

Building Tasmania Submission

Productivity Commission's Housing Supply
Regulation Inquiry



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Introduction

Thank you for the opportunity for Building Tasmania to provide a submission to the Productivity Commission's Housing Regulation Inquiry Interim Report. Our submission provides general context and commentary below with feedback specific to each proposed reform direction in tabular form in the final section.

The Tasmanian context

Tasmania has been embarking on comprehensive reforms of its land use planning system since at least 2017. This includes creating a consistent statewide planning scheme, the Tasmanian Planning Scheme, to simplify and harmonise land use controls across the state, establishing Tasmanian Planning Policies as the single statewide source of policies for plan making, and reviewing our three regional land use strategies (RLUSs) that provide direction to local governments in planning for growth and development that is efficient and makes best use of infrastructure and services.

This has resulted in Tasmania having one of the fastest planning systems in Australia, if not the fastest. Our discretionary applications being determined in a median timeframe of 40 days and permitted in 19 days. The data identifies several councils as the exemplars with discretionary applications determined in a median timeframe of less than 35 days and permitted applications determined in less than 15 days.

Supporting this, the Business Council of Australia ranks Tasmania as second in the country for planning system performance with “processes that deliver more consistency and certainty for applicants”¹. It also ranked Tasmanian first in the country for certainty in the planning system, with legislated timeframes that cover the entire end-to-end process of planning scheme amendments and development applications.

We continue to reform and improve our land use regulation system, especially where it relates to housing supply². However, with the current performance and improvements to date, it is our view that primarily focusing on regulation as a productivity driver in Tasmania will derive diminishing returns for increased effort, cost, and risk to the community.

The feedback we receive indicates that it is in addressing the physical and financial enabling factors of housing where significant opportunity lies in enabling new housing supply in the short to medium term. This is especially in planned infrastructure delivery and funding mechanisms to underpin housing development, and in better understanding the commercial feasibility of planned development areas to guide infrastructure investment that is coordinated with land use regulations.

The Interim Report recognises this, is well evidenced, and broadly aligns with Tasmania's planning reform program. However, specific proposed reform directions require specific consideration and targeted application if adopted, particularly those that apply directly to built form or site development.

¹ See: <https://www.bca.com.au/reports-submissions/reports/regulation-rumble-2025/>

² A summary of housing-related land use regulation and reform initiatives can be found here: <https://www.stateplanning.tas.gov.au/topics/housing>

Efficient, integrated land use regulation

Land use controls in Australia have evolved from the very minimal standards that allowed relatively unconstrained development and created many legacy issues for communities and governments to manage today. These include exposure to hazards, inefficient settlement patterns in areas costly to service with infrastructure and other services, and the creation of isolated communities at the edge of service catchments.

The increased land use controls we see today are a response to that. The pressure on the sustainability of central infrastructure and service provision was a key driver for integrated regional (super-municipal) planning initiatives from the 1990s to today. But along the way, less efficient or arguably unnecessary land use controls have also accumulated in regulatory instruments, motivating the planning reform programs undertaken in Tasmania and elsewhere.

The current reform drive, including the Productivity Commission's Inquiry, is important for regulatory efficiency, business certainty, and better productive output of development products, especially housing. However, it is important that reforms do not take us back to historical modes of development that externalise costs or risks and place unsustainable demands on infrastructure and services. Reform directions should retain a strong foundation in planned, coordinated delivery of services and responsive infrastructure funding mechanisms that can support development sustainably.

Reform directions

The Interim Report proposes directions for reform in four components:

1. Principles (Best practice for housing regulatory systems)
2. Land use controls (Unlocking more homes through better land use regulation)
3. Assessment processes (Reducing the burden of approvals)
4. Infrastructure systems (Delivering housing-enabling infrastructure)

We agree with these areas of focus. We particularly appreciate the focus on strategic planning, infrastructure systems, and feasibility considerations as these are critical inputs and should determine land use regulation. Regulation is an output of these factors and so depends on the quality of inputs. This means that attempting to fix regulation separately from resolving these inputs risks generating externalities and legacy issues for communities.

Best practice for housing regulatory systems

The Interim Report proposes an overarching objective and four principles for best practice housing regulation. We generally support these principles, and they align well with the intent of Tasmania's program of planning reforms.

We understand and support the principle of allowing the market sufficiently broad freedom to deliver housing that meets people's needs, within the bounds of regulation that manages risks, externalities and market failures. We agree with reducing unnecessary prescription.

We note that what regulation is considered necessary is subjective and contested, and State and local planning initiatives are subject to public consultation with diverse stakeholder groups. How to measure and assess what regulatory proposals are necessary, and how to demonstrate a benefit cost ratio (BCR) for regulations is challenging. The initial guidance provided is helpful

as a start, but more detail and illustration on demonstrating need and BCRs would support translating these principles into practice.

Tasmania already has objectives and principles embedded in its land use regulation system. These include:

1. The Objectives of the Resource Management and Planning System of Tasmania, found in Schedule 1 of the *Land Use Planning and Approvals Act 1993*³; and
2. The Tasmanian Planning Policies⁴, especially Policy 7.0 Planning Processes.

The Commission's proposed principles relate to these overarching policy instruments, whose intent flows through the subordinate instruments of Tasmania's planning system. We recommend that the Commission consider how its proposed principles need to interact or integrate with existing planning systems.

Unlocking more homes through better land use regulation

Tasmania is already investigating or implementing many of the reform directions proposed and these are noted in the Responses to Reform Directions table below. This includes

- making more land available for residential development through Housing Land Supply Orders and the reviews of the regional land use strategies;
- increasing the capacity and density of existing zoned land through the Improving Residential Standards in Tasmania project; and
- the review of the State Planning Provisions.

A summary of the various regulation-related initiatives that the Tasmanian government is undertaking to unlock housing supply can be found on the State Planning website⁵.

In all, Tasmania has over 4,000 hectares of vacant land, zoned appropriately for residential development (Low Density, General, or Inner Residential Zones). This amount of land has the potential to deliver over 50,000 dwellings, should those land owners submit development applications and act on the permits with housing construction.

Our experience suggests that infrastructure limitations and commercial feasibility are the decisive factors for why zoned land does not receive a development application or a development permit is not acted upon by potential proponents. We are also sensitive to the fact that where regulation has facilitated development in advance of planned and feasible infrastructure delivery, it has placed inefficient demand on central infrastructure networks, especially water, sewerage, transport, health and education. This inefficient demand presents as pressure on budgets and sustainable service provision and impacts in the long term, many years after a development has been allowed to proceed.

Reducing the burden of approvals

Tasmania has some of the fastest development assessment times in the country, and we are committed to improving this. Our discretionary assessment pathway receives a decision within a median of 40 calendar days and permitted applications are decided in just 19.

³ See: <https://www.legislation.tas.gov.au/view/html/inforce/current/act-1993-070#JS1@EN>

⁴ See: <https://www.stateplanning.tas.gov.au/planning-system/tasmanian-planning-policies>

⁵ See: <https://www.stateplanning.tas.gov.au/topics/housing>

Fast tracking may be an option for marginal improvements to these, but in Tasmania many applications that could otherwise be on the quicker permitted assessment pathway (28-day assessment) are made discretionary (42-day assessment) because of specific triggers in meeting code requirements. There is an opportunity in reviewing and potentially relaxing common code provisions that trigger the discretionary pathway, if the cost-benefit of these requirements is not justified. Equally we see benefit in providing better guidance to proponents on how to keep their application on the quicker permitted pathway.

However, to do this, we would need a way of better implementing monitoring and understanding what is happening within our planning approval system, and we'd want to do this without increasing the costs or time for applications unnecessarily.

Assessment timeframes can also be reduced by improved and more holistic strategic planning, especially at rezoning stage, prior to a development application being lodged. This can direct housing development to areas with fewer constraints (such as hazards), resulting in less assessment required and making it easier to meet the permitted assessment pathway requirements.

Better strategic planning can also help resolve certain constraints early, such as refining hazard mapping to be more precise, or completing certain constraints assessments in more detail so that proponents don't need to do these studies. We note that this work also requires resourcing and can result in higher development assessment fees or other means of cost recovery and these trade offs need to be considered.

Regardless of the reform measure, many proponents prefer to push the envelope in design and choose the longer and riskier discretionary pathway, leaving regulators with few, if any, options to speed up development approvals. Discretionary applications also bring the risk of third-party appeal. In any case, an overwhelming majority of discretionary applications are approved, which may be why proponents choose it, rather than designs that meet the permitted pathway requirements.

Tasmania has state-significant development assessment pathways, but these tend to be more suitable for major economic developments of a less standard and predictable format, rather than for housing, and offer little or no increases in assessment speed. The permitted assessment pathway is without question our fastest and most certain assessment pathway.

Delivering housing-enabling infrastructure

The Interim Report's emphasis on housing enabling infrastructure and its coordinated delivery is prudent and strongly supported. Often a regulatory barrier won't be lifted until an infrastructure barrier is lifted first. For example:

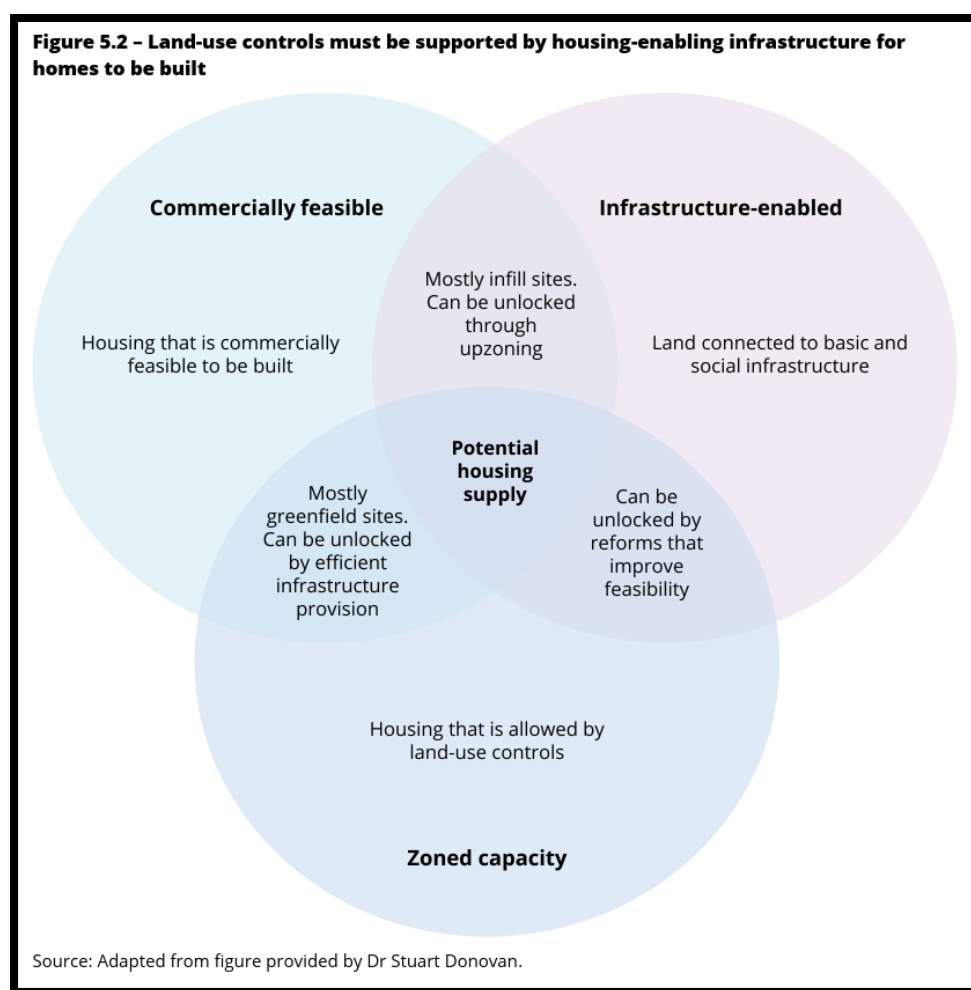
1. rezoning for urban development may not be supported, either by the local council or by the Tasmanian Planning Commission (TPC), until all essential infrastructure is available for the development to connect to (i.e. nearby and with sufficient capacity) or reasonable plans exist for the infrastructure to be provided, or
2. a development permit might require all infrastructure to be available to make a connection before being issued or may be issued subject to a condition that the proponent provide all the necessary infrastructure upgrades that the development requires.

This highlights the importance of understanding the interaction between regulation and infrastructure. In many instances, development outcomes are ultimately constrained by the availability, capacity and timing of infrastructure provision. Regulatory controls often serve to recognise and manage these constraints by coordinating and sequencing development with

sustainable infrastructure delivery. As a result, reforms to regulation alone may have limited effect where underlying infrastructure barriers remain unresolved.

The primary enabler of development is the infrastructure network on which it depends, while the timely delivery of that infrastructure is often influenced by how it is planned, funded and financed.

This is illustrated by Figure 5.2 of the Interim Report (reproduced below). Housing development relies on regulatory capacity, infrastructure capacity and commercial feasibility being aligned in the same place at the same time.



Infrastructure funding frameworks can play an important role in addressing this challenge. Well-designed infrastructure contribution systems can support the planning and delivery of housing-enabling infrastructure while also improving development feasibility. In particular, they can:

- provide greater certainty regarding the infrastructure costs associated with development;
- facilitate a fair and transparent sharing of infrastructure costs between beneficiaries; and
- support infrastructure delivery through reliable funding arrangements that better align infrastructure investment with development activity.

Where mechanisms exist to address infrastructure delivery and funding, it becomes easier to align land use planning, infrastructure planning and development outcomes. This is a core objective of integrated strategic planning and supports more efficient and coordinated housing supply.

Accordingly, we agree with the Interim Report's observation that "*Reducing regulatory burdens is important but less likely to improve housing supply*" (page 113). However, we consider that infrastructure funding and contribution frameworks may have a more significant role in enabling housing supply than is reflected in the statement that "*Developer contributions can be improved, but reform is unlikely to have a major effect on housing supply*" (page 114).

In our view, effective infrastructure funding frameworks can support housing supply by improving the coordination of infrastructure delivery, providing greater certainty for development, and helping to address infrastructure constraints that may otherwise limit growth. While infrastructure costs are only one component of development feasibility, infrastructure planning and funding arrangements remain important considerations in enabling new housing development.

The Commission may wish to give further consideration to the role that infrastructure funding mechanisms can play in addressing the physical and financial barriers that affect housing supply, and how these mechanisms interact with broader land use regulation and infrastructure systems.

Responses to Reform Directions

Productivity Commission Proposed Reform	Building Tasmania Response
1. Principles (Best practice for housing regulatory systems)	
Principle 1: Adopt a 'build' mindset Only restrict the location and form of development where the benefits clearly outweigh the costs, including the impact on housing supply and affordability.	Generally supported. Benefits and costs range and can be subjective and valued differently by the various stakeholders in the land development and housing supply systems. More detail and guidance on what this principle means and how to implement it would be helpful.
Principle 2: Only regulate where necessary Only regulate housing design features when there are clear market failures and allow households to choose and pay for other features they value.	Generally supported. A key objective of Tasmania's long term reforms has been to only regulate where necessary, but determining what is necessary is subject to frequent debate. Further detail on assessing this would help implement it effectively.
Principle 3: Coordinate with infrastructure Plan housing and infrastructure together, so new development is supported by the infrastructure it needs, with clear and efficient rules for developer contributions.	Supported. Tasmania is improving its framework for infrastructure planning and its coordination with land use planning.
Principle 4: Keep the process simple Make planning decisions timely, predictable and simple by setting clear decision pathways, limiting discretion where possible and aligning with broader housing goals.	Supported. Tasmania already has one of the simplest development assessment processes in the nation, resulting in very fast processing times. We continue to investigate reforms that will improve this further.
2. Land use controls (Unlocking more homes through better land use regulation)	
Reform direction 2.1 – Allow up to 3 storey developments across most residential land	Both supported and not supported. This needs to be carefully applied and may not be suitable for all locations in Tasmania. The Tasmanian Planning Scheme currently has multiple zones that allow for the approval of 3 storey residential developments. These include all areas of the Tasmania that are in the Inner Residential Zone, Urban Mixed Use Zone, Local Business Zone, General Business Zone and Central Business Zone, and the Commercial Zone in the municipalities of Hobart and Glenorchy. There is currently over 1200 hectares of land in these zones in Tasmania.

Productivity Commission Proposed Reform	Building Tasmania Response
	The Tasmanian Government is currently investigating amendments to the Tasmanian Planning Scheme to improve planning requirements for apartments (through an Apartment Code) in the mixed-use, business and commercial zones, including consideration of building heights and car parking requirements. Further improvements are also being considered to the Inner Residential Zone, specifically building height, car parking and more tailored requirements for townhouse or terrace housing. The Tasmanian Government is working with local government to encourage greater use of the Inner Residential Zone in appropriate locations. Tasmania sits at higher latitude where access to sunlight in the winter months is important for health and wellbeing. Taller built form in combination with our mountainous geography (even in our urban areas) creates more urban overshadowing and is a more material problem for Tasmania than lower latitude areas of Australia.
Reform direction 2.2 – Allow mid-rise or high rise apartments in high demand areas	Supported and already in progress. As per comments above for Reform direction 2.1 regarding the Apartment Code, mid-rise apartments up to 4-5 storeys can already be approved in the General Business Zone and Central Business Zone. High-rise apartments (10+ storeys) would be constrained to certain parts of the Central Business Zone in the Hobart municipality.
Reform direction 2.3 – Reduce or remove minimum lot size requirements	Not supported. Minimum lot size requirements are an appropriate requirement to distinguish between the different residential zones and areas in Tasmania and are the first tool in appropriately managing density. Land use density and intensity imposes increased demand on infrastructure and services, including transport, water, energy, stormwater, and more. Potential changes to the minimum lot size requirements are currently being considered to provide a clearer permitted pathway for the approval of townhouse and terrace developments, particularly in the Inner Residential Zone.
Reform direction 2.4 – Allow residential development in commercial zones, unless there is a clear rationale for excluding it	Supported and already in progress. Residential development is already permitted across the various commercial zones in Tasmania, specifically when located above the ground floor. This includes all land in the State within the Urban Mixed Use Zone, Local Business

Productivity Commission Proposed Reform	Building Tasmania Response
	Zone, General Business Zone and Central Business Zone, and the Commercial Zone in municipalities of Hobart and Glenorchy. See comments for Reform direction 2.1 regarding the Apartment Code.
Reform direction 2.5 – Review, reduce and remove land use controls that reduce commercial feasibility and do not adhere to best practice principles	
Remove or reduce parking requirements.	Improvements are being considered to reduce the car parking requirements for residential development in well-located areas. This involves locations within the Inner Residential Zone, and the mixed use, business and commercial zones. The Tasmanian Planning Scheme already provides for parking precinct plans to be applied to certain well-located areas where no additional car parking is required. These currently apply to areas around the CBDs in Launceston, Devonport, Ulverstone and Penguin. City of Hobart also applies a similar requirement for their CBD area through a Specific Area Plan.
Replace broad heritage protections with more targeted heritage listings with cost-benefit analysis and review processes.	Heritage protection is an important part of Tasmania's brand and values. It is also highly valued across broad sections of Tasmanian communities. There is currently no intention to change the current heritage protection requirements.
Review and reduce neighbourhood character restrictions.	There are no specific neighbour character requirements in the State Planning Provisions of the Tasmanian Planning Scheme.
Reform direction 2.6 – Relax or remove built form controls that limit flexibility and choice for households	
Modify controls as required to enable townhouse and apartment reform	See comments under Reform direction 2.1 and 2.3. Tasmania is in the process of improving controls to enable medium density residential formats.
Remove maximum floor-space ratios.	There are currently no floor space ratio requirements in the Tasmanian Planning Scheme. Residential development in the residential zones is controlled through a three-dimensional building envelope (including building height and setbacks), site coverage (building footprint, not floor space ratios) and site area requirements. There are no site coverage or site area requirements in the business and mixed use zones for residential development.
Remove restrictions on housing types.	There are no specific restrictions on housing types in the main urban residential zones in the Tasmanian Planning Scheme. See comments

Productivity Commission Proposed Reform	Building Tasmania Response
Remove restrictions on minimum dwelling sizes, minimum balcony sizes and storage requirements for apartments.	regarding apartments and townhouse/terrace developments under Reform direction 2.1. There are currently no minimum dwelling size requirements in the Tasmanian Planning Scheme. Minimum private open space (or communal open space) and storage requirements are important parts of providing reasonable amenity, functionality and liveable spaces. These are important requirements that should be retained for residential developments, particularly apartments.
3. Assessment processes (Reducing the burden of approvals)	
Reform direction 3.1 – Consider infrastructure requirements and trade offs associated with development early through strategic planning	The Tasmanian Government is currently updating the three regional land uses strategies. An important part of this is improving coordination between land use planning and infrastructure planning and delivery. There are specific strategies in the Tasmanian Planning Policies and the new Southern Tasmania Regional Land Use Strategy (STRLUS) to achieve this. The new STRLUS was declared in mid-September 2026. It includes an Implementation Plan with actions to prepare an Infrastructure and Growth Coordination Plan to provide more certainty and efficiency in delivering development-ready land for housing and other development. This will flow through into the new Northern Tasmania Regional Land Use Strategy (NTRLUS) and the Cradle Coast Regional Land Use Strategy (CCRLUS) that will likely be declared in 2027. The creation of the new Infrastructure Strategy and Planning branch within Building Tasmania will further support the coordination of infrastructure and land use planning. The strategies in the Tasmanian Planning Policies new STRLUS also aim to consider site constraints (e.g. risks from environmental hazards and any environmental and cultural values) early in the planning process, including through the preparation of detailed structure plans for important growth areas.
Reform direction 3.2 – Expand the use of fast track pathways to assess simple developments	Tasmania remains one of the best performing jurisdictions for planning approvals. Available data shows that Tasmania's planning system is among the fastest in Australia, if not the fastest, with discretionary applications being determined in a median timeframe of 40 days and permitted in 19 days. The data identifies several councils as the exemplars with discretionary applications determined in

Productivity Commission Proposed Reform	Building Tasmania Response
	a median timeframe of less than 35 days and permitted applications determined in less than 15 days. The Business Council of Australia's Regulation Rumble Report 2025 again ranked Tasmania second in the country in terms of planning system performance with "processes that deliver more consistency and certainty for applicants." The Business Council of Australia ranked Tasmanian first in the country for certainty in the planning system, with legislated timeframes that cover the entire end-to-end process of planning scheme amendments and development applications. The two jurisdictions atop that table, Tasmania and South Australia, operate under a statewide planning scheme model.
Reform direction 3.3 – Use state significant pathways to approve developments with a clear need for state led assessment	The current state-significant pathways (i.e. Major Projects and Projects of State Significance) are typically not suitable for housing developments. The government is progressing several complementary streams of work under the Economic Future Program, intended to streamline approvals, unlock investment and secure Tasmania's economic future. This includes establishing a streamlined statutory planning framework for approving projects of strategic and economic significance. This streamlined statutory planning framework may include specific housing projects that meet the criteria themselves, or those associated with projects of strategic and economic significance. The Economic Future Program is subject to Cabinet and Parliamentary approval. Note that all rezoning proposals are assessed through the State Government's independent statutory authority, the Tasmanian Planning Commission, after being initiated by the relevant local council.
Reform direction 3.4 – Improve housing approval assessments with better coordination of referrals, use of technology including AI, and transparent reporting	Supported. Tasmania is in the process of implementing a unified development application and enquiry portal, called PlanBuild. The eventual full implementation would allow improved lodgement, referral coordination, reporting, and could be integrated with AI technologies.
4. Infrastructure systems (Delivering housing-enabling infrastructure)	
Reform direction 4.1 – Coordinate strategic planning for infrastructure with housing objectives	See comments under Reform direction 3.1. Tasmania is progressing initiatives to improve infrastructure planning and its coordination with land use planning. This is primarily through the reviews of the three Regional Land Use

Productivity Commission Proposed Reform	Building Tasmania Response
	Strategies, but also by developing a strategic framework for state infrastructure planning and improved growth area monitoring.
Reform direction 4.2 – Improve infrastructure sequencing with housing development	Supported. Tasmania is exploring ways to improve the sequencing of infrastructure with housing development between developers and infrastructure authorities. See also comments under Reform direction 3.1.
Reform direction 4.3 – Ensure developer contributions reflect the accurate cost of providing infrastructure	The Tasmanian Planning Policies already require that any development contributions schemes implemented by local government achieves fair, equitable, and reasonable sharing of costs between developers and the wider community. Planning case law also already requires conditions that impose infrastructure contributions to be reasonable, relevant, and for a planning purpose. This makes it easier to charge too little for infrastructure (or not at all) than too much, which leaves critical upgrades unfunded and delays development. The long term result of this case law is that infrastructure authorities tend to permit development to impose extra demand on infrastructure networks and consume spare capacity without recovering costs that can be reinvested to delivering more capacity. Communities and their infrastructure authorities have invested substantial amounts into their infrastructure networks, but spare capacity is often provided for free. This creates capacity issues, unfunded infrastructure demand, and generates a stop-start tempo to development rates as new development constantly runs into infrastructure servicing challenges. The Future of Local Government Review Final Report⁶ found that <i>“Tasmania raises the least of any Australian jurisdiction per lot from developer contributions”</i>, also indicating that Tasmania could likely benefit from improved attribution of infrastructure costs to the development that needs it.
Reform direction 4.4 – Enhance design of developer contribution frameworks towards best practice	Supported. Tasmania currently has a collection of partial mechanisms across different legislation to implement infrastructure contributions schemes, and does not have a unified statewide framework to bring schemes into consistent best practice.

⁶ See: <https://www.futurelocal.tas.gov.au/publications/>



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