family, which is good, and nearly 40 per cent of all our new sales now come from a customer referring someone. So that says to me that we are probably doing a lot well. I always know we could do a lot better. We do not get a lot of dispute. Pretty much our customer mix is that 45 per cent single women, 50 per cent couples and 5 per cent single men. That is pretty much the same average that goes across our communities as well. Particularly single women, this is a very important source of accommodation for single women in the sense that it provides companionship. Single women isolated in the suburbs is a real emerging issue for Australia. We see it all the time. We see the difference of moving to these types of communities where they get security. It is affordable, number one, but they can get security, they can get companionship. It can be quite life changing. Most would say to me they wish they had done it 10 years ago, and the stories I hear daily are very heartwarming in terms of what these types of communities can provide.

Just in conclusion, I think one of the big challenges for government at the moment, and I have been running this argument in the federal government as well as in the state government, is this issue of the baby boomer again. We are back to them. It is interesting, 50 per cent of detached housing in Australia is currently owned by someone over 50. One more stat, there are 3 million spare beds in Australia every night. So you might argue that we have got plenty of affordable housing, it is just that we have got the wrong people living in it is the truth. The Productivity Commission recognised this in November last year to say culturally the baby boomer will not downsize. How do we encourage them to downsize and free up that housing for first home buyers or early family buyers? This is a really good challenge for government.

**Ms SYMES** — That is all right. I fill my parents' empty rooms with my children.

**Mr KELLY** — Perfect. Right. You have just got to get them out now. So I have been running the argument with government now about an over-50s downsize scheme and that is currently going around other offices around here around incentivising people to downsize, bring up their home, which will generally be an old

AV Jennings home built in the 1960s, 1970s. It is 15.4 squares in size, with old shag pile carpet, laminate kitchens, blah, blah — something that is right for first home buyers to buy and start their housing journey. So I think that is one of our biggest challenges. I argue that we have plenty of housing stock and this is a role really our industry plays, as does the retirement village industry, to try and enable them to buy other forms of housing so that we can try and get this housing turn back into the market.

**Mrs PEULICH** — Thank you very much. That was most enlightening. For me, a very disturbing statistic that 50 per cent of the occupants are single-person households. Our community does not provide well for single-person households on low incomes because we are not investing in single-bedroom apartments or flats — there is not enough capital growth — so how do we respond to a changing world?

**Mr KELLY** — I totally agree.

**Mrs PEULICH** — So your comment about how to make housing more affordable, I am all ears. I would like you to answer that, but also I think the mismatch of housing and occupancy applies to the private sector and applies to the public sector. We have got to bite the bullet and we have got to take away the impediments or reduce the impediments to make sure that we can maximise on the accommodation that is available. But I seek your views in relation to how to make housing more affordable.

**Mr KELLY** — I have been in housing most of my life and in property development most of my life. I think there is a lot of focus on the supply side, and I am not quite sure that is right. There has been a lot of focus on trying to get private enterprise to pick up the cudgel and provide multi-house ownership. Land tax is very forbidding for even super funds or private large owners. It is interesting: I think 85 per cent of rental housing stock in Victoria has a single owner, so there is very little multi-housing ownership, if that makes sense. I did not express that well, did I? Basically 85 per cent of housing in Victoria is owned by a single person who only owns one home. People do not buy multiple properties to try and rent because land tax is prohibitive.

It is interesting. Cities develop in many ways. Melbourne is classic in the sense that we have got high density in the centre, then we have got the great quarter-acre-block dream of the 1960s and 1970s — we have got a very undense ring in sort of Mount Waverley, Oakleigh, Lower Plenty, Werribee — and then we have gone back to high density, quite rightly, because the government has said, ‘We’ve got to stop spreading, let’s get some high density’. The biggest opportunities for downsizing and providing accommodation for single women or downsizers generally is probably in that middle ring, where we have got lots of land and very low density. Part of prosecuting this argument for an over-50s downsize grant is that there are three big benefits out of doing that. One, you free up the house for the first home buyer or the early family buyer. No. 2, you free up their equity when they downsize. Rather than waiting for them to pass on and leave that to their children to finally spend, you actually receive it now, and that is a better match now there is the need to pay pensions, and 77 per cent of Australians will be pensioners.

But the big benefit is that you get land. The quarter-acre block — put two quarter-acre blocks together and you have got half an acre, and then you have got an apartment market, then you have got a unit market. One of the best single-lady products I have seen is when you get the villa units. You see it in the country all the time. You get 20 villa units, and they are all in a sort of close — you know the old close with the court? That is about half an acre in size. The biggest thing about creating housing is that it has got to be near existing communities and existing infrastructure people are familiar with. This push to build further housing on the outer fringe and say that is going to suit people living in the middle ring is fraught because no-one wants to leave their kids, their networks and their local community groups.

**Mrs PEULICH** — The cost of construction makes that — —

**Mr KELLY** — It makes it attractive because of the lack of supply in that inner ring, so I sense there is a bigger structural shift to occur to achieve some of the thoughts that you are having. Certainly — —

**Mrs PEULICH** — How about those who do not own their own home and cannot downsize? That is a challenge.

**Mr KELLY** — That is a real challenge, I do not deny that.

**Mrs PEULICH** — Tell me the answer.

**Mr KELLY** — That is a real challenge. I do not know. We looked at that when we started, and you either find people have equity or no equity. It is really you either own a house or you have nothing, and it is such a vexed issue. It is the old boarding house, but that is a whole other journey. We looked at those models — —

**Mrs PEULICH** — Perhaps a 21st century iteration of that might need to be considered.

**Mr KELLY** — Yes, I would love to see it.

**Mrs PEULICH** — Thank you so much. My apologies for having to leave early.

**Mr KELLY** — A pleasure.

**Ms SYMES** — Thank you so much for your presentation. I just wanted to ask about this notice to vacate for no specified reason. We heard earlier today that that was considered a power imbalance, could lead to unfairness and could be used as a threat to basically stop people from raising complaints and things. I note that I think your submission says it is needed in rare circumstances where someone might be hostile or something like that, but could you not have a notice to vacate ‘because you are hostile’ as opposed to no reason?

**Ms WHITE** — Our association runs an advice line to our members. We have a 384 members, and 80 per cent of those have some residents in their park. James has given you the picture of the 30 or so fully residential parks. The rest of the industry is a mix of tourists and residents in the park, and they are not generally in Melbourne, they are out in the regions. So to come to your question, when our members ring me and say, ‘What do I do, what is happening here?’, they will describe some behaviours or some circumstances that make it seem like for that community of residents in those parks there is no fit; there is somebody who has come into the community or whose behaviour while they are in the community has changed, and it just needs to be dealt with. There are not a lot of options other than hopefully a little bit of counselling, a bit of talking, a bit of chatting, a bit of warning, but at the end of the day when other residents are coming and saying, ‘This person makes me feel insecure, this person is disturbing my quiet enjoyment of the park’ or whatever, that is about the only option that remains.

Having said that, I always counsel the park member that calls me and say, ‘Look, you can issue the first breach notice’ — because you have to go through a series of warnings first — ‘But why not take the breach notice along and say, “I do not want to do this. This is the last recourse. Can we just have a little look at what is happening and how we might fix that?”’. That is the long answer — to say it is the line of last resort, and before that there are quite a few steps that the park can take to try and avoid that.

**Ms SYMES** — But would you accept that it could be considered by a vulnerable resident as an impediment to them raising concerns with a manager?

**Ms WHITE** — Look, I imagine that it could in people’s either real or imagined — —

**Ms SYMES** — Yes, just the perception.

**Ms WHITE** — I do accept that, I do. I guess what I am asking this group this afternoon to consider is where else, on the other side of it, can a park manager go when they have explored every single avenue and there is not much else left? Our association maintains the view that you need that notice to vacate as a line of last employment when there is nothing else left to go. I take your point that for some people that might seem an implied threat; for us it is just definitely the last thing that is left when it is not working for the rest of the residents.

**The DEPUTY CHAIR** — Sorry, can I just elaborate on that point. Would you find if it gets to that sort of pointy end of the stick that some of those residents would have access to an advocate or some independent support? Do they tend to utilise something like that, or are they generally acting on their own behalf?

**Ms WHITE** — In terms of the residents, I do not usually speak a lot to the residents. Sometimes they will call our office, and our policy is to refer them to consumer affairs on the basis that I obviously represent the park owners and they may not feel that that is fair unqualified advice.

**The DEPUTY CHAIR** — But I would imagine you would get reports from your park owners, though.

**Ms WHITE** — But having listened to what they are saying, often I will say to them, ‘Look, why don’t you go and talk to the park owner and talk in this way?’.

**Mr KELLY** — So I think your answer, Nina, is yes. The three that are very active are the Housing for the Aged Action Group, the Tenants Union, and the consumer law advocacy group. Absolutely. We have not spoken to those groups for many years because we have not had many issues but, yes, they do get well represented by them, and I think they do a very good advocacy job for residents. They are very well versed to be beyond the legislation and often act in a mediation role, which we find very useful as well. I will get a call from Shanny Gordon or something saying, ‘I have got this issue, blah blah, what do you think?’, and I will go, ‘Well, this is where we are coming from’, and then she will go back and talk to that resident and say, ‘We might not have such a case here’ or, ‘They are prepared to do this’. They are not necessarily just straight to VCAT. We find particularly now more with the park, I think because we probably have more exposure, that they run in our communities regular sessions with the residents and stuff, which we welcome because at the end of the day we want the residents committee to be very strong and to be self-determining, so if that helps, that is worth it.

**Ms WHITE** — And in our submission I think we have made the point that we would be strongly advocating some form of dispute resolution process so that VCAT does not have to be the only and first point. Most of our parks are well away from Melbourne. It is not easy for either the park owner or the resident to get geographically to VCAT. Even if it is held in a country location, it is difficult — and it has a level of threat to it.

**The DEPUTY CHAIR** — Do you have a preferred model?

**Ms WHITE** — Just mediation.

**Mr KELLY** — I think South Australia has the advocacy — —

**The DEPUTY CHAIR** — So the advocate as opposed to the ombudsman model?

**Ms WHITE** — Yes, absolutely.

**Mr KELLY** — Yes, the South Australian advocate model, which I think is more cost-effective than a, say, ombudsman model. I think the advocate model better reflects probably the level of disputation that we do or do not get in our industry. I think it would be a more accessible resource. So, yes, we quite like the South Australian advocacy model, which I think is a better approach. It is more of a mediation type of thing.

**The DEPUTY CHAIR** — Sure.

**Ms WHITE** — I have certainly experienced that in other associations and have found it works very effectively to have sort of like an independent referee just helping both sides understand each other’s issues a little bit.

**The DEPUTY CHAIR** — We have heard in one of our regional hearings about the issues around building standards or lack thereof in terms of movable units and how there are often issues with maintenance and, I guess, compliance and safety. There was some suggestion that maybe applying the building code to buildings in your situation would be a solution to that problem. We have also heard quite the opposite — how restricting that would be and how unrealistic and problematic it would be. So I would be interested to hear what your — —

**Mr KELLY** — There is a little bit of misinformation about this, which I would love to correct. Up to 2011 we, at the same time as consumer affairs thought that the regulations were not where they should be. It was very much designed for that style of stuff. In those days particularly most of those homes used to have — a little detail — panels and then straps that covered the gaps in case the house moved a bit. But that is not what modern houses do. So to reflect what people now want with plasterboard walls — so if they move, it cracks — in 2011 the regulations were redone, and it brought these homes in line with the Building Code of Australia. Now they must meet the Building Code of Australia. It is of a bit of a misnomer out there that they do not.

The thing that we are exempt from, though, is having to get a building permit, which saves a significant amount of cost. When the regulations were being negotiated back in 2011, it was one of the things we had very much with government to say, ‘Please don’t start imposing building permits’, because building permits then come with their own associated costs and go to a self-determining system with penalties, which is what the current regulations have, so that basically the builder has to self-certify. This is all post-2011. There are lots of legacy

issues from the past; I do not doubt that. Some of that stuff you look at and you go, 'Wow!'. After 2011, yes, the house must now meet the Building Code of Australia.

The only two that we were exempted from for reasons of significant cost was that we were basically exempted from a 5-star energy rating, and we basically achieve about a 4½-star energy rating. What we argued at the time, which was correct, was that the extra half star would cost about \$3000 to \$5000 to achieve, because these houses are raised off the ground and you have to insulate the floors. I think the payback period on that was something like 25 or 30 years or something. So it did not make sense, and the government agreed.

The final one is that we are also exempt from the bushfire thing because you cannot design a house for bushfires when it is going to be moved. They accepted that caravan parks actually have a lot more firefighting facilities than a typical suburb, so that offset that.

The answer is absolutely these houses have to meet the Building Code of Australia. The only thing we are exempt from, which we have preserved for many years, is the building permit. It saves us about \$2500 dollars a home, plus other added costs of inspection — a whole range of things.

**The DEPUTY CHAIR** — I was going to say: is it just the cost, or are there other reasons why — —

**Mr KELLY** — Just the cost really, and it is just about driving affordability. There is then a whole process of getting — —

**Ms WHITE** — The delays.

**Mr KELLY** — Yes — paperwork, the bureaucracy. It was argued at the time that for a self-determined process, a bit like what the building permit process is like now — it is self-determined using a building surveyor — we could use the installers with the penalty system to do that. So again, most of the feedback you would have in regional Victoria will be, I would have thought, about legacy housing that occurred prior to 2011. The new regulation has picked that up now and made it absolutely tight around the Building Code of Australia in terms of compliance.

**Ms WHITE** — But having said that, we have found that in some of the councils there is incomplete understanding of those new requirements.

**The DEPUTY CHAIR** — From memory, I think this feedback came from a council.

**Mr KELLY** — Yes, they just do not understand the — —

**Ms WHITE** — What they do not sometimes fully understand is that with the building standards that come into play with this, the manufacturer has to install a compliance plate that attests that it is fully compliant with the building standards, and unless that plate is attached it is deemed to be non-compliant. None of our parks would accept one of those buildings if it was not fully compliant. We know who the builders are. It all works very well. All that the regulations require is that once the building is brought on site and the owner has checked the compliance plates on it, they then notify the council.

**The DEPUTY CHAIR** — It does go to the issue of how difficult it is, though, to regulate an industry that is so diverse in the models and the different issues of each model.

**Mr KELLY** — You mean retirement model versus — —

**The DEPUTY CHAIR** — I mean across the board, really. At that same site visit we went and had a look at a caravan park, and there were all sorts of different models of accommodation within the one caravan park.

**Mr KELLY** — There is certainly complexity to it; there is no doubt. I think again one of the good news stories was in 2011 with the new legislation and regulations. Again it was a watershed moment for us to be able to re-engage with our industry and sort of go, 'Here are the new standards'. Back to your point, Jaclyn, about the one-year tenure, we are very much trying to encourage our park members to start giving tenure and leases. We are saying, 'It's good business to do that, to give a bit more certainty' and that sort of stuff. We have had quite a few success stories around that. There is a big education program we do. We have standard agreements now posted on our website that people can use.

We are trying to take our industry along with this. It is the same with the building quality. We are trying to improve standards within parks as well. We have done a lot of work with the CFA around fire safety, around that aspect. We have done as much work as we can with the local council understanding our journey, but it is a very old industry at the same time, as you quite rightly recognised. It has been going a long time, and some of this old stuff that I just showed you you would have seen probably going through some of the parks.

**The DEPUTY CHAIR** — Yes.

**Mr KELLY** — And what you are seeing now is some large corporates like Gateway Lifestyle and Ingenia coming into the market now. They are big, listed players, and they are buying up all of these old parks, recycling the housing and putting in new housing. So we are going through a big regeneration at the moment, and the big demand obviously is the baby boom generation coming through and affordability. We have had Ingenia and Gateway buy a dozen parks down in Victoria recently and start that recycling. It is like any old suburb in Melbourne. You drive around there and you go, ‘Oh my goodness, the housing looks terrible’, but it will recycle over time as the market forces come into play.

**Ms SYMES** — What keeps you classified as what you are? Say if somebody comes in and upgrades a caravan park to a point, at what point does it become a retirement village and not a caravan park? How do you keep your exemption?

**Ms WHITE** — Good question.

**Mr KELLY** — Yes, a really good question. We sit under part 4 of the Residential Tenancies Act that says that homes have to be relocatable, so we stay with relocatability.

**Ms SYMES** — So what would stop a savvy retirement home having relocatable homes?

**Ms WHITE** — Pulling up all their existing homes?

**Ms SYMES** — Yes.

**Ms WHITE** — You would have to get it registered as a caravan park.

**Mr KELLY** — So you have got to be registered as a caravan park.

**Ms SYMES** — Right.

**Ms WHITE** — If they want to pull up every single piece of fixed housing with footings and concrete-laid floors and start again — —

**Ms SYMES** — I am probably thinking more about if you were starting from scratch. So if you are a developer of a retirement village, why would not you make it — —

**Ms WHITE** — Cost of land.

**Ms SYMES** — Cost of land, okay.

**Ms WHITE** — Cost of land now in the metro area.

**Mr KELLY** — The Social Security Act is really clear on defining who gets commonwealth rental assistance. It has got a catch-all provision there to say that effectively if you look like and smell like a retirement village, you are a retirement village. Even if you call yourself something else, you are a retirement village — unless you are a caravan park. So we have had lots of discussions in federal government. I spent most of the first six months of this year doing the halls of federal parliament talking to ministers around this issue. They were very supportive. Only 1 per cent of commonwealth rental assistance goes to these types of communities around Australia, so it is not a big cost, but it is a fabulous subsidy that generates this level of new housing and new affordable housing.

That Social Security Act is quite clear on picking up your point that if you are building on concrete slabs, you are building a retirement village and you will not be able to claim commonwealth rental assistance. If you are

classed as a registered caravan park, you will get commonwealth rental assistance. So that is probably the definer, to answer your question. That is sort of the test.

**Ms WHITE** — Could I just make the point, too, before we run out of time that with the explanation that James has offered of the way his fully residential caravan parks operate, it is helpful, perhaps, for this committee to keep in mind that most of the residents that we have in the mixed-use parks do not actually own another house somewhere else. So this is their only accommodation, and that comes to the heart of a lot of the questions.

**Ms SYMES** — And do they own or rent?

**Ms WHITE** — They rent. They may own their dwelling and rent the site it is on, or they may not even own the dwelling. They are renting a cabin or a caravan.

**Mr KELLY** — Which is a part 4.

**Ms WHITE** — Yes. I guess the point I am making is it is not like they have another home which they sell and release the equity to be able to come into a caravan park and have some more available discretionary income. They are really people for whom there is very little choice in country areas and the caravan park provides an affordable option to not much else, really. That is a situation that is caused by, as you would know, a number of factors — perhaps lack of ongoing long-term employment in country areas — that leave people without a lot of choices in the country.

**The DEPUTY CHAIR** — This is really a question across the board. I guess my takeaway from what we have heard is that they were perhaps not cognisant of the fact that it really is like buying into any kind of residential arrangement and their expectation was that there would be more care, I suppose, given. We heard from one resident down in Mornington who had injured herself on a path that had broken concrete and a lack of lighting. She injured herself quite severely. No-one helped her. It was quite a bad situation. It snowballed from there to her being quite unwell and alone in the caravan park. My reflections on her situation at the time were that as unfortunate and unpleasant and really quite wrong as it was, if that happened to me in my house, there would be no-one who would come to care for me. I wonder about the sort of expectations that people have around this.

**Mr KELLY** — It is a really good question. I think all park owners have this. We say it is like living in the suburbs, but you are moving into a community. So what you get enhanced there is the fact that you are in this community environment where everyone will look after each other. We see extraordinary community support. I have a lady at the moment who is a teacher who fell over and broke one arm and then fell over and broke the other — she is in her 60s or late 50s — and the community now drive her around everywhere and she has this whole network.

She said, ‘If I had been living in the suburbs, I don’t know how I would have coped’. But I think there certainly is a duty in terms of having that explained all up-front about that care expectation. Certainly it is something we very clearly do — to say that we do not provide care; this is independent living. It is interesting; our residents are the benchmark of that, because if they see someone move in who they think needs care, they will go, ‘That lady should be in a retirement village. She shouldn’t be here. This is for independent living’.

So I think it is probably getting the expectations clear up-front in terms of what you will do or what you can and will not do, but we tend to find that the community water finds its level in the sense that I have one street in one of our villages where if all the blinds are not up by 10.00, they come knocking. It is this sort of code they have. It is like a community watch. That is the streets of old. These days when you live in a street that community has now gone really, in a way.

**The DEPUTY CHAIR** — But just thinking through how we try to solve some of these problems, because that is what the committee has been tasked to do, if there is such a disparate approach to that across the different organisations — so, for example, the caravan park this lady was in obviously did not do that for her. You cannot rely on best practice to be — —

**Mr KELLY** — I totally agree.

**The DEPUTY CHAIR** — So what is the answer, then? How do you insist that people are given all of the information in a way that they consume and understand from the outset?

**Mr KELLY** — That is a really good point. In 2011 the act was amended, and really what the new act was about was transparency. What they wanted to do was to ensure that each agreement had these types of clauses without then stipulating the clause or stipulating the standard agreement, which would not work. They said, ‘You’ve got to have these types of clauses’. If that was a concern to the committee, without necessarily offering solutions, you could certainly stipulate there that the community must make clear whether it does or does not provide care.

The act also gives a 20-day period where you have got to give them the agreement and you have got 20 days. You cannot sign them up until they have looked at the agreement for 20 days, and then they have a 5-day cooling-off period as well. But I think you could certainly impart those transparency provisions in part from our Residential Tenancies Act to include a provision on care, as to whether care is or is not provided. I think care expectations are an issue. One of our skilling-up things we have got to do as an industry is that as of February, with the deregulation of the home care market, that presents enormous opportunities for people living in our type of accommodation to be able to access that better. That is the sort of real education issue we have with our industry to let our operators understand what that can mean for residents living in their communities. We will now go back to consumer-based advocacy, which is very powerful in terms of provision of care.

**Ms WHITE** — I would make additional comment, too, and say that you can have as much transparency as you can moving in. You know, we try and explain a lot of stuff at a time in people’s lives when it is often quite difficult for them. What we find is that people can move into caravan park living as independent livers, and then as the years progress they have difficulties. So in answer to your question as to what the committee could do, it is easy for us to say, but it is for government to provide some kind of assistance, resource or advice. That is what the park owners ring me for. They say, for example, ‘I have got a lady who is just really not able to cope anymore. We don’t think she’s eating, and I am taking food in to her. She’s not able to get to the bathroom on time and we’re managing the complaints of the residents around that. We feel that she needs hospitalisation, but there’s nobody to take her to the doctor because she doesn’t seem to have family’.

It is a lot to take on board — when the caravan park operator, in the case of the mixed-use parks, is also looking after a heap of families and kids on jumping pillows and handing out the ice-creams — to be able to manage that group and their needs well. Perhaps there could be some kind of resource. I know from the calls that I get that we are just lost sometimes, and it is almost a relief when the resident is taken to hospital because something has reached a point where she or he has damaged themselves. It almost then becomes a requirement for the hospital to find somewhere for them to go. And all we have done is pass the problem on, and I think that revolving door is one that the committee could well have a look at to see how that could be resourced.

**Mr KELLY** — That is a very good point.

**The DEPUTY CHAIR** — Thank you very much for your time this afternoon. I just remind you that you will receive a copy of the *Hansard* transcript in the next few weeks for proofreading.

**Ms WHITE** — Thank you.

**Mr KELLY** — That is a pleasure. Thank you for the opportunity.

**Witnesses withdrew.**