To: The Productivity Commission Inquiry into Housing Availability for Young People and Those on Limited Incomes.

Thirty years ago, as a young person seeking a home myself, I started a lobby group called PHOBIA (Prospective Home Owner., Boycott of Inflationary Avarice). It seems it is necessary again. Colonisation of the future as the primary basis of enrichment is alive and well, supported by the tax system.

First home buyers ***face some or all of the following:***

- Market prices for a block of land in new development which well exceed reasonable profit, cost of development and original en globo cost to the developer (even more so with the rapid change from 800 to 400- 500 sqm blocks), with in some cases high state and local service charges built in. (a previous WA ALP state government refused an inquiry into the cost structure of a particular development in the suburb of Canning Vale, where the en globo price to the developer was public knowledge).

- Restrictive covenants which don't allow borrowers to build now and expand the house later, and exclude those who don't want to build big or use different structural materials.

- If they are fresh out of University, a HECS debt., which this federal government has just allowed to increase by 25% (plus the extra interest), with no concern for a CPI basis. (It is notable that the earning power of many VET graduates is at least equal to many from university but a student undertaking a subsidised VET course faces nothing like the HECS debt of his or her university counterpart, and often has greater access to the cash economy).

- Rising stamp duty charges ex even though COAG agreed they would disappear with GST (although they do serve to dampen speculation to some degree).

- GST.

- Pouring money into property by retirees and those with self-managed super or other retirement savings who have been stung by inadequate state and federal regulation of mortgage brokers, and cooperative investment projects (ASIC spends only one third of its revenue on regulation) and poor US government regulation of some managed funds.

- Reduced equity as prices rise so that paying for mortgage insurance becomes an added burden.

- The ability of property investors to claim up to 48.5% of revenue stream outgoings on an investment. At the same time some of those investors can have an income stream up to 553000 tax free, own their own home and a beach house and have reduced PBS rates, while a young person couple setting out in life face paying 5 13000 in tax on the same income.
- The disappearance of quarantined first home loans as part of economic rationalism.

One of the recognised effects of financial strain and second jobs is to destroy marriages (dejure and defacto), placing additional demands on social security and correctional services (because of the effects on children).

Proposals (these are some - they are by no means intended to be all):

The option (but not compulsion) of having superannuation payments made to a national fund as promised by the Liberal Party in 1949 (and as done in Singapore).

2. Making protected home loans available to first home buyers through the fund, as one of its investment strategies, while taking steps to see that this doesn't just result in price rises for a borne and land (as tended to happen with the recent 57000 plus 57000 grant, part of which was swallowed by OST).

3. The reinstitution of government land development with land sold at prices reflecting true development cost. Again this could be part of the national super fund investment strategy.

4, An alteration to restrictive covenants which prevent building a house designed to take additions later if necessary.(it could still be a requirement to complete the additions by a certain time).

5. Cancel interest on HECS debts and offset this by increasing VET charges with an education contributions scheme to go with them. An alternative is to reduce overall degree provision costs (and hence graduate debt) by far greater use of VET qualifications as part of seamless credit transfer. This requires better alignment of VET and University education/training. The December 2003 university income reform failed to address this as part of the cost side of providing degrees.

6. Improving overall taxation equity between the young person (possibly with a HECS debt or a private university loan) buying a first home and the retiree or near retiree who may have received a pre-HECS university education who is investing in second third and fourth properties aided by a government approved tax break, and no personal income tax (if retired). This could include mortgage interest being an allowable deduction for a homeowner/occupier (as in the UK). If It's good enough for a second property why not for a first?

7. Retirees can even up their income streams and split income for tax purposes, but the first home buyer couple cannot. The US tax system apparently allows an option by the taxpayer of the family economic unit which is to be taxed. This could be considered here.

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