

2 June 2008

FIRST HOME SAVER ACCOUNTS BILL 2008
INCOME TAX (FIRST HOME SAVER ACCOUNTS
MISUSE TAX) BILL 2008
FIRST HOME SAVER ACCOUNTS (CONSEQUENTIAL
AMENDMENTS) BILL 2008

Second Reading

Mr BRADBURY (Lindsay) (6.12 p.m.)—It is my pleasure to rise in support of the First Home Saver Accounts Bill 2008 and related bills and to support the initiative contained therein. It is an initiative that will encourage a new savings culture, particularly amongst young people. The member for O'Connor was reflecting upon experience and lack of experience. I must say that some of us in the House probably have a little more recent experience of the challenge of saving funds to acquire our first home. In the context of my experiences, I wish to add my voice in support of these bills because I know that the initiatives contained within these bills provide a genuine incentive for people to save over a period of time in a responsible way to prepare themselves for the task that lies ahead in owning and purchasing a property. It is a lifetime commitment for most people. The typical time frame for a mortgage is 25 years, and many mortgages are now being taken out over a 30-year period. This is a long time frame that the typical family or couple might be looking at in preparing to save for and ultimately own their own home.

The criticism that has been levelled by those on the other side that the four-year lock-in period—the four-year rule—is something of a considerable disincentive or disadvantage that potential homeowners might face lacks substance. The very people who will be most willing to take up the offer of a first home saver account are the people that this initiative is targeted towards, and that is an indicator of what will be the success of the policies contained within this bill.

If you are looking to save a deposit over a short period of time, this may not be an attractive proposition to you, but, as we have heard from many speakers on the other side, it is difficult to save enough money to secure a deposit and own a home, particularly in our major cities, whether it be Sydney or Melbourne. As someone who hails from Western Sydney, I have to respond to the member for O'Connor's suggestion that only those with over \$150,000 in their household income can own a home or pay off a mortgage in Sydney. There are plenty of people in my community doing it tough but in an honest and consistent way. They are working hard and bringing home modest incomes; we have a median income in our electorate of \$50,000-odd. We have a rate of homeownership in the vicinity of 30 to 35 per cent. Clearly, many people on incomes of far less than \$150,000 are rising to the challenge, albeit a very difficult challenge, of paying off a mortgage with a view towards owning their own home. As many speakers in this debate have said, one of the great elements of the Australian dream is being able to buy and own a home and being able to raise a family, if that is your wish and inclination, within a home that you have acquired through the efforts of your labours.



I wish to respond to a number of the comments that have been made by previous speakers on the other side. I make this general observation: we have seen in this debate something we have seen in other debates and we will continue to see. There is no question that housing affordability is a big problem. We all recall the member for Higgins denying that there was a housing affordability crisis; it was not that long ago. Those on the other side have come around in recent times. It has taken only a fairly devastating election defeat for them to see the error of their ways, and now they appreciate that families in suburbs such as those within my electorate have been doing it tough for a range of reasons when it comes to owning their own homes and sustaining the mortgage repayments required. Now that those on the other side have recognised that this is a problem, they say, 'This bill will not be a comprehensive response to the challenge of housing affordability.' They are right. This bill on its own will not be a comprehensive response to the challenge of housing affordability, but thankfully this is not the only bill that the government intends to bring forward as an integral part of a comprehensive strategy designed to make housing more affordable over the medium term. We could come into this place and suggest that this bill is going to make the difference, but in the end these are complex problems that require multifaceted solutions.

This bill is one of the facets that we wish to bring forward. This proposal will be of significant assistance to people wanting to save money. Being able to contribute up to \$5,000 a year, having a co-contribution from the government of 17 per cent of the contribution and then enjoying the benefits of earnings taxed at the concessional rate of 15 per cent will deliver real benefits and provide a real incentive for people to save over the medium term. It will not only prepare people for seeing a bank manager and securing a loan but also demonstrate a savings history that will hold them in good stead for paying off their mortgage throughout the course of their loan.

I support the first home owners grant and this government will keep it in place. Apart from being one-off compensation for the effects of the GST, it is an important payment that is factored into every first home buyer's considerations in preparing themselves for a mortgage. But if there was a downside to that proposal it was that it handed over the money in one hit, allowed some people to get a mortgage without establishing a savings history and made them more vulnerable to the ultimate increases in interest rates that we have all experienced. Those on the other side who claim credit for the first home owners grant do not recognise that there were some inherent flaws in the way in which the scheme operated, and that is one of them. The other was that it was inherently inflationary in its impact. Because it brought a surge of new home buyers onto the market in a very short space of time, it drove up house prices.

I note that the member for Farrer said she was very concerned that this policy might achieve the same result. Unlike the first home owners grant, which led to that initial flood of first home owners into the market—many of whom have subsequently found out that, having not established a savings history, it has become a lot more difficult to sustain the consecutive increases in interest rates that have prevailed in the time since—and drove up the cost of housing, this proposal will not lead to that inflationary effect, and that is why it is a very sensible policy. It encourages a savings culture and sends a clear message to potential first home buyers that it is a difficult business. It is not easy. Anyone that has ever had a mortgage and had to pay it off will know that it is not easy. You need to be prepared for it and you need to save for a deposit that you can bring to the table when you first secure the mortgage.

The other point that those on the other side have not reflected upon is that in recent years we have seen a massive increase in the number of people obtaining a mortgage with a very small deposit. There has been criticism from the other side that the amount on offer—potentially up to \$75,000, or \$88,000 if you factor in the additional earnings over time—is insufficient to cover the cost of a deposit. In recent years, we have seen many people getting a mortgage with a deposit that is nowhere near that amount, so it is a bit rich for those on the other side to say that there is insufficient money for a deposit when the reality tells a very different story.

As opposed to a system that encourages people to get themselves into a situation where they have a mortgage that is almost the same amount as the value of the house that they are currently living in, this is a policy that encourages people to get some runs on the board—to save some money over a period of time—so that, when they are in a position to enter the first home owning market, to take on a mortgage, they will have been through some of the preparation that is required in order to prepare them for what lies ahead. I think that this is a good policy. It is one that I support. It is only one measure but, when you combine it with some of the other things that we are doing—whether it be the Housing Affordability Fund or the National Rental Affordability Scheme—you see a package of policies. Those on the other side have criticised the lack of supply-side policies. Do not forget that we are currently undertaking a comprehensive review of Commonwealth owned land, with a view towards determining whether or not some of that land could be or should be released to assist in opening up supply in the housing market. When you combine all of these things, you start to see some semblance of a comprehensive policy designed to attack the housing affordability crisis.

Those on the other side can reflect upon the 11½ years that they had to address this issue, and they will not be able to come up with more than one comment. The only thing you hear from them is ‘the first home owner grant’. But the first home owner grant on its own did not do anything to address the massive challenge of the housing affordability crisis. You need a range of policies. That is why we have a package of policies of which this is an important part, and it is one that many people in my electorate will get great benefit from. It is in that vein that I support the bills.