

TO PRODUCTIVITY COMMISSION

SUBMISSION NO. 2
FOR INQUIRY INTO
HOME AFFORDABILITYHOME AFFORDABILITY?1. FACTS

- (a) The Housing Industry Association estimates \$125K is hard in taxes by 1st home purchasers and to cut these taxes by \$12K would have been better than boosting demand by 1st home grants.
- (b) NSW Treasurer Egan advised me on 22 August the median Sydney Price = \$450K, transfer duty was \$15.7K versus \$22.6K in Victoria. I feel this explains why Victorians “buy on the fly” interstate. Also \$450K = 9 x Ave. p.a. wage, versus just 4 times in 1950–60, why? Why! Its because prices are not capped to the C.P.I. Do your own sums using C.P.I. 1985 values and convert them to 1999 (latest available) and you will be shocked. “Cap Soaring Home Prices”, Release Land, Stop Immigration.
- (c) Stop also the media frenzy — “Local Hot Property”.
- (d) A Newcastle Estate agent told me she bought 3 propertys; a Tasmanian caller to ABC’s “Australia all over” radio programme said a Sydney investor bought 5 Hobart Propetys.
- (e) The market is investors, retirees, owner occupiers, speculators, internet currency advantaged buyers and immigrants.

2. WHAT TO DO?

- (a) Impose reasonable limits on sale prices, i.e. capped to C.P.I.; sale costs being tax deductible to stop prices escalating to meet costs.
- (b) Ban currency advantaged internet buyers as it’s unfair competition.
- (c) Limit investment propertys to one buyer i.e. one family, one investment as this will sort out real investors after income from the speculators, who buy and hold one year to get a rising market and 50% tax on CG on sale.

- (d) Stop media frenzy. TV shows like “Hot Property” and “The Block” are advertising driving markets up and alienating the non home owners.
 - (e) Stop immigration, which fuels demand.
 - (f) Release more land but only for moderate cost 2BR homes with extension capability, later.
 - (g) Build more public housing, 200,000 people wait, but ACOSS reports just 10,000 homes were build or funded in over 10 years. Stop using these low income people as rent subsidized fodder for the private rental market (feeding the market).
 - (h) List on the stock exchange a government sponsored community housing company and young people could put 5% of superannuation into the investment and once a deposit value is reached they would either sell their equity back to the company or get entry into a community housing project and access to cheap loan rates subsidized by government to pay off their purchase. This depends on home values being capped to C.P.I. % rises else the deposit value will be eroded as it builds.
3. For suggestion 2(c) to work to Federal Government must better supervise and fund ASIC and APRA as it follows that investors who are limited to one purchase will have more cash to put into the stock market (which creates jobs) but only if they have confidence restored by stopping fraud and excessive CEO packages. Why invest in BHP when 2 retiring CEO’s take \$50m out in redunancy.
 4. Remove the 3 taxes on superannuation, which drive people into tax advantaged property investment in the first place.
 5. Have property transfer duties similar tin each state to stop across the border raiders.
 6. Limit the tax on 50% only capital gains to the stock market investor, putting money thus into a jobs growth area and not property speculation (see 1993, ABC Boyer Lectures).

J. Highfield
31/08/03