

Housing policy turning into a division-driven debacle

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The government's efforts to craft a housing affordability package for the budget — just four weeks away — appear to be in chaos as ideological and personal divisions within the government undermine Treasurer Scott Morrison.

The result is likely to be a politically disastrous damp squib that annoys NSW and Victorian voters convinced of the need for real action on house prices.

To recap: for months, the government has been promising that the budget would address housing affordability. That was an acknowledgement that the position it took to the election, of cheering housing investors exploiting negative gearing, was increasingly unsustainable as house prices in Sydney and Melbourne grew by double digits and the RBA warned of a looming apartment glut; even some of Australia's highest-paid bureaucrats were admitting that they were providing the "Bank of Mum and Dad" for their own kids to get access to the property market. Something had to be done, especially given Labor had boldly declared its hand before last year's election and promised to reduce the capital gains tax concession and channel negative gearing into new housing supply.

[*\[Rundle: how to fix the housing affordability crisis\]*](#)

Yesterday, as Morrison prepared to give a housing speech that primarily addressed affordable and social housing, one of the government's preferred journalists was used [to promise](#) a "cradle to the grave" major package that would avoid tax changes but be "the most comprehensive

intervention by a federal government into the life cycle of home ownership, involving every aspect from lowering entry barriers to the housing market, institutional investment in social housing, rental affordability, regional relocation incentives, investment and housing in retirement” — including allowing superannuation to be used for housing.

It didn't take long for the knives, or more accurately the leaks, to come out for Morrison. The *Australian Financial Review* [this morning reported](#) “multiple government sources dismissed suggestions the government was looking at changes to superannuation arrangements to allow first home buyers to access their super, and downplayed the idea that a mechanism had been found for increasing institutional investment in the private rental housing sector”.

Finance Minister Mathias Cormann has been vocal about his opposition to allowing super to be used for housing; the article also suggested Morrison has lost interest in another proposal that Cormann opposes, changes to the capital gains tax concession — one tax change where the government could have made a sensible, universally supported adjustment without looking like it was engaging in a monumental backflip.

[\[How to solve housing affordability literally overnight\]](#)

But worse was to come for Morrison from another preferred government outlet: [The Daily Telegraph](#) reported, humiliatingly, that Morrison had been told by the Prime Minister that Morrison would need the approval of Cormann and Immigration Minister — and right-wing heir apparent — Peter Dutton to have negative gearing changes considered. Morrison famously referred last year to “excesses” in that area. Morrison had devoted part of yesterday's speech to explaining why there shouldn't be changes to negative gearing (although as [Michael Pascoe noted](#), he in fact gave an excellent explanation of why there should be).

As Finance Minister and the government's best-performing minister, Cormann naturally has a powerful role in budget deliberations. But the fact that Turnbull has given Peter Dutton — the man most likely to come after Turnbull if the current run of bad polls continues — veto over economic and fiscal policy is extraordinary, both for what it says about Turnbull's precarious leadership, and Morrison's lack of standing within the government.

It's hard not to feel a little sympathy for Morrison, who evidently understands the need for the government to deliver something substantial on housing, and who is apparently prepared to investigate negative gearing and capital gains tax changes to do it. The super-for-housing idea is a disaster waiting to happen, but [Morrison has done good work](#) on trying to channel institutional investment into affordable housing. The only result has been the party's right opening fire on him.

The result looks likely to be a housing package less “cradle to the grave” than “shoebox apartment til the parents die”, one that the government will try to sell as a major achievement while its lack of substance will be plain to voters. Yet again — by setting the budget as a test on housing that it fails to meet — the Turnbull government will have shot itself in the foot, with Morrison scoring some hits along the way. And while there are still four weeks to go, the fact that the overall shape of the budget still hasn't been settled yet suggests that the Coalition still hasn't learnt how to run the process properly.

At this point, the best we can hope for on housing from the government is a package that does no further harm in an already rotten policy environment.