Submission to the Productivity Commission Erland Happ [Redacted]

Inquiry into Housing Supply and Regulation

Subject: New Towns as the Missing Supply Channel—Restoring Homeownership, Family Capacity, and Intergenerational Equity and National Sovereignty.

Executive Summary

The Commission's interim report correctly identifies land-use controls and infrastructure coordination as the reforms with the greatest potential to improve housing supply. It proposes broad-based upzoning, three-storey development on most residential land, and more mid-rise and high-rise apartments in well-serviced locations.

This submission accepts that diagnosis but argues that the “infill model” alone is insufficient to deliver the kind of housing that supports child welfare, family formation, and long-term productivity. It proposes a complementary supply channel: new towns planned from first principles, school-centred, genuinely mixed-use, car-free in their public realms, and scaled to enable modern methods of construction. It further proposes that these new towns be financed through domestic superannuation capital at commercially fair fixed rates, reducing reliance on volatile international credit markets and variable interest rate mortgages.

The humanitarian and productivity cases converge: a nation that cannot house its young cannot maintain its population or sustain the tax base required to deal with the problems that ensue, its productivity declining as the functionality of its workforce is impaired.

1. **The Gap in the Infill Model**

The Commission's proposed remedy focuses on densifying existing urban areas, particularly around transport nodes. This is necessary but incomplete.

1.1 The child welfare evidence. The NSW Commission for Children and Young People's 2006 submission to the NSW Parliament—the first Australian inquiry of its kind—found that children need "a safe environment that they can explore from a secure social base" and "the freedom to find peers and to play spontaneously". Traffic density, parental work obligations, and the loss of safe proximal public space have confined children indoors, with consequences for executive function, resilience, and social competence.

1.2 The limits of retrofit. Infill onto existing transport corridors inherits existing traffic, existing school capacity constraints, and existing single-use zoning legacies. The Commission observes that "you cannot build homes without the infrastructure that supports them" and that poorly coordinated infrastructure can leave rezoned land

unused for years. Retrofitting child-friendly infrastructure into established suburbs is slower, costlier, and less effective than planning it from the outset.

1.3 The land constraint is political, not physical. Detached housing occupies between 0.02% of land in Western Australia and 0.48% in Victoria. The constraint on new towns that meet the needs of children is not physical scarcity but planning and political will.

2. **The New Towns Proposal**

2.1 Design principles. New towns should be planned with:

- School-centred layouts, with safe walking and cycling routes to schools and local centres.

- Genuine mixed use, so that local employment, retail, and civic functions are within walking distance of homes.

- Car-free public realms, with traffic-calmed or preferably pedestrian-only streets fronting dwellings where children can safely play and neighbours meet to shoot the breeze.

- Green space and nature access integrated into the pedestrian free street from the outset, not retrofitted or provided as a park.

- Population limited towns that remain walkable, surrounded by green space.

2.2 Scale and construction. New towns at sufficient scale enable “modern methods of construction”—prefabrication, modular assembly, and standardised components—that can reduce construction time and cost while improving quality and meeting national standards efficiently. The Commission's terms of reference explicitly include identifying barriers to the uptake of more productive methods of construction. New towns provide the size and the uniformity of design that infill projects don’t have the necessary scale to achieve.

2.3 Alignment with the Commission's principles. The proposal satisfies all four principles in the interim report:

- Adopt a build mindset: new towns are designed for delivery, not perpetual assessment.

- Regulate only where necessary: code-based approval for compliant designs, rather than discretionary assessment.

- Coordinate housing with infrastructure: infrastructure sequenced with land release from the outset.

- Keep the process simple: standardised designs and scaled procurement reduce complexity.

3. **The Financing Mechanism: Domestic Capital for Productive Supply**

3.1 The problem with the current model. Australian lending is overwhelmingly variable-rate and subject to variation due to external influences eroding domestic sovereignty. In September 2024, approximately 97% of new home loans were written on variable rates. This exposes households to interest-rate volatility and creates a pro-cyclical dynamic in which rate increases transfer wealth from mortgagees to the finance sector placing the burden of fighting inflation on those least capable of bearing it, thereby impairing family resilience with adverse consequences for government budgets, and oncoming generations.

3.2 Superannuation as a domestic capital source. Australian superannuation assets are approximately A$4.77 trillion. A government-backed fixed-rate lending institution, priced to meet super members' return requirements, in a low inflation environment where there is no reliance on investor contribution to the housing supply could channel domestic savings into new town construction. This reduces reliance on foreign creditors and insulates borrowers from international rate volatility and building national capacity.

3.3 Safeguards. The lending must be:

- Tied to new supply, efficiently produced, not existing stock, to avoid bidding up land prices.

- Priced to compensate super members fairly, with any subsidy explicitly funded by government rather than eroding retirement savings.

- Conditional on infrastructure sequencing, and efficient forward planning so that homes are built where services, schools and jobs are available.

3.4 The humanitarian test. The policy increases welfare only if it provides the young with secure homes and hospitable public spaces, and the dependent with the care that they need. If it merely inflates prices or erodes retirement returns, it fails that test.

4. **The Intergenerational and Fiscal Case**

4.1 Homeownership reduces dependency in retirement. Outright homeownership reduces reliance on the Age Pension and provides a secure base for ageing in place and intergenerational co-operation. The projected doubling of older renters—over 1.1 million by 2031—represents a future fiscal and human welfare predicament. Shifting the tenure toward ownership is a genuine welfare reform that will reduce pressure on government budgets. The aim should be ownership not rental, two story houses with the flexibility to cater for the needs of three or four generations at a desirable density.

4.2 Family formation and fertility. The Intergenerational Report projects Australia's fertility rate falling to 1.34 children per woman by 2065. The drivers include housing insecurity and the difficulty of combining work with care for dependants. A homeownership model financed at fixed rates, paired with new towns that reduce the need for dual incomes, addresses the supply problem, the care problem and the demographic trajectory.

4.3 The fiscal pressure of state care. Aged care spending is projected to reach 2.3% of GDP by 2065–66. Public hospital spending has surged 50% in a decade to $87 billion. The state's model of care grows faster than the diminishing tax base that funds it. A housing model that restores family capacity—material, psychological and temporal—will reduce the requirement for social service payments and professional care.

4.4 This design will enhance productivity by increasing the participation rate, reduce the pressure on public sector budgets, the taxation burden and slow the rate of inflation that impairs the value of the superannuation that will accrue to beneficiaries. It’s a win for all parties.

5. **Recommendations**

The Commission should:

5-1. Assess and address the intergenerational equity implications of the current tenure trajectory, including the fiscal costs to older renters and the productivity decline associated with suppressed family formation and the trend towards impaired child physical and mental health and the adverse situation that teachers face in schools and employers face in the workplace.

5-2. Recognise new towns as a superior supply channel, with planning frameworks that enable school-centred, mixed-use, car-free design prioritising the effort to improve the lot of today’s youth succeeding generations.

5-3Recommend that infrastructure sequencing be a condition of land release for new towns, with funding mechanisms that align Commonwealth, state, and local responsibilities.

5-4 Examine the potential for domestic superannuation capital to finance fixed-rate lending for new supply, with safeguards to protect member returns and ensure credit expansion is matched by the expansion of supply.

5-5 Mixed use should be facilitated via the shophouse model with residence above and commercial use or additional living space at ground level.

5-6 Recommend code-based approval pathways for compliant designs for settlements, dwellings, and integrated workplaces aiming to minimise the costs attached to bespoke

design and time consuming discretionary assessment and enable modern methods of construction that require sufficient scale to keep a factory and a workforce busy with two shifts per day in a sheltered environment where long production runs facilitate automation.

5-7 Aim for lightweight strong and easily transportable stackable modules with durable external and internal finishes, moveable internal walls that require little in the way of earthworks to install on durable stumps at wide intervals.

6. **Conclusion**

The Commission's interim report is concerned with a regulatory system that inhibits the capacity to deliver enough homes in the places where people want to live.

The need to address inflation in house prices is obvious as is the need to restrain inflation in order to keep interest rates low and within the nations sovereign capacity to manage. To do this, the need to borrow from foreigners to fund government budget deficits must be seen to antagonistic to the national interest.

This submission recommends a supply channel for housing that the infill model cannot match, that is relatively self-sufficient and convenient new towns that integrate work, rest, health and recreation. Community support evolves naturally as a function of walkability and frequency of interpersonal contact and natural human concern, where people experience less isolation and loneliness, enabling children to freely and safely interact in public space, where intergenerational living enables to take more responsibility for providing care and supervision of the unhealthy, unemployed and the disabled, where families are strong, all members can contribute according to their capacity, a design that favours the generation of home occupations and the entrepreneurial frame of mind. This is a design that is viable, whereas what we are currently insisting on is manifestly not because it scrimps on space, utility and convenience.

It’s desirable to finance this activity with domestic capital at stable interest rates to maximise durable forms of home ownership, not as an option but a necessity.

The remedy must include the aim of minimising rental so as to adequately fund life after one’s first career ends and the home and community based career commences, without change in domicile. Ongoing work favours endurance, health and personal productivity. The measure of success will be the extent to which people get out of bed with a project in mind.

This proposal reinforces the family structure, the bedrock of human society securing the future of the young, the aged and the in-between who work to support them and

currently spend too much time distractedly behind the wheel of a motor car or staring into the screen of a phone, a computer or a television set.

The test is not whether the mechanism is ‘orthodox’. The present situation is in no sense inevitable. The test is whether it provides the young with secure homes, interaction with their peers on their own volition and the dependent with adequate care in the most efficient and least cost fashion that reduces the burden on the state.

The concern of private developers is to maximise profitability and minimise responsibility. Planners have gone along with that. This model has served us poorly.

The land is available. The capital is available. What children and families need is known and should be respected. What is missing is the sort of concern that is exercised by a smart public spirited, publicly owned utility that generates a plan and the financing structure to deliver it. The Commission has the opportunity to recommend both.

This proposal facilitates design, planning and building at a scale that has the capacity to dramatically reduce the cost of obtaining permission for and building superior housing that is compliant with the regulatory framework.

Manifestly, a new town of this type is where people desiring to partner up and support children, their parents and others that they desire to mentor or co-operate with, will ‘want to live’. It is a compelling recipe for a human community, a tribe.

Question to AI

I want to know about the origins of the ‘Offsite’ builder collapse in Perth. Was it a failure to get sufficient scaling in demand due to the bespoke nature of most design and building?

The origins of the recent offsite and modular builder collapses in Perth—most notably the high-profile liquidation of Bella Modular in August 2026 and the sudden voluntary administration of the prominent manufacturer OFFSITE (Maneon Pty Ltd) in October 2026—point directly to the classic tension between **bespoke design requirements and factory scalability**. [1, 2]

While broader macroeconomic pressures played a role, your assessment is spot on: the inability to achieve true economies of scale due to market fragmentation and bespoke demands was a core structural driver of these failures.

The Bespoke Trap vs. Factory Scaling

At the heart of the "offsite collapse" is a mismatch of manufacturing physics. To survive, a prefabricated or modular factory requires predictable, high-volume production lines

to cover massive, fixed overhead costs (factory leases, specialized machinery, and specialized staff).

- **The Scaling Failure:** In Western Australia, the housing market remains heavily dominated by consumers and developers who demand bespoke, custom designs. When an offsite builder attempts to accommodate these custom tweaks, the factory line reverts back to standard building practices, just under a roof. This eliminates the speed and efficiency benefits of Design for Manufacture and Assembly (DfMA). [1, 2]
- **The "Builder Markup" Inflation:** Industry insights from PrefabAus noted that companies like OFFSITE struggled not just with manufacturing scaling, but with market education. Mainstream builders frequently marked up offsite component quotes by **65% to 98%** to end clients. This price gouging artificially suppressed retail demand, making it impossible for offsite manufacturers to secure the high-volume pipelines necessary to feed their factories. [1]

Observation:

Vested interests are alive and well in the regulation, gatekeeping, finance and manufacture of dwellings for human habitation. The slower the process, the more these interests stand to gain.

There is no alternative but to break the mould and begin afresh.