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Ms Danielle Wood, Chair, and Ms Alison Roberts Commissioner
Housing Supply Regulation Inquiry
Productivity Commission

Lodged via www.pc.gov.au/inquiries-and-research/housing-supply

Dear Commissioners,

Australia ICOMOS Submission to the Productivity Commission on Housing Supply Regulation

Australia ICOMOS welcomes the opportunity to provide this submission on the Productivity Commission's Interim Report, *Housing Supply Regulation*.

We support the Commission's objective of increasing housing supply and improving housing affordability. These objectives can be advanced without weakening statutory heritage protection or diminishing the cultural significance, liveability and distinctiveness of Australia's urban landscapes.

Our submission addresses the heritage dimensions of the Interim Report. Its central concern is that the proposed heritage reform direction is not supported by the evidence presented. The report extrapolates from a narrow set of residential heritage and character examples to heritage protections more broadly, conflates statutory heritage with neighbourhood character controls, and proposes mechanisms that would add complexity to listing and delisting decisions. It does so without heritage expertise and evidence at the table.

Australia ICOMOS urges the Commission to withdraw the heritage limb of Reform Direction 2.5 pending a stronger evidence base. The final report should distinguish statutory heritage from character controls, recognise the Burra Charter as Australia's established framework for managing change, and adopt a conserve-and-build approach: adding housing capacity through adaptive reuse, compatible infill and targeted density while retaining the cultural significance of heritage places.

Our submission proposes practical reforms: better heritage data, contributory and non-contributory grading, early precinct-scale heritage assessment before rezoning, streamlined pathways for low-impact works, adaptive reuse as a recognised housing pathway, and

targeted housing growth on non-contributory and lower-significance sites. These measures would support housing supply while retaining the significant public and sustainability-related benefits of Australia's heritage places.

We would be pleased to work with the Commission to develop a reform pathway that increases feasible housing capacity while retaining the cultural significance, liveability and distinctiveness of Australia's valued places.

Yours sincerely,

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23 September 2026

Australia ICOMOS Submission on Productivity Commission Interim Report: *Housing Supply Regulation* (July 2026)

Executive Summary

This submission responds to the Productivity Commission's interim report *Housing supply regulation* (July 2026). It addresses the heritage dimensions of the report only, and comments on other reform directions where they intersect with heritage.

The central issue for this submission is whether the Interim Report has established that statutory heritage protection is a material cause of housing shortage, and whether Reform Direction 2.5 would deliver additional housing without unacceptable public loss. On the evidence presented, it has not. The report addresses selected supply-side claims and gives little attention to the many demand-side drivers of housing affordability. A reform direction targeting heritage therefore requires evidence, not assumptions drawn from land-value theory or isolated residential examples. This submission advances five propositions.

1. We support the Commission's objective and its "build" mindset, properly applied. The Burra Charter framework on which the Commission's own cited authorities rely treats change as normal. Conservation is a method for managing change, not for preventing it.
2. Reform Direction 2.5, as drafted, is not supported by the evidence the report relies on, extrapolates from a narrow set of residential heritage and character examples to heritage controls more broadly, and rests on a conflation of statutory heritage with neighbourhood character controls, including poorly drafted discretionary character controls.
3. Reform Direction 2.5 is internally inconsistent with the Commission's own Principle 4: keep the process simple. A contestable cost-benefit test governing listing and delisting would import land economics, valuation evidence and appeal rights into what is presently a criteria-based assessment, adding further expert reports, litigation and delay to exactly the processes the Commission wants simplified.
4. A conserve-and-build reform agenda that adds housing capacity through adaptive reuse, compatible infill and targeted density while retaining the cultural significance of heritage places, would increase commercially feasible capacity in heritage precincts without loss of significance.

5. No heritage body appears in the consultation record. Appendix A lists 100 submissions, 40 consultations and 20 roundtable participants, but no heritage bodies including Australia ICOMOS, heritage councils, National Trusts, Aboriginal cultural heritage bodies, local government heritage advisers or relevant professional and community heritage organisations. A reform direction targeting heritage controls has therefore been developed without heritage expertise at the table. The terms of reference direct that the inquiry should also consider the benefits of regulations and their objectives; that direction cannot be discharged without hearing from those who hold the evidence on benefits in heritage terms (Productivity Commission 2026).

The submission is structured in four parts. First, it explains why heritage should be treated as a public good and why the loss of significant places is often irreversible. Second, it responds to the Productivity Commission's evidence base and Reform Direction 2.5. Third, it proposes a conserve-and-build reform package that would increase feasible housing capacity while retaining cultural significance. Finally, it sets out the evidence, consultation and safeguards needed before any final recommendations are made about heritage controls.

Australia ICOMOS asks the Productivity Commission to:

- **Withdraw the heritage limb of Reform Direction 2.5 pending further evidence.**
- **Distinguish statutory heritage from neighbourhood character controls.**
- **Adopt a conserve-and-build reform package.**
- **Consult Australia ICOMOS and other heritage bodies before finalising heritage recommendations.**
- **Establish a recurrent national heritage data program.**

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1. Introduction

Australia ICOMOS welcomes the opportunity to comment on the Productivity Commission's Interim Report on Housing Supply Regulation. Australia ICOMOS supports measures to improve housing affordability and increase housing supply in appropriate locations, particularly through better strategic planning, transparent decision-making, periodic review of heritage inventories and planning controls, and adaptive reuse where cultural significance can be retained. The central concern of this submission is that the Interim Report does not yet provide a sound evidentiary basis for treating statutory heritage protection as a material constraint on housing supply. It too often frames heritage as a regulatory barrier rather than as a public good that delivers social, cultural, environmental and economic benefits, including community identity, wellbeing, sustainability, employment, tourism, creative industries, adaptive reuse value and non-market public value. These benefits should be evaluated alongside housing supply objectives before any recommendation is made to reduce heritage protections.

Australia ICOMOS supports:

1. The principles of increasing housing supply and improved affordability.
2. Better strategic planning that integrates housing, infrastructure and heritage.
3. More rigorous and transparent heritage decision-making.
4. Improved heritage inventory quality and periodic review.

However, Australia ICOMOS opposes:

1. The framing of heritage as primarily a housing barrier.
2. The proposal to replace broad heritage conservation areas with predominantly individual listings.
3. Cost-benefit methodologies that privilege market values over cultural significance.
4. Simplistic assumptions that heritage controls are a major cause of housing shortages.

2. Background

2.1 About Australia ICOMOS

Australia ICOMOS is the Australian national committee of the International Council on Monuments and Sites and the peak professional heritage body in Australia. Formed in 1976, it has a substantial national membership and is one of the largest ICOMOS national committees globally.

Australia ICOMOS is Australia's leading expert body for cultural heritage conservation. It brings together nationally and internationally recognised heritage

practitioners, scholars and specialists, and provides independent, evidence-based advice on the identification, conservation and management of places of cultural significance. As the author and custodian of the Burra Charter, Australia ICOMOS plays a central role in shaping heritage practice, policy and public understanding in Australia.

2.2 Heritage is an Essential Public Good

Heritage is recognised internationally as part of the cultural rights framework. Access to, participation in and transmission of cultural heritage are connected to the right to take part in cultural life, reflected in international human rights instruments and heritage instruments that inform Australian policy and practice. Australia's heritage system should therefore be understood not only as a domestic planning mechanism, but as part of a broader public obligation to identify, conserve and transmit cultural heritage for present and future generations (International Covenant on Economic, Social and Cultural Rights, art. 15; UNESCO 1972).

Australia endorsed the United Nations Declaration on the Rights of Indigenous Peoples in 2009. The Declaration recognises Indigenous Peoples' rights to practise, revitalise, maintain, protect and develop their cultural traditions and the manifestations of their cultures, to maintain distinctive spiritual relationships with lands, waters and resources, to protect cultural heritage and knowledge, and to participate in decisions affecting their rights through their own representative institutions. Although the Declaration has not been comprehensively incorporated into Australian domestic law, it establishes internationally recognised standards against which laws and policies should be assessed. Aboriginal cultural heritage should therefore not be treated as an ordinary regulatory cost that may simply be traded away against housing yield or development feasibility (United Nations 2007).

The Productivity Commission's Interim Report acknowledges that heritage protections contribute to community identity and provide benefits for current and future generations. Australia ICOMOS strongly agrees with this position. Heritage is not simply another planning control. It is a public good in its own right, helping to sustain collective memory, cultural identity, social cohesion, community wellbeing and intergenerational continuity. Its value lies in the ways people experience, use and identify with heritage places, including streetscapes, neighbourhoods, landscapes, public spaces and places of local memory.

The Productivity Commission's own best-practice objective requires housing regulation to balance economic, social, cultural and environmental outcomes. However, the Interim Report gives much greater attention to the potential costs of heritage controls than to the public benefits they protect. Australia ICOMOS recommends that the final report systematically identify, evidence and weigh the social, environmental and cultural benefits of place-based heritage, including community identity, wellbeing, embodied carbon, adaptive reuse, intergenerational equity, local distinctiveness and cultural continuity, before recommending any reduction in heritage protections.

A substantial evidence base supports this broader assessment. Research reviewed by Historic England and the What Works Centre for Wellbeing links historic places with place attachment, belonging, self-esteem, relaxation, personal growth, social relationships, pride of place, confidence, life satisfaction and community empowerment (What Works Centre for Wellbeing 2019; Historic England 2023).

Environmental evidence is equally important. Victorian evidence synthesised in the *Why Heritage?* report (Clark, Martin and Lu 2023), highlights that the built environment is the world's single largest contributor to greenhouse gas emissions, consuming around 33% of global water and generating between 33% and 40% of waste, while as much as 25% of Australia's carbon emissions come from buildings. It also notes that the embodied energy in Australia's existing buildings represents around ten years of national energy consumption. These figures support the broader point developed later in this submission: retention, repair, retrofit and adaptive reuse should be treated as mainstream housing and sustainability strategies, not as exceptions to housing reform. Historic England's *Know Your Home, Know Your Carbon* similarly concludes that demolishing existing buildings and replacing them with new ones will increase carbon emissions by 2050 (Historic England 2020a).

Australia ICOMOS notes that much of the quantified Australian evidence cited in this submission comes from Victoria because that jurisdiction has commissioned and published more consolidated heritage-benefit data than most others. This should not be read as implying that heritage value is uniquely Victorian, or that Victorian data can stand as a national proxy. Its relevance is methodological: it shows the types of benefits, approvals data and economic measures that can be captured when heritage evidence is actively maintained, and it demonstrates the need for a recurrent national heritage data program capable of producing comparable evidence across all jurisdictions.

There are however some examples from NSW, South Australia and nationally that provide a useful counterweight to the Victorian evidence cited above. The NSW Heritage Strategy states that heritage strengthens communities, supports wellbeing, and benefits the economy and environment (NSW Department of Climate Change, Energy, the Environment and Water 2026). It identifies heritage as essential to cultural identity, community wellbeing and sense of place, and its objectives include streamlining heritage systems and information to support faster approvals, conservation and adaptive reuse, as well as investigating sustainable funding models and developing a valuation framework for government-owned heritage. Together with the NSW strategy's case-study focus and the broader Victorian, South Australian and national State of the Environment evidence cited in this submission, this material shows that useful heritage evidence exists across jurisdictions but remains fragmented. The appropriate national response is to assemble and compare this evidence systematically, not to draw broad conclusions from a narrow set of residential heritage examples.

In a broader, international context, Historic England notes that embodied carbon is not captured when analysis focuses only on operational emissions, while the United States Environmental Protection Agency observes that a new energy-efficient building with substantial recycled content can take approximately 65 years to recover the energy lost in demolishing a comparable existing building (Historic England 2024; United States Environmental Protection Agency 2026). These findings support treating conservation, retrofit and adaptive reuse as mainstream sustainability strategies rather than as obstacles to housing reform.

Government housing, planning and climate policy settings should explicitly recognise retention, repair, retrofit and adaptive reuse as mainstream housing and sustainability strategies. Demolition and replacement can impose environmental costs that are not captured by narrow feasibility or land-value analysis, particularly where appraisal frameworks focus on new operational performance but do not adequately account for embodied carbon, demolition waste, material consumption or avoided emissions from reuse. Strategic planning, housing targets, assessment guidance, infrastructure funding criteria and cost-benefit frameworks should therefore reward conservation outcomes that reduce waste, conserve embodied energy and support lower-carbon urban growth (Clark, Martin and Lu 2023).

2.3 Heritage and Wellbeing

A credible net-benefit assessment must recognise wellbeing as one component of the broader public value of heritage, including the everyday relationships people have with meaningful places, not only heritage's contributions through tourism, education or economic activity. Evidence from social value and wellbeing research shows that historic environments can support communal identity, social capital, sense of place, spiritual attachment and wellbeing, including through ordinary practices, sensory experiences and local narratives that may sit outside official heritage accounts (Jones and Leech 2015; Gallou 2022; Allen 2023).

This point connects directly to the Commission's own framing of the housing problem. The Interim Report states that too few homes are available where people want to live, and recognises that well-located housing supports access to jobs, services, family, community and social cohesion. Heritage values are part of what makes many well-located neighbourhoods places where people want to live. Their historic streetscapes, social meanings, public spaces, local identity and sense of continuity contribute to the attractiveness, liveability and wellbeing value of established areas. Housing reform should therefore increase access to such places without eroding the qualities that make them desirable.

This evidence is directly relevant to housing reform because heritage places often operate as everyday social infrastructure. Studies of community-based heritage conservation have found positive effects on participants' social wellbeing, including personal enrichment, social learning, satisfaction from sharing heritage outputs, wider social networks, reciprocity and reduced anxiety about the present (Power and

Smyth 2016). More recent evidence identifies multiple pathways through which heritage contributes to wellbeing, including identity formation, experience of place, capability development, civic participation, social support, place attachment and quality of the living environment (Gallou 2022; Allen 2023; Clark, Martin and Lu 2023).

Heritage should therefore not be treated simply as a constraint on housing supply. In rapidly changing cities, familiar historic environments can provide continuity, orientation, belonging and identity (Holtorf 2018; Sofaer et al. 2021). Research on historic places and 'felt experiences of place' argues that attachment, pride, belonging, atmosphere, emotion and sensory connection are not incidental or merely subjective matters, but important mechanisms through which places support socio-emotional and economic benefits (Madgin et al. 2026). Planning frameworks that fail to account for these relationships risk undervaluing the public benefits of conservation and overstating the value of demolition or replacement.

Any economic analysis is incomplete if it counts development costs while excluding measurable non-market public benefits, including wellbeing.

2.4 Heritage is More Than Individual Buildings

The report frequently discusses heritage as though it consists primarily of individual buildings or architectural artefacts. This reflects a narrow understanding of contemporary heritage practice. The Australia ICOMOS Burra Charter (2013), which has guided heritage practice in Australia for almost fifty years and has influenced international conservation approaches, recognises that heritage significance may reside in places, landscapes, settings, associations, uses and relationships between elements, rather than solely in individual buildings. Consequently, heritage management cannot always be reduced to individual site listings. Many significant places form part of broader living cultural networks that require integrated systems of protection and management. The interim report's preference for replacing broad conservation areas with predominantly individual listings risks overlooking these dimensions of significance.

The Victorian evidence synthesis prepared for Heritage Victoria also cautions against narrow conceptions of heritage by emphasising that Australians understand heritage as broad, personal and place-based, including both tangible and intangible dimensions. National research found that people may support the protection of places that do not have personal meaning to them because they recognise heritage as a shared public value (McDonald 2011; Clark, Martin and Lu 2023).

2.5 The Burra Charter Remains the Appropriate Foundation for Managing Change

The Burra Charter provides the appropriate framework for managing the relationship between conservation and change. It does not require places to be frozen or removed from contemporary use. Instead, it requires decisions to be guided by an

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understanding of cultural significance, so that change is planned, assessed and managed in ways that retain the values that make places important.

The Charter does not oppose development. Rather, it provides a structured framework for managing change while retaining cultural significance. Australia ICOMOS strongly recommends that the Productivity Commission's final report recognise the continued relevance of the Burra Charter as the primary framework for heritage management in Australia.

3. Response to Proposals in the Interim Report

The analysis below first explains why a credible net-benefit framework must weigh heritage benefits as well as development costs. It then tests the Commission's evidentiary claims about heritage overlays, character controls and housing supply.

3.1 Response to Information Request 1.2 — the Objective and Best Practice Principles

The objective and the four principles in the Interim Report are broadly appropriate, but require amendment. The Commission's net-benefit framework is symmetric: it treats an error of over-regulation and an error of under-regulation as equivalent. They are not. Demolition of a significant place is irreversible; an unnecessary heritage control can be corrected at the next scheme amendment. Where outcomes are irreversible and future preferences are uncertain, standard welfare economics supports a quasi-option value premium (Arrow and Fisher 1974), the same logic the report accepts, without argument, for biodiversity and hazard overlays. **Australia ICOMOS recommends:** adding a fifth principle: *Account for irreversibility. Where a regulation prevents an irreversible loss, the assessment should recognise the option value of retention and the asymmetry between reversible and irreversible error.*

The objective's reference to cultural outcomes should also be operationalised or removed. Cultural outcomes appears in the objective, is discussed in section 1.2, and then plays no meaningful role in Chapter 2, where the only quantified figures are on the cost side. An objective that names an outcome and then assigns it no evidentiary weight creates the appearance of balance without the substance. Table 1.1 should also be amended: describing broad heritage overlays as allowing heritage or cultural value to be an excuse to prevent development frames statutory cultural values as a pretext. That is not a neutral analytical statement and is not supported by the report.

3.2 Response to Box 2.2 and Reform Direction 2.5 — the Evidence Base

The evidence relied on by Box 2.2 does not support the scale or breadth of reform proposed.

Case studies can identify possible problems, illustrate how a control operates or generate hypotheses for further investigation. They cannot, without evidence that the cases are representative, establish the prevalence, causes or aggregate housing effects of a problem across Australian heritage systems. They may justify review of particular instruments, but they do not establish that broad heritage protection generally produces net public harm or that widespread deregulation would materially increase housing supply.

Box 2.2 concludes that the extent of heritage overlays in Australian cities likely exceeds the benefit they provide. Five problems attend that conclusion. First, the Commission applies to heritage the class of evidence it elsewhere discounts. Box 1 of the Overview states that the Commission gives more weight to studies that estimate the effect of new supply using causal methods and capture long-term city-wide effects, rather than short-term or local effects. The 17% figure in Box 2.2 is a non-causal, cross-sectional, sub-metropolitan comparison, resting on an explicit counterfactual assumption that heritage-covered sites would then develop at the same rate as comparable non-heritage sites. The Commission itself states the estimates should be treated as indicative and that some differences in infill rates may reflect other site characteristics, yet the box's headline conclusion does not carry those caveats. The Commission is entitled to its methodological preference but this is applied selectively in the Interim Report.

Second, the comparison used in the report is likely to overstate the effect of heritage controls. Heritage conservation areas are usually identified because they already contain intact older housing and established streetscapes. Those areas often also have high levels of owner-occupation, valuable existing homes, smaller or irregular lots, and strong local amenity. Each of these factors can make redevelopment less likely, even without a heritage overlay. In simple terms, many owners are unlikely to demolish sound, valuable homes just because redevelopment is theoretically possible. The report risks attributing lower redevelopment rates to heritage controls when some of that difference may be explained by the existing condition, value and ownership patterns of the area. This issue also applies to within-suburb comparisons, because heritage areas within the same suburb are still selected for their intactness and character. The analysis also does not reflect the diversity of heritage areas, which range from large-lot residential areas to former industrial places that have already accommodated high-density adaptive reuse.

Third, heritage is rarely shown to be the binding constraint, using the Commission's own framework. The report is explicit that the most restrictive control often determines what can be built; that 75% or more of residential land in Brisbane, Sydney, Perth and Adelaide is zoned for just one or two storeys; and that 69% of residential land within one kilometre of Brisbane train stations is low density or character-controlled. In most heritage precincts the binding constraints may be the underlying zone, height, floor-space ratio, minimum lot size, setbacks and parking minima — all of which the Commission proposes to relax under Reform Directions

2.1 to 2.6. The relevant question is therefore marginal effect: how much additional housing would be enabled by removing heritage controls after those other constraints are relaxed? Removing the heritage overlay while leaving the binding constraint in place will deliver little; relaxing the binding constraint may deliver most of the available yield with the overlay retained. Planning authorities already balance heritage against statutory housing and planning objectives in heritage reviews and development assessment every day; heritage is not assessed in a vacuum.

The Interim Report also risks importing a highest-and-best-use valuation logic into heritage decision-making. Cultural heritage is not simply underutilised land awaiting redevelopment to its most profitable private use. Heritage places carry public value through cultural significance, social meaning, embodied carbon, historical continuity, local identity and intergenerational benefit. These values are not adequately captured by residual land value or redevelopment feasibility models.

The report then cites Fifer to suggest that costs greatly exceed benefits. That is not what Fifer's study shows. Fifer's work is evidence of benefit: it finds that people in New South Wales are willing to pay for the retention of historic residential buildings, including where they live some distance from those places. Evidence of cost cannot be treated as evidence of net harm unless the corresponding benefits have also been measured and weighed. If the final report relies on cost estimates, it should present the Fifer benefit estimates alongside them and explain the net result. It should also be cautious about using New Zealand evidence, because New Zealand "special character areas" operate under a different legal framework and should not be assumed to be equivalent to Australian heritage conservation areas.

Fifth, coverage is not constraint. Overlay coverage measures the extent of mapped controls, not their effect. A heritage overlay does not prohibit development; it requires that change be assessed for its effect on significance. If the final report continues to report heritage coverage alongside regulatory bans or exclusionary controls, it should also report approval rates, refusal rates, median assessment times, dwelling completions, population increase, demolitions and adaptive reuse outcomes in heritage precincts, disaggregated from discretionary character-controlled areas. Without those paired measures, coverage statistics risk overstating constraint by an unknown margin.

A further problem is scope. Much of the report's heritage discussion appears to focus on residential heritage controls and their possible effect on infill housing, but the reform language is capable of affecting heritage protections more broadly. Australian heritage systems protect not only residential buildings, but a broad range of heritage places and landscapes. Evidence about one subset of residential heritage controls should not be used to justify reform directions that could weaken statutory heritage protection across this wider field. The final report should specify which forms of heritage control are within scope, and should not extrapolate from residential heritage examples to all heritage protections.

Some overlay mapping is inaccurate, some curtilages are poorly drawn, and some areas are overdue for review. The car park examples cited in Box 2.2 reflect real mapping and grading failures. But they are failures of maintenance of the instrument, not of the instrument itself. The remedy is funded gap studies, curtilage review and grading, not blanket removal.

If the Commission relies on case studies in the final report, it should explain how those cases were selected, whether they are representative, how often comparable circumstances arise relative to all listed places and conservation areas, whether heritage was in fact the binding constraint, what dwelling yield would follow from the proposed reform, and whether less damaging administrative reforms would address the same problem.

Australia ICOMOS recommends: The final report should withdraw the heritage limb of Reform Direction 2.5 pending publication of the method underlying the infill estimate; sensitivity analysis on the counterfactual; estimation of the marginal effect of heritage controls conditional on Reform Directions 2.1 to 2.6; and paired presentation of available benefit estimates. Where heritage coverage is reduced, the final report should require annual public reporting of demolitions, dwelling completions and population increase in affected precincts, with an automatic review trigger.

3.3 Reform Direction 2.5 Fails the Commission's Own Principle 4

Principle 4 requires planning decisions to be timely, predictable and simple, with clear decision pathways and limited discretion. Reform Direction 2.5 would move in the opposite direction if it required targeted heritage listings to be justified by contestable cost-benefit analysis and supported by more robust delisting mechanisms. Listing is presently a criteria-based assessment against published significance thresholds, documented in a statement of significance and subject to exhibition, submission and review. A cost-benefit test at listing or delisting stage would additionally require site-specific feasibility modelling of forgone development capacity, quantification of non-market heritage values, competing expert valuation evidence, contestability and appeal rights. Every listing decision would risk becoming a merits hearing on land economics.

The proposal is also asymmetrically applied: the Commission does not propose per-decision cost-benefit tests for hazard or biodiversity overlays. It would create perverse incentives because forgone development value scales with land value. A delisting mechanism keyed to cost-benefit analysis would make protection inversely proportional to land value, invite speculative acquisition of listed places in high-demand locations in anticipation of delisting, and reward demolition by neglect. Any net-benefit assessment should be conducted once, at precinct scale, through strategic planning, then codified. Heritage offsetting should be ruled out where it assumes that the loss of the cultural significance of one place can be compensated for by protecting, funding or interpreting another. Cultural significance is embodied in

the particular place, including its fabric, setting, use, associations and meanings, and is therefore not ordinarily interchangeable. This is consistent with the priority given to avoiding harm to World Heritage values in international practice. It is also supported, at the Commonwealth level, by the new National Environmental Standards proposed for matters protected under the EPBC Act, including World Heritage properties and National Heritage places, which place avoidance, mitigation and repair before compensation in the mitigation hierarchy. Although those standards apply only to matters within their statutory scope and will not apply to assessments and approval decisions until the new approval tests commence, they reinforce the principle that compensation is not a substitute for first avoiding irreversible harm to significant heritage values.

Australia ICOMOS recommends: The final report should not adopt a contestable cost-benefit test for individual listing and delisting decisions. Any net-benefit assessment should be conducted once, at precinct scale, through strategic planning, and heritage offsetting mechanisms should be ruled out.

3.4 Statutory Heritage and Neighbourhood Character Are Not the Same Instrument

The final report should distinguish instruments before recommending reform.

Reform Direction 2.5 addresses broad heritage protections and neighbourhood character restrictions in adjacent terms, and Table 1.1 treats them as a single category. They are not the same instrument. Statutory heritage controls rest on an assessment of cultural significance against published criteria — historical, aesthetic, scientific, social and spiritual value — documented in a statement of significance, following a methodology derived from the Burra Charter and incorporated by reference into planning schemes and heritage legislation across Australian jurisdictions. Listing decisions are made by, or on the advice of, statutory heritage and planning bodies, and are subject to exhibition, submission and review.

Neighbourhood character controls are different, and should not be conflated with statutory heritage. Australia ICOMOS does not defend vague or purely discretionary character controls. However, neighbourhood character is not inherently subjective or incapable of principled application. Properly drafted character frameworks can be supported by clear statements about materials, massing, scale, subdivision pattern, landscape setting, tree canopy, garden character, open space, streetscape rhythm and other attributes that give a neighbourhood its identity and distinctiveness. The reform task should therefore be to improve character guidance so that it can inform appropriate density, not to abandon character as a planning consideration altogether.

International practice also shows that area-based protection need not be heavy-handed. England has thousands of conservation areas, which operate as a light-touch mechanism focused principally on managing demolition and requiring new

development to preserve or enhance the character or appearance of the area. The point is not that this model should be imported directly into Australian planning systems, but that area-based character and conservation controls can be designed as proportionate tools that manage change while retaining local distinctiveness.

Precisely because statutory heritage controls and neighbourhood character controls are different, the reform response should be different. Character controls should be tested against Principle 4 for clarity, objectivity and necessity, and should be supported by clear statements of character, objective design parameters and transparent density guidance. Statutory heritage controls should be tested for currency, accuracy, significance and grading. Bundling the two produces a mis-specified reform direction.

4. Conserve and Build Reform Agenda

Having set out why Reform Direction 2.5 is not supported by the evidence and would add complexity, the submission now turns to a constructive reform agenda. The alternative is not conservation without change, but a conserve-and-build model that uses better data, grading, approvals pathways and strategic planning to direct additional housing capacity where it can be accommodated without loss of significance.

4.1 Retention Supports Supply, Affordability and Competition

Three points connect heritage retention to the Commission's own economic framework. First, the report's filtering logic implies that older stock is disproportionately the naturally affordable stock. Wholesale replacement of modest, sound older dwellings with new premium product removes lower-cost dwellings from the market in the near term; retention plus additive density adds supply without subtracting it. Second, the report records that 98% of construction businesses are small. Retrofit, adaptation and heritage-compatible infill are accessible to SME builders, whereas large-scale demolition and replacement favours volume builders. Third, conservation and retrofit work is skill-intensive and builds transferable trade capability. Treated as a productivity investment rather than a cultural concession, it strengthens the same workforce needed for the broader housing task.

4.2 Reform Rather Than Removal of Heritage Controls

Heritage controls can occasionally be invoked for reasons unrelated to heritage significance. The policy task is to distinguish genuine heritage values from other forms of local opposition, while improving the planning processes through which communities can engage with transformative urban change.

In many instances, reliance on heritage processes reflects a broader problem: communities often have limited opportunities to meaningfully influence the future character and identity of their neighbourhoods. Heritage controls sometimes become

one of the few available mechanisms through which local communities can engage with transformative urban change.

The appropriate response is not to weaken heritage protection but to improve strategic planning processes, community engagement mechanisms and evidence-based heritage assessment.

NSW evidence supports this distinction between reforming heritage administration and weakening heritage protection. The NSW Legislative Council's 2021 review of the *Heritage Act 1977* received 306 submissions and 4 supplementary submissions and heard from 43 witnesses over 5 public hearings. That evidence base identified delay, uncertainty and owner frustration as matters often linked to resourcing, administration, customer service, outdated guidance and integration with planning legislation, rather than to statutory heritage protection itself as the problem (NSW Legislative Council Standing Committee on Social Issues 2021).

The Victorian evidence base — one of the more developed jurisdictional datasets presently available — indicates that heritage controls need not freeze places. In 2020–21, only four heritage permits were refused by Heritage Victoria, and more than 90% of places on the Victorian Heritage Register remained in everyday use as businesses or homes. The total value of works covered by heritage permits and exemptions in Victoria in 2021–22 was approximately \$1.248 billion, representing around 3.1% of the value of all building permits in Victoria. While this evidence is Victorian, it demonstrates the type of administrative data that should be assembled nationally before national reform conclusions are drawn. It supports a reform agenda focused on clearer assessment, better guidance and more efficient approval pathways, rather than broad deregulation or removal of heritage controls (Heritage Council of Victoria 2022; Clark, Martin and Lu 2023).

4.3 Heritage Conservation Areas Remain Important

Heritage conservation areas are legitimate and necessary planning tools where significance is collective, spatial and contextual.

Australia ICOMOS supports periodic review of heritage conservation areas and overlays to ensure that they reflect contemporary understandings of significance and are supported by robust evidence. However, we do not support the proposition that conservation areas should generally be replaced by individual listings. In many locations, broader conservation areas remain essential because significance resides in:

- collective urban character
- historic patterns of subdivision
- streetscape continuity
- landmark relationships
- landscape settings
- character and associated community identity.

The logic of conservation areas is internationally recognised and remains entirely consistent with contemporary heritage theory and practice.

Conservation areas should be reviewed where necessary, refined where appropriate and supported by clear statements of significance. They should not be abandoned as a planning tool.

The scale of heritage protection should also be kept in perspective. Available Victorian data, for example, indicates that less than 10% of Victoria's building stock is included in a Heritage Overlay, that fewer buildings have State-level protection, and that far more buildings are demolished than protected. In 2019–20, for every building added to Australian heritage registers, 112 houses were demolished and 618 new houses were built (Clark, Martin and Lu 2023). These figures provide a caution against assuming, without comparable national evidence, that heritage protection is a dominant constraint on housing supply.

4.4 Support Benefit-Based Decision Making, But Recognise Heritage Benefits

Benefit-based decision-making is only credible when it counts heritage benefits as well as development costs.

Australia ICOMOS supports decision-making frameworks that assess costs and benefits. Any benefit-based framework must properly recognise the extensive and well-documented benefits delivered by heritage.

Evidence demonstrates that heritage contributes to economic development, tourism expenditure, employment generation, social cohesion, sense of place, community wellbeing, environmental sustainability, climate adaptation through building reuse, urban attractiveness and investment confidence (Clark, Martin and Lu 2023).

The available evidence also contradicts the assumption that heritage protection necessarily reduces economic value. More than forty property-price studies from Australia, the United States and the United Kingdom found that buildings in historic districts, protected heritage buildings and buildings near heritage buildings generally achieved premium prices or, at worst, prices no different from comparable unprotected buildings. Victorian owners and others spent approximately \$1.248 billion on heritage building works in 2021–22, representing around 3.1% of the value of all building permits in Victoria (Clark, Martin and Lu 2023). The total economic value of heritage to the Victorian economy was estimated at \$1.1 billion each year, while noting that this figure is incomplete because it does not include heritage building works or the full impact of culture and heritage visitors on the visitor economy. This is valuable jurisdictional evidence, but it should not be overstated as a national proxy. Its significance for this submission is that it shows the kinds of heritage benefits that can be expressed in economic terms where proper studies are

commissioned. International evidence from England indicated that its heritage sector generated £36.6 billion in gross value added and supported more than 563,000 jobs in 2019, growing by 24% between 2011 and 2019 (SGS Economics and Planning 2018; Historic England 2020b).

NSW evidence also demonstrates that modest public investment can support conservation, activation and local economic value. The NSW Legislative Council Standing Committee on Social Issues (2021) recorded that the 2021–23 NSW Heritage Grants Program awarded \$5.9 million to 231 projects across Aboriginal Cultural Heritage, Caring for State Heritage and Community Heritage — an average of approximately \$25,000 per grant — and described this as an important but modest contribution to the conservation and maintenance of State heritage. Regional NSW evidence from Broken Hill further indicated that small heritage grants can leverage substantially larger private and community investment, with the local heritage adviser describing an approximately eleven-fold increase in local value for every dollar of State government funding. This evidence is important because it shows heritage conservation operating as leverage: small public contributions can unlock private labour, local spending, skills retention and regional confidence. Heritage funding should therefore be assessed as local economic stimulus and capability-building, not merely as an offset to regulatory cost (NSW Legislative Council Standing Committee on Social Issues 2021).

The economic scale of heritage-related wellbeing benefits is also material. Historic England's wellbeing-economy analysis found that people living in areas with higher densities of heritage assets report significantly higher life satisfaction, with the wellbeing effect valued at around £515 per person each year in England, or approximately £29.1 billion nationally (Historic England 2023). This evidence is important because it shows that the wellbeing contribution of heritage is not merely qualitative or anecdotal: it can be recognised as a measurable public benefit within policy and economic appraisal.

The costs associated with getting heritage wrong can be profound and irreversible. Unlike many planning decisions, heritage loss is generally permanent. Decision-making should therefore recognise the asymmetry between reversible and irreversible error: an outdated or excessive heritage control can be corrected through review, but demolition of a significant place cannot be undone. This supports a precautionary approach that accounts for option value, uncertainty and intergenerational public benefit. Decision-making frameworks should therefore seek to account for both the benefits of conservation and the long-term costs of heritage loss. Market value alone cannot capture these outcomes.

4.5 Heritage and Development Should Not Be Framed as Oppositional

A recurring weakness of the report is its tendency to position heritage conservation and housing development as competing objectives. Australia ICOMOS rejects this framing.

Heritage and growth can coexist successfully when planning manages change rather than treating conservation and development as opposing objectives. The task is not to decide whether heritage or housing should prevail, but to accommodate growth while maintaining the qualities that make places distinctive, desirable and liveable.

Historic urban form provides important evidence for this position. Many of Australia's most valued urban heritage areas already contain compact housing patterns, including terrace housing, semi-detached dwellings, shop-top housing, walk-up flats, mansion flats, boarding houses and courtyard forms. These places demonstrate that heritage areas are not synonymous with detached low-density suburbia: in many cases, their significance is closely connected to fine-grain subdivision, walkability, mixed use, proximity to public transport and established forms of gentle or medium density. Contemporary housing reform should learn from these historic patterns of density rather than assuming that increased housing supply requires the removal of heritage protections.

This does not mean that all low-density residential heritage areas should be treated as development opportunity areas. Their capacity to accommodate additional housing depends on the specific significance of each place, including built form, subdivision pattern, landscape setting, garden character, streetscape continuity, social value and archaeological sensitivity. In some places, low scale, landscape character or coherent historic subdivision may be central to significance and should not be substantially eroded. In others, additional dwellings may be accommodated through carefully managed change, including secondary dwellings, rear-lot additions, subdivision of larger dwellings, upper-floor conversion, adaptive reuse, or development on non-contributory and under-used sites.

The appropriate reform direction is therefore a graded, place-based approach that distinguishes between higher-capacity and lower-capacity heritage contexts. Areas of historic density can inform contemporary missing-middle housing, while some low-density areas may require gentler forms of incremental change or have limited capacity for intensification. This supports a conserve-and-build approach: identify what is significant, retain the attributes that carry that significance, and direct additional capacity toward compatible additions, adaptive reuse, upper-floor housing, non-contributory sites and well-designed infill.

This integrated approach is consistent with the UNESCO Recommendation on the Historic Urban Landscape, which treats conservation as part of sustainable urban development and calls for heritage values to be mapped, understood through participatory processes and integrated into wider city planning. It is also consistent with the United Nations New Urban Agenda, which recognises well-planned and well-managed urbanisation as a means of advancing sustainable, inclusive and culturally supportive cities. These frameworks reinforce that accommodating urban growth and retaining inherited cultural values are complementary planning responsibilities, not mutually exclusive policy choices (UNESCO 2011; United Nations 2017).

4.6 Adaptive Reuse and Heritage-Led Housing Solutions

Australia ICOMOS encourages greater attention to adaptive reuse and heritage-led regeneration as practical mechanisms for delivering additional housing supply where this is compatible with cultural significance.

Compatible housing pathways include:

- adaptive reuse of former commercial, institutional and industrial buildings for housing or mixed use
- upper-floor and shop-top housing (of proportionate scale) in historic main streets and centres
- secondary dwellings, rear-lot additions and laneway housing where streetscape significance is retained
- carefully designed infill on non-contributory, detracting or under-used sites
- conversion or subdivision of larger dwellings where internal change can occur without unacceptable heritage impact
- heritage-sensitive gentle and medium-density housing derived from established historic typologies such as terraces, semis, courtyard housing and walk-up flats

These approaches would enable heritage places to contribute to housing supply without treating conservation areas as either frozen or freely redevelopable. The objective should be to match the form and degree of change to the significance and capacity of each place.

This approach aligns with available economic evidence, including Victorian data on substantial expenditure on heritage building works and evidence of the contribution of heritage places to commercial vitality, creative industries and local distinctiveness. Again, the Victorian material is best understood as an example of the evidence that can be generated when heritage datasets are actively maintained, rather than as a substitute for comparable national data. Evidence also indicates that independent food, retail, fashion and creative businesses are among those most likely to occupy heritage-listed buildings, and that creative businesses in listed buildings in England generate an additional £13,000 gross value added per business per year compared with those in unlisted buildings (Historic England 2020b; Clark, Martin and Lu 2023).

4.7 Response to Information Requests 2.1 and 2.3 — A Conserve-and-Build Reform Package

The Productivity Commission's final report should adopt a constructive conserve-and-build reform agenda in place of Reform Direction 2.5's heritage limb. This package would increase commercially feasible capacity in and adjacent to heritage precincts without loss of significance. It should include mandatory grading and mapping of contributory and non-contributory places within every heritage conservation area, published as machine-readable data in state planning portals; codified deemed-to-comply pathways for non-contributory sites; codified exemption

schedules for minor works such as restumping, services, solar installations, rear fencing and like-for-like repair; and state-issued model controls for heritage-compatible gentle density, including rear-of-site and laneway dwellings, subdivision of large historic dwellings into multiple units, secondary dwellings within existing curtilage, and rooftop and airspace additions in commercial heritage precincts.

The package should also use strategic micro-zoning rather than blanket upzoning across precincts, directing additional height and density to low-significance pockets such as car parks, service lanes, post-war infill, single-storey commercial sites, depots and interchange sites within or immediately adjoining heritage precincts. Adaptive reuse and conversion should be named as explicit supply pathways, including vacant upper floors in heritage main streets and existing non-residential building stock. Pattern books should be derived from historic typologies — terraces, semis, walk-up flats and courtyard housing — rather than treating heritage precincts as barriers to missing-middle reform. Modern methods of construction, including prefabricated rear additions, modular pods and volumetric elements, are also compatible with heritage sites in principle and should be recognised as such.

Australia ICOMOS recommends: The final report should adopt the conserve-and-build package as the heritage reform direction, including grading, deemed-to-comply non-contributory pathways, minor-works exemptions, model controls for gentle density, micro-zoning, adaptive reuse as a named supply pathway, pattern books from historic typologies and recognition of modern methods of construction compatibility.

4.8 Implementing Heritage-Compatible Housing Reform

Implementation should translate the conserve-and-build package into clear planning rules and approval pathways. Heritage conservation areas should not operate as de facto embargoes on housing or adaptation, but nor should they be treated as undifferentiated opportunity areas for uplift. Planning systems should provide clear, practical and significance-led pathways for compatible development, while retaining strong protection where the attributes that give a place cultural significance would be harmed.

Implementation should begin with a place-specific assessment of capacity for change. This requires clear statements of significance, mapping of contributory and non-contributory fabric, identification of important subdivision patterns, landscape and streetscape elements, and recognition of Aboriginal cultural heritage, archaeological potential and social value. This evidence should determine where additional dwellings can be supported, where only minor or incremental change is appropriate, and where intensification would be inconsistent with significance.

A practical implementation framework should include:

- regular review of heritage inventories and conservation area boundaries to ensure controls remain evidence-based and up to date

- mandatory grading of contributory, neutral, non-contributory and detracting fabric, linked to different approval pathways
- deemed-to-comply or fast-track pathways for minor works, internal adaptation, upper-floor conversion, secondary dwellings and works to non-contributory sites where agreed design criteria are met
- model controls and pattern books for heritage-compatible gentle and medium density, drawing on established historic forms such as terraces, semis, courtyard housing, shop-top housing and walk-up flats
- clear criteria for scale, siting, setbacks, rhythm, roof form, materials, landscape retention and public-domain interface
- strategic identification of low-significance, under-used or non-contributory sites within and around heritage areas where additional capacity can be focused
- transparent reporting on approvals, refusals, assessment times, dwelling yields, demolitions avoided and adaptive reuse outcomes in heritage contexts

Approval pathways should be calibrated to heritage impact rather than treating all proposals within a conservation area alike. Low-risk works that retain significant fabric and streetscape values should be assessed quickly against clear standards. Higher-impact proposals, including demolition, substantial additions, changes to subdivision pattern or works affecting archaeological or Aboriginal cultural heritage, should continue to require more detailed assessment.

This approach would reduce uncertainty for owners, applicants and councils by making clear what forms of housing and adaptation are likely to be acceptable before applications are lodged. It would also help direct housing growth toward locations where heritage impacts can be avoided or minimised, rather than relying on case-by-case pressure to erode conservation controls.

The policy objective should be a system that enables compatible development as of right or through streamlined pathways where significance is protected, while reserving discretionary assessment for proposals that could cause material heritage harm. This is a more effective housing reform than either blanket prohibitions or blanket deregulation.

4.9 Response to Reform Directions 3.1–3.4 — Approvals

Australia ICOMOS supports the broad thrust of improving approval systems. Heritage assessment done late, repeatedly and at the individual application stage is a source of cost and delay for applicants and of poor outcomes for significance. Front-loading is in the interests of both housing delivery and heritage conservation. Reform Direction 3.1 should therefore add heritage to the list of upfront technical studies, which presently includes flood risk, bushfire risk and biodiversity mapping. Precinct-scale heritage studies, current statements of significance, contributory and non-contributory grading and Aboriginal cultural heritage mapping undertaken with and by Traditional Owners should be completed across areas identified for housing

uplift before rezoning, and codified into planning instruments. Determined once, at precinct scale, these questions need not be re-litigated at every application. This is the single most useful thing the Commission could recommend for heritage in this inquiry, and it would reduce third-party appeal exposure by giving objectors and applicants alike less to argue about.

Reform Direction 3.2 requires a hard carve-out for Aboriginal cultural heritage. Fast-track pathways with minimal third-party inputs and no public notification cannot displace statutory due diligence obligations, unexpected-finds protocols or human-remains protocols. Reform Direction 3.3 also needs an express safeguard: state-significant pathways not bound by council planning schemes would, on their face, override locally listed heritage places unless referral to, and binding advice from, an appropriate statutory heritage advisory body is retained. Reform Direction 3.4 should recognise that a material cause of heritage-related delay is the absence of heritage advice, not its presence: under-resourced councils without a heritage adviser, out-of-date or absent statements of significance, and no pre-lodgement advice. Funding heritage advisory services, shared regional heritage panels, pre-lodgement advice and machine-readable heritage data would reduce assessment times at low cost.

The NSW Legislative Council Standing Committee on Social Issues (2021) provides a practical reform template for this approach. Its approval-process recommendations included reinstating pre-lodgement meetings, using site visits where they would assist assessment, updating standard exemptions and fast-track pathways for non-impactful works, increasing resources for Heritage NSW and the Heritage Council of NSW, and publishing expected timeframes for heritage permit decisions. It also identified avoidable duplication between heritage and planning approvals, recommending removal of a separate section 60 approval requirement where an Integrated Development Application has already addressed the same heritage matters. These are process reforms that reduce delay while retaining assessment of significance (NSW Legislative Council Standing Committee on Social Issues 2021).

The Interim Report is also silent on National Heritage and Commonwealth Heritage protections and how they interact with fast-tracked housing pathways. The final report should address this interaction explicitly, particularly in light of the terms of reference concerning EPBC reforms and fast-tracking of housing environmental approvals.

5. Evidence, Governance and Safeguards for Heritage Reform

A reform direction targeting heritage should be informed by heritage expertise. Australia ICOMOS recommends that the final report draw on Australia ICOMOS, heritage councils, the National Trust movement, Aboriginal cultural heritage bodies, local government heritage advisers and relevant professional and community heritage organisations.

Australia needs a stronger national heritage evidence base comparable to Historic England's Heritage Counts, including data on approvals, refusal rates, adaptive reuse, embodied carbon, heritage-sector employment, non-market community value, wellbeing and housing delivery in heritage contexts. The Productivity Commission's final report should invite evidence from jurisdictions that combine strong heritage protection with high housing delivery, provided any comparators rest on verifiable figures, and should build on the Commission's own 2006 inquiry into Conservation of Australia's Historic Heritage Places rather than reinventing that institutional work.

The absence of adequate national heritage data is not a new problem. Successive national State of the Environment reports have identified persistent deficiencies in heritage information, monitoring, resourcing and governance. The 2021 State of the Environment heritage assessment records that inadequate heritage resourcing has been identified in every national State of the Environment heritage chapter since 1996. The Commission should not respond to these recognised evidence deficiencies by treating the absence of comprehensive benefit or approvals data as evidence that heritage protections lack value. The appropriate response is to build the national evidence base before recommending systemic reform. More broadly, the 2021 assessment found that the outlook for heritage in Australia is poor, with significant threats from climate change, under-resourcing and inadequate governance. It also recognised that Australian heritage is interlinked across Indigenous, natural, geoheritage and historic places, and that all places in Australia are connected in some way to Indigenous heritage. A regulatory reform direction proposed by the Productivity Commission's final report that further weakens heritage protection would operate in a policy context where national heritage governance is already assessed as under-resourced and inadequate. The national assessment supports better governance, resourcing and data rather than untested reductions in statutory heritage protection (McConnell, Janke, Cumpston and Cresswell 2021; Department of Climate Change, Energy, the Environment and Water 2021).

South Australia provides a useful example of register maintenance as practical reform. At the end of June 2024, South Australia had 2,331 State Heritage Places and 17 State Heritage Areas. In 2023–24, the South Australian Heritage Council approved 46 reports adding better information to existing State Heritage Places through its Better Heritage Information project, providing owners with clearer information about why places are of State significance. This is the kind of evidence-based register maintenance and information improvement that should be preferred to blunt reductions in heritage coverage (South Australian Heritage Council 2024).

Like other forms of heritage, connection to Country cannot be reduced to an ordinary cost-benefit input weighed against development feasibility. Any recommendations affecting Aboriginal cultural heritage should be developed with Traditional Owners and Aboriginal and Torres Strait Islander representative bodies, and should recognise their authority in identifying, managing and making decisions about cultural heritage.

The Commission's engagement with Closing the Gap in Chapter 1 and Information Requests 1.1 and 5.1 is welcome. One element of the reform directions is inconsistent with it. Reform Direction 2.5 provides that targeted heritage listings should also be based on cost-benefit analysis, including consideration of cultural value to Aboriginal and Torres Strait Islander people. Subjecting Aboriginal cultural heritage to a cost-benefit test in which forgone development capacity is the counterweight is not consistent with Priority Reform 3, with shared decision-making, or with the direction of Aboriginal cultural heritage law reform across Australian jurisdictions since 2020. It would also make protection inversely proportional to land value, so that places in the highest-demand locations receive the least protection.

Environmental outcomes also require more explicit treatment. The report identifies effects on carbon emission levels as matters the planning system should weigh, but it does not adequately address embodied carbon, adaptive reuse, retrofit, construction and demolition waste, or maladaptation. Reform directions that increase demolition and replacement of sound existing dwellings will increase near- and medium-term emissions because embodied carbon is incurred immediately while operational savings accrue over decades. Retention, repair, retrofit and adaptive reuse should therefore be identified as distinct supply and carbon-reduction pathways.

The final report should also recognise that applying standardised retrofit specifications to traditional fabric without regard to building physics can produce maladaptation: trapped moisture, condensation, decay and reduced durability. Repairability has insurance and resilience dimensions as well, because traditional construction is often repairable in situ after damage, whereas loss of repairable stock can increase reconstruction costs and insurance exposure.

5.1 Developable Land Measure and Developer Survey

The Commission asks whether it would be helpful to report a measure distinguishing land that is zoned residential from land that is serviced, approved, infrastructure-ready and commercially feasible. Yes — and the measure should include heritage status and, where applicable, contributory and non-contributory grading as attributes. Doing so would, for the first time, allow the actual contribution of heritage controls to constrained capacity to be measured rather than inferred, and would allow the Commission's binding-constraint question to be answered empirically. The developer survey planned for the final report should ask respondents to identify which control was binding on abandoned or delayed projects, disaggregating statutory heritage from character controls and from zone, height, floor-space ratio and parking requirements.

6. Response to Specific Reform Directions

For completeness, the following comments summarise how the preceding analysis applies to the report's specific reform directions most relevant to place-based heritage, housing supply and adaptive reuse.

- **Reform Direction 2.1:** Australia ICOMOS supports clearer pathways for low-rise housing where appropriate, but the reference to heritage listed buildings is too narrow and unworkable. It excludes heritage places, precincts, conservation areas, cultural landscapes, archaeological sites, gardens and Aboriginal cultural heritage; it excludes places identified in adopted heritage studies but not yet gazetted, places on interim protection, and places subject to Aboriginal cultural heritage due diligence obligations that arise independently of listing. The proposed exception is also available only where the benefits of exceptions outweigh the costs, but the report does not say who conducts that test, on what evidence, at what scale — place, precinct, local government area or state — or with what appeal rights. Applied place by place, this would create a new, contestable, expert-evidence-driven process contrary to Principle 4.
- **Reform Direction 2.4:** Australia ICOMOS supports better use of commercial zones for housing where this is compatible with heritage significance. The final report should identify adaptive reuse of existing commercial, institutional and upper-floor heritage spaces as a distinct housing supply pathway.
- **Reform Direction 2.5:** Australia ICOMOS does not support RD 2.5 in its current form. The final report should not conflate statutory heritage controls with neighbourhood character restrictions, and should not recommend reducing heritage protections unless their separate marginal effect on housing supply has been demonstrated through approval, refusal, completion, demolition and feasibility data.
- **Reform Direction 2.6:** Australia ICOMOS supports targeted flexibility in built-form controls where this enables adaptive reuse, gentle density or better use of non-contributory sites. However, controls needed to manage scale, form, setting, significance and place quality should be retained where they protect identified heritage values.
- **Reform Direction 3.1:** Australia ICOMOS strongly supports upfront strategic planning, but heritage should be included alongside flood, bushfire and biodiversity studies. Precinct-scale heritage studies, clear statements of significance, contributory and non-contributory grading, and Aboriginal cultural heritage mapping should be completed before rezoning or uplift decisions are finalised.
- **Reform Direction 3.2:** Fast-track pathways and pattern books should not override statutory heritage or Aboriginal cultural heritage obligations. They can, however, support well-designed housing where templates draw on

historic missing-middle forms, including terraces, semis, courtyard housing, shop-top housing and walk-up flats.

- **Reform Direction 3.3:** State-significant pathways should retain appropriate heritage safeguards. Where pathways are not bound by council planning schemes, referral to statutory heritage bodies and Traditional Owners should remain available where local, State, National, Commonwealth or Aboriginal cultural heritage may be affected.
- **Reform Direction 3.4:** Australia ICOMOS supports better coordination, technology and reporting, provided the data distinguishes statutory heritage from neighbourhood character controls and other planning constraints. Reporting should include approval times, refusal rates, RFIs, referrals, demolitions, completions and adaptive reuse outcomes in heritage contexts.
- **Reform Directions 4.1 and 4.2:** Infrastructure planning and sequencing should recognise that heritage-sensitive infill and adaptive reuse can make efficient use of existing infrastructure. Retention and conversion of existing buildings may provide lower-infrastructure-impact housing supply than some forms of greenfield expansion and should be considered in infrastructure planning and funding decisions.

7. Conclusion

Housing affordability and housing supply can be improved without eroding heritage protections. Heritage places contribute significantly to Australia's prosperity, environmental sustainability, community wellbeing and cultural identity, including benefits not captured in narrow land-value or feasibility analysis. Heritage protections can coexist with active use, private investment and well-planned housing growth, provided their public benefits are counted alongside development costs in any credible net-benefit assessment.

The challenge is to integrate housing growth, heritage conservation and infrastructure planning within a shared vision for sustainable, liveable and culturally distinctive communities.

The Productivity Commission's final report should therefore address the following five priority themes:

Theme	Summary recommendation
Evidence and RD 2.5	Withdraw the heritage limb of RD 2.5 pending stronger method, sensitivity analysis and paired benefit evidence.
Decision-making	Add irreversibility and option value to the Commission's best-practice principles.
Conserve and build	Use grading, minor-works exemptions, adaptive reuse, micro-zoning and heritage-compatible density pathways.

Approvals	Undertake heritage studies early, before rezoning and fast-track pathways are finalised; retain Aboriginal cultural heritage safeguards; and fund heritage advisory services.
Data and consultation	Establish a national heritage data program and consult Australia ICOMOS and other heritage bodies.

The following numbered recommendations consolidate the summary table above into a complete action list for the final report.

1. Adopt a fifth best practice principle addressing irreversibility and option value.
2. Operationalise cultural outcomes in the objective and remove the pretext framing from Table 1.1.
3. Withdraw the heritage limb of Reform Direction 2.5 pending publication of method, sensitivity analysis, marginal-effect estimation conditional on Reform Directions 2.1 to 2.6, and paired benefit estimates.
4. Require public monitoring of demolitions and completions wherever heritage coverage is reduced, with a review trigger.
5. Reject contestable per-decision cost-benefit tests for listing and delisting; apply any net-benefit assessment once at precinct scale; and rule out heritage offsetting.
6. Treat statutory heritage and discretionary character controls as distinct instruments.
7. Redraft Reform Direction 2.1 to refer to heritage places, precincts and areas, and to Aboriginal cultural heritage obligations.
8. Adopt the conserve-and-build package: grading, deemed-to-comply non-contributory pathways, minor-works exemptions, model controls for gentle density, micro-zoning, adaptive reuse, pattern books from historic typologies and modern methods of construction compatibility.
9. Add heritage and Aboriginal cultural heritage to Reform Direction 3.1; carve out Aboriginal cultural heritage from Reform Direction 3.2; retain binding heritage referral in Reform Direction 3.3; fund heritage advisory services and data under Reform Direction 3.4; and address the EPBC, National Heritage and Commonwealth Heritage interaction with fast-track pathways.
10. Account for embodied carbon, demolition waste, retrofit and adaptive reuse in the final report.
11. Remove Aboriginal cultural heritage from cost-benefit-based listing and delisting tests and develop any related recommendation in partnership with Traditional Owners.
12. Add heritage attributes to the developable land measure and to the developer survey.
13. Establish a recurrent national heritage data program.
14. Include heritage bodies and Aboriginal cultural heritage bodies in consultation for the final report and build on the Commission's 2006 heritage inquiry.

15. Support competition and workforce objectives by recognising retention, retrofit and heritage-compatible infill as SME-accessible construction activity within the Commission's productivity agenda.

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