

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 3-5 June 2008

Question: bet 95

Topic: First Home Saver Account #2

Hansard Page: E104

Senator Bushby asked:

Senator BUSHBY—I have a follow-up question on petrol—just another matter I am interested in. With the 24-hour rule that is contained in the bill, do you consider that there is any risk that, if somebody sets a price which is considerably lower than others, that could lead, due to the vagaries of ordering and setting prices, to queues and an inability for operators to plan ahead in terms of how much they are going to need because when they set their price they do not know what other people are setting and so they do not know what the consequences will be for the volume they are going to sell? How is that going to play out with queues and shortages and things like that?

Mr Murphy—I do not think it will. I think it just throws another variable into the equation that the retailers have not had to comply with or worry about. All this is doing is putting a bit of balance back towards the consumer. I think the retailers will cope very effectively.

Senator BUSHBY—By interfering in the market?

Mr French—As demonstrated by the operation of the scheme in Western Australia.

Senator BUSHBY—That is why I asked that question. I have some questions on grocery pricing as well but it sounds like they would be better asked tomorrow. I have one question on first home saver accounts. Would it be fair to say that the first home saver account is effectively a demand side measure to address housing affordability?

Dr Moore—That is actually a question that is better addressed to revenue group, which was on this morning, I think. We could take that on notice.

Senator BUSHBY—Dr Henry, are you not in a position to shed some light on that? Would you say the first home saver account is essentially a demand side measure?

Dr Henry—I would want to take some advice from my revenue group colleagues on that.

Dr Moore—But we could take it on notice.

Mr Murphy—We will give you something on that.

Senator BUSHBY—And also in the context of that, could you advise whether you consider it would have any supply side benefits?

Dr Moore—We will take that on notice.

Answer:

The Australian Government recognises that rising house prices and rents have increased financial pressures on households and made it harder to purchase a first home. In order to address this problem, the 2008-09 Budget provides \$2.2 billion over four years to boost housing supply and assist those most in need; namely, first home buyers and renters on low incomes.

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One of the greatest obstacles to buying a first home is saving a deposit. First Home Saver Accounts are the first of their kind in Australia, and from 1 October 2008 will enable a couple each earning average incomes and saving for their first home, putting aside 10 per cent of their incomes into individual accounts, to save a deposit of more than \$88,000 after five years of disciplined saving with assistance from Government contributions and low taxes on earnings.

First Home Saver Accounts are a part of the Government's policies to increase affordable housing which also include a number of supply side measures. These policies include:

- a \$500 million Housing Affordability Fund;
- the identification of surplus Commonwealth land which could be developed into additional new housing;
- a National Rental Affordability Scheme; and
- a National Housing Supply Research Council, which will examine the adequacy of housing supply over the next 20 years.