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To whom it may concern

National Competition Policy Analysis

The Hilmer Report established the importance of deregulation to interstate trade more than 30 years ago. The implementation of a suite of productivity focussed policy reforms was critical to the productivity growth enjoyed across Australia in the mid to late 1990s.

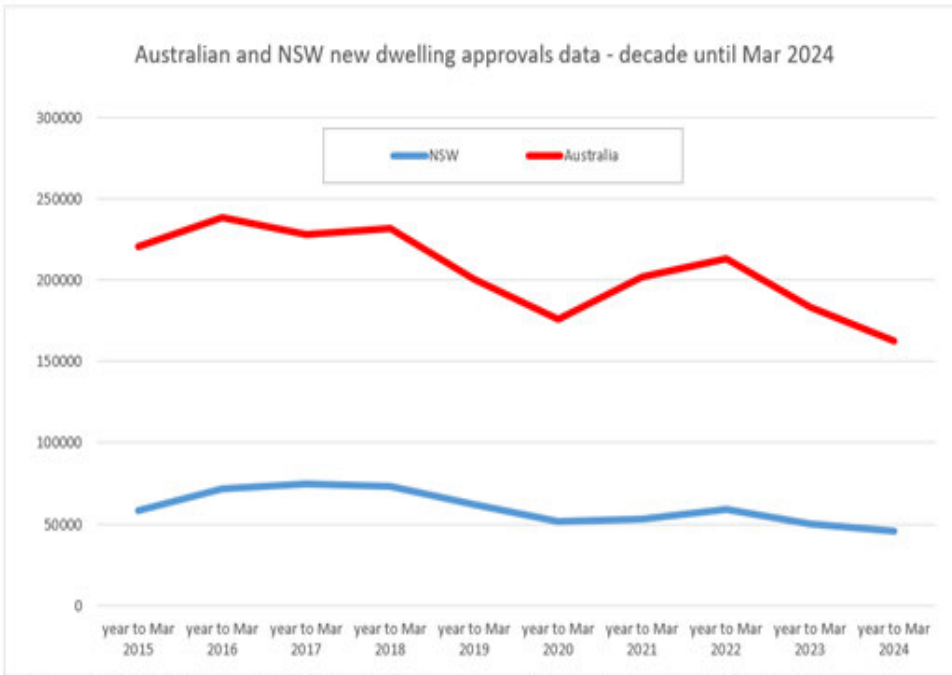
These productivity and deregulatory reforms were backed by strong financial incentives for the states and the performance of implementation was closely reviewed.

Since the mid-2000s, the focus on productivity has fallen away and productivity growth has also waned. We now find ourselves in a position where productivity is actually going backwards and economic growth is promoted almost entirely by population growth (immigration).

According to ABS data, the annualised figure for national housing approvals is over 100,000 lower than it needs to be each year, at only 162,649 approvals for the 12 months to March 2024 (seasonally adjusted).

The 1.2 million housing completions target over 5 years means that the average number of completed dwellings must be 240,000 per year across Australia.

The subject consultation paper's focus is fairly narrow and relates primarily to identifying methodologies for modelling economic reforms, however, we did not want to miss the opportunity to highlight that any methodology must take into consideration the importance of housing supply as a key driver and facilitator of economic growth and improved productivity.



Source: ABS, Building Activity Australia, Table 06. Number of dwelling units approved, by sector, all series - Australia, 2 May 2024, Series 87310006
 ABS, Building Activity Australia, Table 01. Number of dwelling units approved, by sector, all series - NSW, 2 May 2024, Series 87310001

Australia - new dwelling approvals data - Released by ABS 2/05/2024	Apartments (multi-unit dwellings)	Approvals Stand-alone homes	Total Seasonally Adjusted
12 months till end Mar 2024	60,820	101,827	162,649
12 months till end Mar 2023	71,712	111,631	183,342
12 months till end Mar 2022	78,536	134,267	212,801
12 months till end Mar 2021	68,366	133,363	201,730
12 months till end Mar 2020	71,521	104,517	176,038
12 months till end Mar 2019	83,444	116,998	200,441
12 months till end Mar 2018	108,945	122,356	231,302
12 months till end Mar 2017	111,208	116,948	228,155
12 months till end Mar 2016	119,092	119,500	238,592
12 months till end Mar 2015	101,947	118,830	220,779

Source: ABS, Building Approvals, 2/5/24, Series 8731006

One critical area where NCP has not previously applied its attention is land use planning reforms, the impact of planning regulation on the economy, and its critical impact on both employment and housing supply.

This matter is particularly timely as it is now universally recognised that there is a housing supply crisis. This is manifest across Australia in new home prices that are at record multiples of average household income. Rents have risen beyond the capacity of even middle-income earners, let alone those who have been marginalised from society.

Every State leader, as well as the Commonwealth, recognises that planning restrictions have been a significant constraint on the capacity of the nation to accommodate population growth.

At different times over the past two decades, significant regulatory players have turned their attention to the negative impact of housing regulation on the economy.

Urban Taskforce Australia has made numerous submissions of the past 25 years to National Competition Inquiries in relation to the way that planning systems across Australia stifle, interfere and obstruct competition.

One case in point was a detailed review sponsored by Urban Taskforce Australia in May 2008, when Urban Taskforce Australia commissioned Professor Allan Fels AO, Dr Stephen Beare and Stephanie Szakiel of Concept Economics, to prepare a report entitled "Choice Free Zone", (May, 2008) detailing the cost of regulation and zoning on grocery prices. (a copy of that report is appended to the hard copy of this submission and will be sent by post).

In short, the review found that the prescriptive nature of the NSW planning system, and particularly the zoning restrictions associated with the "centres policy", and its impact on retail investments, had resulted in retail development concentration in locations where there were already high levels of congestion.

The Fels et.al report details the benefits of market-oriented planning, the perverse outcomes arising from the misuse of land use planning to effectively prevent competition, as well as the impact of restricted land release resulting in increased land prices and ultimately, higher grocery prices.

The NSW Productivity Commission has undertaken detailed analysis of the impact of planning controls on housing supply and housing prices. This has been supported by the Reserve Bank of Australia and notably, the work of Peter Tulip, now of the Centre for Independent Studies.

Three papers produced by the NSW Productivity Commission were commissioned under the former NSW Coalition Government, however, the work has continued at the NSW Productivity Commission even after the change in government.

The Discussion Paper, the Green Paper and the White Paper detail the role of the planning system as one of the big drivers of increased property prices. There is an entire chapter on planning in each of the Discussion Paper on Productivity, the Green Paper and the White Paper.

See the link below to find the 3 papers:

<https://www.productivity.nsw.gov.au/productivity-reform-series>

Additional NSW Productivity Commission papers have been released since the Minns Government was elected.

These are specifically on the efficient allocation of housing to lower the cost of infrastructure; meeting market demand in locations with high demand, and housing supply/housing prices/affordability.

- <https://www.productivity.nsw.gov.au/building-more-homes-where-infrastructure-costs-less>
- <https://www.productivity.nsw.gov.au/what-we-gain-by-building-more-homes-in-the-right-places>
- <https://www.productivity.nsw.gov.au/building-more-homes-where-people-want-to-live>

Since the Albanese Government announced the National Housing Accord and established the Housing Australia Future Fund as well as allocating \$3 billion in direct funding to boost social & affordable housing, housing approvals across the nation have consistently declined.

This stands in stark contrast to the growth in population, with record numbers of net overseas migration arriving in the past 12 months.

While there has been an effort to encourage the states to progress planning reform, it has been completely uncoordinated and revolves around the \$3 billion “New Homes Bonus”, which clearly needs to be recalibrated to provide up front incentives to state and local governments in terms of housing supply and not paid at the end of the Accord period in mid-2029.

This requires benchmarks and milestones to be established.

The National Construction Code and its multiple variations across Australia is a further source of inconsistency and a constraint on productivity. The current practice of more than seven versions of the NCC across Australia restricts the opportunity for efficiency in supply chains derived through economies of scale.

Further, any changes, like those recently established to improve the thermal performance of new apartments and homes, must be subjected to a rigorous cost benefit analysis. This cost to the consumer of implementing these changes is significant & making changes based on the ‘general mood’ or ‘vibe’ is outrageous.

Establishing a common practice across Australia for compulsory acquisition of land for the purpose of the delivery of an infrastructure asset that delivers a public benefit would also enable a significant reduction in time and transaction cost.

These are just some of the areas where we believe that planning reform is a key facilitator of productivity and economic growth. In contrast, the current situation which sees different planning systems in each state, vastly differing processes and timeframes for assessment and determination, different zoning rules, different height

and density controls all resulting in those at the margin being effectively pushed from jurisdiction to jurisdiction to find themselves a home to live in.

The productivity constraints arising from planners acting as representing the “community interest”, even on many occasions against the will of the elected government, while not considering the economic impact of their decisions, has resulted in a catastrophic series of market failures, higher costs & supply failure.

Should you wish to discuss this matter further, please call our Planning, Research and Policy Analyst, Benjamin Gellie on 9238 3969 or via email.

Yours sincerely

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