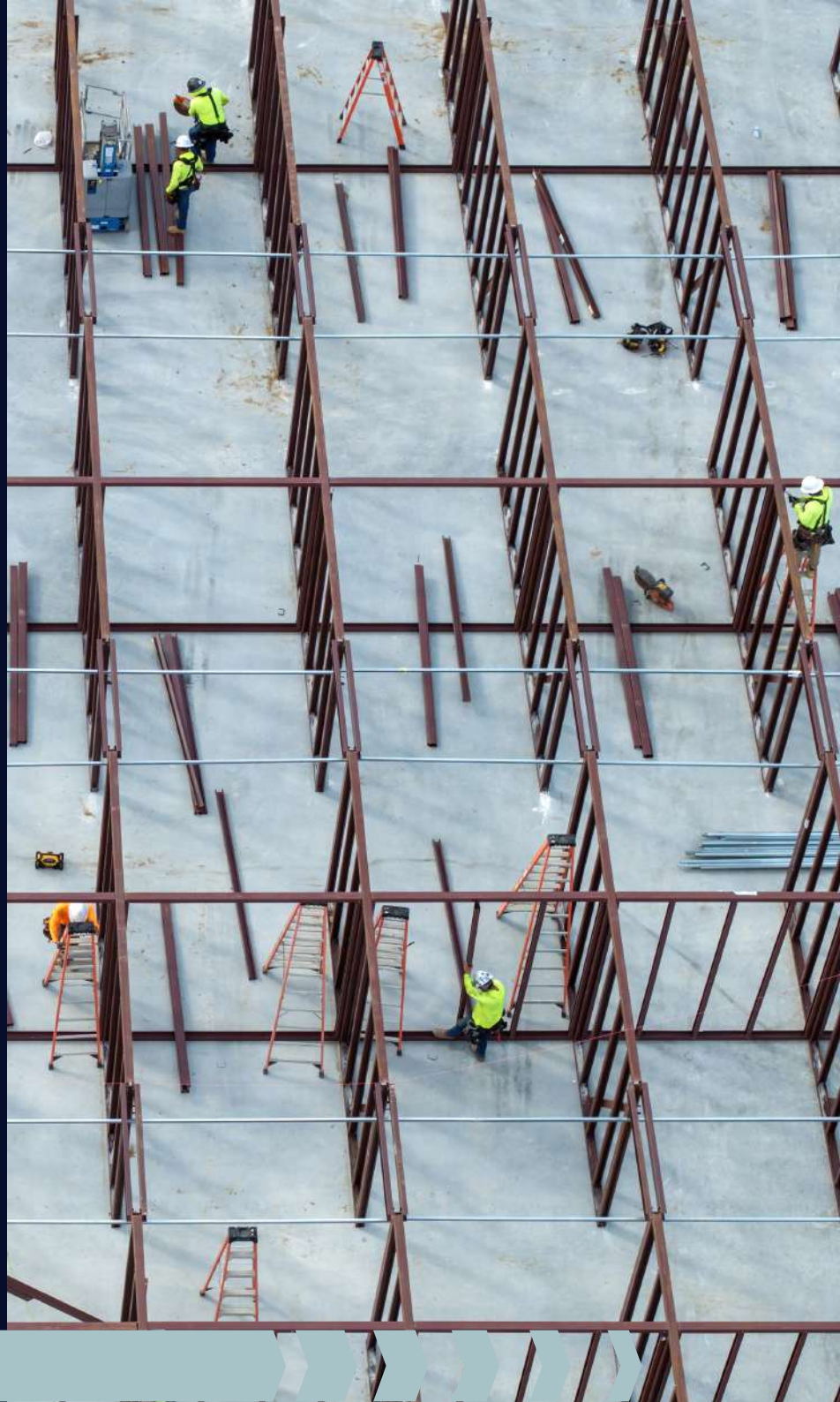
Policy Institute Australia

Build it once

Why Australia needs a single national construction market

Henry Williams, Indra Parta & Amy Auster

November 2026



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Executive summary

It's easy to see how critical construction is to our economy. Across Australia, 500 new homes are completed every day. Hospitals and schools are built. The infrastructure for our energy, transport and mining sectors is delivered. Taken all together, construction activity employs 1.37 million working Australians and adds $192 billion to our economy every year.

But we make getting the construction job done much harder than we need to.

A plumber hired to fit out a new medical centre in Tweed Heads needs another licence to do the same job five minutes away in Coolangatta. A Melbourne builder wins a contract for work in Brisbane but has to get a new business licence first, which can take months. A fire-rated cladding system approved in Victoria has to be tested and certified all over again before it can be used in NSW, costing $25,000 and an eight-week delay. When a crew and tower crane moved from Queensland to NSW, the site stood idle for three weeks while the equipment was re-registered.

Australia is one country and one economy, but our regulatory system forces construction businesses to operate as though federation never occurred.

On paper, Australia has a single National Construction Code, the rulebook for how buildings must be built. In practice, states and territories choose their own adventure. State variations comprise 600 of the 2,000 pages in the NCC, and that doesn't count the extra rules kept elsewhere. Today only two of the eight states and territories apply the same version of the code. Since 2022, no two jurisdictions have followed the same path of NCC adoption. Tasmania adopted the newest version, then went back to the old one a month later.

Local councils can add rules of their own. In the consultation for this paper, one builder spoke of a finished job that had to be torn down and rebuilt because a neighbouring council's rules were slightly different, costing $80,000.

The same products can require different approvals, testing and installation rules across borders. One supplier of PVC pipe fittings adapts by absorbing the costs of separate production lines to meet a different state requirements. Builders in NSW and the ACT install two versions of the same bathroom fittings because accessibility rules are interpreted differently.

Builders, architects, engineers, plumbers and electricians face similar hurdles because all are licensed state by state. An Australian licensed surgeon can work anywhere nationally, but a plumber registered in WA can't install fire sprinklers in Victoria. Queensland registers engineers in 19 categories, Victoria in five. One firm set up a committee that met every month just to keep on top of changing state rules around its engineers' license requirements.

Policy Institute Australia surveyed around 400 construction businesses that work across state borders. Almost all (95%) said the differences between jurisdictions affect their business. Based on the data they shared, we estimate that the thicket of state and local regulation costs the construction industry more than $2.2 billion a year. The firms we surveyed pay an average of half a million dollars a year to outside experts, purely to deal with differences between states. Four in ten lose more than 1,000 staff hours a year to it.

The bigger cost may be the work that never happens. A third of firms take on less interstate work because of the rules, and more than 20% have avoided operating in another jurisdiction. Half stick with older building methods because different rules make it harder to innovate.

Disincentive to innovate is a problem we must address, because prefabrication and modular construction hold significant potential to greatly reduce the time and cost of a build. A bathroom built in a factory costs about $10,000, compared with $25,000 on site. But factories only pay off with scale, and eight sets of rules make scale hard to reach.

Construction is our third largest employer and fourth largest industry, making it too large and important for complacency on unnecessary regulation that adds time and cost, and works against innovation, growth and competition.

Construction sector productivity (the output produced from a given amount of inputs) has been going backwards for years. This is a drag on the entire economy. We calculate that if productivity in construction had kept pace with the rest of the economy over the past 30 years, the Australian economy today would be $50 billion bigger a year, more than the entire economy of Tasmania. The average full-time worker would be $2,400 a year better off in wages. And Australia would have the capacity to build up to 100,000 more homes this year, more than enough to meet the national homebuilding target.

Over the past five years, economy-wide labour productivity growth would have been 1.4% rather than 0.4% if construction productivity had held flat, rather than declined.

There is no fixing Australia's productivity problem without fixing construction.

Construction's productivity problem has several causes, and no single reform will solve it. Challenges include workplace practices and industrial relations, slow and complex approval processes including in planning and zoning, and the small scale of the Australian market.

This report focuses on an important barrier, and one that governments can remove directly: the eight different sets of rules that disincentivise firms from pursuing productivity-enhancing technology, innovation and growth.

The Commonwealth has recognised this issue and commenced reforms toward a single national market, along with states and territories. Some changes are underway, including a review of the National Construction Code and work under National Competition Policy to progress national licenses for engineers and electricians. However, to date the reform effort is framed around reducing fragmentation, not eliminating it. The risk is that the regulatory thicket is pruned, but not removed, and grows back again.

This report encourages all governments to move faster and aim higher for a truly single national market in construction.

Australia has built a single national market for banking, insurance, agriculture, food, pharmaceuticals and health care. Doctors and nurses carry one national registration. Tax agents and firms hold one national license. Food products once approved can be sold anywhere. Banks and mortgage brokers deal with one regulator. Nobody is calling for Australia to go back to eight separate systems in those areas. Why should construction be treated differently?

We can do better, and build better.

In this report **Section 1** describes the construction sector and quantifies the impact of poor productivity. **Section 2** details the regulatory fragmentation that impedes a single national market. **Section 3** presents the results of a survey of 443 construction firms undertaken by Policy Institute Australia to estimate the cost of regulatory fragmentation. **Section 4** presents recommendations for a single national market, taking into account reforms currently underway.

Recommendations

1 Uniform adoption of one national building code by 2028

The Commonwealth should work with states and territories to formulate a new Intergovernmental Agreement that commits all jurisdictions to uniformly adopt the same version of the National Construction Code (NCC) by 2028, including abolishing all variations from the NCC. States should commit to legislating to prohibit local government from setting any building requirement that differs from the NCC.

2 Establish a National Construction Authority

National governance and regulation of the construction sector should be led by a new and properly resourced National Construction Authority, replacing the Australian Building Codes Board. The Authority should be empowered to streamline regulation and enable innovation through improvements to the NCC, including managing a new National Performance Solutions Register.

3 Create national licences for builders

Create a national licence for individual builders, and another for building businesses. Existing state-based licences could be grandfathered.

4 Create national licences for architects

Create a national licence for architects and another for architectural practices for use in jurisdictions where business registration is required. Existing state-based licences could be grandfathered.

5 Remove exemptions to automatic mutual recognition

Remove exemptions to automatic mutual recognition and update licence equivalence tables to support mutual recognition.

6 Use the National Productivity Fund to fund reform, and incentivise states and territories to act

A substantial increase in the Commonwealth's National Productivity Fund should be announced, and used to support the proposed package of reforms. It would be used to establish the new National Construction Authority and national licenses for builders and architects, compensate states and territories to abolish all variations from the NCC, prohibit any local council variations, and implement a new national approach to building products, and to commit to the package of reforms into the future.

Construction across Australia

4th
largest industry by output

3rd
largest employer of any industry

~180,000
new homes a year

69,000
apartments & townhouses a year

107,000
houses a year



Homes
$109b



Houses

Apartments & townhouses

Commercial
$70b



Factories & warehouses

Office & shops

Hospitals & schools

Hotels, sport & other

Infrastructure
$149b



Energy, water & internet

Roads, rail & ports

Mines, oil & gas

Sport & other

Who builds it

1 in 11
Australian employees work in construction

1.37m
Workers



135,000
Carpenters



132,000
Electricians



101,000
Construction Managers



98,000
Plumbers

1 Building less, with more

1.1 Productivity in construction has been very poor

The construction sector is critical. It provides us with homes (residential building), commercial premises such as offices, warehouses and hospitals (non-residential building) and essential infrastructure such as roads, rail, and ports. Across our whole economy, construction is our third largest employer, and fourth largest sector by value add.

But productivity[1] – the amount of output we get for a given amount of input – is not performing well (Figure 1). Productivity growth in housing construction has been particularly poor. Today, it takes more than twice as many worker-hours to build a home as it did 30 years ago. Even after accounting for improvements in home quality and size, labour productivity in residential construction has fallen by 12%.[2] Labour productivity across all construction has fared better, but has lagged the overall economy and increased by only around 10%.

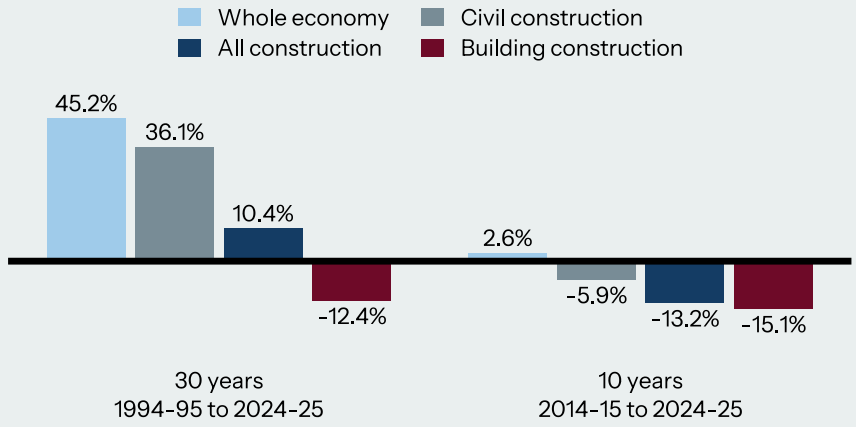
Multifactor productivity in construction has fallen by 4% over 30 years and by about 20% over the past decade, running against the growth in the rest of the market economy (Figure 2).[3] Falling multifactor productivity means that the same amount of building needs more investment – time, workers, machinery and funding – to complete the job. It means that workers will be either paid less, or the cost to build a structure will rise, or both.

[1] Measuring productivity in construction is difficult because projects vary in complexity and quality, making it hard to compare outputs over time, while activities such as off-site manufacturing are often recorded outside the construction industry (Productivity Commission, 2014).
[2] Productivity Commission (2025a).
[3] Australian Bureau of Statistics (2026c).

FIGURE 1

Construction labour productivity has stalled

Labour productivity: construction sectors and the whole economy

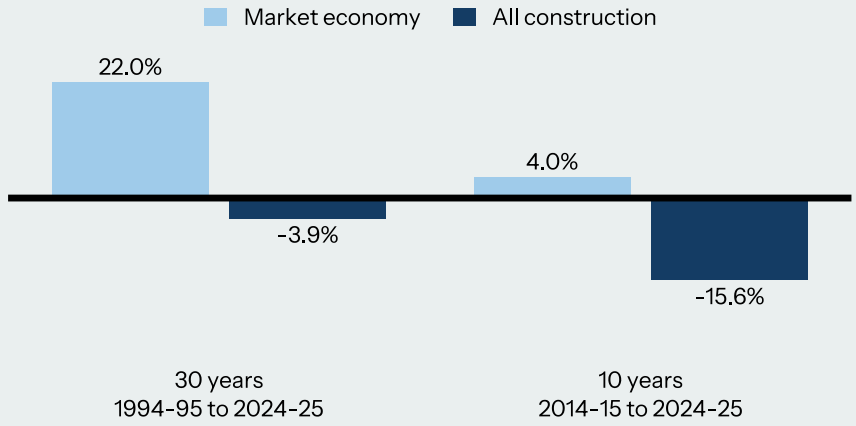


Notes: Building construction: Construction and renovation of residential and non-residential buildings. Civil construction: Construction of infrastructure such as roads, bridges, railways and pipelines.
Source: ABS, ASNA, Tables 1, 5 and 15; and Labour Account Australia

FIGURE 2

Multifactor productivity in construction is also underperforming

Growth in multifactor productivity 1994–95 to 2024–25



Source: ABS, Australian System of National Accounts, 2024–25, Tables 1, 5 and 15; Estimates of Industry Multifactor Productivity, 2024–25, Table 1 (hours-worked basis)

1.2 The cost of productivity lost

The construction sector is so large that its productivity decline is felt everywhere. We calculate that if labour productivity in the construction sector had managed to stay flat over the past five years instead of declining, economy-wide labour productivity growth would have been 1.4% rather than an anemic 0.4%.

The costs to the whole economy of an under performing construction sector are illustrated in Figure 3.[4] If construction productivity had grown at the same rate as economy-wide productivity over the past three decades:

- Average real full-time wages would be about 2.2 per cent higher — $2,400 more per working Australian each year.
- Builders could have had the capacity to complete up to an extra 103,000 homes in 2024 — and up to 1.91 million more over the whole period.
- Australia's GDP would be about $50 billion a year higher — more than the whole economy of Tasmania (Figure 3).

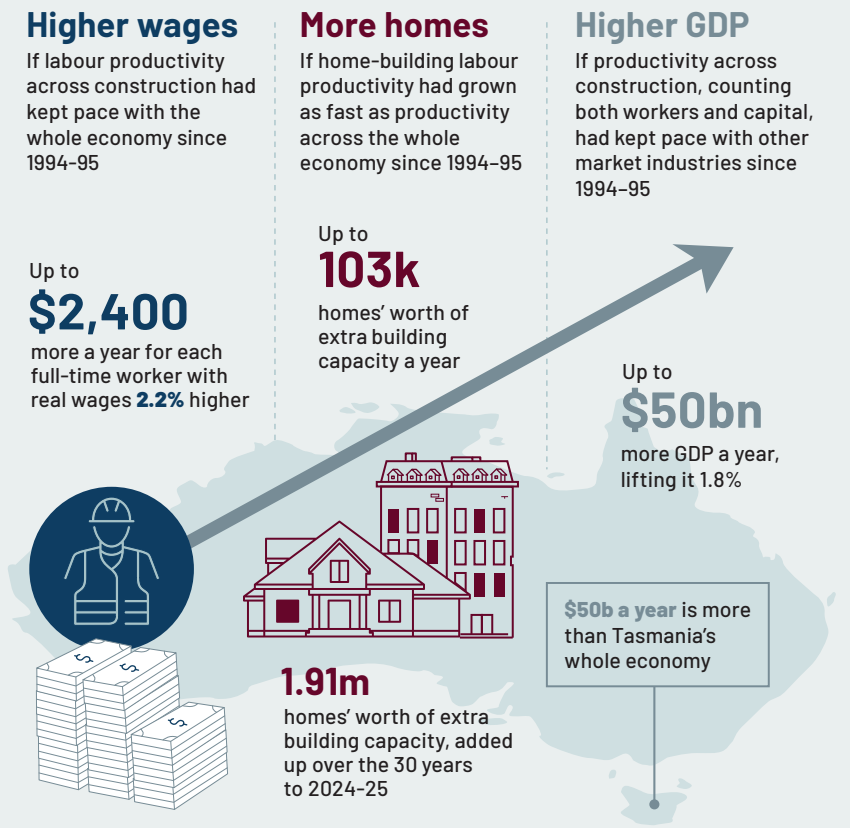
Construction's poor productivity performance has many possible causes (Box 1). This report focuses on a core problem that is in the hands of governments to fix: the undue and unnecessary regulatory fragmentation that exists across Australia's eight jurisdictions, and that that adds costs and complexity to construction activity while throwing sand in the gears of scale, innovation and growth.

[4] Appendix B

FIGURE 3

Better construction productivity would mean higher wages, more homes and a larger economy

Estimated annual gains today if construction productivity had kept pace with economy-wide productivity since 1994–95



Notes: These figures are illustrations, not forecasts. They overlap, so adding them would overstate the gain (the extra homes, for example, would form part of the higher GDP). They assume wages rise in line with productivity, that construction would not draw workers and capital from other industries, and that planning rules would not limit extra housing. Lower building costs could draw resources from other industries, shrinking the net gain, or encourage investment elsewhere, adding to it. See Appendix Section B for details
Source: ABS national accounts, productivity, earnings and housing data; Productivity Commission (2025a).

Box 1: Diagnosing construction's productivity problem

Poor productivity in construction has been the subject of numerous studies.

The Productivity Commission and CEDA have connected poor productivity in residential construction with the dominance of small firms. CEDA estimated that just over 90% of construction firms have less than five employees, up from 43% in 1988–89. Small firm dominance was found to limit investment in cost-saving methods such as prefabrication and modular construction.[a]

CEDA estimated that if construction sector productivity matched that of manufacturing, revenue would increase by 12%, or $54 billion, equivalent to gaining 150,000 construction workers. Regulatory fragmentation, tax settings and land use regulation were cited as contributing to small firm dominance. The PC's review also called for a review of the National Construction Code, and interaction with state and local council regulation.[b]

The Queensland Productivity Commission's 2025 construction inquiry looked at productivity across residential, non-residential and civil construction. The report recommended a reset on workplace relations and removal of Best Practice Industry Conditions (BPIC). QPC modelling suggested that industrial relations practices, while primarily impacting civil construction sites, had spillover effects to the broader industry.

It estimated that retention of BPIC would increase project costs by 10-25%, reduce dwelling completions by 26,500 and impose net costs of $6-$21 billion over the next five years if it were retained.[a]

Our March 2026 report *It's Not Too Late* found that since 2005, the heavy and civil engineering construction workforce has increased by around 160% while the general construction workforce has expanded by 60% and the Australian workforce by around 50%. More than 50,000 more jobs have been created in civil construction than if growth had been at the economy-wide average. Infrastructure Australia documents a shortage of more than 140,000 workers for the current public works pipeline, while the NSW Productivity and Equality Commission estimates 30,000 workers are needed in NSW to meet the National Housing Accord targets.[b] Construction's chronic labour shortages point to the productivity problem.

The QPC inquiry presented comprehensive recommendations to reset workplace practices in civil and multistory residential construction in Queensland. We note some of these same issues are surfacing in the *Royal Commission into the Integrity of Major Project and Civil Infrastructure Construction Projects in Victoria* currently underway. This complex area requires detailed analysis, and is outside the scope of this report.

Rather, this report focuses on surfacing the regulatory fragmentation that is documented to contribute to the dominance of small firms. As we have found, this fragmentation also impedes the productivity of large firms by limiting the incentives to innovate, grow and compete for market share.

[a] Wilson and Brooks (2025)
[b] Productivity Commission (2025a)

[a] Queensland Productivity Commission (2026)
[b] NSW Productivity and Equality Commission (2024); Infrastructure Australia (2025)

1.3 Construction firms are unusually small

Australian construction businesses tend to be small, employing fewer than three workers on average.[5] Construction is the industry with the highest proportion of employing firms (about 80%) with fewer than five employees (Figure 4). Only 3.5% have 20 or more employees, less than half the economy-wide figure. And they are about five times less likely than other firms to have more than 200 employees.[6]

Australian construction firms are also relatively small by international standards (Figure 5). They employ an average of 2.84 people, compared with a median of 3.12 across selected OECD countries. Construction firms in countries such as Sweden, Germany and Austria are considerably larger.

Sweden demonstrates how consistent national rules can help firms achieve scale. Nationally harmonised, performance-based building standards support standardised designs and factory production. Alongside other factors, this has helped Sweden develop an industrialised housing sector where more than 80% of new single-family homes are factory-produced.[7]

Australia's patchwork of building rules makes it harder for construction firms to scale, although regulation is not the only factor keeping Australian construction firms small. Subcontracting arrangements to manage project risk, tax and industrial relations settings, and Australia's relatively small, geographically dispersed market also play a role.

[5] Australian Bureau of Statistics (2025a, 2026a).

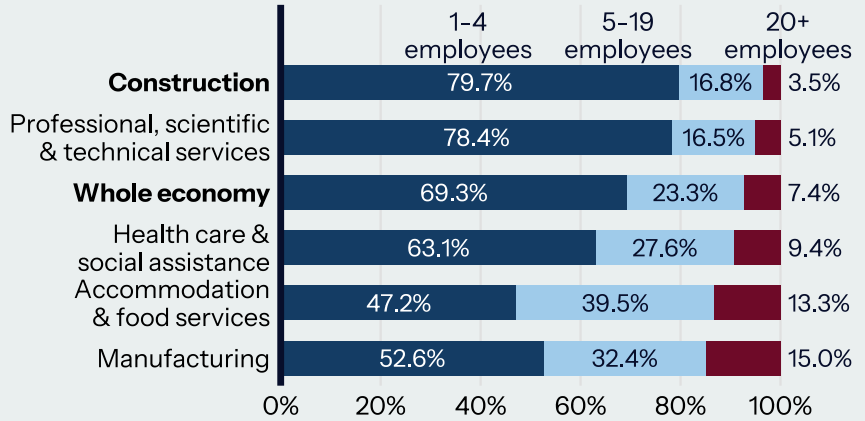
[6] Firm size varies across the construction sector. Non-residential building firms are more likely to be larger than residential building firms, and more similar to non-construction firms across the economy. Civil engineering firms tend to be larger still, with 12.8% having more than 20 employees (Australian Bureau of Statistics, 2025a, Data cube 2).

[7] OECD (2026).

FIGURE 4

Construction stands out as small-firm dominant

Business size by industry; share of employing businesses by employee count, per cent

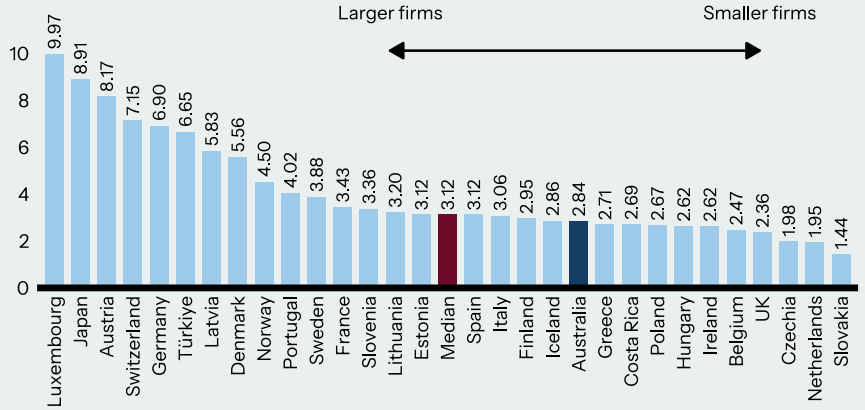


Source: ABS CABEE, excludes 1,818,575 non-employing firms, e.g. sole traders)

FIGURE 5

Construction firms in Australia are relatively small by international standards

Average number of people working per construction business, selected OECD countries



Source: Eurostat Structural Business Statistics, ABS, OECD and national statistics. Reference years range from 2021 to 2025; there are minor coverage and definitions vary by country

1.4 Few construction firms have national scale

Construction businesses as a whole are among the least likely of any industry to operate in more than one jurisdiction in Australia. Looking at firms with five or more employees, only about 1 in 3 construction firms operates in more than one state or territory, the third lowest of any industry (Figure 6).

The larger the construction firm, however, the more likely it is to operate in more than one jurisdiction. Construction firms with less than 20 employees are less likely to operate in more than one jurisdiction than similar-sized firms in any other industry. But about 44% of construction firms with more than 20 employees operate across jurisdictions, only 2.5 percentage points shy of the economy-wide average for similar-sized firms.

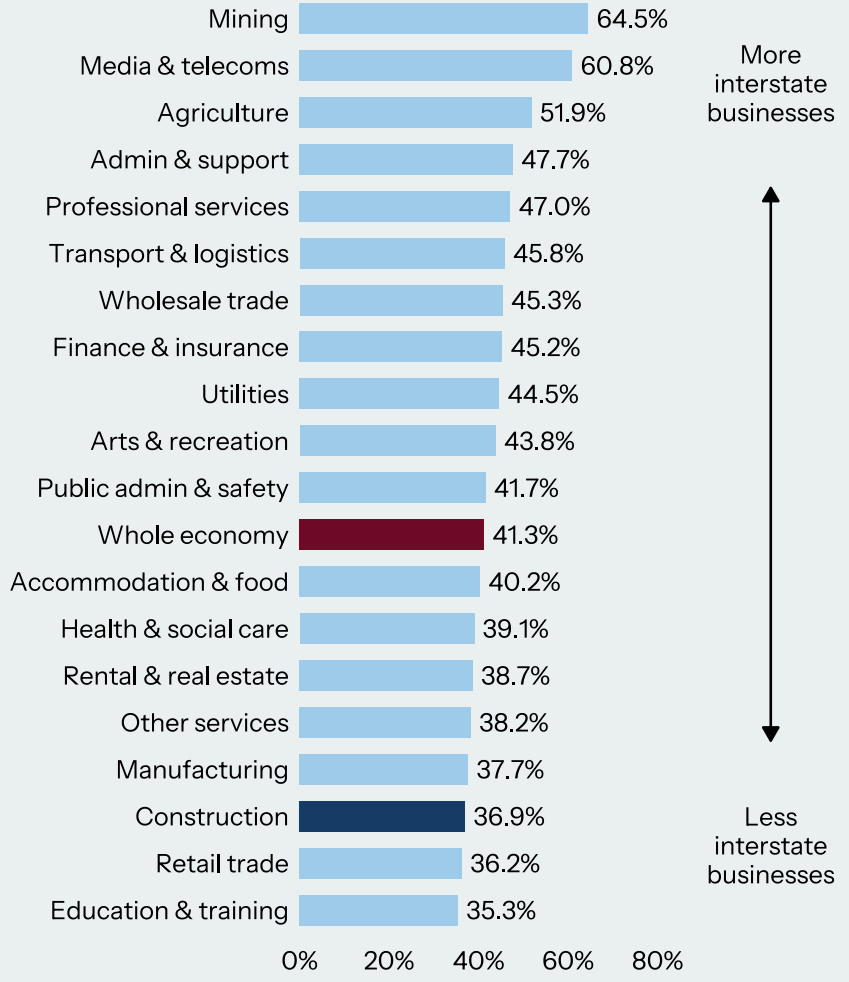
A survey we undertook of construction firms focusing on those operating across jurisdictions found that regulatory fragmentation does inhibit many firms from expanding or operating across state borders (Section 3). A third said they bid for or took on less interstate work due to regulatory complexity, while 22% avoided or stopped operating in a jurisdiction altogether. And around a quarter delayed or abandoned a national product launch. To the extent that fragmentation deters firms from expanding nationally, it will reduce competition and lead to higher prices with fewer choices for buyers, alongside less pressure to adopt innovative practices and drive productivity improvements.

Regulatory fragmentation exists in other industries, but is particularly high in construction, as Section 2 details.

FIGURE 6

Construction firms rarely operate across jurisdictions

Share of businesses with five or more employees that have more than 10% of their workforce operating outside their primary state, per cent



Source: ABS BLADE, employing firms with 5 or more employees

1.5 Small construction firms tend to be less productive

The lack of scale found in small firms matters because smaller businesses tend to be much less productive, in construction as well as other industries.

We estimate that workers in large construction firms with more than 200 employees produce nearly 2.5 times as much as those in firms with 1–4 employees.[8] Workers in firms with 20–199 employees produce nearly twice as much. Put another way, those working in small construction firms produce only about 40% as much as those working in the largest firms (Figure 7).

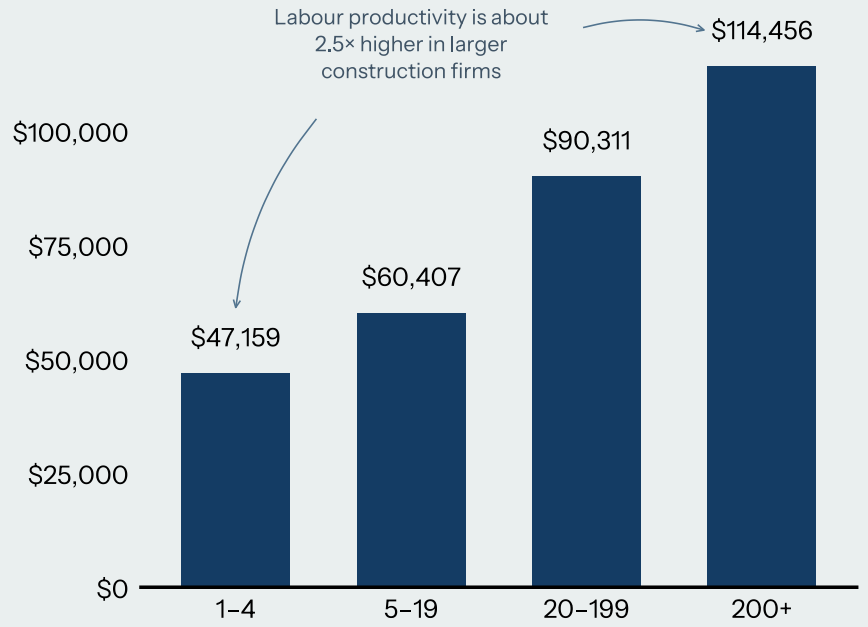
Small construction firms may be less productive for a variety of reasons. They have fewer projects over which to spread the costs of machinery, technology and management systems. They also have less capacity to invest in training and adopt new construction methods, particularly when future work is uncertain.[9] The industry's reliance on many small subcontractors can also increase the time spent coordinating work and make it harder to carry lessons and innovations from one project to the next.[10]

As outlined above, there are a range of reasons why construction businesses in Australia tend to remain small, including that different rules in different states and territories deter businesses from expanding across state borders. Small businesses, including sole traders, play a critical role in the sector. But addressing regulatory fragmentation will remove a key barrier to growth and expansion, making it easier for construction businesses to reach more efficient and productive scale, and unlocking greater competition and innovation.

FIGURE 7

Small construction businesses are much less productive

Employing construction firms, value added per full-time equivalent employee by firm size, 2024–25



Note: We calculate firm-level value added from business income tax records in BLADE following Hambur & Andrews (2023), excludes non-employing firms e.g. sole traders
Source: Hambur & Andrews (2023, Appendix A).

[8] We exclude non-employing businesses because their owners contribute labour that is not captured in employee counts, making labour productivity difficult to measure.
[9] Wilson and Brooks (2025)
[10] Productivity Commission (2025a); Wilson and Brooks (2025)

1.6 Licensing makes it harder for construction workers to move to where they are most productive

Construction goes through large booms and busts, often in different places at different times.[11] Floods in Queensland can trigger a rush to rebuild homes, while a mining boom in Western Australia, or a rush of road and rail projects in Victoria, can spur enormous investment.

We can see this volatility in the data, where year-to-year variations in output across states are bigger in construction than in any other industry (Figure 8).

Yet despite volatile swings in construction output — which by its nature will be place-based — construction workers are among the *least* likely to move interstate (Figure 9). Construction workers are less mobile than public service, hospitality, mining, retail trade and professional services workers.

Part of the blockage sits in the state-based licencing framework for many construction jobs. Licensing is unquestionably a critical safeguard in a physically hazardous industry, but states differ in what work they permit and which interstate licences they recognise (Section 2.3). These differences make it harder for workers to move interstate to follow the demand for their skills.

National licensing would reduce barriers to workers moving freely, thereby increasing construction labour mobility to the benefit of both the construction industry and its workers. Greater mobility provides a boost to productivity and wages, with a one percentage point increase in job switching found to be associated with 0.5 percentage points faster wage growth, even for workers who stay with their employer.[12]

[11] Housing Industry Forecasting Group (2017).
[12] Auster et al. (2025); Deutscher (2019).

FIGURE 8

Construction output is the most volatile of any industry

Average state year-to-year variation in construction output

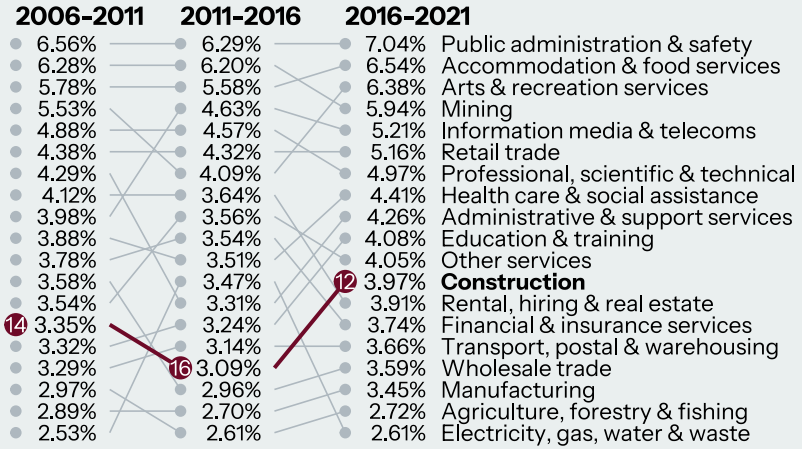


Source: ABS, Australian National Accounts: State Accounts, 2024–25, Tables 2–9.

FIGURE 9

Few construction workers move interstate

Interstate changes in usual residence by industry, between Census nights



Source: ABS, Australian Census Longitudinal Dataset, 2006–2011–2016–2021, TableBuilder.

2 Fragmentation holds construction back

Building and construction face a higher regulatory burden relative to many other sectors as a result of fragmentation — with different rules and regulations in each state and territory. Though Australia is one country and one economy, construction is regulated under eight jurisdictions. Even on a product like PVC pipe fittings, one supplier reported having to *"set up and run a different production line and employ more staff"* to meet different state requirements.[13]

Section 1 described the problem of weak construction productivity. Most construction firms do not grow to scale, and few operate in more than one state or territory. Workers are less mobile than in other sectors, despite demand for workers varying greatly across jurisdictions. One survey respondent offered this comment:[14]

> *"We have to effectively take out and pay for both a personal and company licence in each jurisdiction. This should 100% be a national licence."*

This section outlines how fragmented state and territory rules contribute to poor construction productivity. Governments have responded through the National Construction Code (NCC), now under review; reforms towards a single national construction market under the revitalised National Competition Policy; and funding for modern methods of construction (Box 2).[15]

[13] Survey response 89, Q23.
[14] Survey response 87, Q5b.
[15] The Commonwealth has committed $120 million through the National Productivity Fund to remove regulatory barriers to modern methods of construction, alongside $39.3 million for a national "Kit of Parts" program (O'Neil, 2026).

Box 2: Revitalised National Competition Policy

In November 2024, Commonwealth and state governments agreed to revive the National Competition Policy, backed by a **$900 million National Productivity Fund** over 10 years. Modeled on 1990s reforms, NCP uses Commonwealth payments to encourage states to remove regulatory barriers and create a more seamless national market.[a] As of November 2026, $889 million of the $900 million National Productivity Fund has been allocated to specific reform areas with the largest being:

Heavy vehicles	Planning and zoning	Modern construction
$400m	**$240m**	**$120m**

Maximum funding available through the National Productivity Fund, not amounts already paid.

The $120 million for modern methods of construction aims to help states put prefabricated and modular building on an equal regulatory footing with traditional methods. The $240 million for commercial planning and zoning supports simpler, more consistent rules, with NSW and WA agreeing to reforms. Building ministers agreed in October 2026 to modernise the National Construction Code and review state variations.[b]

Governments are also pursuing national licences for electricians and engineers. Following Treasury's 2025 consultation on electrical licensing, a government, employer and union working group is developing a model for treasurers to consider by December 2026. National licences have not yet been introduced.[c]

[a] Treasury, Revitalising National Competition Policy.
[b] Leigh (2026); Australian Government (2026); Treasury (2026).
[c] Treasury (2025); Electrical Trades Union (2026)

While some work is underway, construction remains a fragmented market where each state and territory continues to have:

- different building standards, applying different versions of, and variations from, the National Construction Code (NCC)
- different rules for construction products
- their own compliance and enforcement regimes
- their own licences for workers in the construction sector including trades, engineers, and architects.

This is a legacy issue; construction has long been viewed as a state responsibility.[16] There have been steps toward national consistency, including the introduction in 1988 of the Building Code of Australia (which became the NCC), and the Commonwealth's 1992 *Mutual Recognition Act* (and later Automatic Mutual Recognition), which has made it easier for workers licensed in one jurisdiction to work in another.

But as the rest of this section details, deep fragmentation remains, and it is holding us back. Construction stands out as uniquely fragmented, unlike other areas where Australia has built a single national market such as in food, medications, financial services and overall business activity (Box 3).

There is broad consensus on the vision, but bold action is needed. As one senior industry figure commented to us:

> *The reason we don't have national consistency isn't technical, it's purely political.*

[16] The Constitution gives the Commonwealth no express power over building or construction, leaving these areas with the states under their residual powers (Senate Economics References Committee, 2018).

Box 3: Previous success in establishing a single national market

Food standards: A 1991 Intergovernmental Agreement (since updated) allowed a uniform national Food Standards Code to be adopted, without amendment, into state and territory food laws. The states and territories remain responsible for compliance and enforcement.[a]

Therapeutic goods: Historically, states regulated medicines. The Commonwealth established the Therapeutic Goods Administration in 1989 and commenced the national regulatory scheme in 1991. It relied largely on existing constitutional powers, with some complementary state legislation. States continue to regulate pharmacies.[b]

Health practitioner regulation: A single 'National Scheme' for registering doctors, nurses and other health professionals has applied since 2010, with states each adopting a uniform law. This replaced more than 65 pieces of legislation, created National Boards for professions and a single agency, AHPRA, to replace 85 separate regulatory boards.[c]

Regulation of companies: Following decades of reform aimed at greater uniformity, states referred their powers for regulation of companies to the Commonwealth in 2001, establishing a national approach, with a single Corporations Act administered nationally by ASIC.[d]

[a] Food Standards Australia New Zealand (2026a); Food Regulation Secretariat (2026).
[b] Therapeutic Goods Administration (2026); *Therapeutic Goods Act 1989* (Cth), ss. 2, 4 and 6; Pharmacy Board of Australia (2024).
[c] National Health Practitioner Ombudsman (2026); Department of Health, Disability and Ageing (2026).
[d] *Corporations Act 2001* (Cth), ss. 3–5B; Joint Standing Committee on Corporations and Securities (2001).

2.1 Building standards vary by jurisdiction

The National Construction Code (NCC)

The National Construction Code (NCC) was introduced in 2011, and sets out the technical requirements for the design, construction and performance of buildings, and of plumbing and drainage systems.[17] Its goal is to deliver nationally consistent technical standards across Australia.[18]

The NCC is 'performance-based', meaning it specifies the outcomes a building must achieve rather than dictating how it must be built. Those outcomes are set out as Performance Requirements, the mandatory minimum for matters such as structural safety, fire resistance and energy efficiency.

There are two ways of demonstrating compliance. The first is a 'Deemed-to-Satisfy' (DTS) Solution that follows one of the strict recipes laid out in the NCC (the DTS Provisions). The second is a 'Performance Solution', an alternative approach to DTS that demonstrates 'compliance with all relevant Performance Requirements' or that it 'is at least equivalent to the [DTS] provisions'.[19]

The NCC is maintained and updated by the Australian Building Codes Board. The ABCB recommends changes, which must be agreed by ministers responsible for building and construction ('Building Ministers'), and states and territories adopt and enforce it. The role and structure of the ABCB and governance of the NCC are discussed in Section 2.2.

The NCC allows for different standards to apply depending on climatic or environmental conditions. It defines three 'climatic zones based on relative humidity', eight 'climate zones for thermal design' and different standards in 'alpine', 'bushfire prone', 'flood hazard', and 'cyclonic' areas.[20] As discussed below, states specify building standards that differ from the NCC, but these variations are often unrelated to local climate or environmental conditions.

States apply different versions of the NCC

The NCC is enacted in each state and territory through adoption into each jurisdiction's legislation. However, adoption of the NCC across states and territories is not uniform. For example, Victoria made 'NCC 2025' mandatory from May 2026, compared to May 2027 in most jurisdictions. Western Australia and the ACT are allowing builders to choose either 'NCC 2022' or 'NCC 2025' over this period, while the NT has no start date for NCC 2025 (Figure 10).

States and territories can choose not to adopt parts of the NCC. Under NCC 2022, NSW and WA did not adopt the livable housing (accessibility) provisions, while Tasmania and the Northern Territory did not adopt the new residential energy-efficiency requirements. NSW applies its own BASIX energy standards on top of the NCC.[21] A survey we conducted found that more than 70% of construction firms operating across multiple jurisdictions found that 'different versions' applied to their area of activity at the same time (Section 3).

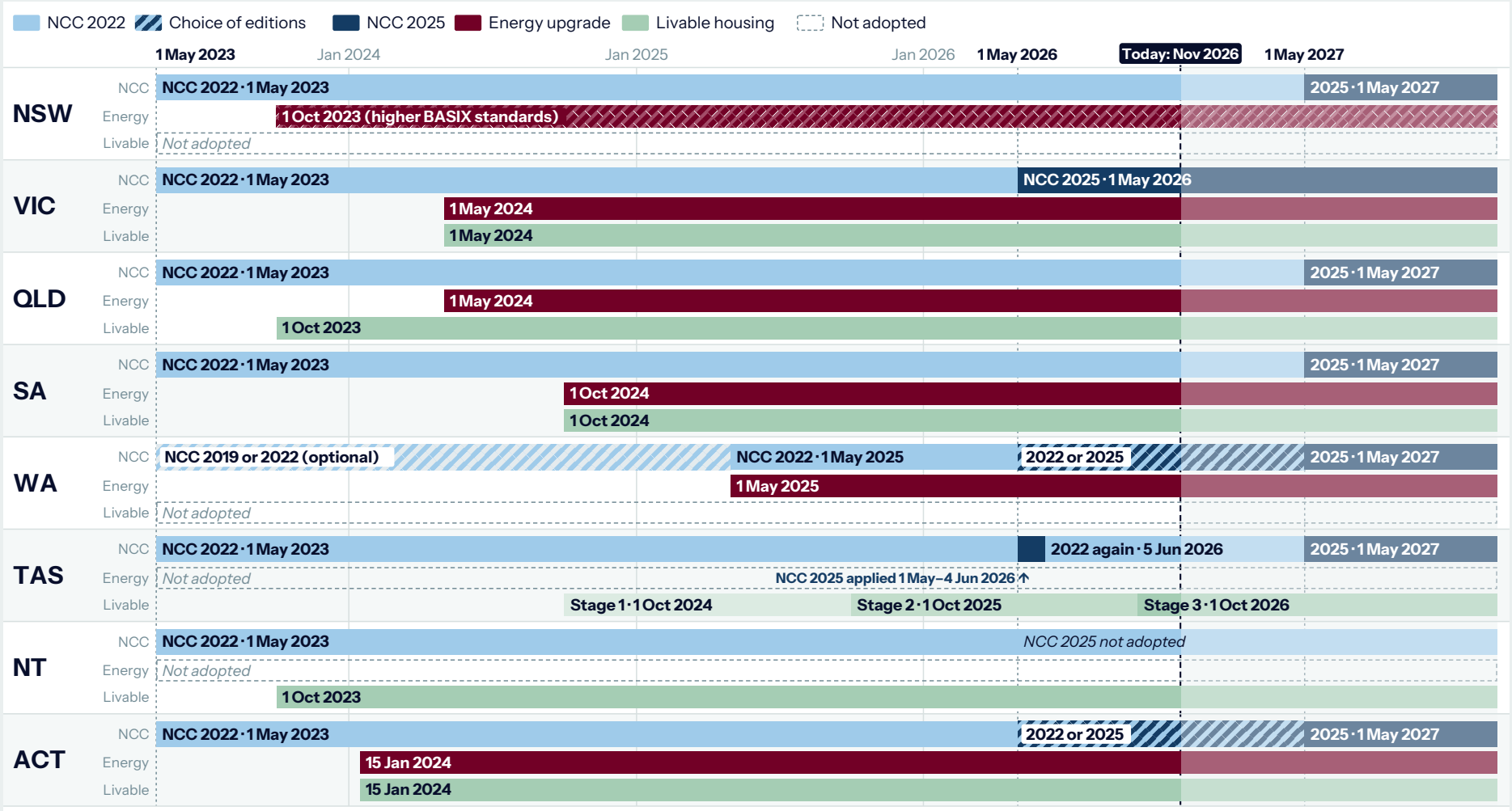
Since 2022, no two Australian jurisdictions have followed the same path of NCC adoption. Currently only two out of eight apply the same NCC version (including energy and accessibility).

[17] The NCC comprises the Building Code of Australia (Volumes One and Two), the Plumbing Code of Australia (Volume Three), and the ABCB Housing Provisions.
[18] Australian Building Codes Board (2026a)
[19] Australian Building Codes Board (2022).
[20] Australian Building Codes Board (2022).
[21] BASIX stands for Building Sustainability Index (Department of Planning, Housing and Infrastructure (NSW), 2026).

FIGURE 10

States and territories apply different versions and sections of the National Construction Code at different times

As at November 2026



Source: Housing Industry Association (2026a); Swimming Pool and Spa Association of Australia (2026); Australian Building Codes Board (2026f, 2026g, 2026h, 2026i); ACT Government (2026a, 2026b, 2026d).

The Senate Select Committee on Productivity's recent review on housing cited evidence from Jocelyn Martin, Managing Director of the Housing Industry Association (HIA), who:[22]

> *Highlighted the inconsistent implementation of the NCC, noting that it is introduced differently across states and territories. She explained that this variation affects productivity, particularly for volume builders, by limiting their ability to achieve economies of scale, as they must adjust practices for each jurisdiction, a challenge also faced by manufacturers and suppliers.*

Variations in building standards are common and costly

State and territory legislation often specifies building standards that differ from the NCC. For example, while the NCC's accessibility standard requires that corridors be at least one metre wide, Victoria's Apartment Design Guidelines specify that at least 50 per cent of dwellings must have minimum 1.2-metre-wide corridors.[23]

Such variations proliferate. The NCC contains about 600 extra pages due to state and territory variations (out of about 2,000 total pages).[24] This does not account for the many pages of variations *not* recorded in the NCC itself.[25]

Figure 11 illustrates how almost all jurisdictions record variations from the NCC in multiple areas. For some aspects of building — such as heated water systems and swimming pools — no two states have consistent requirements.[26]

FIGURE 11

Variations from the National Construction Code are widespread

State and territory variations from the NCC, recorded in the NCC, selected areas



Notes: For the ACT, variations are as recorded on the ACT Legislation Register.
Sources: Australian Building Codes Board (2026f, 2026g, 2026h, 2026i); ACT Government (2026a, 2026b, 2026d).

[22] Senate Select Committee on Productivity in Australia (2026).
[23] Department of Environment, Land, Water and Planning (Victoria) (2021); Victorian Building Authority (2024).
[24] Department of the Treasury (2025, 2026b).
[25] For example, the ACT records its variations on the ACT Legislation Register rather than the NCC (ACT Government, 2026c), and Queensland records variations in the Queensland Development Code that are not in the NCC.
[26] Department of the Treasury (2026b); Figure 11.

In theory, there can be benefits to varied regulatory approaches across states — for example, allowing innovation and experimentation, and promoting "competitive federalism". However, in relation to variations from the NCC these benefits seem dwarfed by the substantial costs that variations impose on businesses.[27] The Senate Select Committee on Productivity recently summarised the evidence to its housing inquiry: 'Inquiry participants argued that overlapping requirements, frequent changes and inconsistent NCC implementation are contributing to higher costs, delays and reduced productivity'.[28] Neil Savery, former CEO of the ABCB, has said:[29]

> *State and territory variations and additions, particularly as they relate to departures from the Performance Requirements, undermines the obvious productivity benefits of a national code within a federated system, resulting in cost increases, delays and in some instances non-compliance through lack of practitioner awareness or an assumption that under a national code, technical construction requirements will be relatively consistent.*

There are of course also costs to state and territory governments themselves. As one senior industry figure stated:

> *It would also be really interesting to know how much state and territories spend deploying resources to come up with different answers to the same problems. Imagine if we actually pooled our resources.*

Responding to these concerns, the Victorian Government this year reduced its variations and additional clauses from 115 down to 60 (removing 29 pages from NCC 2025).[30] Last year, all Building Ministers agreed to initiate an NCC Modernisation Project to 'encourage greater national harmonisation, while recognising the need for state- and territory-based regulatory changes that reflect the specific quality and efficiency needs of each jurisdiction.'[31] Its interim report, rather than calling for a single, consistently applied national code, asked states and territories to *consider reducing* variations.[32] In October 2026, responding to the interim report, a Joint Ministerial Meeting of Commonwealth, State and Territory Ministers for Housing, Homelessness, Planning and Building issued a communiqué in which: [33]

> *Ministers committed to modernise the National Construction Code (NCC), recognising a once-in-a-generation opportunity to transform how Australia builds. Ministers agreed to pursue reforms to boost construction productivity, reduce regulatory burden, and support the uptake of modern methods of construction and faster housing delivery through a more nationally consistent building system which leads to high-quality housing.*

Various rationales are offered for the proliferation of variations. One is that flaws in the process by which the NCC is updated, and the resourcing and structure of the responsible body (the Australian Building Codes Board, or ABCB), pushes states and territories to go their own way. There is at least some truth in this.

However, the consensus explanation among those we consulted for why most variations exist is simply that states and territories too often believe in their

[27] Master Builders Australia (2026).
[28] Senate Select Committee on Productivity in Australia (2026).
[29] International Code Council (2026).
[30] Department of the Treasury (2026b).
[31] Ministers also agreed to pause further residential changes to the NCC until mid-2029, in recognition of the costs that frequent changes impose on industry (Building Ministers' Meeting, 2025).
[32] Department of the Treasury (2026b).
[33] Joint Ministerial Meeting on Housing Supply and Affordability (2026).

own exceptionalism. In devising building regulations, they typically (though not always) share similar aims — for example, safety, health, amenity, accessibility and sustainability (as codified in the NCC).[34] But state governments often come up with different ways to achieve these aims, which are evidently not sufficiently well supported by evidence to convince others of their superiority. The NCC is designed to ensure that buildings built to the standard it specifies will be (for instance) safe — regardless of which jurisdiction they are built in.[35]

Ultimately, eradicating variations will require both: that states and territories recognise that there would be net benefits to all of them of a consistent approach; and reforms to the process of updating and changing the NCC to give the states and territories greater confidence in the process and the product.

Local councils also vary building standards

Some local councils use their planning powers to specify building requirements that exceed the NCC.[36] For example, local requirements above the NCC have been catalogued for ceiling heights, window size, accessibility requirements, use of gas appliances, and exterior colour restrictions to reduce urban heat.[37]

We undertook a survey of construction firms focusing on those operating across jurisdictions (Section 3). Around three quarters of surveyed firms reported that they had to meet additional construction standards set by local councils.

[34] Australian Building Codes Board (2026f)

[35] As discussed above, there is scope within the NCC to accommodate different building requirements to meet genuine climatic and environmental differences, contrary to the suggestion in a recent communiqué from Building Ministers that there is a 'need for state- and territory-based regulatory changes that reflect the specific quality and efficiency needs of each jurisdiction' (Building Ministers' Meeting, 2025).

[36] International Code Council (2026); Council (2026).

[37] Housing Industry Association (2025).

Box 4: The NCC only covers part of construction

The NCC is the key mechanism for setting consistent national standards, but parts of the construction sector fall outside it.

Civil construction (encompassing, for example, roads, bridges, ports, mines, and railways) sits entirely outside the NCC. Austroads is a national body through which Australian and New Zealand governments develop common technical standards, guidelines and practices, for infrastructure such as roads and bridges, but harmonisation across jurisdictions remains an ongoing process.[a]

Other building work such as electrical, gas and telecommunications is also not covered by the NCC. Electrical installations, for example, are instead regulated under each state's electrical safety legislation.[b] Neil Savery, former CEO of the ABCB, has argued that the NCC was conceived in 2011 to be 'the single source for all on-site technical building regulation' and notes there may be productivity benefits in expanding the NCC, for example to include electrical.[c]

A range of other regulatory areas separate to the NCC may also have implications for what can be built (and how), for example workplace health and safety, industrial relations, environmental controls, and planning systems.[d]

[a] Austroads (2026)

[b] Australian Building Codes Board (2017).

[c] International Code Council (2026).

[d] Australian Building Codes Board (2017).

Since there are 538 local councils in Australia, council-set requirements can add significantly to regulatory fragmentation.[38] One firm told us that:

> *A neighboring council had a slightly different building code to which a completed job had to be destroyed and rebuilt. This took one week to complete, 3 extra staff, at a cost of $80,000.*

These differences also affect commercial buildings. One respondent to our survey highlighted varying local council and fire-authority requirements for fire safety signage, including exit signs and fire door signage.

Additional local requirements (which may also be imposed by other local entities such as water corporations and fire authorities) often concern energy efficiency, water, and materials or finishes (Figure 12).

Through the Australian Building Codes Board Intergovernmental Agreement, states[39] have committed to 'identifying options, as far as practicable, to further limit local government interventions', and to implement a 'gateway model' to discourage local governments from setting standards in excess of the NCC. All states place some restrictions on what building requirements local councils can impose, and some states explicitly invalidate local requirements where they contradict state building legislation.[40] Nonetheless, local council variations continue to frustrate industry. The Housing Industry Association (HIA) has argued that they 'exist in contradiction' to states' commitments, and that they cost more than $165 million a year in NSW alone.[41]

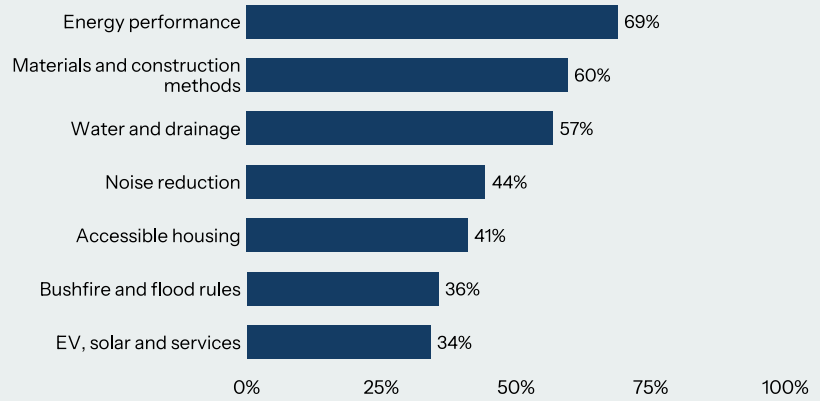
[38] Australian Local Government Association (2026a).
[39] Both the Northern Territory and ACT Governments exercise planning powers directly (Australian Building Codes Board, 2020).
[40] State of New South Wales (1993); State of Victoria (1993); State of Queensland (1975); State of Western Australia (2005); State of South Australia (1999); State of Tasmania (2016).
[41] Housing Industry Association (2025, 2026c).

Given the benefits of a nationally consistent approach to building standards, it is hard to justify why local councils should be empowered to impose building regulations that differ from the NCC.

FIGURE 12

Additional building requirements are often imposed locally

Type of building requirements imposed by local councils or other local authorities



Note: We asked 'In the past two years, has a local council or another authority required your business to meet building or construction standards that go beyond the National Construction Code and jurisdiction's building regulation?' and, if yes, 'Which of the following have been required? Select all that apply.' Further detail on the survey method in Section 3
Source: Policy Institute Australia construction survey (2026), Q16b-cs

Building product regulation is also fragmented

Building products are the physical inputs incorporated into buildings, ranging from raw and processed materials (such as concrete, steel and timber) to manufactured components and systems (including panelised and volumetric prefabricated systems). The requirements for building products are set through the NCC, state and territory building and planning laws, and other specialist regulatory regimes, including consumer law, electrical, and gas regulations.[42]

[42] Australian Building Codes Board (2026d).

Regulators in each state and territory have ultimate responsibility for regulating the compliance and conformance of building products used in building work.[43]

There are multiple sources of regulatory fragmentation in building products, including differences in how the NCC is applied in each jurisdiction (discussed above). One key source is that Queensland and New South Wales have each introduced (somewhat different) 'chain of responsibility' laws in the last decade, to strengthen compliance and enforcement through the building product supply chain.[44] However, in most jurisdictions, 'manufacturers, suppliers and importers of building products largely sit outside the regulatory system'. Instead, designers, engineers and building surveyors are relied on as "gatekeepers" 'who should be ensuring products that are selected, approved and installed are compliant and conforming'.[45]

There are four government-administered product certification schemes operating across jurisdictions, under which a product is certified as meeting government-specified requirements — so that regulators, certifiers, and installers can rely on the certificate without assessing the product themselves.[46]

- The Gas Product Certification Scheme (GPCS)
- The Electrical Equipment Safety System (EESS)
- WaterMark, for plumbing products
- CodeMark, a voluntary scheme to verify that other types of building products comply with NCC requirements

All except the EESS operate in all jurisdictions. However, CodeMark falls short in providing national certification: different rules and regimes apply in different states, so that CodeMark-certified products are not automatically accepted to meet compliance.[47] And although the gas scheme (GPCS) is 'reasonably harmonised' across Australia, industrial or specialised gas appliances fall outside the scheme and are subject to different arrangements, which vary by jurisdiction.[48]

The electrical scheme (EESS) has only been adopted in four states, although South Australia and both territories are transitioning towards it, and apparently accept it as a means of compliance.[49] NSW is not participating and has its own scheme, which an independent review found 'could be creating complexity and duplicative requirements for industry … [and] inconsistencies in electrical product approval across Australia.'[50]

The states' and territories' inconsistent and fragmented approach to building products adds to cost, and inhibits scale. As one example, Victoria broke with the other jurisdictions in response to the ABCB's decision to extend the national introduction of mandatory lead-free plumbing products from 1 May 2026 to 1 May 2028, meaning that certain plumbing products that are accepted in other jurisdictions cannot be used in Victoria.[51] A national building products supplier told us that where one state adopts different product standards, they have a choice of either expanding their product lines, or only offering higher-standard products across the country — either of which adds to cost.

[43] Australian Building Codes Board (2026d).
[44] *Building Products (Safety) Act 2017* (NSW), ss. 9 and 15; *Building and Construction Legislation (Non-conforming Building Products—Chain of Responsibility and Other Matters) Amendment Act 2017* (Qld), s. 11.
[45] Weir et al. (2024).
[46] There are also a range of industry-administered schemes (Master Builders Queensland, 2018).
[47] Department of the Treasury (2026b); International Code Council (2026).
[48] Weir et al. (2024).
[49] Weir et al. (2024).
[50] Department of Climate Change, Energy, the Environment and Water (NSW) (2026).
[51] Building and Plumbing Commission (Victoria) (2026a).

Fortunately, there appears to be broad support for a consistent, national approach to building products. Building Ministers have endorsed the objective of: 'A nationally consistent and coordinated system of building product assurance and regulation....'[52]

The 2021 National Building Product Assurance Framework was developed by the ABCB as a 'nationally agreed response' to one of the recommendations of the landmark *Shergold-Weir Building Confidence* report.[53] It proposed actions under five elements:

1. Strengthened NCC evidence of suitability requirements (to demonstrate that a material, design or construction meets a Performance Requirement or Deemed-to-Satisfy Provision).
2. Information obligations for manufacturers and suppliers.
3. Product traceability and identification (including a national traceability framework, and consistent building product labelling requirements included in all NCC referenced building product standards).
4. Improved surveillance, research and information sharing (with a national body tasked with oversight and coordination of the building product assurance system).
5. Strengthened compliance and enforcement.

The Framework has broad support across the building industry, including builders, developers, surveyors, and product manufacturers, formalised in the National Building Products Coalition.[54]

[52] Weir et al. (2024).
[53] Australian Building Codes Board (2021a); Shergold and Weir (2018).
[54] National Building Products Coalition (2026).

The states and territories commissioned a further report 'in order to progress the recommendations in the [Framework]', which provided *regulatory options* for advancing some elements.[55] But there has been little progress towards a nationally consistent approach to building products since the Framework was published five years ago.[56]

A nationally consistent approach in building products is critical to boosting productivity (and safety) in the construction sector, including facilitating the expansion of modern methods of construction.[57] But despite the National Building Product Assurance Framework providing a clear direction forward, and broad support, governments' resolve seems to be lacking.

Compliance and enforcement remain with the states

While there is a National Construction Code (NCC), compliance with and enforcement of standards remain with the states and territories. They enact the NCC through their own legislation and regulations, and each jurisdiction has its own regulator — leading to variations in regulatory practice across Australia, even where standards are aligned. In our survey, about 80% of firms operating across more than one jurisdiction found that compliance forms, processes or paperwork differed. As one firm operating across NSW and Victoria explained, even when using the same products, such as smoke alarms and electrical cabling:[58]

[55] Weir et al. (2024).
[56] Responding to one action in the Framework, the Commonwealth Government announced in its 2026 budget that it would make access to mandatory Australian Standards free (Standards Australia, 2026).
[57] Master Builders Victoria (2026).
[58] Survey response 191, Q23.

> *The installation rules, testing requirements and paperwork differ.*

Compliance typically involves approval before construction starts, inspections during construction, and sign-off at the end. But the *Shergold–Weir Building Confidence* report found:[59]

> *There are significant differences across jurisdictions in the number of inspections required and the notification stages. In some jurisdictions very few inspections occur and for certain types of buildings there are no inspections required at all… For Commercial buildings, many jurisdictions leave it to the building surveyor to determine what inspections are appropriate.*

For example, there are no mandatory inspections for one and two story houses in Western Australia.[60] NSW requires wet area and stormwater inspections for houses, while Victoria, Queensland and the ACT do not.[61]

Differences in interpretation of the NCC across jurisdictions are a particular frustration for industry.[62] One firm we consulted used the example of the installation of bin chutes. Despite identical written standards, differing interpretations of the standard meant that a Performance Solution accepted in one jurisdiction could not be used in another. This meant the firm had to either use a different approach in each jurisdiction, or adopt the more expensive approach in both. The firm told us that either option would add to the cost for the client.

Another firm working across the ACT and NSW reported a similar problem with accessibility requirements:[63]

> *Ramp and bathroom accessibility rules have different interpretations. We use two fixture versions.*

In our survey, 4 in 5 construction firms operating across more than one jurisdiction reported that similar rules are applied differently (Section 3).

There is no mechanism to resolve differing interpretations. One firm told us that the ABCB's response to a request to act as the arbiter is: 'check with your state regulator', as the ABCB is *not* able to issue binding technical interpretations of the NCC.[64] In contrast in Victoria, the State Building Surveyor can issue Binding Determinations on the technical interpretation of building and plumbing regulations, codes and standards, which building surveyors must follow.[65]

These inconsistencies have led parts of industry to call for a nationally consistent approach to compliance and enforcement, For example, Master Builders Australia has argued that 'the NCC must be enforced and policed in a way that is nationally consistent.'[66] And the Australian Institute of Building Surveyors has argued that 'eliminating the differences in administrative provisions would lead to a reduction in compliance cost to industry and therefore to the consumer'.[67]

However, *full* harmonisation in compliance and enforcement systems would involve substantial changes to how state and territory regulators and building surveyors undertake their work, and may interfere with the feedback mechanism through which the regulators' experiences are used to improve

[59] Shergold and Weir (2018)
[60] Commissioner for Consumer Protection (2019)
[61] Building Commission NSW (2026)
[62] Housing Industry Association (2026b)
[63] Survey response 283, Q23.
[64] Australian Building Codes Board (2017)
[65] Building and Plumbing Commission (2026b); Building and Plumbing Commission (2026a)
[66] Shergold and Weir (2018)
[67] Shergold and Weir (2018)

regulatory practice. It is not at all clear that the benefits from *full* harmonisation would outweigh the costs. After examining this issue in its 2004 report *Reform of Building Regulation*, the Productivity Commission concluded:[68]

> *While there may be benefits from some alignment across jurisdictions of administrative processes, it is not clear that net benefits would arise from harmonisation of all aspects. A progressive approach, advancing harmonisation in those areas with the largest net benefits, may be appropriate. Effective compliance and enforcement is a higher priority than full national consistency at this stage.*

Professor Peter Shergold AC and Bronwyn Weir agreed with this finding in their landmark 2018 *Building Confidence* report.[69] But greater consistency in regulatory practice could and should nonetheless be pursued, in areas where the net benefits justify reform.

2.2 Australia lacks a national body empowered to oversee a single national construction market

The Australian Building Codes Board (ABCB) is a standards-writing body, responsible for the NCC, and the WaterMark and CodeMark Australia Certification Schemes. It was established in 1994, through an Intergovernmental Agreement (IGA) signed by the Commonwealth, state and territory governments.[70] The IGA outlines the ABCB's objectives, with its first objective being:[71]

> *To establish codes, standards and regulatory systems that are, as far as practicable: consistent between States and Territories; cost-effective; performance-based; and incorporate modern and efficient building practices.*

The Board has up to 18 members: an independent Chair; a representative from each of Commonwealth, state and territory agencies responsible for building matters; up to seven industry representatives (currently four are filled); and a representative of the Australian Local Government Association.[72] The ABCB office sits within Commonwealth Treasury, and has two primary technical advisory committees — the Building Codes Committee and Plumbing Code Committee — with representatives from industry bodies, states and territories. It also has a Senior Officials Group and a Building Regulators Forum.[73]

Our consultations, and submissions to the NCC Modernisation Project, have raised key issues with the ABCB's structure, remit and resourcing.

Confused governance and unclear responsibility for decisions

One family of issues relates to the ABCB's governance, and a lack of clarity about who is responsible for decisions. Master Builders Australia has stated:[74]

> *...confusion between the ABCB, the ABCB Office and Building Ministers, with stakeholders still unclear who is accountable for final decisions. Industry remains unable to determine whether outcomes are driven by evidence, Ministerial direction or administrative process...*

[68] Productivity Commission (2004).
[69] Shergold and Weir (2018).
[70] At a June 2024 Building Ministers Meeting, ministers agreed in principle to a draft version of an *updated* 2025–2030 IGA (Building Ministers' Meeting, 2024). This IGA is now in 'final jurisdictional review and sign-off', although the NCC Modernisation Review is now considering more substantial governance changes (Department of the Treasury, 2026b).
[71] Australian Building Codes Board (1994).
[72] Australian Building Codes Board (2026b).
[73] Australian Building Codes Board (2026c, 2026e).
[74] Master Builders Australia (2026).

Neil Savery, former CEO of the ABCB, recently argued:[75]

> *Over time Ministers have become increasingly involved in the detailed technical content of the NCC … involving ministers at this level of detail negates the purpose of having a board and encourages the re-prosecution of matters not resolved to the satisfaction of a jurisdiction through the Board consensus process.*

The Building Products Industry Council wrote:[76]

> *The current ABCB governance model has strong foundations but is no longer functioning as effectively as intended. The Intergovernmental Agreement has become outdated and now contributes to blurred roles, duplicated structures, and unclear lines of authority. The introduction of additional bodies such as the Senior Officials Group and the Building Regulators Forum has created a crowded and ineffective governance environment without adding clear value, diluting accountability and slowing decision-making.*

The Housing Industry Association has recommended that:[77]

> *The ABCB become an independent national statutory authority with clear objectives, defined roles, and strengthened gatekeeping functions.*

Resourcing and remit limit the ability of the ABCB to ensure the NCC reflects best practice

The ABCB budget is very small compared to the size of the construction industry, and the importance of the NCC and the Certification Schemes it oversees. Its operating budget for 2026–27 was $10.7 million, and is only slightly higher in nominal terms since 2009–10,[78] despite construction industry value added growing from about $84 billion to $192 billion.[79]

In contrast, Food Standards Australia New Zealand (FSANZ) oversees standards across the food supply chain, including primary production, processing, distribution, retail and hospitality. Policy Institute Australia estimates that food-related industries generate about 10% less industry value add than the construction sector.[80] But FSANZ has an operating budget about 2.5 times as large, and put together, it receives roughly three times more funding per dollar of industry value added than the ABCB (Box 5).

Other industry-specific bodies responsible for setting rules and standards have even larger budgets. In 2024-25, the Australian Children's Education and Care Quality Authority (ACECQA) spent around $35 million, the Australian Commission on Safety and Quality in Health Care (ACSQHC) spent around $40 million, and the Australian Energy Market Commission (AEMC) spent around $44 million.[81]

Resourcing constrains what research the ABCB can do itself or contract for, as well as its ability to assess and incorporate new and innovative approaches within the NCC. This research is critical to discovering and codifying more efficient ways of meeting the NCC's Performance Requirements, although it can be expensive.[82]

[75] International Code Council (2026).
[76] Building Products Industry Council (2026).
[77] Housing Industry Association (2026b)
[78] Commonwealth of Australia (2010); Department of the Treasury (2026a).
[79] Australian Bureau of Statistics (2012, Table 21.3); Australian Bureau of Statistics (2026a).
[80] Australian Bureau of Statistics (2026a)
[81] Auditor-General's Department (South Australia) (2025); Australian Children's Education and Care Quality Authority (2025); Australian Commission on Safety and Quality in Health Care (2025).
[82] For example, we were told that fire testing for a single product can cost up to $1 million.

Box 5: Food Standards Australia New Zealand (FSANZ)

Historically, food standards were the responsibility of states and territories. Food Standards Australia New Zealand (FSANZ) is a statutory authority operating under the Food Standards Australia New Zealand Act 1991. Its primary function is the development and administration of the Australia New Zealand Food Standards Code, which regulates the use of food ingredients, processing aids, colourings, additives, vitamins and minerals. It also regulates food technologies like genetic modification, and sets labelling requirements.[a]

Under a 1991 Intergovernmental Agreement (since updated) between the Commonwealth and states and territories, the states and territories adopt, without variation, food standards once they have been formally included in the Food Standards Code.[b]

FSANZ is independent, and governed by an expert board, which includes the CEO, and board members with specific expertise requirements — with four nominated by science or public health organisations, one by consumer organisations, two by industry organisations, and three by the relevant New Zealand minister.[c] FSANZ has established three key stakeholder groups covering industry, consumer and public health representatives, and government representatives.[d]

[a] Food Standards Australia New Zealand (2026b).
[b] *Food Regulation Agreement* (2010).
[c] *Food Standards Australia New Zealand Act 1991* (Cth), s. 116(1).
[d] Food Standards Australia New Zealand (2023).

Inspectors working under state legislation enforce compliance. FSANZ itself has no enforcement powers. States retain their own food Acts, additional regulatory arrangements and enforcement agencies.[a]

The Food Ministers' Meeting has responsibility for the development of domestic food regulatory policy, the development of policy guidelines for setting domestic food standards, the promotion of harmonised food standards, the general oversight of domestic food regulation and standards, and the promotion of a consistent enforcement approach.[b] They are advised by the Food Regulation Standing Committee (FRSC), which comprises senior government officials from the Commonwealth, New Zealand and the states and territories. The Food Ministers' Meeting will also consult with stakeholders on developing policy guidelines.

The Food Ministers' Meeting has the power to review (and ultimately amend or reject) any standard proposed by FSANZ for inclusion in the Food Standards Code, with decisions to be made by a simple majority vote, if consensus is not reached. This means that no single jurisdiction can veto a decision.[c]

In 2024–25, FSANZ had revenue of about $25 million, and around 130 employees.[d]

[a] *Food Regulation Agreement* (2010); *Food Act 2003* (NSW), ss. 37 and 114; Food Standards Australia New Zealand (2026b, "Enforcing the Food Standards Code").
[b] Food Standards Australia New Zealand (2023).
[c] *Food Regulation Agreement* (2010).
[d] Food Standards Australia New Zealand (2025).

The CSIRO has historically undertaken some of this research, but appears to be moving away from it.[83] Facing industry push back, CSIRO recently delayed the closure of its North Ryde Fire Technology Laboratory, which supports testing, product certification, research and development.[84]

We heard in our consultations that changes to the NCC were often perceived to be based on opinions from around the table (albeit expert industry opinions) without the benefit of technical research as the research had not been done. As an example, the Building Products Industry Council (BPIC) has argued that condensation and EV-charging provisions lacked sufficient foundational scientific research when they were included in the NCC.[85]

Performance Solutions must be leveraged to boost productivity

One particular area of frustration is the need to 'repeat the same Performance Solution in each project', [86] and that Performance Solutions that are industry standard may take years to be included within the NCC as a Deemed-to-Satisfy (DTS) Solution (which would remove the need for industry participants to demonstrate that the solution meets the Performance Requirements of the code each time it is used). The Building Products Industry Council (BPIC) has argued that:[87]

> *Volume builders rely heavily on DTS pathways. Expanding and refining these pathways, without compromising quality, would support productivity by reducing reliance on Performance Solutions.*

The full benefits of a performance-based code depend on the reuse of successful Performance Solutions, without needing to reprove every time that they meet the standard. And yet, as noted by the Commonwealth Treasury, 'the NCC does not provide a pathway for commonly used or proven Performance Solutions to be converted to the Deemed-to-Satisfy pathway, resulting in lower uptake of these innovations.'[88]

A further and common complaint is that Performance Solutions are sometimes used to avoid re-doing shoddy work. For example, a builder attempts a DTS Solution but the work is not up to standard. The surveyor and the builder (who work together regularly) nonetheless decide the work is "good enough" and doesn't need to be redone (although it isn't, and it should be), and it is ticked as a Performance Solution.

There is currently no national register for Performance Solutions, although others have advocated for one.[89] Such a register could allow for Performance Solutions to be added to the NCC as DTS Solutions. And making such a register public could help spread the use of innovative Performance Solutions, and help to discourage the misuse of Performance Solutions (although intellectual property protections would need to be considered). However, the ABCB is not resourced to host such a register, and there is currently no obligation to lodge Performance Solutions in a way that would allow them to be collected.

[83] International Code Council (2026).
[84] Air Conditioning and Mechanical Contractors' Association of Australia (2026).
[85] Building Products Industry Council (2026).
[86] Master Builders Australia (2026).
[87] Building Products Industry Council (2026).
[88] Department of the Treasury (2025).
[89] For example: Australian Institute of Architects (2026); Australian Local Government Association (2026b); Building 4.0 CRC (2026); Engineers Australia (2026).

Layers of inconsistency in building regulation

National

State

Local

NSW

National Construction Code 2022
+ 115 pages of variations
+ Building Sustainability Index (Energy)

+ Environmental Planning and Assessment Act 1979 (NSW)
+ Plumbing and Drainage Act 2011 (NSW) & Regulations

+ Other NSW legislation
+ Building Commission NSW

Local councils (NSW)
Apply local environmental plans and development control plans

Certifiers (NSW)
Council and private registered certifiers interpret the rules

Vic

National Construction Code 2025
+ 83 pages of variations
+ NCC Energy Upgrade
+ NCC Livable Housing

+ Building Act 1993 (Vic)
& Building Regulations 2018 (Vic)

+ Other Vic legislation
+ Building and Plumbing Commission (Vic)

Building surveyors (Vic)
Municipal and private building surveyors interpret the rules

Local councils (Vic)
Apply local planning scheme controls

2.3 State licences make it harder to work across borders

An electrician needs a licence before they can wire a home, hospital or data center. Getting one means demonstrating the right qualifications, training or experience, and sometimes meeting insurance or financial requirements. Even then, the licence is not a blanket approval. It can include conditions on the type of work they can undertake.

Licensing is a critical safeguard that protects workers and consumers from unsafe or poor-quality work, and gives governments a way to hold providers accountable if those standards are not met. A licence shows the homeowner that an electrician meets minimum standards of competence, which matters because faults are often hidden in walls and ceilings, and can put the occupants at risk long after the work is done.

The importance of safe practices means construction is a license-heavy industry. Around 57 per cent of construction employees work in occupations that require, or may require, licensing or registration, the highest proportion of any Australian industry (Figure 13).

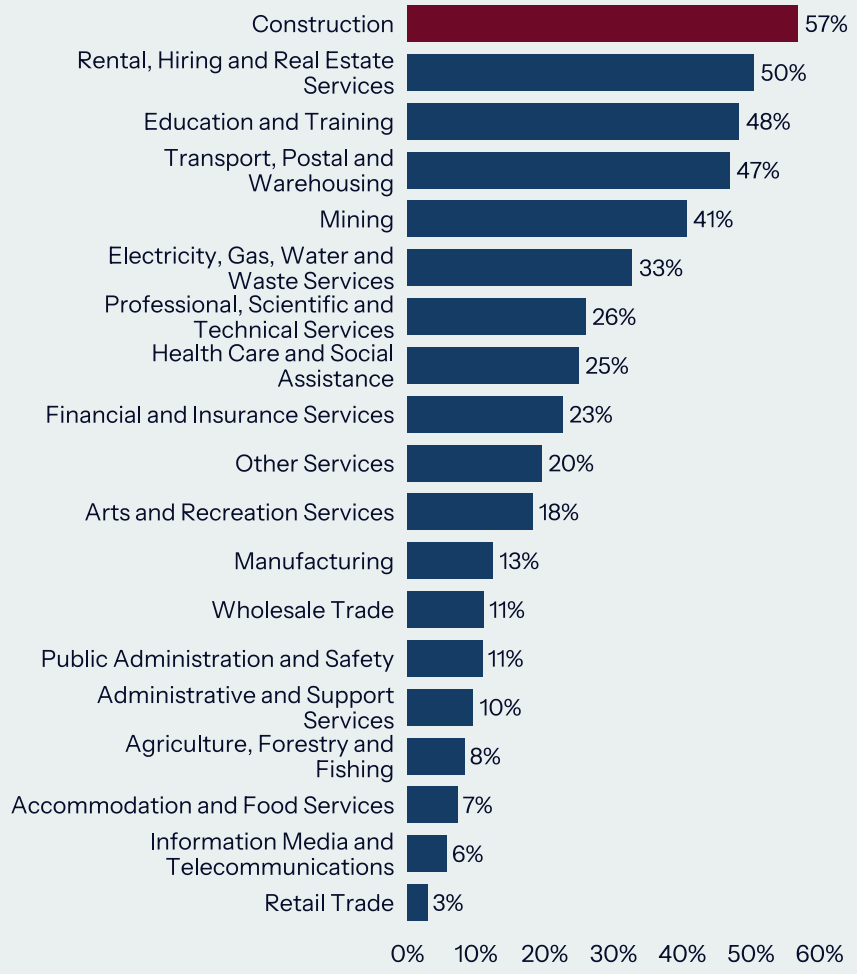
But not every construction worker needs a licence. Even where licensing applies, employees can often work without a licence. For example, a carpenter employed by a licensed builder in Queensland does not need one, but one subcontracting directly to that builder generally does.

For workers who do need a licence, state-based rules can make interstate work harder. A plumber licensed to install the water services in a new medical centre in Tweed Heads, NSW, may need another licence to do the same job five minutes' drive north in Coolangatta, Queensland.

FIGURE 13

Construction relies more on licensed workers than any other sector

Share of employed persons in occupations flagged as requiring, or potentially requiring, licensing or registration



Source: Policy Institute Australia calculations using 2021 Census employment, ABS ANZSCO–OSCA correspondence and March 2026 Training Occupation Pathways flags. Includes self-employed people. Flags are not observed licence holdings; missing and mixed matches remain in the denominator.
Note: Potentially requires a licence or registration means that licensing and regulation requirements apply to this occupation in some circumstances

Mutual recognition works well when licences match

Governments introduced mutual recognition (MR) in 1992 to make it easier to work interstate. The idea is simple: if someone is already licensed to do a job in one state, they should not have to re-prove their qualifications and experience.

But MR only works where licences cover substantially the same work. Different licence categories can leave workers without an interstate equivalent.

For example, in Queensland, an ordinary electrical mechanic licence authorises all electrical work, including joining underground power cables. But Victoria has a specialist licence for joining cables on electricity distribution networks (Figure 14). A Queensland electrician seeking to do the same work in Victoria therefore has no directly matching licence. The Victorian regulator must assess whether the broader Queensland licence is equivalent to its specialist licence, potentially imposing conditions. This creates uncertainty for workers and employers, even where the worker is licensed to undertake the job at home.[90]

Other professions face similar fragmentation, undermining the benefits of MR. Queensland registers engineers across 19 areas, compared with five in Victoria and three building-engineering licence classes in Tasmania.[91]

Licence-matching rules are also outdated. Most equivalence tables are from 2007 to 2015 and remain unreviewed. The Housing Industry Association (HIA) argued that there was 'no excuse' for outdated ministerial declarations, and that they undermine mutual recognition.[92]

FIGURE 14

Electrical licence categories vary across jurisdictions

Selected unrestricted electrical licence categories, August 2026

Task	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
01 Replace extension-lead plug	No	No	Base	No	No	No	No	Base
02 Repair plug-in washing machine, like for like	No	No	Base	No	No	No	No	Base
03 Join underground network cables	[1] ASP	Cable	Base	[2] Exempt	[3] Exempt	Base	Network	Base
04 Install security cameras for clients	Security	Security	Security	Security	Security	[4] No	Security	[4] No
05 Wire a grid-connected home battery	[5] Base	[5] Base	[5] Base	[5] Base	[5] Base	[5] Base	[5] Base+	[5] Base

No	No worker licence for the specified task	Cable	Specialist cable-jointing licence
Base	Ordinary electrical licence covers the work	Network	Cable-jointing qualification + network operator authorisation
Base+	Electrical licence plus DER endorsement	ASP	NSW network accreditation scheme
Exempt	Conditional worker-licence exemption	Security	Security-installer licence

[1] NSW's ASP scheme covers contestable network construction, not all cable work. [2] WA's exemption is limited to trained cable jointers. [3] SA's exemption covers eligible network infrastructure under a safety and technical management plan. [4] No separate security-installer licence was identified in Tasmania or the NT. [5] Distributors may require additional accreditation despite an electrical licence, with requirements varying between networks.

Source: Policy Institute Australia analysis of jurisdictional electrical licencing and registration requirements

[90] WorkSafe Queensland (2026); Energy Safe Victoria (2026b).

[91] Board of Professional Engineers of Queensland (2026); Consumer Affairs Victoria (2026); Consumer, Building and Occupational Services (Tasmania) (2026).

[92] National Competition Council (2026); Housing Industry Association (2026d); *Mutual Recognition Act 1992 – Section 32 – Ministerial Declaration (9/02/2007)*.

There are still many exemptions to automatic mutual recognition

In July 2021, governments introduced automatic mutual recognition (AMR), allowing eligible workers across all industries to work interstate without applying or paying for another licence. This means a NSW electrician can work temporarily in Victoria after notifying the regulator, provided they follow local laws and stay within their NSW licence's scope. Workers moving permanently generally still need a local licence through mutual recognition (MR).[93]

AMR makes licences more portable, but leaves fragmented state licensing systems intact. Coverage remains incomplete. Queensland has yet to join, although it agreed in January 2026 to work towards doing so.[94] Other jurisdictions have declared around 158 exemptions,[95] with construction accounting for the largest share (Figure 15). Workers also cannot use AMR when their home state does not license an occupation licensed elsewhere.[96]

AMR leaves licensing differences intact. A WA plumber cannot use AMR to install fire sprinklers in Victoria, where this requires a fire-protection licence outside the WA licence's scope.[97] Employers moving staff interstate must untangle which jobs each licence permits, check local insurance and screening rules, and verify credentials through separate registers. Different entry standards add uncertainty, discouraging interstate hiring and projects.

[93] Energy Safe Victoria (2026a).
[94] Queensland Government (2026).
[95] National Competition Council (2026).
[96] NSW Government (2026a); National Competition Council (2026).
[97] Government of Western Australia (2026, "Plumbing contractor and practitioner").

FIGURE 15

Exemptions from automatic mutual recognition are rife in construction

Automatic mutual recognition (AMR) coverage by jurisdiction and occupation

	Builder	Electrician	Plumber	Building surveyor / certifier	Engineer	Architect
NSW	Exempt	Exempt†	Mixed	Mixed	Mixed[1]	AMR
Victoria	AMR	AMR	Mixed	Exempt	AMR	AMR
Queensland	No AMR	No AMR†	No AMR	No AMR	No AMR	No AMR
Western Australia	AMR	Exempt	AMR	AMR	AMR[2]	AMR
South Australia	AMR	AMR	AMR	AMR	No registration needed	AMR
Tasmania	Exempt	AMR	AMR	AMR	AMR[3]	AMR
ACT	Exempt	Exempt	Exempt	Exempt	AMR	AMR
Northern Territory	AMR	AMR	AMR	AMR	AMR[3]	AMR

Mixed coverage

NSW includes ordinary plumbing, building surveying and most listed engineering classes, with exemptions for fire-safety and certain specialist activities. Victoria exempts all *licensed* plumbers, while some *registered* plumbing classes can use AMR.

Engineering

[1] NSW currently exempts only fire-safety engineers from AMR.

[2] WA does not yet require engineers to register. AMR will apply when specified building-engineer registration becomes mandatory from July 2027.

[3] Tasmania's coverage concerns specified building-engineering activities; the NT includes structural and mechanical certifying engineers.

† Electricians

Separate recognition pathways exist for some electricians in NSW and Queensland. Exemption from national AMR does not necessarily mean a new licence is required.

Source: Policy Institute Australia analysis of jurisdictional AMR exemptions

Business licensing in construction is even more fragmented

Neither mutual recognition nor AMR covers business licences.[98] Yet building contracts are generally signed by firms, which must hold a business licence and appoint a suitably licensed nominee to supervise the work.

A Tweed Heads building company that wins a contract to construct a warehouse just across the border in Coolangatta must obtain a Queensland builder licence. Yet NSW does not require a general builder licence for the same work.

States pursue much the same goals with business licence requirements: ensuring builders are financially sound and protecting homeowners. But approaches differ (Appendix A). Queensland caps annual turnover, Western Australia requires $50,000 in cash or equivalent, while NSW, Tasmania and the ACT have no general financial test. Home warranty insurance[99] starts at $3,300 in Queensland and $20,000 in most states, while Tasmania has no scheme. With differences largely confined to tests and thresholds, harmonisation should be achievable without weakening consumer protections.

These relatively small differences can have major consequences. Master Builders Australia says delays in obtaining interstate business licences can make short-term work commercially unviable, with commercial builder registration taking up to six months, particularly in NSW and Victoria.[100]

Harmonising individual licences alone will not let firms work nationally. Other industries already license firms and qualified staff under one national law (Box 6).

[98] A business licence gives a business legal permission to carry out a particular activity, such as entering into contracts for building work (Australian Building Codes Board, 2021b).
[99] Insurance that protects owners if a builder cannot finish a job or fix defects.
[100] National Competition Council (2026); Master Builders Australia (2025).

Box 6: Tax agents: one national system for firms and professionals

How it works. The Tax Practitioners Board registers both individual tax agents and the companies and partnerships that provide tax services. Individuals must meet qualification, experience and integrity requirements. Companies must have enough registered agents to deliver their services competently and supervise staff, and must meet insurance and integrity requirements. Once registered, a company can serve clients anywhere in Australia without obtaining another state licence.[a]

How it became national. Before 2010, six state-based boards registered tax agents under the same Commonwealth law. The Tax Practitioners Board replaced these boards with one national regulator.[b]

How this compares with construction. Each state applies its own licensing and financial requirements to building businesses. Applying the tax-agent model to builders would require governments to agree on common licence classes, supervisor requirements and financial tests.[c]

Construction also presents challenges that tax agents did not face. States have different laws governing building work, contracts and home warranty insurance, whereas tax agents already operated under Commonwealth law. States could retain these local laws and insurance schemes while accepting common licensing and financial assessments. Insurers would still need to assess insurance-specific risks and determine how much cover to provide.

[a] Tax Practitioners Board (2026a, 2026b).
[b] Tax Practitioners Board (2018).
[c] NSW Government (2026b); Queensland Building and Construction Commission (2026).

National licencing would offer greater consistency

National licensing goes further than mutual recognition and AMR. Rather than recognising different state licences, it sets common requirements and allows all licence holders to practice nationally. It can also cover business licences.

Agreeing on these standards can be a big undertaking. Harmonising to the least demanding requirements could risk weakening consumer protections. Adopting the most demanding requirements could increase costs, restrict entry and reduce competition. Neither is necessarily efficient. Governments would have to agree on proportionate requirements and crucially, keep them aligned over time.

Past attempts at reform highlight how difficult this can be. A proposed National Occupational Licensing Scheme was abandoned in 2013 amid implementation challenges and disputes over standards, including concerns that protections would be weakened.[101] The 2021 National Registration Framework established model standards for building practitioners, but implementation was left to jurisdictions, and differences have largely persisted.[102]

The benefits of national licensing vary by occupation, but are likely to be greatest where cross-border work is common (including where services can be delivered remotely), or where MR and AMR do not work well. Getting agreement on standards is likely to be hardest where current regimes differ dramatically, but this may also be where benefits are greatest. When workers deliver services in person and locally, improving MR and AMR alongside greater alignment of standards, may deliver many of the benefits at lower cost.

TABLE 1

Three approaches to cross-border licensing

Mutual recognition (MR)	Automatic mutual recognition (AMR)	National licensing
How it works		
Apply for an equivalent licence in another state	Use the home-state licence to perform the same activities interstate	One national authorisation permits work across Australia
Licensing standards		
States retain different requirements and licence classes	States retain different requirements and licence classes	Common national requirements and licence classes
Interstate costs		
Applications, fees and potential delays	No second licence or fee; notification and local requirements may apply	No interstate recognition needed; local work rules still apply
Business licences		
Not covered	Not covered	Can be included in the national scheme
State control		
States retain licensing rules and administration	States retain rules, subject to recognition obligations	Common standards; administration may remain state-based
Practical limitations		
Costly applications; uncertain equivalence; mismatched licence scopes	Exemptions and incomplete participation; differing local requirements	Difficult and costly to establish; local requirements may remain
Regulatory risks		
Licence shopping and potential licence uplifting	Weaker home-state standards travel interstate; potential licence shopping and race to the bottom	Standards set too high or low

Source: Policy Institute Australia analysis of MR, AMR and national licencing requirements

[101] National Competition Council (2026); Senate Select Committee on Red Tape (2018).
[102] Australian Building Codes Board (2021b); National Competition Council (2026).

3 Quantifying the cost of eight different sets of rules

Policy Institute Australia surveyed 443 senior leaders working in large construction businesses to measure the cost of Australia's inconsistent building rules (Figure 16). Respondents were recruited through an online research panel based on their business characteristics and experience. Almost all respondents held senior positions, and 84% had responsibility for regulatory compliance.

The survey asked about business size, where firms operate, and the time, money and delays caused by different rules. Respondents were given 47 questions and also asked to describe their experiences in their own words. Nearly 330 provided written responses that illustrate the costs and delays they reported.

Most respondents worked for builders, contractors or installers (91%). Their businesses operated across all eight states and territories, with 87% working in more than one jurisdiction. Just over 55% employed at least 200 people and 61% had annual turnover of at least $50 million.

These results should not be treated as representative of all construction firms. We deliberately targeted firms operating across state borders, where inconsistent rules are most likely to impose costs. As a result, the survey respondents tend to be larger firms, with 87% of surveyed firms operating in multiple jurisdictions compared with 18.2% of all employing construction firms.[103]

Unlike broader measures of regulatory compliance costs, our survey isolated the additional costs caused by differences between jurisdictions.[104] It distinguished different rules from different interpretations and processes, and measured expenditure, staff time and delays. To estimate annual costs, we multiplied firms' reported average additional costs per project by their annual number of projects. The survey also captured opportunities forgone, including interstate markets not entered, projects not pursued and products not introduced. Further methodological details are provided in appendix Section C.

Almost all (95%) respondents said regulatory fragmentation affects their business. Firms reported:

- Spending about $500,000 per year, on average, on external consultants to navigate different rules.
- Spending almost $600,000 per year, on average, to meet different standards across jurisdictions.
- Allocating more than 1,800 hours of staff time, on average, to dealing with those differences.
- Incurring an average of 377 days of delays per year in project completions.

As a result of fragmentation, 57% of respondents said they had to maintain multiple product lines or designs; almost 50% said they ordinarily choose an established method over an innovative one due to onerous approvals; about 25% said they delayed or avoided a national product launch and 22% had avoided or stopped operating in a jurisdiction as a result.

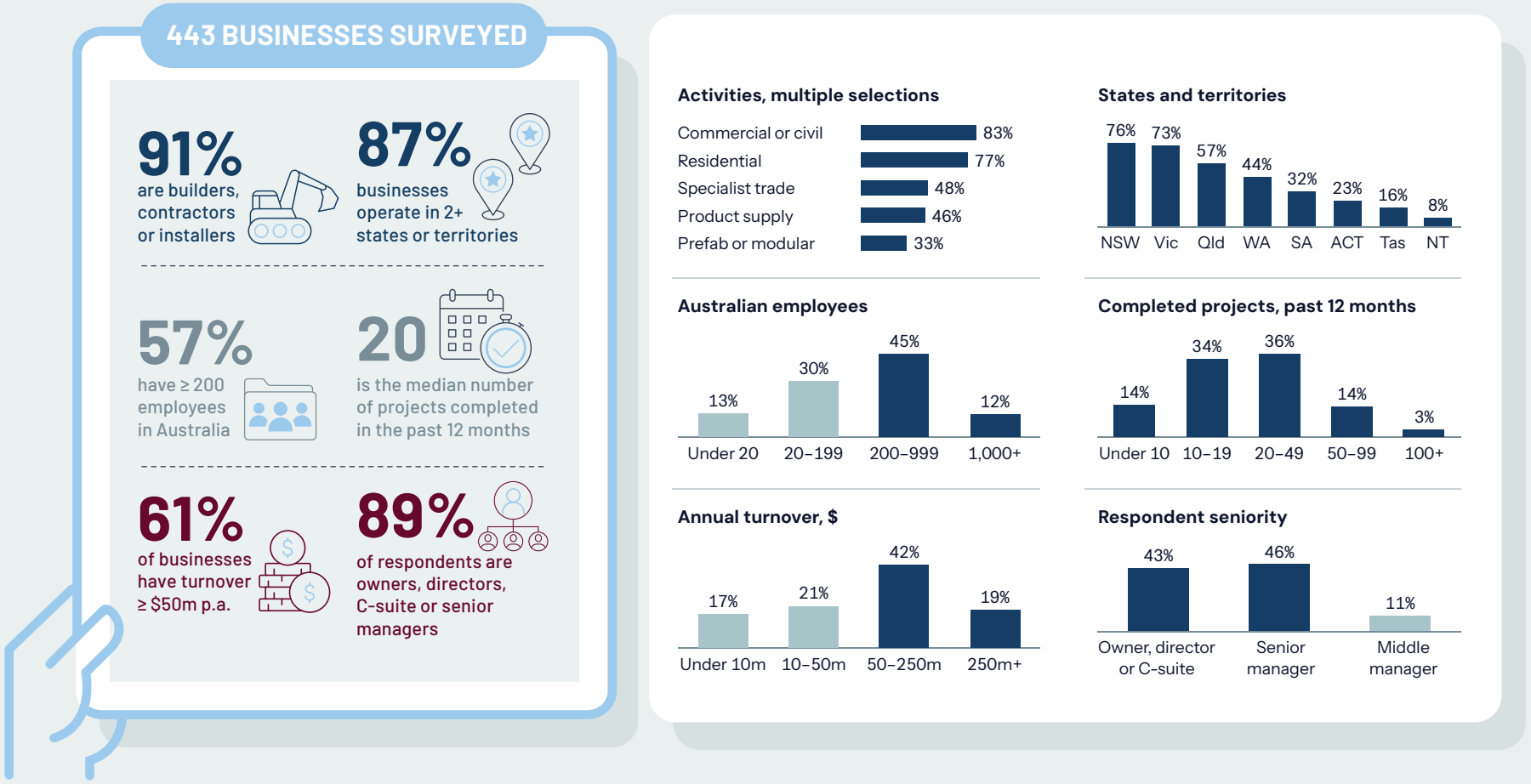
[103] Policy Institute Australia analysis of ABS Business Longitudinal Analysis Data Environment (BLADE) microdata (Australian Bureau of Statistics, 2026b).

[104] Previous research has estimated the benefits of national consistency in some areas. In 2012, the Centre for International Economics estimated that introducing a single national technical building code delivered around $300 million a year in economic benefits (Centre for International Economics, 2012).

FIGURE 16

Policy Institute Australia's survey of construction firms

The survey asked 443 construction businesses about the additional costs of differing state and territory building rules, including impacts on project delivery, interstate operations and business opportunities. The figure shows the characteristics of participating firms and respondents



Notes: The survey was conducted through an online panel and over-represents larger firms operating across jurisdictions. Results are not representative of the construction industry as a whole. Respondents could select multiple business activities

3.1 Construction rules differ in myriad ways

Regulatory fragmentation raises costs, limits economies of scale and slows innovation. Almost all surveyed businesses (95%) said it affects them. Of these, 84% face different rules across jurisdictions, while 74% reported complying with different versions of the same requirements at once.

These differences span much of the building process (Figure 17). Firms most often cited:

- Jurisdictional variations to the National Construction Code (NCC) (57%).
- Different building approvals and permits (54%).
- Different versions of the NCC in force (52%).

Around half also reported differences in plumbing and electrical codes, product certification, council and water requirements, and certifier documentation.

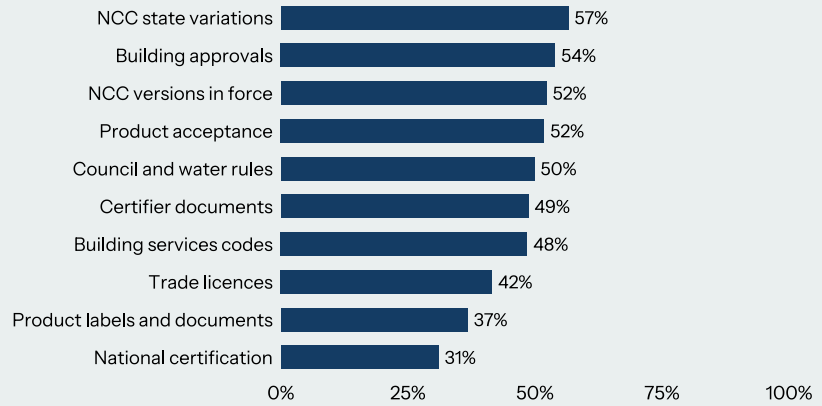
These differences force firms to duplicate work and discourage innovation (Figure 18). More than half (57%) maintained separate products or designs for different jurisdictions, duplicating design, testing and stock costs. Half (49%) chose established construction methods over more innovative alternatives, slowing the uptake of productivity-enhancing approaches such as prefabrication and modular construction.

Fragmentation also prevents firms from growing and competing across borders. A third (33%) bid for or took on less interstate work, while 22% avoided or stopped operating in a jurisdiction. Around a quarter chose to invest in one jurisdiction over another (26%) or delayed or abandoned a national product launch (25%).

FIGURE 17

Differences span building codes, approvals and products

Areas where differences between jurisdictions affect firms; share of firms

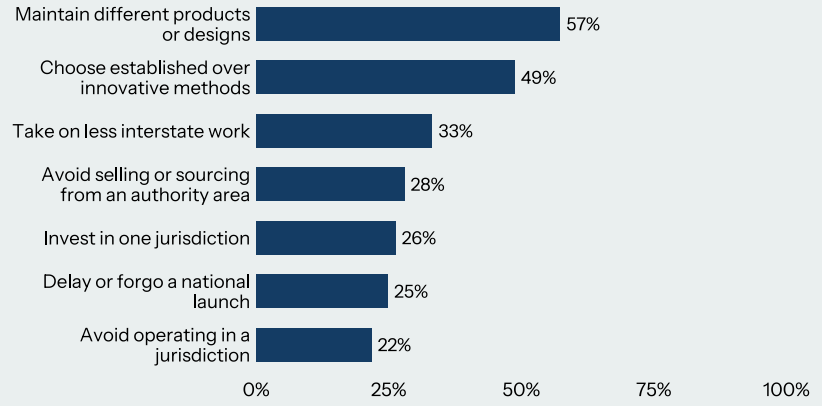


Notes: We asked 'In which areas do these differences affect your business, including in what you make, supply, specify or install? Select all that apply.' Base: 387 firms operating in more than one jurisdiction out of 443 total firms

FIGURE 18

Differences change what firms build and where they work

Business responses to differences between jurisdictions; share of firms



Notes: We asked 'In the past three years, have differences in regulation between authorities caused your business to do any of the following? Select all that apply.' Base: 387 firms operating in more than one jurisdiction out of 443 total firms

3.2 Fragmentation costs construction firms more than $2.2 billion a year

Firms in our survey paid an average of $501,000 a year to external parties solely because requirements differ between jurisdictions (Figure 19). Their staff spent enough time on these differences to keep one person working full-time for a year (Figure 20).[105]

Across Australia, we estimate these differences cost construction firms more than $2.2 billion a year: $1.8 billion on external help and $400 million in staff time.[106] This estimate does not capture the opportunity cost of avoided work in other jurisdications, highlighted above.

Builders are spending significant time and money navigating different rules. Firms told us about paying again for work already approved in another state. One told us that it needs to engage an external engineer licensed in Queensland for designs it approves in-house in NSW:

> *Often costing between $2–$3 thousand for an external engineer to simply review a design and sign the form.*

Another firms told us of the need to repeat fire testing:

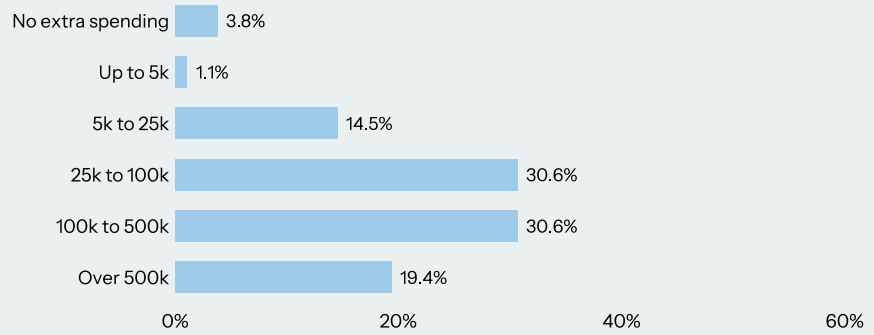
> *A fire-rated cladding system approved in Victoria required re-testing and re-certification in NSW. This cost $25,000, delayed approval by 8 weeks, and required 400+ staff hours.*

[105] An average of 1,845 hours, or 243 working days at 7.6 hours a day. This is more than a full-time employee typically works in a year after leave and public holidays. The median was 600 hours.
[106] See Appendix Section D for method.

FIGURE 19

Most firms pay over $100k for external help with state differences

Spending on external parties solely because requirements differ between jurisdictions; share of firms by annual spending

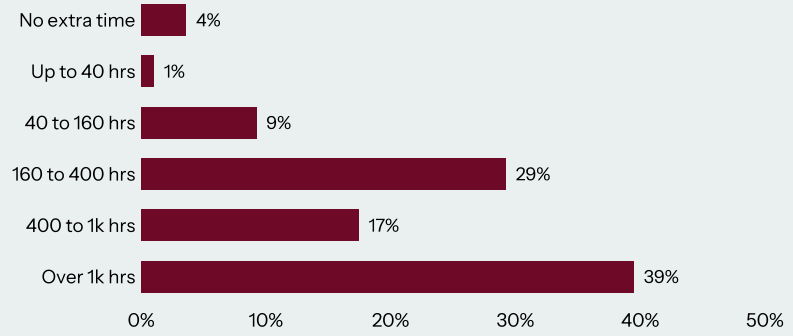


Notes: We asked 'In the past 12 months, approximately how much PER PROJECT, on average, did your business pay external parties solely because building and construction requirements, or the way regulators apply or enforce them, differ between jurisdictions?' Per-project figures were multiplied by the number of projects completed in the past 12 months. Base: 189 firms that gave an estimate and 186 after outlier detection out of 443 total firms

FIGURE 20

40% of businesses spend over 1,000 staff hours a year on state differences

Staff time spent solely because requirements differ between jurisdictions



Notes: We asked 'In the past 12 months, approximately how much staff time PER PROJECT, on average, did your business spend solely because building and construction requirements, or the way regulators apply or enforce them, differ between states?' Per-project figures were multiplied by the number of projects completed in the past 12 months. Base: 196 firms that gave an estimate out of 443 total firms

3.3 Firms pay to meet the strictest rules and lose time to delays

Some firms apply the most demanding jurisdiction's requirement to all their work, rather than run different approaches in each — costing the average firm in our survey $559,000 a year (Figure 21). Across Australia, we estimate this costs construction firms about $2 billion a year. These costs overlap with the cost estimated in Section 3.2, as firms may engage external help to manage differing state requirements, including when applying the strictest requirements nationally.

Different rules between jurisdictions also delay projects. Firms reported an average of 377 days of delay a year, and 70% faced more than 120 days (Figure 22).[107]

Firms described delays when one state would not accept approvals from another. One firm moving a crew and tower crane from Queensland to NSW told us:

> *The New South Wales regulatory authority did not directly recognise some of the on-site safety assessment reports from Queensland, the equipment had to be re-registered, and work on the project site was forced to come to a standstill for three weeks.*

A WA firm whose South Australian engineering stamps were not accepted said it was:

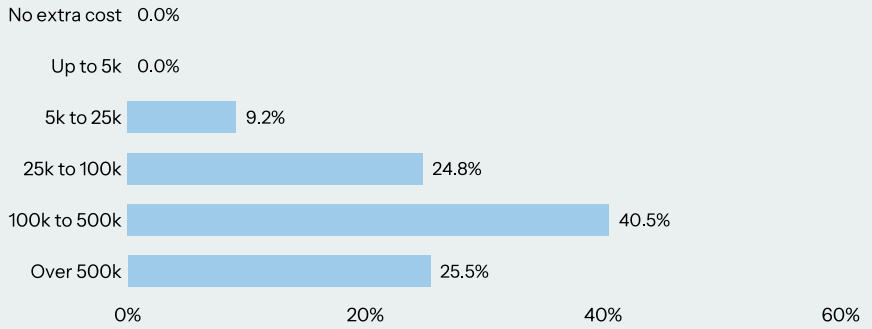
> *Delaying work, resulting in down time so paying guys when we should be earning.*

[107] Delay days are summed across projects, not elapsed calendar days. The median was 216 days.

FIGURE 21

Meeting the strictest standards often costs over $100k per year

Extra cost of applying the most demanding jurisdiction's requirement across all work; share of firms by annual cost

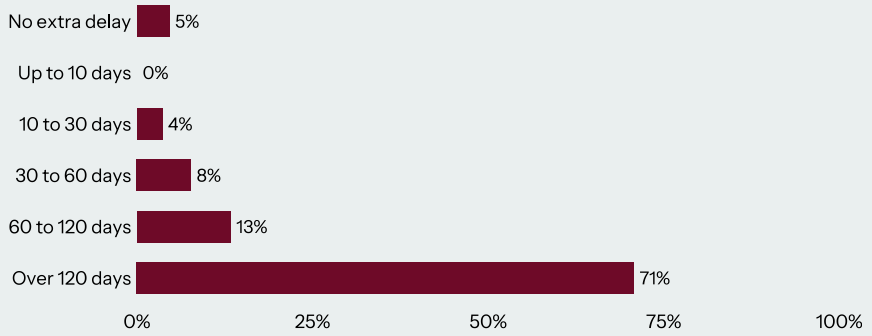


Notes: We asked firms that sometimes, often or almost always apply the most demanding jurisdiction's requirement across all their Australian work: 'In the past 12 months, approximately what did that cost your business PER PROJECT, on average — that is, the extra cost of working to a higher standard than you would otherwise have applied?' Per-project figures were multiplied by the number of projects completed in the past 12 months. Base: 154 firms that gave an estimate out of 443 total firms

FIGURE 22

70% of businesses face over 120 days of delay a year

Delay to projects, approvals, staff or equipment solely because requirements differ between jurisdictions; share of firms by annual days



Notes: We asked 'In the past 12 months, approximately how many days of delay PER PROJECT, on average — to the project, approvals, staff deployment or equipment moves — arose solely because requirements, or the way regulators apply or enforce them, differ between jurisdictions?' Per-project figures were multiplied by the number of projects completed in the past 12 months. Base: 196 firms that gave an estimate out of 443

3.4 Fragmentation makes it harder to use prefabrication and modular construction

Modern methods of construction (MMC) encompass innovative construction methods such as prefabricated and modular construction.

Greater use of MMC represents perhaps the most promising opportunity to improve lagging productivity in the construction sector.[108] The Productivity Commission has modelled the effect of lowering regulatory barriers to modern methods of construction, including prefabricated and modular building. It estimated that this could lift construction output by 1 to 2 per cent, adding $2.9 to $5.7 billion to GDP in the long run.[109] Consultancy McKinsey has estimated that modular construction could cut construction costs by up to 20 per cent if implemented well.[110]

Some of the benefits of MMC have already been captured. One large national builder told us that right now they can construct whole bathrooms offsite for about $10,000, which would cost about $25,000 to construct onsite.[111] Builders already use these 'bathroom pods' in hotels, hospitals and student housing, where a single project can accommodate hundreds of identical bathrooms.[112]

However, MMC such as prefabricated and modular building only make sense if there is sufficient scale and repeatability to justify the large upfront costs, for example to set up a factory, but these can be hard to achieve where differing construction rules between states and territories mean that Australia can operate more like eight markets rather than one.

The Senate Select Committee on Productivity's recent review on housing found that 'despite the supposed improvements, MMC have not yet achieved widespread adoption'. It cited the Commonwealth-funded research centre SmartCrete CRC, which told the Committee that:[113]

> *... differing state and territory interpretations [of the National Construction Code], approval processes and certification expectations can further increase complexity, cost and uncertainty for industry participants seeking to scale innovative construction approaches nationally. This fragmentation can discourage investment and slow the transition from successful pilot projects to mainstream delivery.*

As noted above, different rules in different jurisdictions meant that more than half (57%) of construction firms we surveyed said they had to maintain different products or designs, half (49%) said they had to choose an established method over an innovative one, and a quarter (25%) said they had delayed or forgone a national product launch.

In 2025, the Commonwealth committed up to $120 million to its National Productivity Fund to incentivise the states and territories to take steps to lower barriers to MMC.[114] The Australian Building Codes Board is currently working towards establishing a national voluntary certification scheme for prefabricated construction manufacturers by mid-2028.[115]

[108] Productivity Commission (2025b).
[109] Productivity Commission (2024).
[110] Bertram et al. (2019).
[111] In 2016, all states and territories agreed that prefabricated 'bathroom pods' should be accepted as WaterMark certified products (Australian Building Codes Board, 2024).
[112] Hutchinson Builders (2026).
[113] Senate Select Committee on Productivity in Australia (2026).
[114] *National Competition Policy Schedule: Federation Funding Agreement – Affordable Housing, Community Services and Other* (2026).
[115] Senate Select Committee on Productivity in Australia (2026).

4 A single national construction market

4.1 A single set of standards across Australia

Commonwealth, state and territory governments should urgently commit to a reform program that results in a single set of building standards applied consistently across the country.

This would require a commitment by states and territories to sign on to application of the NCC in full, without variation, and on a consistent timetable. This contrasts with the current 2020 Australian Building Codes Board Intergovernmental Agreement, under which variations from the NCC are permitted.[116] States and territories would need to amend their legislation to remove any building requirements in areas covered by the NCC that differ from the NCC.

The legislative approach taken should ensure that the same NCC is applied across jurisdictions, without variation, and that updates to the NCC are automatically adopted into state and territory legislation, as is the case with food standards under FSANZ (Box 5).

This nationally consistent approach would eradicate 600 pages of state variations recorded in the NCC (and others that are not), substantially reducing the regulatory burden on businesses in the construction sector. It would also likely slow the rate of at which new regulations are added, which has been a particular frustration to construction businesses in recent years.

Variations in building requirements due to genuine climatic or environmental conditions would still be accommodated through the NCC, as they are now. Climatic and environmental conditions are geographic realities that are drawn by Australia's natural features, not state or territory borders.

As part of this process, states should also adopt consistent legislation that prevents local governments from setting any building requirements that differ from the NCC. Local government rules that do so should be struck out. This could greatly reduce the regulatory burden even for businesses operating in one jurisdiction. This would not interfere with local governments' ability to set requirements for buildings through their planning systems, for example to stipulate visual amenity requirements.

Finally, Australia should move towards a consistent national approach to building products, with the National Building Product Assurance Framework as the starting point.

These changes would significantly reduce the regulatory burden for construction firms operating across jurisdictions. Over time, the NCC could be expanded to include other parts of construction, such as electrical.

Recommendation 1: The Commonwealth should work with states and territories to formulate a new Intergovernmental Agreement that commits all jurisdictions to uniformly adopt the same version of the National Construction Code (NCC) by 2028, including abolishing all variations from the NCC. States should commit to legislating to prohibit local government from setting any building requirement that differs from the NCC.

[116] Australian Building Codes Board (2020)

4.2 A new National Construction Authority, with the resourcing and remit to boost productivity

The Australian Building Codes Board (ABCB) should be reconstituted as a new National Construction Authority, an independent, statutory, expert agency modelled on Food Standards Australia New Zealand (FSANZ, Box 5).

The Authority should be governed by an expert board, not a board aiming to represent the views of each jurisdiction. This follows the FSANZ model, but differs from the ABCB where each jurisdiction nominates a member to the Board, a structure that has contributed significantly to a perception of political interference and unclear responsibilities in the decisions of the ABCB.

The new Authority would have a CEO and professional staff, and would consult with industry and with government bodies in each jurisdiction, for example through standing committees.

The Authority would be responsible for maintaining and proposing improvements to the NCC. The nine ministers responsible for building and construction in the Commonwealth and each of the state and territory governments ('Building Ministers') would set the policy direction up front, and should retain the ability to reject or vary a proposed change to the NCC. Where consensus cannot be reached, decisions would be made by a simple majority vote of the nine Building Ministers.

The Authority should be empowered to publish technical interpretations of the NCC, which should be binding on state and territory regulators, and building surveyors and certifiers in their jurisdiction. This could be accomplished with a variation on Victoria's approach, which allows its State Building Surveyor to issue Binding Determinations on the technical interpretation of building and plumbing regulations, codes and standards.

The Authority should be resourced commensurate with the importance of the industry and the NCC, and its new mandate. Adequate resourcing should allow the Authority to undertake a substantial ongoing technical research program, with the objective of boosting the productivity of the sector through improvements to the NCC.

The Authority should establish and maintain a National Performance Solutions Register. All Performance Solutions should be required to be lodged with the Authority for inclusion on the Register. The Authority should review the Register regularly, with the aim of adding Performance Solutions to the NCC as Deemed-to-Satisfy (DTS) Solutions that can be adopted by practitioners nationally, spreading established techniques and reducing the need for repeated assessments. Adding Deemed-to-Satisfy Solutions provides practitioners with more ways of meeting Performance Requirements, but does not change the requirements they must meet, and so can (and should) happen more regularly than broader updates to the NCC, without adding to the regulatory burden on practitioners.

Embedding better technical research and faster incorporation of Performance Solutions into the NCC will improve the productivity of the sector, driving down the price of homes and infrastructure, pushing up wages, and increases economic activity, flowing through to Commonwealth and state and territory revenues.

Building compliance and enforcement would remain the responsibility of the states and territories. However, over time, the new Authority should be

tasked with leading reform to bring greater consistency in compliance and enforcement across jurisdictions, a critical future step towards a seamless, national construction market.[117]

Recommendation 2: National governance and regulation of the construction sector should be led by a new and properly resourced National Construction Authority, replacing the Australian Building Codes Board. The Authority should be empowered to streamline regulation and enable innovation through improvements to the NCC, including managing a new National Performance Solutions Register.

4.3 A licence should let you work anywhere in Australia

National licensing would make it easier for workers and firms to operate across borders, cutting compliance costs and increasing competition. It would be the obvious choice if Australia were starting from scratch. But harmonising existing systems is costly, and the benefits differ by occupation. Setting requirements too low risks weakening safety and consumer protections; too high can restrict entry unnecessarily. Governments should pursue national licensing only where its benefits over mutual recognition (MR) and automatic mutual recognition (AMR) justify the costs.

The Commonwealth has made a welcome start. Under the revitalised National Competition Policy, governments have prioritised national licensing for electricians and engineers, allocating $4 million to progress reform.[118] The National Competition Council's recent review also identifies engineering as a strong candidate.[119]

Where national licensing is justified, our proposed model covers both individuals and, where required, businesses (Box 7). MR and AMR do not cover business licences, leaving builders who contract through companies needing separate state licences. Our model would allow them to contract nationally under a single licence.

National licensing would deliver greater benefits alongside our proposed reforms to building standards and product rules (Section 4.1). A mobile workforce is most valuable when workers can use the same skills, products and construction methods across borders without adapting to different rules.

A national licence for builders, and for building businesses

The reforms proposed in this report would make it easier for construction firms to scale by harmonising building standards, product requirements and approvals. Consistent application of the NCC and a national approach to building products could allow firms to use the same designs, materials and construction methods across Australia, reducing the costs of entering new markets and encouraging the most productive businesses to grow, lifting the sector's productivity.

But licensing would remain a barrier to achieving these benefits. Mutual recognition and automatic mutual recognition help individual builders work interstate, but neither extends to business licences. Because many builders contract through companies or partnerships, firms looking to scale across states

[117] Just as the Food Ministers' Meeting and FSANZ have driven more consistent enforcement procedures that reflect best practice in that sector (Food Regulation Secretariat, 2025).

[118] Chalmers (2025c)

[119] National Competition Council (2026)

must still obtain separate business licences, often meeting different financial and supervisory requirements.

To remove this barrier, governments should introduce national licensing for both individual builders and building businesses. Under our proposed national licensing model (Box 7), each builder would hold one licence to work anywhere in Australia, while companies and partnerships would hold a separate licence to contract nationally. Australia already has a similar system covering individual tax agents and their firms (Box 6).

To maintain standards, building businesses would need to nominate appropriately licensed builders to supervise their work and meet nationally consistent financial requirements, proportionate to the scale and risk of their operations.

The scheme would preserve existing state consumer protections. States would retain their home warranty insurance schemes and contract laws. Nationally verified financial information could reduce duplicate assessments, while insurers would retain responsibility for insurance eligibility, risks and cover limits.

Existing state-based licences could be grandfathered, allowing builders and businesses that only operate in one jurisdiction to continue without unnecessary disruption.

Recommendation 3: Create a national licence for individual builders, and another for building businesses. Existing state-based licences could be grandfathered.

Box 7: Policy Institute Australia's proposed national licence model

National licences should have common licence classes, entry requirements and permitted work. They should be governed by identical laws across participating jurisdictions, with agreed amendments applying automatically. An applied-law model, as used for health practitioners under AHPRA (Box 3), could achieve this.

Expert bodies would advise ministers on changes. For example the proposed National Construction Authority and the existing Architects Accreditation Council of Australia could play this role for builders and architects respectively. Ministers would seek consensus but default to simple majority voting where agreement cannot be reached.

States would continue issuing and renewing licences, collecting fees and enforcing requirements, and moving to a national license should be designed to be revenue-neutral for state regulators. A licence issued in one participating jurisdiction would authorise the same work in all others, without further application or fees. A national register would record licences, restrictions and disciplinary action.

Grandfathering would allow existing licencees to retain their home-state entitlements or opt into the national scheme. Before commencement, governments would publish equivalence schedules listing recognised licences and qualifications, with clear pathways to meet any additional requirements. New entrants would meet national standards.

National licensing should be introduced for architects and engineers

The case for national licensing is also strong for architects and engineers. Unlike most construction trades, much of their work can be delivered remotely. Professionals can serve interstate clients without leaving their offices, yet must maintain registrations across multiple jurisdictions. One firm told us it had to set up a licensing compliance committee that met monthly to keep track of changing state rules and ensure all its engineers on staff remained compliant.

Architects should need only one licence to practice in Australia that covers all architectural work. NSW currently requires additional registration for architects signing off on designs for certain higher-risk buildings. These risks should instead be managed through stronger regulatory oversight and existing building certification processes, rather than additional licensing requirements.

Architects already have much of the infrastructure needed for national licensing. The Architects Accreditation Council of Australia (AACA) coordinates nationally consistent education standards, accredited qualifications and registration examinations. Seven of the eight jurisdictions also follow essentially the same continuing professional development requirements.[120]

Governments should build on this foundation by introducing a national licence for architects. They should also introduce a single licence for architectural practices, which could be used across the four jurisdictions which currently require such licenses.

Existing state registrations could be grandfathered, allowing firms to retain their current arrangements or move to the national system. Businesses operating where separate practice registration is not required would face no new licensing obligation. States would retain responsibility for enforcing professional standards, issuing, renewing and collecting licensing fees, and the move to national licensing should be designed to be revenue-neutral for state regulators (Box 7).

Governments have made a welcome start on national engineering licensing. In November 2025, Commonwealth, state and territory treasurers agreed to prioritise engineering under the revitalised National Competition Policy.[121] Governments are now working with employers and unions to develop a model for consideration by the end of 2026.[122] They should build on this progress by agreeing on common registration categories and which activities require registration, rather than simply extending the strictest existing requirements nationally.

> **Recommendation 4:** Create a national licence for architects and another for architectural practices for use in jurisdictions where business registration is required. Existing state-based licences could be grandfathered.

Remove unnecessary impediments to mutual recognition and automatic mutual recognition for licenses

For many construction occupations, improving mutual recognition (MR) and automatic mutual recognition (AMR) may deliver most of the benefits of national licensing at lower cost. Queensland should join AMR, other jurisdictions

[120] Rosco (2026)

[121] Chalmers (2025a); Chalmers (2025b).

[122] National Competition Council (2026); Electrical Trades Union (2026).

should remove occupational exemptions, and governments should update outdated licence equivalence tables to improve MR.

Building surveyors are a more difficult case. Their licence classes and statutory responsibilities differ across states, meaning removing exemptions alone may not make interstate work straightforward.[123] Governments should build on the 2021 National Registration Framework to align core licence classes, entry requirements and permitted work, while allowing targeted endorsements for local statutory duties.

The National Competition Council has suggested aligning licence classes and permitted work across jurisdictions to improve MR and AMR.[124] But agreeing on common standards is likely to account for much of the cost and difficulty of national licensing. Where that effort is justified, governments should pursue a national licence. Under the national consistent state and territory legislative model proposed above, the additional cost may be relatively modest, while the benefits would be greater and more durable. Otherwise, governments should focus on simpler improvements to MR and AMR.

Electricians are a useful test case because they complete *nationally* recognised training before obtaining a licence. Once licensed, they must work to common *national* technical standards, including the Australian/New Zealand Wiring Rules (AS/NZS 3000).[125] Yet despite this common foundation, states and territories continue to maintain separate licensing and assessment arrangements.

[123] Australian Building Codes Board (2021b); Building and Plumbing Commission (Victoria) (2026b).
[124] National Competition Council (2026).
[125] Although some rules still differ between jurisdictions. For example, the Electrical Equipment Safety System (EESS) operates in some, but not all, jurisdictions (Section 2.1)

Governments have made a welcome start in addressing this inconsistency, committing to a national electrical licence under the revitalised National Competition Policy. A working group of governments, employers and unions is now developing a model to allow electricians to work across state borders without obtaining separate licences, while maintaining safety standards.[126] Governments should see this reform through, then evaluate its benefits and costs before extending national licensing to other trades, such as plumbers.

Recommendation 5: Remove exemptions to automatic mutual recognition and update licence equivalence tables to support mutual recognition.

4.4 Incentivise states and territories to reform with allocations from the National Productivity Fund

These proposed reforms are likely to grow wages, increase economic activity, and make it easier and cheaper to build homes, right across across the country. This boost in economic activity would increase revenue for governments at all levels, including through higher income and company tax receipts for the Commonwealth, and stamp duty and payroll tax receipts for states and territories.[127]

The proposed reforms remove some areas of policy authority from states and territories. Resistance to this change may be expected, but is not insurmountable as the history of other, similar reforms shows.

Incentive payments from the Commonwealth are a tried and true approach to

[126] Chalmers (2025b); Leigh (2026).
[127] Productivity Commission (2024).

win agreement for reform from states and territories. The revitalised National Competition Policy, where the benefits of reform are shared with the states and territories, has demonstrated this approach and provides an appropriate vehicle for this reform package. The Commonwealth should provide the necessary incentives, structured to ensure reforms are committed to, implemented, and maintained — following the original National Competition Policy precedent.

Policy Institute Australia has previously recommended that the Commonwealth commit $20 billion over ten years to its National Productivity Fund.[128] The amount of funding required from the National Productivity Fund for this reform package would be substantial, and would be directed to incentivise the states and territories: to abolish all variations from the NCC; to implement a new legal structure that ensures the same version of the NCC is implemented in all jurisdictions on the same timetable; to prohibit any local government variations; and to implement a new national approach to building products.

The National Productivity Fund should also be used to support the establishment of the National Construction Authority, and national licenses for builders and architects.

States and territories should be asked to commit to the full package of proposed reforms now and into the future.

[128] Auster et al. (2025).

Recommendation 6: A substantial increase in the Commonwealth's National Productivity Fund should be announced, and used to support the proposed package of reforms. It would be used to establish the new National Construction Authority and national licenses for builders and architects, compensate states and territories to abolish all variations from the NCC, prohibit any local council variations, and implement a new national approach to building products, and to commit to the package of reforms into the future.

A State builder requirements

TABLE 2

Each state tests building firms differently

Five tests for residential building firms, by state and territory; September 2026

	Permission	Qualified person	Money	Insurance	Project rules
NSW	Company contractor licence; supervisor licensed separately	Licensed nominated supervisor covering the same work categories as the company	No capital test or turnover cap; insurer may assess finances	Home building compensation over $20,000; insurer can cap open jobs and contract value	Written contract required over $5,000; deposit capped at 10%
Vic	Company registers in its own name	At least one director registered in the same class	Minimum financial requirements; cap on work underway (from July 2026)	Home warranty over $20,000	Major domestic contract required over $10,000; deposit capped at 10% below $20,000 and 5% from $20,000
Qld	Company needs its own QBCC company licence	Licensed nominee holding the relevant class	Minimum financial requirements; yearly turnover cap	Home warranty over $3,300; premium per project	Written contract over $3,300; maximum deposit of 20% up to $3,300, 10% from $3,301 to $19,999, and 5% from $20,000
WA	Company registers as a building contractor	Nominated supervisor who is a registered practitioner	$50,000 cash or equivalent; quick ratio generally 1:1	Home indemnity over $20,000	Deposit capped at 6.5% for $7,500–$500,000 contracts; no cap outside this range
SA	Businesses, including subcontractors, need a building contractor licence	Registered supervisors must cover the work	$10,000 net assets for specified work	Indemnity cover from $20,000	Written contract from $20,000; deposit capped at 5%
Tas	Entity licence not necessarily required	A director holding the relevant licence	No financial test or turnover cap	No mandatory home warranty scheme	
ACT	Corporation holds its own licence	Licensed nominees, who may be employees or directors	No capital test or turnover cap	Insurance or fidelity cover for some work from $12,000	Statutory warranties from $12,000; no deposit cap
NT	Company registration; mutual recognition covers individuals only	Registered nominee or director able to supervise	$50,000 net tangible assets, certified by an accountant	Fidelity fund certificate for prescribed residential work, including new homes and qualifying additions/extensions over $25,000 that increase residential floor area.	Contract rules for prescribed residential work; deposit capped at 5%

Notes: Simplified; thresholds, exemptions and transitional rules apply. Figures are for residential building work. QBCC = Queensland Building and Construction Commission.
Source: Policy Institute Australia analysis of building business requirements

B Productivity scenario methodology

Figure 3 presents four illustrative estimates of what construction could have delivered had its productivity kept pace with the wider economy from 1994–95 to 2024–25.[129] Each estimate applies an alternative productivity path to observed activity, holding labour hours fixed. We value output gains in dollars using end-period current-price construction gross value added (GVA) and gross domestic product (GDP).

Annual earnings

We compare cumulative growth in whole-economy labour productivity, measured by the Australian Bureau of Statistics (ABS) as GDP per hour worked, with cumulative growth in construction labour productivity. We calculate additional construction output by multiplying construction GVA by the proportional gap between the two growth paths. Dividing this by GDP gives the implied increase in economy-wide labour productivity. Because the whole-economy benchmark includes construction, the estimate is likely to be conservative.

Assuming real earnings rise in proportion to economy-wide labour productivity, the annual earnings gain is:

$$\Delta W = W \frac{C}{Y} \left(\frac{G_E}{G_C} - 1 \right),$$

where ΔW is additional annual earnings per full-time worker; W is annualised ABS seasonally adjusted full-time adult ordinary-time earnings for May 2026; C is construction GVA; and Y is GDP. The terms G_E and G_C are the whole-economy and construction productivity growth factors, each equal to end-period productivity divided by baseline productivity.

Annual housing capacity

We use the Productivity Commission's indices of real GVA per hour for dwelling construction and for the whole economy, normalised to a common 1994–95 baseline. We keep the published observations to 2022–23 unchanged. The dwelling measure combines residential building construction with the residential share of construction services, and allows for changes in dwelling size and quality (Productivity Commission, 2025a, Figure 2.3 and Appendix B).

We extend both indices to 2024–25 using observed ABS productivity growth. Following the Productivity Commission's approach, we combine residential building GVA with allocated construction-services GVA and deflate the total using residential-work price measures. Hours combine residential building hours with allocated construction-services hours. We then multiply each published 2022–23 index by the ratio of reconstructed ABS productivity in the extension year to reconstructed productivity in 2022–23.

Additional capacity in year t is:

$$\Delta H_t = H_t \left(\frac{P_t^E}{P_t^D} - 1 \right),$$

where ΔH_t is potential additional capacity in home-equivalents; H_t is actual new dwelling completions, including houses and higher-density dwellings; and P_t^E and P_t^D are the normalised whole-economy and dwelling-construction productivity indices.

[129] We use 1994–95 as the baseline to ensure consistency with the ABS's expanded market-sector productivity series.

Cumulative housing capacity

Cumulative additional capacity is the sum of the annual housing estimates from the year after the baseline to 2024–25:

$$\Delta H_{\text{cum}} = \sum_{t=t_0+1}^{T} \Delta H_t,$$

where t_0 is the baseline year and T is the final year. Each annual estimate uses that year's productivity gap and actual completions. We keep negative values in years where dwelling productivity outperforms the benchmark. The result is gross additional completions over the period, not a net addition to today's housing stock.

Annual GDP

We compare construction multifactor productivity (MFP), measured on an hours-worked basis, with a benchmark built from the other market-sector industries. The benchmark chains annual log MFP growth using industry GVA weights averaged across adjacent years and normalised across the included industries, excluding construction. It excludes aggregate reallocation effects.

Holding construction labour and capital fixed, additional annual GDP is:

$$\Delta Y = C\left(\frac{G_B^{\text{MFP}}}{G_C^{\text{MFP}}} - 1\right),$$

where ΔY is additional annual GDP at end-period levels; C is end-period construction GVA; and G_B^{MFP} and G_C^{MFP} are the benchmark and construction cumulative MFP growth factors, each equal to end-period MFP divided by baseline MFP. The bracketed term is the proportional increase in construction output from matching the benchmark.

The housing estimates assume each year's output expands proportionally, preserving dwelling size, quality and mix, and the split between new construction and renovation. They also assume the required materials, equipment and serviced land are available. They show potential capacity and do not model construction lags.

The earnings and GDP estimates hold different inputs fixed. A labour productivity gap includes the effect of capital deepening (growth in capital per hour worked), so the earnings estimate does not hold capital fixed. The GDP estimate, based on MFP, holds both labour and capital fixed. This partly explains why the two estimates imply different proportional gains.

All four estimates are static: they do not allow for lower construction prices, changes in demand, or movement of labour and capital between industries. The estimates overlap, should not be added together, and do not identify gains from any particular reform.

C Survey methodology

We surveyed senior decision-makers in construction and building products businesses. We aimed to estimate what it costs them when building and construction rules differ between states and territories. The survey measured the extra cost of those differences, not the cost of building regulation as a whole.

Who we surveyed

We targeted businesses that build, install, make or supply construction products. Respondents were Australian residents aged 18 years and over. Their business had to carry out at least one of five activities: residential construction, commercial or civil construction, specialist trade contracting, building products manufacture or supply, or prefabrication and modular construction. We included manufacturers and suppliers because differing product requirements fall on them as well as on builders.

We screened out respondents who were not senior enough to see what compliance costs. Only owners, directors, C-suite executives, and senior and middle managers continued. Each then had to answer yes to this question:

> *S2. Do you have responsibility for, or clear visibility of, how your business meets building and construction regulatory requirements and what that costs?*

Those who answered no left the survey.

We focused on businesses that operate across state and territory borders. Every respondent told us where their business employs people, delivers projects or supplies into. The main cost questions centred on businesses active in more than one state or territory. Businesses operating in only one jurisdiction first answered a short set of questions on whether regulatory differences had deterred them from expanding interstate.

Builders and product suppliers incur these costs in different ways. We therefore split respondents into two groups, construction and installation, and manufacturing and distribution, and tailored the wording for each. Builders and installers reported costs per project, which we scaled up by the number of projects they completed in the past 12 months. Manufacturers and distributors reported totals for the whole business.

Measuring differences, not the total cost of regulation

A business would still have to meet building standards under a single national rule. The survey measured only the cost on top of that: the cost caused by rules differing between states and territories. Respondents saw the following before the first substantive question:

> *This survey is about the additional costs caused by DIFFERENCES between Australian jurisdictions — not the cost of complying with regulation itself. If your business would incur the same cost under a single national rule, do not include it. For example: if complying with a requirement costs your business $100,000 in one jurisdiction, and would cost the same $100,000 under an identical national rule, the cost of the difference is zero. If one jurisdiction requires an additional $8,000 report that other jurisdictions do not, the cost of the difference is $8,000. Your best estimate is fine, and zero is a perfectly good answer.*

Every cost question repeated this test. The question on staff time, for example, asked how much time the business spent:

> *solely because building and construction requirements, or the way regulators apply or enforce them, differ between states?*

This wording covers two sources of cost. The first is rules that differ on paper. The second is rules that are broadly the same but that regulators, certifiers or building surveyors apply differently. Several questions asked respondents to separate the two, because each points to a different fix: aligning the rules, or aligning how regulators administer them.

What else we asked

The survey also asked about repeat testing or approval of products already accepted in another jurisdiction, and about products made, stocked or bought in more than one version. It asked what it costs to extend a project or product line into one more jurisdiction, and how often businesses apply the most demanding jurisdiction's rules everywhere. It also covered delays and work forgone, such as less interstate work or delayed product launches.

A separate block asked about council and other authority requirements that go beyond the National Construction Code. We report these separately and do not count them in the cost of differences between jurisdictions.

Cost questions covered the past 12 months. Questions on how often problems arose covered the past two years. Questions on decisions not to expand covered the past three years. Where a respondent entered a very large figure, the survey asked them to confirm it rather than rejecting it.

Fieldwork and data quality

We recruited respondents from an online research panel and partner panels. Fieldwork ran for 35 days over September-October 2026. The final sample was 443 businesses, of which 387 operate in more than one state or territory.

Automated and manual checks removed poor-quality responses throughout fieldwork. These checks removed respondents who finished implausibly fast, gave the same answer to every item in a grid, wrote low-quality open-text answers, took the survey more than once or showed signs of being automated.

Reading the results

Respondents came from an opt-in online panel, not a random sample of businesses. The results therefore describe those surveyed rather than the whole industry. All figures are self-reported estimates that rely on recall. The screening questions, definitions and checks described above reduce these risks, but the results are best read as indicative.

D Estimating the national cost of inconsistent requirements

We estimate the annual cost of differing state and territory requirements for construction businesses that operate in more one state or territory, with five or more employees. We use survey responses from 200 construction and installation businesses operating in at least two jurisdictions. The survey measures three costs: payments to external parties because requirements or their enforcement differ (Q7a); additional costs from applying higher standards than businesses otherwise would (Q14); and staff time spent dealing with jurisdictional differences (Q6).

We multiply each business's reported average cost per project by its number of completed projects in the previous 12 months. We value staff time at $42.11 per hour, based on median full-time construction earnings of $1,600 per week and a 38-hour working week (ABS, August 2025).[130] We retain reported zero costs, exclude unknown amounts and remove observations above the 99th percentile of annual costs or hours for each measure. This leaves 186, 153 and 193 responses respectively.

We divide each business's annual cost by its reported turnover to estimate a cost-to-turnover ratio. Because turnover is reported in bands, our preferred estimate uses each band's midpoint. We test lower- and upper-cost scenarios using the upper and lower limits of each band. The "$1 billion or more" band has no midpoint, so we calculate a range while keeping these firms in the average. At the lower end, they count as respondents but contribute zero cost shares—the theoretical limit as turnover increases. At the upper end, we divide their annual costs by $1 billion. For higher-standard costs, only three respondents fall in this band and their cost shares are small, so using the upper rather than lower limit raises the national midpoint estimate from $2.0346 billion to $2.0368 billion—about $2.2 million, or 0.11%.

We average these ratios separately for businesses with 5–19, 20–199 and 200 or more employees, giving each respondent equal weight. We multiply each average by the corresponding 2024–25 ABS construction sales revenue and the share of firms operating interstate, estimated using PLIDA.[131] We define interstate firms as those with more than 10% of their workforce in another state. We then sum across the three size groups.

These estimates are indicative. They assume surveyed firms represent their size group, interstate firms earn the same average revenue as other firms of similar size, and reported per-project costs apply to all completed projects. The higher-standard estimate also applies costs reported by firms adopting higher standards at least sometimes to all interstate firms, without adjusting for adoption rates. The turnover scenarios do not capture survey or modelling uncertainty and do not establish definitive bounds on industry costs. The three costs may overlap, so we report them separately. They do not represent the savings achievable through reform.

[130] Australian Bureau of Statistics (2025, Table 6: Median earnings for employees by industry).

[131] Australian Bureau of Statistics (2026b)

E Data disclaimers

Business Longitudinal Analysis Data Environment (BLADE)

This paper uses unit record data held in the BLADE data environment which is hosted by the Australian Bureau of Statistics. The results are based, in part, on Australian Business Register (ABR) data supplied by the Registrar to the Australian Bureau of Statistics (ABS) under *A New Tax System (Australian Business Number) Act 1999* and tax data supplied by the Australian Taxation Office (ATO) to the ABS under the *Taxation Administration Act 1953*. These require that such data are only used for the purpose of carrying out functions of the ABS. No individual information collected under the *Census and Statistics Act 1905* is provided back to the Registrar or ATO for administrative or regulatory purposes. Any discussion of data limitations or weaknesses is in the context of using the data for statistical purposes and is not related to the ability of the data to support the ABR or ATO's core operational requirements. Legislative requirements to ensure the privacy and secrecy of this data have been followed. Only people authorised under the *Australian Bureau of Statistics Act 1975* have been allowed to view data about any particular firm in conducting these analyses. In accordance with the *Census and Statistics Act 1905*, results have been confidentialised to ensure that they are not likely to enable the identification of a particular person or organisation.

Person Level Integrated Data Asset (PLIDA)

The results of these studies are based, in part, on data supplied to the ABS under the *Taxation Administration Act 1953*, *A New Tax System (Australian Business Number) Act 1999*, *Australian Border Force Act 2015*, *Social Security (Administration) Act 1999*, *A New Tax System (Family Assistance) (Administration) Act 1999*, *Paid Parental Leave Act 2010* and/or the *Student Assistance Act 1973*. Such data may only be used for the purpose of administering the *Census and Statistics Act 1905* or performance of functions of the ABS as set out in section 6 of the *Australian Bureau of Statistics Act 1975*. No individual information collected under the *Census and Statistics Act 1905* is provided back to custodians for administrative or regulatory purposes. Any discussion of data limitations or weaknesses is in the context of using the data for statistical purposes and is not related to the ability of the data to support the Australian Taxation Office, Australian Business Register, Department of Social Services and/or Department of Home Affairs' core operational requirements. Legislative requirements to ensure privacy and secrecy of these data have been followed. For access to PLIDA and/or BLADE data under Section 16A of the *ABS Act 1975* or enabled by section 15 of the *Census and Statistics (Information Release and Access) Determination 2018*, source data are de-identified and so data about specific individuals has not been viewed in conducting this analysis. In accordance with the *Census and Statistics Act 1905*, results have been treated where necessary to ensure that they are not likely to enable identification of a particular person or organisation.

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