



An Australian Government Initiative



NSW & ACT

Submission to the Productivity Commission Inquiry into Housing Supply Regulation

Regional Development Australia Sydney

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Table of Contents

Executive Summary	3
Recommendations	5
Addressing the Terms of Reference	7
1. Approval processes and barriers to more productive construction methods	7
2. Priority regulatory reforms to get more homes built more quickly	8
3. Approval steps that are most onerous, time consuming and costly	8
4. Recent reforms: NSW Building Productivity Reforms	9
5. Availability and use of land for housing	10
6. Housing-enabling infrastructure and development contributions	10
7. Finance and funding-pipeline settings	11
8. Evidence and examples	12
9. Prioritised reform list for the interim report	14
Conclusion	14
References and source material	14

Executive summary

[Regional Development Australia Sydney](#) welcomes the opportunity to contribute to the Productivity Commission's inquiry into housing supply regulation.

RDA Sydney works with and supports regional RDA committees across NSW and the ACT, drawing on their place-based intelligence about the barriers affecting regional communities. Housing supply has been consistently raised by regional RDA colleagues as a constraint on workforce attraction, essential service delivery and regional economic development, prompting RDA Sydney to examine the potential role of MMC in improving housing delivery across regional NSW.

RDA Sydney's focus on MMC, approvals, infrastructure coordination and delivery feasibility is consistent with recent Commonwealth housing productivity measures, including the Australian Government's stated commitment to remove regulatory barriers to modern methods of housing construction and its \$2 billion Local Infrastructure Fund for housing-enabling infrastructure.

Regional NSW communities are experiencing acute housing pressures, with constrained supply affecting workforce attraction, essential service delivery, economic development and community resilience. These pressures are particularly evident in communities where construction labour is limited, supply chains are fragile, infrastructure capacity is constrained and recovery from natural disasters has added further pressure to local housing systems.

This submission focuses on Modern Methods of Construction (MMC) as a practical test case for the Commission's inquiry. MMC is directly relevant to the inquiry's focus on approval processes, including barriers to the uptake of more productive methods of construction.

This submission draws on RDA Sydney's report, [Smart Building and Modern Methods of Construction in Regional NSW: Opportunities, Capability and Practical Pathways](#), which examines MMC adoption, regional capability, barriers and practical pathways across regional NSW.

MMC is not a stand-alone solution to Australia's housing shortage and should not be preferred regardless of site, cost, design, community need or local conditions. It cannot overcome unserviced land, weak project feasibility, poor infrastructure coordination or unsuitable planning controls. Its value lies in fit-for-purpose use cases where approval, certification, procurement, infrastructure and finance settings allow more productive delivery models to be assessed consistently and deployed at scale.

MMC changes the sequence and location of construction activity. More design work is resolved earlier, more value is created off site and quality assurance involves factory-based systems as well as site-based certification. Regulatory systems that assume conventional, sequential, site-based construction can reduce or negate these productivity gains.

In regional NSW, the regulatory task is not simply to accelerate individual approvals. It is to create repeatable, risk-based pathways that allow proven MMC systems, components and designs to be deployed across multiple sites while preserving safety, quality, consumer protection and local planning objectives.

RDA Sydney recommends a targeted reform agenda focused on mainstream MMC approval pathways, reusable evidence for repeatable designs and components, risk-based staged approvals,

clearer factory-to-site accountability, earlier infrastructure and utility coordination, aggregated public procurement pipelines, finance readiness and better data on time to occupation.

MMC will not solve housing supply constraints on its own, but it is a useful test of whether Australia's housing regulatory systems can accommodate more productive, repeatable and quality-assured delivery models. In regional NSW, the priority is to remove avoidable regulatory friction so existing and emerging MMC capability can translate into completed, occupiable homes.

About RDA Sydney

Regional Development Australia Sydney is part of the national Regional Development Australia network, which works across government, industry and community to support regional economic development.

Through its role supporting collaboration across the RDA NSW and ACT Network, RDA Sydney draws on regional insights from committees embedded in communities with direct knowledge of local economic, workforce, infrastructure and housing pressures.

Housing shortages in regional NSW affect more than individual households. They limit the ability of communities to attract and retain essential workers, support population growth, recover from natural disasters, deliver major projects and sustain local services. For this reason, RDA Sydney considers housing supply regulation to be a core regional economic development issue.



Recommendations

All of RDA Sydney's recommendations are framed around the role of MMC as part of the housing supply solution for regional NSW.

They are informed by regional NSW conditions, where housing delivery is often constrained by smaller markets, limited construction labour, uneven infrastructure capacity, long supply chains, disaster recovery pressures and the need to house essential workers close to local services.

Recommendation 1: Recognise MMC in approval systems

Governments should establish clear approval pathways for prefabricated, modular, panelised and component-based construction, covering planning impacts, building compliance, factory-based manufacture, transport, installation and completion. These pathways should be mainstream, not limited to pilots or demonstration projects.

Recommendation 2: Reuse verified evidence

Approval processes should allow verified evidence for repeatable systems, components and designs to be reused across projects. Site-specific assessment should remain focused on genuine local risks, including planning controls, foundations, services, bushfire, flood, access, infrastructure interfaces and community impacts.

Recommendation 3: Enable staged approvals

Approval systems should support risk-based staged approvals for MMC projects, including early works, site preparation, manufacturing, installation and completion, so regulation reflects how MMC is delivered while retaining appropriate oversight.

Recommendation 4: Clarify factory-to-site accountability

Certification should recognise factory-based quality assurance while preserving clear accountability for the completed dwelling. Responsibilities across manufacture, supply, transport, delivery, installation and occupation should be explicit.

Recommendation 5: Reduce duplicated documentation

Governments should reduce repeated documentation requests by developing consistent templates, digital lodgement standards and accepted evidence pathways for MMC projects. The objective should be clearer, more consistent and more efficient compliance, not lower standards.

Recommendation 6: Coordinate infrastructure and utilities early

Road access, transport permits, cramage, route constraints, stormwater, sewerage, water, electricity, telecommunications, waste collection, easements and occupation requirements should be resolved early enough to ensure MMC projects can be connected, certified and occupied without avoidable delay.

Recommendation 7: Aggregate public procurement pipelines

Social, affordable, key worker and disaster recovery housing programs should be used to create predictable demand pipelines that support supplier investment, workforce development, repeatable design, regional manufacturing capability and more resilient supply chains. Governments should also develop a clear view of MMC supply-chain capacity and use procurement policy to help grow that pipeline where market certainty is lacking.

Recommendation 8: Align finance and insurance settings

Governments should work with lenders, insurers, valuers and MMC suppliers to develop financing models that recognise off-site construction value, milestone-based payments and the different risk profile of factory-built housing. RDA Sydney understands that the Commonwealth Bank is currently one of the few major lenders actively structuring loans for MMC projects.

Recommendation 9: Evaluate NSW reforms

The NSW reforms should be assessed for their ability to reduce approval timeframes, clarify certifier roles, reduce documentation duplication, support staged approvals and integrate prefabricated and modular buildings into mainstream regulatory systems.

Recommendation 10: Collect comparable data

The Commission should encourage jurisdictions to collect comparable data on approval timeframes, documentation requirements, post-consent variations, certification steps, infrastructure connection delays, occupation approvals and MMC supply-chain capacity for both conventional and MMC projects. Reform should be tested against whether it reduces total time to occupation, duplication and uncertainty, while supporting finance readiness, supply-chain visibility and repeatable delivery across multiple sites.

Addressing the Terms of Reference

The following sections expand on RDA Sydney's recommendations and address the inquiry's key areas of focus: approval processes, barriers to more productive construction methods, land availability, housing-enabling infrastructure and the practical conditions required to translate MMC capability into housing supply.

The submission is framed through a regional NSW lens, recognising that planning controls, infrastructure capacity, local government capability, transport constraints and housing need vary significantly by place.

This place-based variation is central to the following response to this inquiry: reforms that appear straightforward at a system level can operate very differently in communities with thin contractor markets, constrained council capacity, long utility lead times or limited alternative housing options.

1. Approval processes and barriers to more productive construction methods

The Commission's Terms of Reference identify approval processes as a central area of inquiry, including development, building and post-approvals and barriers to the uptake of more productive methods of construction.

RDA Sydney submits that MMC should be treated as a practical test case for whether Australia's housing regulatory systems can support productivity improvements in residential construction.

MMC changes the construction model. In conventional housing delivery, design, site preparation, procurement, construction, inspections and completion often occur in a largely sequential pattern. MMC shifts a larger share of work into design, manufacturing and logistics before a module or component arrives on site.

This creates potential gains in speed, quality control, waste reduction and repeatability, but it also exposes gaps in approval systems designed around traditional site-based construction.

In regional NSW, these gaps can have amplified effects. Smaller councils may assess MMC proposals less frequently, local project teams may have less access to specialist advice and delays can be harder to absorb where construction labour, rental housing and short-term accommodation are already constrained. Consistent guidance and reusable evidence would therefore be particularly valuable for regional proponents, councils, certifiers and housing providers.

The main approval constraints are likely to arise in five areas.

Unclear regulatory treatment of MMC. Where legislation, guidance or local processes do not clearly distinguish between planning impacts and construction methodology, MMC can be assessed inconsistently. A dwelling's external form, amenity impacts, site planning and neighbourhood fit should be considered through planning controls. The method used to manufacture and assemble the dwelling should be assessed through building, certification and quality assurance pathways.

Duplicated assessment of repeatable components. A core productivity benefit of MMC is repeatability. If the same component, interface, structural detail or design package is reassessed from the beginning for each project, the regulatory process erodes the productivity benefit.

Sequential approvals that do not match MMC delivery. MMC can allow site preparation and off-site manufacture to progress in parallel, but only where staged approvals are clear and risk based. Uncertainty about when manufacturing can commence, what evidence is required and how variations will be handled can delay investment and delivery.

Certification uncertainty across factory and site stages. Certifiers, councils and project teams require clear rules for how factory-based quality assurance, transport, installation and site completion interact. Responsibility should be clear without creating unnecessary duplication.

Late-stage post-consent and occupation delays. A fast build does not become housing supply until it is connected, certified and occupiable. Occupation approvals, utility connections and post-consent requirements need to be integrated into the delivery program from the beginning.

The Commission has asked how approval burdens can be reduced without compromising regulatory objectives. For MMC, the answer is not deregulation. It is better regulation: clearer pathways, accepted evidence, earlier risk identification and more consistent allocation of responsibility across the factory-to-site process.

2. Priority regulatory reforms to get more homes built more quickly

RDA Sydney considers the highest-priority reforms to be those that reduce uncertainty, duplication and sequencing risk while preserving safety, quality, consumer protection and appropriate local planning assessment.

For MMC, this means establishing mainstream approval pathways, reusing verified evidence for repeatable components and designs, and enabling risk-based staged approvals where site preparation, off-site manufacture, installation and completion can be properly coordinated.

It also means bringing infrastructure providers and utilities into the process earlier. In regional areas, the benefits of faster construction can be lost if roads, stormwater, sewerage, water, electricity, telecommunications, easements, access or occupation approvals are not aligned with delivery.

Finally, regulatory reform should be supported by procurement and finance settings that make MMC projects viable. Public housing programs can help aggregate demand for social, affordable, key worker and disaster recovery housing, while finance and insurance models need to recognise the different payment stages and risk profile of off-site construction.

3. Approval steps that are most onerous, time consuming and costly

The most onerous approval burden is often cumulative rather than confined to a single statutory step. The burden emerges where different parts of the system apply conventional assumptions to an unconventional delivery model.

For housing supply purposes, the relevant measure is not the speed of manufacture alone. It is the time from project initiation, approval and site readiness through to connection, certification and

occupation. This is particularly important for MMC because time saved in factory-based construction can be lost if land, utilities, transport permits, site works or occupation approvals are not aligned.

Development approval can become costly where assessment focuses unnecessarily on the method of construction rather than the planning impacts of the dwelling. The regulatory objective should be to assess whether the proposal is appropriate for the site and locality, not to preference one construction methodology over another.

Building approval and certification can become complex where there is no clear integration between factory manufacture and site completion. Certifiers require confidence that components have been manufactured in accordance with approved documentation and that installation and completion meet relevant requirements. Manufacturers need clarity on the evidence they must provide and when manufacturing can commence.

Post-consent variation processes can be a further constraint. MMC requires design certainty, but practical delivery can still involve minor adjustments to interfaces, services, tolerances or installation methods. Processes for low-risk variations should be proportionate and timely.

Infrastructure and utility approvals are often critical. A modular or prefabricated dwelling can be manufactured quickly, but supply is delayed if utilities, access, stormwater, easements, road permits or waste collection requirements are unresolved. These constraints should be addressed at the outset.

Occupation and completion approvals are the final supply gate. Housing supply should be measured by dwellings that are safe, connected and available for occupation. Completion pathways for MMC should be clear enough that the time saved in construction is not lost at the certification or connection stage.

4. Recent reforms: NSW Building Productivity Reforms

NSW's Building Productivity Reforms and the Building (Approvals and Practitioners) Bill 2026 are directly relevant to the Commission's inquiry.

The NSW Government describes the reforms as aimed at supporting construction industry productivity, modernising building approvals and accelerating housing delivery while maintaining construction quality. The reforms include support for prefabricated homes and modular buildings, faster and more streamlined building approval processes, dispute resolution reforms and enhanced certifier accountability.

The NSW Government has also stated that the reforms are intended to remove barriers to prefabricated and modular housing without compromising building quality.

RDA Sydney considers the NSW reforms to be directionally strong because they address several practical barriers identified in this submission. They recognise prefabricated and modular buildings within the regulatory system, aim to reduce duplication, formalise staged approvals and clarify accountability across the manufacturing and supply process.

The implementation test will be whether these reforms change practice on the ground. The Commission should examine whether they:

- a. reduce approval timeframes
 - b. reduce duplicated documentation
 - c. provide more consistent guidance to certifiers and councils
 - d. improve confidence for suppliers, financiers and insurers
 - e. enable repeatable MMC systems to move beyond pilot projects.
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5. Availability and use of land for housing

MMC does not remove the need for suitable, appropriately zoned and serviced land. Its greatest contribution is where land is available and the regulatory system allows housing to move from approval to occupation more quickly.

In regional NSW, land constraints vary significantly by place. Some communities have nominal land supply but face servicing, infrastructure or environmental constraints. Others have infill opportunities but are constrained by planning controls, lot patterns, infrastructure capacity, neighbour impacts or feasibility. MMC can help deliver a wider range of housing typologies, but only where local planning controls allow those typologies to be built.

This is particularly relevant for regional communities seeking modest infill, small-lot housing, secondary dwellings, worker accommodation, seniors housing and small-scale social or affordable housing that can be delivered close to existing services.

The Commission should consider how zoning and land-use controls affect the ability to use repeatable housing platforms. Controls such as minimum lot sizes, setbacks, site coverage, parking requirements, height limits, design requirements and restrictions on multi-dwelling housing can limit the practical use of MMC in areas where smaller, diverse and faster-delivered housing would otherwise meet local needs.

Land release, subdivision and titling are also important. A faster construction method will not materially increase supply if sites are not titled, serviced or ready for connection. For MMC, the sequencing of subdivision, servicing and dwelling delivery should be considered together.

6. Housing-enabling infrastructure and development contributions

Housing-enabling infrastructure is central to the effectiveness of MMC. The Commission's inquiry scope includes processes and frameworks to deliver new and utilise existing housing infrastructure, including growth infrastructure planning and developer contributions.

In practical terms, this includes roads, stormwater, sewerage, water, electricity, telecommunications, public transport, open space and social infrastructure.

MMC can shorten construction programs, but infrastructure constraints can become the binding constraint. In regional areas, site servicing, local road capacity, flood and stormwater requirements, utility connection timeframes, telecommunications availability and access for transport and cranaage may all affect delivery. These issues should be assessed early enough to determine whether a site is genuinely ready for accelerated housing delivery.

For regional NSW, transport feasibility should be considered early. Oversize or overmass movements, bridge clearances, local road geometry, escort requirements, cranaage access and weather-related route disruption can determine whether an MMC system is practical for a particular site.

Development contributions frameworks also affect feasibility. Contributions that are uncertain, late or poorly aligned with infrastructure delivery add risk. For MMC, where design, procurement and manufacturing decisions may be made earlier, late-stage contribution uncertainty can be particularly problematic. Contributions settings should be transparent, predictable and coordinated with infrastructure delivery.

Social infrastructure should also be considered. Regional housing supply is closely linked to access to health services, education, childcare, transport and community facilities. Key worker housing, social housing and disaster recovery housing cannot be considered only as dwellings; they must be connected to the infrastructure that allows communities to function.

7. Finance and funding-pipeline settings

Although broader lending rules and interest rate settings are outside the inquiry's scope, the interaction between regulation, procurement and finance is relevant to whether MMC can contribute to housing supply.

Conventional residential construction finance is commonly structured around staged progress payments for work completed on site. MMC may require higher upfront expenditure on design, manufacturing, procurement and components before the dwelling is installed. This creates a mismatch between traditional lending structures and MMC delivery models.

RDA Sydney understands that the Commonwealth Bank is currently one of the few major lenders actively structuring loans for MMC projects. This indicates that the finance market is still developing its approach to factory-built housing. Greater lender confidence will require predictable approval pathways, clear certification evidence, valuation consistency, insurance confidence and reliable project pipelines.

For regional NSW, reliable pipelines are also an industry development issue: without visible future demand, suppliers, installers, transport operators, local trades and training providers have limited ability to invest in the capability needed to support MMC delivery at scale.

The Commission should therefore consider how regulatory reform can support finance readiness. Reusable evidence, clearer chain-of-responsibility obligations, staged approvals and public procurement pipelines would all assist lenders and insurers to understand, price and manage MMC delivery risk.

8. Evidence and examples

Policy reform example: NSW Building Productivity Reforms

The NSW Building Productivity Reforms provide a live jurisdictional example of how MMC can be brought into the mainstream building approvals system. The reforms seek to support prefabricated homes and modular buildings, streamline building approvals, improve dispute resolution and strengthen certifier accountability.

Policy lesson: MMC requires mainstream regulatory recognition. Productivity gains are more likely where prefabricated and modular construction are built into approval systems rather than treated as exceptions.

Delivery example 1: Homes NSW MMC Program and System 600

Homes NSW and Building 4.0 CRC have developed an MMC approach using a kit-of-parts model for social housing delivery. System 600 demonstrates how standardised components, repeatable design logic and off-site manufacturing can support more scalable delivery.

Policy lesson: Approval systems should distinguish between site-specific assessment and repeatable system assessment. Site conditions should continue to be assessed locally, but already verified components, systems and evidence should not be reassessed from first principles.

Delivery example 2: Modular social housing delivery in Lake Macquarie and Shellharbour

Homes NSW has reported that five new modular homes in Lake Macquarie were built by Moov Modular using MMC, constructed off site and installed in less than four weeks. The NSW Government has also reported that three new modular social homes in Shellharbour were delivered from development approval to completion in 14 weeks.

Together, these examples demonstrate the delivery potential of MMC where procurement, manufacturing, installation, approval and completion pathways are aligned. They also show that the benefits of MMC should be measured across the full delivery pathway, from development approval to occupation, not only through the physical construction period.

Policy lesson: Faster delivery is achievable where transport access, approvals, procurement, local delivery capability and completion pathways are aligned.

Disaster recovery example: Northern Rivers Flood Recovery Temporary Housing Program

Following the 2022 floods, NSW Public Works and partners constructed 11 temporary housing villages with 546 dwellings in less than 12 months. The program shows that rapid housing delivery is possible when urgency, procurement, logistics, site identification and delivery authority are aligned.

Policy lesson: Disaster recovery housing depends on system readiness. Pre-identified sites, pre-approved designs, supplier relationships, infrastructure planning and clear delivery authority can materially improve response times.

Capability evidence: Regional MMC capability map

RDA Sydney’s MMC report includes a capability map showing current MMC, Smart Building and prefabrication operators across NSW and the ACT. The map should be read as indicative, not exhaustive, but it shows that MMC capability is already present across multiple regional and metropolitan locations.

This regional capability is vital because housing supply reform should not only increase the number of dwellings delivered but also strengthen the local and regional ecosystems that make delivery possible, including manufacturing, logistics, installation, site works, finishing trades and maintenance.

The map supports a practical policy point: NSW does not need to wait for MMC capability to emerge before reforming approval and procurement settings. The immediate task is to help existing capability scale, connect to public housing pipelines and navigate regulatory pathways more consistently.



Figure 1: Current MMC, Smart Building and prefabrication operators in NSW and the ACT
Source: Regional Development Australia Sydney 2026, *Smart Building and Modern Methods of Construction in Regional NSW: Opportunities, Capability and Practical Pathways*

9. Prioritised reform list for the interim report

For the interim report, RDA Sydney suggests the Commission prioritise reforms that would have the clearest near-term effect on approval certainty and delivery feasibility: explicit MMC recognition in approval systems, reusable evidence for repeatable components, risk-based staged approvals, clearer factory-to-site accountability, earlier infrastructure and utility coordination, procurement pipeline aggregation and comparable data collection on time to occupation.

Conclusion

RDA Sydney submits that MMC should be considered by the Productivity Commission as a practical test of whether housing regulation can support more productive, repeatable and quality-assured construction methods.

In regional NSW, this is particularly relevant to social housing, affordable housing, key worker housing, disaster recovery and communities where conventional construction capacity is constrained. MMC-related approval barriers should be treated as one practical reform area within the broader housing supply regulation agenda, rather than as a stand-alone construction industry issue.

For regional NSW, the prize is not simply faster construction. It is a housing delivery system that is more predictable, more resilient and better able to turn regional intelligence, local capability and public investment into completed homes.

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