Response to the Productivity Commission Interim Report – Housing Supply Regulation

Submission to the Productivity Commission

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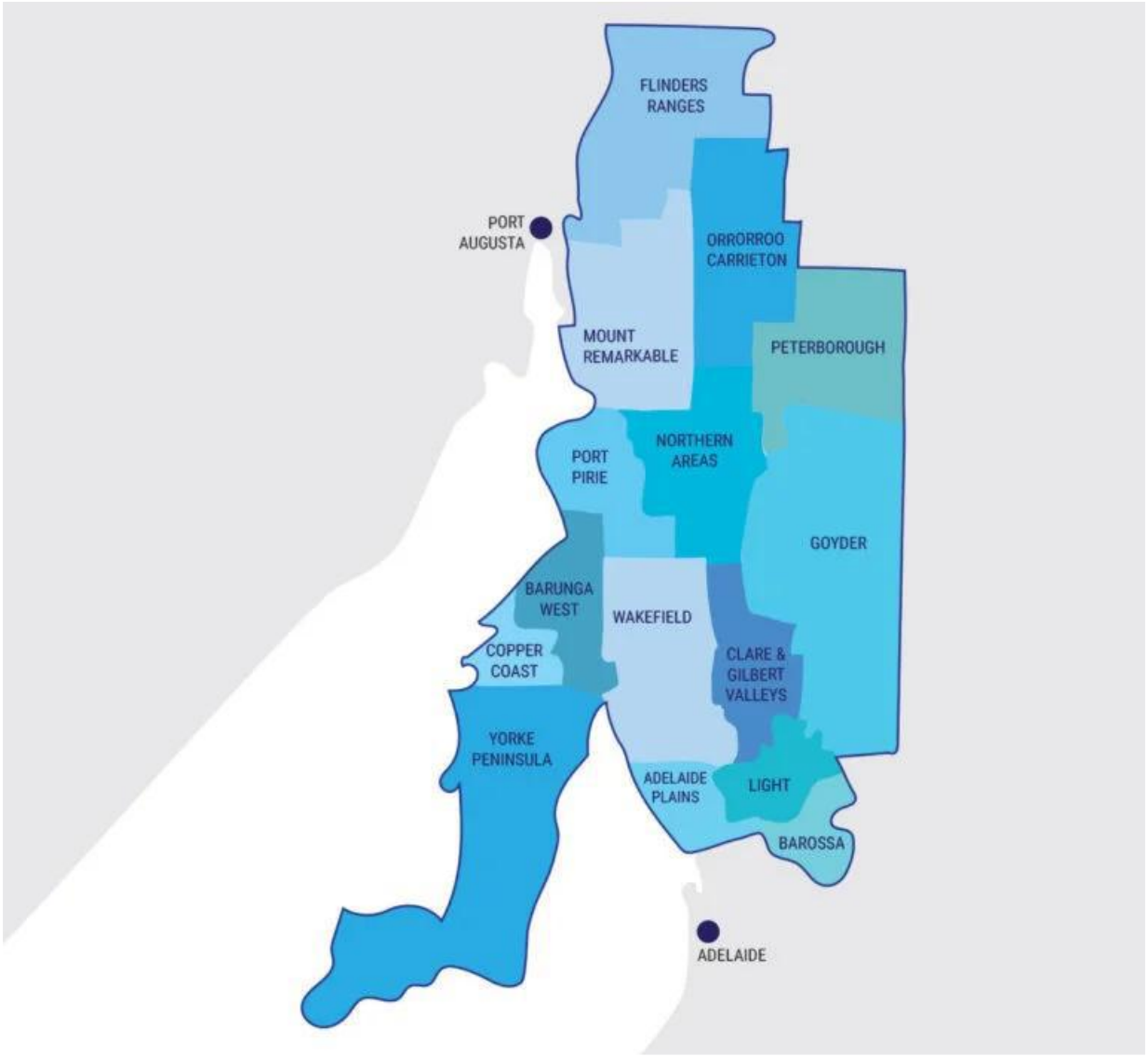
Introduction

The Northern & Yorke Local Government Association (N&YLGA) welcomes the opportunity to respond to the Productivity Commission's *Housing supply regulation – Interim report*, released on 27th July 2026.

N&YLGA represents 15 local governments across a large and diverse area of regional South Australia, extending from the Adelaide Plains and Barossa through the Clare Valley, Yorke Peninsula and Mid North to the Flinders Ranges. The region includes regional centres, growing peri-urban communities, coastal towns, agricultural communities and small rural settlements.



Member Councils include:

- Adelaide Plains Council
- Barunga West Council
- Clare & Gilbert Valleys Council
- Copper Coast Council
- District Council of Mount Remarkable
- District Council of Orroroo Carrieton
- District Council of Peterborough
- Light Regional Council
- Northern Areas Council
- Port Pirie Regional Council
- Regional Council of Goyder
- The Barossa Council
- The Flinders Ranges Council
- Wakefield Regional Council
- Yorke Peninsula Council.

N&YLGA supports the Productivity Commission's fundamental proposition that Australia needs more housing, in the right locations, and that regulation should facilitate rather than unnecessarily constrain housing supply.

However, the experience of N&YLGAs member councils demonstrates that the principal barriers to housing supply in regional Australia are not simply planning regulation or restrictive land-use controls.

In many regional communities, land is available and councils are willing to facilitate development, but housing does not proceed due to the following issues:

- Inadequate enabling infrastructure
- Limited development feasibility
- Construction and workforce constraints
- Water and wastewater capacity
- Fragmented responsibilities
- Limited finance for smaller developments
- Insufficient private-sector market capacity.

The Productivity Commission's analysis should seek to distinguish more clearly between housing supply constraints in metropolitan growth markets and housing supply constraints in regional and remote communities.

Regional Australia requires a place-based housing supply framework, rather than the application of metropolitan housing policy settings to regional communities.

Regional housing is an economic development issue

For the Northern & Yorke region, housing is not simply a question of affordability or residential amenity. It is increasingly a fundamental constraint on economic development, workforce attraction, population retention and regional productivity.

Businesses seeking to invest or expand in regional communities can face a fundamental problem: there may be jobs available, but insufficient housing for the people required to fill them.

This impacts agriculture, manufacturing, mining, tourism, health, education, aged care, childcare, construction and other essential industries.

N&YLGA considers that housing policy must be integrated with regional economic development policy.

The Commonwealth's national housing objective will not be achieved if housing supply increases primarily in metropolitan markets while regional communities remain unable to house the workforce required to support investment and population growth.

Regional communities can provide an important part of Australia's future population and economic growth. However, this requires governments to recognise that housing supply in regional Australia often requires public investment to overcome infrastructure and market failures that do not arise to the same extent in metropolitan markets.

N&YLGA supports the Productivity Commission's four principles – with a regional qualification

N&YLGA supports the Commission's four principles for a better housing regulatory system:

- Adopt a build mindset
- Regulate only where necessary
- Coordinate housing with infrastructure
- Keep the process simple.

These are sound principles. The Commission itself identifies better coordination of enabling infrastructure as one of the reforms most likely to improve housing supply. It also recognises that local government plans, funds and delivers local infrastructure, administers approvals and collects local developer contributions.

However, these principles need to be applied through a regional lens.

A regulatory framework that works effectively in a high-demand metropolitan housing market may not produce additional housing in a small regional town where the underlying problem is that a development cannot achieve commercial viability because the cost of extending water, sewer, roads or other infrastructure cannot be recovered from a small number of dwellings.

Accordingly, N&YLGA recommends that the Commission's final report explicitly recognise:

Housing supply regulation should be proportionate to the characteristics of the housing market, infrastructure capacity and economic conditions of the location in which housing is being delivered.

Land availability is not the same as housing supply

N&YLGA strongly supports the Productivity Commission's distinction between land that is zoned for housing and land that is genuinely development-ready.

The Commission observes that land release only contributes to housing supply when land is capable of being developed and that infrastructure planning can be a major constraint on new housing.

This distinction is particularly important in regional South Australia.

Many regional communities have land that is theoretically available for residential development, but this does not mean that the land can be brought to market at a price that supports development.

The practical constraints can and often do include:

- Inadequate water supply
- Limited wastewater and CWMS capacity
- Inadequate electricity infrastructure
- Road and intersection upgrades
- Stormwater infrastructure
- Telecommunications
- Bushfire and other hazard requirements
- Limited development scale
- High costs of construction and materials
- Limited availability of skilled trades
- Limited access to development finance
- Insufficient local demand to support conventional development models.

Consequently, rezoning land or reducing planning controls alone will not necessarily produce a single additional dwelling in a regional community.

The Commission's final report should distinguish between:

1. Land that is zoned
2. Land that is serviced
3. Land that is development-ready
4. Land where development is commercially viable.

These are four different measures of housing supply.

Enabling infrastructure must be a central focus of national housing policy

N&YLGA strongly supports the Commission's finding that housing and infrastructure must be planned together.

The Commission notes that poorly coordinated infrastructure can prevent housing delivery and recommends better alignment between infrastructure plans, housing objectives, land availability and funding arrangements.

For regional councils, this issue is fundamental.

Small and dispersed populations mean that the per-dwelling cost of providing enabling infrastructure can be substantially higher than in metropolitan growth areas.

A regional town may require a significant investment in water, wastewater, roads or stormwater infrastructure to unlock a relatively modest number of dwellings.

The infrastructure investment may nevertheless be economically justified because it enables workforce growth, business investment, population retention and improved community sustainability.

N&YLGA recommends that the Commonwealth establish or expand targeted regional housing-enabling infrastructure funding, with funding criteria that recognises:

- Smaller development volumes
- Higher infrastructure costs per dwelling
- Dispersed settlement patterns
- Existing infrastructure constraints
- Infrastructure backlogs
- Regional workforce requirements

- The broader economic benefits generated by housing investment.

Funding models based solely on the number of dwellings produced are unlikely to adequately recognise these regional circumstances.

Developer contributions cannot solve every regional infrastructure problem

N&YLGA supports the Commission's principle that developers should make an appropriate contribution to infrastructure directly associated with development.

However, developer contributions are not a substitute for government investment in regional infrastructure.

The Commission reports evidence that 80% of councils surveyed could not cover trunk infrastructure expenses and that 40% had reduced new infrastructure projects because of funding constraints. It also identifies the uncertainty of government grants and limitations on developer contributions as significant challenges.

This is particularly relevant to regional councils.

Where development volumes are low, requiring the first development to carry the full cost of infrastructure can make the development commercially unviable and prevent subsequent development from occurring.

N&YLGA recommends that the final report distinguish between:

- Development-specific infrastructure, appropriately funded through developer contributions
- Strategic enabling infrastructure, which provides wider community and economic benefits and should attract State and Commonwealth investment.

This distinction is essential in regional Australia.

Water infrastructure is a housing issue

For Northern & Yorke councils, water security and infrastructure capacity are directly connected to housing supply. The association in preparing its *2026 State Elections Priorities* document, listed water as the Number 1 priority issue. This document can be viewed and downloaded at this link.

The region has previously identified the need for investment in upgraded water pipelines, improved interconnection between schemes, alternative water sources and long-term water planning.

Without sufficient water infrastructure, land cannot be effectively brought forward for housing, regardless of planning settings.

N&YLGA recommends that national housing policy explicitly recognise water security and water infrastructure as housing-enabling infrastructure.

The same principle should apply to wastewater and CWMS infrastructure where these systems are essential to residential growth in regional communities.

Regional construction capacity must be addressed

The Productivity Commission appropriately identifies construction productivity and regulatory burden as important factors in housing supply.

However, regional communities face another constraint: the capacity to physically deliver housing.

Regional areas often experience:

- Shortages of builders and skilled trades
- Higher construction and mobilisation costs
- Limited competition among contractors
- Longer supply chains
- Higher transport costs for materials
- Limited availability of development professionals
- Reduced economies of scale.

These constraints can make a dwelling substantially more expensive to deliver even where planning approval is straightforward.

N&YLGA recommends that the Commonwealth and States develop a Regional Housing Delivery Program incorporating:

- Regional construction workforce initiatives
- Incentives for builders and tradespeople to operate in regional areas
- Support for modular and prefabricated housing where appropriate
- Assistance for local construction businesses to increase capacity
- Regional procurement models
- Targeted finance for smaller-scale housing developments.

Regulatory reform should be accompanied by measures that increase the physical capacity of regional Australia to build.

Housing diversity is particularly important in regional communities

N&YLGA supports the Productivity Commission's interest in increasing housing choice.

However, regional housing diversity should be considered in terms of the needs of regional populations rather than simply applying metropolitan density models.

Regional communities need a broader range of housing, including:

- Smaller and more affordable homes
- Units and townhouses in appropriate locations
- Rental accommodation
- Housing for key workers
- Housing for older residents wishing to downsize
- Accessible housing
- Social and community housing
- Temporary or transitional accommodation
- Appropriately designed housing for people with disability.

Greater housing diversity can also enable older residents to remain within their communities while releasing larger family homes into the market.

N&YLGA supports planning reforms that enable appropriate housing diversity but does not support a one-size-fits-all approach to density or built form.

Planning reform should be accompanied by State-level coordination

The Commission identifies the fragmentation of approval processes across governments, referral agencies and infrastructure providers as a source of delay.

N&YLGA strongly supports better coordination.

In regional areas, councils can be placed in the position of coordinating multiple agencies while having limited authority over the timing of State agency decisions or infrastructure providers.

This can result in councils carrying responsibility for the overall development process without controlling all the elements necessary to deliver an outcome.

N&YLGA recommends:

- Clear State agency service standards for housing-related referrals
- Single points of coordination for significant regional housing projects

- Defined escalation mechanisms where referrals are delayed
- Integrated State/local infrastructure planning
- Transparent end-to-end approval timeframes
- Early resolution of infrastructure and servicing issues before development applications are lodged.

Importantly, performance measures should assess the entire housing approval and delivery process, not simply the period during which an application sits with a council.

The role of local government should be properly recognised

N&YLGA supports the Commission's recognition that local governments have an important role in housing supply.

However, local government should not be regarded primarily as a regulatory barrier to be managed or incentivised.

Regional councils are already:

- Undertaking strategic planning
- Zoning and facilitating land supply
- Administering development approvals
- Investing in roads and other infrastructure
- Managing CWMS and local infrastructure
- Facilitating economic development
- Working with developers and community housing providers
- Advocating for State and Commonwealth investment
- Responding to the social consequences of housing shortages.

The financial capacity of councils is nevertheless constrained.

The Commission's final report should explicitly recognise that local government cannot be expected to finance the national housing policy agenda from local rates and charges.

This is particularly important given the broader financial sustainability pressures facing regional councils.

Housing targets must recognise regional market conditions

N&YLGA supports national housing objectives but cautions against measuring success solely through aggregate dwelling targets.

A regional housing strategy should also measure:

- Development-ready land
- Housing diversity
- Rental availability
- Key-worker housing
- Social and affordable housing
- Infrastructure capacity
- Construction capacity
- Development approval timeframes
- Population and workforce growth
- The capacity of communities to sustain new development.

A dwelling target that cannot be achieved because water, wastewater, construction capacity or private development finance is unavailable does not provide a useful measure of regional housing performance.

Case Study: Adelaide Plains Council

The Adelaide Plains Council is the fastest growing council in South Australia, in terms of population increase year on year. It is anticipated around 400 new residents every year call Adelaide Plains home. Current planned growth estimates Adelaide Plains' population to be approaching 18,000 in 2040. The township of Two Wells is experiencing 80% of the council's estimated population growth, with growth also expected in the townships of Mallala, Dublin and Lewiston.

Residential development has been a driving force of the Adelaide Plains Council economy since 2015 with an average of 68 houses constructed per annum, making a contribution of $45 million to Gross State Product per annum and supporting 274 full-time equivalent jobs per annum. Over the next 15 years this will increase to 198 houses per annum, a contribution of $97 million to Gross State Product and support for 591 full-time equivalent jobs per annum.

Barriers to Additional Residential Growth

- Environment Food Protection Area – constraining Dublin, Two Wells, Lewiston and Mallala Residential Development
- Water Supply – constraining Two Wells and Mallala developments
- Gawler River Business – Case – raising dam wall height $205m
- Total allotments with barriers restricting residential development over the next 15 years: 16,500.

A regional housing investment framework is required

N&YLGA recommends that the Commonwealth and South Australian Government establish a Regional Housing Investment Framework for communities outside Greater Adelaide.

The framework should bring together all elements rather than treating these matters as separate policy areas, including:

- Planning
- Land
- Water
- Infrastructure
- Finance
- Construction
- Workforce
- Housing Demand.

For priority regional communities, governments should jointly identify:

1. Projected population and workforce demand
2. Existing housing stock and gaps
3. Development-ready land
4. Infrastructure constraints
5. Infrastructure investment required to unlock housing
6. Appropriate housing types
7. Likely private-sector development capacity
8. Opportunities for community housing
9. Construction and workforce constraints
10. The respective funding responsibilities of Commonwealth, State and local government.

This would provide a much more effective basis for delivering regional housing than relying primarily on planning deregulation.

Specific recommendations

N&YLGA recommends that the Productivity Commission's final report:

Recommendation 1
Recognise regional housing as a distinct policy challenge

The final report should explicitly differentiate metropolitan, regional and remote housing markets and recommend place-based regulatory and investment responses.

Recommendation 2
Define housing supply as development-ready and commercially viable supply

National housing reporting should distinguish between zoned land, serviced land, development-ready land and commercially viable development opportunities.

Recommendation 3
Establish a dedicated regional housing-enabling infrastructure program

Commonwealth and State funding should support water, wastewater, roads, stormwater and other infrastructure required to unlock regional housing.

Recommendation 4
Recognise the higher per-dwelling cost of regional housing infrastructure

Infrastructure funding models should account for the diseconomies of scale associated with small and dispersed regional communities.

Recommendation 5
Do not rely solely on developer contributions

Developer contributions should be proportionate and predictable but should not be expected to fund strategic infrastructure that delivers broader community and economic benefits.

Recommendation 6
Strengthen regional construction capacity

Housing policy should incorporate workforce, skills, procurement, finance and construction capacity measures.

Recommendation 7
Establish integrated State/regional housing coordination

State agencies, councils, infrastructure providers and developers should operate through coordinated processes for significant regional housing projects.

Recommendation 8
Support housing diversity

Planning frameworks should facilitate smaller, affordable, accessible, rental, social, key-worker and age-appropriate housing in regional towns.

Recommendation 9
Recognise water as housing-enabling infrastructure

Water security, supply and wastewater capacity should be explicitly incorporated into housing supply planning.

Recommendation 10
Ensure local government is adequately resourced

Where councils are expected to accelerate housing supply, they should have access to the infrastructure funding, technical capacity and resources necessary to perform that role.

Recommendation 11
Develop a Regional Housing Investment Framework

The Commonwealth and States should work with regional local government to identify priority communities and coordinate planning, infrastructure, finance, workforce and housing investment.

Conclusion

N&YLGA welcomes the Productivity Commission's focus on increasing housing supply and supports its call for governments to remove unnecessary regulatory barriers, improve infrastructure coordination and simplify approval processes.

However, the experience of the 15 N&YLGA member councils demonstrates that Australia's regional housing challenge cannot be solved through planning deregulation alone.

In Northern & Yorke, the issue is often not a lack of land. It is the absence of the infrastructure, investment, construction capacity and market conditions required to turn land into viable housing.

Regional councils are ready to be active partners in addressing Australia's housing shortage. They are already planning for growth, facilitating development, investing in infrastructure and working with State agencies, developers and communities.

What is required is a stronger partnership across all three levels of government.

The Productivity Commission has an opportunity to ensure that Australia's housing reform agenda does not inadvertently become a metropolitan housing agenda. A genuinely national approach must recognise that regional communities have different markets, different infrastructure economics and different barriers to housing delivery.

For Northern & Yorke, unlocking regional housing is not simply about building more houses. It is about creating the housing capacity necessary to support population growth, workforce attraction, economic development, regional productivity, community resilience and the long-term sustainability of regional South Australia.

N&YLGA encourages the Productivity Commission to incorporate a strong regional perspective into its final report and to recommend a coordinated program of regulatory reform and targeted investment capable of delivering housing in the places where regional Australians live and where future economic growth will occur.

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