

Select Committee on Productivity in Australia

Response to questions on notice

Questions from Senator Grogan (24/04/2026)

- 1. The first thing I would like you to take on notice is about the non-market measure of productivity and how that, if it was improved, would probably play into exactly what you're saying. What does that look like? What are the metrics we should be looking at to get a better reflection?**

To appropriately reflect the value created and productivity of the non-market sector a change in methodology is needed to shift from the current method of cost-based formulation (i.e. output = input) to an outcome-based model. Conventional measures often show zero or negative productivity growth because output is measured by the cost of inputs rather than the actual impact on the community.

Measuring labour productivity in the non-market sector using socio-economic outcome targets involves shifting from measuring inputs (e.g. dollars spent or staff hired) to measuring the volume and quality of services delivered. As non-market services are often free or highly subsidised, standard market pricing cannot be used, leading to the use of proxies like socio-economic outcomes.

Examples of socio-economic outcomes via non-market sector include:

Health

- Life expectancy targets
- Quality adjusted life years
- Burden of specific diseases
- Incidence of chronic diseases

Education

- Increase in the number of children enrolled in early childhood education
- Education or attainment rates for Year 12
- Lifetime earnings
- Narrowing of skills-employment mismatch

Safety and Justice

- Reduction in rates of adult incarceration
- Family safety and reduced rates of domestic and family violence.

The capacity to link data series through automated data systems enable outcomes to be linked to specific non-market services, thereby enhancing the measurement outcomes.

We frequently use this method for the value-for-money assessment of specific non-market sector programs and note that it can be utilised on a regional, state and national basis. In the United Kingdom, the use of socio-economic value proxies to assess non-market sector productivity and efficiency is encapsulated in the

Public Services (Social Value) Act 2012 and is frequently used in procurement of services and the assessment of non-market sector productivity and efficiency.

- 2. The second one is about boosting productivity in regional areas—great. What are the real opportunities and limitations though? I know I made an off-the-cuff comment about South Australia, but the challenge is that— what you're talking about is Victoria and New South Wales. There's no point saying that everyone can have a regional city just because it sounds good. If you go and build a regional city somewhere, it's going to be hugely expensive, so how do you fund that? Because the simplistic answer of 'we'll just tell the federal government to pay for it'— actually, there has to be a level of reality placed on that one.**

We acknowledge the significant constraints on investment at all levels of government. However, we consider that the Commonwealth has a powerful 'lever' that drives productivity outcomes across the country, in the form of its infrastructure investment. The Commonwealth Government is already involved in regional planning through the decisions it makes about what projects to fund when, and where to fund them.

It is clear that Australia's regions will not grow equally and will not be subject to the same level of investment, as not all regions will be suitable for significant additional housing and employment growth. Access to funding is a key limitation, as are the preferences of Australia's population. A Settlement Strategy should not seek to forcibly relocate residents from one part of the nation to the other contrary to the desire of the population.

However, the National Settlement Strategy we propose in our submission would make the implicit planning currently undertaken through the Commonwealth's infrastructure funding decisions explicit. It would establish a more thorough understanding of the strengths and weaknesses of the nation's regions, as well as the population movement that is already taking place. This will guide investment, identify emerging patterns, and support the areas where demand is strong. A National Settlement Strategy would support business to invest in Australia's regional areas, by providing a strong signal of priorities at different levels of government.

Questions from Senator McKenzie (1/05/2026)

1. How can planning frameworks be reformed to accelerate housing supply in regional cities that will attract people to live and raise their families?

Our initial submission notes the importance of reforming planning frameworks to support housing supply in regional cities. The submission argues that clearer long-term planning, faster approvals and better alignment of housing and infrastructure are essential to accelerating regional housing supply and supporting family settlement.

Planning goes beyond the development approvals system, and encompasses a coordinated approach to infrastructure funding and delivery, land release, and strategic direction for growth. Recommendations 2-9 in our submission provide a range of specific examples of improvements that could be made to planning systems nationally to promote regional housing growth. An overarching National Settlement Strategy (recommendation 1) would consider the role each region can play in supporting housing growth, and provide targets that could inform lower-level regional plans. These targets would be considered alongside existing access to infrastructure and future infrastructure demands, as well as alignment with climate resilience, water security and land availability considerations (recommendation 2). Recognising Government's limited access to funds, a National Settlement Strategy would support infrastructure prioritisation (recommendation 11). This framework would prioritise delivery of infrastructure in regional areas with identified housing capacity, in preference to areas without this capacity (recommendation 7).

Fast-tracked approval systems, such as code-assessment, would support the more efficient approval of new housing (recommendation 3). Expedited pathways may favour proposals with affordable housing or priority industry sector worker housing, addressing identified gaps in supply in regional areas and supporting the specific needs of that region. We also identify a range of opportunities to make better use of existing underutilised land in regional cities, whether it is government land, or underused retail and commercial buildings (recommendations 5 and 6).

Innovative construction methods and alternative housing typologies should also be promoted in regional areas (recommendations 4 and 8). For example, Urbis is involved in a partnership with Colac Otway Shire, modular housing providers, Deakin University and the University of Wollongong to provide 50-100 modular homes in Colac and Apollo Bay. The project is funded by the Commonwealth Government's Regional Precincts and Partnerships Program, demonstrating the innovation that can be supported by Commonwealth funding. Planning frameworks should be reformed to ensure novel models can be supported.

2. What role does integrated land-use and transport planning play in unlocking productivity growth in regional Australia, and where are the current system failures?

Productivity is fundamentally a spatial problem. Integrated land use and transport planning guides the delivery of new development and infrastructure. Productivity is shaped by how land use and infrastructure connect people to jobs and to the other activities they engage in each day.

Where transport infrastructure and land use strategies are aligned, productivity gains can be unlocked through improved connectivity and development that builds on the particular strengths of the region. National coordination is not just about identifying where new infrastructure should be delivered, it is about identifying the existing investment that provides latent capacity for growth.

A National Settlement Strategy would need to be complemented by a thorough audit of existing infrastructure in order to identify the latent capacity of our regions (recommendations 10 and 13 of our submission). We consider a key example of latent capacity to be the peri-urban towns surrounding our

metropolitan areas. These areas have historic transport infrastructure investment, particularly in the form of rail connections to the metropolitan area, and can support more growth than planning systems currently allow.

Adopting this approach would support coordination between all three levels of government to deliver productivity outcomes in Australia's regions. Planning also plays a significant role in conveying government posture to industry and in providing certainty as to the strategic directions that underpin decision making. Certainty of infrastructure provision supports confident investment in regions.

3. How can planning systems better support the development of employment precincts to ensure regional population growth is matched by local job creation?

Regional employment precincts should build on the existing and emerging strengths of the region in question. Understanding the competitive advantages of Australia's regions allows planning to consider how these can be strengthened, rather than seeking to establish entirely new industries without any existing base.

Many of our regional cities have strong existing industrial bases from historical industries. Similarly, many emerging sectors in the national economy have strong potential to drive regional growth. For example, recent Urbis analysis found that nearly half of Victoria's wind energy is generated within the Barwon-South West region, and that 14,500 Geelong residents already work in occupations that support wind energy generation.

Employment precincts in our regions should leverage these existing strengths and look to complementary industries to what already exists (recommendation 18 of our submission). Existing port infrastructure, for example to service an offshore wind industry, provides a physical nexus for this investment. Similarly, regional airports connect regions to markets beyond their local area. Historic industrial locations can also be repurposed for new industries, retaining their employment role (recommendation 19).

A lack of access to essential infrastructure can be a significant impediment to delivering new employment areas in regional and metropolitan areas. The development of long-term plans, which feature integrated land use and infrastructure thinking, and coordination across all levels of government will help to support confident investment from the private sector in employment precincts in our regional cities.

4. What lessons can be drawn from successful regional city growth—both in Australia and internationally, how long has this transformation taken and what timeframes should we be focussed on here in Australia?

In the interests of brevity, we have provided the Committee with the below Victorian examples of successful regional city growth.

Geelong

Geelong has transitioned from a manufacturing-led economy to a more diversified base. The transition has been aided by:

- A strengthening of transport links to Melbourne, including rail upgrades (detailed further below).
- A focus on growing population-serving industries, such as health, education and professional services.
- Ongoing investment in waterfront renewal and city centre revitalisation.
- An enduring commitment from all three tiers of government that the growth of Geelong as Victoria's 'second city' is essential to the State's growth and productivity. The 10-year Geelong City Deal encapsulates this commitment.

Ballarat

Ballarat has grown steadily without losing its regional and historical character. The successful growth of the city has been supported by:

- Investment in a strong civic centre and the celebration of a well-preserved heritage core
- A focus on health and education as major employment anchors
- Targeted public sector relocation and investment (e.g. Ballarat GovHub)
- Investment in good rail connectivity, which has supported commuting and business travel.

Bendigo

Bendigo's growth is a story of embracing amenity and focussing on economic resilience. The growth of the city has in part been supported by:

- Strong and reliable rail connectivity to Melbourne, supporting growth without turning Bendigo into a commuter-only city
- An ability to function as a self-contained regional centre with a robust local jobs market
- A focus on developing a diverse economic base, including health, education, government services, professional services and small business
- Sustained investment in the city centre, public spaces and heritage assets
- A well-developed cultural and arts sector, which has strengthened identity and liveability.

Regional Fast Rail project

Targeted and impactful infrastructure investment is often key to the growth of our regional cities. For example, the Regional Fast Rail project, delivered in the mid to late 2000s, reshaped rail access between Melbourne and regional Victoria. The step change in performance gave regional rail a level of certainty that had not existed for decades, making train travel a realistic and attractive option for daily commuting as well as business and education trips.

For Ballarat, Bendigo and Geelong, these improvements unlocked substantial growth and productivity benefits. Faster and more reliable connections strengthened each city's role as an alternative centre to Melbourne, supporting population growth, housing development and employment diversification. Geelong benefited from improved access to Melbourne's labour market, while continuing to build its own economic base, particularly in education, health, and advanced manufacturing. Bendigo and Ballarat experienced similar gains, with enhanced connectivity supporting CBD revitalisation, regional service expansion and stronger investor confidence. In both cases, the Regional Fast Rail project helped shift perceptions of distance and accessibility, underpinning long-term urban and economic growth.

Common ingredients for success

A number of common themes emerge when considering what makes successful regional cities. Based on relevant national and international examples, the following factors stand out:

- Economic diversification, rather than reliance on a single industry
- High-quality infrastructure, particularly transport and digital connectivity
- Strong anchors such as universities, hospitals or government functions

- A clear identity and sense of place, not just growth for its own sake
- Long-term planning and governance continuity.

Transformation requires commitment and patience

Successfully growing our regional cities, and where necessary transforming regional economies, is a significant undertaking. It requires concerted effort and patience from Government, and enduring partnerships with the private sector and institutions.

It can take decades for the benefits of investment to be realised (e.g. the positive impact of the Regional Fast Rail project in Victoria). While a long-term view (e.g. 20-30 years) is certainly required from policy makers and decision makers, the task also needs to be broken into more manageable and palatable short-term stages (e.g. 0-5 years, 5-10 or 5-15 years).