

Submission to the Inquiry on First Home Ownership ; attached RTF file.
[Permission to publish my submission is granted]
To: the Productivity Commission, LB2 Collins Street East, Melbourne, 8003.
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Email:
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Parts by me are in italics.

Terms of Reference

On 4 August 2003 the Treasurer Peter Costello requested that the Productivity Commission undertake an inquiry to evaluate the affordability and availability of housing for first home buyers;

Recognising that home ownership is very highly valued by families and individuals, and is central to social and family stability, for the purposes of this evaluation the Commission should:

* Identify and analyse all components of the cost and price of housing, including new and existing housing for those endeavouring to become first home owners; and The efficiency and transparency of taxes, levies and charges imposed at all stages of the housing supply chain;

To have increased housing affordability we need to increase the housing supply by encouraging people to choose to buy the construction of new homes instead of buying existing dwellings. To do this all purchases of new housing construction should be free of taxes as purchased by any business or consumer, Instead all purchases of second hand homes should be taxed including if purchased by a business or any consumer. [A new house defined as a dwelling yet to be lived in for one year] Revenue would be greatly increased. [Currently construction of new dwellings for consumer consumption is taxed and all second hand houses are tax free which has constricted supply so we have housing inflation. This has resulted in 85% of home purchases being for existing homes, and 15% of home purchases being for new homes]. If new houses were free of tax and second hand houses taxed at a high rate of 20% then perhaps 40% of all purchases would be for new houses, this would increase new house construction by 266%, also with 60% of housing purchases remaining for second hand houses tax revenue from housing would be increased by 800%. The buying power of building workers would be increased, instead of having capital gain paid to loafer monopoly holders of dwellings in a market subject to a restricted supply.

* Identify mechanisms to improve the efficiency of the supply of housing and associated infrastructure;

Housing supply would also be put to more efficient use if the main home was included in the welfare assets test. People such as retirees should be required to sell or share large family homes before accessing welfare. These dwellings could then be occupied by others. The assets test assessments for dwelling owners would be divided between the number of occupants such as children based on an

equal share rather than the amount of rent paid so also increase occupancy and family support. The proceeds penalties could be used to have the income test relaxed so encourage the working poor.

A wealth tax of 3% would encourage people to downsize so have prices reduced for more productive and efficient users, but welfare would need to rise by \$60 per week to pay for the costs of land lords. The main benefit of a wealth tax would be if income tax was reduced or abolished.

Immigrants would bid up house prices if supply remained the same, and dilute income from resources. Immigrants may also bid down wages and take welfare would reduce buying power of Australian citizens. High wage high wealth immigrants have brought money into Australia so helped the dollar so in that way decreased inflation, but ultimately all immigration reduces home affordability. With 100,000 per year being .005 of the population and a housing life of 100 years, after 100 years immigration housing would have been 50% rarer so maybe 100% more expensive if all migrants are to be welfare dependent refugees. I do not favor reducing self funded migrants, but refugees escaping atrocities and other economic migrants should be given a go to become self supporting and if failing then paid to return to their home or a safe country.

* Identify any impediments to first home ownership, and assess the feasibility and implications of reducing or removing such impediments;

The main impediments to home ownership is interrupted welfare, the availability of loans, if existing interest rates, and the high welfare assessment of savings. A person on welfare having their welfare withdrawn for extensive periods for working, which has caused loss of tenancy or ability to pay off loans and so result in homelessness. The working poor find it difficult to gain a loan, but rich loafers are given loans. If a person on welfare has saved for a home purchase they will have a reduction in benefits if savings exceed about \$55,000, but lacking resources to repay a loan or have rent savings resulting from ownership. The main home should be assets tested and rent means tested, but savings and investment properties should be deemed at 10% of their value. This would have a persons lifestyle more accurately assessed, and have people have money saved for a dwelling, which might assessed with an assets test but loan debts would be 50% deducted from the proposed welfare assets test.

* Particular attention should be given to the following matters as they affect the cost and availability of residential land and housing in both metropolitan and rural areas:

Because of the exodus from rural areas, cheap land, and easier approval, rural housing has been very cheap, With surpluses existing in some areas. If welfare recipients were rewarded instead of being penalized by 6 months benefit withdrawal they could move into these rural dwellings, and perhaps get work, or at least keep the houses in good order, while also providing much needed business in rural areas.

* The identification, release and development of land and the provision of basic

related infrastructure;

\$6billion of tax payers money should go into subsidizing subdivisions each year. An equal percentage rebate provided to private developers for new sub-division roads, water, sewers, gas, mains electricity, and telecommunications.

*The efficiency and transparency of different planning and approval processes for residential land [and dwellings]; and The effect of standards, specifications, approval and title requirements on costs and choice in new dwelling construction;

Instead of having a myriad of councils providing building including addition approval I would like to see a planning agency to plan main road, port, airport, rail, gas, water, electricity, sewer, telecommunications infrastructure with which developers and builders must comply, but having no other zoning, except if nationalized and to be made a public park, or a protected area, but native title should allow residential development. Also having standard designs approved which any builder may re-use, including owner builders so eliminate all planning delays. So the any private owner may sub-divide land with zero planning approval. Retail building hardware should also be of a set standard and measurement.

* The efficiency, structure and role of the land development industry and its relationship with the dwelling construction industry and how this may be affected by government regulations;

Trades-people should continue to have to be qualified. But their needs to be more trades education to business requirements. For this I suggest a 10% levy on payroll [from the abolition of payroll tax and workcover and resulting public education] be used to sponsor scholarships with the employers choice of private training provider, with 50% repaid to the employer from the student from employment income from any employer. So as to have an education in a trade for all youth from age 15 to 20 and an equal amount paid to adult education sponsorship. Also 2% of payroll paid to the employers choice of curriculum television fund. To sponsor curriculum programming and pay for distribution by a national cable curriculum television network. With 100 channels. Each channel for a different trade. The public class room budget spent on an equal percentage rebate on the purchase of class rooms and trainee workshops by private tertiary education provider.

* The operation of the total housing market, with specific reference to the availability of a range of public and private housing types, the demand for housing, and the efficiency of use of the existing residential housing stock.

\$13billion of the proceeds of the extra tax gained by having second hand dwellings taxed instead of new housing each year could be used for public housing construction being an equal percentage rebate for constructions and ownership by private providers of Hospital units, Disability and aged accommodation, Baby, child and youth child care accommodation, Including furniture and appliances. Also accommodation subsidy provided to private owners of housing for citizens in poverty, with the owner paid 40% of income and 2% of wealth above \$1,000 as rent per week to encourage richer tenants to

move on or purchase the dwelling. Native title should be a traditional communal right to exist on vacant crown land, claimants being people of aboriginal descent having the right to construct dwellings. \$2b for subsidy of private housing adjacent to or in aboriginal communal title areas with community service obligations that the owner provide claimants with housing and paid 40% of income and 1% of assets above \$1,000 as rent per week, so providing housing for 360,000 communal title holders after 25 years, in addition to other private housing.

The child care tax rebate, public education, and maintenance could be replaced as funded by about \$40 billion in general taxation paid to voucher accounts for child education and care including accommodation. With voucher entitlements. The entitlement increased by income and decreased by assets, so increase the incentive to work. Having the opposite effect of the existing tax rebate and maintenance system which will penalize income and go to people rich in assets, so about 40% of people who have to pay maintenance have given up working. Voucher accounts may be drawn down to purchase child education and care including accommodation as required by the parent/s from private company education and care including accommodation providers.

*The inquiry will also identify and examine mechanisms available to improve the ability of households, particularly low income households, to benefit from owner-occupied housing. This will include an assessment of rent and direct ownership subsidies, loan guarantees and shared equity initiatives.

Combining the baby bonus and first new home buyers grant ; for each birth of a baby all taxes cancelled on the sale of the dwelling held at birth and a \$100,000 zero interest loan provided to the main parent, and if to buy the construction of a new dwelling together a \$100,000 zero interest loan also paid to the other parent, repaid from 40% of income including welfare and 1% of net assets over \$100,000 per week, so repayments are suspended if losing all income. Paid for by an increase in the money supply reduced with repayments. As there has already been overpopulation by hormone driven people seeking self replication against genetic merit, there could be a requirement that recipients be users of IVF fertility services using genetic material from someone other than themselves, relatives, or neighbors ; where testing disease free and traded in an open genetic material market [as is allowed in the US but not so far in Australia] to ensure quality. Infertility services should be banned because it has bred infertility.

Shared equity would have a place if we had a death duty, if one partner died their share of the dwelling could be sold to an investor. A loan subsidy could be used to promote shared equity between marriage partners.

Dwelling should continue to belong to the person who has legally purchased it, with zero assessment of rent or other up-keep by partners or anyone else, to encourage rich people to marry. If divorced the children can then decide where they want to go. Children to 25 should have the right to reside with the parent of their choice.

People should have the right to continue to rent a property as long as the rent is

paid.

For budgets recommendation details see my Model National Constitution And Budget At : [links to website]