

28 September 2026

Commissioners Roberts and Wood
Productivity Commission
4 National Circuit
Barton ACT 2600
Submitted via website

Dear Commissioners,

Submission to the inquiry into housing supply regulation – interim report

Infrastructure Victoria welcomes the opportunity to provide a submission to the Productivity Commission's inquiry into the rules and regulations that affect new housing supply.

Infrastructure Victoria is an independent advisory body established by the *Infrastructure Victoria Act 2015* and is responsible for:

- preparing a 30-year infrastructure strategy for Victoria, which we review and update every 3 to 5 years
- advising the Victorian Government on specific infrastructure matters
- publishing original research on infrastructure-related issues.

We focus on infrastructure policies, reforms and projects that address the economic, social, and environmental needs of all Victorians.

This submission notes our current workstream on infrastructure funding for new homes, as well as previous work which aligns with the Productivity Commission's reform directions.

Infrastructure Victoria advice on infrastructure funding for new homes

In January 2026, the Victorian Treasurer asked Infrastructure Victoria to provide advice under section 44 of the *Infrastructure Victoria Act 2015* on funding infrastructure for new homes over the next 30 years.

The terms of reference ask Infrastructure Victoria to consider:

- options to provide sufficient funding for the infrastructure needed by residents of new homes
- a better mix of revenue options to fund this infrastructure
- how to transition to this better mix of revenue options.

In developing this advice, we are considering matters which overlap with the inquiry into housing supply regulation, including:

- the infrastructure that will be needed by residents of new homes, when and where it will be needed, and how much it will cost
- Victorian Government property-based and user charge options to fund infrastructure

- local government rates, contribution and charge options to fund infrastructure
- the impact of different infrastructure funding options on development feasibility for new homes
- standard tax and revenue principles, including efficiency, equity, adequacy, administrative complexity and revenue stability.

We are developing scenarios about different mixes of infrastructure funding options and drawing on existing evidence, modelling, interstate comparators, and Australian and international research.

The terms of reference for this work are available on our website at <https://www.infrastructurevictoria.com.au/projects/advice-on-infrastructure-funding-for-new-homes>

We will deliver our advice to the Treasurer by the end of September 2026.

Infrastructure contributions

Victoria's infrastructure contribution system is complicated and inconsistent.¹ Victoria has several infrastructure contribution schemes. They apply in Melbourne's new suburbs but are less common in established suburbs and regional cities. Both the Victorian and local governments can charge them. Over 40 local governments collect developer contributions in different ways.

Different schemes work separately and are not part of an overall system. This is complex and costly for governments and developers.² It also means that developments do not contribute equally to infrastructure costs. Even in areas covered by contribution schemes, most infrastructure funding comes from taxpayers.³

In *Victoria's infrastructure strategy 2025–2055*, we recommended reform for a statewide model with simple, consistent and efficient contributions for state and local government infrastructure:

Reform infrastructure contributions: Simplify Victoria's infrastructure contribution schemes to cover all types of housing developments statewide and reflect the cost of infrastructure in different development settings.

An infrastructure contribution system that reflects development costs in different settings can distribute infrastructure costs more fairly. It can help increase new homes in established suburbs and urban renewal areas. It can also help communities get the infrastructure they need faster.

This recommendation aligns with the Productivity Commission's reform direction 4.4: enhance design of developer contribution frameworks towards best practice.

Infrastructure planning

The Productivity Commission finds that uncertain and uncoordinated infrastructure planning and delivery impedes housing supply. Our research and conversations with stakeholders align with this view.

Victorian Government departments and agencies use different assumptions to plan their infrastructure.⁴ These assumptions do not align with government goals for more compact cities. Departments do not always share their plans with each other, or with local governments and industry.

¹ Infrastructure Victoria, *Victoria's infrastructure strategy 2025–2055*, 2025, p 139.

² Victorian Auditor-General's Office, *Managing development contributions*, 2020, p 8.

³ Victorian Auditor-General's Office, *Managing development contributions*, 2020, pp 45–46.

⁴ Infrastructure Victoria, *Victoria's infrastructure strategy 2025–2055*, 2025, p 136.

This means they miss chances to pool funding or streamline delivery. It also means infrastructure costs more in the long term.

Governments can better coordinate land use and infrastructure planning to shape how Victoria's cities grow. Stakeholders have said that more transparency and certainty on the Victorian Government's long-term infrastructure plans would help them make better decisions about where and when to invest.⁵ State government planning can help other governments and organisations decide which projects and policies to fund, and when to fund them.⁶

We recommended the Victorian Government:

Prepare and publish infrastructure sector plans: Agree a set of assumptions for future population, jobs and land use to achieve more compact cities. Require each department that owns infrastructure to develop an infrastructure sector plan as soon as possible, based on these assumptions, and publish strategic-level plans. Use the finished sector plans to decide government infrastructure project funding.

This aligns with the Productivity Commission's reform direction 4.1: coordinate strategic planning for infrastructure with housing objectives.

Rezoning for more housing supply

For decades, Victorians built more homes in new suburbs than in established ones.⁷ Most middle suburbs in Melbourne and Victoria's regional cities are very low-density compared to overseas cities of a similar size.⁸ Planning rules limit how many homes developers can build in established suburbs. Heritage controls also make it hard to build new homes in these areas.⁹

Rezoning allows more homes near existing infrastructure to achieve more compact cities. Our research found that Victorians will be better off in more compact cities.¹⁰ Compact cities use less land and make better use of infrastructure. People have more affordable home choices in more places. More transport options let people easily reach work, schools, shops and services.

We recommended that the Victorian Government:

Rezone locations near existing infrastructure for more home choices: Change all relevant planning schemes to rezone for more homes in established areas of Victoria's cities and reach housing targets. More homes should be close to public transport and open space, with good access to services.

This recommendation aligns with the Productivity Commission's reform direction 2.2: allow mid-rise or high-rise apartments in high-demand areas.

⁵ Urban Development Institute of Australia – Victoria, *UDIA Victoria 2026 State Election Platform: Building Homes, Backing Industry*, February 2026, p 12.

⁶ Infrastructure Australia, *Planning liveable cities: a place-based approach to sequencing infrastructure and growth*, 2018, pp 33–34.

⁷ SGS Economics and Planning, *Urban Development Scenarios Part A: Land Use Scenarios*, report for Infrastructure Victoria, 2022, p 134.

⁸ Demographia, *World urban areas: 20th annual edition*, 2025.

⁹ C Gilbert, S Rowley, N Gurrin, C Leishman, M Mouritz, K Raynor and C Cornell, *Urban regulation and diverse housing supply: an investigative panel*, Australian Housing and Urban Research Institute, 2020, p 52.

¹⁰ Infrastructure Victoria, *Choosing Victoria's future: five urban development scenarios*, 2023, p 16.

If you would like to discuss any of the information in this submission, please contact me or Llewellyn Reynders, Director of Research and Policy at [Redacted].

Yours sincerely

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