



Westpac submission to the Productivity Commission's Inquiry into Housing Supply Regulation

June 2026



Introduction

Australia's housing challenge is, at its core, a cost challenge. We simply cannot build enough houses at an appropriate price point, while also delivering a fair return for developers and builders that incentivises them to keep building. Materials and labour costs are two of the pillars in a trifecta of challenges. Productivity is the third pillar.

Increasing housing supply requires a focus on all three areas, but in responses to this paper Westpac will focus its recommendations on productivity-enabling ideas. Increasing the speed and efficiency of how homes are planned, approved and built will deliver more homes for Australians.

Across the sector, from large developers to family-owned building companies, there is a significant and growing compliance burden that must be navigated before a nail is hammered or a sod is turned. While individual regulatory requirements are typically well-intentioned, addressing objectives such as safety, environmental protection and community amenity, the cumulative impact has become material and over-burdensome. The result of this compliance layer is contributing to smaller builders exiting the industry and larger developers reprioritising towards other forms of construction.

This creates a fundamental policy challenge: how to reduce or streamline compliance requirements without undermining the legitimate objectives those regulations were designed to achieve. Addressing this will require targeted reform, a willingness to reassess existing settings, and close coordination across all levels of government, particularly state and local jurisdictions where many of these requirements originate.

Westpac is contributing eight targeted recommendations to the Productivity Commission's review. While we do not suggest these recommendations are exhaustive, they are intended to provide practical, actionable options to improve system efficiency.

As a major financier of residential construction in Australia, Westpac is committed to supporting governments in testing and implementing reforms, including through pilot programs that trial more streamlined and efficient compliance approaches.

We would be pleased to assist the Productivity Commission's process going forward and provide any further detail on our proposals set out below.





Lay of the land

To assist with considering the landscape, Westpac has done a review of how four state jurisdictions compare in best practice. While not exhaustive, the themes prioritise two outcomes: speed and certainty in approvals, to help build more homes for Australians.

Best practice theme	NSW	VIC	QLD	SA
<p>Long term strategic planning framework</p> <p>Strategic planning framework used to guide the development of new communities and release/zoning of new land, particularly in growth areas. Offers more predictable release of land on the fringes, helping promote greenfield development and certainty in forward looking investment.</p>	Partial – many plans, varied processes, hard to attain single-view	Precinct Structure Plan (PSP) process	Partial – strategic planning is led by Regional Plans	Partial – strategic planning is guided by the Planning and Design Code and Regional Plan
<p>Inter-agency coordination body</p> <p>Single coordination body or role that coordinates and conducts inter-agency engagement with technical agencies (e.g. Transport, Water, Heritage, Energy) to ensure proposals align with state policies and requirements and infrastructure needs.</p>	Newly announced	N/A	State Assessment Referral Agency (SARA)	Coordinator General
<p>Deemed approvals</p> <p>Allows certain DAs to be automatically approved if the assessment manager fails to decide within the statutory timeframe (rather than automatically rejected).</p>	Newly announced	N/A	Existing	N/A
<p>Flexible apartment design guidelines</p> <p>Guidelines were first developed as true “guides” to help developers navigate the complexity of the NCC, but over time they have become quasi-compliance rules. Guidelines that offer guidance but permit treatment of developments on a bespoke basis, away from a rigid or compliance-centric approach to design, is the preferable outcome.</p>	Partial – applied as a compliance overlay	Applied as “guidelines only”	No additional guidelines. Rely on NCC	Partial – applies mainly to affordable housing
<p>Simpler regulatory approach to planning and development Codes</p> <p>A consolidated planning approach/documents creates an environment of speed, certainty and consistency in outcome, which is essential for business investment. Most state-based development Codes have, over time, become cumbersome frameworks to navigate.</p>	Multiple Codes/ frameworks	Multiple Codes/ frameworks	Multiple Codes/ frameworks	SA Planning and Design Code is national best practice
<p>Expedited approvals program or pathway for priority projects</p> <p>Dedicated programs to expedite approvals for houses and/or multi-storey blocks, complemented by ‘call in’ powers.</p>	TOD, HDA	Developer Facilitation Program, Minister ‘call in’ powers	State Facilitated Development, alignment with large local govts	Better Housing Future initiative



Westpac recommendations

Issue to solve	Overview	Proposal	Contribution to supply	Complexity to execute
<p>Fragmented planning systems delay projects and undermine delivery</p>	<ul style="list-style-type: none"> • Planning approvals are slow, fragmented and unpredictable. • Delays and cost escalation can force projects to shrink or stop altogether. 	<p>1a. Create a State-led fast-track approval pathway for high-rise housing. Use proven models, such as NSW’s Housing Delivery Authority (HDA), as models to achieve unlocks. For example, the HDA’s “commitment to commence” test is designed to prioritise developers with genuine capacity to deliver housing, rather than those seeking to uplift land value. This is a good test and helps with ensuring streamlined planning approvals are given to those developers who have intent and capacity to deliver more housing supply. This kind of model should be adopted across all states, with an opportunity to strengthen this approach by linking commencement to the issuance of a Construction Certificate, ensuring projects are genuinely ready to proceed to construction rather than relying on minimal or early-stage activity.</p> <p>1b. Stronger use of state-based “call-in” powers. Federal and state governments should align to support much greater use of state “call-in” powers, to reduce instances where local government decisions are in conflict with appropriate planning and development outcomes. The Victorian Government provides a good practice example of this approach.</p>	<p>High</p>	<p>Medium</p>
<p>Introduce dwelling targets for all metropolitan LGAs</p>	<ul style="list-style-type: none"> • NSW and Victoria have set dwelling targets for selected local government areas. This gives the community and policy makers a transparent view of which councils are supporting the national housing challenge. • What is measured, can be then be managed, and the Federal Government could link funding to performance against targets. 	<p>2a. All states should apply new housing or dwelling targets to local government areas (at a minimum in metropolitan LGAs). Australia needs a united approach to our housing challenge, and all councils, particular in higher density metropolitan areas, need to do their bit to lean in. At present, we have a fragmented system where some councils are actively supporting new supply and others are less supportive of housing growth.</p> <p>2b. The Federal Government should introduce a housing target component to the criteria for Local Government Financial Assistance Grant funding. To incentivise more supply, councils that materially underperform against housing targets could face a proportional reduction in Financial Assistance Grant funding, with this funding reallocated to higher-performing councils. The proposal could be initially targeted at metropolitan LGAs. This is one of the few</p>	<p>High</p>	<p>Low</p>



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		direct levers available to the Commonwealth to influence local government decisioning.		
<p>Reduce the overlap, duplication and inconsistency between the NCC and state-based construction requirements</p>	<ul style="list-style-type: none"> • Developers deal with multiple agencies and multiple Development Codes across three levels of government, often working through inconsistent advice and frameworks. • When NCC changes are made, each state applies different approaches to “in flight” projects, with some requiring compliance with the NCC in force at the time of development approval (DA), while others taking a different approach. Where a new version of the NCC is introduced between DA approval and the construction certificate (CC), projects face redesign costs, delays and mid-project financing risk. This undermines feasibility certainty at the DA stage. 	<p>3a. Use AI to streamline and consolidate complex state-based planning Codes into a consistent “best in class” framework, using SA’s modern, simplified approach as the high bar.</p> <p>SA has implemented a single, consolidated planning system through its Planning and Design Code, which replaces multiple local planning schemes and building Codes with one unified set of rules. This creates greater consistency, faster approvals and clearer pathways for development by removing duplication and reducing variation across councils.</p> <p>Using the SA Planning and Design Code as a target state guide for all states, Agentic AI could be used to redesign and simplify other state frameworks into the SA model.</p> <p>3b. Adopt an AI triage tool to pre-assess applications against rules.</p> <p>With simplified State Codes in place, use AI to fast-track compliant projects against codified planning rules and direct complex projects to the standard processes where further due diligence is required.</p> <p>The Commonwealth and NSW Government are exploring pilots.</p> <p>3c. Grandfather the NCC approach at the DA stage for developers to provide greater certainty.</p> <p>Adopt a straightforward and high-impact reform to “grandfather” the applicable NCC version at the point of DA submission. This would provide greater certainty, avoid unnecessary redesign and contingency costs, and support more efficient project delivery without increasing regulatory burden.</p>	<p>Medium</p>	<p>Medium</p>
<p>Slow, costly and uncertain rezoning is constraining land supply and delaying delivery</p>	<ul style="list-style-type: none"> • Rezoning and land release are slow, costly and uncertain. • Developers lack visibility over future land release, while landowners often delay bringing sites to market to maximise returns, constraining the availability and timing of developable land. 	<p>4. Expand long-term precinct planning and sell more shovel-ready public land.</p> <p>Use state-led master planning for large growth areas (typically on the urban fringe) to set out how new communities will be developed, including housing, infrastructure, roads and open space, bridging the gap between rezoning and construction.</p>	<p>Medium</p>	<p>Medium</p>



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	<ul style="list-style-type: none"> Without clear long-term land plans, developers face delays, higher carrying costs and weak incentives for landowners to bring land to market. 	<p>This approach translates broad land release into a coordinated, development-ready blueprint, providing greater certainty and faster investment decision-making for developers.</p> <p>A good example of this is Victoria's Precinct Structure Plan, which was regularly cited as best practice.</p>		
Adopt central coordination within government to reduce layered complexity in the approvals process	<ul style="list-style-type: none"> Developers coordinate approvals across state and local government agencies. Conflicting advice across agencies, redesigns and repeat applications add months or years to delivery and deter investment, requiring redesign or reapplication that could potentially otherwise be avoided. 	<p>5. Create a single coordinated approvals mechanism.</p> <p>Align the key planning, water, transport and infrastructure decisions through one lead body, based on proven models such as Queensland's SARA (regularly cited by developers), cutting down time and red tape. Central coordination also facilitates greater preparedness to designate projects as 'state significant' and use 'call in' powers to progress them quickly.</p>	<p>Medium</p>	<p>Medium</p>
Manage up-front costs that can constrain the ability to start projects and shifts costs onto customers	<ul style="list-style-type: none"> Developers face heavy upfront costs from contributions, levies and taxes, often before Development Approvals (DAs) or finance are in place, which can account for up to 30% of costs per dwelling. This increases risk and stops viable projects from proceeding, or for costs being baked into the process which are ultimately passed onto customers. 	<p>6. Defer developer contributions and levies until construction or occupation.</p> <p>This reduces early funding pressure, helps projects start sooner and preserves the government revenue stream, as developers continue to owe contributions but at a time where cashflow is higher.</p> <p>This was considered to be a successful stimulus mechanism which the NSW Government deployed during the COVID-19 pandemic.</p>	<p>Medium</p>	<p>Medium</p>
Grow scale in the Modern Methods of Construction industry through standardising insurance and accreditation	<ul style="list-style-type: none"> As shown in Europe and the US, Modern methods of construction (MMC), or prefabricated building present significant market growth and cost reduction opportunities, but the industry requires scale to grow. Nascent industries often require targeted Government support to scale. When considering an MMC build, complexity for consumers arises from misalignment between funding, security 	<p>7a. Introduce a government-backed completion or performance guarantee for MMC, focused on the offsite construction phase while the sector matures.</p> <p>A completion guarantee, triggered by manufacturer insolvency or non-delivery, would cover the cost to complete the build or refund progress payments. This is targeted specifically at the pre-affixation phase, where the partially built asset is not yet secured to land and traditional mortgage security does not apply. This has strong global precedent (e.g. Netherlands' Woningborg/SWK scheme covering ~90% of new builds).</p> <p>This is a transitional measure, designed to be wound back as the sector matures, regulation catches up, and manufacturer track records are established. It works best alongside broader standardisation measures (see 7b).</p>	<p>Medium</p>	<p>Medium</p>



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	<p>and insurance during offsite construction. In the absence of established security and accreditation frameworks, consumers may bear greater risk than in traditional builds, with existing protections (e.g. last-resort warranty insurance) not well suited to MMC.</p>	<p>Tasmania has recently announced a Modular Housing Finance Guarantee targeting this exact gap.</p> <p>7b. Develop clear rules and accountability for construction insurance, which covers the full build period including warehouse assembly, through to transport and on-site installation.</p> <p>On a typical residential home build, homeowners are protected by both mandatory state-based home building insurance schemes and builder's construction insurance. These insurances protect against builder insolvency, non-completion, defects and events such as fire. These insurances typically apply to construction on site. However, their application is questionable when the build is prefabricated in a factory, transported via road, and assembled onsite.</p> <p>This is further complicated by differing accreditation frameworks.</p> <p>Many MMC companies operate as manufacturers rather than licensed builders, and there is currently no consistent approach to assessing factory QA, financial resilience or delivery capability.</p>		
<p>Lack of community acceptance slows or blocks denser development</p>	<ul style="list-style-type: none"> • Consultation processes are usually shaped by ideological positions, often framed around identifying areas of disagreement or opposition, rather than fostering collaboration or opportunity. • In some jurisdictions, there is no standardised method for collecting community input. Multiple opportunities to object can delay projects from occurring, rather than seeking feedback on how to improve the project. 	<p>8. Reset community engagement and expectations.</p> <p>Reframe consultation to focus on constructive input rather than objection-driven processes, proportionate to a project's scale and strategic importance.</p> <p>For priority developments aligned with State or national housing targets, governments should adopt a fast-track model with clear timeframes, standardised feedback templates, and a single opportunity for public input, ideally during design stages.</p> <p>NSW has recently introduced reforms to this effect.</p>	<p>Medium</p>	<p>Low</p>