



ALGA

Australian Local
Government Association

Productivity Commission Inquiry: Housing Supply Regulation

Productivity Commission inquiry: Housing supply regulation

Introduction

The Australian Local Government Association (ALGA) is the voice of local government in Australia, representing 538 councils across the nation. ALGA was established in 1947 and throughout its history has been actively involved in issues of national significance affecting local government and local communities.

In structure, ALGA is a federation of state and territory local government associations. This submission should be read in conjunction with any separate submissions received from state and territory associations as well as individual councils.

ALGA welcomes the opportunity to provide this initial response to the Productivity Commission's inquiry into housing supply regulation. Local government has a direct role in the liveability, infrastructure and implementation settings that make new housing possible. Councils are responsible for essential infrastructure, local services, place-based implementation and community-level delivery issues that cannot be separated from the national housing supply challenge.

Our submission focuses on national issues where a local government perspective can add value: housing-enabling infrastructure, development contributions, construction productivity, approval coordination, post-approval bottlenecks, modern methods of construction, regional commercial feasibility and the need to treat councils as delivery partners.

We welcome the Australian Government's announcement of a \$2 billion Local Infrastructure Fund under the Housing Support Program. This is a significant and positive recognition that enabling infrastructure is central to housing supply. The fund should assist councils and utilities to address practical infrastructure barriers to new housing. However, because guidelines are still to be released, it should be considered an important forthcoming support measure rather than evidence that infrastructure constraints have been resolved.

Housing supply will not be increased by treating local government as the cause of delay or as a passive implementation arm. Councils are partners in achieving housing targets. Where governments expect a step-change in housing supply, they must also address the infrastructure, regulatory coordination, funding and market feasibility issues that determine whether approvals become completed, serviced and liveable homes.

Local government is not opposed to planning reform. Councils have been active participants in reforms that improve efficiency, transparency and housing delivery. However, reform must be evidence-based, properly sequenced and focused on actual constraints. Superficial analysis that assumes planning is the primary barrier risks creating additional regulatory churn, diverting scarce planning capacity and slowing reforms that are already underway. The Productivity Commission should distinguish between genuine planning system improvements and reform proposals that simply shift responsibility, reduce local input or weaken place-based decision-making without improving housing delivery.

Response to request for submissions

This response draws on the ALGA-commissioned Equity Economics report, the Productivity Commission housing construction productivity research paper, and the Productivity Commission call for submissions document. Source references are included under each section to show which documents have been used.

Given ALGA's national role, this submission focuses on the information requests most directly relevant to local government's national interests: regulatory reform priorities, development contributions, and housing-enabling infrastructure.

Key messages

- We welcome the Australian Government's announced \$2 billion Local Infrastructure Fund as a practical response to a key barrier identified by councils. The fund should assist councils and state utilities to deliver essential "last mile" infrastructure for new housing, including local roads, water, sewerage and stormwater infrastructure. However, the fund has not yet rolled out, so its practical impact will depend on program design, eligibility, accessibility for councils, speed of delivery and how well it complements rather than replaces other funding sources.
- This submission does not assert state-specific planning positions. We defer to our state and territory association members to provide specific commentary given the different regulatory systems across the nation.
- Housing supply is not being constrained by a single regulatory issue. The PC inquiry identifies approval processes, land availability and housing-enabling infrastructure as the three focus areas. We support a balanced approach that recognises infrastructure, financing, workforce capacity, construction productivity and market feasibility as critical constraints.
- Local government should be treated as a partner to assist in the life cycle of housing developments. All new housing is delivered in local places and depends on infrastructure, services and community acceptance. Local government needs to be involved in policy design and implementation, not just consulted after targets and reforms have been set.
- In the Northern Territory, local government does not generally have a direct or controlling role in delivering housing-enabling infrastructure for new builds, as these responsibilities largely sit with Territory agencies. However, councils are often left with service, maintenance and community-level responsibilities after housing and infrastructure are delivered. This reinforces the need for local government to be directly involved in early housing and infrastructure planning, particularly in regional and remote areas where councils have limited own-source revenue and constrained capacity to absorb new servicing obligations.
- Infrastructure is the clearest national issue for this inquiry. The Equity Economics report commissioned for ALGA estimated that achieving the 1.2 million homes target would require at least \$19.4 billion over five years to fill the trunk infrastructure gap, with a gap of at least \$5.7 billion between projected current delivery and the Housing Accord target.
- Development contributions need reform, not simple reduction. Poorly designed contributions can affect project feasibility but removing or suppressing contributions without replacement funding risks shifting costs to councils and existing communities, delaying the infrastructure that makes housing liveable.
- Modern methods of construction should be supported through clearer regulatory pathways. Prefabricated, modular and offsite construction can help improve productivity, but only where certification, liability, compliance and finance settings are clear and consistent.

- Overall ALGA supports clearer sequencing and better coordination between approval bodies, transparent timeframes, and adequately resourced regulators and service delivery agencies for planning purposes.

Sources used: PC Call for submissions, pp. 4-5 and 10-12; PC Housing construction productivity research paper, pp. 2-10 and 55-57; Equity Economics, Addressing the housing crisis, pp. 4-5, 13, 19 and 22-23. Treasury, Local Infrastructure Fund webpage, 2026-27 Budget; Treasury Ministers, More homes and a fair go for first home buyers, 12 May 2026; Department of Infrastructure, Supporting Local Government 2026-27 Budget fact sheet.

Evidence base

ALGA and our members look forward to further consultation with the Productivity Commission as the inquiry progresses, including the opportunity to provide more detailed input following release of the interim report.

The Productivity Commission has stated a preference for data, case studies and evidence on which rules lead to problems and costs, as a means of determining the highest priorities for reform.

ALGA recommends that the Productivity Commission urges the collection of nationally consistent end-to-end housing supply pipeline data, from land availability and rezoning through to approval, commencement, completion, connection and occupation.

These sources have informed our response on infrastructure funding, development contributions, construction productivity, approval coordination, regional feasibility, and the need to ensure local government is properly engaged in implementation.

- [Productivity Commission: Housing supply regulation, call for submissions](#)
- LGAQ submission to the Productivity Commission Inquiry into housing supply regulations
- WALGA submission to the Productivity Commission Inquiry into housing supply regulations
- LGNSW, *Unlocking Homes: Accelerating delivery of local and state infrastructure for NSW*
- [Productivity Commission: Housing construction productivity, Can we fix it?](#)
- [Equity Economics / ALGA: Addressing the Housing Crisis, Unlocking Local Government's Contribution](#)
- [Australian Treasury: Local Infrastructure Fund](#)
- [Minister for Housing media release: More homes and a fair go for first home buyers](#)

With the expanded time frames of the more detailed consultation process - further data and case studies can be provided.

Responses to the Productivity Commission information requests:

1. Which regulatory reforms should governments prioritise to get more homes built more quickly?

We recommend that Federal, State and Territory governments prioritise reforms that improve delivery certainty and reduce avoidable delay without transferring unfunded risk to local government or weakening legitimate safety, environmental, accessibility and liveability objectives.

The recent announcement of the Local Infrastructure Fund reinforces the point that housing-enabling infrastructure is now recognised nationally as a binding supply constraint. We welcome the fund and its regional allocation but note that its practical impact will depend on program design, eligibility, speed of rollout and whether councils with limited administrative capacity can access it in practice.

Priority reforms should include:

- Clearer approval coordination across the full development-to-occupation pathway, including post-approval infrastructure connection and certification steps.
- Appropriately resourced regulatory and service delivery agencies, including councils where they carry approval, compliance, infrastructure, maintenance or local service responsibilities. In jurisdictions such as the Northern Territory, where Territory agencies have primary responsibility for enabling infrastructure delivery, councils still need to be involved in planning because they may inherit ongoing service and maintenance obligations once housing is delivered.
- Nationally consistent guidance for prefabricated, modular and offsite construction, including certification, product assurance, compliance and liability pathways.
- A more reliable funding model for housing-enabling infrastructure, particularly trunk and basic local infrastructure required before homes can be occupied and communities can function.
- Workforce capacity across the full housing delivery chain, including construction trades, planners, engineers, building surveyors, certifiers, compliance officers and infrastructure delivery specialists.
- Climate-ready infrastructure standards that reflect future climate conditions, asset deterioration, extreme weather exposure and the increased cost of designing, maintaining and renewing infrastructure that supports housing.
- Reforms to development contributions frameworks that improve transparency and predictability while ensuring infrastructure costs are not simply transferred to councils or existing ratepayers.
- Targeted support for regional and rural housing markets where projects may not be commercially viable despite strong local need.

The inquiry should avoid treating approval timeframes as a proxy for housing delivery. Evidence from WALGA's performance monitoring shows that councils can process large volumes of applications efficiently, with most applications approved, determined under delegation and completed within statutory timeframes. The more significant question is why approved housing does not proceed to commencement, completion or occupation. This requires attention to infrastructure connections, utility coordination, financing, workforce availability, construction costs and development staging.

Approval efficiency also depends on the quality of applications submitted. Poorly resolved designs, incomplete information and limited understanding of planning and building requirements within parts of the development sector can create avoidable delays. Investment in better pre-lodgement advice, digital

assessment systems, clearer guidance and sector capability would be more productive than simply imposing new statutory pressure on councils.

The Productivity Commission should give greater attention to post-approval bottlenecks. Approval does not create a home unless development can commence, connect to essential infrastructure, satisfy certification requirements and reach occupation. Councils report delays associated with utility connections, street lighting activation, infrastructure sequencing, financing, commencement conditions and development staging. These issues can cause approved projects to stall, permits to approach expiry and infrastructure to be delivered out of sequence with housing need.

Evidence to support these positions includes the PC's finding that dwelling construction productivity has declined over the long term, with dwellings completed per hour worked falling by 53 per cent over 30 years and dwelling construction gross value added per hour falling by 12 per cent. The PC also identifies slow approvals, poor coordination, low innovation, low scale, and workforce constraints as contributors to poor housing construction productivity. The Equity Economics report provides evidence that infrastructure funding is a central constraint for local government, with 80 per cent of surveyed councils reporting inadequate infrastructure funding and only 5 per cent reporting adequate funding to cover trunk infrastructure costs.

Sources used: PC Call for submissions, pp. 4-5; PC Housing construction productivity research paper, pp. 2-10; Equity Economics, Addressing the housing crisis, pp. 5 and 13. Treasury, Local Infrastructure Fund webpage, 2026-27 Budget.

6. How do development contributions and contributions frameworks affect project feasibility and new housing supply?

Development contributions are a necessary mechanism for funding infrastructure required by new housing, but poorly designed frameworks can create uncertainty, affect feasibility and slow delivery. The issue is not whether contributions should exist. The issue is whether they are equitable, transparent, predictable, efficiently calculated and aligned with the infrastructure needed to support growth.

Well-designed contribution schemes provide a predictable framework for funding the infrastructure that makes development possible. They can reduce negotiation, clarify obligations for landholders and developers, and support earlier infrastructure planning. Where contributions are removed, capped or deferred without replacement funding, governments risk creating an unsustainable dependency on grant funding and shifting infrastructure costs to councils and existing communities.

We submit that development contributions frameworks should:

- Provide certainty about the amount, timing and infrastructure purpose of contributions.
- Distinguish between basic infrastructure directly required for new housing and broader social infrastructure with wider community benefits.
- Avoid transferring the cost of growth-related infrastructure to existing communities.
- Be accompanied by Commonwealth and state funding where the infrastructure required is beyond what can reasonably be recovered from a specific development.
- Use the announced Local Infrastructure Fund to reduce feasibility barriers where essential enabling infrastructure would otherwise make viable housing projects unable to proceed, while ensuring it complements rather than replaces clear contributions frameworks and broader state infrastructure responsibilities.

- Recognise that reducing contributions may improve short-term feasibility for some projects but can worsen supply if the infrastructure needed to activate housing is not funded and delivered.

The PC call for submissions recognises that developers typically pay for a proportion of housing-enabling infrastructure through contributions and asks whether contributions are the right mechanism for additional or social infrastructure not linked to residents of particular sites.

The Equity Economics report provides the strongest supplied evidence base for the local government infrastructure issue, including its estimate of a \$19.4 billion trunk infrastructure funding gap over five years to achieve 1.2 million homes and survey evidence that 40 per cent of councils had cut back on new infrastructure projects because of inadequate trunk infrastructure funding.

We note that the \$2 billion Local Infrastructure Fund is a welcome acknowledgement that development contributions alone cannot always fund the infrastructure needed to unlock housing supply. The fund should assist, particularly where "last mile" infrastructure is the barrier to commencement or occupation. However, because it has not yet rolled out, it should be treated as an important forthcoming measure rather than evidence that the infrastructure funding problem has been resolved.

Sources used: PC Call for submissions, pp. 11-12; Equity Economics, Addressing the housing crisis, pp. 5 and 13; Treasury, Local Infrastructure Fund webpage, 2026-27 Budget; Department of Infrastructure, Supporting Local Government 2026-27 Budget fact sheet.

7. What other regulations relating to housing-enabling infrastructure should be a priority for reform?

The PC defines housing-enabling infrastructure as including basic infrastructure such as roads, footpaths, stormwater, sewerage, water, gas, electricity, telecommunications and street lighting, and social infrastructure such as public open space, transport, health services, toilets, sporting facilities, schools and community buildings. This distinction supports the need for clear funding responsibilities and direct support to local government for the infrastructure that enables housing supply.

The announced Local Infrastructure Fund aligns with this definition and should be welcomed. It is intended to support local governments and state utilities to build essential infrastructure for new housing, with \$500 million reserved for regional Australia and applications expected to open later in 2026.

The design of the Local Infrastructure Fund should also recognise that the entity responsible for delivering enabling infrastructure may not be the same entity that carries ongoing local service, maintenance or community-level responsibilities. This is particularly important in the Northern Territory, where housing-enabling infrastructure for new builds is generally delivered through Territory-level agencies rather than local government. Regional and remote councils may have little or no own-source revenue, including limited rates income, and cannot reasonably be expected to service the ongoing infrastructure needs of new housing developments without appropriate and additional financial support.

The priorities that we present are practical and delivery-focused rather than framed as broad planning reform.

Priority areas include:

- Clearer infrastructure funding responsibility between developers, councils, state agencies, utilities and the Commonwealth.
- Design and rollout of the Local Infrastructure Fund in a way that is administratively practical for councils, supports both metropolitan and regional delivery, and provides timely funding for projects that can unlock near-term housing supply utilising established pathways which councils are already familiar with, where they exist (such as Queensland's Residential Activation Fund).
- Better alignment between population projections, strategic planning, infrastructure sequencing and housing need, so growth targets are realistic and infrastructure investment is directed to locations where housing can actually be delivered.
- More consistent processes for infrastructure connection and sequencing, including water, sewerage, stormwater, roads, footpaths, electricity, telecommunications and street lighting.
- Improved alignment between infrastructure funding decisions and housing delivery commitments.
- Regulatory settings that support innovative construction and infrastructure delivery methods where they can safely reduce cost and time.
- Transparent reporting on infrastructure bottlenecks that delay commencement, completion or occupation of new homes.
- Recognition that social infrastructure and liveability infrastructure are part of housing supply, not optional extras after dwellings are built.
- Public and active transport planning and investment as core housing-enabling infrastructure, particularly where density controls, medium-density provisions and development feasibility depend on access to frequent transport and walkable local networks.

Sources used: PC Call for submissions, pp. 11-12; Equity Economics, Addressing the housing crisis, pp. 13 and 22-23; PC Housing construction productivity research paper, pp. 55-57.

Additional national issues for further consideration

ALGA also recommends that the Productivity Commission consider several cross-cutting issues that affect the capacity of councils, regulators, utilities and the development sector to translate planning intent into completed homes:

- **Workforce capacity:** shortages across construction trades, planning, engineering, building surveying, certification, compliance and infrastructure delivery constrain every stage of the housing pipeline.
- **Climate adaptation:** changing climate conditions are increasing infrastructure costs, shortening asset life and requiring design standards and maintenance budgets to reflect future rather than historical conditions.
- **Public and active transport:** transport access is increasingly central to density, feasibility and liveability, and should be treated as housing-enabling infrastructure.

Recommendations:

- **Recommendation 1:** The Productivity Commission should identify housing-enabling infrastructure as a core supply constraint, including local roads, stormwater, water, wastewater, open space, community infrastructure and other works needed before new housing can be serviced and occupied.
- **Recommendation 2:** Federal, State and Territory Governments should provide reliable, long-term and directly accessible infrastructure funding for local government to support housing supply, with funding design that recognises councils' limited revenue base, ensures appropriately balanced co-contribution requirements, reduces administrative burden, and accounts for ongoing service and maintenance responsibilities that may fall to councils after infrastructure and housing are delivered.
- **Recommendation 3:** The announced \$2 billion Local Infrastructure Fund should be recognised as a welcome and important Commonwealth investment. Its rollout should be expedited, designed in consultation with local government, and evaluated against practical delivery measures, including infrastructure delivered, homes enabled, regional distribution, access by councils with limited grant-writing capacity, and whether funding arrangements adequately account for ongoing service and maintenance responsibilities in regional and remote communities.
- **Recommendation 4:** Development contributions frameworks should remain transparent, predictable and linked to the infrastructure required by growth. Where contributions are capped, reduced, deferred or removed to improve project feasibility, governments should provide replacement funding so that councils are not left with unfunded infrastructure obligations.
- **Recommendation 5:** Contributions and infrastructure funding arrangements should account for regional and rural housing markets where projects may not be commercially viable despite demonstrated local need, and where councils have limited capacity to forward-fund infrastructure before development revenue is realised.
- **Recommendation 6:** Governments should collect and publish nationally consistent end-to-end housing supply pipeline data, from land availability and rezoning through to approval, commencement, completion, connection and occupation.
- **Recommendation 7:** The Productivity Commission should develop forward-funding models that could be adopted by the Federal or State governments, including no-interest or low-interest infrastructure facilities, that allow councils to deliver infrastructure ahead of developer contribution receipts, with repayment occurring as contributions are collected over the life of a contributions plan.

Sources used: PC Call for submissions, pp. 4-5 and 10-12; PC Housing construction productivity research paper, pp. 2-10 and 55-57; Equity Economics, Addressing the housing crisis, pp. 5, 13, 19 and 22-23.

Contact details

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