

Vic

15 October 2003

Inquiry Into First Home Ownership,
Productivity Commission,
LB2 Collins St. East Melbourne Vic. 2003

I have, with interest, read your paper re.'first home ownership' and must confess that the answers to the problems raised are contained within its text.

High 'home' prices are caused by four [41 major factors

[a] Number of people requiring a place to live.

[b] Where to live [job requirements].

[c] Availability of land [and obviously its cost].

[d] Taxes and hidden charges.

If we look at the first thing that comes to mind is immigration-. What is sustainable immigration as compared to unsustainable. The answer is fairly simple to my mind and that is that immigration, as it is at present, cannot be sustained for the following reasons

[1] We do not have the infrastructure :

Insufficient water [driest continent on the earth]

Job losses [most industry has now moved offshore]

99% of immigrants want to, and proceed to, live in principal cities

If you do not seriously curb immigration then you have lost the plot entirely.

[2] Cost of land as opposed to building cost.

If you continue to allow more and more people, [plus immigrants], to move into principal cities , land cost must rise. simple case of supply and demand i.e. refer [1] above.

Taxes are at present out of kilter with reality whereby the Commonwealth and the State[s] place tax upon tax and then a 10% G.S.T. on top of that. If you consider Income tax plus all other taxes a then close to 66% of the average wage is consumed by taxes. The taxing effort is then increased by some 15% [of the house/land price] for the privilege of buying your home.

Another cause is Negative Gearing , as this allows the moneyed gentry to buy housing and the like, then proceed to balance borrowings against income, and obtain tax concessions in the process. This aspect obviously places an enormous upwards spiral on LAND price.

Negative Gearing would almost disappear [in the small housing arena] if you get the basics right.

My own opinion is that the \$7000 home grant, was, and still is, a badly placed band aid placed by a Government that fiddles around the edges instead of tackling the real problems.

Yours Faithfully

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