Submission to Productivity Commission Inquiry into Housing Supply Regulation

The 3068 Group Inc.

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Incorporated 1998

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Summary: The 3068 Group supports affordable housing and efficient planning. We have serious concerns regarding the Productivity Commission's interim report.

Laissez-faire: the theory or practice of governmental abstention from interference in the workings of the market. **The Oxford Dictionary**

Community protecting heritage for present and future generations

The overall aim of the 3068 Group is to maintain the heritage character, streetscape and amenity of the postcode area of 3068 and the City of Yarra.

1. Introduction & Background of The 3068 Group

The 3068 Group is a residents group based in the City of Yarra. We formed in 1998. Protecting heritage, fighting inappropriate development and supporting affordable accommodation is in our charter.

We have always welcomed new residents and affordable developments. We want to retain and expand public housing in our area and are concerned by the cost of housing both locally and nationally.

We have contributed to many planning scheme amendments, particularly those relating to heritage in inner urban areas over the previous three decades. The heritage protections in the planning scheme do not prevent development, but guide it in a way that avoids the market failures that preceded these laws. These failures, led to a loss of heritage which is critical for our identity. The heritage protections followed years of community anger over the loss of significant heritage.

If you look out from the top floors of a glass tower in the centre of Melbourne, you can see all of Melbourne laid out as far as the horizon. Lacking bold natural features, the urban character of this historically important city is central to our cultural heritage and identity.

We share the aims of the Productivity Commission to increase housing supply where people want to live and are supportive of more efficient processes and better infrastructure planning that is less politically driven.

However, we raise these concerns about the interim report. The economic dogma of deregulation combined with indifference to the history of planning, heritage, sustainability and urban design will lead to a repeat of failed experiments and dismal outcomes.

There are many cities lacking planning regulations, can we learn from their mistakes?

The scope given to the commission encapsulates the dictum

"A basic rule of government is never look into anything you don't have to, and never set up an inquiry unless you know in advance what its findings will be."

- Sir Humphrey Appleby, Yes Minister

Focusing on reducing regulation risks ignoring the benefits of regulation. A cheaper house not built to last, but built with non sustainable or toxic materials, lower insulation, and far from transport will create enormous burdens for the owners, the environment, the health system and society. Does the cheaper house rate just as highly on productivity metrics?

Planning regulations have been introduced only when necessary to solve problems; and usually after extensive consultation with community, developers and experts. To demonstrate a regulation is unnecessary would require that the problem no longer exists or has been solved in another way or the regulation is duplicated. Simply waving away the regulation without understanding this will force us to repeat mistakes.

Like economics, urban planning often deals with complex, adaptive human systems, yet it has repeatedly tried to apply rigid, top-down theories that don't work. When planning fails, the fallout is cemented into the physical fabric of communities for generations and rarely impacts those who created the mess.

The Modernist movement saw historical, fine-grain cities as chaotic and unsanitary and tried to replace them with high-rise towers set in vast superblocks around green open space. Euclidean zoning segregated the city leading to urban sprawl, dormitory suburbs and a dead city centre. Transport models ignored induced demand.

The interim report's proposal for a three storey allowance on all residential zones is breathtaking for its lack of nuance, spatial context and knowledge of the existing history of this rule in Victoria, where we have had multiple revisions of the same proposal since 2013.

1. 2013–2014 Reforms (Matthew Guy, Liberal Baillieu Govt)

Planning Minister Matthew Guy introduced the three main residential zones:

- **Neighbourhood Residential Zone (NRZ):** Designed to protect character areas; typically restricted height to **8 metres (2 storeys)**, along with a default limit of no more than two dwellings per lot.
- **General Residential Zone (GRZ):** Intended as the standard residential zone; featured a **discretionary height guideline of 9 metres (approx. 2 to 3 storeys)**, allowing councils and planning tribunals flexibility to grant approvals for 3-storey developments depending on context.
- **Residential Growth Zone (RGZ):** Designed for higher-density areas near public transport and town centres, with a discretionary height limit set at **13.5 metres (typically 4 storeys)**.

2. 2017 (Andrews Labor Government)

The incoming Labor government amended the zones:

- **GRZ:** Converted the discretionary 9-metre limit into a **mandatory maximum height limit of 11 metres and 3 storeys** state-wide (unless a local council specified higher in its schedule).
- **NRZ:** Increased the mandatory height limit from 8 metres (2 storeys) to **9 metres (2 storeys)** and removed the strict two-dwelling per lot restriction.

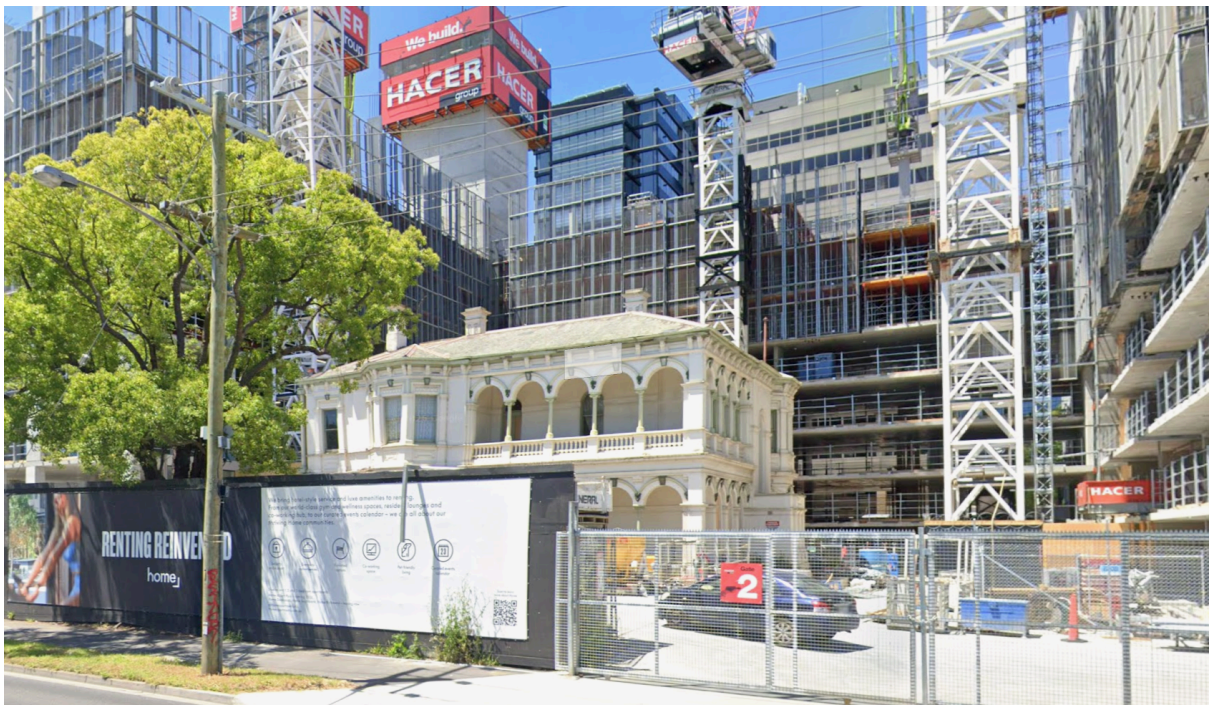
Research by Gemini AI.

The report conflates land-use controls (zoning) with urban form controls. Land Zoning is a brute force approach that disallows housing. Rezoning industrial and commercial zones that no longer support any industry or commerce would have a far greater impact than discarding heritage protections. The windfall gains from those rezonings could be captured and directed to affordable housing initiatives or local infrastructure.

2. Zoning vs. Form Controls

The heritage protections that the community has worked hard to achieve have the support of local government, planning experts and panels, and are approved by the Minister of Planning.

Just because an area is covered by a heritage overlay, the PC should be aware that buildings within the area may be graded non-contributory or contributory. The controls mainly impact demolition of the external form of contributory buildings. Sometimes only part of the facade is protected. New development should respect and enhance the heritage precinct. Context is everything. The controls ensure that development doesn’t destroy or overwhelm the significance of the place



Context is everything in heritage planning, Queens Road, Albert Park

This year, the City of Yarra removed the requirement for a permit to place solar panels on heritage buildings. The initiative was generated by a local community group and universally supported by the council. There are new challenges from EV charging. The regulations may again be updated to adapt to the modern world.

3. Unlocking Brownfield Sites & Height Control Speculation

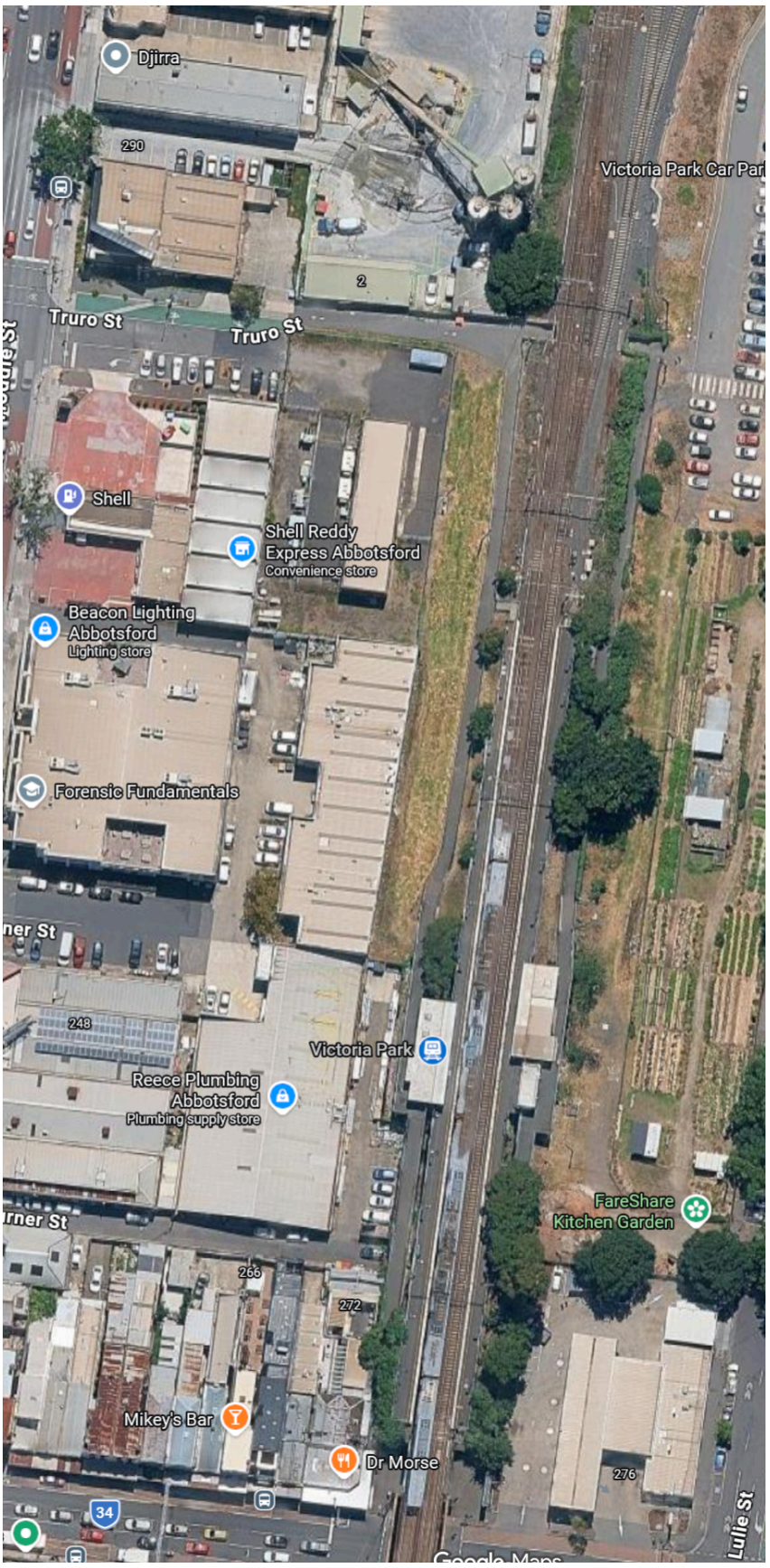
The City of Yarra has a population density almost ten times higher than Greater Melbourne as a whole, and as high as the City of Melbourne. Within the City of Yarra itself, specific suburbs like Fitzroy and Collingwood push even higher, reaching over 7,350 people / km². The city has always met its population targets and is growing rapidly. The population has increased from 70,000–75,000 in the mid-1990s to an estimated 101,356 by June 2025. This has been achieved where 60% of the city's properties are covered by a heritage overlay. By 2041, our

population is forecast to have grown to more than 149,000 people.

Most people still live in converted workers' cottages. High-rises were built in public housing estates and new high rises are being built mainly close to shopping streets and transport and in former industrial estates. Over 30 years, Yarra's policy has been to direct high-rise development where it works to reduce pressure on the already dense historic neighbourhoods where it is most problematic.

We need houses where people want to live. That is also where developers want to develop. No developer wants to be the first to release a building on a brown-field site. It is more profitable to construct in an existing precinct that already has high amenity than a few blocks away. The development lobby is campaigning to remove heritage controls and public input to planning decisions. We end up with so much density in historic shopping streets and residential areas that the amenity is eroded, accompanied by slow development activity in the former industrial sites.

As one developer put it : We weren't prepared to be a shag on a rock in the middle of nowhere..(Developer quoted in R. Millar,"Docklands: The Hidden Costs",Sunday Age, 28 October, 2001, p.15).



Victoria Park Station, Abbotsford is surrounded by underutilized land

Many former industrial sites have decade old permits but remain undeveloped. The productivity commission may wish to research what government incentives or infrastructure policies would promote more development of brown-field sites in urban areas.

We have observed that a lack of mandatory height controls leads to developers applying for speculative permits in order to sell at a profit. The next owner tries for a higher building and so on. This wastes the time and resources of the community and council. It also feeds the planning industry who provide expert advice to each application round.

Mandatory height controls set a ceiling on land values and counter-intuitively, may promote development, since further speculation is discouraged by mandatory limits. This is an area the productivity commission should research. In our experience, mandatory heights are supported by experts and the community. Only developers resist this control.

Height controls in existing residential areas should be retained while also allowing high rise where it is appropriate. Three story development on residential boundaries would have significant negative impacts in many older suburbs that may outweigh the benefit.

While we respect the Productivity Commission’s approach to research and economics, we caution that local authorities are experts in their local domains and national statistics can hide local diversity. Planning is a State based control and cities develop differently.

We note that there is a trend to fewer residents per household as well as a trend to larger dwellings. Too often new development accommodates fewer people than what it replaced. While people should be able to choose their dwelling type and the market should deliver to demand, this is another market failure leading to

economic stratification and squeezing out those trying to get a foothold into housing where they want to live. Governments should favour regulations that target affordable housing but not encourage unproductive gentrification.

In some places, the main limit to growth is the lack of workers' accommodation. In a large sprawling city, this can be hidden by forcing the workers into long commutes. Which is why an inquiry into housing cannot ignore transport provision.

The Productivity Commission should remain cautious about inconclusive research that luxury dwellings promote affordability as new occupants move out of their older dwellings causing 'filtering'. This sounds very similar to the trickle down economics from the Thatcher-Reagan era that we are still waiting to show dividends.

Replacing stamp duty with an annual tax may spread the state tax burden from home buyers all at once to home owners annually, but it would also force vulnerable people out of their homes and neighbourhood in service of a more efficient and stratified market.

4. Consumer Protection, Construction Standards & Trust

Most of the regulations in the planning and building scheme were introduced to address market failures.

Our minimum environmental standards for housing are still very weak compared to other countries. This shifts costs from the developer to future occupants, who will pay many times over through higher energy costs. Removing these already weak standards may reduce construction costs, but this would be a false economy.

Innovative ways to reduce construction costs should be supported - particularly modern construction techniques. The cost of construction and the price a developer can get are not the same thing. Large developers carefully time the release of apartments to avoid depressing the market with too much supply.

Fire safety standards to prevent flammable cladding materials and bushfire codes followed disasters.

The poor construction of buildings, and especially high-rise buildings, is very expensive for future residents to rectify; neither insurance, the government nor the builder will help. Home buyers should not need to be experts in construction.

Regulations build trust; something which is severely lacking in the modern era.

We have no issue with more streamlined regulations that are easier to navigate. Navigation will get much easier once agentic technology is competent with spatial analysis, with the potential to automate planning compliance.

We support simpler planning processes. We have seen much effort put into the design and wording of regulations but very often the wording is designed to allow wriggle room for a well resourced advocate. The regulations don’t “prohibit” demolition of heritage buildings, rather they “encourage” their retention.

We support simpler planning processes with one important caveat.

5. Community Participation in Planning Decisions

Removing the opportunity for local communities to contribute to planning processes will lead to poorer planning decisions. The

local community carries wisdom and history about how their area works.

This was enshrined in the Planning Scheme as Plan Melbourne Direction 4.6

> “Strengthen community participation in the planning of our city Planning for places undergoing change can be improved by considering a wide range of viewpoints from existing, as well as future, communities (such as the people that would like to live in these places at some time in the future).”

For that to occur, planning processes must be improved, streamlined **and made more inclusive**.

The Victorian Government has recently moved away from participation with overuse of State Significant Projects and other measures to concentrate decision making in the minister’s office. The planning minister is also legally allowed to accept donations from the same developers who have a private one-stop shop for permits. This is simultaneously shutting out the community and transparent oversight. This leads to an erosion of trust in the planning system. The productivity commission should take care not to promote this state of affairs. This practice is already banned in NSW and Queensland.

Most of the advice you receive will be from professionals and organisations that are involved in planning, construction, and sale of housing. These industries have an incentive to keep prices high; megaphones to promote their views; and high level access to government decision makers. While developers have intimate knowledge of the system, the commission should remain cautious about the solution provided.

5. Past Planning Disasters

As the Productivity commission is studying infrastructure provision to support housing, we wish to draw attention to two planning disasters in Melbourne.

The Docklands precinct

Fluid City: transforming Melbourne's urban waterfront, Kim Dovey with Leonie Sandercock., Quentin Stevens, Ian Woodcock and Stephen Wood (2005) .UNSW Press.

Docklands was declared both market driven and design driven, yet the market analyses and designs had a loose relation to reality. Docklands was treated as a state of mind , a matter of confidence and image; urban development became 'fiction driven' . The economic fiction came in the form of unrealistic predictions by property consultants who imagined a flood of global investment sufficient to completely develop the 200 hectares in a decade.

In the end this analysis must turn to the opportunity presented by 200 hectares of public land and water directly adjacent to a major city centre.. It would be wrong to suggest that public interests were ignored, rather they were equated with attracting global investment; what's good for the economy is good for the public….
It is possible to argue that the market-led approach we have seen was the only way to generate any development in Docklands. Yet there is a counter-view that the precincts currently being developed could have been developed at a similar pace with a more imaginative and integrated development plan, with a greater social mix, creating opportunities for a vastly increased range of developers and project types; with greater architectural variety; and a far greater level of public wealth creation. It seems apparent in retrospect that a good market analysis would have shown that the docks would require a billion dollars of public investment over a decade in order to achieve current levels of investment.
If it were designed with imagination and integration; with high levels of amenity with opportunities for private developers at a range of scales; with affordable housing; with a digital infrastructure to attract high tech industry; with a diverse mix of people and place types; that not only would the long-term wealth be increased but much more of it would be flow back to the public purse.

Fishermans Bend

Fishermans Bend is a precinct located within the City of Melbourne and the City of Port Phillip. It is Australia's largest urban renewal project. Fishermans Bend covers over 480 hectares of land, which is more than twice the size of the Melbourne CBD. The majority of land in Fishermans Bend is privately owned, including land which can be developed. It could house 80,000 people close to the CBD.

The **2012 rezoning of Fishermans Bend** to a Capital City Zone is widely cited by urban planners and economists as a **textbook failure of value capture**. When former Victorian Planning Minister Matthew Guy rezoned the 250-hectare industrial precinct overnight, land values skyrocketed from an estimated **$3.7 billion to as much as $15 billion**. Because the decision was made without a master plan, height limits, or an established value-capture framework, the public missed out on billions of dollars in windfalls that could have funded critical infrastructure.

"I can't think of any other precinct anywhere in the world that is 2 kilometres from the CBD of any major town that is as underdeveloped and under-resourced in terms of amenities as Fishermans Bend is," Guy Naselli, president of the Fishermans Bend Business Forum, said.

Because there was no mechanism to capture the unearned value generated by the state's rezoning decision, 100% of the massive wealth generation was gifted directly to existing landowners and speculators.

The rezoning triggered a huge rise in land values with developers putting in speculative applications for 60 storey buildings - none of which could be economically built. In some cases, the government had to buy back the land to support infrastructure, such as **$19 million** for an 8,000-square-meter warehouse site to convert it into a local park—a property that had been purchased for a fraction of that cost prior to the rezoning.

It is another example of how a lack of planning can lead to a lack of progress.

References

Fishermans Bend: the broken promise, Sunday Age, November 21, 2015.

Melbourne's delayed Fishermans Bend redevelopment labelled 'biggest planning failure in Australia's history' ABC, 3 Nov 2025, Norman Hermont

Summary of development by category

Development activity - Fishermans Bend continues to undergo significant development https://www.vic.gov.au/development-activity, extracted October 4 2026

Pipeline category	Number of developments	Dwellings	Estimated residents	% of social / affordable housing of total dwellings	% of build to rent of total dwellings
Approved but not commenced	22	9,102	19,751	4.02	1.59
Under assessment	5	2,098	4,553	9.44	17.06
Under construction	10	1,890	4,101	3.33	52.49
Constructed	25	2,791	6,056	2.01	28.91
Total	62	15,881	34,462	4.3	14.5

Fishermans Bend has added only 6000 residents to date and best case pipeline will add 34,462 residents, significantly less than the City of Yarra

Compare this with the City of Yarra

In the 2025-26 financial year the ABS recorded **1,391 dwelling approvals** across Yarra. AreaSearch tracks **88 major projects** here that are committed or under construction, the largest being YarraBend at an estimated **$2.00bn**. On the ground, **3,832 new addresses** have been verified since the 2021 Census — growth of 6.4% on the existing address base. Over the last 10 years, which included covid slump, an average of 762 dwellings per year and 1396 approved so far this year with an average 87 residents per approval! [https://areasearch.com.au/development/yarra]

Housing the population projected for **2041** implies roughly **1,186 new dwellings a year** from here. We have already exceeded that target for approvals.

Yarra is a diverse, historic and already dense inner urban city, making development complex. It has comprehensive heritage protections and built form plans, together with structure plans for activity centres. By any measure it is outperforming Fishermans Bend which has no obstacles to development except a lack of infrastructure and sensible planning controls. People prefer to live in Yarra than Dockland or Fishermans Bend for many reasons and prices reflect that. Removing planning controls and community involvement in how the city develops would be counter productive to housing supply.