



Boosting Australia's Productivity

HIA Response to the Productivity
Commission 5 Pillars Interim Reports

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About the Housing Industry Association (HIA)

As the voice of the residential building industry, HIA represents a membership of 60,000 across Australia. Our members are involved in delivering more than 170,000 new homes each year through the construction of new housing estates, detached homes, low and medium-density housing developments, apartment buildings and completing renovations on Australia's over 11 million existing homes.

HIA members comprise a diverse mix of businesses, including volume builders delivering thousands of new homes a year through to small and medium home builders delivering one or more custom built homes a year. From sole traders to multi-nationals, HIA members construct over 85 per cent of the nation's new building stock.

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into the manufacturing, supply and retail sectors.

Contributing over \$100 billion per annum and accounting for 5.8 per cent of GDP, the residential building industry employs over one million people, representing tens of thousands of small businesses and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

"promote policies and provide services which enhance our members' business practices, products and profitability, consistent with the highest standards of professional and commercial conduct."

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population. New policy is generated through a grassroots process that starts with local and regional committees before progressing to the National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

The association operates offices in 22 centres around the nation providing a wide range of advocacy, business support services and products for members, including legal, technical, planning, workplace health and safety and business compliance advice, along with training services, contracts and stationery, industry awards for excellence, and member only discounts on goods and services.

1. Boosting Australia's Productivity

Thank you for the opportunity for the Housing Industry Association (HIA) to make a submission to the Productivity Commission 5 Pillars Interim reports.

HIA has made two submissions to the Interim reports, which include:

- The submission contained herein that focussed on the recommendations from—
 - Pillar 1 as it relates to regulating to promote business dynamism;
 - Pillar 2 on building a skilled and adaptable workforce; and
 - Pillar 5 on investing in cheaper, cleaner energy and the net zero transformation.
- A separate submission on Pillar 1 as it relates to taxation on housing and its impact on housing supply.

Regulation settings are getting worse not better

Australia's productivity growth in the decade to 2020 was the slowest in 60 years across all areas of business and the economy.

Several long-standing factors have contributed to the productivity slowdown with one of the major impediments being the rapid rise in regulation and red, white and green tape being imposed on businesses of all sizes but particularly on small and micro-businesses.

Businesses report spending more time on regulatory compliance. Australia has fallen on key international regulation indices.

While regulation can help make us safer, too much regulation inhibits economic dynamism and resilience and it is now widely recognised the pendulum of regulation has swung too far into and become too prescriptive, too onerous and too restrictive.

As identified in the Interim report, the government needs a more effective counterweight to the risk aversion and other incentives that have created a thicket of regulations and rules. It should adopt a whole-of-government statement to commit to regulation outcomes that better promote growth and dynamism, and lead by example by outlining a series of productivity enhancing reforms including the ones set out in the Pillar 1 report, and other, pillar inquiries.

There should be increased scrutiny of regulatory proposals from Cabinet, parliament and a newly appointed Best Regulation Minister for oversight of the Office of Impact Analysis, setting deregulation targets across government agencies and right sizing future regulations.

Regulators and policymakers should more proactively manage regulations and better consider the trade-offs between their regulatory objectives, risk tolerance, compliance costs, and broader economic growth. They should be empowered to regard themselves as stewards of the regulatory systems they manage, and be accountable for delivering outcomes.

A major overhaul of Australia's regulation and policy settings could have a substantial beneficial impact on productivity growth in Australia.

A major overhaul is long overdue

HIA broadly supports the findings of the Pillar 1 report as it relates to regulating to promote business dynamism.

In many ways if the recommendations and commentary in this report were implemented it would go a long way to restoring Australia's productivity and business dynamism.

Equally the recommendations cut across many of the recommendations from each of the 5 Pillars interim report and much of the discussion arising out of the recent Economic Reform Roundtable.

It is important to note the key measures identified (and the measures underpinning them) are not new proposals, and reflect what industry bodies such as HIA has long called for across:

- Setting a clear agenda for regulatory reform and policy settings, consistently applied across all areas and levels of government
- Bolstering high-level scrutiny of regulations, including appointing an independent body to oversee regulatory impact assessments and ensure cumulative impacts of regulations is considered; and
- Enhance regulatory practice to deliver growth, competition and innovation and ensure public servants are more accountable to their actions, rather than needing to be seen 'doing something'.

Critically, many if not all of these recommendations were identified in the 2006 [Rethinking Regulation report](#), produced by the Productivity Commission-chaired Taskforce on Reducing Regulatory Burdens on Business.

That report identified practical ways to ease the [compliance burden on businesses](#) by making regulatory processes more efficient and advocating for a better-balanced approach to risk management.

It contained 178 recommendations to reduce "red tape" across various policy areas and improve the regulation-making process itself. Majority of these recommendations still relevant today and many remain outstanding 19 years on.

Hence the question for the Interim reports and for governments and industry collectively, is not on what needs to change, as that is well established. The key question is on how best to deliver real, meaningful and lasting change to reform the approach to regulation and policy setting in this country.

Additional HIA Recommendations For Reform

In addition to the recommendations outlined in the PC Interim reports, HIA recommends the following key measures on overhauling the nation's approach to regulation and policy settings be actioned:

1. Establish a Federal 'Better Regulation Minister' that reports directly to the Prime Minister that oversees all policy and regulation settings and applies high level scrutiny on all new and changing regulations.
2. The new Better Regulation Minister to set an economy wide de-regulation target of at least 25% regulatory in reduction burdens across all government ministerial and policy setting agencies.
3. Require each policy setting agency and Ministerial portfolio report 6 monthly against the 25% de-regulation target.
4. Require all new or amended regulations to only proceed where regulatory offsets are applied that would counter the impact of regulation on industry.
5. That the Minister for Small Business in conjunction with industry bodies representing small and micro businesses implement a targeted small business regulation reform agenda to ensure the voice and impact on small businesses forms part of policy settings consideration from the outset and not treated as an afterthought.
6. That a systematic review of housing construction sector regulations be undertaking as a priority given housing affordability and supply challenges facing the industry.
7. Government to publish a roadmap for immediate reforms and timeline for delivery arising from the PC 5 Pillars Reports, the Can we Fixit Report and the National Competition Analysis findings.



2. HIA Position on PC Interim Reports Recommendations

The following outlines HIA's position on the key interim reports recommendations and on priority reform areas for concrete actions.

Pillar 1 - Creating a more dynamic and resilient economy	
Regulating to promote business dynamism	
PC Interim Report Recommendation(s)	HIA Position on Recommendation(s)
2.1 Set a clear agenda for regulatory reform	Strongly supportive of this recommendation with need for immediate action by Government. Important recommendation that industry has long advocated for. Should be implemented immediately by the government as a priority to drive regulatory reform that supports economic dynamism arising from the recent Economic Reform Roundtable. The new processes for regulatory policy settings must be developed in conjunction with industry and once published be embedded into the Inter-governmental Agreements (or equivalent Ministerial Statement of Intent) for all standard and regulation setting agencies to ensure their accountability to these principles.
2.2 Bolster high-level scrutiny of regulations	Strongly supportive of this recommendation with need for immediate action by Government. HIA recommends that a dedicated Ministerial portfolio be established that reports directly to the Prime Minister to ensure delivery at the highest level and applies across all areas of government policies consistently. This Minister must apply a strong and robust scrutiny and oversight of all areas of governments regulation settings for all new and proposing regulation changes. The Minister to publish 6 monthly regulation reform report that lists: • All new or proposed changing regulation changes, • Listing out rejected impact assessments, • How policy agencies have addressed industry concerns raised, • Publishing all submissions received and Ministerial advice on proposed regulation changes,

	- Identifying what offsets were introduced to counter weight any new rule changes; and - A report from each government agency on regulatory reductions actions undertaken to ease burden on industry.
2.3 Enhance regulatory practice to deliver growth, competition and innovation	Strongly support this recommendation as a priority as it would have a substantial beneficial impact on industry productivity growth.
Pillar 2 - Building a skilled and adaptable workforce	
Fit-for-purpose occupational entry regulations	
PC Interim Report Recommendation(s)	HIA Position on Recommendation(s)
3.1 Remove excessive occupational entry regulations that offer limited benefits	Support recommendation
3.2 Expand entry pathways and streamline qualification requirements for occupations	Further information required to ensure harmonisation does not add further regulatory burden by seeking to align state and territory qualification requirements
3.3 Improve the regular reviews of occupational entry regulations	Support recommendation as it applies to simplifying and streamlining occupational entry regulations
3.4 Incentivise occupational entry regulation reform through National Competition Policy	Support and further information required
Pillar 5 - Investing in cheaper, cleaner energy and the net zero transformation	
Speeding up approvals for new energy infrastructure	
PC Interim Report Recommendation(s)	HIA position on Recommendation(s)
2.1 Reform EPBC Act to speed up assessments and better protect the environment	Strongly supportive of this recommendation with need for immediate action by Government. The EPBC reform overhaul priority is one of industry's key measures arising from Economic Reform Roundtable and must receive bipartisan support. The current EPBC Act significantly impacts both project timelines and costs. HIA members consistently report that decisions on 'controlled actions' typically take 18 months to two years, with some projects under assessment for more than four years.

	We are increasingly concerned about the growing complexity and inconsistency within the approvals process, including: • A 'one-size-fits-all' approach, which places disproportionate burdens on small residential developments; • Delays caused by the lack of clear statutory timeframes, both for applicants and during government assessments; • Shifting requirements, without clear guidance for industry, resulting in uncertainty and inconsistent environmental outcomes; and • Significant duplication between federal, state and local government requirements for environmental protection and offsetting. Reforming the EPBC Act addressing these key issues would boost productivity and reduce unnecessary delays, enabling faster and more affordable housing delivery.
2.2 Set up a specialist 'strike team' for priority projects	Strongly support this recommendation and recommend it be introduced as a priority Strongly support this recommendation and the 26,000+ housing projects currently held up awaiting approvals should be the first order business for strike team.
Addressing barriers to private investment in adaptation	
3.1 Set up a climate risk information database covering all climate hazards	Support recommendations to improve data and information and greater transparency on decision making, though further detailed information required.
3.2 Develop a nationally consistent climate resilience rating system for housing	HIA supports a single national risk rating tools being developed to inform government and industry decision making. Governments must take a national approach to energy and climate-based policy settings, through consistent policies, leadership and actions at all levels.
3.3 Governments agree on measures to improve housing resilience over time	HIA is not be supportive of further regulatory imposts being imposed on new high performing building stock where there is already a well-established process for reviewing and updating building codes and standards. Any measures to improve housing resilience must be directed towards the 8-10 million existing housing stock built prior to 2009.