



Blue Mountains City Council Submission to the Australian Government Productivity Commission

Interim Report - Housing Supply Regulation

30 September 2026

the city within a
World Heritage Area

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Use of AI: This submission was prepared with the assistance of artificial intelligence for research and editing purposes. The Council staff were responsible for preparing, reviewing and refining the content for accuracy, quality and context.

1 Executive Summary

The Blue Mountains City Council (Council) appreciates the opportunity to comment on the Australian Government Productivity Commission's *Interim Report - Housing Supply Regulation (Interim Report)*, which was made available for public consultation in July 2026.

The Blue Mountains is a fundamentally constrained planning context for housing delivery.

The Blue Mountains is a unique city of historic villages located in a highly constrained landscape within the UNESCO Greater Blue Mountains World Heritage Area. Its settlement pattern is linear, dispersed and generally aligned with the Great Western Highway and rail corridor. Many villages and residential areas have multiple heritage listings and heritage conservation areas, which contribute significantly to town centre and residential character, and our tourism economy. Blue Mountains towns and villages are surrounded by bushland, escarpments, national parks, drinking water catchments and environmentally sensitive lands. This creates planning circumstances that are not comparable with most areas of Sydney including metropolitan infill areas.

Unlike many urban councils, the Blue Mountains has limited opportunity for outward and upward urban area expansion and limited capacity for broad-scale housing infill development without triggering cumulative impacts on bushfire risk, evacuation, biodiversity, water quality, slope stability, local roads, heritage, scenic values and village character. Housing policy for this local government area must therefore begin with constraints and capacity, not with a presumption that broad-based upzoning is the primary solution.

The Blue Mountains makes a significant contribution to Australia's productivity through the visitor economy and requires further investment support to sustain and strengthen this contribution over time.

The Blue Mountains is a nationally and internationally recognised visitor destination with the potential to make an even greater contribution to Australia's productivity and economic growth through the visitor economy and associated industries, particularly given its strategic proximity to the new Western Sydney International Airport. To strengthen our capacity to support a growing visitor economy, the Blue Mountains requires targeted investment in enabling infrastructure, transport connectivity, workforce capability, visitor services, sustainable destination management and local industry partnerships, ensuring growth is well-managed and delivers lasting benefits for the community, environment and broader economy. This investment should be a priority focus for productivity reform and economic development policy.

The Council does not support the *Interim Report*.

This submission sets out thirteen reasons why Council does not support the *Interim Report* and identifies fourteen recommendations that should be addressed before the *Housing Supply Regulation* report is finalised. These issues are summarised below and discussed in further detail in Section 2, Council's position, and Section 3, Requested changes to the final report.

Reasons:

1. It fails to present compelling evidence that easing land use regulations would significantly increase housing supply.
2. It relies heavily on a simplified economic argument that does not fully reflect the way land use planning operates.
3. It makes broad recommendations that overlook important differences between types of settlements across Australia.
4. It offers recommendations that are not calibrated to the scale of expected growth and land capacity.
5. It fails to sufficiently acknowledge the significance of areas that are highly vulnerable to bushfires (or flood).
6. It does not recognise the impact of higher housing densities on areas of local and state heritage significance, and national and international World Heritage significance.
7. Infrastructure backlog, natural hazards and transport capacity are not identified as fundamental constraints.

8. The principles are weighted toward development interests.
9. Early consultations and draft recommendations appear weighted toward development interests, lacking a balance between the aspirations of the development industries and the public interest.
10. It proposes to replace local strategic planning through unsuitable blanket state-wide or national housing regulations.
11. It undermines Councils' development assessment systems without providing clear justification.
12. It treats place identity, local character and heritage as obstacles to productivity and housing delivery and fails to recognise the irreplaceable value of these to social and community identity.
13. It lacks planning expertise in the report's framing.

Requested changes to the final report

Council requests that the Productivity Commission revise the final report to:

1. Recommendation 1: present compelling evidence that easing land use regulations can significantly increase housing supply.
2. Recommendation 2: provide a more balanced report that considers broader planning outcomes, rather than a purely economic argument.
3. Recommendation 3: distinguish between different settlement types and their roles in housing delivery.
4. Recommendation 4: be calibrated to the scale of expected growth and land capacity of each region.
5. Recommendation 5: provide an explicit exemption for the Blue Mountains and other local government areas with extreme bushfire risk, significant natural hazards and/or limited evacuation capacity.
6. Recommendation 6: explicitly indicate that areas of local and state heritage significance, national and international environmental significance, as well as those designated as World Heritage, require strong local planning protections. Remove the proposed dropping of heritage conservation area protections.
7. Recommendation 7: recognise that in constrained regional and peri-urban areas, funding for infrastructure upgrades must be confirmed prior to reforms to unlock additional housing supply.
8. Recommendation 8: ensure a more balanced approach to the principles.
9. Recommendation 9: be informed by meaningful engagement with local governments.
10. Recommendation 10: recommend that place-based local strategic planning is not displaced.
11. Recommendation 11: refrain from making recommendations about land-use regulation.
12. Recommendation 12: retain local decision-making and merit assessment for complex or high-risk proposals.
13. Recommendation 13: avoid framing housing supply as competing with heritage values and local character.
14. Recommendation 14: work alongside a range of planning-related professionals to achieve a more balanced approach.

The Council requests that the Blue Mountains area be explicitly excluded from the realms of influence of the final Housing Supply Regulation report.

2 Council's position

Council supports housing delivery that is well-located, diverse, liveable, sustainable and affordable where it is consistent with local and regional strategic planning, including heritage conservation, environmental protection, bushfire safety, infrastructure capacity, World Heritage values, Aboriginal cultural heritage, local character, drinking water catchment responsibilities, and community resilience and wellbeing. Council also supports reform that improves clarity, applicant readiness, digital functionality, referral coordination and proportionality in the development approval process.

However, Council does not support reforms that treat local planning controls and planning approval processes as unnecessary impediments when, in the Blue Mountains, many of those controls and processes are essential safeguards and place-making mechanisms.

Council opposes the *Interim Report's* principal land-use recommendations as applied to the Blue Mountains, including broad-based three-storey development across most residential land, further relaxation of built-form controls, reduction of minimum lot size controls, weakening of neighbourhood character protections, removal of heritage conservation area protections, requirements for cost benefit analysis reports for local heritage listings, and expansion of fast-track or state-led approval pathways for housing. Council also does not support reforms that assume faster assessment is always better assessment, or reforms that limit the ability of local consent authorities to respond appropriately to local environmental, infrastructure and hazard constraints.

Council does not support the *Interim Report* because:

2.1 It fails to present compelling evidence that easing land use regulations would significantly increase housing supply.

The *Interim Report* relies on findings from the Productivity Commission's 2025 inquiry report, *Creating a More Dynamic and Resilient Economy*, to support its claim that regulation imposes costs on housing supply.

Council raises the following concerns about the way this evidence has been used:

2.1.1 The methodology used to assess regulatory costs in *Creating a More Dynamic and Resilient Economy* report is misleading.

- Land value premiums should not be attributed to zoning regulation in a way that implies residential land values are themselves a regulatory cost. This approach blurs the distinction between market dynamics and regulation. While zoning can influence land value, treating the zoning that enables residential development as a cost of that development is questionable. This is particularly significant because land value premium accounts for a substantial portion of the reported regulatory cost: approximately \$140,000 of the total \$200,000 mid-estimate cost of regulation for new housing in Table C.14 of the 2025 report. Including this figure artificially inflates the perceived regulatory burden. Further, the *Interim Report's* proposal to permit three-storey buildings on most residential land may itself increase land values, undermining the report's stated objective of lowering housing supply costs.
- Compliance with construction standards, safety regulation, worker training and licensing should not be treated as avoidable regulatory costs. These are normal costs of doing business and are common across many industries. They play an important role in maintaining quality, safety, accreditation and professional standards, and should not be dismissed as unnecessary red tape without careful evaluation.

2.1.2 No cost-benefit analysis has been provided in the *Interim Report* to support relaxing land use controls.

There are important inconsistencies between the 2025 inquiry report, *Creating a More Dynamic and Resilient Economy*, and the 2026 *Interim Report – Housing Supply Regulation*.

The 2025 inquiry report expressly states:

‘Nothing herein implies a value judgement about the regulations or the need for them. Quality and safety regulations are necessary and appropriate in many cases. The objective is simply to cost the regulatory burden. Actual regulatory savings would require identifying and reducing regulations that do not pass a benefit-cost test.’

By contrast, the *Interim Report* states:

‘Regulating land-use should not be necessary, unless it is to address an externality or other market failures such as information asymmetry’ and ‘Land-use controls prevent housing being built, or limit the form it can take. Relaxing these controls would have the greatest effect on housing supply of all our reform directions.’

Most importantly, the *Interim Report* does not provide a cost-benefit analysis to support its recommended relaxation of land use controls. Proposed reform directions 2.1 to 2.6 do not adequately consider the purpose, benefits, broader economic value or public benefit of land use regulation.

For these reasons, relying on *Creating a More Dynamic and Resilient Economy* as the justification for reducing land use regulation in the *Interim Report* is questionable, particularly when the underlying report itself states that regulatory savings would require a benefit-cost test.

In the Blue Mountains, more detailed land use controls reflect real planning constraints, community expectations and the national and international significance of the natural environment. These constraints include bushfire, biodiversity, stormwater and water quality, tree canopy, heritage, slope stability, infrastructure capacity, emergency evacuation capacity and related matters. While these requirements can add time and cost, they are not arbitrary. They are the mechanisms used to identify, avoid and mitigate unacceptable risk, keep the community safe and support the community’s aspiration to live within nature. Council therefore strongly opposes reform directions that would broadly relax land use controls in this context.

Council is, however, committed to continually evaluating and improving its planning controls and approval process through effective local strategic and statutory planning. This approach supports clear, simple and proportionate regulation over time, improving development assessment efficiency while maintaining the safeguards needed in a highly constrained local government area.

2.2 It relies heavily on a simplified economic argument that does not fully reflect the way land use planning operates

The report correctly identifies a basic supply-side principle: all else being equal, increasing housing supply should place downward pressure on prices and rents across a relevant housing market over a long period. However, the argument relies heavily on a simplified economic framing that does not fully reflect the way land use planning operates. The assumption of “a given level of demand” is particularly limiting. In real housing markets, demand is not fixed. New development can induce additional demand, attract higher-income households, alter investment behaviour, and change neighbourhood expectations. In high-demand metropolitan areas, additional supply may moderate price growth, but it will not necessarily produce affordability for low and moderate-income households or the younger generations who have been priced out of the housing market without complementary measures such as social housing, affordable housing, infrastructure investment, taxation reform and protections against displacement.

The statement also underplays local impacts. It acknowledges that neighbourhood effects can vary, but then quickly privileges the conclusion that supply-side effects generally outweigh amenity-driven demand effects. That may be true in some studies, but it does not resolve the planning question. Local impacts are not limited to prices and rents. Additional development can place pressure on roads, public transport, schools, open space, stormwater, sewerage, emergency services and community facilities. It can also affect biodiversity, tree canopy, heritage, Aboriginal cultural heritage, place identity, urban heat, flooding and bushfire risk. These are not peripheral issues; they are central to whether development produces a net public benefit.

The argument in the report also risks treating planning controls mainly as barriers to supply. A balanced planning analysis should recognise that planning regulation exists to manage externalities, infrastructure sequencing, safety, environmental protection, cultural values, place identity and liveability.

A further limitation is the scale of analysis. The cited evidence appears to prioritise long-term, city-wide effects. This may be useful for economic modelling, but local governments must make place-based decisions. A city-wide average can obscure concentrated local costs, including congestion, infrastructure deficits, loss of valued heritage, environmental degradation or exposure to hazards. A reform that appears efficient at the metropolitan scale may still create unacceptable or poorly distributed impacts in specific places if not supported by detailed local strategic planning.

The statement's treatment of evidence also warrants caution. It gives greater weight to causal studies that capture long-term city-wide effects, but this may narrow the evidence base in favour of studies that are well-suited to measuring price effects rather than broader planning outcomes. Evidence about infrastructure capacity, environmental risk, hazard exposure, design quality, community wellbeing, place identity and cultural heritage may not fit neatly into the same causal economic framework, but it remains essential to sound planning policy.

The commodification of housing as an investment opportunity, rather than a necessary human right for shelter, has completely changed the landscape of housing in Australia. By narrowly looking at housing supply, without considering these factors, the recommendations are unlikely to unlock the intended benefits.

Lastly, the *Interim Report* states that land use policymakers tend to undervalue the regulatory burden placed on development costs but gives insufficient attention to the costs that inadequate regulation can impose on communities and governments. Developers do not necessarily bear the long-term public costs of poorly planned development, including settlements that are exposed to climate risks, lack resilience, or require substantial future investment in infrastructure, emergency management and adaptation.

If governments seek to increase dwelling supply, it is far from clear that the best way to do so is to deregulate the strategic and statutory planning system. The *Interim Report* itself acknowledges that complex, interrelated factors—including land-use regulation, construction costs, household demographics and financial variables—shape housing supply. While the strategic and statutory planning system may influence the timing and form of development, they are not the only, or necessarily the primary, drivers of housing costs.

2.3 It makes broad recommendations that overlook important differences between types of settlements across Australia.

Throughout Australia, various types of settlements exist, each with distinct planning contexts, including capital city metropolitan cores (CBDs), metropolitan strategic centres, district centres, local centres, transport-oriented renewal precincts, peri-urban settlements, regional cities, regional centres, rural centres, villages, and environmentally constrained settlement corridors. These places differ in their housing growth targets, economic role, infrastructure capacity, public transport access, hazard exposure, land values, community expectations and environmental obligations.

The Blue Mountains exemplifies the importance of recognising these differences. The existence of railway stations and town centres does not inherently indicate that the adjacent land is appropriate for metropolitan-style mid-rise (4–9 storeys) and/or high-rise (10+ storeys) developments. In the Blue Mountains, numerous stations are situated within historic villages that face constraints such as bushfire risks, challenging topography, landslide potential, environmental significance, limited road capacity, impact on water quality and both Aboriginal and European heritage.

2.4 It offers recommendations that are not calibrated to the scale of expected growth and land capacity.

The Blue Mountains has a comparatively low housing target in the context of the recently released *The Sydney Plan 2026* and the *NSW State Land Use Plan 2026*. This reflects the constrained nature of the local government area, existing approvals, housing demand, and realistic capacity within current planning and infrastructure settings. A low housing target should not be interpreted as underperformance. Rather, it reflects the need for housing growth to be proportionate, place-based and consistent with safety and environmental constraints.

2.5 It fails to sufficiently acknowledge the significance of areas that are highly vulnerable to bushfires (or flood).

Bushfire risk is one of the most significant reasons why the *Interim Report's* broad reform directions are unsuitable for the Blue Mountains and other regions with similar environmental constraints. The city's towns and villages are surrounded by bushland and national parks, with limited evacuation routes and a history of major bushfire impacts. Increasing housing density in hazard-exposed locations can increase the number of people requiring evacuation, increase traffic loads during emergencies, intensify pressure on emergency services and expose future residents to unacceptable risk.

Planning controls that manage density, access, vegetation, asset protection zones, subdivision pattern, building siting and permissibility are not merely regulatory burdens in the Blue Mountains. They are part of the risk management framework that protects life, property, evacuation capacity and community resilience.

Council strongly opposes three-storey development across most residential land or mid-rise forms around all stations and centres. We also oppose any reform direction that would pressure councils to approve additional housing in bushfire-prone areas through fast-track pathways or state or federal-led processes that reduce local scrutiny, community participation or detailed merit assessment. In the Blue Mountains, public safety must be treated as a threshold issue, not a matter to be traded off after a development pathway has already been selected.

2.6 It does not recognise the impact of higher housing densities on areas of local and state heritage significance, and areas of national and international World Heritage significance.

The Blue Mountains is internationally recognised for its environmental values. The surrounding national parks form part of the Greater Blue Mountains area, which is inscribed on the UNESCO World Heritage List. These values are not decorative or peripheral to local planning; they are central to the identity, economy, ecology and long-term sustainability of the city.

The Blue Mountains is also renowned for its unique historic town centres which reflect the path of the initial crossing of the Blue Mountains during the colonial era of settlement. The string of 29 villages across the ridgetop of the Mountains is comprised of highly intact historic commercial and residential areas with strong statutory protections, ensuring the town centres and surrounding village areas retain their unique streetscapes and built form. The character of our historic towns and villages rely on low-density height limits and landscaped garden settings and continue to be a major drawcard for our visitor economy.

Council strongly opposes three-storey development across most residential land or mid-rise forms around all stations and centres and the proposed blanket removal of heritage conservation area protections. Broad-based upzoning and the removal or weakening of environmental and heritage protections, vegetation controls, scenic protections and built-form controls would increase heritage and character loss, stormwater impacts, clearing pressure, edge effects, invasive species risks, habitat fragmentation and cumulative impacts on adjacent bushland and waterways. These impacts are particularly significant in a landscape defined by ridge-top historic settlements, steep catchments, sensitive ecological communities and proximity to protected areas.

2.7 Infrastructure backlog, natural hazards and transport capacity are not identified as fundamental constraints

Council supports the *Interim Report's* recognition that infrastructure coordination is important. However, the *Interim Report* understates the scale and nature of infrastructure constraints in areas such as the Blue Mountains. The city faces infrastructure backlogs across local roads, drainage, community facilities, open space, active transport, public domain improvements and resilience works. These pressures are compounded by natural hazards, including bushfire, storm events, flooding, landslip, and damage to roads, bridges, embankments and drainage assets.

Transport capacity is also a significant constraint. The settlement corridor relies heavily on the Great Western Highway, local road networks and the Blue Mountains rail line. In many locations, road geometry, topography,

limited alternative routes, commuter demands, visitor traffic and emergency evacuation requirements constrain the ability to absorb substantial additional dwellings. Increased density cannot be considered in isolation from evacuation capacity, road safety, public transport frequency, parking demand, access to services and funding for infrastructure upgrades.

Developer contributions alone cannot resolve historic infrastructure backlogs or the additional cost of climate resilience and hazard adaptation.

2.8 The principles are weighted toward development interests

2.8.1 Adopt a “build” mindset

While the “build mindset” aims to support housing delivery, its framing appears too narrowly focused on economic outcomes. It risks undervaluing important non-market considerations, including heritage, tree canopy, biodiversity, sustainability, local identity, infrastructure capacity, amenity and community wellbeing. These place-based values are difficult to quantify but are essential to long-term liveability and should not be treated as secondary to housing supply. The principle may also create pressure for development in unsuitable locations and reduce community confidence if residents feel their concerns are being sidelined.

2.8.2 Only regulate where necessary

While it is accepted that some planning regulations can be considered excessive or poorly targeted, the proposed principle defines regulation too narrowly by focusing mainly on market failure and consumer choice. Planning controls also protect broader public interests, including health, safety, accessibility, climate resilience, environmental quality, heritage, equity and long-term liveability. In constrained housing markets, many households cannot freely choose or pay for better housing features, making minimum standards important safeguards against poor-quality and inequitable outcomes.

Removing design standards may reduce upfront costs, but can shift long-term costs to residents, councils and the wider community through poorer amenity, resilience, environmental performance and infrastructure outcomes. Poor design may appear minor at the dwelling scale, but across a city it can affect urban heat, health, accessibility, energy use, street safety, tree canopy, stormwater, waste, social connection and overall liveability.

The key issue is not whether land use planning and design should be regulated or deregulated in general, but which design and planning outcomes are essential, which are discretionary, and how regulation can secure public value without imposing unnecessary cost or limiting housing supply.

2.8.3 Coordinate with infrastructure

Council supports the *Interim Report's* focus on infrastructure coordination but recommends a broader definition that also includes social, civic and environmental infrastructure, not only roads and utilities (civil infrastructure).

2.8.4 Keep the process simple

This principle correctly identifies development assessment delays as a critical issue. However, oversimplifying approval pathways creates significant structural risks for local governance, communities, and the environment. The New South Wales planning system already balances these priorities. It provides fast-track pathways for standard projects while maintaining a rigorous, merit-based assessment track for more complex developments. Eliminating merit reviews and public notifications silences local communities. This exclusion fuels public resentment, leads to political backlash that hinders wider housing reforms, and diminishes community trust in governments.

2.9 Early consultations and draft recommendations appear weighted toward development interests, lacking a balance between the aspirations of the development industries and the public interest.

The early consultation informing the *Interim Report* appears to have been heavily focused on the development and construction industry, and on industries that directly benefit from increased development activity. This has

shaped the report's emphasis on regulatory burden, development feasibility and approval speed. Those matters are relevant, but they are not the full public policy question. A planning system is not simply a delivery mechanism for private development; it is a public governance framework for balancing housing, infrastructure, environmental, cultural, economic, safety and community outcomes over the long term.

Peak bodies representing local governments in NSW and in other states, councils responsible for strategic and statutory planning, and elected local representatives appear to have been largely left out of the formative stages of the consultation process and roundtable discussions. This is a significant omission. Local governments are not peripheral stakeholders in the planning system; we are central institutional actors with direct responsibility for preparing strategic place-based planning frameworks, preparing and applying planning instruments and planning controls, engaging communities, coordinating local infrastructure, managing local risks and implementing state and national policy objectives in place-based contexts.

2.10 It proposes to replace local strategic planning through unsuitable blanket state-wide or national housing regulations

The *Interim Report* inaccurately claims that 'States and territories are responsible for setting most housing regulations, and local governments are typically responsible for applying them.' This assertion is not true for NSW, as highlighted by the newly published NSW State Land Use Plan 2026. This plan outlines the three-tier hierarchy of the NSW strategic planning framework, which assigns local councils the duty of translating state-wide priorities into land use regulation to fit local contexts through local strategic planning.

Blue Mountains City Council has undertaken local strategic planning to establish a community-shaped vision and regulations for land use, housing, environment, employment, culture and heritage, environmental protection, tourism, infrastructure and sustainability. These strategic planning processes are the appropriate mechanism for balancing housing needs with the particular characteristics and constraints of the local government area.

The proposal to eliminate or reduce local land use and built form regulations, which are said to hinder housing construction, is misguided. These regulations are established through community consultation and are designed to align with the environmental conditions and place identity of an area. Their removal would deviate from fundamental planning principles in NSW, such as place-making and community involvement in the planning process. Similarly, the *Interim Report* mentions that built form regulations and design standards, including provisions for solar access, insulation, site coverage, setbacks, private open spaces, floor space ratio and others, influence the viability of a development – again presenting a simplistic and erroneous economic causal framework. Nonetheless, these regulations are essential for ensuring a baseline level of residential amenity for future residents, as numerous research indicate that such amenities contribute to better physical and psychological health outcomes.

Council opposes reform directions that would displace local strategic planning through blanket state-wide or national prescriptions. Local environmental plans, development control plans, local strategies including housing, employment, green and blue grids, transport, sports and recreation, social infrastructure and others, and infrastructure plans should not be treated as secondary to generic housing supply principles.

2.11 It undermines Councils' development assessment systems without providing clear justification

The Blue Mountains City Council experience demonstrates that a careful, front-loaded and risk-based development assessment (DA) model can support timely decisions while protecting significant environmental, hazard and community values. Council's low refusal and withdrawal rates, reasonable gross determination times and progress toward housing targets indicate that the local development assessment system is not a material barrier to housing supply.

Reform should therefore protect, rather than undermine, the features that are contributing to Council's current performance. Faster assessment is not always better assessment, particularly where proposals involve bushfire risk, environmental sensitivity, infrastructure constraints or complex local character considerations.

2.11.1 There is no case for significant changes for the Blue Mountains

In 2024/25 Council achieved an average gross determination time of 73 days, and in 2025/26 an average gross determination time of 84 days. These figures compare favourably with other councils in Greater Sydney. Council's refusal rate is 2%, and only 6% of DAs are withdrawn during assessment. Council is on track to meet its prescribed housing targets.

While there are challenges with the existing planning and assessment system in NSW, and despite the complex development context in the Blue Mountains, most applications are being approved within reasonable timeframes. These approvals ensure the values of this special place are respected. The reforms encouraged by the Productivity Commission must be careful not to undermine the reasons for this success.

2.11.2 The truth about assessment delays

Council's experience is that time taken for housing approvals is primarily affected by two related factors:

- Much of the Blue Mountains is highly constrained, with many proposals requiring assessment of overlapping bushfire, biodiversity, heritage, stormwater, slope stability, water quality and local character issues. The statutory framework is necessarily complex because it manages real environmental and hazard complexity.
- The quality and completeness of applications have a direct effect on processing times. Applicants who obtain early advice and lodge assessment-ready applications generally experience a smoother and faster assessment process. Following mandatory lodgement of development applications through the NSW Planning Portal in 2020, Council introduced a completeness and quality check at pre-lodgement stage and only accepts applications that are sufficiently assessment ready. Since that change, Council's average gross DA processing time has reduced from around 120 days in 2021/22 to 73 days in 2024/25, with an 84-day average in 2025/26 to date. Council's refusal rate is around 2 per cent and only around 6 per cent of DAs are withdrawn during assessment. These figures indicate that application quality, early engagement and assessment readiness have a strong relationship with timely approvals.

2.11.3 The role of discretion

Discretion is useful where broad planning controls must be applied to complex, site-specific circumstances. In the Blue Mountains, discretion allows Council to approve proposals with technical non-compliances where the site context demonstrates that impacts are acceptable, and to require amendment or refuse proposals that appear compliant but create unacceptable site-specific impacts. Discretion is less useful where requirements are unclear, duplicative or unrelated to a genuine planning risk or amenity. Council supports clearer controls and better applicant guidance but does not support removing discretion where it is needed to manage better outcomes on complex proposals and on more complex environments.

2.11.4 The role of conditions of consent

Concerns about post-approval conditions should be treated carefully. Conditions often allow consent to be granted while detailed design or operational matters are finalised. If consent authorities cannot condition appropriate matters, more issues may need to be resolved before approval, which could increase assessment times.

2.11.5 Assessment of subdivisions

Subdivision assessment also requires caution. Although the Blue Mountains has limited land for further subdivision and low proposal volumes, subdivision decisions can lock in long-term development patterns, access, servicing, hazard exposure, vegetation loss and water quality impacts. Streamlining should only occur where the benefits clearly outweigh the risks of reduced assessment rigour.

2.11.6 Coordination of approvals and referral bodies

For places like the Blue Mountains, improving coordination of approvals should be a higher priority than reducing the number of approval requirements. State agency and local requirements generally address important issues. The priority should be to make referral processes clearer, better coordinated and timelier, not to remove safeguards that manage significant environmental and hazard risks.

Referral coordination and centralised decision-making may assist simple matters, but they can also hinder assessment where they reduce the ability of Councils, State Agencies and applicants to work collaboratively through complex site-specific issues. Successful coordination bodies need clear roles, early engagement, transparent escalation pathways, sufficient technical expertise, accountability for response timeframes and respect for local knowledge. They should resolve conflicts and improve sequencing, rather than simply override local assessment or narrow the matters that can be considered.

2.11.7 Tiered assessment

Strategic planning improves housing approval decisions where it identifies appropriate growth locations, aligns zoning with infrastructure capacity and environmental constraints, and gives applicants clear expectations before they design a proposal. However, strategic planning does not replace DA assessment in historically subdivided areas such as the Blue Mountains. Much of the existing pattern of subdivision predates contemporary bushfire modelling, biodiversity mapping, stormwater standards and water quality regulation. Even where landscape-scale planning has been undertaken, many legacy lots still require site-specific assessment to determine whether and how development can occur safely and appropriately.

Council supports tiered assessment in principle, provided the tiers are genuinely risk based and place sensitive. Low-risk, low-impact works in unconstrained locations may be appropriate for faster or more codified pathways. Development involving bushfire risk, biodiversity impacts, heritage values, steep land, drainage constraints, drinking water catchment issues or significant local character impacts should remain subject to merit assessment. Hybrid pathways may assist minor non-compliances, but only where they preserve the ability to examine cumulative impacts and site-specific risk.

For large, complex or important developments, the *Interim Report* suggests state-led assessment pathways. The Blue Mountains community has had various experiences with State Significant Development proposals. These experiences highlight that state-led assessment can undermine community trust if it appears to override local provisions developed to protect environmental and hazard-related values. No planning scheme will stand the test of time if community trust is lost.

Technology, including AI, may assist with application triage, completeness checks, applicant guidance, data extraction, consistency checking and monitoring assessment timeframes. It should be used to improve administrative efficiency and applicant readiness, not to replace professional judgement in complex assessment. Better data collection should distinguish between gross and net assessment time, applicant response time, referral agency time, Council assessment time, information quality, application type and site constraint level. Without this context, approval timing data can create misleading comparisons between councils operating in very different environments.

2.12 It treats place identity, local character and heritage as obstacles to productivity and housing delivery.

The ongoing discussion in the *Interim Report* presents a misleading dichotomy: one must choose between supporting housing supply or advocating for heritage and character. Council rejects this false binary. Best-practice planning recognises that heritage, character and place identity are not merely aesthetic concerns; they generate measurable positive social, economic and environmental outcomes.

The Blue Mountains is a city of distinct villages, each shaped by its landscape setting, topography, built form, heritage fabric and relationship to surrounding bushland. This local identity is a legitimate planning value that reflects community expectations and contributes directly to social cohesion, community wellbeing, local pride, environmental stewardship, tourism and local economic activity.

Residents choose to live in the Blue Mountains because of this identity: its village-like atmosphere, natural topography, abundant tree canopy cover, rich biodiversity, lot patterns, housing types, historic centres and proximity to the UNESCO World Heritage-listed Greater Blue Mountains area. These qualities are central to the lived experience of residents and should be treated as assets to be managed, not obstacles to be removed.

Council strongly rejects any assumption that broad heritage protections and neighbourhood character controls should be reduced or replaced with narrow site-specific protections. In the Blue Mountains, heritage and character are often expressed cumulatively through streets, villages, landscape settings, view corridors, traditional main streets and residential areas. These values cannot always be protected through individual item listing alone.

Blanket reforms enabling three-storey development across most residential land or mid-rise forms around all stations and centres would risk undermining what the community values about the Blue Mountains towns and villages.

2.13 It lacks planning expertise in the report's framing

The report would be strengthened by deeper input from qualified land use, transport and infrastructure planning professionals within the private and public sectors. Many of the report's recommendations engage directly with complex planning questions, including zoning, density, infrastructure sequencing, developer contributions, transport accessibility, hazards, heritage and environmental protection. These are specialist matters that require professional planning expertise, not only economic analysis or industry evidence about feasibility and delay.

Without a stronger planning lens, the report risks treating planning regulation mainly as a cost imposed on development, rather than as a system for managing public value, public interest, place quality and long-term risk. The result is an analysis that underestimates the reasons planning controls exist and the consequences of weakening them without proper place-based assessment.

Historic data indicates that Australia has, over the last 20 years or so, increased the number of dwellings per capita, while affordability has nevertheless worsened. Between the 2001 and 2021 Censuses, Australia's population increased by 35 per cent, from 18,769,249 to 25,422,788, while the number of private dwellings increased by 39 per cent, from 7,790,079 to 10,852,208, meaning that housing supply grew faster than population over that period.

The policy implication is that housing affordability is shaped by demand, supply, household formation, finance, tax settings, investment behaviour and distributional factors, not simply the aggregate number of dwellings constructed, let alone the number and timeliness of approvals issued by council nor land use regulations.

Additionally, the report addresses housing supply with a focus on constructing additional homes. However, it overlooks the topic of existing homes that are either unoccupied or utilised as vacation properties. The 2021 Census also recorded that 10.1 per cent of all private dwellings in Australia—more than one million homes—were unoccupied on Census night, highlighting a substantial stock of existing housing that could potentially be better utilised through appropriate policy settings. Failing to examine the current housing stock in Australia is a significant oversight of the report.

3 Requested changes to the final report

Council requests that the Productivity Commission revise the final report to:

3.1 Recommendation 1: present compelling evidence that easing land use regulations can significantly increase housing supply.

The methodology used to assess and identify the costs linked to regulation in the *Creating a More Dynamic and Resilient Economy* inquiry report is flawed. To strengthen the argument's foundation, the following actions are necessary:

1. Costs related to compliance with construction standards, safety regulations, worker training, and licensing must be excluded from the calculation of regulatory costs.

2. The land value premium and residential land values should not be included in the calculation of regulatory costs.
3. The report should incorporate a revised analysis of regulatory costs to clarify the real and relevant costs associated with land use regulation and planning approvals.
4. A thorough cost-benefit analysis should be conducted for each proposed land use reform direction across different jurisdictions and types of settlements before any recommendations are finalised.
5. All four items mentioned above should be made available to the public for an additional round of consultations before the report is finalised.

3.2 Recommendation 2: provide a more balanced report that considers broader planning outcomes, rather than a purely economic argument.

A balanced analysis must acknowledge that planning regulations are in place to address externalities, manage infrastructure sequencing, ensure safety, protect the environment, uphold cultural values, maintain place identity, and enhance liveability and sustainability. The question is not simply whether more supply reduces prices, but where, what type, at what pace, with what infrastructure, and with what safeguards.

It is important to steer clear of a purely causal economic framework, as effective planning policies that recognise the value and constraints of infrastructure capacity, environmental risks, hazard exposure, design quality, community wellbeing, place identity, and cultural heritage do not align neatly with such a framework but are essential evidence of public benefit and public interest.

A more nuanced conclusion would suggest that while increasing the supply of well-located housing is likely essential for improving affordability over time, it is insufficient by itself. Supply reforms should be implemented through strategic, place-based planning that ensures development is backed by infrastructure, situated away from unacceptable hazards, environmentally sound, culturally considerate, and capable of fostering safe, liveable, sustainable, and high-quality communities. The affordability benefits of supply should not be used to justify weakening planning safeguards without a careful assessment of the full public costs and benefits.

3.3 Recommendation 3: distinguish between different settlement types.

The final report should explicitly identify the types of centres to which the recommendations pertain, ensuring that its conclusions and recommendations are calibrated according to at least the following planning contexts: capital city metropolitan cores (CBDs), metropolitan strategic centres, district centres, local centres, transport-oriented renewal precincts, peri-urban settlements, regional cities, regional centres, rural centres, villages, and environmentally constrained settlement corridors.

The Blue Mountains ought to be omitted from the scope of the report's influence.

3.4 Recommendation 4: be calibrated to the scale of expected growth and land capacity of each region.

The final report should calibrate housing reform to the scale of expected growth and the capacity of each place to accommodate that growth safely and sustainably. It should not apply the same level of reform urgency to low-growth, hazard-constrained local government areas as it does to high-demand metropolitan locations with strong public transport, established infrastructure capacity and strategic centre functions. Housing targets and reform expectations should be proportionate to local constraints, infrastructure readiness, environmental capacity and realistic land supply.

The Blue Mountains ought to be omitted from the scope of the report's influence.

3.5 Recommendation 5: provide an explicit exemption for the Blue Mountains and other local government areas with extreme bushfire risk, significant natural hazards and/or limited evacuation capacity.

The final report should recognise bushfire-prone land and constrained evacuation environments as threshold constraints to housing intensification. It should clearly state that bushfire-prone regions, areas with limited

evacuation capacity and settlements surrounded by high-risk vegetation require different planning responses from unconstrained urban areas. Housing targets and approval pathways must not override natural hazard considerations.

Consequently, these regions, including the Blue Mountains, ought to be excluded from the report's areas of influence.

3.6 Recommendation 6: explicitly indicate that areas of local and state heritage significance, national and international environmental significance, as well as those designated as World Heritage, require strong local planning protections. Remove the proposed dropping of heritage conservation area protections.

The final report should recognise the local, state, national and international significance of the Blue Mountains area and the role of local planning controls in protecting valuable areas of local and state significance, and nationally and internationally significant World Heritage values.

The recommendation of the report to entirely drop heritage conservation area protections must be removed, acknowledging the importance of these areas to local place-making, tourism and the local economy.

It is not sufficient to include generic exceptions for environmental protection. The report must recognise that in some local government areas, such as the Blue Mountains, environmental constraints are spatially extensive, cumulative and inseparable from settlement planning.

The Blue Mountains ought to be omitted from the scope of the report's influence.

3.7 Recommendation 7: recognise that in constrained regional and peri-urban areas, funding for infrastructure upgrades must be confirmed prior to reforms to unlock additional housing supply.

The final report should include a recommendation that emphasises the necessity of securing dedicated funding from both State and Australian governments, establishing clear sequencing, testing service capacity, and investing in resilience prior to the creation of additional housing capacity through land-use reforms. Assessment of infrastructure capacity, resilience and evacuation must be required before upzoning or fast-track approval pathways are applied.

3.8 Recommendation 8: ensure a more balanced approach to the principles, as follows:

3.8.1 R10A: replace 'Adopt a build mindset' with 'Adopt a responsible growth mindset'

To achieve long-term sustainability, the principle must shift from purely transactional metrics and a pro-development bias to a framework of responsible, delivery-focused growth. This approach strengthens the planning system while managing the development industry by moving away from broad neo-liberal deregulation to support diverse, practical housing supply; it balances housing approvals with community liveability, environmental safety, and long-term affordability; and it replaces narrow cost-benefit calculations with data-driven models. The latter allows regulators to protect critical local assets—such as urban tree canopies, biodiversity, heritage, and flood zones—using science and data rather than forcing them to justify environmental or cultural value in purely financial/productivity terms.

3.8.2 R10B: replace 'Only regulate where necessary' with 'Regulate for public interest'

A more balanced principle would be to regulate housing delivery where there is a clear public interest, such as safety, health, accessibility, environmental performance, climate resilience, cultural, heritage and character protection, infrastructure impacts, and long-term liveability. Avoid unnecessary or overly prescriptive controls when outcomes can be achieved through simpler, performance-based standards. This balanced approach acknowledges that some planning regulation is excessive or poorly targeted but avoids reducing planning to a narrow market-failure test.

3.8.3 R10C: Elevate social, civic, and environmental assets to 'essential infrastructure' status

To ensure a holistic approach, the principle 'Coordinate with infrastructure' must encompass a broader definition of infrastructure that acknowledges three essential pillars - civil engineering infrastructure (utilities, transport, water, sewage, electricity, and telecommunications), civic & social infrastructure (schools, healthcare facilities, community hubs, libraries, and early childhood education), and green and blue infrastructure (parks, open spaces, tree canopies, waterways, and sports and recreation).

Elevating social, civic, and environmental assets to 'essential infrastructure' status ensures they receive the same prioritised funding, strategic valuation, and rigorous maintenance as traditional utilities. Furthermore, to ensure long-term resilience and community wellbeing, the principle should add that funding frameworks must support financially constrained local governments by explicitly covering both the initial design and implementation of new infrastructure and the long-term, ongoing maintenance of existing assets.

3.8.4 R10D: remove the sentence 'limiting discretion where possible' and embed merit-based assessment for complex proposals

Instead of erasing human judgment to achieve speed, a balanced system uses clear rules for standard projects while maintaining an efficient merit-based assessment for complex proposals.

A more effective principle could be articulated as follows: 'Optimise housing delivery by establishing clear, code-based pathways for compliant proposals, while ensuring a structured and transparent merit assessment process to safeguard quality, amenity, safety, and to promote positive environmental and community outcomes.'

3.9 Recommendation 9: be informed by meaningful engagement with local governments

To ensure that the findings and recommendations in the *Interim Report* are well-rounded and credible, the perspectives and suggestions of local government peak bodies, local government executive leaders, and their elected representatives must be properly heard and integrated before the report is finalised.

3.10 Recommendation 10: recommend that place-based local strategic planning is not displaced.

The final report should recommend that housing reform be implemented by Local Governments through strategic planning processes that are locally tested, hazard-informed, infrastructure-led and subject to meaningful community engagement. Local strategic planning should be the primary mechanism for determining where and how additional housing can be accommodated.

3.11 Recommendation 11: refrain from making recommendations about land-use regulation.

The final report should exclude any directions that propose blanket statewide or national changes to land use rules, including broad-based three-storey development across most residential land, further relaxation of built-form controls, reduced minimum lot sizes, weakened neighbourhood character protections, and replacing broad heritage protections with narrow site-specific listings (Directions 2.1 to 2.6 in the *Interim Report*). These matters should continue to be resolved through place-based local strategic planning processes, and several of them are already covered by the state-wide housing code in New South Wales.

3.12 Recommendation 12: retain local decision-making and merit assessment for complex or high-risk proposals.

Any housing report that proposes to expand fast-track, codified or state-led pathways, should include clear exemptions or safeguards for environmentally sensitive, hazard-constrained and internationally significant local government areas such as the Blue Mountains. Without these protections, reforms intended to improve housing supply could instead produce poorer environmental outcomes, increase community opposition and weaken trust in the planning system, without materially improving housing affordability. Consent authorities must retain the

ability to apply local knowledge and undertake detailed merit assessment where risk, context and complexity require it.

The reforms that should be prioritised in NSW are those that improve early applicant advice, application completeness, digital functionality, referral coordination, mapping accuracy, standard condition drafting and resourcing for local assessment teams. Incentives for efficient council assessment should recognise complexity and risk and should not reward speed at the expense of appropriate environmental, hazard or community outcomes. Measures should focus on supporting councils to assess well and promptly, rather than penalising councils that require additional information for legitimate planning reasons.

Council supports improving pathways for social and affordable housing where projects are well located, infrastructure-supported and capable of managing environmental and hazard risks. However, inclusion in a state significant or streamlined pathway should not be treated as a substitute for local planning merit.

3.13 Recommendation 13: avoid framing housing supply as competing with heritage values and local character.

The final report should present heritage, local character and housing supply as complementary planning objectives, rather than as competing priorities. It should:

- acknowledge the social, economic and environmental benefits of heritage conservation and neighbourhood character, and that heritage protections generally provide an increase in property values as these buildings are often highly desirable, particularly in heritage conservation areas;
- remove language that frames heritage, character or built-form protections as barriers to housing delivery; and
- recognise that housing can be delivered while respecting heritage significance, environmental values and place identity.

3.14 Recommendation 14: work alongside a range of planning-related professionals to achieve a more balanced approach

The report would be strengthened by deeper input from qualified land use, transport, environmental and infrastructure planning professionals, as well as urban design, architecture, heritage, landscape architecture and urban forest professionals within the private and public sectors.

Rather than applying broad, sweeping rules that blanket entire neighbourhoods, modern planning regulation isolates and fiercely protects genuine social, historic, cultural, and environmental assets, while also carefully managing areas of flood, bushfire, landslip and slope constraint. This requires a multi-disciplinary approach to policymaking.

4 Conclusion

Blue Mountains City Council supports housing delivery that is well-located, diverse, liveable, sustainable and affordable. Council also supports reform that improves clarity, applicant readiness, digital functionality, referral coordination and proportionality in the development approval process.

However, Council does not support reforms that treat local planning controls and planning approval processes as unnecessary barriers when, in the Blue Mountains, many of those controls and processes are essential safeguards.

The Blue Mountains is a fundamentally constrained planning context for housing delivery with limited opportunity for outward urban area expansion and limited capacity for broad-scale housing infill development without triggering cumulative impacts on bushfire risk, evacuation, biodiversity, water quality, slope stability, local roads, heritage, scenic values and village character. Housing policy for this local government area must therefore begin with constraints and capacity, not with a presumption that broad-based upzoning is the primary solution.

Recognised both nationally and internationally as a premier visitor destination, the Blue Mountains significantly contributes to Australia's productivity through the visitor economy and associated industries. To ensure this contribution continues to grow sustainably, particularly with the upcoming Western Sydney Airport and the projected growth of the Western Sydney area, further investment support is necessary.

Council opposes the findings and recommendations of the *Interim Report*. This submission outlines thirteen reasons for Council's position and identified fourteen recommendations that need to be addressed prior to finalising the Housing Supply Regulation report. Most importantly, Council requests that the Blue Mountains area be explicitly excluded from the realms of influence of the final Housing Supply Regulation report.

Governments may draw on the *Interim Report* to justify further reforms to the strategic and statutory planning systems in Australia, but such reforms are unlikely, by themselves, to substantially shift dwelling supply. An increase in supply is also unlikely to substantially lower housing prices and improve housing affordability unless broader demand-side, taxation, finance and investment settings are addressed in a substantial manner.