

Third Son Financial Services

1/63 New South Head Road,
Vaucluse, NSW
2030
Mob. 0401 140 106

July 21, 2002

The Secretary,
Senate Select Committee on Superannuation
Parliament House,
CANBERRA ACT 2600

super.sen@aph.gov.au

Dear Ms Morton,

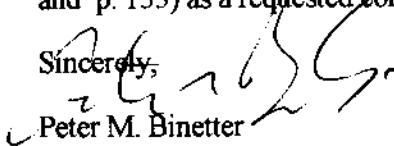
RE : SENATE SELECT COMMITTEE ON SUPERANNUATION and
SUPERANNUATION AND STANDARDS OF LIVING IN RETIREMENT

Thank you for the opportunity to have appeared before the Committee on Tuesday 9 July 2002.

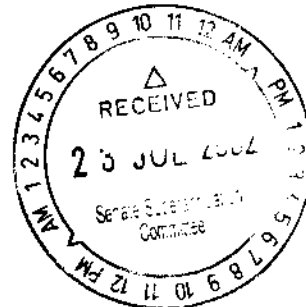
In respect of that testimony before the Committee, Senator Sherry asked a couple of questions which he suggested I take on notice (see page 135 of the transcripts). In respect of those matters I now enclose further information in response to the Senator's questions, namely a series of scenario simulations that detail the debt issuance burden and timing on the Federal Government (at initiation), and State Government Budget expense (progressive), under the HOMEX Program for 10,000, 20,000, and 50,000 participants both male, and female, single and couple of various ages (scenarios 1 - 6). Scenario 7 also highlights the implications of utilizing a private funding structure for HOMEX which has the effect to eliminate the effective burden on the State Government of the program.

I also enclose 'marked-up' changes to the draft transcript pages (contents page, p. 128, p. 129 and p. 133) as a requested correction to some small errors in the draft.

Sincerely,


Peter M. Binetter

Director
Third Son Financial Service Pty. Limited
(ACN 050 498 384)

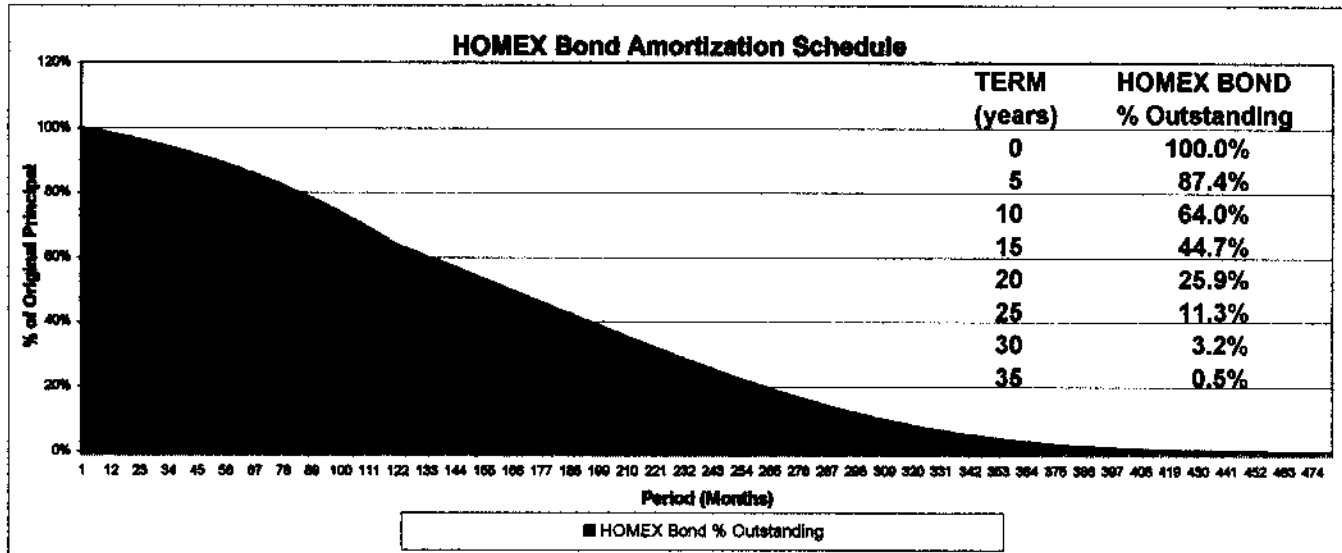


Senate Select Committee On Superannuation

Additional Information Provided By Third Son Financial Services Pty. Ltd. 22 July 2002 (in response to questions taken on notice)

Scenario 1

Participant Details :			
Age	65		
Sex	Male		
Marital Status	Single		
Home Market Value	\$250,000		
No of Participants	10,000	20,000	50,000



No of Participant Homes	10,000	20,000	50,000
Initial Market Value of Home Purchased (\$millions)	2,500	5,000	12,500
Total Federal Govt. Bonds Issued (Homex Bonds) (\$millions)*	1,036	2,071	5,178
Maximum Funding Demand on State Government in any one year (\$ millions)**	164	328	820
Year in which that funding demand occurs	1	1	1
Maximum Cumulative Funding Demand on State Government (\$ millions)**	869	1,739	4,347
Year in which that cumulative funding demand reaches a peak	12	12	12

Notes

* Homex Bonds are issued at the purchase of a home, however they are preplaced to financial institutions that have other participatory obligation in the HOMEX program. Hence all the debt created by the Issue of HOMEX Bonds flows directly and immediately back into the program.

** State Government funding Demand is to meet the ongoing expenses of the program plus the full payment of interest and retirement of principal on the Federal Government issued HOMEX Bonds over their amortisation period (see graph). State Government meets this funding either by :

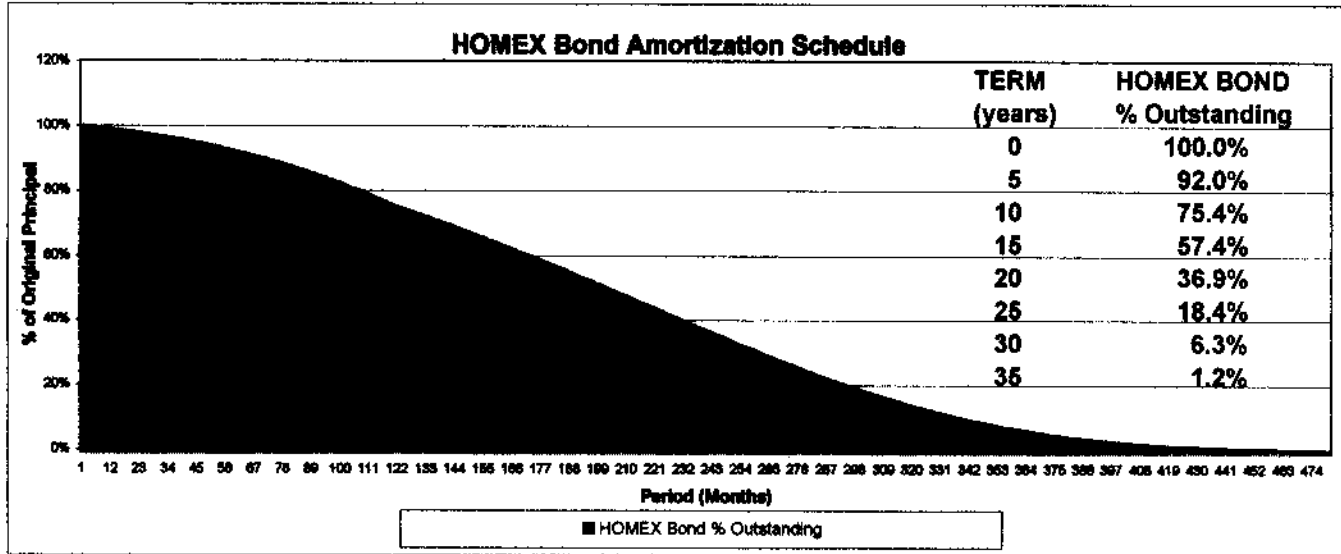
- i) incremental State Government budget expense , or
- ii) incremental allocations by the Federal Government via the Commonwealth State Housing Agreement (this creating an incremental funding demand on the Federal Budget) , or
- iii) Progressive Privatisation of the HOMEX Property Portfolio

Senate Select Committee On Superannuation

Additional Information Provided By Third Son Financial Services Pty. Ltd. 22 July 2002 (in response to questions taken on notice)

Scenario 2

Participant Details :			
Age	65		
Sex	Female		
Marital Status	Single		
Home Market Value	\$250,000		
No of Participants	10,000	20,000	50,000



No. of Participant Homes	10,000	20,000	50,000
Initial Market Value of Home Purchased (\$millions)	2,500	5,000	12,500
Total Federal Govt. Bonds Issued (Homex Bonds) (\$millions)*	819	1,638	4,095
Maximum Funding Demand on State Government in any one year (\$ millions)**	135	270	674
Year in which that funding demand occurs	1	1	1
Maximum Cumulative Funding Demand on State Government (\$ millions)**	1,007	2,013	5,034
Year in which that cumulative funding demand reaches a peak	12	12	12

Notes

* Homex Bonds are issued at the purchase of a home, however they are preplaced to financial institutions that have other participatory obligation in the HOMEX program. Hence all the debt created by the issue of HOMEX Bonds flows directly and immediately back into the program.

** State Government funding Demand is to meet the ongoing expenses of the program plus the full payment of interest and retirement of principal on the Federal Government issued HOMEX Bonds over their amortisation period (see graph). State Government meets this funding either by :

- i) incremental State Government budget expense , or
- ii) incremental allocations by the Federal Government via the Commonwealth State Housing Agreement (this creating an incremental funding demand on the Federal Budget) , or
- iii) Progressive Privatisation of the HOMEX Property Portfolio

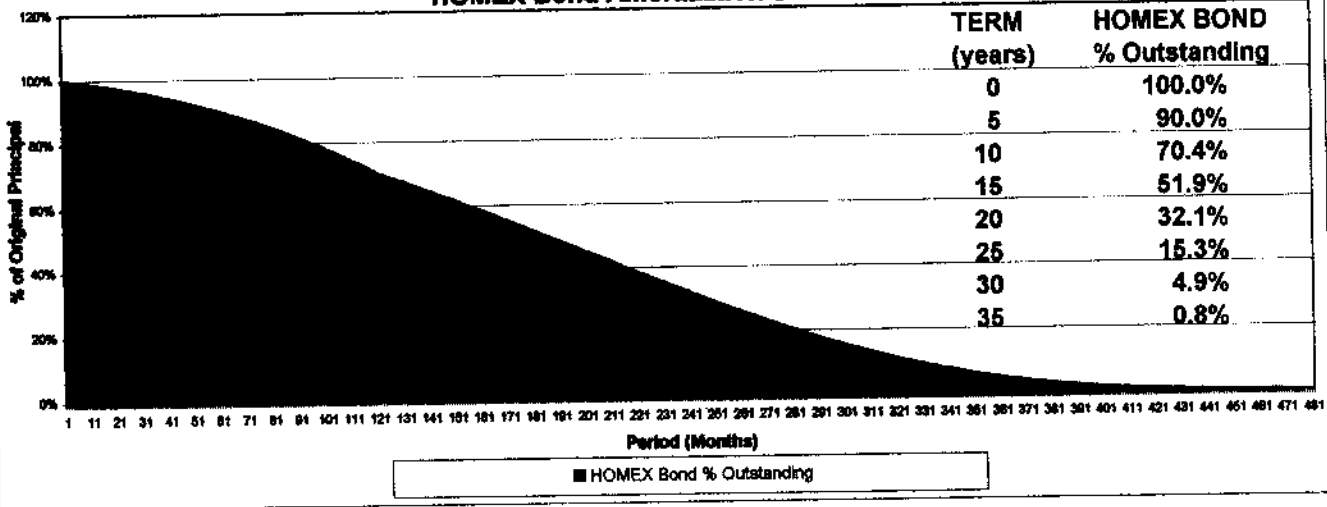
Senate Select Committee On Superannuation

Additional Information Provided By Third Son Financial Services Pty. Ltd. 22 July 2002 (in response to questions taken on notice)

Scenario 3

Participant Details :			
Age	68 & 65		
Sex	Male & Female		
Marital Status	Couple		
Home Market Value	\$250,000		
No or Participants	10,000	20,000	50,000

HOMEX Bond Amortization Schedule



No. of Participant Homes	10,000	20,000	50,000
Initial Market Value of Home Purchased (\$millions)	2,500	5,000	12,500
Total Federal Govt. Bonds Issued (Homex Bonds) (\$millions)*	919	1,838	4,596
Maximum Funding Demand on State Government in any one year (\$ millions)**	148	296	739
Year in which that funding demand occurs	1	1	1
Maximum Cumulative Funding Demand on State Government (\$ millions)**	933	1,867	4,867
Year in which that cumulative funding demand reaches a peak	13	13	13

Notes

* Homex Bonds are issued at the purchase of a home, however they are preplaced to financial institutions that have other participatory obligation in the HOMEX program. Hence all the debt created by the issue of HOMEX Bonds flows directly and immediately back into the program.

** State Government funding Demand is to meet the ongoing expenses of the program plus the full payment of interest and retirement of principal on the Federal Government issued HOMEX Bonds over their amortisation period (see graph).

State Government meets this funding either by :

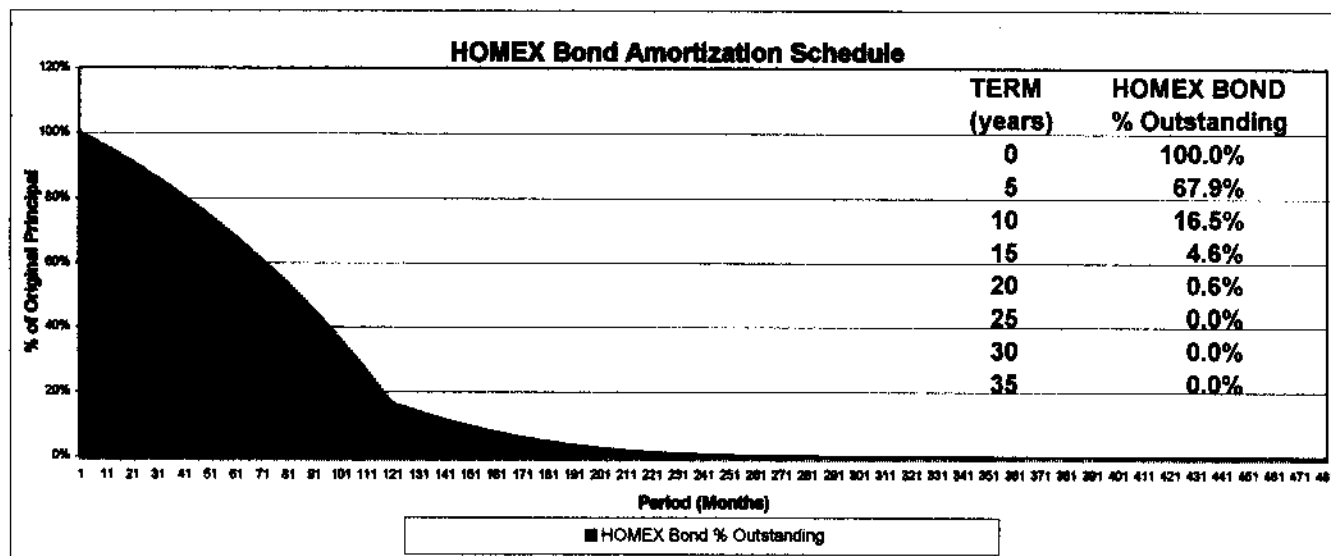
- i) incremental State Government budget expense , or
- ii) incremental allocations by the Federal Government via the Commonwealth State Housing Agreement (this creating an incremental funding demand on the Federal Budget) , or
- iii) Progressive Privatisation of the HOMEX Property Portfolio

Senate Select Committee On Superannuation

Additional Information Provided By Third Son Financial Services Pty. Ltd. 22 July 2002 (in response to questions taken on notice)

Scenario 4

Participant Details :			
Age			80
Sex			Male
Marital Status			Single
Home Market Value			\$250,000
No of Participants	10,000	20,000	50,000



No of Participant Homes	10,000	20,000	50,000
Initial Market Value of Home Purchased (\$millions)	2,500	5,000	12,500
Total Federal Govt. Bonds Issued (Homex Bonds) (\$millions)*	1,712	3,425	8,562
Maximum Funding Demand on State Government in any one year (\$ millions)**	288	575	1,438
Year in which that funding demand occurs	1	1	1
Maximum Cumulative Funding Demand on State Government (\$ millions)**	576	1,152	2,880
Year in which that cumulative funding demand reaches a peak	10	10	10

Notes

* Homex Bonds are issued at the purchase of a home, however they are replaced to financial institutions that have other participatory obligation in the HOMEX program. Hence all the debt created by the issue of HOMEX Bonds flows directly and immediately back into the program.

** State Government funding Demand is to meet the ongoing expenses of the program plus the full payment of interest and retirement of principal on the Federal Government issued HOMEX Bonds over their amortisation period (see graph).

State Government meets this funding either by :

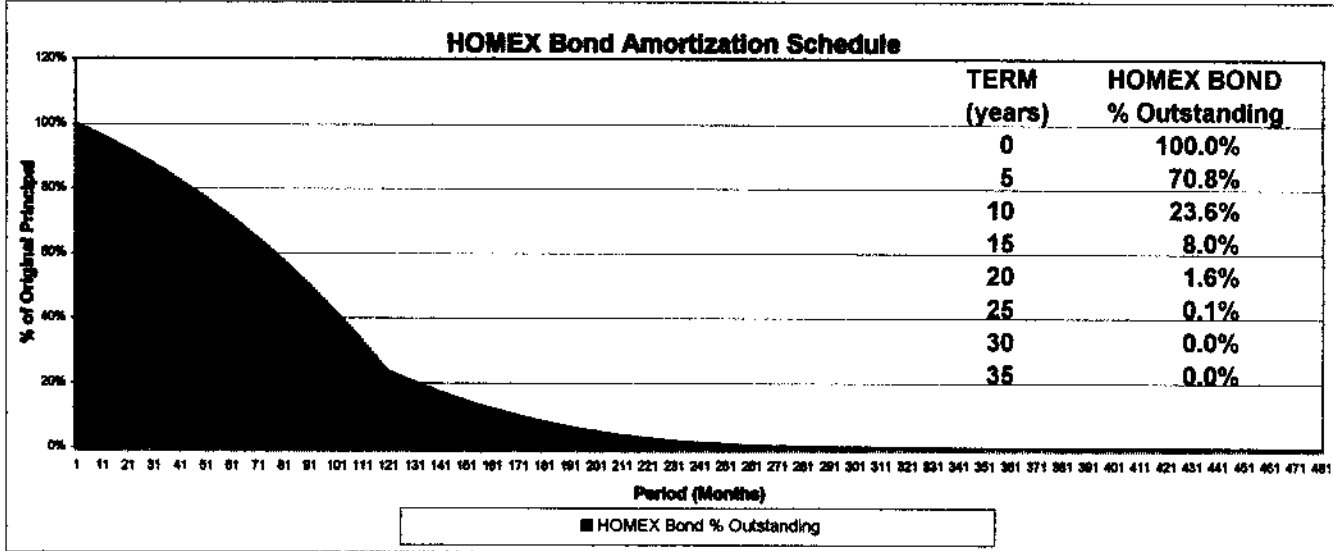
- i) incremental State Government budget expense , or
- ii) incremental allocations by the Federal Government via the Commonwealth State Housing Agreement (this creating an incremental funding demand on the Federal Budget) , or
- iii) Progressive Privatisation of the HOMEX Property Portfolio

Senate Select Committee On Superannuation

Additional Information Provided By Third Son Financial Services Pty. Ltd. 22 July 2002 (in response to questions taken on notice)

Scenario 5

Participant Details :			
Age	80		
Sex	Female		
Marital Status	Single		
Home Market Value	\$250,000		
No of Participants	10,000	20,000	50,000



No of Participant Homes	10,000	20,000	50,000
Initial Market Value of Home Purchased (\$millions)	2,500	5,000	12,500
Total Federal Govt. Bonds Issued (Homex Bonds) (\$millions)*	1,602	3,205	8,012
Maximum Funding Demand on State Government in any one year (\$ millions)**	265	531	1,326
Year in which that funding demand occurs	1	1	1
Maximum Cumulative Funding Demand on State Government (\$ millions)**	690	1,381	3,452
Year in which that cumulative funding demand reaches a peak	10	10	10

Notes

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** State Government funding Demand is to meet the ongoing expenses of the program plus the full payment of interest and retirement of principal on the Federal Government issued HOMEX Bonds over their amortisation period (see graph). State Government meets this funding either by :

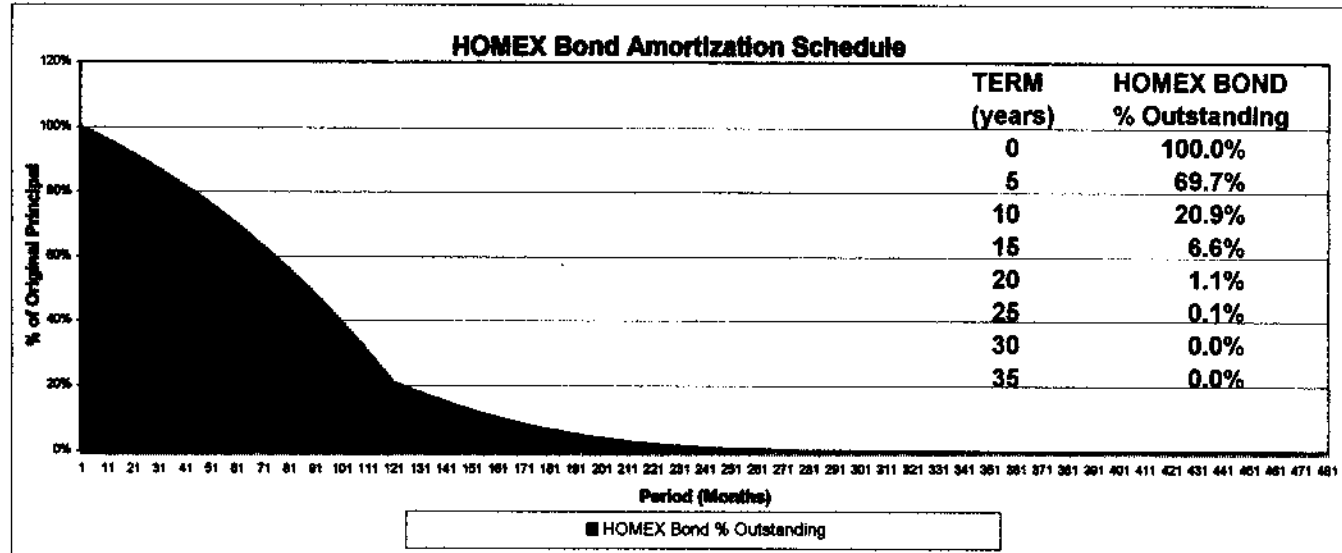
- i) incremental State Government budget expense , or
- ii) incremental allocations by the Federal Government via the Commonwealth State Housing Agreement (this creating an incremental funding demand on the Federal Budget) , or
- iii) Progressive Privatisation of the HOMEX Property Portfolio

Senate Select Committee On Superannuation

Additional Information Provided By Third Son Financial Services Pty. Ltd. 22 July 2002 (in response to questions taken on notice)

Scenario 6

Participant Details :			
Age	83 & 80		
Sex	Male & Female		
Marital Status	Couple		
Home Market Value	\$250,000		
No of Participants	10,000	20,000	50,000



No of Participant Homes	10,000	20,000	50,000
Initial Market Value of Home Purchased (\$millions)	2,500	5,000	12,500
Total Federal Govt. Bonds Issued (Homex Bonds) (\$millions)*	1,845	3,289	8,223
Maximum Funding Demand on State Government in any one year (\$ millions)**	274	547	1,369
Year in which that funding demand occurs	1	1	1
Maximum Cumulative Funding Demand on State Government (\$ millions)**	649	1,297	3,243
Year in which that cumulative funding demand reaches a peak	10	10	10

Notes

* Homex Bonds are issued at the purchase of a home, however they are preplaced to financial institutions that have other participatory obligation in the HOMEX program. Hence all the debt created by the issue of HOMEX Bonds flows directly and immediately back into the program.

** State Government funding Demand is to meet the ongoing expenses of the program plus the full payment of interest and retirement of principal on the Federal Government issued HOMEX Bonds over their amortisation period (see graph). State Government meets this funding either by :

- i) incremental State Government budget expense , or
- ii) incremental allocations by the Federal Government via the Commonwealth State Housing Agreement (this creating an incremental funding demand on the Federal Budget) , or
- iii) Progressive Privatisation of the HOMEX Property Portfolio

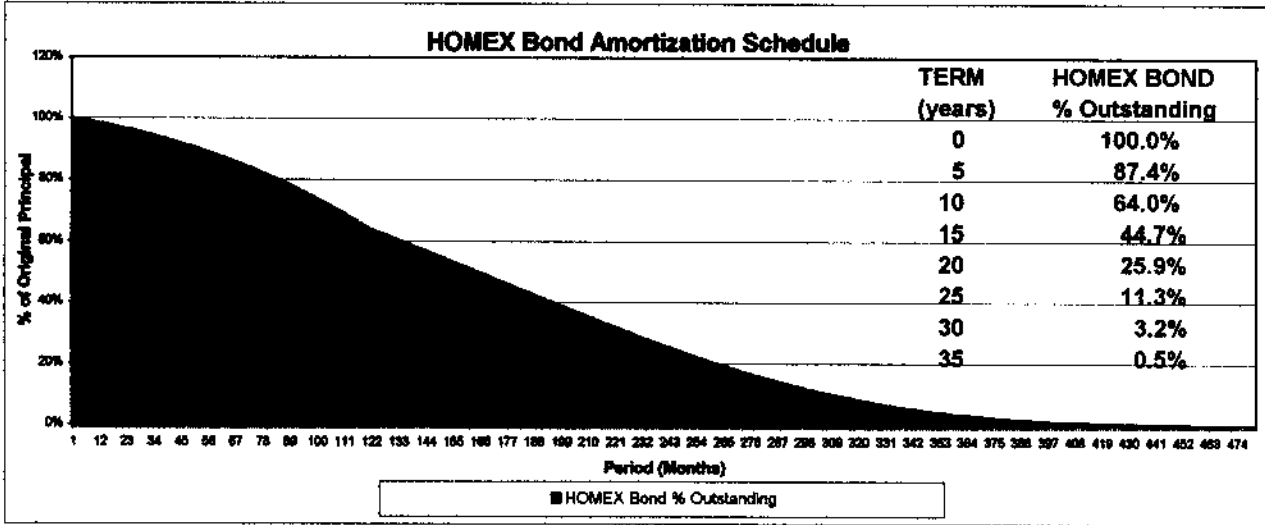
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Scenario 7

Participant Details :

Age	65.00		
Sex	Male		
Marital Status	Single		
Home Market Value	\$250,000		
No of Participants	10,000	20,000	50,000



No of Participant Homes	10,000	20,000	50,000
Initial Market Value of Home Purchased (\$millions)	2,500	5,000	12,500
Total Federal Govt. Bonds Issued (Homex Bonds) (\$millions)*	849	1,699	4,247
Maximum Funding Demand on State Government in any one year (\$ millions)**	-	-	-
Year in which that funding demand occurs	n/a	n/a	n/a
Maximum Cumulative Funding Demand on State Government (\$ millions)**	-	-	-
Year in which that cumulative funding demand reaches a peak	n/a	n/a	n/a

Notes

* Homex Bonds are issued at the purchase of a home, however they are preplaced to financial institutions that have other participatory obligation in the HOMEX program. Hence all the debt created by the Issue of HOMEX Bonds flows directly and immediately back into the program.

** State Government funding Demand is to meet the ongoing expenses of the program plus the full payment of interest and retirement of principal on the Federal Government issued HOMEX Bonds over their amortisation period (see graph).

Under the Private Funding Scenario State Government meets this funding either by progressive securitisation of the HOMEX Property Portfolio and incurs no net direct expense burden.

