

From: Ackerly, Trevor  
Sent: 16 February 2004 8:32 PM  
To: housing@pc.gov.au  
Subject: Submission to Productivity Commission Inquiry into first home ownership.

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Commissioners

I have previously made a submission to the productivity commission before the discussion draft was released.

I have received from the commission a copy of the discussion draft. I found no evidence in the discussion draft that the commissioners had considered my initial submission. I attended the public hearings of the commission held in Melbourne on Monday 9th February 2002, although I did not present a submission. At the hearing I heard some of the presenters of submissions complain that their written submissions had been ignored by the commission. Having heard the questions asked by the commissioners at the hearing I have decided that I should make a second submission.

The productivity commission is conducting an enquiry into first home ownership. The following quote is from the terms of reference.

"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." Many people find it difficult to purchase their first home. Most people who are unable to afford their first home decide that they will live in a shared rental household when they first move out of home. Some people who are unable to afford their first home decide that they will live in a shared household as tenants in common with the people who share the house.

[As I understand it there are two ways to share ownership of a house, tenants in common and tenants in joint. Tenants in joint is the usual way that a married couple might own a house. In case one of them dies, their share automatically reverts to the surviving partner. Under tenants in common arrangements the share can be willed to someone other than the other tenant.] Instead of having to buy a whole house, they only have to buy half a house or less. Instead of having to produce the full 10% deposit plus stamp duty, they only have to raise half the deposit at most. Instead of having to make the whole mortgage payment each month, they only have to pay half the mortgage at most. For many people, this lesser payment is enough to make home ownership possible. This is essentially a shared equity initiative on the part of these individuals to enable them to participate in home ownership.

MENTION THIS SHARED EQUITY INITIATIVE IN YOUR FINAL REPORT

I purchased my first home through such a shared equity initiative when I could not otherwise afford to purchase a home. That much alone should be testament enough to require the productivity commission, in accordance with the terms of reference, to identify shared households of tenants in common as a mechanism available to improve the ability of households to benefit from owner occupied housing, and to acknowledge this fact in writing in its final report.

ACCESS TO FIRST HOME BUYERS GRANT. I ask that the productivity commission consider recommending that in situations where two unrelated parties (two married couples, a married couple and an individual, two unrelated individuals), choose to be tenants in common to equal shares in a property in which they will

all reside in order to benefit from owner occupied housing that they could not otherwise afford, that both parties be able to access the full \$7,000 first home buyers grant to a total of \$14,000 towards the purchase of the property. In support of this proposal I simply say that if the Government seriously wishes to enable these parties to participate in home ownership then they must envisage both parties qualifying for the full grant in any case.

STAMP DUTY RELIEF. I suspect, but I am not in a position to provide evidence to support, that people who are unable to afford their first home and decide that they will live in a shared household as tenants in common with people who share the house, upon mastering the debt that they have and having accumulated equity, would purchase their second home in their own right sooner than the rest of the population. This causes them to have double exposure to stamp duty. I ask the productivity commission to consider whether, in this circumstance, some relief from stamp duty might be available for the purchase of the second house. Specifically, I suggest that the share of the stamp duty paid on the first house be subtracted from the stamp duty for the purchase of the second house. In support of this proposal I point out that people who are unable to afford their first home would normally not pay any stamp duty.

GLOBAL EXEMPTION FROM BEING CONSIDERED AS LIVING TOGETHER AS MARRIED Many low income households receive government assistance in one form or another. Some of these are discounted for individuals "living together as if married". The mechanism for determining this status is obtuse, and can be determined by whether the individuals jointly own whitegoods. In a situation where people who are unable to afford their first home decide that they will live in a shared household as tenants in common with the people who share the house, it is plainly inappropriate and counterproductive to apply these tests. I ask the productivity commission to consider recommending that in this circumstance the financial arrangements between the tenants in common be exempted from the determination of the amount of government assistance they receive in whatever form.

GET OUT OF YOUR IVORY TOWER

Finally, having personally had the opportunity to attend the public hearings of the productivity commission in Melbourne, I wish to comment on the poor choice of venue. However convenient it may be for you, the Rattigan room of the productivity commission in Melbourne, with its serene view from the 28th Floor of Melbourne's East, is not an appropriate venue to discuss the plight of lower income households unable even to afford houses in the outer metropolitan areas.

Trevor Ackerly  
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