

# Labor's affordable rental scheme labelled unfair and 'pretty awful'



The Grattan Institute's John Daley. Picture: David Geraghty

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- 12:00AM FEBRUARY 8, 2019
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Two of the nation's top think tanks have slammed Labor's policy for government to pay developers to build 250,000 homes for "affordable" letting, questioning the efficiency and fairness of the plan.

The Grattan Institute's John Daley said the policy, announced by Bill Shorten at Labor's national conference in December, would be "pretty awful value if it is anything like the last one".

Labor’s plan — “building on the National Rental Affordability Scheme” — would provide \$8500 a year for 15 years to owners or managers of any new homes that were rented out for 20 per cent below market rates, costing an estimated \$6.6 billion over a decade.

“The government subsidy to landlords under the NRAS was much bigger than the typical rent reduction for tenants and landlords pocketed the difference,” Mr Daley said, referring to the \$11,048-a-year subsidy that ended up being paid for more than 31,000 dwellings under the NRAS, which the Rudd government launched in 2008.

“Obviously, a flat amount per dwelling creates a powerful incentive to build smaller accommodation in cheaper locations,” he added, suggesting the bulk of participating dwellings were apartments and studios.

“This is unsuitable for many of those that the program is trying to help. For example, a single mother with two or three children would probably not want a studio or one- bedroom accommodation,” Mr Daley said.

### THE NRAS FLAW

The difference between the subsidy and a 20% rental discount on the median rental dwelling in each ‘Statistical Area 2’ in Australia



Minister for Housing Paul Fletcher said the proposed subsidy would be about double the saving to renters on Labor’s estimated \$4784-a-year saving for a typical renter. “Where is the sense in spending a dollar of public money to generate 56c in rent relief for low-income tenants?” he said, writing in *The Australian* online today.

Doug Cameron, Labor's spokesman for housing, said the Housing Industry Association, Urban Development Institute of Australia and National Shelter all opposed ending the NRAS. "Nearly two-thirds of the dwellings Labor built under NRAS were two or more bedrooms," Senator Cameron said.

Simon Cowen, Centre for Independent Studies research director, said a revamped NRAS would be a waste of money. "It is another example of politicians setting up multiple costly programs to achieve the same purpose," he said.

Commonwealth Rent Assistance, which provides direct cash for income support recipients in the private rental market, cost \$4.4bn in 2017, up 13 per cent in real terms from 2013. "If these schemes are failing then cut them, if not why do we need another multi-billion-dollar scheme?"

Mr Cowen said housing was a state issue. "If there are problems in Sydney and Melbourne, then those state governments should step up and address supply restrictions," he said.

"The first version of this scheme didn't generate nearly as many houses as hoped — that is because these schemes don't address the real issues blocking supply: state government taxes and charges, and local government planning laws."

The Coalition government reduced the initial target from 50,000 homes to 38,000 in 2014, cancelling the final round. According to the Auditor-General in 2015, half of the units built by universities under the NRAS (about 10 per cent of the total) were let to foreign students to the detriment of low-income workers.

"We're currently looking at the evidence, which is mixed, on whether the program increased the overall stock of homes, which is what will make the most difference to reducing rents," Mr Daley said. "If you're going to subsidise accommodation, there's a powerful argument for giving the funds to the renters themselves," he said.

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Adam Creighton is an award-winning economics journalist with a special interest in tax and financial policy. He spent most of 2016 at the Wall Street Journal in Washington DC. He won the Citi Journalism Award f... [Read more](#)