

SUBMISSION ON POLICY ISSUES IDENTIFIED IN THE INTERIM REPORT

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Submission for: My Self

Name of other person, business or organisation:

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Your submission:

I would like to congratulate the Royal Commission team for the interim report and the work done so far in professionally exposing the financial sector's misconducts.

The focus of this feedback is only in relation to the housing finance that has led to housing unaffordability inflicting significant damage to the fabric of our society. This area is by far is the most complicated out of all the areas being looked at because the issue is deeply interwoven with our cultural thinking, economic modeling and government plans. Below is a list of questions and ideas that hopefully the Royal Commission will consider:

1. Could the finding/recommendation of the Royal Commission be challenged by the banks if the Royal Commission fails to consider the influence of the Governments, RBA, and Real Estate Industry have played in creating the cultural framework for loose lending standards (e.g. property prices always go up so it is OK to issue bigger loans with longer terms);
 1. In regard to this I have written to various public office holders complaining about our deliberately engineered house prices and how ordinary Australian have been priced out of the market.
 2. After nearly doubling house prices in Melbourne and Sydney in the space of just a few years we have heard on numerous occasions that the RBA and the federal government would welcome 5% growth per annum. Why the RBA and federal government are so out of touch with the social impact of such inflated house prices?
 3. In the May budget the Victorian government treasurer stated that he was counting/hoping on/for house price increases of 5% per annum for the next 4 or 5 years in order to pay for the planned infrastructure projects.
2. We know that high cost of labour, energy prices, and over regulations, have made Australia uncompetitive in manufacturing and so we have transitioned to a "services economy"!
 1. But what is the definition/scope of a services economy?
 2. What role banks play in contributing to growth in a services economy? Bigger loans?
 3. What role immigration department play in a services economy?
 - A couple of years ago I did hear that the CEO of the immigration department state that immigration department was contributing \$200B to the Australian economy per annum.
 - I have personally experienced the wrath of the immigration department and the indifference of the Finance Minister in protecting a niche source of revenue (lucrative lump sum charges for contributory parent visa).
1. What impact the demand for higher wages (to keep up with inflated house prices) will have on companies that need to maintain an internationally competitive workforce?
 1. Will there be more companies relocating overseas?
2. Do the existing growth based economic models take into consideration the human dignity, quality of life, and the environment?
 1. Is it time for new economic thinking?
 2. Why not have lower interest rate for promoting productive ventures and a higher rate to control house prices?
 3. Why not provide tax incentive for productive investment as opposed to investment into residential housing?
 4. Why not reduce/cap investment property tax incentives and at the same time allow rental payments for residential housing be also tax deductible which not only levels the field but also improve rental affordability (which in theory is a key driver for negative gearing and capital gains discount).
 5. Why not ban foreign investment into residential property, that has been a key driver for housing unaffordability, until such time that prices return to acceptable level (e.g. 4 times the average income).
3. What did RBA aimed to achieve in 2013 by rebalancing the economy toward a housing boom?
 1. Didn't the RBA think the house prices were already inflated enough?
 2. Was the RBA just trying to buy time whilst waiting for mining boom to return?
4. We know that RBA, APRA and ASIC are independent regulatory agencies each delegated with different set of responsibilities, but is there a major flaw in this setup where accountabilities could be dodged?

1. It is not government that sets interest rate!
2. It is not RBA that sets macro-prudential measures!
5. We know that banks offer better rates to those on secure high income which naturally would increase their borrowing power in relation to residential housing;
 1. Why not level the field by introducing special levy for home loans taken by those on high income, the proceeds of which could go toward combating homelessness, money laundering, etc.
6. What role does the prospect of re-zoning (e.g. allowing construction of high rise buildings near train stations) have on investor influx and property prices?
 1. Should any excess gain (above the average of the wider neighborhood) be directed toward tackling homelessness?
7. What role conflict of interest (personal investments into residential housing) has played in avoiding/delaying meaningful tax reforms?
8. Should every property transaction be vetted by ATO (costs shared between buyer\seller) to identify local and international illicit activities (e.g. tax dodgers, money launders)?
9. In Volume 1, section 3.1.1 of the interim report state the average balance of home loans for residential term loan was \$264,000 at the September quarter 2017. Surely this figure is significantly higher for major cities and particularly if we only look at averages for the last few years.
10. Finally, the role real estate industry has played in spruiking prices cannot be discounted. By law the real estate are obligated to make a series of announcement before each auction/sale, why not have the agents to also make announcement such as:
 1. How to report suspect property transactions.
 2. The importance of having affordable housing for healthy society/economy.
 3. Risks of financial over commitment.