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20 February 2026

Committee Secretary
Select Committee on Productivity in Australia
Department of the Senate
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Parliament House
Canberra ACT 2600
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Dear Chair and Members of the Select Committee,

Submission to the Select Committee on Productivity in Australia

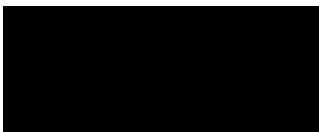
Urbis Ltd welcomes the opportunity to make a submission to the Select Committee on Productivity in Australia. As an urban consultancy, our purpose is to help shape cities and communities across Australia for a better future. We advise government, industry and private sector clients across metropolitan and regional contexts, drawing on our expertise in planning, economics, design and strategic advisory.

Productivity presents as a spatial issue, which plays out differently across urban and regional Australia. It is shaped by the places in which people live and work. Productivity is also a development industry issue, given the role the industry plays in delivering housing, employment floorspace, and infrastructure. More broadly, productivity is a social issue, influencing access to jobs, services and opportunity across the nation.

Urbis' submission focuses on the productivity gains that can be achieved by growing opportunity in regional Australia. It responds to the terms of reference for the inquiry, as well as the Discussion Paper questions that relate to the role regional Australia can play in addressing the national productivity challenge.

We look forward to ongoing engagement with the Committee and would welcome the opportunity to participate in a public hearing should that be of assistance.

Yours sincerely,



Evan Granger
Director



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Supercharging our regions

*Submission to the
Select Committee on
Productivity in Australia*

February 2026



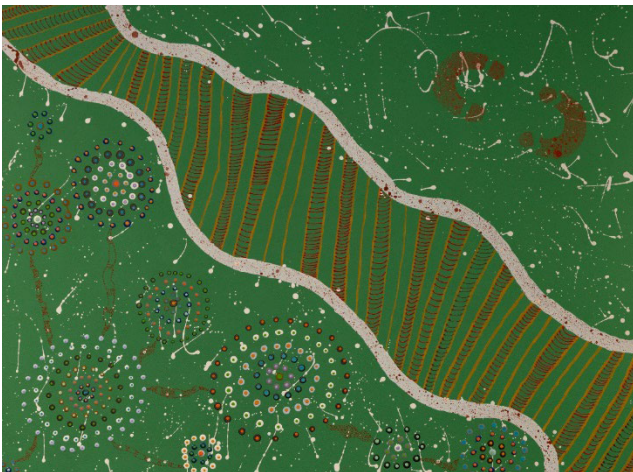
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Acknowledgment of Country

Urbis acknowledges the Traditional Custodians of the lands we operate on. We recognise that First Nations sovereignty was never ceded and respect First Nations peoples continuing connection to these lands, waterways and ecosystems for over 60,000 years. We pay our respects to First Nations Elders, past and present.

Urbis is committed to incorporating our respect for First Nations cultures, peoples and storytelling in our work across the Country. We are proud to have partnered with Darug Nation artist, **Hayley Pigram**, and to profile her artwork – **Sacred River Dreaming**.



The river is the symbol of the Dreaming and the journey of life. The circles and lines represent people meeting and connections across time and space. When we are working in different places, we can still be connected and work towards the same goal.

All information supplied to Urbis in order to conduct this research has been treated in the strictest confidence. It shall only be used in this context and shall not be made available to third parties without client authorisation. Confidential information has been stored securely and data provided by respondents, as well as their identity, has been treated in the strictest confidence and all assurance given to respondents have been and shall be fulfilled.

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Introduction

Urbis Ltd is pleased to provide a submission to the Select Committee on Productivity in Australia.

Urbis is an urban consultancy, with a simple goal – to shape cities and communities across Australia for a better future. We advise government, industry and private clients nationally, across urban areas and our regions. We are a collective of planners, economists, designers and strategic advisors deeply invested in a thriving Australia.

Productivity needs to be considered through a spatial lens, as it affects all our communities, urban and regional, and large and small. It is a development industry issue, as this industry shapes the places Australians live and work. And it is a social issue that affects access to opportunity across the nation.

Improving productivity is a complex matter and has been the subject of numerous inquiries in the past, as well as the work of this inquiry. Our submission focuses on the opportunities for a more productive regional Australia.

This submission responds to select terms of reference of the inquiry, namely:

2. *objectives for a multi-decade national settlement strategy to achieve a more balanced distribution of population between cities and regional Australia, with a view to enhancing economic resilience, productivity and social cohesion;*
3. *the current position and opportunities to gain productivity growth;*
6. *opportunities for the states and territories to drive growth;*
9. *priority opportunities in the market and non-market sectors for productivity growth.*

The submission also responds to the questions posited by the [Discussion Paper](#) around the role that regional Australia can play in meeting the productivity challenge:

- *What strategies can be employed for supporting the economic and productivity growth of regional Australia? How does this growth impact Australia's national productivity?*
- *How do strategies that encourage increased settlement in regional areas support growth, development and improved productivity?*
- *How can skilled migrants be encouraged to settle in regional hubs rather than major cities?*
- *What opportunities and challenges do inland cities present for long-term development?*

In the following sections, we consider the productivity challenge and regional Australia's future role, and then present opportunities to improve Australia's productivity by successfully growing our regional cities and towns.

Importantly, Australia's regional areas are not homogeneous. A solution that works for one region will not necessarily work for another. Each region must play to its local strengths and its attributes. Given the breadth of different places that comprise Australia's regions, we have largely focussed our analysis and associated recommendations on:

- 'Second cities', such as Geelong, the Gold Coast, Newcastle, and Wollongong
- Large regional cities, like Albury / Wodonga, Ballarat, Bendigo, Dubbo, Wagga Wagga, Mount Gambier, Bunbury, and Rockhampton, Toowoomba
- Peri-urban townships within an hour's train trip of our capital cities.

1 Setting the scene

**The productivity challenge and the role our
regions can play**

1 Setting the scene

1.1 The productivity challenge and its spatial dimension

Australia is experiencing a prolonged slowdown in productivity growth, particularly in labour productivity, which is the primary driver of long-term improvements in living standards.

Following strong gains during the 1990s and early 2000s, productivity growth has weakened since the mid-2000s and has remained subdued over the past decade.¹

Recent economic growth has been driven largely by population growth and increased hours worked rather than by producing more value per hour. The Productivity Commission notes that this approach is reaching its limits, particularly as an ageing population places pressure on workforce participation and public finances.² Both the Productivity Commission and the Grattan Institute emphasise that without a sustained lift in productivity, future real wage growth and improvements in living standards will be constrained.³

The slowdown reflects a range of structural challenges, including a slow diffusion of innovation and technology beyond leading firms, skills shortages and mismatches, declining business investment intensity outside the mineral resources sector, infrastructure gaps, and regulatory and planning complexity that delays investment and efficient land use.⁴

Productivity is not just an economic consideration – it is also a spatial one. This spatial dimension integrates population change with geography, infrastructure, and agglomeration effects. It is not just about *what* people do and make, but also *where*. The local aspect is intrinsic to how productive we are.⁵ We believe there is a role for all levels of government in driving integrated consideration of this spatial dimension, which flows from population-level policy down to site-specific development considerations.

1.2 The importance of population growth to Australia's economy and productivity

Population growth has long been a central contributor to Australia's economic performance. It expands the size of the labour force, supports demand across housing, infrastructure and services, and helps to sustain overall economic growth. In periods of weak productivity growth, population growth has played an especially important role in maintaining Australia's GDP growth and fiscal revenues. Recent economic expansion has relied heavily on increases in population and labour input, reflecting both strong migration and high workforce participation.⁶

¹ Productivity Commission, *Shifting the dial: 5 year productivity review (inquiry report no. 84)* (Canberra: Australian Government, 2017); Productivity Commission, *5-year productivity inquiry: advancing prosperity (inquiry report no. 100)* (Canberra: Australian Government, 2023).

² Productivity Commission, *An ageing Australia: preparing for the future* (Canberra: Australian Government, 2013); Productivity Commission, *Advancing prosperity*, 2023.

³ Productivity Commission, *Advancing prosperity*, 2023; Grattan Institute, *Australia's productivity challenge* (Melbourne: Grattan Institute, 2011).

⁴ Productivity Commission, *Shifting the dial*, 2017; Productivity Commission, *Advancing prosperity*, 2023

⁵ Alexandra Tsvetkova et. al., *The spatial dimension of productivity: Connecting the dots across industries, firms and places* (Paris: OECD, 2020).

⁶ The Treasury & the Department of Home Affairs, *Shaping a nation – Population growth and immigration over time*, (Canberra: The Australian Government, 2018).

Migration, as a sub-set of overall population growth, is also important for productivity. Migrants tend to be of working age and are more likely to participate in the labour force, helping to offset the effects of population ageing. Skilled migration supports knowledge transfer, innovation and business formation, and can ease skill shortages that would otherwise constrain output and productivity growth.⁷ Migration lifts average incomes over the long-term and improves the sustainability of public finances, even though short-term benefits can vary by location and sector.⁸

While population growth brings benefits, it also places pressure on housing supply, infrastructure, services and the environment, particularly in major cities. However, sharply reducing population growth or 'turning off' migration would slow economic growth, worsen skill shortages, and accelerate the adverse impacts associated with an ageing population.

The policy challenge is therefore not whether Australia should have population growth, but how to manage it effectively and equitably. We need to coordinate growth with housing supply, infrastructure investment and regional development to support higher productivity and better living standards across the country.

1.3 The importance of productive regions to Australia's economy

Regional Australia has played, and can continue to play, a critical role in addressing Australia's population growth and productivity challenges. Regional areas have historically generated a substantial share of national output, particularly in agriculture, resources, manufacturing, logistics, energy and essential services.⁹ The Regional Australia Institute has also emphasised the dynamic nature of regional economies, and their contribution to sectors not traditionally associated with the regions.¹⁰

However, productivity outcomes can vary widely between regions, reflecting differences in access to skilled labour, transport and digital infrastructure, housing, and economic diversification.¹¹ Many regional economies remain narrowly based, with limited diversification and increasing exposure to economic shocks, which often result from big swings in commodity prices. Underinvestment in regional service centres reduces their capacity to support population and employment growth.

While they face challenges, our regions present productivity opportunities that should be embraced. Productivity growth in our regional areas can:

- Reduce pressure on capital cities and improve national infrastructure efficiency
- Support industry diversification and resilience
- Lift workforce participation through more affordable housing and shorter commutes.

⁷ Productivity Commission, *Advancing prosperity*, 2023.

⁸ Productivity Commission, *A 'sustainable' population? – Key policy issues* (Canberra: Australian Government, 2011).

⁹ Regional Australia Institute, *Talking Point: The Foundations of Regional Australia*, (Canberra: Regional Australia Institute, 2014).

¹⁰ Regional Australia Institute, *Talking Point: The economic contribution of regions to Australia's prosperity* (Canberra: Regional Australia Institute, 2025).

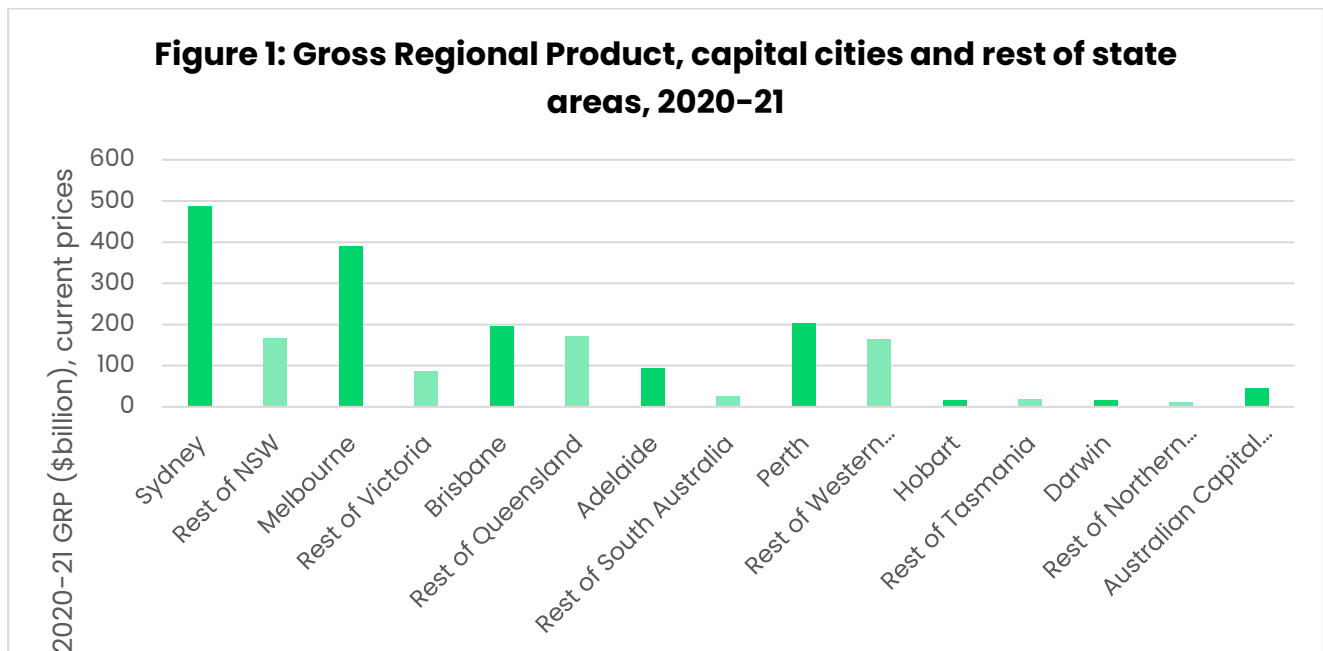
¹¹ Bureau of Communications, Arts and Regional Research, *Experimental Gross Regional Product estimates* (Canberra: Australian Government, 2025).

Improving the productivity of regional areas does not require replicating metropolitan economies or starting from scratch. Instead, it requires place-based policies that support regions to build on their comparative advantages, improve connectivity to markets and services, and strengthen local skills.¹²

Well-planned regional cities with sufficient scale can capture agglomeration benefits without metropolitan diseconomies, provided they have sufficient levels of density and connectivity.¹³ The smaller spatial footprint and populations of these centres means that residents experience less congestion and shorter commutes, compared to our capital cities.¹⁴

Concerted planning effort is essential to successful regional areas. This requires specifying a vision for that region, and how it will be achieved. This might be planning for one larger regional city, or for a regional ‘cluster’, where distinct communities adopt a shared vision to capitalise on their strengths and build collective productivity.¹⁵ By behaving as a cluster, regional communities seek to strengthen their agglomeration economies, offering facilitative conditions for accelerated regional growth.¹⁶

Coordinated delivery of regional housing supply, targeted infrastructure provision, managed industry transition, and streamlined planning systems that put ‘place’ first can unlock underutilised capacity in regional economies and deliver productivity gains of national significance.¹⁷ These points are addressed further in the following sections.



Source: BCARR analysis. Gross Regional Product, capital city SA4s, 2020-2021.

¹² Select Committee on Regional Development and Decentralisation, *Regions at the Ready: investing in Australia's Future* (Canberra: House of Representatives, 2018).

¹³ Standing Committee on Infrastructure, Transport and Cities, *Building Up & Moving Out*, (Canberra: House of Representatives, 2018); Infrastructure Australia, *Australian Infrastructure Plan 2021* (Canberra: Infrastructure Australia, 2021).

¹⁴ Melbourne Institute of Applied Economic and Social Research, *2025 HILDA Annual Statistical Report* (Parkville: The University of Melbourne, 2025), p. 97.

¹⁵ Standing Committee on Infrastructure, Transport and Cities, *Building Up & Moving Out*, 2018; Urbis, *From potential to performance: Australia's path to innovation excellence* (Melbourne: Urbis, 2024).

¹⁶ Peter Gordon and Karima Kourtit, "Agglomeration and clusters near and far for regional development: A critical assessment", *Regional Science Policy & Practice* 12, no. 3 (June 2020): 387-396, doi: 10.1111/rsp3.12264.

¹⁷ Infrastructure Australia, *Australian Infrastructure Plan 2021*, 2021; Regional Australia Institute, *Regionalisation Ambition 2032: A Framework to Rebalance the Nation* (Canberra: Regional Australia Institute, 2022).

Technology has reduced the tyranny of distance

The growth of remote and hybrid work has fundamentally changed the geography of employment. On the day of the 2021 census, 21% of all Australians worked from home, far higher than ever before.¹⁸ While this data is strongly influenced by the COVID-19 pandemic, it is clear now that for many professional and knowledge-based roles, proximity to a capital city CBD is no longer essential. This creates opportunities for regional Australia, but also poses challenges for regional areas that now compete with employers in the capital cities.¹⁹

Key opportunities stemming from the work-from-home revolution include:

- An increased ability for regional cities and peri-urban areas to attract and retain high-skill workers
- Increased workforce participation, particularly for parents and older workers
- Productivity gains through reduced commuting time and improved wellbeing.

The distribution of remote work throughout regional Australia is far from even, however. For example, in Victoria and outside metropolitan Melbourne, the highest proportion of remote workers on census day were in the 'lifestyle' municipalities of Surf Coast, Macedon Ranges, Hepburn and Mount Alexander Shires. Workers in these regions can still reach their employers in the city when required to, but benefit from the lifestyle factors of a regional setting. Hepburn Shire and Surf Coast Shire have also seen a large proportion of Victoria's regional migration.²⁰

While the change is uneven, the labour economy in Australia is radically different from how it was only ten years ago.

1.4 Concentration of population growth and economic activity in our cities and regions

Australia's economic activity remains heavily concentrated in Sydney, Melbourne and South East Queensland.

As reported by the Centre for Population, in 2023-24 the population of our capital cities was 18.4 million while the population in the rest-of-state areas was 8.8 million (68 per cent and 32 per cent of the total population respectively).²¹ The Centre for Population estimates that by 2035-36, the capital city population will reach 21.8 million (an increase of 18 per cent), whereas the population in the rest-of-state areas is projected to increase by 10 per cent to 9.6 million. During this period, capital cities are forecast to 'grow nearly twice as fast as the rest-of-state areas, with average annual growth of 1.4 per cent compared to rest-of-state regions at 0.8 per cent.'²²

¹⁸ "Who was working from home on Census day 2021?" .id (informed decisions), <https://www.id.com.au/insights/articles/who-was-working-from-home-on-census-day-2021/>.

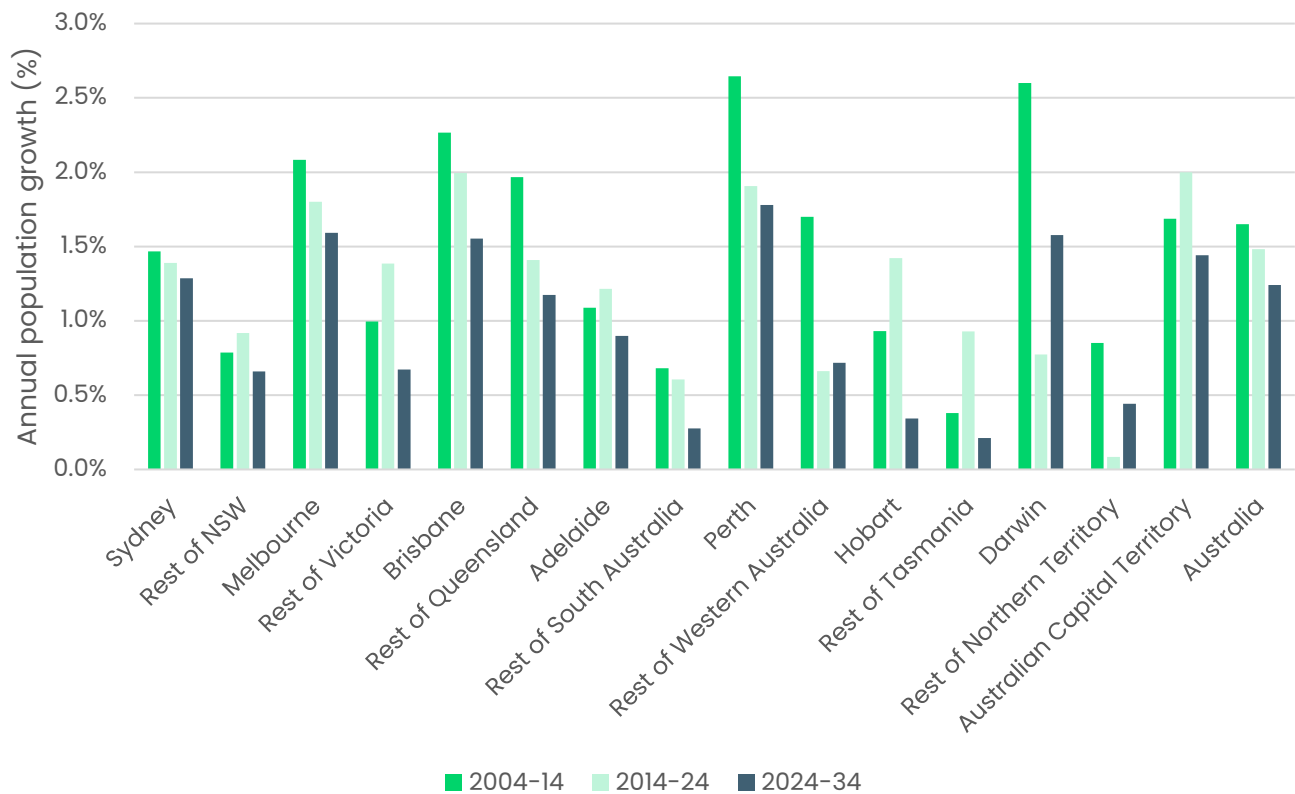
¹⁹ Sue Solly, et. al., *Hybrid Work Opportunities in Regional Victoria – Final report*, (Hawthorn: Swinburne University of Technology, 2024).

²⁰ Peter Ghin & Susan Ainsworth, *The Great Migration: Leaving our Cities for the Regions – Part I*, (Parkville: The University of Melbourne, 2022).

²¹ Centre for Population, *2025 population statement*, (Canberra: Australian Government, 2026), p. 33.

²² Centre for Population, *2025 population statement*, 2026, p. 33.

Figure 2: Population growth, capital cities and rest of state areas, 2004–2034

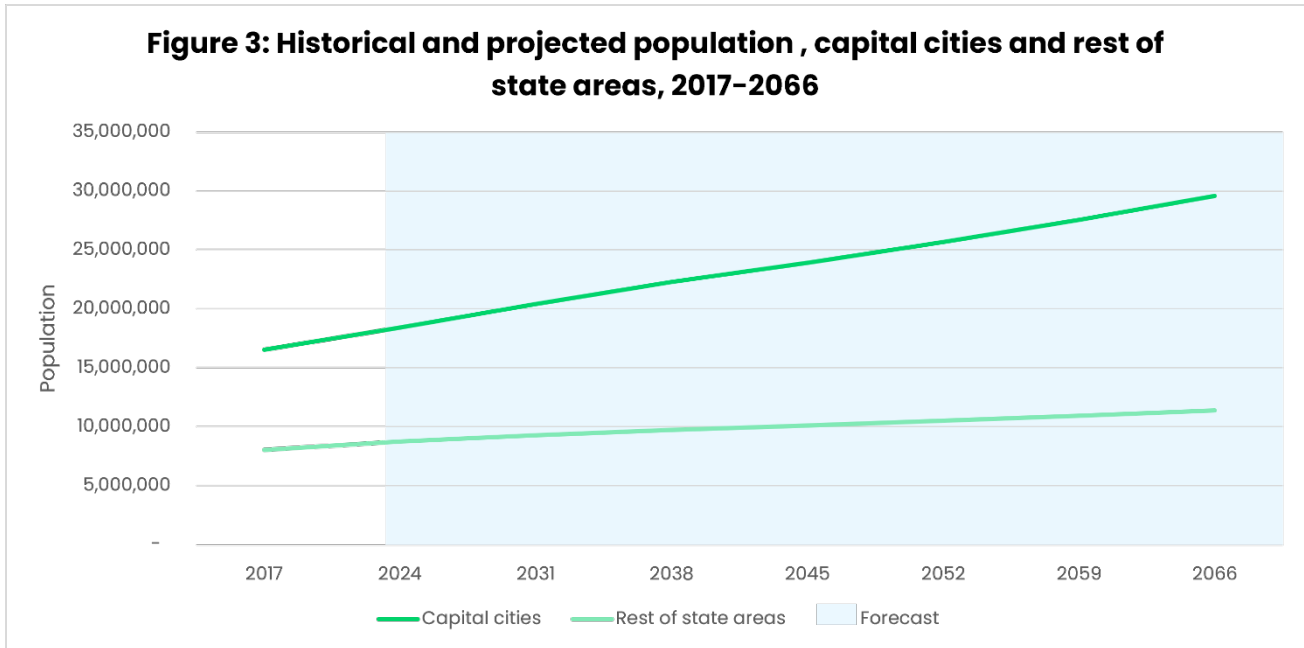


Source: ABS, *Regional population, 2023–24*; Centre for Population.

By 2065–66, it is predicted that 29.6 million (72 per cent) of Australians are projected to reside in capital cities, up from the current 68 per cent.²³

This direction of travel will see Sydney and Melbourne become megacities with populations of approximately 10 million each. In the same time period, Perth and Brisbane are projected to reach the scale of Sydney and Melbourne today.

²³ Centre for Population, *2025 Population statement, 2026*, p. 34



Source: ABS, *Regional population, 2023–2024*; Centre for Population.

The continued growth of our established cities is broadly a good thing, particularly because of the benefits of agglomeration that can be realised.²⁴ However, as cities scale, they can begin to encounter agglomeration diseconomies. In other words, at a certain point in a city’s growth, the return on investment for adding one more person begins to reduce. As cities become more crowded, stress on transport, infrastructure and housing, among other amenities, will become more pronounced, reducing the benefits of agglomeration.²⁵

The negative externalities associated with the disproportionate growth of our capital cities can be avoided by seeking to better realise the growth opportunities throughout Australia’s regional cities and towns. Regional communities offer enormous potential to provide both a quality and a style of life that offers a compelling alternative to that offered within our capital cities. For Australia to fully realise its prosperity and productivity ambitions, targeted support must be provided to the regions, as we outline in the remainder of this submission.

²⁴ Since as far back as 1890, agglomeration economics has long interested those working in the urban and built environment fields. See Antonio Ciccone & Robert Hall, “Productivity and the density of economic activity”, *American Economic Review* 86, no. 1 (1996): 54–70 through to Enrico Moretti “The effect of high-tech clusters on the productivity of top inventors”, *American Economic Review* 111, no. 10 (October 2021): 3328–3375.

²⁵ See Susanne Frick & Andres Rodriguez-Pose, “Big or small cities? On city size and economic growth”, *Growth and Change* 49, no. 1 (November 2017): 4–32, doi: 10.1111/grow.12232, and Glenn Searle, et al., “Underappreciated mid-sized cities: policy opportunities and challenges”, *Cities* 171 (2026): 106751, doi: 10.1016/j.cities.2025.106751

Summary – addressing our productivity challenges must involve our regions

- Australia’s productivity challenges are widely recognised. These challenges are partly spatial in nature, and they affect our regional areas.
- Historically, much of our productivity growth has come from our growing population. However, continually increasing the size of our capital cities, as has been the historic trend, is unsustainable and can lead to diseconomies of scale.
- Our regions already contribute significantly to the nation’s productivity, but they have substantial capacity to grow, building on their existing local strengths.

2

Setting our regions up for success

**Opportunities to create thriving regional cities
and towns**

2 Setting our regions up for success

Regional Australia is not a homogenous area existing beyond metropolitan centres. It encompasses the nation's food producing regions. It is the home of our substantial resource sector. It offers diverse tourism destinations, and ecosystems of national and global significance. Regional, rural and remote Australia plays a fundamental role in Australia's economy, environment and identity.

The opportunities across these areas are substantial and varied, and cannot be adequately addressed within a single submission. As such, Urbis has limited the focus of its submission to the role that our regional cities and towns can play in enhancing the overall productivity of the nation.

A nation-wide ecosystem of regional cities and towns

At the risk of oversimplifying matters, but in the interest of brevity, we have defined regional cities and towns into the following categories:

Second cities

The term 'second city' describes large, fast-growing cities that sit outside our major capital cities, but have the scale, economic diversity and infrastructure to play a more significant national or state role. They are typically larger and more complex than most regional centres, but smaller than Sydney, Melbourne or Brisbane.

Australia's second cities vary greatly, but are often subject to the same market forces that are driving most of the population growth into Australia's major capitals. The largest centres, such as Gold Coast, Newcastle, Sunshine Coast, Wollongong and Geelong, all have larger populations than Hobart, Australia's smallest state capital city.

Our second cities are well placed to absorb growth due to existing infrastructure, institutions and labour markets. They are also all located close, and are well connected, to Melbourne, Sydney and Brisbane and – perhaps unsurprisingly – like these major capital cities, are among the fastest growing regions in Australia.

Large regional cities

Large regional cities typically function as regional service hubs, connecting surrounding agricultural, resource, industrial or logistics regions to national and global markets via road, rail and, in some cases, airports. They also act as centres for health, education, and professional services for surrounding population catchments. Examples of our regional cities include Albury-Wodonga, Ballarat, Bendigo, Bunbury, Mildura, Mount Gambier, Toowoomba, and Wagga Wagga. Akin to second cities, large regional cities are often well placed to support productivity growth.

Smaller regional cities and towns

Smaller regional cities and towns support local and surrounding rural communities, but do not function as major regional centres. Unlike large regional cities, they typically have smaller populations, more limited service catchments and narrower employment bases, often centred on agriculture, resource industries, local manufacturing, tourism, or public services. While they provide essential housing, services and community infrastructure for their regions, smaller regional cities and towns generally have less access to higher-order health, education and transport infrastructure and are more sensitive to economic change, population shifts, and infrastructure constraints.

Peri-urban townships

Peri-urban townships are broadly thriving in Australia, particularly due to the uptake of remote working arrangements. These townships, located between 30-100 kilometres from a capital city centre have typically retained a distinct local identity and smaller-scale character, while still being functionally linked to the city through a manageable commute, particularly by passenger rail. Some peri-urban townships are experiencing growth pressure due to nearby metropolitan expansion, while others remain predominantly rural lifestyle focussed or act as hubs for agriculture, industry or tourism.

2.1 A cohesive plan to grow our regional cities and towns

2.1.1 The challenge

Growing our regional cities and towns means growing our productivity. However, there is currently no cohesive, coordinated plan to direct or manage this growth, and capture resultant opportunities to lift productivity.

At present, Australia relies on a multitude of jurisdictional strategies and regulatory regimes to drive economic and urban development and plan and deliver infrastructure and services across the regions. Responsibility for these frameworks is divided across three tiers of government, with responsibility for infrastructure, employment planning and service delivery primarily resting with the states and territories and local government.

We support this current allocation of responsibility and note that strategic planning in Australia is broadly of a very high standard. However, currently there is no consistent, overarching national view on regional Australia's growth. Regional-scale planning is also considered of a high standard, but it is fragmented and there is no coherent guidance on how regional and local plans should respond to medium to long-term population and employment changes.

Effective development and infrastructure investment in our regions depends on a clear and agreed destination. In the absence of a shared understanding of where growth is intended to occur and what it is expected to deliver, decisions about planning controls, infrastructure prioritisation and funding allocation risk becoming fragmented and inconsistent. As we have previously emphasised, it is critical that we embrace geography in driving productivity nationally, building on regional strengths and supporting local clustering.²⁶

2.1.2 The opportunity

While land use planning should remain the remit of state, territory and local governments, Urbis is supportive of the Australian Government working collaboratively with state, territory and local governments to improve the integration of regional land use planning with infrastructure and services planning, as well as facilitating efficiencies and consistencies across our land use planning systems.

As we have recommended previously, a comprehensive National Settlement Strategy should be developed to manage population growth and ensure sustainable development across Australia, including its regions.²⁷ The Australian Government should incentivise and support the coordination of consistent long-term regional plans that align land use with infrastructure planning and delivery. This process should ensure alignment of population, housing, and employment projections, as well as planning horizons.

As a subset of this regional planning initiative, the Australian Government should oversee coordination and assist with the development of economic development and master plans for each of Australia's major regional centres and their catchments. These plans could also inform the development of future Regional (City) Deals.

Fundamentally, an overarching settlement strategy should seek to leverage the productivity gains associated with improving housing and employment outcomes in our regional areas.

²⁶ We identified embracing 'geography's role in the national innovation system' as a critical pathway to transforming our innovation potential in our report *From potential to performance*, 2024.

²⁷ Urbis, *Submission in response to Inquiry into Regional Australia* (Melbourne: Urbis, 2019).

Recommendation 1

In collaboration with states, territories and local government, prepare a National Settlement Strategy that provides a coordinated plan to capture the productivity benefits that can be obtained through the growth of our regional cities and towns

Short-term (0-5 years)

2.2 Encouraging more people to live and work in the regions

Australia’s regional cities and towns have an important role to play in driving national productivity and economic resilience, particularly through population growth, workforce participation, and industry diversification. Attracting and retaining new residents and workers to our regional cities and towns is central to this role. However, many regional communities face structural and place-based challenges that constrain their ability to compete with our capital cities for people and skills, even where employment demand exists.

2.2.1 The challenge

Our regional cities and towns often face the following challenges:²⁸

- **Limited housing availability and choice:** constrained supply, rising costs in some regions, and limited diversity in housing types suitable for different life stages.
- **Limited employment depth and diversity:** limited job markets and fewer professional and career progression opportunities for dual income households.
- **Access to services and infrastructure:** reduced access to higher-order health care, education and childcare, as well as gaps in transport and digital connectivity.
- **Amenity and liveability perceptions:** challenges in providing cultural, recreational and social infrastructure that supports long-term settlement, rather than short term relocation.
- **Planning and investment certainty:** inconsistent planning frameworks and infrastructure funding can limit private sector confidence and slow the delivery of enabling infrastructure.

Addressing these challenges is essential if regional cities and towns are to attract population growth that is sustained, productive and aligned with local economic opportunities. Without coordinated investment in housing, services, infrastructure and place-based planning, the potential contribution of regional Australia to national productivity will remain constrained.

2.2.2 Increased housing choice and affordability

Access to affordable and diverse housing is crucial to the development of vibrant and sustainable regional cities and towns. It enables people to establish roots within their community and contribute to local and regional economic development by providing the workforce needed to support industry, services and essential community functions.

However, regional housing markets are influenced by a wide range of structural factors, including local population and economic trends, the cost and availability of capital, policy settings, investment returns, fragmented land ownership, and the cost and capacity of infrastructure.

²⁸ Productivity Commission, *Advancing prosperity*, 2023; National Housing Supply and Affordability Council, *State of the housing system 2025*, (Canberra: Australian Government, 2025); Infrastructure Australia, *Australian Infrastructure Plan 2021*, 2021.

Together, these constraints can often lead to a lack of supply of appropriate and quality housing in the locations where it is most needed, which in turn can inhibit economic growth, workforce attraction and retention, and broader social outcomes.

We have consistently observed a strong link between housing supply and broader regional productivity. Housing constraints affect the ability to attract key workers and skilled labour, accommodate new industries, and support tourism and business activity. In many regional centres, housing availability is a prerequisite to unlocking employment growth and enabling economic diversification.

Recent work that Urbis completed in Kalgoorlie found that businesses either had to recently cease operating in the area or are considering the sustainability of future operations given lack of accommodation availability. Furthermore, businesses noted that they will not be able to grow to take advantage of economic and business opportunities. 57 per cent of businesses surveyed reported having experienced resignations or rejections of employment offers as a result of the lack of accommodation options.²⁹ Urbis has observed similar direct impacts on business growth and their ongoing sustainability in coastal tourism towns, such as Esperance.³⁰ The issue is also prevalent across other parts of regional Australia.

The opportunity

The Australian Government can play a central role in influencing the availability, diversity and affordability of housing in regional Australia. Based on our work, the most effective levers tend to fall into four broad categories:

- **Policy controls and information:** planning settings, zoning flexibility, and proactive land supply strategies that reduce barriers and provide market confidence.
- **Enabling infrastructure:** timely delivery of water, power, sewer, transport and community infrastructure to unlock development-ready land.
- **Direct investment:** delivery of serviced land, key worker housing, or targeted housing programs in priority locations.
- **Incentives and subsidies:** rate relief, grants, fast-tracked approvals, or targeted rental support schemes to improve project feasibility and attract private investment.

We have shaped these opportunities into the following short, medium and long-term recommendations.

Recommendation 2

As part of an overarching National Settlement Strategy (see Recommendation 1), embed long-term housing and employment growth strategies into regional plans, aligned with climate resilience, water security and land availability considerations.

Short-term (0-5 years)

²⁹ Urbis, *Kalgoorlie-Boulder land and housing position paper* (Perth: Urbis, 2022), <https://www.gedc.wa.gov.au/wp-content/uploads/2022/12/Kalgoorlie-Boulder-Land-and-Housing-Position-Paper.pdf>

³⁰ Urbis, *Esperance land, housing and accommodation study*, (Perth: Urbis, 2023), <https://www.gedc.wa.gov.au/wp-content/uploads/2023/10/Shire-of-Esperance-Housing-and-Land-Study.pdf>

Recommendation 3

Introduce fast-track approval pathways for well-located housing in regional centres, including code assessment for low-rise apartments, townhouses and secondary dwellings. Fast-track pathways may favour proposals that contain an element of affordable or priority industry sector worker housing.

Short-term (0-5 years)

Recommendation 4

Provide funding and planning approval support for pilot projects that demonstrate the viability of diverse housing typologies in regional areas.

Short-term (0-5 years) to medium-term (6-10 years)

Recommendation 5

Provide funding and planning support to convert empty retail, commercial and public buildings into housing, particularly in regional town centres.

Short-term (0-5 years) to medium-term (6-10 years)

Recommendation 6

Work with State and Territory governments to prioritise the release of surplus or underutilised government land in regional areas for housing.

Short-term (0-5 years) to medium-term (6-10 years)

Recommendation 7

Prioritise Commonwealth and state infrastructure funding for water, sewer, roads and community infrastructure in locations where new housing supply can be delivered quickly.

Short-term (0-5 years) to medium-term (6-10 years)

Recommendation 8

Support innovation in construction methods, energy-efficient design and locally sourced materials to reduce long-term housing costs for households.

Medium-term (6-10 years) to long-term (11-20 years)

Recommendation 9

Align tax, housing and infrastructure policy to support sustained regional population growth.

Long-term (11-20 years)

2.2.3 Targeted infrastructure investment

The literature and our analysis shows that housing affordability alone is insufficient without coordinated investment in services and jobs.

Infrastructure access in our regional places is unevenly distributed. Many of our larger regional cities have good access to infrastructure, but much of it is not as up to date as in our capital cities. Smaller regional cities often struggle to fund infrastructure from their rates-base, and due to smaller populations, delivery of that infrastructure can cost more per person.³¹ Improving the level of service for regional areas, in line with the identified need and gap, would increase the attractiveness of regional areas throughout the country. As populations grow, existing infrastructure in these areas will be more stressed – while there may be some latent capacity resulting from historic investment, particularly in our larger regional centres, investment in infrastructure needs to keep up with demand for services as it changes.

Local government has a critical function in planning for and delivering infrastructure in Australia’s regional areas, but often struggles to fund it.³² While state government directly delivers some higher-order infrastructure, such as rail and higher-order roads, but the majority of the burden falls on local governments.

The opportunity

Coordinating groups of regional councils, such as through the existing Regional Development Australia (RDA) committees, will allow for a consistent approach to infrastructure identification and funding. A nationwide understanding of what infrastructure already exists is needed and is a necessary precondition to inform an understanding of future demand. Demand analysis should be informed by local directions for residential and employment growth.

Recommendation 10

Establish a consistent approach to infrastructure need analysis across the country, to assess the utilisation of existing assets, and forecast demand for new and upgraded infrastructure based on existing need and expected growth.

Short-term (0-5 years)

A consistent approach to infrastructure needs identification would allow clear priorities to be identified nationally and within each region. This could then underpin a systematic, consistent approach to Commonwealth and state and territory-funding through Regional Deals that fund and deliver priority projects. These projects need not all be nation-shaping projects, like High-Speed Rail or Inland Rail, but might also include targeted investment in existing regional rail. It may also look like funding local investment that improves the amenity of regional places and makes them more attractive to live in. The existing RDA Committee structure may provide a suitable forum to negotiate the Regional Deals, though other regional groupings may also be appropriate. The first Regional Deals, established at Barkly, Hinkler and Albury-Wodonga, provide an example of the approach that can now be replicated elsewhere in the country.

Recommendation 11

Fund and deliver infrastructure in line with a national infrastructure prioritisation framework, that considers the specific needs of each region (based on the findings of Recommendation 10).

Short-term (0-5 years)

A robust, consistent framework for infrastructure investment, which can be replicated across the nation, would provide confidence to private investment in regional areas. Where developers and business have a clear understanding of the infrastructure that is required in the regions, and the pathway to its delivery,

³¹ Economy and Infrastructure Committee, *Local government funding and services inquiry* (Melbourne: Victorian Legislative Council, 2024).

³² Regional Cities Victoria, *Inquiry into local government funding and services* (Melbourne: Regional Cities Victoria, 2024).

investment in residential and commercial development that will contribute to local productivity is more likely. Employer confidence will support growing agglomeration economies in our regional areas.

Recommendation 12

Using the RDA Committees as a forum, establish Regional Deals that fund and monitor delivery of the priority infrastructure projects within regional areas across the nation.

Medium-term (6-10 years)

2.2.4 Doing more with what we have

While parts of Australia's regions are underserved from an infrastructure perspective, other places are already well-served for infrastructure. Many cities and towns benefit from significant historic transport investment, such as frequent regional rail connections, and are close to metropolitan centres. They also have access to a level of natural amenity that metropolitan areas can struggle to match.

The opportunity

Much of this infrastructure has additional capacity that could contribute to productivity growth, but its link to land use outcomes is not sufficiently exploited. Productivity gains could be realised by making better use of the assets that communities already have. Infill development opportunities exist around transport and service nodes in regional areas. State governments around Australia are currently promoting significant growth around transport infrastructure in metropolitan areas; the same opportunity exists around infrastructure in regional areas. If land use was better integrated with existing and proposed infrastructure in regional areas, their contribution to productivity could be increased.

Recommendation 10, discussed above, would provide the initial baseline understanding of existing infrastructure, and support further decision-making about where to target investment.

Recommendation 13

Undertake a national audit of underutilised regional infrastructure, to support land use planning for regional areas.

Short-term (0-5 years)

The efficient use of regional infrastructure could also be incentivised by tying the funding of priority regional infrastructure to clear land use and development outcomes – this might form part of the prioritisation framework discussed in the preceding section (see Recommendation 11).

Recommendation 14

Tie future infrastructure funding to clear land use and employment-generation outcomes to ensure potential productivity gains are realised.

Short-term (0-5 years) to medium-term (6-10 years)

2.2.5 Realising the potential of our peri-urban townships

Peri-urban townships with strong rail or road access to major cities represent a significant productivity opportunity. These townships can accommodate relatively affordable detached dwellings and townhouses that suit a range of households, while capitalising on existing transport infrastructure – particularly fixed rail. They also provide a distinct and attractive lifestyle alternative to suburbia, while remaining close to jobs and services.

Select peri-urban townships can provide for a significant increase in housing within easy access to a regional train station, making semi-regular commuting combined with remote work a real possibility. This ‘tree change’ phenomenon was observed throughout Australia following the COVID-19 pandemic, particularly in Victoria where towns like Gisborne saw strong growth.

Growing and investing in our peri-urban townships can be seen as a ‘third way’ – neither traditional greenfield development, which governments across Australia are seeking to limit through the imposition of growth boundaries, nor intensification within established urban areas, which can be costly and time consuming.

The opportunity

Delivering more housing in select, connected peri-urban townships will help to:

- Increase housing diversity and affordability in regional areas
- Maximise the catchment of metropolitan employment hubs and services
- Support the self-containment of existing small towns through a broader population base and associated infrastructure and services
- Increase the utilisation of regional train stations and the passenger rail network.

Recommendation 15

Identify candidate peri-urban townships for growth, which meet set criteria (e.g. passenger rail connectivity, capacity of trunk infrastructure and services, access to existing employment opportunities, environmental considerations).

Short-term (0-5 years)

Recommendation 16

Support the growth of identified peri-urban townships as part of an overarching National Settlement Strategy (see Recommendation 1) and associated state/territory settlement strategies.

Medium-term (6-10 years) to long-term (11-20 years)

Recommendation 17

Invest in transport reliability and service frequency for the peri-urban townships that have been identified for growth to support commuting, as well as local employment opportunities.

Medium-term (6-10 years)

2.2.6 Supporting industrial transition in our regions

Regional cities throughout Australia have historically had a robust industrial base. Globalisation and recognition of the threat of climate change have led to changes in these local economies – for example, the Hunter and La Trobe Valley regions are experiencing dramatic economic change due to the decline in coal consumption; steel production at Port Kembla and Whyalla has experienced financial challenges and a significant decline in employment; and the industrial base of Geelong, once a major automotive and aluminium hub has significantly declined. However, many of these communities remain home to workers whose skills could be readily adapted to emerging industries.

The opportunity

Significant opportunity exists in regional Australia to accommodate new forms of industry. 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. Locating industrial activity that forms part of our renewable energy and new economy future in our regional areas supports local economic activity, in the places where the energy is being generated, ensuring the benefits are captured in the regions. It will also provide jobs for an existing worker base with experience in manufacturing. Efforts to strengthen the regional productivity ecosystem and support innovation should take a systems-level approach, focussing on the full value chain for new industry, ensuring that consequences of intervention are fully considered.³³

Recommendation 18

Support investment in contemporary industry in Australia’s regional areas by incentivising manufacturers to locate in and near our regional cities.

Short-term (0-5 years) to medium-term (6-10 years)

Recommendation 19

Encourage the coordinated conversion of disused industrial areas in regional areas into more productive assets, including repurposing for contemporary industry and for residential growth, depending on the region’s priorities.

Medium-term (6-10 years)

³³ Urbis, *From potential to performance*, 2024.

Summary – targeted regional investment will support productivity growth

- A National Settlement Strategy will support productivity growth by helping to coordinate investment across Australia, including in regional areas.
- Increasing housing choice and affordability in regional areas will improve workforce attraction and retention, yielding productivity gains.
- A comprehensive, consistent approach to infrastructure prioritisation and provision across the nation will ensure that regional communities get the investment that they need, and identify opportunities where capacity already exists.
- Delivering more housing in select, connected peri-urban townships will help to maximise the catchment of metropolitan employment hubs and services, improve housing affordability, support self-containment, and make better use of existing regional infrastructure.
- Supporting the establishment of new industries in regional areas can make use of an existing workforce, with manufacturing and industrial capacity.

Conclusion

Regional Australia has a critical role to play in lifting Australia’s productivity, but this will not occur through population redistribution alone. It requires a coordinated, long-term settlement strategy that aligns migration, infrastructure, land use, housing and industry development.

In this regard, the successful development of both cities and regions is intrinsically linked. As this submission highlights, there is already a strong link between the growth of our largest capitals and a number of proximate major regional centres. The identification and support of these growing regional centres through an increased focus on long-term economic and place-based plans, enhanced transport connectivity and other complementary regional development policies should be a priority.

From a spatial perspective, the most effective productivity gains will come from backing regions with the capacity to grow, investing in their people and places, and enabling markets to function through clear policy signals and well-sequenced infrastructure delivery.

We urge the Committee to consider the recommendations outlined in this submission and to build on them during this important inquiry.

A list of all recommendations made in this submission is provided below.

#	Recommendation	Time frame
1	In collaboration with states, territories and local government, prepare a National Settlement Strategy that provides a coordinated plan to capture the productivity benefits that can be obtained through the growth of our regional cities and towns	Short-term (0-5 years)
2	As part of an overarching National Settlement Strategy (see Recommendation 1), embed long-term housing and employment growth strategies into regional plans, aligned with climate resilience, water security and land availability considerations.	Short-term (0-5 years)
3	Introduce fast-track approval pathways for well-located housing in regional centres, including code assessment for low-rise apartments, townhouses and secondary dwellings. Fast-track pathways may favour proposals that contain an element of affordable or priority industry sector worker housing.	Short-term (0-5 years)
4	Provide funding and planning approval support for pilot projects that demonstrate the viability of diverse housing typologies in regional areas.	Short-term (0-5 years) to medium-term (6-10 years)
5	Provide funding and planning support to convert empty retail, commercial and public buildings into housing, particularly in regional town centres.	Short-term (0-5 years) to medium-term (6-10 years)
6	Work with State and Territory governments to prioritise the release of surplus or underutilised government land in regional areas for housing.	Short-term (0-5 years) to medium-term (6-10 years)

#	Recommendation	Time frame
7	Prioritise Commonwealth and state infrastructure funding for water, sewer, roads and community infrastructure in locations where new housing supply can be delivered quickly.	<i>Short-term (0-5 years) to medium-term (6-10 years)</i>
8	Support innovation in construction methods, energy-efficient design and locally sourced materials to reduce long-term housing costs for households.	<i>Medium-term (6-10 years) to long-term (11-20 years)</i>
9	Align tax, housing and infrastructure policy to support sustained regional population growth.	<i>Long-term (11-20 years)</i>
10	Establish a consistent approach to infrastructure need analysis across the country, to assess the utilisation of existing assets, and forecast demand for new and upgraded infrastructure based on existing need and expected growth.	<i>Short-term (0-5 years)</i>
11	Fund and deliver infrastructure in line with a national infrastructure prioritisation framework, that considers the specific needs of each region (based on the findings of Recommendation 10).	<i>Short-term (0-5 years)</i>
12	Using the RDA Committees as a forum, establish Regional Deals that fund and monitor delivery of the priority infrastructure projects within regional areas across the nation.	<i>Medium-term (6-10 years)</i>
13	Undertake a national audit of underutilised regional infrastructure, to support land use planning for regional areas.	<i>Short-term (0-5 years)</i>
14	Tie future infrastructure funding to clear land use and employment-generation outcomes to ensure potential productivity gains are realised.	<i>Short-term (0-5 years) to medium-term (6-10 years)</i>
15	Identify candidate peri-urban townships for growth, which meet set criteria (e.g. passenger rail connectivity, capacity of trunk infrastructure and services, access to existing employment opportunities, environmental considerations).	<i>Short-term (0-5 years)</i>
16	Support the growth of identified peri-urban townships as part of an overarching National Settlement Strategy (see Recommendation 1) and associated state/territory settlement strategies.	<i>Medium-term (6-10 years) to long-term (11-20 years)</i>
17	Invest in transport reliability and service frequency for the peri-urban townships that have been identified for growth to support commuting, as well as local employment opportunities.	<i>Medium-term (6-10 years)</i>

#	Recommendation	Time frame
18	Support investment in contemporary industry in Australia’s regional areas by incentivising manufacturers to locate in and near our regional cities.	<i>Short-term (0-5 years) to medium-term (6-10 years)</i>
19	Encourage the coordinated conversion of disused industrial areas in regional areas into more productive assets, including repurposing for contemporary industry and for residential growth, depending on the region’s priorities.	<i>Medium-term (6-10 years)</i>



**Shaping cities
and communities
for a better future.**