

28 February 2022

Felicity Greenway  
Executive Director, State Policy and Strategic Advice  
Department of Planning, Industry and Environment  
Locked Bag 5022  
Parramatta NSW 2124

Online submission

## **BASIX Higher Standards**

Dear Ms Greenway

I write in relation to “BASIX Higher Standards” exhibition package, prepared by the Department of Planning and Environment (DPE), which has been made available for industry comment until 28<sup>th</sup> February 2022.

Urban Taskforce recognises the need for sustainable buildings and acknowledges that policies at all levels of government can help Australia reduce its carbon-emission and ultimately reach the national goal of net zero emissions. We also note that the NSW Government is reviewing the BASIX minimum requirements for thermal comfort and energy efficiency to align them with the requirements and provisions that are being considered for inclusion in the National Construction Code 2022.

However, the cost and the timing of the new BASIX standards matter. The property development industry has very real concerns that there will be significant costs associated with the implementation of the higher standards, above and beyond those foreshadowed in the draft document on exhibition.

### **Cumulative effect on feasibility**

Urban Taskforce notes that the Cost Benefit Analysis (CBA) for the BASIX Higher Standard is separate from the draft Design and Place SEPP.

There is no evidence that the BASIX CBA has taken into account the cumulative impact of the draft Design and Place package and all other planning reforms. Further, developers and builders have not been properly engaged during the development of the CBA on the BASIX Higher Standards.

Development projects are already subject to considerable fees and charges, some of which may increase this year due to ongoing reforms and policies. Their cumulative effect must be considered for any new policy that has the potential to increase development costs.

This broader assessment should consider a number of policies that have either recently been introduced or are currently being finalised. This includes the Local infrastructure contributions reforms, Regional Infrastructure Contributions, the Housing SEPP, the D&BP Act & Regulations, the RAB Act, and others.

Without this holistic approach, the Treasury requirement for a regulatory impact assessment which considers the costs and benefits (including an analysis of who exactly bears the costs and who exactly benefits), can not be fulfilled or satisfied.

In the context of rapidly increasing costs caused by labour and material shortages issues with the construction materials supply chain over the last 12 months, this is not the time to be adding costly, time-consuming new processes to the NSW planning system. Construction costs have seen the highest growth on record for NSW over the last 12 months. According to CoreLogic, the costs have risen the fastest since the introduction of the GST.

Urban Taskforce members report that construction costs have dramatically increased for construction of the structure (e.g. concrete), façade (e.g. windows), finishes and fit out (e.g. tiling and carpentry) and services (e.g. plumbing and electrical). The price of containers has risen by 600% (plus) as a result of COVID and other supply chain constraints around the world. The annual increase in the cost of building materials has risen by well over 10%.

The cumulative impact of rising construction costs, increased infrastructure contributions and charges to planning policy (and the instruments thereof) are rendering development of new housing supply unfeasible. This new reality has to be taken into consideration and the cumulative effect of the BASIX higher standards on feasibility of development projects must be assessed.

### **Verifying the true cost of the BASIX Higher Standards**

According to DPE's own analysis, this policy will result in an average increase per dwelling of \$7,152 and "an average high-rise apartment unit an additional \$831 to \$953 to satisfy the higher standards." Urban Taskforce members have advised that the actual costs will be significantly higher – particularly given the recent spike in the costs of construction inputs, as discussed above.

Industry is unable to objectively verify the actual costs. The updated BASIX sandbox tool has not yet been made available and there is no verifiable way to test the conclusions of the CBA and translate the BASIX Higher Standards into accurate costs for development projects.

Urban Taskforce appreciates the time it takes to develop complex tools such as the BASIX tool. However, it is unclear why this policy is rushed when the preparations and testing have not yet been completed.

Proceeding with the BASIX Higher Standards without verifying the assumed costs to developers and builders carries significant risk to the feasibility of development projects, causing a negative impact on housing supply.

The Urban Taskforce is concerned about the likely negative impact on feasibility and increased uncertainty over the actual impact to development projects.

We recommend that **the BASIX Higher Standards are postponed** to allow time for the verification of the estimated costs impact through industry testing of the revised Sandbox tool, fulsome consultation and engagement between government and industry to take its course.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tom Forrest', with a long horizontal flourish extending to the right.

**Tom Forrest**  
Chief Executive Officer