

AUSTRALIAN PRODUCTIVITY COMMISSION

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**AN INQUIRY TO EVALUATE THE AFFORDABILITY AND AVAILABILITY OF HOUSING
FOR FIRST HOME BUYERS**

PRODUCTIVITY COMMISSION ACT 1998

OUTLINE OF SUBMISSIONS

1. WHY THE PRODUCTIVITY COMMISSION ?

AUSTRALIAN LAW REQUIRES THAT THE COMMISSION **MUST** HAVE REGARD TO THE NEED TO IMPROVE THE OVERALL ECONOMIC PERFORMANCE OF THE AUSTRALIAN ECONOMY IN ORDER TO ACHIEVE **HIGHER** LIVING STANDARDS FOR ALL MEMBERS OF THE AUSTRALIAN COMMUNITY, AND THAT INCLUDES THE NEED TO IMPROVE BOTH THE OVERALL SYSTEM **AND** THE RESULTS OF **PREVENTION OF ECONOMIC IMPERILMENT OF AUSTRALIAN CITIZENS,** **IN THE NATIONAL INTEREST AND IN THE INTERESTS OF THE NATIONAL (ECONOMIC) SECURITY.**

THIS COMMISSION IS, PURPORTEDLY, AN INDEPENDENT AUSTRALIAN GOVERNMENT AGENCY AND IS THE GOVERNMENT'S PRINCIPAL REVIEW AND ADVISORY BODY ON MICROECONOMIC POLICY **AND** REGULATION.

ITS INDEPENDENCE IS (APPARENTLY) UNDERPINNED BY ITS OWN ACT OF PARLIAMENT, AND ITS PROCESSES AND OUTPUTS ARE OPEN TO PUBLIC SCRUTINY, **DRIVEN BY CONCERN FOR THE WELLBEING OF THE COMMUNITY AS A WHOLE.**

2. WHY THIS INQUIRY ?

2003 MARKS THE TWENTIETH ANNIVERSARY OF THE BEGINNING OF THE END OF THE IMPLEMENTATION OF THE **CAMPBELL COMMITTEE OF INQUIRY** DISASTROUS RECOMMENDATIONS, AN INQUIRY SET UP BY THE THEN TREASURER, THE HON. JOHN HOWARD MP, THE CONVENOR OF THE **PRIME MINISTER'S TASKFORCE** ON HOME "OWNERSHIP" AND OF THE **WALLIS COMMITTEE OF INQUIRY** INTO THE AUSTRALIAN FINANCIAL SYSTEM, WHOSE RECOMMENDATIONS ARE NOW NOTORIOUS, TOO.

1983 WAS THE YEAR WHEN THE CURRENT PRESIDENT OF THE WORLD BANK, THE MAYOR OF NEW YORK, THE CHANCELLOR OF BOND UNIVERSITY, THE RECENT PAST-PRESIDENT OF BANK UNITED, USA (AND OTHERS) ALL WORKED AT THE SAME **WALL STREET** INVESTMENT BANK, WHERE FIRST HOME "OWNERSHIP "-RELATED "INNOVATIONS" WERE THE WIZARDRY OF THE DAY SOMETIMES KNOWN AS *LIAR'S POKER* ("MASTERS OF THE UNIVERSE" WAS JUST A SHOW THEN).

THE BANK, NOW A SUBSIDIARY, CONTINUES TO BE LINKED TO THE BIGGEST FINANCIAL SCANDALS (THAT IT ESCAPES BY BUYING ITS WAY OUT OF PROSECUTION) AND WAS CLOSELY ASSOCIATED WITH THE LATE FIRM OF **ARTHUR ANDERSEN**, THE AUDITORS AND ACCOUNTING "ADVISERS" TO **ENRON** AND **WORLDCOM**, AND TO MOST AUSTRALIAN **STATE AND FEDERAL GOVERNMENT DEPARTMENTS, INCLUDING THE HOUSING AUTHORITIES.**

THE DISASTROUS "OWNERSHIP" SCAMS OF THE EARLY EIGHTIES AND NINETIES (FACILITATED BY A NUMBER OF AUSTRALIAN LEGAL AND ACCOUNTING FIRMS AND "FINANCED" BY CERTAIN LOCAL AND FOREIGN "BONDHOLDERS" WHO INSISTED TO BE, AND WERE, "IDEMNIFIED" OUT OF STATE AND FEDERAL TREASURY RESERVES) WERE ALL REALLY NOTHING MORE THAN A DELIBERATE AND AN ELABORATE REAR-GUARD ASSAULT ON THOSE FUNDS. THEY OFFERED (TEMPORARY) "OWNERSHIP" IN THE HIGHEST INTEREST RATE CLIMATE EVER, BUT "CALLED" ITS (BALOONED) MONEY BACK ONCE THE INTEREST RATES TURNED, THUS FINANCIALLY & ECONOMICALLY CRIPPLING SEVERAL GENERATIONS OF AUSTRALIAN CITIZENS.

LITIGATION ASSOCIATED WITH THIS *BACCARAT*-STYLED **ECONOMIC CRIME** IS CONTINUING (NOW THAT THE CROWN AND DERIVATIVE IMMUNITIES ARE NO LONGER AN ISSUE) AND ALL AUSTRALIAN LAW ENFORCEMENT AND INTELLIGENCE AGENCIES HAVE THIS TIME BEEN PUT ON AN ALERT FOOTING, WELL IN ADVANCE, TO GUARD AGAINST ANY **NEW ATTEMPTS** TO RAM-RAID TAXPAYERS' FUNDS, NOW THAT THERE ARE AGAIN SUGGESTIONS OF "PRESSURE" TO LIFT INTEREST RATES.

HON. JOHN HATTON MP , THE FORMER CHAIRMAN OF THE NSW PARLIAMENT'S "SELECT COMMITTEE UPON **HOMEFUND** AND FANMAC LTD.", SAID IN HIS FOREWORD TO THE COMMITTEE'S MAY 1994 REPORT TO THE NSW PARLIAMENT THAT:

"...WHERE MINISTERS AND EXECUTIVE GOVERNMENT FLOUT ESTABLISHED PRACTICE, IGNORE THE NEED FOR CHECKS AND BALANCES AND EMBARK ON MAJOR EXPENDITURE INVOLVING PRIVATE ENTERPRISE IN AN OFF-BUDGET SCHEME WORTH BILLIONS OF DOLLARS, THE DANGERS ARE CONSIDERABLE.

*WHEN WARNINGS ARE GIVEN BY THOSE CHARGED WITH SERVING THE PUBLIC INTEREST, IN THIS CASE THE SOLICITOR GENERAL AND TREASURY, AND WHERE THOSE WARNINGS ARE IGNORED, THEN THE WRATH OF THE PUBLIC MUST EXPECT TO BE FELT BY THOSE ELECTED REPRESENTATIVES WHO IGNORE THE ADVICE AND EMBARK ON **PERILOUS FINANCIAL ESCAPADES.***

*IN THE CASE OF HOMEFUND, THE GOVERNMENT EMBARKED ON A SCHEME WITH FANMAC LTD. WHICH AVOIDED LOAN COUNCIL GUIDELINES AND FOR WHICH MECHANISMS OF ACCOUNTABILITY WERE NEVER PUT IN PLACE TO FOLLOW **THE PUBLIC DOLLAR LIABILITY.***

*THIS RESULTED IN PROFITS FOR FANMAC LTD. BUT CONSIDERABLE FINANCIAL COSTS TO THE STATE AND **MASSIVE PERSONAL AND FINANCIAL COST TO MANY HOMEFUND BORROWERS.***"

THE COMMISSION OUGHT NOT IGNORE THE "COINCIDENCE" OF THE RETURN OF THE MUCH-DEFRAUDED FHO(S) GRANT, RECENT "CALLS" FOR THE ESTABLISHMENT OF THE SECONDARY "RESIDENTIAL EQUITY" MARKET (IN ADDITION TO THE SECONDARY MORTGAGE MARKET), THE RECENT CHANGES AT THE TOP OF ASIC, ASX, ACC AND ACCC, THE ESTABLISHMENT OF THIS INQUIRY AND ACADEMIC "SPLIT-OWNERSHIP" TASKFORCE (INSTEAD OF THE AUSTRALIAN INSTITUTE OF FAMILY STUDIES USED FOR THE SAME PURPOSE LAST TIME AROUND).

3. TERMS OF REFERENCE

IT IS **A MATTER OF GRAVE CONCERN** THAT ONCE AGAIN (IN A RISING INTEREST-RATE CLIMATE AND IN A NON-VIABLE PROPERTY MARKET) IT IS THOUGHT PRUDENT IN SOME QUARTERS TO "...*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..." !!!

THOSE ASPIRING TO PURCHASE THEIR FIRST HOME ARE AMONGST THE MOST VULNERABLE MEMBERS OF OUR SOCIETY, LOW INCOME HOUSEHOLDS PARTICULARLY SO.

ENTICING AND FACILITATING THEIR ENTRANCE INTO **A NON-VIABLE FINANCIAL TRANSACTION** (BE IT A FULL OR A PARTIAL ONE), BY WAY OF **IMPOSITION ON CONSOLIDATED REVENUE** (BY WHATEVER NAME) AND OF **ESCALATING ONEROUS MORTGAGE OBLIGATIONS**, AMOUNTS TO AT THE VERY LEAST **SOLICITING PERSONS TO INVEST FUNDS** CONTRARY TO THOSE PERSONS' BEST INTERESTS, **A CRIMINAL OFFENCE** IN THE STATE OF VICTORIA BY VIRTUE OF **S. 191** OF THE **CRIMES ACT 1958**.

IT IS SUGGESTED THAT THE **TERMS OF REFERENCE** ARE FATALLY FLAWED IN THAT THEY ARE "CONTAMINATED" AND **ACTUALLY DICTATE TO THE COMMISSION** A PRE-DETERMINED APPROACH, THRUST, COLOUR, AND FLAVOUR OF **THE OUTCOME** OF THE EVALUATION AND THE RECOMMENDATIONS THE COMMISSION IS YET TO MAKE.

4. THE COMMISSION'S APPROACH

THE CONTENT AND THE LANGUAGE OF THE COMMISSION'S "**ISSUES PAPER**" IS THE FIRST EXAMPLE OF THE EFFECT OF SUCH CONTAMINATION, AND IT IS PRECISELY FOR THIS REASON TOO THAT MOST SUBMISSIONS, *PRIMA FACIE*, APPEAR TO ADDRESS NEITHER THE TERMS NOR THE ISSUES, MAKING THESE SUBMISSIONS EASIER TO DISREGARD.

SOME "ISSUES PAPER" MATERIAL IS FACTUALLY INCORRECT AND IS HISTORICALLY AND/OR OTHERWISE INACCURATE, NOT TO MENTION THE INTERPRETATION OF SOME ECONOMICS-RELATED CONCEPTS (AND EVENTS) AND OF THE POLITICAL ASPIRATIONS OF THE GOVERNMENT.

THE REFERENCES RELIED UPON BY THE COMMISSION AND ANNEXED TO ITS "ISSUES PAPER" ARE MOST REVEALING, AND CONFIRM THE CONCERNS OUTLINED ABOVE.

IT IS IMPORTANT TO NOTE THAT AT THE DATE OF THIS SUBMISSION **NONE** OF THE PARTICIPANTS IN THE HOME OWNERSHIP DEBATE (PARTICULARLY THE INDUSTRY, ACADEMIA AND FINANCIERS) ATTEMPTED TO MAKE THEIR VIEWS KNOWN TO THIS STATUTORY INQUIRY, BY WAY OF SUBMISSION, AND IT WOULD BE WRONG FOR THE COMMISSION TO CONSIDER AND/OR RELY ON THEIR VIEWS AS IF THEY HAVE MADE A SUBMISSION.

5. GOVERNMENT "ASSISTANCE" AND THE AVAILABILITY OF "FINANCE"

THE COMMISSION'S STATUTORY OBLIGATION TO "DO GOOD" REQUIRES IT TO TAKE A POSITION UNAFFECTED BY THE CONCEPTUAL REASONING, TERMINOLOGY AND THE JARGON OF THOSE SUBJECT TO ITS INQUIRY.

NOT TAKING IT WOULD JEOPARDISE THE INTEGRITY OF ITS FINDINGS AND RECOMMENDATIONS. IN ORDER TO PREVENT THE LATTER FROM OCCURRING THE COMMISSION OUGHT TO BEGIN ITS TASK BY REMEMBERING THAT DESPITE "COMMON" USE OF SOME WORDS AND CONCEPTS, CONTRARY OR NOT TO THEIR "ACTUAL" MEANING, NOT ALL ARE MUTUALLY INTERCHANGEABLE, EXCLUSIVE OR ARE IN THE SAME CONCEPTUAL DIMENSION, AND THAT:

A. THE AUSTRALIAN CASH CURRENCY'S LOSS OF PURCHASING POWER AT HOME AND PROLIFERATION OF THE DEBT CURRENCY AND OF THE SPORT OF GREED ARE THE MORE LIKELY CULPRITS BEHIND THE ESCALATION IN PRICES THAN THE PURPORTED "INCREASED WEALTH" OF THE AUSTRALIAN HOUSEHOLDS.

B. HOUSING PRICE ESCALATION AND PROPERTY SPECULATION ARE THE RESULTS OF THE CONCERTED (BUYER AND SELLER) SPORTING EFFORTS TO EXTRACT THE MOST FUNDS, FROM THE WILLING "INSURED" MONEY-LENDER AND OTHERS PREPARED TO "ASSIST", IN ORDER TO ENTER OR TO RE-ENTER THE RACE FOR THE PERCEIVED CAPITAL "GAINS".

C. THE BUYER'S LENDER, WHO WILL "EARN" MORE ON THE HIGHER NEW BORROWINGS IS "RELAXED" ABOUT AN EARLY REPAYMENT, AS THE "CASH" CURRENCY HELD BY THE BUYER IS, TECHNICALLY, WORTHLESS DUE TO ITS DEBASEMENT AND SUBSTITUTION BY THE CREATION OF THE "DEBT" CURRENCY.

WERE IT NOT FOR ITS EXISTENCE, BUYERS' AND SELLERS' EXPECTATIONS WOULD NOT HAVE BEEN DISTORTED TO SUCH A PROHIBITIVE, AND COMPOUNDED, EXTENT REQUIRING ACTION.

D. "AFFORDABILITY" IS NOT IMPROVED OR MEASURED BY ACCESS TO SUBSIDIES OR DEBT, AND/OR BY SHARING EQUITY, BUT BY THE FINE-TUNING OF THE EARNING CAPACITY.

E. IMPEDIMENT TO AFFORDABILITY IS CURRENCY (AND EARNINGS) RELATED, THAT IS, HAVING TO RELY ON SOMEONE-ELSE'S (EXPENSIVE) MONEY.

F. CREATION OF ARTIFICIAL LIQUIDITY, BY INTRODUCING SUBSIDISED AND OVER-COMMITTED FIRST-TIMERS, HELPS TO FURTHER FUEL PRICES AND DEFEAT THE PURPOSE OF THE WHOLE EXERCISE.

G. AUSTRALIAN HOUSING MARKET REQUIRES A CHANGE OF CULTURE, TIGHTER REGULATORY CONTROL AND LAW ENFORCEMENT, TO PREVENT ABUSE, MANIPULATION AND CORRUPTION OF THE MARKETPLACE BY A PLETHORA OF WELL-PLACED PROFESSIONAL SHARP OPERATORS.

H. PRICES WILL FALL WHEN BARRIERS ARE KNOWN TO BE UP, NOT DOWN.

WITH THE COMPLIMENTS FROM THE AUSTRALIAN CURRENCY TASKFORCE, MELBOURNE

OCTOBER 17, 2003

PETER SHERMAN

REGISTERED AGENT, AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION, MELBOURNE

