5 Pillars Productivity Reforms Priorities

HIA Submission (Pillars 1 and 5)

June 2025

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Shane Keating
Executive Director – Building Policy
Housing Industry Association
79 Constitution Avenue
Campbell ACT, 2612
Phone: 02 6245 1300
Email: s.keating@hia.com.au

Executive Summary

Thank you for the opportunity for the Housing Industry Association (HIA) to provide a submission to the '5 pillars' productivity priorities consultation.

HIA has identified Pillar 1 and Pillar 5 as the items of most relevance in this current consultation:

- Pillar 1 - Creating a more dynamic and resilient economy; and
- Pillar 5 - Investing in cheaper, cleaner energy and the net zero transformation.

HIA also continues to discuss extensively the issues identified in Pillar 2, on building a skilled and adaptable workforce.

Rather than providing a specific submission on Pillar 2, HIA's 2025-2026 Pre-Budget Submission HIA 2025-2026 Pre-Budget Submission alongside our 'All Hands on Deck Report' HIA Skills Report - All Hands on Deck covers the key matters and HIA recommendations for reform to building a skilled and adaptable construction workforce.

We would encourage the Productivity Commission to take on board our recommendations for building a skilled and adaptable workforce as part of the next stage of the report on Pillar 2.

With respect to Pillars 1 and 5, HIA's response has a specific focus on reducing the impact of regulation on business dynamism; and encouraging adaptation by addressing barriers to private investment.

HIA recently made a comprehensive submission to Housing Construction Productivity Inquiry (HIA Submission) and note that this submission featured prominently in the recommendations included in the Housing construction productivity: Can we fix it? Productivity Commission report published in February this year.

HIA welcomed the publication and recommendations of that report as providing a clear blueprint for productivity reform. Furthermore, we are supportive of fast tracking the delivery of the reforms identified in that report to increase housing supply, reduce housing delivery costs and support builders to get on with building homes.

Equally, we recently provided a submission to the National Competition Policy Analysis, covering issues related to an occupational licensing scheme that provides labour mobility and adopting international and overseas standards in regulatory frameworks and harmonising regulated standards across Australia (HIA Submission)

Our submission to this consultation on Pillars 1 and 5 does not seek to replicate the Can we fix it? report nor our previous Productivity Commission submission, but instead to build off that with respect to the specific focus areas within the scope of this consultation.

The detailed comments on those matters are listed below with the following key recommendations:

Recommendations -

1. *Engage with industry on areas where a review of regulation and its objectives could enhance construction industry productivity.*
2. *Commit to rigorous assessment, and transparency measures, two-stage consultation, harmonization, audits, and sector-specific Impact Assessments —aligning with the Office of Impact Assessment (OIA) guidelines with best practices, reduce regulatory burdens.*
3. *Ensure coordinated decision making to ensure supply and ultimately affordability are not further reduced.*

4. *Resource the ABCB and the OIA to ensure best practice approaches are applied to other areas of government and limit local government interventions.*
5. *Set clear responsibilities for agencies and coordinate feedback on shared portfolio responsibilities.*

Pillar 1. Creating a more dynamic and resilient economy

3. Reduce the impact of regulation on business dynamism

All regulations have costs and benefits. Good governance involves only introducing new regulations when the expected benefits exceed the expected costs and when this net benefit is larger than that of other options.

In the first question, we want to hear your views on what regulations are good for business dynamism and resilience.

What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

Compliance Burden

Regulation is necessary to overcome information asymmetry and ensure a level of explicit safety and amenity among other stated objectives and correct market or regulatory failures. Intervention brings spill over benefits, but it in and of itself has no objective to enhance business dynamism.

Proportional regulatory setting is key though. Not just regulation for the sake of regulation, it should always be proportional to the issue and when all other non-regulatory options have been explored first.

New or amended regulations must be delivered by a rigorous process, which first establishes the need for intervention and the efficiency of the outcome.

It is a self-evident from the need for best practice policy assessment process that unconstrained regulation can be driven by risk aversion and harm the interests of business dynamism and competition.

A three-year cycle has reduced the rate of change somewhat in the National Construction Code (NCC) for example, but it has increased the scale of change when it does occur which was never the intention of goal in moving to a three year code. This does mean that a three year code amendment cycle is wrong, rather it highlights that the appropriate systems to support a three year code is what has broken down.

Regular updates contribute to regulatory churn but not to a greater extent than the system allows or rewards. It is in the scale of change where building regulators have moved from a ‘gatekeeper’ to a proponent of change.

Even then, some regulatory changes can expand options, either as prescriptive or verification methods which allow for innovation while clearly setting targets for performance and are preferred. Setting a clear target and prescriptive pathway remains the clearest declaration of performance for the majority of the NCC.

Options which would maintain the status quo, or expand the range of compliance alternatives and therefore reduce compliance burden, have been less preferred to those which are substitutive or additive - even where net costs are imposed.

How has your regulatory burden changed over time?

Increasingly, our buildings are being asked to address technical, health and social issues.

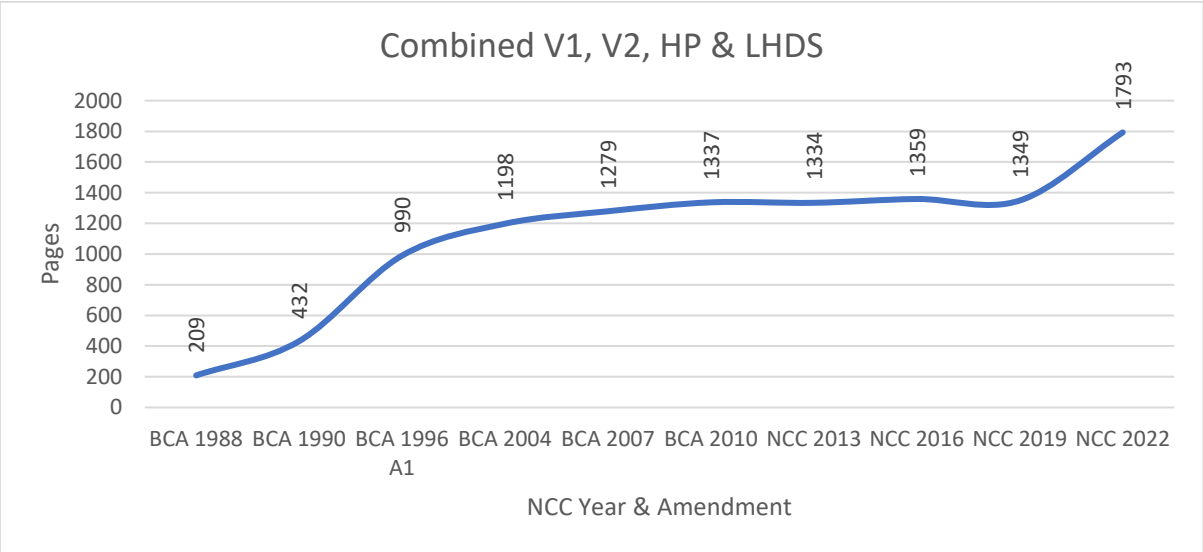
The expansion requires more regulatory changes to support the aims, and an increase in the number and extent of building policy proposals.

In the time since the last review of building regulation by the Productivity Commission in 2004, the BCA objectives have been expanded to include sustainability, livability (accessibility) and Climate Resilience is now being investigated.

The number of pages of the Building Code (NCC Volume One and Two), while an unscientific measure, is representative of the growth since its inception. Enabling Acts, regulations and those for workplace health and safety, licencing and compliance and 100's of referenced standards mean this burden in the tens of thousands of pages is repeated across business.

A survey of small business in 2024 suggested that over 50% were spending more time on red tape than 12 months ago; 45% had considered closing their business up from 31% in the previous 12 months. The survey suggested that for 20% the burden was at least equivalent to the average full time wage[1].

This underscores the unconstrained growth and increasing burden for small business which if not adequately resourced to understand and apply the changes will ultimately not fully realise or explain the benefits for a consumer.



Taxes and Charges

Whether it is through stamp duty, land taxes or development levies, a series of cascading taxes are imposed on new homes. This does not include the 'pseudo-taxes' of increasing regulatory costs, such as through changes mandated by the NCC and local planning systems.

HIA engaged with the Centre for International Economics (CIE) to produce a bottom-up research report which details the tax imposts on new homes across different capital cities. It found that as much as 49 per cent of a new 'house and land' package in a Greenfield estate (about $1 182 000), or put into monetary figures around $576 000 is made up of taxes, fees and excessive charges imposed by governments (CIE, 2025).

[1] See ACCI Small Business Survey 2024

However, it is almost entirely in its application where productivity losses are found. Building and planning reforms can be transformational, as has been demonstrated in New Zealand's zoning reforms explored by the RBA, where incentives are aligned towards supply, reduced timeframes and tools to assist.

What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

The Housing Minister Clare O'Neil has recently pointed out that "*It's just too hard to build a house in this country.* And that that "*the nation's housing crisis is in part the result of 40 years of unceasing new regulation across three levels of government".*

HIA fully concurs with this assessment.

Federally

While the three-year cycle for the NCC has undoubtedly slowed the tempo of change, it has led to an increase in the size of changes at any one amendment cycle.

This system includes the need to effectively educate and reskill the residential industry one in every three years. However, development lead times and state variations can mean education is being undertaken at the time when new rules are being consulted on all while another code is in force.

This dynamic competes for industry's attention while at the same time, countless licencing, safety and other reforms are being contemplated and consulted by government.

An enhancement to the current process has been utilised by states which are late adopters, where the NCC is published and allowed to be adopted for a time voluntarily, allowing learning to develop, any improvements to be fed back via industry ahead of corrections or improvements and mandatory application.

The Productivity Commission research on Construction Productivity *Can we Fix it* calls out for particular attention some updates to the NCC have been implemented despite regulatory assessments estimating that they impose net costs on society.

This is undoubtedly reference to Minister's decision to progress with energy efficiency and liveable housing changes, fire sprinklers in midrise buildings. Changes which imposed higher net costs compared to alternatives options, including non-regulatory measures.

Based on feedback from a range of builders, the NCC 2022 changes added significantly to the final cost of a typical detached house. The ambition of the changes which states recognise can impose

unnecessarily high costs on building construction, to the point that some have managed by delaying or varying national obligations.

State and Local government

There are several burdens outlined in HIA's report *Getting Keys in Doors* we estimated "…that if implemented, the initiatives suggested in this report could reduce the cost of housing construction in NSW by $165M annually and reduce overall construction timeframes by 180 days for projects."[2]

Those which exist as a result of local government interventions or at a state level which should not occur, given commitments under the ABCB Intergovernmental Agreement[3] alone are estimated to total $65M in NSW.

Other states have acted more decisively to deter such variations[4] QLD for example under Section 31 of the local building Act explicitly prohibits local planning interventions from having an effect, where the issue is covered by the NCC.

Where land is developed in stages or as parcels of land may be subdivided at different times, a new subdivision may adjoin land that has not yet been developed. Where this occurs, the subdivision will need to consider the bushfire risk posed by the remnant vegetation on the adjoining allotment.

Dwellings constructed within the subdivision before the adjoining site is developed will generally need to incorporate bushfire protection measures at costs which can exceed $30,000 which discourages first movers in development.

Land

The South Australian Government has taken steps to streamline and more fairly fund the delivery of shovel-ready land. This will reduce the timeframe for getting unzoned land into a shovel-ready state to three to five years, down from four to six years. This is still much longer than it takes to see an increase in housing demand from population growth, despite being some of the best timeframes in the country.

Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

Skills

The availability of trades has linkages to the productivity of industry. The strong demand for skilled tradespeople means that access to overseas skilled labour is crucial. In 2012/13, build times fell slightly, coinciding with a wave of overseas skilled workers (Subclass 457 Visa holders) in construction coming into Western Australia in that year.

There have been positive signs for streamlining visa processing for construction trades workers. The Government announced in the May budget "…plans to prioritise the processing of around 2,600 Trades Recognition Australia (TRA) skills assessments in targeted construction occupations…", as well as "…streamlining skills assessments for around 1,900 potential migrants from countries with comparable qualifications who want to work in Australia's housing and construction industry" over the next two years.

[2] See HIA report Getting Keys in Doors https://hia.com.au/-/media/files/getting-keys-in-doors-report-2025.pdf?srsltid=AfmBOopv9gEvub10YPrGQgtPpRMQUPUc9V-UBJIgytPoO_vg7e9yRXB2

[3] All governments are a signatory to the ABCB IGA which seeks to provide nationally consistent technical building standards.

[4] To achieve this objective the IGA includes a commitment from the States and Territories (Section 19.3d) to reducing, restricting or validating local government interventions (variations) to the NCC.

To deliver on this commitment, TRA undertook two distinct pieces of work to which HIA provided input:

Prioritisation

TRA prioritised the assessment of skills assessment applications for migrants in occupations related to the housing construction industry. With TRA's in-house assessment programs, this was achieved by dedicating the additional resources allocated in the budget to assess existing eligible applications first and prioritising new eligible applications.

With TRA's outsourced skills assessment programs, especially concerning licensed occupations, the Documentary Evidence Assessment has been prioritised for specified eligible applications and scheduling of Technical Assessments have been prioritised.

Streamlining

The skills assessment process for eligible occupations has been improved, by removing the mandatory Offshore Skills Assessment Program (OSAP) for applicants in some occupation/country of passport combinations for applicants that hold a relevant Australian or overseas qualification (i.e. for applicants from certain countries and in certain occupations where the trade qualifications are closely comparable to Australian qualifications).

This has allowed applicants to nominate for the cheaper and faster Migration Skills Assessment (MSA), while retaining the ability to opt-in for OSAP if they do not hold a qualification.

The MSA program is an in-house assessment of the qualifications, skills and experience of migrants seeking a skills assessment. Applicants must hold a relevant qualification that is comparable to the Australian Qualifications Framework certificate and be able to prove at least three years of experience at an appropriate skill level, including at least 12 months of full time or equivalent experience in the past three years for currency.

The OSAP program outsources the majority of the skills assessment process to Registered Training Organisations who provide a recommendation for TRA to accept or not. These assessments consist of a similar documentary evidence assessment to MSA, but the applicant does not necessarily need to be qualified, instead requiring additional years of experience.

A technical assessment is then conducted by a qualified assessor in the occupation in question, who assesses an applicant against the AQF standard. A face-to-face practical assessment is also required for licensed occupations.

HIA engaged with TRA through formal and informal consultations as these changes were being developed and implemented. Data from the Department of Home Affairs which tracks the number of visas granted showed an increase in the number granted to skilled migrants working in construction trades during the second half of the year, which suggests the changes had a positive impact. However, the total number of skilled migrants in these occupations remains very small in context of the industry's acute trade shortages.

The inflexibility in the VET sector remains a barrier to dynamically adapting the skills training system in response to market demand.

Impact Assessment

Nationally, the Office of Impact Assessment requires Standard setting bodies to consult and, inform their proposals using regulation impact analysis where appropriate.

Proportional standards mean regulation does not go further than necessary to address an issue and government intervention to address an issue is a last resort where non-regulatory measures haven't been sufficient.

OBPR/OIA annual reporting shows an improvement in agencies which undertook best practice assessments rising from as low as 78% in 2015. However, while assessments have improved this is likely influenced to some extent by:

- Changes to the standards required to be achieve that analysis achieve being lowered;
- Carveouts which are common in some sectors and used by the Department of Climate Change, the Environment, Energy and Water
- A number which avoid the need altogether due to Ministerial exemption.

The OBPR itself in responding to criticism in 2012[5] conceded the level of reporting had changed overtim

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because some of the criteria it previously reported was no longer a relevant or required to be disclosed. In construction industry there are also a vast number of proposals which are ultimately the responsibility of states to enact and reporting in previous benchmarking by the PC has shown is assessed in ways which are seriously deficient.

Demanding comprehensive Regulatory Impact Assessments (cost/benefit assessments) be conducted by government bodies as part of any consideration of any building code, Workplace Health and Safety or Australian Standards, and IR laws changes has been a feature of HIA submissions for decades.

But best practice principles serve more than an economic purpose. They require evidence, objectives and other alternatives, and unintended consequences to be assessed and importantly that consultation provides transparency and new information to be considered and responded to. It therefore plays an important role in forcing governments to confront different assumptions and views, which for proposals with merit, have little to fear.

Recent changes to the way the government is required to prepare analysis and an increase in the rate of reforms from all agencies with an interest in housing, mean even those that don't fall short of best practice ideals can each individually ignore their part in the bigger picture of supply and affordability which is manifesting itself as a crisis.

What are the consequences of no analysis?

The Productivity Commission's *Regulatory Impact Analysis: Benchmarking* report, released on December 13, 2012, evaluated the efficiency and quality of Regulatory Impact Analysis (RIA) processes, including Regulatory Impact Statements (RIS), across Commonwealth, state, territory, and Council of Australian Governments (COAG) jurisdictions.

The report identified weaknesses in RIA processes that undermined regulations deliver net community benefits.

Changes to the Office of Impact Analysis (OIA) guidelines in 2021 may have exacerbated the failings identified in the Productivity Commission's 2012 report. Risks such as high-impact proposals were exempted from RIS or not rigorously analysed, leading to regulations that increased costs and delays.

[5] https://www.pc.gov.au/inquiries/completed/regulatory-impact-analysis-benchmarking/submissions/submissions-test2/submission-counter/subdr035-ria-benchmarking.pdf

This lack of transparency exacerbates uncertainty, increasing financial risks and delaying housing or infrastructure development.

Consultation changes

Changes which allow a Consultation stage RIS being avoided or even require public disclosure of exemption rationales, despite the Productivity Commission's 2012 recommendation for transparency measures, such as publishing all RISs and adequacy assessments.

The lack of a structured early consultation phase contrasts with OECD best practices, which advocate extensive public involvement throughout the RIA process.

Reversing burden of proof

For major proposals this leads to the potential that there is no accompanying analysis ahead of a decision. This undermines accountability and transparency and rewards decisions which avoid scrutiny. This lack of OIA oversight means industry need not be given access to analysis and assumptions ahead of the point of decision.

This leads to more risk requirements may actively work against each other be inadequately explained or have ambiguous objectives. It moves the burden of proof onto those affected, when it should be the agencies and proponents who are designing, consulting, and disclosing the evidence for reasonable changes.

This deprives those affected of the opportunity to demonstrate why a change should not occur. It also deprives decision makers of the benefit of other perspectives and the scrutiny of industry who are closer to the detail of changes. Adequate time ensures those busy with the business of building aren't overwhelmed devoting the time required to highlight its consequences.

Transparency and understanding

Disclosure also forces governments through the rigour of critical thinking and analysis to make a declaration of their intent of changes. Without a clear statement of its aims, any of the positive or negative effects of regulation, overreach or unintended consequences, would not be given clear thought.

Following best practice principles places the burden where it belongs, at the feet of those proposing change – who would otherwise be unhindered by the inconvenience of economics, industry views on impacts or other trade-offs like affordability.

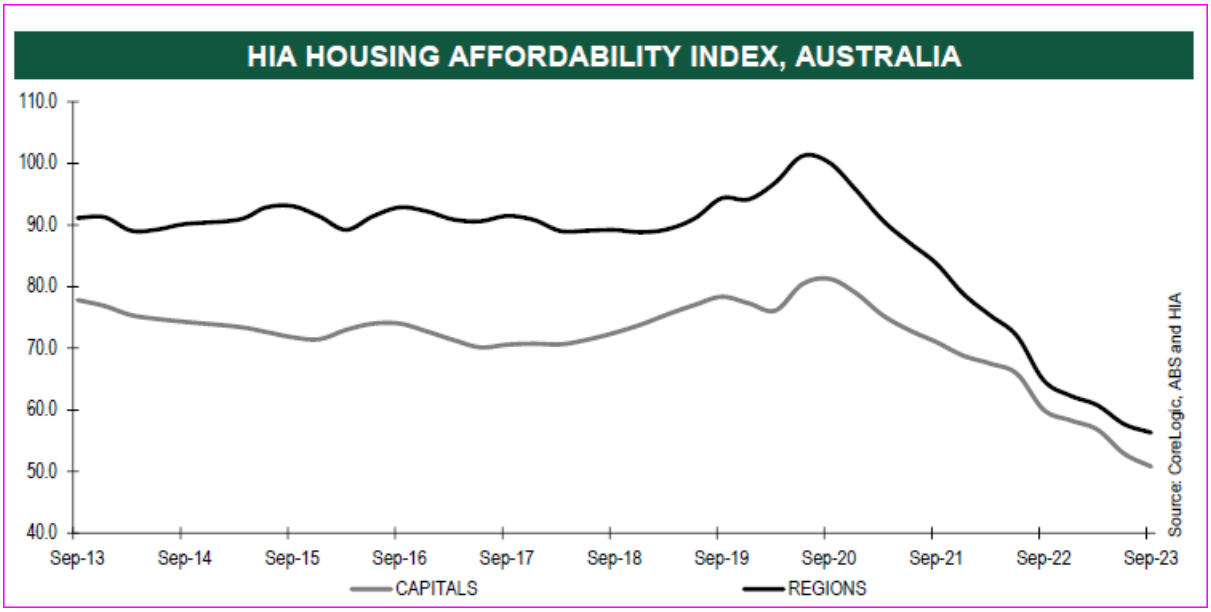
There have been few independent audits of RIS compliance and mandatory post-implementation or evaluation processes which can allow poorly designed regulations to persist without evaluation, particularly in construction where post-implementation reviews could identify inefficiencies in approval processes.

The role of institutions

The residential building industry continues to be one of the most heavily regulated sectors in the economy. While other objectives are being pursued, affordability recently hit its lowest level in decades. It has suffered at the hands of many forces.

One is undoubtably an accumulation of marginal changes which regardless of how well intentioned they were and even if properly assessed, accumulate to discourage new home buying. This commits many to older, less efficient and less resilient homes.

While the process has provided a framework for it to be disclosed and discussed, the deterioration in affordability has occurred while proposals and decisions progress unimpeded by the recommendations of analysis suggests the process alone is not sufficient to ensure the most important objectives are measured – that of housing supply.



HIA submit that the role of institutions plays a central role and an area where capability could be strengthened in particular is in both adherence to and good regulatory practice and regard for regulation impact assessment.

Recent changes combined with other forces to make housing the least affordable than at any point in recent history, demands a focused commitment ensure a holistic view of regulation changes, that they are only made in service of supply and affordability should be an explicit objective to guide the proportionality of changes.

Increasingly our buildings are being asked to more technical, health and social issues. This has inevitably led to more regulatory changes and an increase in the number and the extent of building policy objectives and interactions. Changes can also arise as the result of regulatory failure, or as a result of unintended consequences.

Higher and higher energy efficiency standards have not only resulted in higher compliance costs, and diminishing returns, but also in buildings being too tightly sealed they have increased the need for new regulation to avoid risks to materials and occupants:

- Fewer air changes now routinely occur per hour in residential buildings, DCCEEW who are the proponent of stringency increases has proposed to warn practitioners of the risks of over-compliance.
- Condensation risks from ordinary everyday activities now require passive and active intervention via the NCC.

Decision makers, increasingly take a siloed approach to choices, failing to recognise the accumulation of individual decisions, their interaction, or timing which can all play a role in the decision outside of what an individual assessment may conclude.

A net benefit is a feature of best practice regulation principles, which have their basis in adaptation of OECD guidelines for improving regulatory quality. A key factor in recommendations has typically been if new regulation's likely benefits outweigh costs relative to other options including non-regulatory measures which are equally or more effective.

Notwithstanding, Ministers have taken different decisions on a number of policy issues for energy efficiency, liveable housing. The ABCB's Inter-governmental agreement, which evolved at the same time as COAG obligations on the other hand required it to ensure when making decisions that there is a rigorously tested rationale; effective and proportional to the issues being addressed, the competitive effects be considered; and the code is no more restrictive than necessary in the public interest.

These principles have been effective in guiding the 'objectives' of building codes and standards, and the decision-making authority of the Board. These objectives are not a universal obligation of policy makers other than via the RIS process.

Likewise, other individual changes at all levels of government are often seen as having a lower impact relative to other fluctuations (land costs and interest rate changes). But, taken together these individual changes can be significant. At a time when Australia has set an ambitious housing supply goal and affordability at its lowest levels, these key principles have never been more important.

Conclusions

New Australian housing is high performing by most international measures. Further enhancing the rigour applied to the assessment of new obligations whether they be technical standards and administrative processes has profound benefits if it leads to the supply of more high performing housing for Australians.

The obligations on any government to consult and disclose the impacts is a key step to testing alternative approaches and central to evidence-based decision making, transparency and efficiency.

A useful enhancement with potential to improve the lives of home buyers and the industry through more supply and affordability of new housing is if decision makers prioritise supply as a means to affordability as an explicit and overarching objective of policy decisions.

Pillar 5. Investing in cheaper, cleaner energy and the net zero transformation inquiry

3. Encourage adaptation by addressing barriers to private investment

Where people live and the way their home is built will directly impact how Australians are affected by climate change. We are interested in ways in which the resilience of housing might be improved.

What are the barriers and enablers impacting decisions by owner-occupiers, landlords and developers about how housing is built and updated over time so that it is resilient to the effects of climate change?

New buildings

Regulatory settings which reflect a reasonably achievable standard are an enabler of higher performing and well-located buildings that Australians deserve. But, regulations can restrict new supply, leading to an unintended consequence of a less resilient housing mix.

Minimum standards are and a popular compliance choice in a cost competitive environment, reducing cognitive burden and streamlining acceptance. Obligations therefore, need to set clear targets, and ideally be permissive of a variety of potential solutions.

Standards which reflect a reasonably achievable minimum do not prevent higher stringency alternatives being achieved where clearer benefits exist based on the specific project circumstances or local conditions. However, as standards near best practice, this opportunity is lost, excluding some solutions reduces alternatives, can diminish returns and bringing trade-offs in other areas. These require compensation consuming capital for opportunities in other minimum standards to be exceeded.

An example where this is likely to have occurred is as a result of 7-star energy efficiency minimum standards, which failed economic feasibility and feedback suggests imposed costs which were sufficient to change many design's viability.[6]

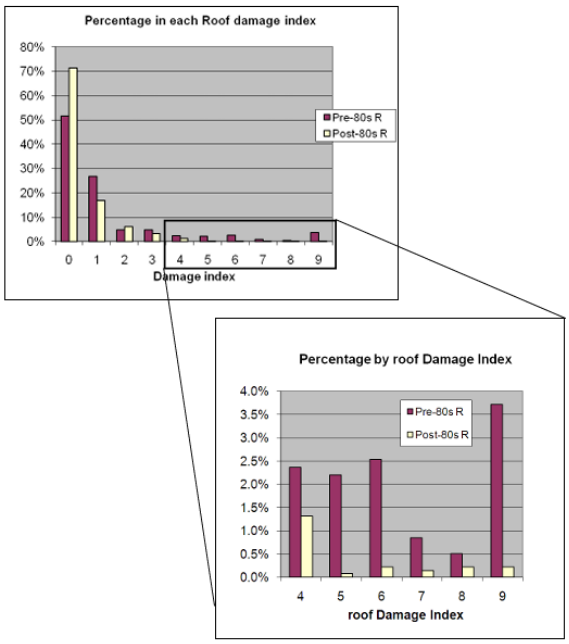
If local solutions or more efficient options are excluded by regulation, through technical stringency or planning controls for example, individual building owners can be discouraged from pursuing different solutions due to more regulatory burden such as increased delays, or risk aversion in approval authorities can mean alternatives are accepted.

Existing buildings

Post incident analysis of extreme wind events (See Figure below), suggest new housing is higher performing than existing dwellings, in particular those bult prior to 1980. A similar dynamic has been suggested in bushfire, individual contributors may be different[7]. Yet constraints supply unnecessarily increase prices, and consign more Australians to fewer homes which are on average less efficient, and resilient.

[6] NCC 2022 changes for energy efficiency were assessed as imposing net costs at the societal level and for a sizable proportion of individual buildings and feedback from volume builders suggests costs could be up to $40,000.

[7] The role of construction standards on building impact of the 2013. Linksview Wildfire, Australia. Centre for Environmental Risk Management of Bushfire, University of Wollongong, 2025.



Source: www.jcu.edu.au/__data/assets/pdf_file/0009/321993/Technical-Report-57-Tropical-Cyclone-Yasi-Structural-damage-to-buildings.pdf/_noproxycache

States take a variety of approaches to regulating new building work on existing buildings. Generally, significant alterations/renovations (those greater then 50% of the floor area in the three immediate years prior) will trigger the whole building to be upgraded to current standards.

This is in recognition that more substantial work can accommodate current compliance and has the benefit of recovering a large proportion of the resilience difference between new and existing buildings. For alterations below this threshold, governments[8] have taken deliberate choice to prioritise energy efficiency and liveable housing obligations. This adds cost, displacing other preferences or leaving other more significant risks unabated.

As building codes are only written and assessed against their impacts on new buildings, it is generally accepted there are higher imposts where they are applied to existing buildings leading to attempts to apply moderate impacts or apply them in proportion to the extent of the work being contemplated. This leads to more complexity and more emphasis on some policy issues and questions about the priority of other areas.

Assigning priority to objectives which may not align with the owner's preferences, or deliver the highest community benefit, is a version of the same failure which occurs in new housing.

Where do standards need to improve?

Buildings constructed in accordance with the NCC are high quality, standards are regularly reviewed, and rigorous assessment processes provide a strong foundation for assessment of changes. This finding is supported by previous reviews of building regulation including by the Productivity Commission's 2004 review.

[88] QLD, VIC, ACT, have variations to the NCC which apply to renovations and additions and South Australia recently delayed the introduction of similar measures.

Media and governments tend to focus on the adequacy of standards following major events, but headline claims can fail to distinguish between new and existing building performance and the objectives of the National Construction Code, which is primarily about life safety not property protection.

New buildings have historically performed better than older (pre 1980's) stock, due to the continual improvement of standards in response to extreme weather events.

Likewise, any future climate or event will be influenced by a housing mix which has an accumulation of decades of building, planning and policy and homeowner's decisions.

Proponents have attempted to justify a focus on future and changing climate through mitigation of residual risk. However, this ignores the existing stock where a higher vulnerability currently exists.

Existing buildings demand a more tailored approach often using different solutions to harness immediate or even near-term benefits through future savings (like avoided rectification costs). There needs to be both a recognition of where the highest vulnerability is, and commitment to developing clear, low-cost simple mitigations, which can then be incentivised.

Advice and assessment tools

Many tools with have a distinct advocacy aim, others risk undermining genuine awareness around investment risk for individual property owners, with political advocacy through the use of highly emotive language describing outcomes to federal electorates and linking requests to sign pledges to support candidates who 'take action on climate'.

One tool's use of 'standard dwelling' was described as a single storey and 'current specifications' which include weatherboard cladding and standard fire protection which seem contradictory. Defending pessimistic hazard assessment that all futures are worse[9] to 'stress testing' of outcomes, also likely overestimates impacts.

The climate scenarios relied upon to inform the outcomes are also often unclear.

HIA are supporting the development of broadly accepted climate futures, as these are a recognised shortcoming of current policy analysis. HIA has made submissions[10] that highlight how in the absence of agreed scenarios, analysis can be:

- Blunt, simplistic or deterministic assumptions based on theoretical and prefect foresight rather than evidence informed probabilistic assessment of risk.
- Selective or unrealistic climate assumptions, time horizons, or discounting which skew potential benefits and ignore other plausible scenarios.
- Lead to solutions which would compromise a building's current comfort in preference of future and uncertain eventualities.
- Fail to account for external factors beyond the building regulatory system like, skills and affordability.

HIA are participating in the work of the CSIRO NESP Climate Systems Hub Building for the Future project[11] which is tasked with addressing the challenges to resolve future climate files for building policy and design.

[9] for example both a dryer future for drought risk and a wetter future for flood risk.

[10] See HIA response to Impact Analysis of Commercial Building Energy Efficiency and Electrification Proposals in NCC 2025, https://hia.com.au/our-industry/-/media/files/newsroom/submissions/2024/impact-analysis-of-commercial-building-energy-efficiency-proposals-in-ncc-2025.pdf?srsltid=AfmBOorP8xXMMZ4TfZzVcyriXccw9n5rqiE8E1aH08wwClA-1mqFgjsN

[11] NESP Climate Systems Hub Building for the Future project, https://nesp2climate.com.au/research/building-for-the-future/ .

These are essential to inform future policy and ensure assessments are underpinned by reasonable emissions scenarios and assumptions of economic development.

While energy efficiency modelling suggests one potential future use for future climate scenarios through weather files, they have limited direct effect informing the individual risks dwellings are exposed to for most other hazards.

For example, while weather files can be used to model energy demand and 'comfort', there are no commercial tools or agreed metrics heat or cold stress at either a building or community level and will require specialised assessment. Tools for other hazards are specialised, opaque and complex and are not well understood by anyone outside of the few who use and develop them.

Benchmarking by a central authority would provide a degree of assurance if outcomes of assessments are appropriate to inform policy.

What information do people need to make decisions about where to live, how to build and how to upgrade their homes to appropriately factor in climate change?

The impacts of climate change are being factored into the regulation of where and how houses are built in different ways around Australia. What does leading practice look like? Where is there room for improvement? Are there lessons we can learn from other countries?

HIA's position on building resilience recognises the vast majority of Australia's housing stock already exists which justifies:

- Broader mitigation strategies must be considered, the NCC and Australian Standards alone should not be the sole tool to achieve resilience.
- Governments and industry working together on upgrading programs for existing homes to improve their resilience against hazards.
- A central repository of adaptation guidelines and tools should be developed to help homeowners and builders improve resilience.

Upgrading Programs

Proactive approaches are likely to minimise property, financial loss and disruption for some hazards.

QLD have adopted a similar approach under the *Household Resilience Program* which assists eligible homeowners in coastal parts of Central and Northern Queensland to improve the resilience of pre 1984 era homes against cyclones within 50 kilometres of the coastline from Bundaberg, north to Cape York and west to the Queensland/Northern Territory border[12]. Those eligible for the grants receive 80% of the cost of improvements up to a maximum grant value of $15,000 for items like:

- External solid core doors
- Garage Doors

[12] https://www.qld.gov.au/housing/buying-owning-home/homeowners-financial-help/resilience-to-floods-and-cyclones/household-resilience-program/about-household-resilience-program

- Over Battens
- Roof replacement.

Notably insurance premium reductions are not promoted as central component of benefits from increased adaptation from enhanced building standards. An analysis by Finity in 2022, suggested that 9.6 times return on investment from risk mitigation from a broad proactive retrofitting program. It forecast a 22% reduction in average annual losses and only an 8.5% reduction in premium on average. Premium reductions of between 30-80% have been realised as a result of a levy in Roma in 2013[13].

There is evidence from the US state of Floridia that retrofitting programs can both reduce exposure to hazards and reliance on insurance may require legislating. *My safe home program*[14] provides grants which double homeowners' contribution up to a maximum of $10,000, where homes are assessed as structurally vulnerable to hurricane risk and target elderly and low-income households. The program was over-subscribed, exhausting its $200 million funding allocation in 2024 in a matter of weeks.

Bushfire assessment and certification could similarly be enhanced to incentivise lower premiums under a similar model, for solutions which are effective and long lived. HIA is notes that arguments have been used in the past against the need for insurers to reduce premiums have been both a lack of information on risk and more recently that the pubic now have better information available to inform their choices.

The 'Resilient Homes Program' in Northern Rivers and Central West of New South Wales was established following the 2022 floods. It offers householders retrofitting, raising, rebuilding, relocation and buybacks. The NSW Government has estimated that its expansion to all other floodplains across the state would open up more than 12,000 managed relocations for existing properties.

Finally, rebate schemes have been popular for solar installations could also be applied to individual measures where evidence supports their effectiveness.

Adaptation guidelines

It remains the role of standards to ensure buildings are designed in a way which means they can withstand the loads they are likely to be subjected to. Better voluntary standards could play a role along with insurance incentives in both new and existing buildings. There is a growing body of information on how choices made by an owner affect a building's resilience. These occur at a point after it which regulation can't control - typically when occupation begins.

Guidance material such as that provided by NEMA[15] for bushfire are passive forms and more than identify generic solutions. This type of advice lacks an assessment against hazards, more detailed minimum standards or deployable solutions to would encourage action which make other approaches more effective.

Risk tools

Despite buildings being constructed to identical standards, location risks can differ. There is a role for market-based mechanisms to disclose risk, assisted or informed by that currently played by insurance which provides a market signal if risk is tolerable.

[13] https://insurancecouncil.com.au/wp-content/uploads/2022/02/R_ICA_Resilience_Final_220218.pdf pg.2.
[14] See My Safe Home website https://mysafeflhome.com/, which notes the policy provides premium discounts 'by law'.
[15] www.nema.gov.au/sites/default/files/2024-11/D2024%2083121%20%20NEMA%20-%20Your%20bushfire%20resilient%20home_1.pdf

HIA are supportive of providing information to owners and the public to inform their risk. It would serve as a potentially simple means of communicating potential risk. The Resilient Building Council has developed a rating scheme with the assistance of NEMA The Bushfire Resilience Rating in response to the 2020 Royal Commission into National Natural Disaster Arrangements, to help understand which actions measurably increase the resilience of individual homes.

"It is the first scientific system to measure the bushfire resilience of homes, and has the potential to give insurers, banks and investors a framework for financing and rewarding bushfire resilience adaptations."

Such tools serve as an example of what is possible, and are planned to be expanded to other hazards. Reliance on climate model SSP 8.5 and a BAU from 2005, leaves it vulnerable to the above modelling critiques and the affordability of design outcomes.[16]

More analysis, broader stakeholder involvement and transparency could assist ensuring precautionary and inefficient approaches do not impede wider uptake and support innovative tools.

The need for a broad approach

HIA support broader efforts by Government including Government-backed reinsurance pools should be used to ensure home insurance remains affordable for people in high-risk areas and voluntary buy-back programs for homeowners whose properties have been significantly impacted and are likely to face future disasters.
HIA's policy on building resilience[17] recognises that emergency recovery and response are important aspects of building resilience. In this regard we support an increasing focus on areas which can assist with climate resilience in the inevitable response to extreme events.

A range of enquiries including the Northen Australia Insurance enquiry and the Royal Commission into National Natural Disaster Arrangements have also made numerous recommendations including an evaluation whether the NCC include resilience as an objective.

In October 2021 the *National Climate Resilience and Adaptation Strategy 2021 - 2025,* was released by the then Minister for the Environment Susan Ley MP.

The National Emergency Management Agency (NEMA) has also been engaging on the adequacy of codes and standards with ABCB and much work has already been done. Yet tthrough the *National Disaster Risk Reduction Framework* it advocates for a comprehensive strategy which encompasses not only corrective risk management like retrofitting, reinforcing, remedial measures; but, Initiatives of equal importance such as compensatory risk management supporting financing and transfer, reactive risk management early warning systems and effective response and recovery.

An independent review initiated from the Royal Commission into disaster resilience has seen the establishment of a National Emergency Management Ministers Meeting being established with responsibility to perform policy and standard setting functions. This may include cross-portfolio issues, such as building, planning, land management. Coordination of responsibility and a clear agenda and opportunities for involvement are necessary.

[16] $20,000 and $130,000 are reported costs incurred voluntarily by owners for additional bushfire protection based on its recommendations: https://www.abc.net.au/news/2023-10-23/house-bushfire-resilience-star-rating-app-launched-prepare/102914534

[17] https://hia.com.au/our-industry/newsroom/industry-policy/2023/05/building-resilience?srsltid=AfmBOorvlHE1A1_tLHfWDAFpAsihW82iYhk0Yylvc5r0L7SoPWEDMC4P

Data driven insights

There is a role for data in identifying the vulnerability/opportunity of housing stock and target incentives to those at risk (owners or occupiers). Mandatory disclosure of existing building performance is being considered by states and territories, could augment other data existing data.

The use of AI and satellite imagery to estimate building footprints, heights, and volumes, has been used for bushfire research for urban planning, infrastructure resilience, and disaster preparedness.

What are the most cost-effective retrofitting options for improving the resilience of Australia's existing housing stock? What are their costs and benefits?

Upgrades to housing can improve resilience to cyclones, bushfires, flooding and heat. We are interested in hearing about the most cost-effective retrofitting solutions to improve housing resilience in Australia, including analysis of their financial costs and broader social or environmental benefits.

Sustainability Victoria has undertaken research to investigate the relative benefits of different interventions for energy efficiency, a similar study would be informative in the resilience space.

What is obviously overlooked in most high level policy modelling is the diversity of starting conditions which, more rigours analysis has shown to be fundamental to benefits and therefore justification to intervention[18]

Advocates own assessments for increasing minimum mandatory standards has shown is even using simplified favourable assumptions[19], proposals may not be privately cost effective for all buildings in all scenarios weakening the case for uniform solutions and mandates. Tailored solutions and incentives are therefore needed to encourage uptake. Breakeven tools and discounted finance could also assist.

Outside of standards and academic publications, there has been little consistent and national advice available on bushfire hazard in Australia. Owners/occupants, designers and builders all benefit from understanding the intent of bushfire responsive design and inform choices that might otherwise undermine it.

Authoritative advice has a place to manage risks where regulatory control is either inappropriate or cost prohibitive such as in the ongoing occupation of a building and maintaining clear space and vegetation and ensuring landscaping features and storage of combustible materials do not undermine the building controls.

The Australian Standards committee FP-020 have in development HB-208 Part 2 a Consumer guide to the bushfire standard along with Part 1 a companion Handbook to using the standard. These will prove invaluable for those seeking to do more, and those who's assets and lives depend on their choices long after a building is approved.

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[18] For example See Pg.94. *Decision Regulation Impact Statement for a proposal to increase residential building energy efficiency requirements in new buildings, ACIL ALLEN.* 17 different upgrade pathways, and hundreds of permutations in starting conditions.
https://www.abcb.gov.au/sites/default/files/resources/2022/Energy%20Efficiency%202022%20Decision%20RIS%20Publication%20version%20%28359067.2%29.pdf

[19] For example, relying on a uniform simplified existing stock with minimal insulation, a single window type and fuel source (gas) for space heating, cooking and hot water and no PV, 'climate ready' proposals impose net societal costs https://www.climateworkscentre.org/resource/climate-ready-homes-building-the-case-for-a-renovation-wave-in-australia/. Also see discussion on ICA report below.

What role might minimum standards play in ensuring the resilience of Australia's housing stock?

The ICA report titled *Resilience, durability and the National Construction Code* aims to establish a case for a more efficient market settings and the efficiency addressing the residual risk not addressed by the NCC.

The high-level cost of proposals to address the residual risk are also substantial for individual buildings; $7,965 to address 80% of wind driven rain damage; $4,000 to achieve a 50% reduction in losses associated with internal wind pressure; $46,006 -$136,590 to reduce flood risk between 25-100%.

In the case of bushfire and flood proposals, the report found several of the measures unlikely to pay-off including enclosing sub-floors and restrictions on glazing, which ranged from $1,400 to $85,000 per dwelling. For these it concludes that some are better suited to planning regulation.

The report assesses solutions, which may or may not be applicable to some dwellings. Evidence is lacking in key areas and assumptions used in many cases based on historical losses too conservative to be applied to new building stock. Several other issues including industry and intangible impacts of maintain consumer preferences, the effect on land supply, affordability along with the efficiency and effectiveness of interventions proposed and their practicality would also have a bearing on outcomes and require further assessment and consultation.

Standards are constantly under review, particularly in the wake of natural disasters. Along with other policies, codes and standards are a key reason that occupant safety across all hazards has improved.

In Australia's national standards have been supported by a practice of learning through evidence-based research and continual improvement.

Relevant housing standards for bushfire, wind loading are currently under review, last being significantly amended in 2018 and 2022, and HIA participate actively in the consideration of changes. Previous changes in the past followed the experience gained from Black Saturday and extreme wind events.

More recently, the Black Summer Bushfires in 2019-20 have informed bushfire changes proposed. This received hundreds of public responses and shows researchers and the building industry are well-engaged with proposed updates and their impacts.

Similarly wind loading standards AS 1170 and AS 4055 were recently updated to and these saw an increase justified in climate change factors which ensure the potential for higher wind loads be catered to in designs so roof and full building loss are less likely in the event of a dominant opening failure like garage doors or windows.

What is often overlooked is where deficiencies in construction standards are identified new and higher standards only apply to new buildings and building work, which represent a small proportion of all building stock. These new buildings are also already more likely to be resistant to bushfire than older buildings thanks to learnings of the past.

Monitoring extreme weather events, and where evidence exists and changes are proportional and aligned with the goals of the NCC, have historically progressed. But, Building Ministers have agreed in 2024 to include climate resilience an objective (goal) of the ABCB and requested the ABCB scope out potential future NCC changes that would be necessary to achieve this objective.

The ABCB IGA currently reflects the objectives of the NCC, which are limited to heath, safety (fire), amenity, sustainability and accessibility. It also requires as far as practicable, implementing a 'gateway' model which discourages the setting of prescriptive standards for Building and Construction that override the performance requirements in the NCC in planning instruments.

While the request did not introduce new requirements in NCC 2025, it is in anticipation of consideration of changes which could seek to address climate resilience beyond the hazards the NCC currently addresses in future codes. However, as many of the gains have been realised under the current objectives the potential for improvement is small relative to the potential in existing stock.

Regulatory changes to address climate resilience beyond those hazards the NCC already mitigates, will likely rely to a greater extent on the benefits of addressing property and assets than those of occupant safety – which could fundamentally change the scope of issues building changes need to consider.

Any future proposals should be focused on where there is the most need - prioritising improvements in the performance of existing building stock, where most of the building risk and damage occurs from climate related disasters. HIA submit that the current code duly and routinely considers the natural hazards that impact buildings in Australia, no additional hazards warrant the inclusion of new provisions in the absence of clear and broadly accepted evidence.

Governments directly impact where and how housing is built through their planning and zoning systems. We are interested in how those systems are factoring in climate change.

Research for the Australian Business Roundtable in 2017, contended land use planning is state governments' strongest tool to mitigate natural disaster risk, but is yet to embrace its role fully[20]. While building codes are at least generally subject to scrutiny, this is less common in planning where political pressure and affordability concerns dominate.

Incentives should be used to ensure land adjacent to populations is appropriately managed.

Mapping is underway in several jurisdictions to inform risk and ensure consistent standard and stocktakes risks, but methods differ. Mapping should occur under an agreed and consistent predicted future climate framework. This would allow risks to be mitigated at the appropriate level and ensure burdens do not fall unduly on individual buildings to be reduced after development when new maps or standards are developed.

This can complement planning for vegetation management, which has shown to be one of the main driving factors for risk from bushfire.

What can be done to improve awareness?

HIA are currently developing and existing buildings guide. The resource will be a valuable resource for HIA members, Builders, and designers, but the broader industry and consumers and product manufacturers may also see value in its content.

The guide aims to be a valuable resource to assist consumers when embarking on renovations and additions, as a companion when planning and navigating compliance with new standards, and applying them voluntarily higher standards.

It will discuss both opportunities and obligations it can serve to promote consideration of the highest priority interventions for a building given its risk.

[20] *Building resilience to natural disasters in our states and territories*, Delloitte Access Economics, 2017 pg.52.