

Labor affordable housing policy aims to deflect negative gearing claims: Grattan

By [Michael Bleby](#) Updated 16 Dec 2018 — 6:10 PM, first published at 5:51 PM
Save Article

Labor's affordable housing announcement was an attempt to deflect criticism that [its negative gearing plans](#) would push up rents for [lower-income renters](#), Grattan Institute chief executive John Daley said.

The announcement on Sunday of a rental subsidy scheme to create 250,000 affordable dwellings over 10 years would also commit a Labor government to spending money on new housing that the private sector would provide more efficiently – without subsidy – if the government changed planning rules to boost new housing, Mr Daley said.

"It has the appearance of helping people at the bottom, whereas the reality is it helps a small group of people at the bottom in a fashion much akin to a lottery," Mr Daley said in an interview.

"And it's also about the optics that negative gearing might hurt people at the bottom."

The plan, under which Labor said it would give an \$8500 rental subsidy to newly constructed properties leased to eligible tenants at 20 per cent below market rent, intended to tackle the assumption – which Mr Daley said was incorrect – that rents would rise if private investor landlords lost their negative gearing tax breaks. Affordable housing advocates also want the tax breaks for investors removed.

And while total housing stock could be increased by removing the planning restrictions that keep new dwellings out of the established [middle-ring suburbs of Sydney](#) and [Melbourne](#), a move that would inevitably boost affordable dwelling numbers also, the Labor policy also made it look like it was actively tackling the problem, he said.

"It's actually restrictions around planning that make it difficult to build extra homes that are the major problem," he said. "Changing those has the nice feature that it doesn't actually cost the government any money. It's

easier to think that government subsidies for social housing will help poor people."

'It did not work then and it will not work now'

The government on Sunday seized on the Labor scheme, similar to the [National Affordability Rental Scheme](#) that former prime minister Tony Abbott said [the government would no longer fund](#) in 2014, saying it would be subject to abuse.

"Labor's National Rental Affordability Scheme (NRAS) was rorted, ripped off taxpayers and was strongly criticised by the Australian National Audit Office after it was first introduced in 2008," Treasurer Josh Frydenberg said.

"It has the appearance of helping people at the bottom, whereas the reality is it helps a small group of people at the bottom in a fashion much akin to a lottery," Mr Daley said in an interview

"It did not work then and it will not work now. Labor has clearly learned nothing from its past failures and is putting in place a re-run of Rudd's dud. If Labor really cared about housing supply, they would scrap their ill-conceived plan to abolish negative gearing as we know it."

A Labor spokesman said the subsidy would not be available to developers of affordable accommodation. A second band of social housing dwellings would also be made available to eligible renters to ensure they spent no more than 30 per cent of their household income plus Commonwealth Rental Assistance on housing.

The affordable housing sector welcomed the renewed focus on affordable rental. An [Anglicare Australia report](#) earlier this year showed just 28 per cent of homes in the private rental market were in reach of households earning the minimum wage.

"It's all good news that there is a focus on affordable housing," said Carol Croce, a spokeswoman for National Affordable Housing Providers, the peak body of NRAS providers.

"People who are in the private rental market are really taking a beating and they're the ones who don't get a look in because the focus goes to first-home owners."

The Community Housing Industry Association (CHIA) also welcomed the prospect of a long-term affordable rental incentive program.

CHIA chief executive Peta Winzar said that while the details were still emerging, it was likely the program would mean around 5000 new affordable rentals on the ground in 2019-20, with 7000 more in 2020-21 as the program ramped up.

The Australian Council of Social Service also welcomed the announcement and said that reforms to negative gearing and the capital gains discount were an essential part of the package.

"These overly generous tax breaks for property investors have helped to fuel the 'boom/bust' housing cycle and are a major structural problem to delivering on housing for all," ACOSS chief executive [Cassandra Goldie](#) said.