

CEDA Submission to the Productivity Commission Inquiry into Housing Supply Regulation

About CEDA

The Committee for Economic Development of Australia (CEDA) is an independent, member-based policy think tank. Our members span industry, government, community and academia. Our research and advocacy are shaped by our Progress 2050 vision for long-term, sustainable prosperity for all Australians. Progress 2050 is centred on two pillars: a strong economy and a strong social compact working together.

CEDA continues to advocate for housing supply reform

CEDA welcomes this opportunity to contribute to the Productivity Commission's (PC) inquiry into the regulation of housing supply. CEDA supports the PC's reform directions that aim to relax land use regulation, improve flexibility, and simplify planning to increase the supply of housing in Australia.

We acknowledge that this PC Inquiry focusses specifically and solely on the regulatory systems surrounding housing supply. Regulatory reform is necessary as part of a broad package of measures to grow our national housing supply, but it will be insufficient on its own. Research by CEDA, our members and partners confirm that successfully growing our housing supply requires a national, multi-faceted response that:

- tackles multiple impediments to housing supply simultaneously, and
- builds in a level of 'future-proofing' flexibility that will allow us to quickly and efficiently capture the gains of new technologies, methods and processes, as they arise.

CEDA recommends reforms to our housing supply regulatory systems that focus on increasing housing supply through:

Zoning and planning (state and local)

1. Update planning controls to facilitate an increase in dwellings per hectare and floor-area ratios. This should be done across sizable areas, such as an entire local government area or several LGAs.
2. Revise zoning to allow for a broader range of mixed-use developments and land use. Thoroughly review legacy zoning from unused or underutilised land that could be updated to residential and mixed-use.
3. Introduce 'by-right' planning rules that specify what can be built without objection based on land size. These rules should apply across large parts of the city. Few exceptions should be made for heritage, environmental and character overlays.
4. Introduce fast-tracked and limited approval times. If a development is not assessed within a certain timeframe, it should be deemed automatically approved.
5. Continue to pursue planning policies aimed at speeding up housing delivery, such as Transport Oriented Development (TOD), infill and Low and Mid-rise

housing in NSW, and the Development Facilitation Program (DFP) and Townhouse and Low-Rise Code in Victoria.

Encouraging development in well-located areas

1. State governments should offer financial incentives to councils that meet their housing targets, and penalise local governments that do not. Targets can signal how much housing should be approved, and where.
2. The Federal Government should set clear criteria for planning reform targets that are broad, feasible and 'by right', and reward state governments that deliver successful planning reforms.
3. Unlock pilot programs to support local government proof of concept, such as applying pattern book standardisation to government sites.

Setting a national modern methods of construction target

1. The Federal Government should set a target for the delivery of MMC homes. Greater adoption in social and affordable housing should lead this target, building the demand certainty manufacturers need to invest at scale.

Examine and updating the regulatory framework

1. The 'Modernising the National Construction Code' review should deliver concrete reforms to remove barriers to MMC. In parallel, the Australian Building Codes Board should publish nationally consistent MMC definitions as formal guidance ahead of their incorporation into the National Construction Code.
2. State and territory governments should establish dedicated modern methods of construction approval pathways.

Aligning finance with how modern methods of construction are built

1. The Federal Government should encourage standardised MMC finance products across the banking sector.
2. State and Territory governments should consider low-interest finance for MMC manufacturing facilities.

Delivering a revised transport framework nationally

1. Transport Ministers, working through the National Transport Commission, should deliver harmonised permit and escort requirements for prefabricated module transport, through the next phase of Heavy Vehicle National Law reforms.

Encouraging growth of construction firms

1. Make local and state government regulations more streamlined and consistent.
2. Help to smooth out variability in demand by creating a more consistent, predictable pipeline of construction work through their infrastructure and social housing programs.
3. Better align the relative tax rates for individuals and small and large businesses as part of broader reform of the entire tax system.

Land use rules to encourage variety and density of housing

Enabling densification is a particularly urgent land reform priority in established urban locations. Big gains in housing supply volumes and costs can be unlocked by utilising our existing land better.

A recent CEDA report, [*A middle path: How gentle density can help solve Australia's housing crisis*](#) found that:

- If one in four lots with standalone houses were developed into dual occupancies in our five largest cities, housing supply would increase by nine per cent or almost one million homes. Sydney could add more than 12 per cent more homes, Melbourne 15 per cent, Brisbane and Adelaide 16 per cent and Perth more than 17 per cent.
- In Auckland, New Zealand, the number of building consents doubled within five years of 'upzoning' – higher density planning reforms, commencing with the Auckland Unitary Plan in 2016. Auckland's relative housing affordability improved for home prices and rentals.
- Approximately 70 per cent of Australian homes are standalone dwellings. All our cities are characterised by low-density housing on large land lots, spread out over a large area.
- Many urban sites could also suit triplexes, fourplexes and low-rise apartments (up to six storeys), as residential or mixed-use developments. Additional dwelling units or granny flats could also be part of this mix, further increasing density and diversity.

Faster, easier approvals for all new housing and infrastructure

CEDA research points to significant gains from emerging AI and data technologies to improve the efficiency of housing planning processes. Our report [*Approved: How AI and data can transform Australia's environmental approvals*](#) found that:

- Environmental approvals for large infrastructure and urban development projects are complex and costly, with applications we analysed requiring up to 8,500 pages of documentation to comply with 26 legislative instruments. Each complex application can cost over \$250,000 departmental in time to review.
- Adopting best practice AI and data management practices in environmental approvals processes would improve efficiency and transparency for regulators and developers but also for the wider community. International evidence shows large impacts from adopting these tools and methods: in some countries, the average comment processing time by 66%; technical costs have fallen by 15% and AI-enabled access to previous administrative decisions in Denmark is estimated to save around \$80 million in processing time annually. These technologies are moving quickly so the potential benefits will likely grow over time.
- Australia is well-placed to adopt AI-driven data management in regulatory approvals processes. Australia is ranked second in the OECD's Digital Government Index.

Based on this evidence, we propose the practical reforms to environmental approvals could be applicable to the wider planning and approvals ecosystem.

Built-form rules to encourage more flexible, innovative housing

The Inquiry's Interim Report notes the impact of built form controls upon housing supply volumes, types and cost and recommends that Governments '*Relax or remove built form controls that limit flexibility and choice for households*' (Reform Direction 2.6).

In line with this finding and recommendation, CEDA research indicates that in practice, built-form controls can directly restrict the building industry's ability to adapt and adopt new technologies, materials and methods in construction. This is an additional avenue through which built-form regulation inflates housing costs and reduces choice over time.

CEDA's [*Built different: Modern methods of construction*](#) found that:

- Average construction times have risen by 40 per cent since 2020. A new standalone home now takes 9.2 months to build. A new apartment building takes 2.4 years.
- Longer construction times add significantly to total costs.
- Built-form rules that enable and encourage greater flexibility in construction types and methods can significantly reduce home construction times and total costs. Modern methods of construction (MMC) that move building activity, wholly or partially, away from the traditional on-site model can reduce construction times by 20 to 50 per cent, cutting two to five months from the average house build. At scale, they can cut construction costs by around 20 per cent. A 20 per cent saving would reduce the construction cost of an average apartment by more than \$116,000. For a typical Sydney apartment building, it could lower construction costs by over \$13.6 million.
- International innovations in residential construction technologies and methods are evolving rapidly. Our built-form rules should encourage timely, efficient local uptake.

Increase construction productivity

The scale of our housing supply problems means that we need to pull all levers available to increase housing supply. Previous research by the PC and by CEDA confirms that residential construction productivity remains problematic. This is partly due to the small scale and very localised operations of many developers, builders and sub-contractors in residential construction. It is also due to current regulatory settings – including our highly decentralised land-use system, localised built-form rules and state-based trade licensing systems – that impede the geographic mobility of firms and individuals).

In CEDA's [*Size matters: Why construction productivity is so weak*](#) we found:

- Firm size is a critical and overlooked driver of weak construction productivity, which has been stagnant for three decades. Small firms dominate the sector. 98.5 per cent of Australian construction firms have fewer than 20 employees, and 91 per cent have fewer than five, up sharply from 43 per cent in 1988-89.
- Larger firms are markedly more productive. Firms with 200 or more employees generate 86 per cent more revenue per worker than firms with five to 19 employees. If construction matched the size distribution of manufacturing, it would produce 12 per cent, or \$54 billion, more revenue each year without any additional labour, equivalent to gaining 150,000 workers in a sector already short of labour.
- Small firms capture fewer gains from scale, innovation and investment, and have weaker management capability. In 2021-22 fewer than 7 per cent had a written strategic plan and just 12 per cent actively sought digital technologies.
- Regulation reinforces this structure. Australia has the most decentralised land-use planning system in the OECD, which deepens geographic segmentation, while state-based licensing rules limit interstate expansion and volatile work pipelines discourage the investment that scale requires.

Reform must move pull all levers

Regulatory reform will lift housing supply, but only if it moves on every front at once. Easing zoning and planning controls, speeding up approvals, relaxing built-form rules and removing the borders that limit builders each add homes. Applied together and at scale, the gains compound.

CEDA welcome the opportunity to consult further with the PC, and with governments at every level. The evidence behind our recommendations is set out in the attachments.

Attachments

Attachment A *A middle path: How gentle density can help solve Australia's housing crisis. (Dec 2025)*

Attachment B *Built different: Modern methods of construction (May 2026)*

Attachment C *Approved: How AI and data can transform Australia's environmental approvals (May 2026)*

Attachment D *Size matters: Why construction productivity is so weak (May 2025)*