

Submission to the Productivity Commission Housing Supply Interim Report

Response to the interim report recommendation: "Replace broad heritage protections with more targeted heritage listings with cost-benefit analysis and more robust mechanisms to review and delist buildings."

Summary

We agree that heritage decision-making in Victoria and Tasmania (the areas within which we work most) is too often inconsistent, poorly evidenced, and slow, and that this imposes real costs on housing supply. We disagree with the Commission's diagnosis of the cause. The interim report treats the extent of heritage protection, meaning how much land is covered by an overlay, as the variable driving poor outcomes. In our experience advising councils and applicants directly, the extent of protection is not the mechanism. The mechanism is capacity: a system of consultant-led, inconsistently produced citations leading to statements of significance that are not fit for purpose. This leads to pressure on planning staff who are frequently undertrained in heritage and under-resourced to exercise the judgement the role requires when the significance is not clear. In addition, heritage policy is very often siloed from broader strategic council plans, creating conflict between strategic vision and heritage, when the two need not be mutually exclusive.

Narrowing what heritage is listed will not fix this. A smaller, "more targeted" set of listings, assessed and administered by the same system, will reproduce exactly the same delays, inconsistency, and poor outcomes it currently produces, just over a smaller or disconnected area. The Commission's own evidence gap, conceding that the costs and benefits of heritage protection are not well evaluated, is itself a symptom of the capacity problem we are describing, not a case for reducing coverage. In fact, piecemealing the most "important" places will likely cause more challenges, rather than considering heritage within broader housing planning from the outset.

1. Where we agree with the Commission

We do not dispute that heritage practice in Australia has real, measurable problems. Across our work with multiple local governments, we routinely encounter:

- Heritage citations that are decades old, inconsistently researched, consultant-led often from outside the municipality where on-ground site research and documentation of places is limited and poor, which leads to statements of significance that do not provide planners with an understanding of what is and isn't important to retain, or how much change is possible.
- Permit assessments led by external consultants with no ongoing relationship to the place, its community, or the outcome. Or even for some in-house, an unwillingness to go out on site and see the current integrity of the place and speak with owners or designers about the justification for change.
- Planning staff handling heritage referrals without heritage training, applying policy defensively because they lack confidence or institutional support to exercise judgement, even when that often brings a better outcome for heritage and the community.
- No consistent mechanism for grading significance within an overlay, so a highly intact, individually significant place and an incidental, non-contributory one attracts the same scrutiny.

These are real costs. They fall on applicants, on councils, and on the credibility of heritage as a planning tool. The Commission is right to want this fixed.

2. Where the diagnosis goes wrong

The interim report's evidence — overlay coverage statistics for Sydney, Melbourne, and Yarra, and modelling of the uplift from removing broad controls — measures area. It does not measure process. Nowhere in the

report's heritage analysis is there an assessment of how heritage decisions are actually made: who assesses significance, what evidence they cite, how consistently, and with what oversight, and, so critically, how the heritage policy works with or against broader strategic plans.

This matters because the two variables are not the same, and only one of them is fixable by the Commission's recommended reform. A well-graded overlay, with clear tiers of contributory and non-contributory significance, competent assessment, and a permit pathway built to enable appropriate change, can absorb substantial development without the outcomes the Commission is concerned about. A poorly resourced, consultant-dependent, undertrained system produces the same delay and inconsistency whether it is managing a broad overlay or a narrow one. Reducing the map does not touch the mechanism.

We would go further: narrowing listings under the current capacity settings risks making outcomes worse, not better. Fewer listings, decided by the same inconsistent process, with an added "robust mechanism to review and delist," concentrates more consequential decision-making, including irreversible ones, into a system that the Commission's own report acknowledges is not well evidenced.

3. The distributional risk of cost-benefit analysis as the sole instrument

We support the principle of evidence-based heritage assessment. We are concerned about cost-benefit analysis, specifically willingness-to-pay methodology, as the only instrument for deciding what is retained.

Willingness-to-pay analysis systematically favours heritage with an organised, resourced constituency capable of generating market data, typically established, architecturally distinctive housing in high-amenity suburbs. It is much less able to capture the value of industrial heritage, working-class heritage, sites of contested or difficult history, and Aboriginal cultural heritage, which the interim report itself notes should be assessed on this basis "including consideration of cultural value." Heritage without a constituency willing or able to pay for it is heritage a cost-benefit test will consistently undervalue, not because it lacks significance, but because significance of this kind was never going to show up in a market survey.

A "more targeted, cost-benefit assessed" heritage system, without parallel investment in who is doing the assessing and how, risks formalising exactly this bias: protecting what wealthy, organised communities can demonstrate they value and releasing what nobody with resources has organised to defend.

4. What we recommend instead

We recommend the Commission redirect this reform toward capacity rather than coverage:

1. Invest in heritage assessment capability within local government, rather than defaulting to externally contracted, inconsistent citation work. The cost-benefit of improving capability in-house to avoid high consultant fees is sound.
2. Require significant/contributory/non-contributory grading within existing overlays (or equivalent system outside Victoria), so scrutiny is proportionate to significance rather than uniform across an entire area.
3. Ensure statements of significance clearly identify significant and contributory elements for a place and require identification of where change is possible as a mandatory part of the assessment.
4. Build permit pathways designed for appropriate change, giving planning staff clear, confident authority to approve sympathetic development without defensive over-caution.
5. Utilise heritage exemptions through incorporated plans, conservation management plans, and local heritage policies, to provide more activation of places (such as signage for businesses in a heritage precinct when it is also in a commercial or industrial zone).

6. Require heritage to be integrated at the inception of strategic plans, not siloed from them so that heritage impact is understood and planned in from the start when rezoning or planning amendments occur.
7. Apply cost-benefit analysis as one input alongside, not instead of, cultural, community, and non-market significance testing, so heritage without a paying constituency is not systematically deprioritised.

We have applied this approach directly in our advisory work, including managing adaptive reuse of a heritage-listed, publicly contested site through a graded, change-enabling framework rather than either blanket preservation or delisting. It is possible to unlock significant development within heritage protection when the processes managing that protection have the capacity and evidence-based documentation to do their job. That is the reform this report should be recommending.

Conclusion

The Commission has identified a genuine problem and proposed the wrong fix. Housing is not being blocked because too much is heritage listed. It is being blocked because the system responsible for managing heritage change is under-resourced, inconsistently evidenced, and structurally reliant on process rather than judgement. Reducing coverage will not resolve this; it will concentrate the same broken process onto a smaller, more consequential set of decisions. We urge the Commission to redirect its final report toward capacity and process reform in heritage management, rather than a reduction in what is protected.