

SUBMISSION TO THE PRODUCTIVITY COMMISSION

Housing Supply Regulation Inquiry

Response to the Interim Report

30 September 2026

About prefabAUS

prefabAUS is Australia's peak body for the prefabricated and offsite construction sector since 2013. Its membership spans manufacturers, designers, engineers, builders, suppliers, researchers and other organisations working across the Smart Building value chain.

This submission responds to the Productivity Commission's July 2026 interim report for the Housing Supply Regulation Inquiry and builds on prefabAUS's initial submission to the inquiry. It should be read alongside prefabAUS's industry roadmap, Australia's Smart Building Revolution: A Prefabrication Industry Roadmap 2023-2033 - Building the Future We Want.

Executive summary

prefabAUS welcomes the interim report's recognition that rigid development and building approval systems can constrain innovation in prefabricated and modular housing. The report identifies practical issues familiar to industry: uncertainty about how offsite construction fits within existing approval pathways, repeated assessment of substantially identical components, inconsistent treatment between jurisdictions, and additional complexity where factory and site work are certified separately.

The final report provides an opportunity to distinguish between the average performance of approval systems and the specific friction experienced by industrialised construction methods. While conventional building approvals may often be processed quickly, Smart Building projects can encounter method-specific barriers that undermine the productivity advantages created by repeatable design, controlled manufacturing and rapid site assembly.

The prefabAUS Roadmap describes Smart Building as a broader industry transformation integrating design, digital systems, manufacturing, logistics, assembly and through-life performance. Its 12 strategic recommendations include strategic public procurement, embedding Design for Manufacture and Assembly (DfMA), improving access to finance, nationally consistent standards and regulation, digital adoption, workforce development and stronger industry ecosystems. The Roadmap estimates that the transition could deliver aggregate annual benefits of at least \$9 billion after a decade, principally through productivity and cost improvements.

Priority areas for the final report

Priority	prefabAUS position
Technology-neutral approvals	Planning and approval systems should provide equivalent treatment for compliant permanent buildings regardless of whether work is completed on site or in a factory.
Repeatable approvals	Create pathways to assess repeatable designs and components once and recognise that assessment across projects and jurisdictions, while retaining site-specific assessment where required.
Faster pathways	Expand fast-track, complying-development and pre-approved design pathways so suitable

	Smart Building projects can realise their time and productivity benefits.
National consistency	Reduce inconsistent terminology, approval requirements and evidence expectations across jurisdictions and improve coordination with parallel national certification reforms.
Digital and DfMA alignment	Allow digital evidence, manufacturing quality assurance and DfMA information to support approval and inspection processes rather than forcing factory production into site-based workflows.
Measurement and accountability	Measure approval performance by construction method and track duplication, rework and approval delays that specifically affect prefabricated and offsite construction.

1. The interim report identifies a genuine productivity barrier

The interim report notes that rigid development and building approval processes can discourage prefabricated and modular construction. It identifies ambiguity in the treatment of these methods, repeated approvals for identical components and inconsistent requirements between jurisdictions as factors that can add cost, delay and uncertainty.

prefabAUS agrees that these issues should be considered as part of the broader housing productivity task. Smart Building relies on repeatability, standardisation and manufacturing discipline. Regulatory processes that require the same product or design to be reassessed project by project can erode those advantages and make it harder for manufacturers to invest in capacity with confidence.

The interim report also observes that development approvals are generally more onerous than building approvals and that simple building approvals can be comparatively quick. prefabAUS considers this distinction important. Aggregate approval times should not be taken to mean that the system is method-neutral. The relevant question for Smart Building is whether approval pathways recognise the different sequencing, evidence and repeatability of factory-based production.

2. The prefabAUS case study demonstrates the problem

The interim report includes a prefabAUS case study concerning a modular knockdown-rebuild project in New South Wales. The development application took approximately 13 months, with part of the delay arising because the project was initially processed as a standard build rather than through the pathway applied to manufactured homes. That pathway had itself been developed for a different context and introduced requirements that did not readily fit a permanent modular dwelling.

The project also required separate approval and certification processes for factory and site work. By contrast, the physical construction sequence demonstrates the speed available once approvals are resolved: footings were completed in approximately one week, modules were installed the following week, and the remaining on-site construction period was projected at around three months.

The case illustrates a central point for the final report: the productivity benefit of Smart Building can be lost before manufacturing begins. A faster factory process cannot compensate for an approval

framework that is uncertain, duplicative or designed around a conventional site-by-site construction sequence.

3. From accommodating innovation to enabling Smart Building

The Roadmap's core proposition is that Australia should move beyond treating prefabrication as a niche construction technique. Smart Building is an integrated production model in which design, engineering, manufacturing, logistics and site assembly are planned as one system.

For the purposes of this inquiry, prefabAUS proposes a simple regulatory principle: approval pathways should be technology-neutral and outcome-focused. A compliant permanent building should not face additional procedural friction merely because a substantial proportion of its value is manufactured away from the final site.

This does not require reduced safety, quality or consumer protection. It requires regulatory processes that recognise where evidence is generated, how repeatable manufacturing systems operate and which matters genuinely need to be reconsidered for each site.

4. Assess once- recognise many times

A major productivity opportunity is to separate repeatable product or design assessment from genuinely site-specific assessment. Where a building system, module, panel, component or standard design has already been assessed against relevant requirements, the same evidence should be capable of reuse without unnecessary reassessment.

Site-specific matters - including planning controls, foundations, local hazards, servicing, siting and interfaces - would continue to be assessed where relevant. The objective is not to create a blanket approval. It is to avoid duplicating assessment of matters that have not changed.

This approach aligns with the manufacturing logic underpinning the Roadmap: standardise what can be standardised, preserve appropriate site assessment, and allow scale to reduce cost.

5. Fast-track and pre-approved pathways

The interim report identifies pattern books and faster approval pathways as mechanisms that can improve housing delivery. prefabAUS supports the use of complying-development, pre-approved design and other accelerated pathways where objective criteria are met.

These pathways are particularly compatible with Smart Building because repeatable designs can be optimised for manufacture, costed with greater certainty and deployed across multiple sites. Governments should ensure that eligibility criteria do not inadvertently exclude a project simply because its construction sequence includes substantial offsite manufacture.

6. National consistency and parallel certification reform

The interim report notes work by the Australian Building Codes Board toward nationally consistent definitions and a voluntary certification scheme for prefabricated construction. prefabAUS supports stronger national consistency because manufacturers commonly operate across state and territory borders.

The National Construction Code itself is outside the scope of this Productivity Commission inquiry. Accordingly, prefabAUS is not asking the Commission to reopen technical code requirements through this process. Rather, the final report should recognise the importance of ensuring that planning and

approval reform interfaces effectively with the parallel national work on definitions, conformity assessment and certification.

The practical objective should be a coherent system in which evidence generated through credible design assessment and manufacturing quality assurance can be relied upon by the appropriate approval authority, subject to clearly defined responsibilities and site-specific checks.

7. Embed DfMA and digital evidence earlier

The Roadmap recommends embedding Design for Manufacture and Assembly into mainstream project delivery. DfMA requires key design, engineering, manufacturing and logistics decisions to be resolved earlier than in conventional construction. Approval systems should support that sequencing rather than requiring manufacturers to recreate evidence in forms designed primarily for progressive site construction.

Digital models, controlled manufacturing records, traceability information, inspection records and quality-assurance data can provide a strong evidence base for regulatory decision-making. The opportunity is to use this information to reduce duplication while maintaining clear accountability.

8. Regulation, procurement and scale are connected

The Roadmap treats regulation as one part of a broader industry-development system. Strategic public procurement, a visible project pipeline, DfMA, finance, digital capability and workforce development all influence whether manufacturers can invest in productive capacity.

Within the scope of this inquiry, regulatory certainty matters because it affects the confidence with which projects can be designed, financed and manufactured. A manufacturer considering investment in plant, automation and workforce needs reasonable confidence that a compliant system can be deployed repeatedly without materially different approval interpretations in each jurisdiction.

The final report should therefore acknowledge the interaction between approval reform and industry scale, while leaving detailed procurement, finance and workforce measures to the relevant policy processes.

9. Finance and contracting

Offsite construction changes the timing of project expenditure. A larger share of value can be created in the factory before materials or completed modules arrive on site. Traditional payment and lending arrangements that recognise value primarily after site installation can therefore create working-capital pressure.

prefabAUS has worked with Commonwealth Bank on a standard form domestic building contract designed to recognise prefabricated and modular construction, including factory-aligned payment milestones. This work demonstrates that regulatory, contractual and financial settings can evolve while maintaining consumer protection and clear accountability.

Although finance regulation is not the principal focus of this inquiry, more predictable approvals support finance by reducing uncertainty around project timing, certification and the point at which manufactured value can proceed with confidence. It is important to note that recent proposed legislation changes in Victoria will undo the excellent work by Commbank and prefabAUS.

Harmonisation of state legislation on deposits and milestone payments along with definitions, as has been raised by prefabAUS to Treasury previously, would provide significant productivity benefits.

10. Measure the barriers that Smart Building actually experiences

Approval performance should not be measured only by average processing time. prefabAUS recommends that governments also capture whether projects require duplicate assessments, additional certification because work is undertaken offsite, redesign caused by legacy classifications, or repeated assessment of standardised systems.

A small national evidence base on these issues would help distinguish isolated project problems from systemic barriers and would provide a practical way to assess whether reform is improving construction productivity.

Recommended actions for the final report

- 1.State that housing planning and approval systems should be technology-neutral and should not impose additional procedural burdens solely because a compliant building is manufactured partly or substantially offsite.
- 2.Encourage jurisdictions to establish an 'assess once - recognise many times' approach for repeatable designs, systems and components, while retaining appropriate site-specific assessment.
- 3.Encourage broader use of complying-development, pre-approved design and other accelerated pathways for suitable Smart Building projects.
- 4.Identify and remove legacy approval classifications that can cause permanent prefabricated dwellings to be treated as if they were temporary, relocatable or caravan-park products where that treatment is not appropriate.
- 5.Support greater consistency in terminology, evidence requirements and approval responsibilities across jurisdictions.
- 6.Recommend coordination between planning and approval reforms and the parallel ABCB work on national definitions, certification and conformity assessment, without duplicating the NCC modernisation process.
- 7.Encourage approval authorities to accept appropriate digital design, manufacturing quality-assurance and traceability evidence so that factory work is not unnecessarily recertified through site-based processes.
- 8.Recommend collection and publication of data on method-specific approval delays, duplicate assessments and rework affecting prefabricated and offsite construction.
- 9.Recognise in the final report that regulatory certainty is an enabling condition for the Roadmap's wider objectives of strategic procurement, DfMA, investment, finance, digital adoption and workforce development.

Conclusion

The Productivity Commission's interim report identifies that regulation can affect not only how quickly housing is approved, but also which construction methods can be deployed efficiently. For Smart Building, the central issue is not lower standards. It is whether the regulatory system can recognise repeatability, factory quality assurance, digital evidence and different construction sequencing without unnecessary duplication.

prefabAUS's Building the Future We Want Roadmap sets out a ten-year transition from prefabrication toward a more productive Smart Building industry. A nationally more consistent, technology-neutral and repeatable approval environment is an important part of that transition.

prefabAUS encourages the Commission to carry these principles into its final report and to frame approval reform in a way that enables innovation while maintaining appropriate safety, quality, consumer protection and site-specific oversight.

References

Productivity Commission (2026), Housing Supply Regulation Inquiry - Interim Report, released 27 July 2026.

prefabAUS (2023), Australia's Smart Building Revolution: A Prefabrication Industry Roadmap 2023-2033 - Building the Future We Want.

prefabAUS (2026), Initial submission to the Productivity Commission Housing Supply Regulation Inquiry, Submission No. 28.

Sincerely,

Damien Crough
Executive Chairman
PrefabAUS
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