

27 January 2004

QLD

RICHARD MAY'S SUBMISSION FOR THE PUBLIC HEARING ON THE FIRST HOME OWNERSHIP INQUIRY DISCUSSION DRAFT AT HOTEL GRAND CHANCELLOR, CORNER WICKHAM TERRACE AND LEICHHARDT STREET, BRISBANE ON WEDNESDAY 28th JANUARY 2004.

1 hereby submit the following

That we should phase out negative gearing over five years. This will eliminate the need for interest rate rises which are hurting the people we want to help; ie first home owners and people who are trying to pay off their one and only home.

The majority of Australians can only ever dream of being able to own one home within their lifetime.

A minority of Australians and foreign investors, who with the assistance of a tax advantage called "Negative Gearing", own more than one house.

Lending statistics indicate that nationally half of all housing loans are now being taken up by investors who have been buying up multiple numbers of houses.

The dream of the majority has become a nightmare as house and land prices have doubled, trebled and quadrupled, all within a few years, as the investing frenzy of the greedy minority rides on the back of tax advantages than do not apply to genuine buyers of their one and only home.

Thousands of our children are being forced into being lifelong tenants paying high rent in this so called land of plenty and opportunity.

Equality of opportunity for all Australians, has in the past always applied to education, health and housing. The sacred three necessities for a decent society, as we saw it.

Taxation distortions that favour a well off minority, coupled with anti-competitive strategies devised by land developers to push land prices to artificial heights, are causing some Australians to question why it is that the Australian Competition and Consumer Commission is not investigating the bone fides of the two major political parties in Australia today.

How many politicians are courting influential minorities who benefit from "Negative Gearing*?"

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How many politicians own more than one house, and are using "Negative Gearing" for their personal financial advantage, while the hopes and dreams of potential first home owners, and others who would like to own their own home, are being shredded.

Why is it that this national land and housing crisis has only ever been seriously mentioned once by our politicians in the run up to the next federal election.

The Opposition Leader Mark Latham saw "Negative Gearing" as the prime culprit and said so — only to be jumped upon by the Liberal Party and his own Labor Caucus, who together forced him to retract his views on eliminating negative gearing.

It is my prediction that the first major political party to break ranks with greed and self interest by announcing a policy to phase out "Negative Gearing" will win the next federal election by a land slide victory.

The other villains, as I see it in this land and housing extortion racket that has been allowed to run rampant in Australia, are the land developers.

The ACCC should make it their urgent business to know who they are, how many or how few there are, and what is the extent of their undeveloped land holdings. The ACCC should urgently be wanting to know if and why they are apparently being allowed to restrict the supply of building allotments, thereby forcing up the price of land and house and land packages to extortionate levels.

The Federal Government in co-operation with the States, should be helping fund the States Housing Commissions to forge a new role for them as honest competitors with private enterprise in the acquisition, development and sale of housing allotments at affordable prices to first home owners and other Australians who do not already own a home, but would like to own a home. Compare the largely unregulated land development industry in Australia with the Regulated mining industry in Australia.

In the mining industry, no mining company can take control of land without the imposition by State Government of expenditure conditions to ensure that the land is held for bone fide exploration purposes and not just "sat on" for speculative purposes.

If and when that ground progresses to economic feasibility, further expenditure conditions apply to ensure that any economic resource is developed.

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Similarly, expenditure and development conditions should apply to land developers to ensure that the developers do not hold back much needed land from development, so as to cause an artificial shortage of building allotments, in order to drive up the price of housing allotments released sparingly in collusion with others.

As with the regulated mining industry, any failure to comply with these expenditure and development conditions should lead to forfeiture of the land to others who are prepared to develop it, or in the case of land for home building purposes, the forfeiture should in my opinion be to the relevant publicly owned housing commissions.

We should be doing everything possible to encourage Australians to populate Australia. The land and housing crisis, if allowed to continue unchecked, will forever banish from our landscapes the "Nappy Valleys" that have historically been the lifeblood of Australian society, while our destiny will become more and more unstable, and uncertain simply because we turned our backs on the basic housing needs of our children.

To sum up, what I am arguing, for is a perpetuation of the great Australian dream, in which the average Aussie, with a bit of sensible planning, work and saving, can still be able to achieve their dream of obtaining a home in which to raise a family, and be secure in their old age.

Is this too much to ask for?

Richard May

A former Real Estate Agent, Grazier and Prospector.

Postscript

In the early 1970s I became aware of an investor, who may well have been a foreign investor, who owned 58 house rental properties in Brisbane.

A local investor, after reading my submission to your Inquiry, strongly suggested that you adopt the following procedure for dealing with foreign investment in housing in Australia:-

- 1st house purchase to be tax free.
- 2nd house purchase to be taxed at 15% contract price.
- 3rd house purchase to be taxed at 35% contract price.
- 4th house purchase to be taxed at 45% contract price.
- Subsequent purchases to be taxed at 45% contract price.