URBAN TASKFORCE AUSTRALIA SUBMISSION

2025 ECONOMIC REFORM ROUNDTABLE

Urban Taskforce
AUSTRALIA

21 July 2025

The Treasury
Langton Crescent
PARKES ACT 2600

Submitted to: ReformRoundtable@treasury.gov.au

Contents

Executive Summary

The property development and construction sector represent a significant part of the national economy, estimated to generate approximately $183 billion in gross domestic product.[1] This figure increases appreciably when you include related sectors such as the real estate industry and other property services. In total, our broader sector comprises approximately 12% of the Australian economy.

Notwithstanding its size in relation to the national economy, the sector is a microcosm of the challenges and limitations impacting the broader economy. To borrow a phrase, if our sector sneezes, the rest of the Australian economy catches a cold.

When it comes to matters pertaining to productivity, an analysis of the challenges facing the property development and construction sector highlights many of the broader trends impacting productivity across the nation and impeding economic growth.

If the Australian Government fixes its housing problem through the recommendations proposed by Urban Taskforce Australia, then many of problems plaguing other sectors will also be improved or resolved.

To this end, there are five key areas impacting the productivity and health of the property development and construction sector that should be addressed as part of the Albanese Government's second term economic agenda:

1. Tax reform - Broadening the taxation base and removing bad taxes
2. The Impact of Planning and Building Code red tape on housing and productivity
3. Fostering Innovation and Adoption of Modern Construction Methods
4. Enhancing Workforce Skills and addressing the Union Movement's negative impact on productivity
5. Prioritising Infrastructure to enable housing delivery and new jobs
6. Excessive public sector growth – the crowding out impact.

These areas have hampered productivity and output in the development and construction sector. Coupled with strong demand for housing, it has created a supply and affordability crisis which is compounding productivity issues across the economy and creating a range of economic, societal and intergenerational issues that must be addressed now before they get worse.

Australia urgently needs policy reform that removes impediments for the private sector to deliver the relief from housing pressures and ensure housing is there to support the productiveness of the Australian economy, not detract from it. The re-election of the Albanese Government offers a once in a generation opportunity to implement wide ranging reforms to place the Australia in better shape for future challenges, as the Hawke-Keating and Howard Governments did throughout the 1980's and 1990's.

An excellent starting point is the recent report by the Federal Productivity Commission, "*Housing Construction Productivity: Can We Fix It?*". The report provides a comprehensive analysis of Australia's declining productivity in the housing construction sector and outlines policy directions to address this persistent challenge. Over the past 30 years, the sector's

[1] Australia Construction Industry Report 2025 | Residential

productivity has stagnated, contributing to rising housing costs and affordability issues for Australians.

The report finds that the number of dwellings completed per hour worked has dropped by 53% since 1995.[2] Even after adjusting for improvements in housing quality and size, labour productivity has fallen by 12%. In contrast, labour productivity in the broader economy has increased by 49% during the same period.

Causes of the decline are varied, but include:

- Complex and slow planning and building approval processes
- Excessive and fragmented regulation across local, state, and federal levels
- Limited innovation and adoption of new building techniques
- Workforce issues including mobility and difficulties in attracting skilled workers
- Industry fragmentation, with most firms being very small.

The Productivity Commission report makes several recommendations that feed into this submission and should form a cornerstone of the Summit's deliberations:

- Streamlining approvals: better coordination and resourcing for planning approvals
- Regulatory review: Independent review of building regulations, especially the National Construction Code
- Workforce mobility: National consistency in occupational licensing to enable worker movement
- Fostering innovation: Removing barriers and encouraging adoption of new construction methods, such as modular building.

Addressing these issues would help Australia meet its ambitious housing targets and improve affordability. The report urges governments to rethink regulatory approaches and prioritise productivity to deliver more homes efficiently and cost-effectively.

Urban Taskforce Australia makes the following recommendations to the Summit. These are supported in the detail of the submission that follows.

Urban Taskforce Australia Recommendations

Recommendation 1: That the Commonwealth Government take the lead in discussions with the States to abolish Stamp Duty and replace it with a broad-based tax, which will stimulate housing market transactions and activity, and more fairly generate funds for new infrastructure that will enable growth and stimulate the economy.

Recommendation 2: That the Commonwealth Government provide incentive payments for States that embark upon positive tax reform such as transitioning from stamp duty to broad based land tax arrangements.

Recommendation 3: That a significant reduction in personal income and company taxation rates be agreed to: company tax at 20% (below the OECD average of 21.9%) and lift the tax-free income tax threshold to $60,000.

[2] Productivity Commission, (2025), Housing construction productivity: can we fix it? p.13

Recommendation 4: That the Federal Government broaden the Goods and Service Tax and increase the rate of the GST to 15%, along with adjusting payments for those on low fixed incomes.

Recommendation 5: That all levels of Government remove foreign surcharges on investment, with a particularly focus in the short term on the housing sector.

Recommendation 6: The Federal Government should consider making the expenses related to childcare tax deductible.

Recommendation 7: That the ABS publish additional data which tracks housing approvals, commencements and completions over time on a per capita basis.

Recommendation 8: That the Federal Government fund a program to boost the education system to project managers, architects and builders associated with basic construction knowledge.

Recommendation 9: That the Federal Government publish a report on the impact of regulation on housing costs in each state to measure the individual and cumulative impact of regulation across sectors and jurisdictions.

Recommendation 10: That the Federal Government promote housing affordability by supporting states to encourage reductions in fees, taxes, charges and levies which increase the cost of housing supply and reduce the feasibility of private sector investment in this important "public good".

Recommendation 11: That the Federal Government establish a National Productivity Fund to reward states that undertake meaningful regulatory reform, with compensation payable to the States as was the practice through the National Competition Reform payments in the 1990's.

Recommendation 12: That the Federal Government suspend any further changes to the NCC that negatively impact on the cost of housing until June 2035.

Recommendation 13: The Federal Government commission an independent review of building regulations, including the National Construction Code, to streamline processes and improve national consistency.

Recommendation 14: To create investor certainty, heritage regulations should seek to establish clear, objective criteria for heritage listing and protection which must be applied consistently with a right of Court Appeal. Heritage listings should be undertaken periodically and before land is re-zoned. Heritage Conservation Areas should only be declared by State Governments.

Recommendation 15: That the Federal Government reward states with incentive payments to encourage a broader range of complying development codes for medium to high density housing and the removal of Design Competition and Design Review Panel bureaucracy.

Recommendation 16: Support the adoption of modern construction methods (e.g., modular and prefabricated housing) by removing regulatory barriers and funding extension services to assist industry transition.

Recommendation 17: Increase public R&D funding for housing construction and establish national platforms for sharing best practices and innovation.

Recommendation 18: Create a seed capital fund for offsite manufacturing facilities that will ensure appropriate levels of scale.

Recommendation 19: Outdated planning prohibitions on land lease communities in Sydney be immediately abolished.

Recommendation 20: That the Federal Government continue its ongoing improvements to the skilled visa program to better and more quickly attract overseas workers into the construction industry, as well as assistance for sub-contractors to successfully engage skilled visa holders and retain them in the building and construction sector.

Recommendation 21: That the Commonwealth commission Fair Work Australia to undertake a pro-active review of all EBA's associated with the CFMEU with a mandate to drive productivity improvement in this sector.

Recommendation 22: That reforms are made to Australian EBA's to explicitly link wage rises to commensurate productivity growth.

Recommendation 23: Continue to pursue national consistency in occupational licensing through such measures as automatic mutual recognition of trade qualifications, with regular independent reviews to identify and remove unnecessary restrictions.

Recommendation 24: That the Federal Government recalibrate and substantially increase the $3 billion New Home Bonus and provide upfront funding to proactively assist States in the provision of housing enabling infrastructure.

Recommendation 25: The Commonwealth established an Infrastructure Productivity Fund of at least $60 billion, allocated over the period of the Accord to the States and Territories according to need, impact, and willingness to reduce their reliance on state and local infrastructure levies.

Recommendation 26: Streamline procurement practices and adapt to facilitate an emphasis on collaborative procurement for major infrastructure and commercial development as this will ensure that there is innovation that recognises the need to share risk.

Recommendation 27: The Federal and State Governments commit to reduce the crowding out effect of public sector employment and investment in sectors where the private sector can deliver more efficiently.

1. Tax reform - Broadening the taxation base and removing bad taxes

A general principle governing tax reform should be to shift the burden of taxation away from the things you want to the things you don't want. Yet Government revenue at a Federal and State level weighs heavily on jobs and property transactions. This has significant impacts for productivity.

Fixing the broken and misfiring tax system should be a key focus of the Productivity Summit. The delicate balancing act needed is to reduce and/or remove productivity killing taxes, based around increasing revenue on broader efficient taxes.

A. Replace stamp duty with a broad-based land tax

Every report on tax reform published in the last two decades has called for the abolition of Stamp Duty, otherwise known as a conveyance or transfer tax, which is paid up front when a property is transacted.

Stamp Duty is highly inefficient and fosters intergenerational inequity as it increases the cost of housing market transactions and limits the supply of existing homes for sale by deterring people from changing homes when they otherwise would. Examples include people who might otherwise look to down-size; or people who have changed job locations.

Stamp Duty on property purchases limits mobility, resulting in long commute times if the location of employment changes. It also discourages downsizing, resulting in an inefficient use of land (e.g. Elderly couples remaining in the five-bedroom family home).

A 2018 report by Per Capita estimates that Australia stood to lose $24.3 billion every year in GDP from 2047 if state governments phased out stamp duty replacing it with a broad-based land tax.

Transfer duties simultaneously punish first home buyers, who can least afford to pay, while limiting the number of houses available for sale. It is, quite simply, a highly inefficient tax.

The Henry Tax Review established that the "welfare loss", or inefficiency, associated with Stamp Duty is between 30-40% because of its distortionary impact on behaviour, which reduces productive activity).[3]

"Stamp duty more than doubles most transaction costs. This deters transactions, results in significant under-utilisation of the housing stock and has an estimated loss of benefit to the community in the order of $375 million per annum. Replacing stamp duty with a broad-based land tax could release a significant amount of under-utilised housing and reduce house prices by about 6% after several years".[4]

The Review argued a powerful case for the broadening of the property tax base that would see a shift away from Stamp Duty towards a broad-based land tax:

---

[3] Australia's future tax system – Final Report, (Henry Tax Review), p13.
[4] Abelson, P., "Housing Costs and Policies: With special reference to Sydney" Paper prepared for NSW Treasury, Applied Economics PL, May 2016, p91 (also see p.63)

"Stamp duties are a highly inefficient tax on land, while land tax could provide an alternative and more stable source of revenue for the States. When applied uniformly across a broad base, land tax is one of the most efficient means of raising revenue. This efficiency arises from the immobility of the tax base and, unlike most other taxes, levying different rates of land tax in different States has very low efficiency costs."[5]

Importantly, replacing stamp duties with a broad-based land tax would increase the volume of housing market transactions and improve the utilisation of land.

The Henry Report summarised the problem with Stamp Duty as follows:

"Stamp duties on conveyances are inconsistent with the needs of a modern tax system. While a significant source of State tax revenue, they are volatile and highly inefficient and should be replaced with a more efficient means of raising revenue.

Conveyance stamp duty is highly inefficient and inequitable. It discourages transactions of commercial and residential property and, through this, its allocation to its most valuable use.

Conveyance stamp duty can also discourage people from changing their place of residence as their personal circumstances change or discourage people from making lifestyle changes that involve a change in residence. It is also inequitable, as people who need to move more frequently bear more tax, irrespective of their income or wealth."[6]

In December 2016, Infrastructure Australia found that "a broad-based land tax can provide an efficient, sustainable and permanent approach to value capture … This approach would provide a fairer, more efficient way of raising infrastructure funding, and move away from the many challenges posed by the volatility and unpredictability of property prices".[7]

It is easy to see why state governments have been slow to wean themselves off transfer duties. They have delivered 'rivers of gold' to Treasuries during the boom times of high property inflation the nation has more or less enjoyed since the 1991 recession. But this transaction tax has worked against housing supply and the efficient allocation of housing. We are paying the cost now.

A broad-based land tax is an efficient mechanism for funding infrastructure, as it is based on the underlying land value, which will increase with the delivery of new publicly funded infrastructure or rezoning. It is more effective in this respect than forms of 'value capture' that focus on individual sites or projects with implications for equity and implementation, particularly given the complexity and subjectivity associated with identifying and quantifying the factors that contributed to the value uplift.

Further, land tax is the only tax on property that keeps pace with economic growth. It facilitates infrastructure contributions from all of society that benefits from economic growth and subsequent general land value increase, and from owners close to new infrastructure, who enjoy a higher value uplift and therefore would pay more land tax.

---

[5] Ibid., p46.
[6] Ibid., p49.
[7] Infrastructure Australia, "Capturing Value: Advice on making value capture work in Australia", Dec 2016, pp 6-7. See also pp 23-24.

Land tax would also encourage downsizing amongst older homeowners, which fosters the efficient use of housing stock and land, which are our most valuable assets. It would also remove the punitive nature of a stamp duty that slugs workers who must move homes as part of their career. Many of these are those professions that contribute to the productivity of the economy.

The imposition of stamp duty dissuades many from moving home, leading to longer travelling times to and from work and the concomitant reduction in productivity. A broad-based land tax addresses these potential productivity losses by creating no financial disincentive to relocate should their circumstances change. This is particularly true if they were already paying a land tax on their property. A higher tax would only be paid if their new home's land value was higher – in fact moving to an area where land values are comparatively lower (for example in the regions) could act as an incentive for workforce movements to areas where they are needed.

The tax system should automatically generate additional funding when new infrastructure is required because of changes to density or changes in land use. There should be no need to haggle over infrastructure and contributions with developers. The burden of new growth-related infrastructure would be shared between the society as a whole and the purchaser of a new home. Presently, new entrants to an area, predominately younger and migrant populations, (generally the most productive in the workforce) pick up a disproportionate high cost of funding the new infrastructure required in new developments.

A broad-based land tax will also help address the well-being and productivity of the labour force. Stamp duty represents a significant financial disincentive to relocate as a result of changing the location of your employment. A worker may have originally settled in a suburb that was either close to or well connected to their place of employment in terms of transport linkages. A change in job may mean that the workplace is now distant to the home. This will result in increased transport costs, increased congestion in some instances, as well as the worker spending more time travelling to their place of employment.

Any broadly applied land tax will pose difficulties in implementation, as seen in the decision of the NSW Government to remove the tentative steps towards a broad land tax through the previous NSW Coalition Government First Home Buyer Choice Scheme.

Urban Taskforce acknowledges there are challenges for people who are asset rich but income poor, yet this can be accommodated for in a fair and efficient way, such as the ability to defer land tax liabilities to the family estate.

Moves towards a broad land tax seems to have stalled across the nation. There is an opportunity for the Commonwealth to take leadership on this issue and incentivise the States to gradually abolish stamp duty, something that the ACT, whilst small, has already been able to achieve.

Incentive payments should be modelled on the Competition payments made to States and Territories by the Commonwealth when they implemented National Competition Policy reform commitments.

Recommendation 1: That the Commonwealth Government take the lead in discussions with the States to abolish Stamp Duty and replace it with a broad-based tax, which will stimulate housing market transactions and activity, and more fairly generate funds for new infrastructure that will enable growth and stimulate the economy.

Recommendation 2: That the Commonwealth Government provide incentive payments for States that embark upon positive tax reform such as transitioning from stamp duty to broad based land tax arrangements.

B. Reduce Income and Company tax

There is a strong economic and fiscal imperative for reducing both personal income and company taxation in Australia. The current tax structure, while progressive and designed to ensure equity, imposes relatively high marginal rates on both individuals and businesses compared to international peers. This has significant implications for Australia's economic competitiveness, investment climate, and incentives for workforce participation and business growth.

Personal income tax rates in Australia, even after recent and legislated reductions, remain high by OECD standards, particularly for middle and higher-income earners.

From 1 July 2024, the marginal tax rate for incomes between $45,001 and $135,000 is 30%, rising to 37% for incomes up to $190,000, and 45% for income above this threshold. While recent reforms have provided some relief—such as reducing the 19% rate to 16% for lower incomes and lifting the thresholds for higher rates, Australia's reliance on personal income tax as a primary revenue source continues to create disincentives for additional work, savings, and investment. High personal tax rates can discourage workforce participation, especially among secondary earners and those considering additional hours or career advancement, thereby constraining economic growth and productivity.

The fact that a worker on $18,200 starts paying income tax is nonsensical. Income tax should only be paid at a much higher level – around $60-80,000. By reducing the tax burden on below average workers would greatly ameliorate any regressive impacts on a broadening of the Goods and Services Tax.

Similarly, company tax rates in Australia, although reduced in recent years for smaller businesses, remain a concern for international competitiveness.

The standard company tax rate is 30%, with a lower rate of 25% available to base rate entities with an aggregated turnover below $50 million and with less than 80% of their income from passive sources. Despite these reductions, Australia's company tax rate is still above the OECD average, which can deter foreign investment and encourage profit shifting to lower-tax jurisdictions. High company taxes reduce the after-tax return on investment, discourage business expansion, and can ultimately lead to lower wages and fewer job opportunities for Australians.

High company tax rates reduce after-tax returns for developers and investors, making large, long-term projects less attractive and increasing the comparative appeal of alternative markets with more competitive tax regimes.

This is particularly relevant given the capital-intensive nature of property development, where returns are realised over extended periods and are highly exposed to upfront costs and ongoing tax liabilities. Lowering company tax rates would therefore enhance the sector's capacity to attract the capital necessary to deliver new housing stock, infrastructure, and urban renewal projects at scale.

Reducing income and company tax rates would have several positive effects. It would enhance Australia's attractiveness as a destination for both domestic and international investment, supporting innovation, entrepreneurship, and economic diversification. Lower personal tax rates would improve incentives for workforce participation and reward effort, helping to address labour shortages and increase overall productivity. For businesses, a more competitive company tax rate would boost investment, support job creation, and foster a more dynamic and resilient economy.

Recent government initiatives, such as the reduction in Managed Investment Trust (MIT) withholding tax rates for build-to-rent developments and the increase in capital works deductions, have demonstrated the positive impact that targeted tax relief can have on property development activity.

These measures have already improved the feasibility of build-to-rent projects by lowering the tax burden on both foreign and domestic investors, accelerating depreciation schedules, and reducing holding costs. However, these targeted incentives, while welcome, do not address the broader structural impediments posed by Australia's high company and income tax rates across the property sector as a whole.

It is also important to note that reducing reliance on income and company taxes, aligned with a shift towards more efficient sources of revenue such as broad-based land and consumption taxes, would improve the overall efficiency and sustainability of the Australian tax system.

This approach would align Australia more closely with international best practice and reduce the economic distortions associated with high direct taxation.

Reducing personal income and company tax rates is essential for strengthening Australia's economic competitiveness, encouraging investment and innovation, and supporting workforce participation. Such reforms would not only benefit individuals and businesses but would also underpin a more robust, efficient, and sustainable tax system for the nation.

Recommendation 3: That a significant reduction in personal income and company taxation rates be agreed to: company tax at 20% (below the OECD average of 21.9%) and lift the tax-free income tax threshold to $60,000.

C. Broaden the GST and increase the rate to replace foregone revenue from abolished "bad taxes"

The case for broadening the Goods and Services Tax (GST) in Australia is compelling and increasingly the rate is urgent in light of evolving fiscal, economic, and demographic challenges.

This was recently laid bare by the Commonwealth Treasury and reported by the ABC on 14 July 2025, where the need to support budget repair was highlighted with explicit reference to the need for changes to the indirect tax system.[8]

Prior to its introduction in 2000, the GST was designed as a broad-based consumption tax to provide a stable and efficient source of revenue for governments. However, the current GST base is significantly narrower than originally intended, with major categories of consumption such as fresh food, health, education, and financial services exempted from the tax. This narrowing of the base has led to a situation where GST revenue has not kept pace with economic growth or with the rising demands on government expenditure, particularly in the wake of the COVID-19 pandemic and the associated fiscal pressures.

Australia's over-reliance on income and company taxes, which are inherently more volatile and can act as a disincentive to investment and workforce participation (see above) , further highlights the need for GST reform. In contrast, consumption taxes such as the GST are recognised internationally as more stable sources of revenue, less susceptible to economic cycles, and less likely to distort economic decision-making. The relatively low GST rate of 10 per cent and the limited base mean that Australia's GST revenue as a proportion of total taxation is well below the OECD average. This places Australia at a disadvantage compared to other advanced economies, restricting the government's ability to fund essential services and infrastructure without resorting to higher or more complex taxes elsewhere in the system.

The system of exemptions as within the current GST framework adds unnecessary complexity, increasing compliance costs for businesses and administrative burdens for the Australian Taxation Office. This complexity can create opportunities for tax avoidance and erode the integrity of the tax system. Broadening the GST base would simplify the tax system, making it more transparent and easier to administer, while also reducing opportunities for avoidance and evasion.

Furthermore, broadening the GST would generate significant additional revenue, estimated by various economic analyses to be between $14 billion and $40 billion annually, depending on the scope of reform. This, along with increasing the rate to 15%, would generate revenue that could and should be used to repair budget deficits, fund critical public services, or facilitate the abolition of less efficient and more distortionary taxes such as payroll or stamp duties.

Further, because the taxation system is more efficient, is boosts economic growth. It is open to the government to compensate those who are negatively impacted by the changes (for example, increasing the tax-free threshold on income tax or by direct compensation to those that do not pay income tax), to ensure that the changes are not regressive.

In this way, GST reform, to both the rate and its application, could underpin a broader and more comprehensive tax reform agenda, one that enhances the efficiency, fairness, and sustainability of the Australian tax system.

[8] ABC Exclusive Ziffer, D. and Crowley, T. (14/07/2025), https://www.abc.net.au/news/2025-07-14/raise-taxes-lower-housing-target-treasury-advises-labor/105504538

In summary, both the broadening and increasing the rate of the GST are essential steps to ensure the long-term sustainability and efficiency of Australia's tax system. It would provide a more stable and robust revenue base, reduce reliance on less efficient taxes, simplify the tax system, and enable broader tax reform.

With appropriate compensation for those most affected, GST reform can support Australia's economic growth, fiscal sustainability, and social equity well into the future.

Recommendation 4: That the Federal Government broaden the Goods and Service Tax and increase the rate of the GST to 15%, along with adjusting payments for those on low fixed incomes.

D. Remove foreign surcharges

Foreign buyer surcharges are, similarly, an own goal for any government that wants to boost housing supply. If foreign entities want to fund housing supply in Australia, there is no logic to adding a surcharge or penalty. In fact, it is ludicrous.

Populist tax settings have eroded foreign investor confidence including that of massive European, North American and Asian pension funds which might otherwise see Australia as a safe and stable investment option.

They have their origins in base xenophobia, are counter intuitive, and should be abolished. The problem is compounded by layered state-based taxes, including foreign purchaser surcharges and stamp duties, which vary significantly between jurisdictions and further erode investor returns.

Complex and inconsistent tax arrangements across federal and state levels introduce significant risk and reduce the predictability of returns, which are essential for large-scale institutional investors.

Recommendation 5: That all levels of Government remove foreign surcharges on investment, with a particularly focus in the short term on the housing sector.

E. Boosting participation in the workforce of those with young children

In addition to overall skills shortages created by a laggard response federally on skilled worker migration in the construction sector, productivity also suffers due to barriers to participation. Notwithstanding some positive changes, one of the key barriers remains childcare.

Making childcare expenses tax-deductible would provide significant support for working parents, particularly women, by reducing their financial burden and increasing workforce participation

Recommendation 6: The Federal Government should consider making the expenses related to childcare tax deductible.

2. The Impact of Planning and Building Code red tape on housing and productivity

Over the past three decades, regulatory complexity — commonly referred to as "red tape"— has had a pronounced and detrimental effect on both housing supply and productivity in the property and building construction sector across Australia.

A. Regulatory Burden and Delays

The volume and complexity of planning regulations have increased substantially, with documentation often extending to thousands of pages. The resultant approval processes are frequently slow, overlapping, and inconsistent, with the worst case being that of NSW – though recent efforts at improvement are starting to show positive signs.

These regulatory hurdles have been identified by the Productivity Commission and industry stakeholders as primary contributors to inefficiency in the sector.[9] The cumulative effect of regulatory delays is a significant restriction on the supply of new housing. For instance, despite a national target to construct 1.2 million new homes over five years, only 176,000 homes were completed in the 12 months to June 2024—well below the annual target. This ongoing shortfall in supply has directly contributed to escalating housing costs and declining affordability.

Urban Taskforce Australia strongly supports the National Housing Accord targets of 1.2 million. Having a clear target, even if it is considered by some to be ambitious or a stretch target, is worth having. The existence of the target focusses the attention of both Ministers and the public service, at Federal, State and Local government levels.

B. Make the published ABS data meaningful for policy makers

The current process of tracking housing approvals, commencements and completions, across Australia and by State, is undertaken by regular reports published by the Australian Bureau of Statistics (ABS).

However, in order the make the sequence of data meaningful, dwelling approvals, commencements and completions, should also be shown on a per capita basis. This would demonstrate the performance of each jurisdiction relative to its population size as well as allowing for a measurement of relative performance over time.

The current process allows for an analysis of housing data over time for each jurisdiction and for all of Australia, however, the ABS does not readily show the performance per capita of population. For example, 100,000 homes a year today, when the Australian population is almost 27 million people, is far less than the same number of homes in 1980 when the population of Australia was 14.7 million.

A dwellings per capita by jurisdiction report by ABS would give a clear indication to the success of policy and practice in each state and territory. It would allow for meaningful comparisons between jurisdictions and within each jurisdiction over time.[10]

---

[9] *Ibid*, see pp.4-5
[10] Population data taken from: https://www.macrotrends.net/global-metrics/countries/aus/australia/population

Such a measurement would give governments, industry, the community and other stakeholders more meaningful data sets when it comes to housing supply.

Recommendation 7: That the ABS publish additional data which tracks housing approvals, commencements and completions over time on a per capita basis.

C. Education and Standardisation

The current education system for project managers, architects, and builders overlooks basic construction knowledge, such as why materials are selected or how buildings are assembled for durability and efficiency. To address this, Urban Taskforce members have suggested the following could greatly assist with consistency in building practice.

(i) **Develop a Simple Construction Manual**: Create a standardized construction guide for low- and mid-rise apartment buildings (3–4 storeys), outlining best practices for detailing, materials, structural design, and exit systems, fire and other compliance. This would reduce reliance on costly specialist consultants and empower smaller builders.

(ii) **Reform Training Programs:** Integrate practical, construction principles into tertiary education and vocational training, to ensure site mangers and site engineers can supervise quality on site without relying on external consultants and engineers.

Recommendation 8: That the Federal Government fund a program to boost the education system to project managers, architects and builders associated with basic construction knowledge.

D. Reduced Competition

The complexity of building regulations has inadvertently reduced competition in the building industry, as only larger contractors possess the resources to navigate the extensive paperwork and compliance requirements. A clear by-product of the increased regulatory burden applied in NSW by the NSW Building Commission in the Government's response to the collapse of Mascot Tower, was the exit of a significant proportion of builders in the Class 2 building space (3 stories and above).
While it was certainly good to see the exit from our industry of poor builders who were no complying with the codes, rules and regulations, many high-quality builders have also left the industry placing significant pressure on the cost of building.

The skill-set and level of resources now needed to manage regulatory compliance—such as document uploading, interpretation of overlapping rules, and liaison with multiple authorities— is lacking in the industry and creates a barrier to entry that stifles competition and innovation.

While the intent of these reforms was worthy, the result has been a reduction of competition between good builders who had a longstanding track record of high quality performance. This area is ripe for a re-think in the current context of housing supply and affordability crisis.

E. Broader Economic Consequences

The decline in construction productivity and the associated increase in regulatory burden have broader implications for the economy. Construction costs have risen by approximately 40% over the past five years and build times have increased by up to 80% over the past 15 years. These factors not only affect housing affordability but also act as a drag on overall economic growth and efficiency.

There are very few areas of regulation currently seen by our members as enhancing the commercial aspects of property development. Indeed, the burden of over-regulation is extreme.

While the Federal Government cannot directly control the regulatory imposts on productivity, it can encourage the removal of state- based regulation through financial incentives.

There also needs to be a yardstick which can act as a reference point on the impacts of regulation. Regulatory impact statements should be mandated for all new regulations. Regulations should be time limited and subject to regular review. The production and publication of regulatory impact statements for productivity enhancing reforms, as well as measuring the cumulative impact of regulation, would be a positive development in the regulatory space.

Recommendation 9: That the Federal Government publish a report on the impact of regulation on housing costs in each state to measure the individual and cumulative impact of regulation across sectors and jurisdictions.

F. Planning framework – the crux of the matter

Australia's macroeconomic sluggishness and a complicated and volatile regulatory environment are hurting investor confidence. This is nowhere more evident that in the NSW Planning space, where the crushing impact of the highly prescriptive and outdate zoning system, a hostile culture and practice among the local government planning community, and complicated and convoluted Planning laws and regulations, have combined to deliver outcomes where in all states other than Victoria, the number of development application approvals is well below that needed to deliver the completed housing obligations under the National Housing Accord.

It is the planning framework that underpins much of the regulatory cost of housing and productivity.

The Treasury briefings reported on by the ABC and referred to above make clear that there needs to be a stronger tie between funding grants and policy reforms, so the grants can be used to "leverage" policy improvement at the State level.

Every new planning requirement increases the number and cost of consultant reports, the time taken by assessors and risk associated with property development. These have steadily evolved and been enshrined in laws and regulations but have really bloom in recent years. Treasuries across the nation have been asleep at the wheel, failing to insist on rigorous cost-benefit analyses, while planning and building regulation has expanded to suffocate productivity and ultimately, housing supply.

Faced with a housing shortage that has been years, if not decades in the making, the inability of the planning framework to adapt quickly shows it is ill equipped to cater for exogenous and endogenous shocks. It demonstrates again that reform is badly needed. It is only now that NSW, for example, is starting to see some genuine pro-housing reform to its planning framework. But it is at least 5 years too late and has created a housing supply and affordability crisis.

If there were a shortage in most goods, the market would be able to adapt and respond. Not so with housing, with is constrained by a strait jacket approach in planning and broader regulatory frameworks across the nation.
To deliver the housing supply necessary to accommodate our growing population, Australia needs simple, well-designed and consistently applied (or as much as possible) regulatory frameworks that foster flexible planning, flexible land use and support market confidence to bolster new housing and employment space delivery. The Commonwealth has, to date, done nothing to achieve this other than talk about it.

The housing supply and affordability crisis has, somewhat belatedly, evoked a range of policy reform in the planning space.

For example, the NSW Government's Transport Oriented Development (TOD) Program, the Low and Mid-Rise Housing reforms, new State Significant Development (SSD) Pathways for housing projects and most significantly, the Housing Delivery Authority pathway with the capacity to fast-track the SSDA assessment as well as have a rezoning considered concurrently with a Development Application *(we would be happy to speak with the Productivity Commission about the details of any or all of these recent initiatives and the problems faced by each in terms of their efficacy)*, have all had an impact.

However, there is a tendency, particularly among planners, to give with one hand and take away with the other.

The NSW Transit Oriented Development reforms, which saw increased height and density in the areas which surrounded designated transport hubs are a case in point. The increased height and density were, in many cases, over-ridden by the following:

- Cost of purchase and demolition of the existing structures
- High cost of construction of new multi-level Class 2 Apartment buildings
- Introduction of Affordable Housing contributions which require the hand-over of completed dwellings in perpetuity (transfer of title) to a Community Housing Provider at rates between a reasonable 2% up to the feasibility killing 18% in the "Accelerated Precinct" or Tier 1 TODs
- The ongoing need to comply with local government Development Control Plan (DCP) setbacks and non-over-shadowing requirements for the new buildings, which all reduce yield

- Requirement for non-residential-minimum Floor Space Ratio (FSR) which effectively mandates to construction of up to 30% commercial floor space in areas where there is already a massive over-supply of commercial buildings
- highly restrictive zoning maps which seek to social engineer in accord with the preferences of the day, rather than enable flexibility to deal with changes in market demand or broader economic adjustments.

Urban Taskforce has long advocated for the unlocking of large-scale development opportunities in areas with ready infrastructure. This requires collaboration between local, state and federal governments to ensure the funding and delivery of enabling infrastructure that supports project feasibility for developers.

The ultimate result is that the additional time taken to ensure that all rules and regulations are met; the payment of taxes, fees and charges; the cost of complying with ever more burdensome environmental protection, thermal performance, or all too frequent changes to building codes; as well as restrictions on the flexibility of land use and the cost of affordable housing levies all stop projects from starting, limiting supply, and ironically, end up creating further necessity of market interventions like affordable housing.

Over the past few decades, planning systems have become slower and more unpredictable, and this is in no state worse than in the jurisdictions of NSW. The time taken to obtain development approvals has blown out, delaying projects, often, by two years or more, adding uncertainty and inflating holding costs. "Remedies" that add layers of discretionary assessment have only undercut the intended streamlining of the system.
The uncertain, escalating development levies (including local infrastructure contributions, affordable housing levies, and the Housing and Productivity Contribution) are among the most constraining regulatory burdens. Charges vary dramatically between LGAs and are often introduced or revised late in the approval process. These unpredictable and often excessive charges distort feasibility models and deter developers from pursuing projects in high-need areas like Western Sydney or infill suburbs. The Urban Taskforce research paper *'What Makes Housing So Expensive'*[11] reports on the true cost of an apartment and a house across Australia's thee major cities.

This report uses insights from a Centre for International Economics (CIE) analysis investigating the makeup of the cost of both new apartments and new houses across Australia. The CIE analysis shows that Sydney leads the eastern seaboard when it comes to statutory, regulatory, and infrastructure charges. In Sydney, the combined government-imposed costs amount to $346,000 for an apartment, 37.7% of the total cost of $918,000. In Melbourne, government-imposed costs would amount to $236,000, 32.2% of the total cost to build an apartment of $734,000.

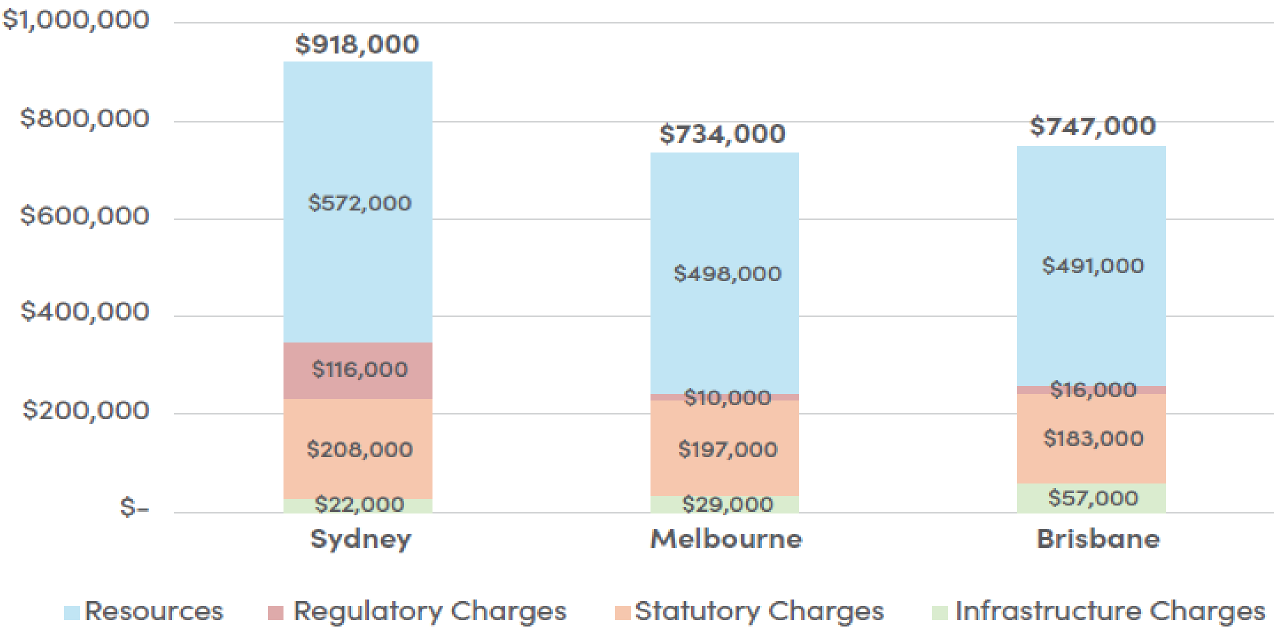
In Brisbane, government impositions amount to $256,000, 34.3% of the $747,000 it takes to build an apartment. For greenfield development, a house in Sydney incurs $576,000 in government-imposed costs, 48.7% or the total cost of $1,182,000.

Melbourne will cost $374,000 in charges, 43.2% of the total house cost of $866,000, and Brisbane incurs $348,000 in government charges 41.3% of the total of $843,000 to build a home.

---

[11] Urban Taskforce, "Urban Ideas: What Makes Housing SO Expensive?", April 2025 https://www.urbantaskforce.com.au/urban-ideas-what-makes-housing-so-expensive-april-2025/

New Apartments (without land costs)	Sydney	Melbourne	Brisbane
Government-incurred Charges	$346,000	$236,000	$256.000
Total Cost to Build	$918,000	$734,000	$747,000
Percentage of Charges	37.7%	32.2%	34.3%



Source: CIE (2025). Taxation of the housing sector, p.13, originally published 3/3/2025

At the end of June 2024, NSW was the home for 31.19% of the Australian population, close to 1.5 million people more than the second most populous state, Victoria.

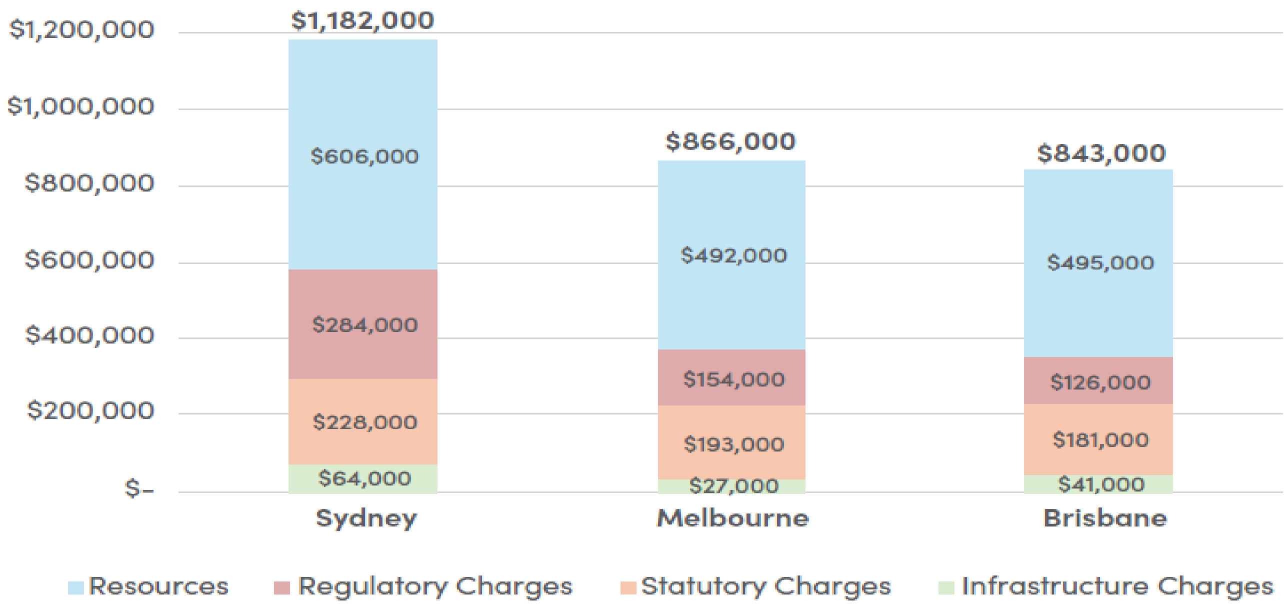
The cost of housing in Greater Sydney (in particular) and the material impact this is having on decisions to rent, establish or purchase a home, is resulting in an exodus from NSW to other capital cities (Melbourne and Brisbane in particular).

Regulatory friction limits the dwelling output of new projects, causing a reduction in housing supply, and higher housing prices that have escalated to a point where, as Peter Achterstraat said in the 2023 'Building more homes where people want to live' report,[12] NSW's best and brightest are leaving the state so they can afford to buy a home or rent. This has been driving the reduction of net domestic migration from NSW.

Sydney's housing prices are a result of a highly restrictive zoning system and local planning controls that restrict development type, size and scale. While this has recently been eased with the NSW Transport Oriented Development policy reforms, the establishment of the Housing Delivery Authority and the recently released low and mid-rise policy reforms, which all seek to make housing supply more feasible by increasing density, we are yet to see their impact flow through.

12 Achterstraat, P. (February 2024), Media Release "Allow more inner-Sydney housing to stem exodus of young

Greenfield house + land	Sydney	Melbourne	Brisbane
Government-incurred Charges	$576,000	$374,000	$348.000
Total Cost to Build	$1,182,000	$866,000	$843,000
Percentage of Charges	48.7%	43.2%	41.3%



Source: The CIE, (2025). Taxation of the housing sector, p.13, originally published 3/3/2025

Zoning restrictions and local planning controls are a significant contributor to under-supply in NSW. While the population grows, the zoning and local planning controls drive prices up by restricting supply.

Over a long period, there was a strong resistance to this suggestion among the political and public service leaders of the NSW planning system. One former Secretary of the NSW Planning Department accused the property development sector of sloganeering when, in 2021, they warned of a pending housing supply and affordability crisis.

Unfortunately, the point-blank rejection of basic economics prevails among many in the planning community. They convince themselves that they are the bulwark between civility and chaos.

The Centre of Independent Studies' Dr Peter Tulip conclusively asserts that planning restrictions more generally, are a "major reason why housing in Australia is so expensive".

Pointedly, he asserts that "they are estimated to raise the price of an average apartment in Sydney by 37%". This contrasts with the estimated impact of planning regulation on the price of an average apartment in Melbourne (19%) and Brisbane (3%).[13]

Many of the problematic regulations lie with State Governments. For example, in relation to open vs closed zoning - closed zonings are generally the norm but are far too restrictive.

[13] Peter Tulip, Land Use Restrictions and the Australian Housing Policy Debate (2024), p.1

Open zoning allows far greater flexibility by only prohibiting genuinely conflicting land uses and giving the market the freedom to provide a wide range of other land uses.

The dogged protection of employment zones from residential development is also a major problem, with government apparently unmoved by the fact there is no demand for additional commercial development, and immune to the repeated pleas from landowners in these areas to allow them to undertake feasible mixed use residential developments.

To encourage competition amongst the states, the Federal Government should consider establishing a National Productivity Fund to reward States that undertake meaningful regulatory reform. The program should reflect the principles of National Competition Reform, where States were compensated if they undertook to wind back bodies and programs that restricted competition, promoted competitive neutrality and boosted the overall efficiency of the economy.

Recommendation 10: That the Federal Government promote housing affordability by supporting states to encourage reductions in fees, taxes, charges and levies which increase the cost of housing supply and reduce the feasibility of private sector investment in this important "public good".

Recommendation 11: That the Federal Government establish a National Productivity Fund to reward states that undertake meaningful regulatory reform, with compensation payable to the States as was the practice through the National Competition Reform payments in the 1990's.

G. National Construction Code (NCC)

The adoption of NCC updates has become an untested process which is adding significant costs to the sector without any analysis of the benefits associated with the changes.

i. The NCC establishes minimum standards for building design, construction, and performance across Australia. While these standards aim to ensure safety, amenity, and sustainability, there are significant negative impacts arising from the implementation and ongoing evolution of the NCC on housing supply, affordability, and industry productivity.

ii. Increased Construction Costs - The continual enhancement of building code requirements—particularly in areas such as energy efficiency, accessibility, and resilience—has resulted in substantial increases in construction costs. These cost increases are typically passed on to home buyers and renters, thereby exacerbating existing affordability challenges. For many developments, especially in the affordable and entry-level housing segments, these additional costs can render projects financially unviable, leading to reduced housing supply.

iii. Regulatory Complexity and Compliance Burden - The NCC has grown significantly in length and complexity, now exceeding 2,000 pages. Navigating this regulatory environment imposes a considerable administrative burden on developers and builders. The need to interpret and comply with intricate and frequently changing requirements diverts resources from core construction activities, increases the risk of delays, and raises the likelihood of compliance errors. This complexity is particularly challenging for smaller developers, who may lack the capacity to manage the additional regulatory workload.

iv. Uncertainty and Project Delays - Frequent and substantial updates to the NCC create uncertainty within the development sector. Developers often face difficulties in forecasting costs and timelines, as new requirements can be introduced with limited lead time. This uncertainty can result in project delays, as industry participants seek to secure approvals under previous code versions or await clarification on new standards. In some cases, projects are postponed or abandoned altogether, further constraining housing supply.

v. Disproportionate Impact on New Housing - The regulatory burden imposed by the NCC falls almost exclusively on new housing, rather than the existing housing stock. This creates a market distortion, as new dwellings must meet higher standards and absorb greater costs, while older homes are not subject to the same requirements. The result is a widening gap between the cost and quality of new and existing housing, which can discourage investment in new supply and limit consumer choice.

vi. Inhibition of Innovation and Productivity - The increasing prescriptiveness and volume of regulation can stifle innovation within the construction sector. Developers and builders may be less inclined to pursue novel building methods or materials if the compliance pathway is unclear or onerous. Moreover, the administrative and technical burden associated with code compliance detracts from productivity, contributing to longer build times and higher overall project costs.

It is noted that the South Australian and Queensland Governments have paused any further adoption of NCC changes, a decision based on the need to give the industry “breathing space” after the economic difficulties during and after COVID. To ensure consistency across the nation, the Federal Government should take the lead an hit the pause button on any further changes to the NCC insomuch as these changes impact negatively on the cost of bringing new housing to the market.

Recommendation 12: That the Federal Government suspend any further changes to the NCC that negatively impact on the cost of housing until June 2035.

Recommendation 13: The Federal Government commission an independent review of building regulations, including the National Construction Code, to streamline processes and improve national consistency.

H. Heritage Regulations

An area of particular frustration is the misuse of heritage controls by many councils through the listing of large numbers of local heritage items and worse, the declaration of entire precincts and sometimes even suburbs and Heritage Conservation Areas.

This, when combined with planning administrators' reluctance to over-ride heritage controls, has become a de-facto regulatory opportunity for NIMBY groups to sterilise large areas of land which could provide a substantial contribution to housing supply in well located precincts in our capital cities.

Heritage is too often used to limit height and density, even though the mismatch between supply and demand is greatest in those locations and prices are they are typically the least affordable.

The regulatory burden has also increased in the form of design complexity and political inconsistency. Prescriptive design requirements (eg. mandatory artwork, façade treatments, deep soil planting ratios), combined with inconsistent application across different councils and planning panels, have introduced subjectivity into approvals, eroding confidence in the system.

The property sector is regularly burdened with last minute applications for Heritage listings, sometimes even after a development application has been lodged. This is clear evidence of the weaponisation of Heritage laws and regulations, limiting productivity, supply and increasing costs way beyond any legitimate heritage imperative.

Recommendation 14: To create investor certainty, heritage regulations should seek to establish clear, objective criteria for heritage listing and protection which must be applied consistently with a right of Court Appeal. Heritage listings should be undertaken periodically and before land is re-zoned. Heritage Conservation Areas should only be declared by State Governments.

I. Over-design comes at a cost

The expanded role of architects in land use planning assessments has also come at a significant cost impost on housing supply.

This was explicitly recognised by the NSW Government with the introduction of a Pattern Book of architectural designs for low rise housing which, if used, can deliver a code-based assessment and approval within 10 days of lodgement.

The pattern book designs, replete with detailed CAD drawings, are flexible and licences can be purchased for just $1 each.

This is both a substantial micro-economic reform, as well as a tacit recognition that cost of design has significantly added to housing costs. A second pattern book is expected to be published later this year and will apply to mid-rise housing between 3 and 6 storeys in height.

In contrast to this positive experience driven by the NSW Government Architect's office with the pattern book designs, the introduction, then expansion of the requirement for

local and state design review processes, and Design Excellence Competitions have crept into the planning assessment process.
These competitions and design review processes continue to be duplicative and very expensive, often resulting in significantly worse outcomes than the designs prepared by high quality architects working for the top tiers of the development sector.

The deadening impact of these panels and competitions on housing feasibility and thus, supply is an area that needs focus.

This problem is tacitly acknowledged in NSW with the new Housing Delivery Authority allowing for an exemption from Design Competitions where a quality architect is used. This exemption must be expanded. Similarly, exemptions exist in Tier 1 Transport Oriented Development precincts.

However, the growing role of local Design Review Panels (DRPs) mandated by the NSW Department of Planning, Housing and Infrastructure, has added a highly subjective layer to project assessment.

DRPs often insist on architectural or aesthetic features, such as public art installations or façade treatments, that are not required by legislation and often conflict with buildability, financial feasibility or in some case, the operational use of the site.

For example, recently at the Western Sydney Aerotropolis, the approvals pathway for an Aldi warehouse was delayed because a group of architects on the local DRP decided to mandate “Welcome to Country” signage on the rooftops of the structure.

The recent Federal Productivity Commission report called out the weighty and ever-changing National Construction Code (NCC) that, for all its good intentions, results in unnecessarily high construction costs.

The once mandatory cost-benefit analysis that used to be applied at both National and State levels needs to be brought back so these “like-to-have” utopian changes can be costed and decisions on their implementation made accordingly.

The Productivity Commission paper strongly reflects Urban Taskforce Australia calls for balance between the benefits of regulation and the effect on cost of construction, and thus on the supply of housing development and construction.

Over the last 30 years (and particularly in the last 10 years), the property development sector has regressed into protectionism.

Protectionist regulatory systems foster productivity decline. The property construction sector has been marked by ever rising regulatory barriers, market access restrictions, heightened consumer protection and increased cost and time burdens on developers and builders.

Case Study - The cost of regulation – Abundance

"**Abundance**"[14] by Ezra Klein and Derek Thompson, examines how well-intentioned regulations in the United States—especially in liberal cities—have become major obstacles to progress in building affordable housing, infrastructure, and advancing green energy. The book argues that the regulatory environment, originally designed to prevent harm and ensure accountability, now often stifles innovation and growth, making it difficult to address urgent contemporary challenges like housing shortages and climate change.

The authors argue that since the 1970s, American liberalism has shifted from promoting growth to focusing on preventing negative outcomes, resulting in an overemphasis on process and stasis. They highlight how zoning laws, strict environmental reviews, and complex permitting requirements, while meant to protect communities and the environment, have inadvertently made it harder to build the very projects needed for abundance—such as dense housing and renewable energy infrastructure.

Klein and Thompson propose an "Abundance Agenda," which calls for a rebalancing of regulations to better manage trade-offs between oversight and progress. They argue for reforms to zoning, environmental laws, and permitting processes, aiming to make it easier to build and innovate without abandoning important protections. The book uses case studies—such as the rapid rebuilding of a bridge when regulations were temporarily waived—to illustrate how streamlining or reforming rules can unlock progress

This increasing weight of regulatory burden cannot continue if private sector property developers, who have traditionally delivered 95% of housing, are to meet the financier requirements to supply housing.

Good regulatory practice in the property sector delivers certainty, codification, and aligns approvals with funding and resources for the delivery of infrastructure, as demonstrated by recent state-led planning initiatives.

Conversely, discretionary local approvals, unreformed federal tax treatment, and piecemeal council interventions illustrate poor regulatory responses that stifle business dynamism, reduce resilience, and worsen the housing crisis.

Another positive move would be the expansion of codified planning pathways, such as the Complying Development Certificate (CDC) system in NSW, Queensland and Victoria. This is a regulatory approach that reduces planning risks, cutting assessment timeframes, and improving certainty.

If CDCs could be available for medium-density housing or well-planned urban renewal areas, they offer a clear, rule-based system that supports faster delivery and more competitive project financing.

In short, reduced or changed regulation to facilitate flexibility, the ability to respond to market demand, scale, clarity, and speed of decision making, particularly for

[14] Klein, E. and Thompson, D. (2025) Abundance, How We Build a Better Future, Avid Reader Press/Simon & Schuster

infrastructure alignment with land use planning, will enhance business dynamism in the property sector, lowering the cost of housing supply.

Recommendation 15: that the Federal Government reward states with incentive payments to encourage a broader range of complying development codes for medium to high density housing and the removal of Design Competition and Design Review Panel bureaucracy.

3. Fostering Innovation and Adoption of Modern Construction Methods

A. Federal Government must lend more support to Modern Construction Methods

The housing sector is characterised by low rates of technological adoption, with regulatory impediments limiting the uptake of innovative construction methods.

The $54 million to support the growth of the prefabricated and modular construction sector and support innovative methods of construction as announced in the Commonwealth's 2025-26 Budget is welcome, but more could be done. While the Australian Government has taken initial steps, significant gaps remain in regulatory adaptation, industry scaling, workforce development, coordinated guidance, and targeted financial incentives, all of which are necessary to accelerate the adoption of modern methods of construction.

- *Comprehensive Regulatory Reform*: While the National Construction Code (NCC) provides a uniform technical framework, it has not been fully adapted to address the unique compliance, approval, and insurance challenges posed by MMC. There is still a lack of standardised regulations and consistent implementation across states and territories, which creates uncertainty and additional costs for MMC projects.

- *End-to-End Guidance and Coordination*: Existing resources, such as the ABCB's *Prefabricated, Modular and Offsite Construction Handbook*, do not address the full end-to-end process for MMC, nor do they provide detailed, practical guidance on planning, approvals, or installation. There is also limited coordination across jurisdictions, resulting in fragmented approaches and duplicated efforts.

- *Scaling and industry capacity:* Only a small number of government delivery agencies have integrated MMC into their capital works programs. The government has not yet established a robust pipeline of MMC projects at scale, which is essential to give industry the confidence to invest in offsite manufacturing facilities and supply chains.

- *Workforce and skills development:* There has been insufficient investment in training and upskilling the workforce for MMC-specific roles. The sector still faces challenges with a lack of skilled professionals familiar with these new methods, and training pathways remain restrictive and outdated.

- *Detailed funding and Incentive structures:* Although funding has been allocated for MMC initiatives, details remain vague regarding how these funds will be used, who will administer programs, and what specific outcomes are targeted. There is also a lack of clear, targeted financial incentives (such as grants or tax credits) specifically designed to offset the upfront costs of MMC adoption, particularly for smaller developers.

- *Addressing perceptions and demand:* The government has not yet launched widespread public awareness campaigns or industry education initiatives to address concerns about MMC quality and to foster greater acceptance among consumers and construction professionals

- Current ban of land lease communities/manufactured home estates within the Sydney basin (see below – modular housing and lend lease are highly complementary, yet the Planning Act in NSW currently bans such developments, despite this being a low cost path to housing in Australia's most expensive region.

B. Research and Development

There is a clear and urgent need to leverage Research and Development (R&D) tax concessions to promote the adoption and advancement of modern methods in housing construction across Australia.

The construction and property development sector faces mounting pressures to deliver more affordable, sustainable, and higher-quality housing at scale, while addressing skills shortages, productivity constraints, and the need for environmental innovation. Modern methods of construction—including prefabrication, modular building, digital design, and advanced materials—offer significant potential to meet these challenges, but their widespread adoption is often hindered by the financial risks and uncertainties associated with research, development, and implementation.

The Federal Government's R&D Tax Incentive is specifically designed to encourage companies to undertake experimental activities that generate new knowledge, processes, or products which might not otherwise occur due to commercial risk. In the context of housing construction, this incentive can play a pivotal role in offsetting the costs of developing and trialling innovative construction techniques, digital tools, and sustainable materials.Eligible activities may include the development of new building systems, the integration of automation and robotics into construction processes, or the creation of novel approaches to energy efficiency and waste reduction.

It is important to clarify that while the incentive does not cover the costs of acquiring or constructing buildings themselves, it can support the costs of eligible R&D activities embedded within broader projects, such as the design, prototyping, and testing of new construction systems or materials. This distinction ensures that the incentive targets genuine innovation, rather than subsidising standard business operations.

By expanding awareness and accessibility of the R&D Tax Incentive within the housing construction sector, government can directly encourage greater investment in modern construction methods.

This would accelerate the adoption of technologies and practices that improve productivity, reduce costs, enhance sustainability, and ultimately increase the supply and quality of housing. In turn, this supports broader policy objectives around housing affordability, urban renewal, and Australia's transition to a low-carbon economy.

Recommendation 16: Support the adoption of modern construction methods (e.g., modular and prefabricated housing) by removing regulatory barriers and funding extension services to assist industry transition.

Recommendation 17: Increase public R&D funding for housing construction and establish national platforms for sharing best practices and innovation.

C. More seed funding for modular housing

Building on the $54 million announced in the last Federal Budget, the Commonwealth should expand on this initiative and adopt a proactive approach to investment in modern methods of construction (MMC) through the provision of seed capital to establish offsite manufacturing facilities that will ensure appropriate levels of scale. Early funding enables hiring key expertise in areas like modular design, manufacturing, and project management, accelerating growth and allowing companies to serve larger, more demanding contracts. Early funding can support software development, new manufacturing equipment, and digital supply chain integration, all of which are essential for efficient and scalable MMC operations.

Besides financial support and R&D tax concessions, regulatory barriers to housing

Case Study – Land Lease Estates – Anywhere but Sydney! WHY?

Part 8 of Division 3 of the *State Environmental Planning Policy (Housing) 2021* (the 'Housing SEPP') concerns itself with regulating these developments. Section 118 states that among its aims, this Part of the SEPP seeks to:

"facilitate the establishment of manufactured home estates as a contemporary form of medium density residential development that provide an alternative to traditional housing arrangements."

With the backdrop of the need to promote housing supply and the Government's stated intentions of delivering more diverse housing across the State, Urban Taskforce believes that manufactured home estates offer an important lower cost alternative to traditional forms of housing that should be supported and promoted in the State.

However, Section 119 of the Housing SEPP **excludes** all land in the Sydney Region from manufactured home estate development:

S. 119 Land to which this part applies:

1. This Part applies to land that is within the City of Gosford or the Shire of Wyong and to all other areas in the State that are outside the Sydney Region. Land cost is a considerable part of the cost of delivering and buying housing in Sydney. The land lease/manufactured home estate model can reduce costs significantly, allowing people to own their homes without buying the land on which it sits. It is a very attractive model for seniors and those struggling to break into the housing market, such as young families and those recently arrived upon our shores.

Land lease models are widely used across the nation, and in recent decades have increased in quality and design. The existing ban in Sydney is an outdated hangover from past historic concerns (and possible prejudices) regarding these types of developments.

The ban adds to the stigma associated with this housing type – which then results in a high-quality product used across the rest of NSW and extensively in south-east Queensland, being prohibited. A simple change would be to amend the Housing SEPP to allow the same rules to apply to the entire State of NSW is all that is required at this stage.

developments like land lease communities remain. These barriers work against modular housing (see below Case Study above). The jurisdictions responsible for these out-dated regulatory barriers should remove them promptly.

Recommendation 18: Create a seed capital fund for offsite manufacturing facilities that will ensure appropriate levels of scale.

Recommendation 19: Outdated planning prohibitions on land lease communities in Sydney be immediately abolished.

4. Enhancing Workforce Skills and addressing the Union Movement's negative impact on productivity

A. Need for targeted attraction of skilled construction workforce and boost labour productivity

Federal Productivity Commission's paper, *Housing construction productivity: Can we fix it?* correctly highlighted the industry constraints on productivity, which included a criticism of the failure of the Commonwealth to recognise the catastrophic impact of their immigration policy leaving skilled construction workers off the essential worker list for so long.

While progress has been made over the past 12 months, more action is required. To help address labour supply shortage and costs, there needs to be ongoing streamlining of the skilled visa grant program. The system remains complex, with frequent policy updates, varied streams, and rigorous eligibility checks that can still challenge prospective applicants. Legal experts and migration stakeholders highlight the importance of professional advice due to the "complexity of these new regulations". [15] There is a need for growing improvement , including the skilled visa grants for building and construction workers, from engineers right through to carpenters, plumbers, and electricians.

There is also the need for further administrative assistance for small employers, particularly subcontractors, to successfully attract and engage skilled visa holders and retain them in the building and construction sector.

Recommendation 20: That the Federal Government continue its ongoing improvements to the skilled visa program to better and more quickly attract overseas workers into the construction industry, as well as assistance for sub-contractors to successfully engage skilled visa holders and retain them in the building and construction sector.

B. Union militancy has significant and daily impacts on productivity and needs to be curbed

Construction industry Enterprise Bargaining Agreements (EBAs) have, by and large, delivered significant wage increases for employees in recent years, but these increases have not always been explicitly tied to productivity gains.[16]

Recent reforms promote workplace-level negotiation but do not mandate clear productivity measures. As a result, wage outcomes in EBAs regularly outpace inflation or economy-wide averages.

Part of the structural issue is the iron grip that the CFMEU has had has resulted in rising labour costs which have not been matched by improved productivity. In fact, quite the opposite.

---

[15] https://jamesonlaw.com.au/immigration/australian-immigration-changes-taking-effect-july-2025/

[16] See https://www.linkedin.com/pulse/do-enterprise-agreements-improve-productivity-brief-review-zeb-holmes/

The impact of a militant unionism, in stark contrast to the union movement of the 1980's and early 1990's which instead worked with the Federal Government and corporate Australia on nation building reform.

Nowhere more so that the construction sector, which is struggling to deal with incessant and unreasonable demands from unions like the largely discredited CFMEU and others like the Electirical Trades Union.
Economic analysis by Queensland Economic Advocacy Solutions (QEAS) in 2024, prepared by Master Builders Queensland, found that the CFMEU Queensland Enterprise Bargaining Agreement (EBA) has had a significant inflationary impact on apartment construction costs across Queensland. The analysis reported construction costs for apartment projects under a CFMEU EBA were between 18% and 33% higher than those using non-union EBAs, depending on factors such as site usage and project scale.[17]

Master Builders Queensland research cited in this analysis observed average increases in building costs of up to 30% when the CFMEU was involved. A practical example, the price of a two-bedroom apartment was found to be more than $250,000 more expensive to build under a CFMEU EBA, compared to a non-union equivalent. The study also concluded CFMEU-controlled sites took 50% longer to build, largely due to a combination of higher negotiated wages, stricter site conditions, and frequent industrial actions such as work stoppages and disputes.[18]

Estimated Weeks and Additional Weeks to Build an Apartment Building

Floors	Basements	Non EBA	Low application	Medium application	High application
10	2	56 weeks	+ 9 weeks	+ 19 weeks	+ 28 weeks
15	2	79 weeks	+ 13 weeks	+ 26 weeks	+ 39 weeks
20	3	107 weeks	+ 18 weeks	+ 36 weeks	+ 53 weeks
25	3	130 weeks	+ 22 weeks	+ 43 weeks	+ 65 weeks

Source: QEAS 2024 based on industry consultation

Cost increases were not attributed to worker wages alone, but also to the union's broader influence on project scheduling, labour allocation, engagement of contractors, and project management constraints.

These increased costs have direct consequences for affordability, making it particularly more difficult for first-home buyers, investors, and downsizers to access or enter the apartment market. A further illustration of some of the issues impacting the construction sector in NSW is listed below:

- Single time pay goes straight into double time after 36 hours in a week
- No concrete pours after 10am
- Limits on hours of work per day combined with the scheduling of fixed RDOs – means there is not only no flexibility during critical periods of a project's delivery, but also that average number of available days to work is only 4.2 days per week (including work done on weekends)

[17] QEAS, Economic Analysis of the Impact of the CFMEU Queensland EBA on Queensland apartment construction prices 2024, p. 5
[18] Ibid., p.4

- The same job same pay regulation (between those hired direct through EBA conditions and those hired as sub-contractors via an ABN registered company) means the highest rate of pay must apply to everyone performing the same task on that project
- Security guards and traffic controllers' rates of pay
- Prescribed number of paid union meetings
- Piece rates outlawed
- Triggers for inclement weather now include rain, heat over 36 degrees Celsius, smoke, lightning, and wind
- Only certain workers can de-water after inclement rain weather event, the rest of the workers get paid whilst sitting in the sheds.

This union militancy is a serious drag on the productivity, efficiency and international competitiveness of many Australian sectors. For Australia to boost its productivity, the extreme measures secured by the most militant unions across the country must be kerbed. The Queensland Government's Commission of Inquiry into the CFMEU is timely review of the activities of the CFMEU in that State. Pending the outcome of the inquiry, the Commonwealth should undertake a review of all EBAs that were entered into under the oversight of the now disgraced union.

Recommendation 21: That the Commonwealth commission Fair Work Australia to undertake a pro-active review of all EBA's associated with the CFMEU with a mandate to drive productivity improvement in this sector.

Recommendation 22: That reforms are made to Australian EBA's to explicitly link wage rises to commensurate productivity growth.

C. National Consistency in Occupational Licensing in Australia

Australia's fragmented occupational licensing system, with each state and territory maintaining its own rules, creates significant barriers for workers and businesses.

These inconsistencies increase costs, limit labour mobility, and reduce economic productivity. National consistency in occupational licensing would enable qualified professionals to work seamlessly across borders, addressing skills shortages and supporting economic growth. For example, national licensing in the electrical trades is projected to boost economic output by up to $10.3 billion by removing unnecessary barriers and allowing skilled workers to move where they are most needed.

Regular, independent reviews are essential to ensure licensing requirements remain justified and do not become outdated or overly restrictive. Without such scrutiny, unnecessary red tape can accumulate, hindering business operations, discouraging workforce participation, and increasing consumer prices—especially in low-risk occupations.

Reviews should be evidence-based, comparing requirements across jurisdictions and assessing whether restrictions genuinely improve consumer safety or simply limit competition and innovation.

A consistent, regularly reviewed licensing system would reduce compliance costs, enhance labour mobility, and support national productivity, while ensuring that public safety and consumer protection are not compromised. Ultimately, this approach balances the need for regulation with the imperative to remove unjustified barriers to employment and economic participation.

Recommendation 23: Continue to pursue national consistency in occupational licensing through such measures as automatic mutual recognition of trade qualifications, with regular independent reviews to identify and remove unnecessary restrictions.

5. Prioritising Infrastructure to enable housing delivery and new jobs

A. Commonwealth needs to fund more housing enabling infrastructure

For too long, the Commonwealth has eschewed its responsibility for funding infrastructure to support the housing of the growing population deriving from immigration numbers which they benefit from in terms of taxation receipts and economic growth generally.

This infrastructure funding disparity has come home to roost and is a serious problem for housing supply.

While the Federal election saw a shift towards an explicit responsibility for infrastructure with promises of significant sums of funds for housing related infrastructure, there was no system established to require the delivery of housing. This is very welcome by those keen to see more housing supply, particularly in greenfield locations.

There is a new focus on housing-enabling infrastructure through a combination of direct funding, concessional finance, long-term investment vehicles, planning support, and strong partnerships with state, territory, and local governments, there is an opportunity for this support to expand and support the delivery of market housing through enhanced funding of the roads and water infrastructure.

This is particularly the case for stand-alone market housing in Western Sydney. The Greater Western Sydney is a growing economic powerhouse.

It is Australia's third-largest city economy, with a gross regional product (GRP) of approximately $170 billion, accounting for 23% of NSW's gross state product.[19]

The region's economy has been growing faster than the rest of Sydney, recording a 5% GRP growth rate in 2023 compared to 2.2% for the rest of Sydney. Parramatta, a key centre, is expanding rapidly, with its population now exceeding that of Sydney City.[20]

---

[19] Western Sydney University, Unlimited Potential (2024) Unlimited-Potential.pdf
[20] Ibid

A diverse population, including a core managerial class, is required to support that growth. This requires a diversity of housing typologies.

Not everyone wishes to live in an apartment.

This is where greenfield housing plays an important role. Yet currently it is constrained due to the cost of connecting new greenfield with water and wastewater infrastructure, as well as road upgrades.

With state governments fiscally challenged, the fallback position is to place developer charges on much of the infrastructure required to service this growth.

With demand for housing outstripping supply, this results in a very inelastic demand curve which results in these charges being passed onto new home buyers.

In effect, the new home purchasers in Sydney (many of whom are young families and individuals trying to get a foothold in the property market) are paying for infrastructure in the form of higher new home prices.

Western Sydney needs to grow to house the population growth being driven by Commonwealth policy. As in the case of taxation, the best approach to raising revenue to fund infrastructure is through a broad base - namely through consolidated revenue Government funding.

At the very least, the $3 billion New Homes Bonus, established at the time of the agreement to the National Housing Accord, should be recalibrated and offered to States that undertake the required policy and other regulatory reforms which stimulate housing supply.

On top of that, a significant commitment of Federal funding should be allocated to States for the provision of housing enabling infrastructure.

Recommendation 24: that the Federal Government recalibrate and substantially increase the $3 billion New Home Bonus and provide upfront funding to proactively assist States in the provision of housing enabling infrastructure.

It is estimated that $100,000 is added to the cost of every new home through a range of Government fees, taxes and charges. The cost for this is ultimately borne by the new home buyers.

Case Study: the Whitlam Government's Macarthur Development Corporation

The Whitlam Government made a significant and lasting contribution to infrastructure in Western Sydney by establishing the Macarthur Development Corporation in the early 1970s. This initiative, led by then Urban and Regional Development Minister Tom Uren, was designed to direct federal funding into the region to improve both economic and social outcomes for communities such as Campbelltown.

The Macarthur Development Corporation was one of the first major examples of direct Commonwealth involvement in urban development outside the inner cities. Its objective included:

Coordinating land release and urban planning to manage population growth and urban sprawl in Western Sydney.

Investing in essential infrastructure such as roads, water, sewerage, and public amenities to support new housing and employment areas.

Fostering economic development by making Western Sydney more attractive for industry and jobs, rather than just a dormitory suburb for central Sydney.

This approach marked a shift in federal policy, recognising the need for national leadership and funding in urban infrastructure to ensure equitable growth and opportunity in rapidly expanding out metropolitan regions.

The creation of the Macarthur Development Corporation was a foundational step in improving the economic and social fabric of Western Sydney, and it set a precedent for ongoing federal involvement in the region's infrastructure and development.

B. Reduce reliance on State and local infrastructure levies

The need to reduce state and local government infrastructure levies has become increasingly pressing for the property development sector and those supportive of new housing and jobs.

Infrastructure levies—imposed by state and local governments on new developments—are intended to fund essential public assets such as roads, parks, community facilities, and transport infrastructure. While these charges play a legitimate role in supporting the growth and liveability of communities, their current scale and structure are imposing significant burdens on housing affordability, project feasibility, and investment confidence.

Across Australia, infrastructure levies are structured in various forms, including local infrastructure contributions, state-level growth area charges, and targeted levies for specific projects or services. In NSW, for example, local infrastructure contributions under sections 7.11 and 7.12 of the *Environmental Planning and Assessment Act* 1979are charged per dwelling or as a percentage of development costs.
In Victoria, the Growth Areas Infrastructure Contribution (GAIC) imposes substantial per-hectare charges on land within urban growth boundaries. Local governments in Queensland and other states also levy infrastructure charges through local government infrastructure plans, with maximum charges set by state legislation and indexed over time.

These levies can be substantial, often running into tens of thousands of dollars per dwelling or per lot, and are frequently cited by developers as a major factor in escalating project costs. The cumulative impact of these levies is to increase the cost of new housing and commercial development, which is ultimately passed on to homebuyers, renters, and businesses.

At a time when Australia faces acute housing shortages and affordability pressures, high infrastructure levies act as a direct impediment to increasing supply.

They render otherwise viable projects unfeasible, slow the delivery of new homes, and discourage investment in the very areas where growth and renewal are most needed. Moreover, the complexity and variability of levy regimes across jurisdictions create uncertainty and administrative burdens for developers, further undermining confidence and efficiency in the planning and delivery process.

Recent changes to infrastructure contribution systems, such as the move in NSW to prevent "double-charging" on medium and high-density developments and to clarify the timing of payments, are welcome steps toward greater fairness and transparency. However, these reforms do not address the underlying issue of the overall quantum of levies, which remains high by international standards and continues to rise in line with construction costs and infrastructure demands.

The rationale for reducing state and local government infrastructure levies is therefore clear. Lowering these charges would directly improve the feasibility of new development, support increased housing supply, and help address affordability challenges. It would also enhance Australia's competitiveness as a destination for property investment and reduce the administrative burden on both developers and government agencies.

Importantly, any reduction in levies should be accompanied by a renewed commitment from state and federal governments to adequately fund the infrastructure required to support growth, rather than shifting the burden disproportionately onto new development and, by extension, future residents.

While "user pays" as a tax principle has merit in some situations, the principle of "beneficiary pays" applies to the housing and property sector. In the case of infrastructure levies, the beneficiaries must also include the broader community who gain individually and collectively from the economic growth stemming from the new housing and jobs delivered though the property development sector.

Given that approximately $100,000 in various fees taxes and charges is added to the production of every house in a jurisdiction like NSW, the Commonwealth should establish a National Infrastructure Productivity Fund, comprising at least $60 billion in funding over the period of the National Housing Accord, to facilitate the delivery of infill and greenfield housing, predicated on the removal of equivalent infrastructure levies by the recipient state and territory governments. This should not be a windfall for cash strapped state jurisdictions.

Recommendation 25: The Commonwealth established an Infrastructure Productivity Fund of at least $60 billion, allocated over the period of the Accord to the States and Territories according to need, impact, and willingness to reduce their reliance on state and local infrastructure levies.

These measures would help remove infrastructure bottlenecks, accelerate new housing supply, and ensure that infrastructure investment is tightly aligned with national housing targets and productivity goals.

C. Streamlining infrastructure procurement processes

Related to regulatory reform, there is an urgent need to Streamline procurement practices and adapt to facilitate an emphasis on collaborative procurement for major infrastructure and commercial development as this will ensure that there is innovation that recognises the need to share risk.

This requires a combination of process reform, collaboration, digital transformation, and smarter risk and supplier management is essential. Key benefits from the reforms include:

- Increase project speed to market
- Boost collaboration between Government and industry
- Coordinated infrastructure pipelines to reduce bottlenecks
- Improved leveraging of digital and technological solutions
- Enhanced supplier capability and market access

These actions collectively help remove unnecessary delays, foster innovation, bolster industry participation, and ensure Australian infrastructure procurement is fit to meet current and future challenges

Recommendation 26: Streamline procurement practices and adapt to facilitate an emphasis on collaborative procurement for major infrastructure and commercial development as this will ensure that there is innovation that recognises the need to share risk.

6. Excessive public sector growth – the crowding out impact

An emerging concern is the growth in the public sector and attempts for more public sector led delivery. Public sector productivity is opaque, and governments are underusing the private sector and the use of competition within the private sector to improve productivity.

The crowding out of the private sector is not merely an extravagant use of taxpayer's funds but has an ongoing negative impact on productivity levels.

When the public sector expands significantly, through increased hiring or government spending, it crowds out the private sector, with important consequences for productivity.

Crowding out occurs primarily when the government competes with private firms for workers, particularly where there is a shortage created by poor immigration targeting, then drawing talent away from the private sector. This is especially impactful when the private sector is the main driver of productivity and innovation in the economy.

This was noted by the Federal Department of Employment, which, in its incoming brief to the Federal Minister for Employment noted that 4 out of the 5 jobs generated in the nation over the last 2 years was in the public sector, with the Department noting that "as *the non-market sector's share of the economy has grown, this has impacted measures of overall productivity growth"*[21]

The preferred approach should be the strategic deployment of public resources to act as a springboard for private sector investment and activity. Two recent examples of this in

[21] Quoted in the AFR, "Government and NDIS jobs boom drags down productivity" July 16

practice is the Housing Australia Future Fund Facility (HAFFF) and the NSW Government's pre-sale finance guarantee.

These are example of smarter and less intrusive use of taxpayers' funds – supporting and working with the private sector, not against it.

Recommendation 27: The Federal and State Governments commit to reduce the crowding out effect of public sector employment and investment in sectors where the private sector can deliver more efficiently.

Conclusion

The property development and construction sector is a prism through which many of the ails afflicting the national economy can be assessed and addressed.

A tax system not fit for purpose. Governments' seemingly unquenchable predilection for a never-ending array of regulations must be curtailed.

The consistent failure of governments to embrace innovation and new ways delivering more output, cheaper, is damning.

Artificial labour shortages caused by the clumsy Federal Government response to the post pandemic Immigration Department and compounded by the union movement's obstinate refusal to work towards a prosperous nation for all.

As well as the underfunding by Governments at all levels to build infrastructure that facilitates new housing.

These matters have coalesced to create the housing supply crisis which lies at the heart of the nation's productivity crisis.

Fix housing and you are a long way to fixing productivity.

The housing sector is meant to be able to respond to the changing nature of society and its needs. In recent decades, for all the reasons provided above, the housing sector has struggled to respond to changes in demand. This has created not only social and intergenerational equity issues, but it has severely harmed the economy and its productiveness.

The main loss of productivity is in the housing construction that is never commenced. Improving productivity in Australia's housing sector is critical to addressing affordability challenges and supporting economic growth.

The recommendations outlined above require coordinated action across all levels of government and collaboration with industry stakeholders. By streamlining approvals, reforming housing and employment related regulations, fostering innovation, investing in workforce skills, and prioritising enabling infrastructure, the Australian Government can make significant progress towards its housing and productivity objectives.

Should you wish to discuss any aspect of this submission further, call our Head of Policy, Planning and Research, Stephen Fenn on 0423 027 657 or via email stephen@urbantaskforce.com.au

Yours sincerely

Tom Forrest
Chief Executive Officer