

TOM OREL STATEMENT AND FAQ

Media Enquiries

For media personnel only, please contact:
enquiries@tomorel.info

OPEN LETTER

It's been 58 days since the 24 August 2022.

For some, that's meant 58 days of confusion and speculation; for others, 58 days of hurt and anger.

Those 58 days have spawned hundreds of articles, comments, blog posts and news reports all wondering, and questioning, what happened to Oracle Building Corporation? What now, and what next?

So, now that the dust has finally started to settle, I wanted to take this opportunity to speak with you all, and answer some of those questions.

But more importantly, I wanted to take this opportunity to say that I'm truly sorry.

I'm sorry to all my wonderful staff who were put out of a job on that morning of 24 August 2022; I'm sorry for the undoubted stress that this would have caused you and your families.

I'm sorry to all of our clients who's dream homes are now yet another step away. I'm sorry for the stress that Oracle had caused you over the past two years.

Frequently Asked Questions

Why did Oracle enter into administration? Why did it do so when it did?

Oracle were made aware of some preliminary data from a routine external audit which seemed to suggest that Oracle were in a precarious short-time financial position, which would only be likely to change, should the broader market conditions change.

Immediately after receiving this data, Oracle spent the next few days consulting with various advisers, before making the difficult decision to enter into voluntary administration. The administrators were appointed within three days of receiving such data.

How, and how much, will creditors be paid?

Unfortunately, I no longer have any say over such decisions, and so, this is a matter entirely within the purview of the appointed administrators.

Please see:

1. *Section 437A(1) of the Corporations Act 2001 (Cth)*
2. <https://asic.gov.au/regulatory-resources/insolvency/insolvency-for-creditors/liquidation-a-guide-for-creditors/>

Why did we issue client's with contract variations?

Much has been said and written about the challenges facing the building sector as of late. Challenges that have ultimately proven too burdensome for Condev, Probuild, Sunland, and of course, Oracle - amongst many others. But I think much still needs to be clarified and explained.

Even in the best of climate's residential builders often operate on wafer thin profit margins.

Speaking to industry averages, builders will typically incur overheads of approximately 15% of a contract's value, whilst only charging a "margin" of between 18% to 20% of contract value. Meaning that a builder is left with a profit of just 2% of contract value, or in the case of Oracle, about \$7,000 per job.

So, when conditions, like those the industry's currently seeing (surging demand for new home builds, coupled with unprecedented supply chain issues and crippling labour shortages), flare up, builder's are left exposed, and often, out of pocket.

It's estimated that nearly 1 of every 3 unfilled positions across the entire Australian workforce falls within the construction sector, with nearly 80% of vacant positions industry-wide going unfilled. Moreover, where building materials can be sourced, they have in some instances more than doubled in price - as a whole, the cost of building has increased by between 8% and 40% over the past year. A very specific example is in the case of bricklaying, where Oracle moved from paying \$1.50 per brick to \$2.60 per brick.

This meant that over the course of the post-covid era, Oracle were left, in most instances, effectively charging a margin of -14% on most contracts. We were paying to build our client's home. So, we made the tough decision that, where the contract would permit (meaning the client was in breach of the contract for not paying another amount when it was due), we would issue price increases to our clients.

These price increases weren't issued to make money, in fact on most jobs we were still ourselves paying to finalise builds, they were issued to stem some of the financial bleeding.

Whilst we had wished we wouldn't have had to, there really was no other financially viable alternative.

Why was there such a significant increase in 2020/21 job numbers?

The significant increase in jobs and job value in FY20/21 has been a constant focus for many. In isolation, the figure might seem problematically high. The reality, however, is much different.

Oracle experienced a near 67 percent year-on-year decrease in jobs and job value in FY18/19, largely as a result of outside factors (such as the release of the Banking Royal Commission report, and the probable outcome of the federal election proposing to fundamentally shift housing market policies).

With the election going an unexpected way, FY19/20 started strongly before tapering-out as a result of the enveloping Covid pandemic. This resulted in FY19/20 ending 47 percent below Oracle's yearly job average of 163.

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The noted increase in jobs and job value for FY20/21 was to compensate for the decline over the proceeding two financial years, where full staffing levels were maintained throughout.

Taken across the three year period, the ultimate increase was still 7 percent below the Oracle yearly average, and thus, was in no way 'excessive' or 'greedy' as has been suggested..

Have/will staff be paid their salary and other entitlements?

Since the appointment of administrators on 24 August 2022, an amount of some \$542,627.53 has been paid out to satisfy the full salary and leave entitlements for each and every employee.

This amount was paid-out under the federal government's Fair Entitlements Guarantee scheme, and is reflected in the administrator's initial note to creditors.

Given such, no employee currently has any leave or salary entitlement still owing to them.

Beyond this, any further secured or unsecured claim a former employee may wish to make is a matter for them and the appointed administrators, and thus, not something that I am privy to, or informed of.

Why weren't staff warned before Oracle entered into administration?

It was in no way possible to forewarn staff that Oracle were about to enter into administration whilst also complying with our statutory obligation to avoid insolvent trading.

There was only a period of some three days between a concern of solvency being first raised and the liquidators being appointed.

Thus meaning that the only way Oracle could have provided advance warning to staff would have been to delay appointing the administrators and risk trading insolvent during the notice period.

Please see:

3. <https://download.asic.gov.au/media/5772721/rg217-published-31-august-2020.pdf>

Was my last company, Alchemy Property Group, liquidated in 2012? If so, why?

Alchemy Property Group was set up for a specific set of projects, when these projects were completed, the company no longer served a purpose, and so the directors decided to close it down. This meant that Alchemy was wound up as a solvent company, meaning that outstanding business and contracts were finalised, the assets were liquidated, and it ceased trading.

For the most part, companies can't just cease to exist, so the winding up process is a formality. So, yes, Alchemy Property Group was liquidated, but not in the same fashion, or for the same reasons, as Oracle - markedly different was that it had no creditors.

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Please see:

4. <https://asic.gov.au/for-business/closing-your-company/deregistration/winding-up-a-solvent-company/>

Will there be an Oracle 2.0?

No, definitely not. Unfortunately, the complexity of challenges facing the building sector, together with a glaring lack of Government support and a seemingly self-governing and curiously-focused regulator (in the QBCC) have, in my opinion, made the building industry one that's utterly untenable.

My advice to the builder's still battling away: get out before it's inevitably too late.

Did I receive a bonus payment or dividend last year?

At no point over the past five years have I received any bonus or dividend payment from Oracle. As an employee of the company, my only form of remuneration during such time was my salary entitlement.

Am I secretly wealthy?

Guaranteeing personal assets as security, to allow Oracle to survive as long as it did, has placed me in a very compromised financial position, which is likely to ultimately result in me having to declare bankruptcy in my own name. So, no. I am definitely not wealthy.

Why is "Oracle Beneficiaries" a creditor in Oracle?

Oracle was loaned money by Oracle Beneficiaries to ensure that they had the capital to continue operations. This money was real money, provided as a documented loan, and was done so years before the appointment of administrators was even considered.

This creditor claim, like all others, is entirely a matter for the administrators.

What do I intend on doing with the parcels of land 'held in other companies'?

The recent media reports of 'secret development holdings' are entirely disingenuous.

These parcels have been offered as collateral to secured creditors, as would have been shown to the media in any title or caveat search they conducted.

Notwithstanding, the media bravado, what ultimately comes of these land bankings is a matter for the administrators and receivers, who have current control over them.

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Did I engage in 'asset protection' or shift management rights before Oracle went into administration?

No, I did not and the ASIC registry information will attest to as much.

Further, even if I were to, in a hypothetical scenario, each of these arrangements could and would be reversed by the administrator, and ultimately expose me to significant legal liability, thus making any suggestion that I did, truly nonsensical.

Please see:

5. <https://asic.gov.au/for-finance-professionals/registered-liquidators/your-ongoing-obligations-as-a-registered-liquidator/asic-orders-about-creditor-defeating-dispositions/>