

Urban Taskforce

A U S T R A L I A

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Senator Dave Sharma
Chair
References Committee
Senate Finance and Public Administration Committees
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CANBERRA ACT 2600

Sent to: fpa.sen@aph.gov.au

Dear Senator

Financial support for state and territory infrastructure projects

Since the National Housing Accord was announced, the development industry has welcomed the commitment of all governments to deliver over 1.2 million homes across Australia during its operation (ending on 30 June, 2029).

The states and territories are starting to play their part, recognising existing barriers to housing approvals and pursuing reforms to make their systems simpler and more conducive to delivering more supply.

Following the Jobs and Skills summit in September 2022, we have seen a massive boost in immigration numbers.

However, despite significant revenue received arising from these increased levels of immigration through income tax and company taxation, along with ongoing diminished through low levels of unemployment, the Commonwealth Government's contribution to the Housing Accord has largely been through the HAFF, with its focus on social and affordable housing, and by setting the high-level targets through the Accord and not by funding the States through targeted housing related infrastructure grants.

For greenfield and infill housing sites alike, a lack of infrastructure is proving to be one of the biggest hurdles.

While state, territory, and local governments are doing what they can, limited financial support from Canberra for housing related infrastructure is forcing them to turn to the development industry to pick up the tab for any funding shortfalls.

Ultimately, this results in an increase in the purchase price for the consumer, or worse, the non-delivery of housing supply because of a lack of project feasibility.

Housing is no longer affordable

Australian household budgets are being consistently outpaced by rising home rental or purchase prices, as shown by the quarterly inflation data from the ABS, which identified housing costs (purchase or rents) as the leading driver of inflation. This will add significant pressure on the RBA as it considers a rise in interest rates.

If (or when) that happens, the Commonwealth's lack of support for the private sector will deserve much closer scrutiny and public attention.

The median cost of a rental property is now well over 30% of the median household income for the Greater Sydney Region¹.

Similarly, the *2025 Demographia International Affordability Report* found that the median price-to-income ratio across Australia for those looking to purchase a property was 9.7. This means that the price of the median dwelling is almost 10 times that of the median household income.

The situation is far worse in Sydney – the second least affordable market internationally after Hong Kong² – where the city has an “impossibly unaffordable” median multiple of 13.8.

If meaningful and measurable change is to be achieved, and housing to be delivered, the Federal Government must explore a range of taxation, policy, and program options to address the ongoing housing supply and affordability crisis and unplug the development pipeline.

Infrastructure is the key

The housing supply and affordability crisis deserves the keen focus of the Commonwealth along with all its state and territory partners.

The National Housing Accord has set what some call an ambitious housing supply goal for the states and territories. To be frank, this will barely scratch the surface in terms of resolving the chronic under supply of housing in Australia.

Nonetheless, with the right policy settings, backed by the early release of infrastructure, the Accord targets can still be achieved.

However, the Commonwealth's failure to provide significant levels of funding for housing-enabling infrastructure is a critical impediment, particularly in greenfield developments in growth areas, like South-Western Sydney.

Growth areas offer much opportunity for housing supply and economic growth, but the Federal Government has to take a more deliberate and determinative role to bring this about.

Specific funding to support linking local infrastructure into core trunk infrastructure is critical. The infrastructure deficit is so desperate, that funding is now needed to support water, roads and transport infrastructure as well.

A report released in November 2025 by the National Growth Areas Alliance calculated that at least 82,500 homes slated for construction in growth areas could not commence because they lack sewers and roads.³

Put simply, future housing is being stymied because the infrastructure needed to make it work is not being provided, resulting in less supply to meet a growing demand.

And the cost of housing is increasing accordingly.

¹ ANZ CoreLogic

² Demographia, p.8

³ NGAA

It is no coincidence that housing project feasibility in Western Sydney is simply not stacking up, and that most development activity now focuses on higher end development in the eastern third of the city.

The upfront provision of housing-enabling infrastructure by the Commonwealth would not only incentivise state and local governments to get on with the task of approving development applications for new housing but it would address broader community concerns around a lack of essential services.

Provide incentive payments to enable infrastructure delivery

A key part of the Commonwealth's commitment to the National Housing Accord was to provide \$3 billion in "New Home Bonus" payments.

This was in return for housing delivered, not as payments to support that delivery.

Urban Taskforce Australia has been advised that the Commonwealth was reluctant to pay the States until after they had achieved their Housing Accord Targets. The irony is, the lack of financial support from the Commonwealth is now the key factor preventing these targets being met.

States that are falling behind their National Housing Accord targets have little incentive in the short term to turn around their performance. The offer of future money is not going to have the desired impact if a state government doesn't think that it will qualify.

The apparent contempt with which the Commonwealth treats its state counterparts reflects a broken system. It is almost as if the Commonwealth made its commitment never expecting any state to cash in.

That is not how you resolve a crisis.

The states are doing what they can to improve the planning systems, appreciating the role of the private sector in supplying over 95% of the nation's housing supply, and they have worked with private sector representatives to make the long overdue changes.

It is time the Commonwealth took the same approach. Federal infrastructure funding is by far the weakest link. A review of the under-performance of Infrastructure Australia and its failure to prioritise housing related infrastructure would be a good place to focus on reform.

What is needed is a simple upfront allocation of more infrastructure funds to the states to deliver both hard and soft housing supply-related infrastructure, rather than holding out a carrot for work to be completed first.

The states will be hit hard by credit rating agencies if they are forced to borrow money for infrastructure in the hope of a small windfall from the Commonwealth in the event that they hit their Housing Accord targets,

By bringing these payments forward, instead of delivering them "ex-post", at the end of the Accord period, it would stimulate housing investment (much of which requires funding commitments for the delivery of infrastructure) and could be used to deliver the services needed in growth areas. This has been the principle underpinning previous large infrastructure announcements for growing regions like Western Sydney.

The New Home Bonus should be recalibrated to allocate up to \$20,000 per dwelling approved by a consent authority for the delivery of housing enabling infrastructure. Funding must be predicted on the relevant authority in return reducing housing infrastructure charges by at least the same amount per dwelling.

Such a policy would make a serious contribution to housing related infrastructure, including the provision of green space and public amenities, and help to deliver the more than 930,000 new approvals still required by the National Housing Accord.

Infrastructure Australia should focus on housing-enabling infrastructure

As the key Federal agency for infrastructure delivery, it is not clear what role, if any, is currently being played by Infrastructure Australia (IA).

These questions must be asked:

- Does anyone at Infrastructure Australia know of the housing supply and affordability crisis?
- Are they aware of the Housing Accord?
- What have they done to assist in the supply of housing?

IA needs to step in to facilitate and prioritise housing-enabling infrastructure to address Australia's acute lack of supply, unlocking the 1.2 million homes promised by the National Housing Accord.

Housing-specific projects should be made IA's top priority, expanding beyond its usual transport-heavy programs.

If it is not willing to play a central role in ensuring that these vital services are delivered, it should be wound back and folded into a small think-tank at ANU.

This work should be supported by a dedicated Housing Infrastructure Taskforce – modelled on the Housing Delivery Authority and Infrastructure Delivery in NSW – to assess state-submitted barriers via annual reporting cycles to prioritise the areas of the greatest need.

States, in turn, must furnish Infrastructure Australia (or a competent body) with precinct-level data to support its analysis: capacity-constrained utilities, land assembly needs, rezoning dependencies, and their own priority precincts, to ensure that infrastructure can be delivered where it is most needed.

Conclusion

The Commonwealth Government lit the housing spark when it negotiated the National Housing Accord, but its logistical support for the targets has been absent.

While big projects – highways, bridges, airports, fast trains – capture the imagination of bureaucrats and politicians, it is the functional, but vital, infrastructure that is urgently needed.

Water supply, local roads, sewers, electricity poles, wires, and substations – all of these are needed to turn greenfield sites into new communities.

Without Federal support, these are left to the limited resources of state and local governments to deliver, which means that costs are almost completely passed down to developers and, consequently, to home buyers.

Housing is already unaffordable for many of the 27 million people living in Australia today. When we have grown to 31.5 million in 2036, will the 4.5 million additional residents be able to find somewhere to live?

Urban Taskforce welcomes the Senate's investigation into this important issue and looks forward to further discussions about where the problems lie and what the solutions might be.

Should you wish to discuss any aspect of this submission further, please contact our Policy, Planning, and Research Analyst, Paul Waterhouse,

Yours sincerely

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Chief Executive Officer

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