

NSW
15 September 2003

Athena Wicks
First Home Ownership Inquiry
Productivity Commission
LB2 Collins Street East P.O.
MELBOURNE VIC 8003

RE: Some Thoughts on Housing

In Australia we have a social services system which insures that no person will starve. We have a medical benefits program which insures that any health problem will be attended to as thoroughly as modern knowledge allows.

Both of these developments have occurred over the last 100 years, yet our housing situation is much the same as when white men first came to Australia.

Mechanisation and computerization will insure that our productivity of goods will proceed at present levels or better with an increasing percentage of our work force destined to be partly or totally unemployed. This portion of our population presently rated as high as 10-12% can never hope to own their own homes and must remain dependant on the rental market.

I believe we need a new philosophy on housing. We need both short term and long term policy. The short term would be to allow first home buyers to have access to low interest loans to build new houses but not to use such loans to purchase older houses at auction or by private treaty. The long term policy should be that every Australian born here or naturalised should be eligible for a housing loan at the cost of issue of the money to build a new home of modest standard once in his or her lifetime.

The New Zealand experience of 60-60 years ago would be a good basis for further discussion. Our Reserve Bank could establish a Housing Loans Department and issue the necessary money. It would mean a reversal of the 1985 agreement between the Reserve Bank and the Federal Government terminating Government access to overdraft facilities at the Reserve Bank of Australia.

There would need to be some discussion about priorities as between famines and couples with no children as also between widows and aged couples or single parent families.

As land for housing is a prerequisite for any housing scheme, then local government facilities could be responsible for urban development to insure that residential land is available. Once again, legislation might be recess" to allow local government access to RBA funds. State government could have major input as regard to development areas or possible new development projects having regard to water supply as well as gas, electricity, education, and road and rail infrastructure.

I believe that TAFE programs should be widened to include more fireproof types of building such as cement block construction especially in inland Australia and also white ant prevention as well as metal framework.

I believe that local government should have access to RBA Cost-of-Issue loans for construction of retirement villages as well as teen-ager accommodation and itinerant workers.

The New Zealand experience allowed the people renting the State Housing Authority homes to capitalize part of their Child Endowment as a deposit and then pay off the houses over a 40-year term at 3% interest rate. Further enquiries in this matter and any problems that developed could be beneficial. Home ownership should be our objective as it could benefit health of a community as well as more participation by residents in their community.

I am enclosing a copy of a letter I received from the then Minister for Education (NZ), Phillip Amos, a part of correspondence with him following a trip to NZ in 1973 organised by Sydney University Department of Education to look at community involvement in New Zealand schools. I enclose it to show that what I am proposing has already been done albeit in part and the same would be financially possible if our Governments were of a mind to proceed.

The foregoing mainly concerns our unemployed and low-income earners: but we have another group with full-time employment and resulting Superannuation funds whose prospects of being able to retire into their own homes using their Super Funds are disadvantaged as inflation in prices of homes in the more desirable areas is outstripping the rate of growth of their Super Fund. The New Zealand experience is again worth mentioning. Building workers from all over the British Empire migrated to New Zealand to work on the housing scheme. They were unable to remit New Zealand currency to their relatives back home because the New Zealand government did not want such a leakage of their overseas account. The Reserve Bank of New Zealand refused to buy back such bank notes that come back from Australia, Canada, UK, etc. They called it "non-convertibility of currency". The New Zealand government's attitude was in "...if you earn money in New Zealand, you are duty bound to spend it in New Zealand".

The same philosophy could be applied to Super Funds in Australia. They could be used to promote employment here instead of being invested offshore and so importing unemployment into Australia. The experience in Singapore with regards to Super Funds could be worth looking at. I have read that they only have one Super Fund, organised and guaranteed by government which pays a 4% interest rate to all Funds but contributors can borrow at 5% from the Fund to finance housing accommodation.

I do not suggest that investors or developers should be denied access to commercial loans for their activities; but I believe that a better standard of housing would result overall if the bottom end of the market were adequately provided for.

With land prices so high, it makes sense to build a second story on any suitable block of land. Modern electric chairs as supplements for stairs are becoming more widely used. There is some interest by regional governments to have Super Funds paid in regional areas returned to those areas as housing investment. Surely this is an extension of a principle that "... money earned in New Zealand should be spent in New Zealand".

If I am required for further discussion, I am retired from farming and at 84 years of age my present address is at "Kingston", Galore and my telephone number is (02) 69 283 142.

Faithfully yours,

Donald J. McCleary

9 January 1974

Mr Don McCleary,

New South Wales,
AUSTRALIA.

Dear Mr McCleary,

Thank you for your letter of 11 December about the housing programme financed by the Reserve Bank in New Zealand during the 1930's.

The Reserve Bank came into being on 1 August 1934 and in 1937 commenced the scheme where by loans were made available to the State Advances Corporation, using Reserve Bank credit, at 1 per cent for the first £5,000,000 advanced and 1 ½ per cent on further advances. These loans were not to be made to the general public for new private dwellings but for the building of state rental houses. Twenty-two state rental houses were erected in 1937, 1,895 in 1938, 3,445 in 1939 and 3,870 in 1940. Due to the shortage of material and labour resulting from the war years this last figure was not exceeded until 1949. You will realise that all this development took place after the depression.

I have noted with interest your observations on education. One of the methods by which the pupils in the upper forms of our secondary schools have of acquiring some of the social knowledge necessary when they leave school is by inviting guest speakers along for discussion each week during the liberal studies period. The speakers come from a variety of organisations including employers, clubs and social agencies.

Thank you for your good wishes. I wish you all the best during 1974. Kind regards.

Yours sincerely,

P.A. Amos
Minister of Education