

21 September 2020

Peter Archterstraat AM  
NSW Productivity Commissioner  
GPO Box 5469  
Sydney NSW 2001  
[ProductivityFeedback@treasury.nsw.gov.au](mailto:ProductivityFeedback@treasury.nsw.gov.au)

Dear Commissioner,

***'CONTINUING THE PRODUCTIVITY CONVERSATION' – PIA SUBMISSION TO GREEN PAPER***

***Planning has a key role in shaping our future in ways that boost productivity, sustain our environment and create great places to live.***

***It does this by adopting a strategic approach to ensure the economic use of infrastructure and services alongside growth. By addressing zoning reform in the abstract, the Green Paper does not appreciate the value of strategic planning.***

***The Planning Institute of Australia (PIA) looks to the Productivity Commission to take a more positive role and address how strategic plans can best achieve economic benefits for their stakeholders.***

PIA appreciated the opportunity to provide an in depth [submission](#) to 'Kickstarting the Productivity Discussion'. We also met with you and your staff to outline the economic contribution of planning to improving state productivity. PIA explained the economic advantages of strategic planning arising from well-integrated infrastructure, services, land use, urban structure and built forms.

Parts of the [Green Paper](#) (Section 6.2) recognise the economic advantages of strategic planning to enable growth and better integrate land use and infrastructure investment – especially by reinforcing business, housing and other activity in accessible centres (recommendation 6,1).

However, Section 7.1 communicates an inaccurate narrative on the role of planning which separates the role of planning instruments from the strategic and place outcomes they are used to achieve.

This misunderstanding is compounded in Sections 7.2 -7.4 which purports to argue the NSW planning system is failing to deliver sufficient supply - and that this is due to inflexible planning controls. While PIA supports planning system reform to improve its ability to deliver on strategic intent, we refute aspects of the Green Paper logic as follows:



- House prices are inelastic to supply because of the overwhelming attractiveness of housing as an investment asset - related to strong demand side incentives<sup>i ii</sup>
- Supply has not been substantially constrained by zoned capacity and there has for most of the last two decades, been sufficient stock in the pipeline<sup>iii</sup>
- Planning approval processes have maintained a sufficient supply pipeline – and planning approval rates as a percentage of determinations has remained consistently high<sup>iv</sup>
- Commercial decisions to activate an approval (commencements) - or delay development (to maximise price or yield) have a more significant effect on timing of supply to market than marginal improvements in assessment times.<sup>v</sup>

PIA reaches the conclusion, that in the absence of deep reform to housing market and tax incentives, interventions embedded in the planning system will not have a substantial effect on supply.

PIA supports recommendation 7.1 to improve accountability for strategic planning to ensure housing supply. This is because planning has a clear role to ensure that urban areas respond to growth and change with the capacity to accommodate the right type, diversity and amount of housing according to a strategy.

The role of zones and other planning tools in controlling development must be seen in this context. They are the means of allocating the Government's monopoly on development rights to achieve a strategic outcome for a place. While PIA agrees that the effectiveness and efficiency of planning tools can be improved, we are concerned that Section 7 of the Green Paper misunderstands the economic contribution of strategic planning and place making and pursues reform of planning tools in the abstract - without recognising the social and economic risks of poor planning outcomes.

Reform of business and industrial zones in isolation from how they are used to shape places will be counterproductive and blind to the economic consequences. PIA is concerned that rather than exploring how net community benefit for a place can be achieved by integrated planning and investment, the Green Paper incorrectly assumes productivity advantages from measures that superficially increase flexibility and reduce assessment scrutiny.

PIA finds the logic of Recommendation 7.3 (consolidate employment zones) misguided when considering the strategic basis of Recommendations 6.1, 7.4 and 7.5 to enhance the economic use of centres, industrial and employment lands through well informed strategic planning for places. Recommendations to consolidate zones (or improve other planning tools) should be designed to implement the strategic intent (see PIA *'Kickstarting'* [submission](#) Section 8.3).

PIA refutes<sup>vi</sup> the applicability of the [Victorian evidence](#) offered in favour of expanding permissibility of retail (and even housing) in business and industrial zones. Although Victoria have expanded permissible uses in fewer zones, they have also added a layer of overlay complexity to enable place outcomes to be curated in certain areas. In any case, industrial land is less scarce and Melbourne's strategic centres hierarchy is less established - transport patterns and metrics of agglomeration economies reflect this<sup>vii viii</sup>.

In contrast, the Greater Sydney Commission has emphasised the strategic importance of maintaining and enhancing industrial and employment lands in inner / middle ring Sydney and highlighted the advantages of focussing retail and commercial activity in a strategic network of accessible centres (see Green Paper Section 6.2).



In the absence of an economic rationale to consolidate industrial and employment zones, PIA is concerned that an expansion of permissible retail uses would lead to windfall uplift in land value to a small number of landowners, loss of an economic land resource and promote unproductive land speculation and rent seeking. These are not productivity outcomes and they do not belong in the Green Paper. Should the NSW Government wish to pursue industrial and business zone reform under Recommendation 7.3, PIA would work with DPIE to identify ways of shaping planning controls that could improve flexibility and achieve strategic intent without the perverse outcomes including the externalities of development activity in areas poorly served by transport and other key infrastructure. PIA also supports cost benefit analysis of the effect of place-based strategic plans and their supporting instruments in achieving economic outcomes.

PIA would also like the Commission to reflect on the loaded use of the phrase 'red tape' and the false equivalence made with planning processes. Planning processes combine infrastructure, land uses and density and shape the structure of cities. Planning processes are an effective means of allocating development rights most efficiently in the public interest and only become 'red tape' when they don't efficiently, effectively or fairly achieve the desired strategic result. PIA continues to work with the State Government to identify and reform inefficient and inappropriate planning practices that cause unnecessary delays. In some cases improved resourcing, training and ensuring State Agencies are efficiently engaged on referrals are more urgent and more important ways to improve productivity.

PIA made extensive recommendations in our [submission](#) to 'Kickstarting' on how to improve the performance of the development assessment and development contributions systems that have not been acknowledged in the Green Paper (see PIA Submission Sections 8.4, 8.5, 8.7 and 9).

PIA acknowledges the many positive recommendations in Chapters 6 and 7 of the Green Paper and we have set out detailed comments in **Attachment A** . PIA also draws the Commission's attention to the key messages and recommendations in our 2019 [submission](#) summarised in **Attachment B**.

Effective planning is critical to the productivity, environment and quality of cities and towns. PIA look forward to contributing to the implementation of many of the recommendations of the Green Paper. We remain available to offer further input on the critical and contested matters raised in our submission. Please do not hesitate to contact me ( [REDACTED] ) or [REDACTED] ( [REDACTED] ) if we can be of further assistance.

Yours sincerely

[REDACTED]

[REDACTED]

[REDACTED]

**ATTACHMENT A – PIA RESPONSE TO PLANNING AND INFRASTRUCTURE RECOMMENDATIONS**

**ATTACHMENT B – PIA KEY MESSAGES FOR PRODUCTIVITY DISCUSSION PAPER (PIA 11/19)**

## ATTACHMENT A – PIA RESPONSE TO PLANNING AND INFRASTRUCTURE RECOMMENDATIONS

Section 6: Smarter infrastructure	PIA Comment
Plan for greater housing and business activity in areas where there is spare infrastructure capacity (Recommendation 6.1).	<b>Supported</b> – PIA supports a coherent strategic planning strategy reflecting regional, district and local drivers of growth and which responds to accessibility, access to jobs, services and capacity of infrastructure (See <a href="#">PIA submission to District Plans</a> )
Improve transparency to create the right incentives for good infrastructure investment (Recommendation 6.2).	<b>Supported</b> – See PIA <a href="#">National</a> and <a href="#">NSW</a> Position Statements and <a href="#">Discussion Paper</a>
Ensure that agencies’ business cases align with Government guidelines, and that funding is given to properly evaluate projects (Recommendation 6.3).	<b>Supported</b> – See PIA <a href="#">submission</a> to Infrastructure Australia and <a href="#">PIA Infrastructure Discussion Paper</a>
Investigate new ways of easing road congestion, such as reducing problematic driver behaviours and charging for congestion (Recommendation 6.4).	<b>Supported</b> – Supported PIA has highlighted road user charging in our <a href="#">submission to national Autonomous Vehicle Inquiry</a> .
Section 7: Planning	PIA Comment
Ensure planning instruments keep up with housing needs, while taking into account community interests (Recommendation 7.1).	<b>Supported</b> – PIA has supported (in <a href="#">submissions</a> ) the role of Regional, District and Local plans to plan for capacity and enable the delivery of the amount, type, diversity and affordability of housing necessary to achieve strategic intent.
Review apartment design ..... regulations to accommodate consumer choice while maintaining minimum basic quality. (Recommendation 7.2a).	<b>Not Supported as proposed</b> – While there is an opportunity to improve the ADG with respect to small apartments and the way the guide is applied by practitioners - it is a ‘guideline’ and innovation can occur within it. The ADG is fundamentally a sound policy which works to improve the base standard of design quality and maintain trust in the standard of product provided to the market. PIA provided submissions relating to the ADG in our response to ‘Kickstarting’ (Sections 8.4-5)( <a href="#">here</a> ) and at the time the ADG was introduced ( <a href="#">here</a> ).
Review ..... car parking regulations to accommodate consumer choice while maintaining minimum basic quality. (Recommendation 7.2b).	<b>Supported</b> – for transport, carbon reduction and construction cost reasons. See PIA <a href="#">submission</a> to NSW Housing Strategy.
Rationalise zones and restrictions on permissible business activities and produce strategies to use commercial and industrial land more productively (Recommendations 7.3-7.5).	<b>Not Supported as proposed</b> – however, PIA support the preparation of clearer guidance on how current or modified zones and controls can be best deployed to achieve a strategic outcome for a place and to give stronger effect to strategic intent for employment and industrial lands. PIA also notes that consolidation of zones in Victoria combined with increased permissibility of retail and some housing uses has not been a success and is not transferable to NSW. This is because complexity has been reintroduced via overlays and other mechanisms in the Victorian system – while the ability to implement strategic outcomes for these places has been diminished from less precise tools being available.
Continue to cut red tape to make the planning system more effective and deliver on the Government’s goal of reducing assessment times (Recommendation 7.6).	<b>Supported</b> – but as a means to implement strategic planning outcomes
Develop a consistent way to measure the benefits of open and green space, and incorporate it into land use planning (Recommendation 7.7).	<b>Supported</b>
Use the Review of Infrastructure Contributions to find ways to deliver a principles-based, transparent and certain system (Recommendation 7.8).	<b>Supported</b> – see PIA <a href="#">submission</a> to Productivity Commission (August 2020)



## ATTACHMENT B – PIA KEY MESSAGES FOR PRODUCTIVITY DISCUSSION PAPER (PIA 11/19)

- **Planning adds value and addresses market failure** A key role of planning is to ensure that the regulatory context is as positive and as light touch as possible to achieve the urban outcomes sought.
- Achieving **place-based outcomes** should inform infrastructure planning. Place-based Infrastructure Compacts are supported.
- **Integrated planning maximises the return on investment from infrastructure expenditure.**
- **Infrastructure funding regimes require holistic reform** to ensure that the most effective, efficient and fair balance of development contributions, other user charges, property and other taxation.
- **Rate pegging is a distortion** and means councils are under-resourcing local infrastructure for growth and needing to over rely on more cumbersome funding opportunities.
- **Infrastructure funding for an area must strike a balance** between consistent, certain and reasonable infrastructure contribution obligations for developers on the one hand; and certainty that the new communities will be provided with an acceptable standard of baseline infrastructure.
- **Planning systems (including zoning) have a role in shaping urban structure to maximise productivity**, this includes supporting accessible clusters and ensuring that market failures do not lead to housing dominating spaces and displacing employment and urban services infrastructure.
- **The Apartment Design Guide is supported** – it is sufficiently flexible to lead to lower and environmental and social costs to the community – without significantly affecting housing affordability.
- **Regional green space** should be funded as a public good.
- **Planning industry labour supply is constrained** - there are too few experienced professional planners available to resource the outcomes required.
- **Initiatives to streamline the planning system:**
  - **Reintroduce a system of staged supply of detailed assessment information appropriate to the phase of assessment** (refer former DA and BA system) so detailed information/plans can occur post consent
  - **Simplify the type and number of development applications**
  - **Re-consider the building certification and construction certification process**
  - **Simplify the referral process to state agencies**
  - **Make local contributions plans** easier to update and reduce need for planning agreements
  - **Improve conditions of consent** - make relevant rather than just standard conditions
  - **Support common engineering standards** across councils to simplify approval processes
  - **E-planning** required to monitor progress of all development applications and rezonings

## ENDNOTES

<sup>i</sup> Nicole Gurran & Peter Phibbs (2016) Boulevard of Broken Dreams, Planning Housing Supply and Affordability in Urban Australia, Built Environment Vol 42 No 1 P55-71.

<sup>ii</sup> Nicole Gurran & Peter Phibbs (2015) Are Governments Really Interested in



---

Fixing the Housing Problem? Policy Capture and Busy Work in Australia, *Housing Studies*, 30:5, 711-729, DOI: 10.1080/02673037.2015.1044948

<sup>iii</sup> Cameron Murray (2019) The Australian Housing Supply Myth. Centre for Open Science  
[https://scholar.google.com.au/citations?user=P5s-\\_d0AAAAJ&hl=en](https://scholar.google.com.au/citations?user=P5s-_d0AAAAJ&hl=en)

<sup>iv</sup> Tim Sneesby (2020) Don't blame planning for a supply shortage and rising house prices. *The Fifth Estate* 19 May 2020 <https://www.thefifthestate.com.au/innovation/design/dont-blame-planning-for-a-supply-shortage-and-rising-house-prices/>

<sup>v</sup> Cameron Murray (2019) The Australian Housing Supply Myth. Centre for Open Science  
[https://scholar.google.com.au/citations?user=P5s-\\_d0AAAAJ&hl=en](https://scholar.google.com.au/citations?user=P5s-_d0AAAAJ&hl=en)

<sup>vi</sup> PIA (2020) Letter to Productivity Commissioner refuting Victoria's Commercial Land Use Zoning Case Study.

<sup>vii</sup> <https://theconversation.com/melbourne-or-sydney-this-is-how-our-two-biggest-cities-compare-for-liveability-102247>

<sup>viii</sup> SGS (2011) Activity Centres Policy Benefits (SGS for SCCA)

<https://www.pc.gov.au/inquiries/completed/regulation-benchmarking-planning/submissions/subdr095-attachment.pdf>

