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Dear Rebecca,

National Construction Code (NCC) Modernisation Submission

Thank you for the opportunity to provide industry's comments on the *Streamlining and Modernisation of the National Construction Code* consultation paper (**the NCC Paper**).

About UDIA National

As you are aware, Urban Development Institute of Australia (UDIA) National is the housing development industry's most broadly representative peak body with over 2,000 member organisations – spanning top tier global enterprises, professionals, small to large-scale & institutional developers as well as local governments.

UDIA's members, deliver new homes across the continuum, including the majority of affordable housing.

Overview – Balance Reforms against practicality and housing affordability

Our membership welcomes the NCC freeze and revitalisation of the NCC reform framework.

The pause in NCC reform will give industry the time needed to incorporate the compliance changes brought in since 2022, and most importantly, absorb the cost impacts to business.

Unfortunately, as everyone is all too aware, cost impacts mean increased house prices as an unavoidable consequence. For this reason, we would recommend holding off any remaining proposed NCC changes that materially increase costs (bar for safety), until the NCC process is re-designed.

It is important for the NCC process to balance the fundamental necessity for quality and safety with housing affordability and practicality of implementation (practicality).

This means making some straightforward but important changes to the NCC process including:

1. **More & Better Impact Assessment** – All NCC changes should have a thorough cost/benefit analysis on impacts including funding for an inhouse capability and incorporate industry data/views.
2. **Affordability & practicality must be maximised with all NCC changes on an “if not why not” basis** – If affordability or practicality is compromised, we must agree *why* NCC change is needed or delete the change.
3. **The NCC model must be flexible to adjust for complexity of NCC changes** – always maximise practicality of implementation and housing affordability, with longer implementation periods or staged amendments:

- a. **Affordability** – All NCC changes must be scrutinised for its impact on affordability, housing targets, business performance/capacity and overall outcomes before it can be adopted.
 - b. **Practicality of Reform** – A minimum timeframe for implementation of reforms should be considered of 3 years – longer implementation times with increasing NCC change complexity/cost.
 - c. **Timeliness of cycles** – A minimum time between reform tranches should be adopted of 5 years with longer timeframes, to minimise impacts from costly or difficult to implement changes. There should be a year hiatus between implementation of the last NCC changes and the next cycle.
4. **Industry Stakeholder Roundtables** – Developers and constructors must be more comprehensively consulted on affordability, practicality and timeliness – there must be checkpoints in the process to ensure the issues are properly addressed with industry.
 5. **Coordination with states and territories** is critical on NCC rollout and compliance variations across states & territories should be minimised to reduce complexity using the principles in items 2 & 3.

Overall, NCC reform should maintain flexibility to adjust timing and transition (with minimums for both), or otherwise limit reforms to ensure they can be practically implemented and minimise cost impacts.

a) The Problem – Timing vs Transition

The problem with NCC changes to date has been a disconnect between the aims of the change & its impact on:

1. Cost of compliance and time to implement.
2. Cost of changes to housing builds.
3. Time to next amendment cycle.

The more you change and the greater the cost impact/complexity, the longer the time needed between amendment cycles to ensure reasonable transition for implementation and to allow industry to absorb cost impacts (from compliance & to builds).

It is relatively clear, that previous NCC changes have only (in effect) adequately considered NCC changes in terms of the direct impact of the change rather than the time and cost involved.

This has been evident from inadequate time allowed for implementation of complex changes (**transition**) and timing of the next amendment cycle (**timing**).

Ideally, these should be adjusted based on the difficulty of the NCC changes.

In short, the appropriate transition and timing depends on the nature of the changes:

1. **Complexity** – more complex, the longer time between reform tranches – industry needs (and now has), a number of years to simply recover from the existing NCC changes.
2. **Cost vs Savings** – Savings reforms will be championed by industry but cost increases will push industry further into the red and requires time to absorb operational costs.
3. **Transition timeframes** – We have to be realistic on what can be done and impacts to the bottom line – industry needs to be able to achieve change in a reasonable timeframe or uptake/compliance will slow.

The current 3 year NCC cycle is intended to keep NCC responsive to regulatory, industry and policy changes.

Industry experience shows that this frequency often leaves practitioners insufficient time to fully understand, implement, and adapt to new requirements before further changes are introduced.

Internationally, some jurisdictions have adopted longer amendment cycles to provide greater certainty and allow for more thorough industry adaptation.

A four or five-year cycle would give the industry more time to absorb changes, invest in necessary training and systems, and ensure that compliance is both practical and cost-effective. This approach would also provide developers and builders with greater certainty when planning and delivering projects, ultimately supporting housing affordability and quality outcomes.

b) The Impact of poorly planned and timed NCC changes

Appendix A, gives clear examples of the adverse impacts from ignoring the balance between the ambition of NCC changes against, timing of amendment cycles and transition to compliance. In short the 2022 reforms are a good example of the primary issues:

1. The time between NCC cycles was inadequate to make changes needed and some organisations failed to make necessary changes before the next NCC changes came into effect.
2. It created 12 months worth of compliance for some larger builders which held back innovation in that time and cost upwards of \$3m.
3. Cost burdens pushing up the price of housing for some organisations by \$35,000+ in the middle of a housing crisis.

Irrespective of the reasons, it is clear from these responses that the process has failed to properly identify impacts and account for industry transition.

The NCC changes have often led to increased costs for the community as standards stray from core issues of safety and quality to expand past identifying the broad standard everyone must reach in favour of issues of “highest, best practice” on issues like sustainability and amenity.

While higher standards are laudable, making them mandatory without consciously considering their impact on affordability, design and practical implementation is inequitable. It directly impacts access to housing by middle Australia at the height of a housing crisis – mandatory inclusion of “aspirational changes” disproportionately increase costs and create barriers for lower-income individuals.

This is not helped by the fact that referenced building standards are only available from behind a paywall which further excludes the wider community from the process of NCC design. <https://www.standards.org.au/search-for-a-standard>

As NCC have allowed standards to increase construction and development costs to the community, they should identify stripped back housing typologies or other means that actually deliver on basic community housing needs to necessary minimum standards.

Part of the issue lies in the lack of robustness in the NCC consultation process. Currently, the Australian Building Codes Board (ABCB), commissions economic impact studies to inform proposed NCC changes but they often do not provide objective assessments of true costs and benefits.

For example, recent economic analyses of proposed energy efficiency upgrades in commercial buildings focused heavily on long-term operational savings, sometimes underestimating the immediate capital costs developers and builders face.

Equally, changes have often been justified on the basis of “whole of economy” benefits for narrowly targeted costs to industry. Any changes to existing dwellings mean it will take decades for “economy wide benefits” to be realised, if at all. The NCC is should not be used to solve wider social policy issues in the absence of tangible, quantifiable benefits (in a reasonable timeframe), that outweigh the affordability and delivery burden to housing.

An example is the proposal to include minimum accessibility standards for housing in the National Construction Code Decision Regulation Impact Statement 2022

<https://www.abcb.gov.au/sites/default/files/resources/2022/Final-decision-RIS-accessible-housing.pdf>

The Decision Regulation Impact Statement did not adequately identify, cost and account for all critical resultant building issues of the changes. Subsequent assessment found substantial additional costs arising from:

1. The need for differing front access solutions.
2. Redesign of builder’s dwelling designs.
3. The need for wider home frontage on townhouse delivery and smaller lots in estates.

In many cases fewer townhouses and small lot homes were delivered as lot widths could not be widened under local government controls.

The Decision Regulation Impact Statement process also does not adequately enable consideration and accounting for the potential for achieving adequate accessibility results via incentivising the outcomes rather than simply regulation.

Better accessibility solutions could have been found if the process had properly assessed the practical timing and implementation issues. This process undermined industry’s ability to implement and comply.

No practical consideration was given to cost and implementation complexities (let alone the fundamental issues of affordability and impact on supply).

An equally important issue is that the lack of industry involvement has led to NCC changes proposing rules that are confusing to even the experts. There are current examples of proposed new rules (2024) around venting that experts are unable to agree on its scope and financial impact. If the experts cannot interpret the rules, the rest of the industry will struggle and compliance will suffer. For this reason, industry feels that any proposed rules should be reviewed and any proposals that risk a material cost increase should be held off until after the re-design of the NCC process.

A more robust approach moving forward would involve direct engagement with affected industry associations and incorporation of their economic input on market conditions and implementation challenges.

This consultation will be heavily influenced by the ABCB economic impact studies which need to objective assessments of all quantifiable costs, implementation issues and impacts rather than relying largely on often subjective intentions and non-empirical approaches to issues like, long term community benefit.

Additionally, the economic weighting in these studies should prioritise Capex impacts, as these are the most immediate and significant barriers to implementation. While Opex savings are important, they often accrue over a long period and may not offset the upfront costs that can hinder project viability.

c) The Solutions

In answer to the most relevant questions in the NCC Paper, below is an outline of some simple principles that need to be enshrined in the NCC amendment process:

1. **NCC Changes should provide simplified minimum standards for compliance, not guidelines on best practice.**

NCC referring to best practice does not help organisations make the difficult balance between designing affordable housing and practical standards for quality and safety.

It is more productive to provide simple, broad (less complex) but “brightline” rules on what is required on quality and design while giving a guide on best practice.

Extending NCC remit to guidelines on “best practice”, risks issues “bleeding” into standards that do not relate to safety and quality of the build.

This is a critical issue since “best practice” often has high up-front cost for (potential), benefits realised only in decades time.

This makes compliance easier and faster.

2. **On balance NCC changes should be practical to implement and cost optimising (or cost saving).**

3. **Regardless of the NCC change, every effort should be made to maximise practicality for implementation and minimise cost impacts. A flexible approach is needed to developing NCC amendments and implementation (see below). NCC reform should maintain flexibility to adjust timing and transition (with minimums for both), or otherwise limit reforms to ensure they can be practically implemented and minimise cost impacts.**

As noted above, the NCC process has to either:

- 1) Limit NCC changes to ensure they are practical to implement and do not impact affordability materially, in a set 3 year cycle; or
- 2) Adjust cycle and implementation periods to ensure whatever changes are made, are practical to implement and do not impact affordability materially.

As noted above, this must be done by reference to:

- a. **Affordability** - All NCC changes must be scrutinised for its impact on affordability, housing targets, business performance/capacity and overall outcomes before it can be adopted.
- b. **Practicality of Reform** - A minimum timeframe for implementation of reforms should be considered of 3 years - longer implementation times with increasing NCC change complexity/cost.

- c. **Timeliness of cycles** – A minimum time between reform tranches should be adopted of 5 years with longer timeframes, to minimise impacts from costly or difficult to implement changes. There should be a year hiatus between implementation of the last NCC changes and the next cycle.

4. **The overarching approach to all future NCC reform is one of “if not why not” on practicality and affordability.**

If (say), housing affordability or practicality is undermined in an NCC change, it is crucial to agree and document why it is important to make this choice & implement impact minimising measures.

If an NCC Change cannot be adjusted to minimise adverse impacts and its benefit does not outweigh the impact, the NCC change should be rejected.

This ensures every rule has been vetted against its impact on affordability and practicality of implementation to avoid unintended impacts and properly assess how much time is needed between cycles and for implementation.

As always this must be done with a view to written cost benefit analysis on NCC change impacts and industry consultation.

Economic studies underpinning NCC changes should be more transparent, balanced, and grounded in real-world industry data. The weighting in these studies should prioritise capital expenditure (Capex) impacts before operational expenditure (Opex).

5. **It is essential that proposed NCC changes undergo extensive consultation with industry through stakeholder workshops and more focussed written cost/benefit analysis before adoption.**

Although there is some industry consultation, the NCC Paper notes the haste at which some NCC reform packages are formulated – in particular the need for greater analysis on impacts.

The NCC Paper also notes only three of the seven available industry representative positions for the ABCB are filled.

From a “coal face” perspective, developers and builders have expressed significant alarm and concern surrounding the implementation of NCC changes in the past. Appendix A as noted above has several examples of the problems.

Irrespective of the reasons, it is clear from these responses that the process has failed to properly identify impacts and account for industry transition.

This will not happen with appropriate consultation that includes stakeholder workshops that provide cost/benefit assessments for review by industry to assess among other things, practicality and affordability impacts.

Funding also needs to be invested in analysis and impact assessment of NCC changes, including more detailed written analysis on the cost/benefit of changes – there should be no surprises.

This can and should incorporate industry data and views on NCC changes to ensure the decision includes the persons responsible for compliance and implementation.

6. **Coordination with states and territories** is critical on NCC rollout and compliance variations across states should be minimised to reduce complexity.

It is difficult to assess how to minimise variation across states for a given NCC change, given it is impacted by other existing state and territory regulations.

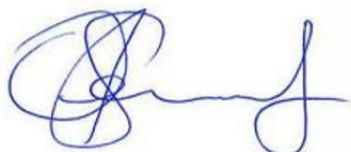
Without going into deep detail on each area of NCC, the variations should be scrutinised under the same lense of minimising implementation difficulty and housing cost – variations that (as a whole), add significantly to complexity, cost and compliance should be rejected.

The “if not why not” principle comes into play where the state and territory change has to be justified to warrant violating practicality or affordability.

UDIA is keen to discuss these issues with you at your earliest convenience.

Please call Andrew Mihno, Head of Policy and Government Relations on 0406 45 45 49, to arrange our meeting.

Yours sincerely



Oscar Stanley
UDIA National President

APPENDIX A - Industry Feedback on NCC Change Impacts

Our discussions with industry have revealed how adverse the sentiment is towards further NCC changes and the impacts of the 2022 reforms.

Below is a sample of comments (de-identified).

High End Housing and Affordable Housing Developer – Vic, NSW and QLD

The change to 2022 imposed significant hurdles to the industry including:

Redesign of standardized products already designed and tested and accepted in-market, particularly as it applies to class 1 construction.

In regards to class 2 construction, the requirement for setdown wet areas, improved thermal performance and LHA Silver increased our construction costs by an average of about \$35-40K per apartment. Further, for compliance, sizes within habitable areas such as living rooms and bedrooms had to be sacrificed to allow for increased wet area sizes. The alternative would have been to build a bigger apartment to give the market 'the same thing'.

At a time when we're trying to build as much as possible in a feasibility vacuum, additional pressures like these impose further hurdles for builder and home buyers. It is effectively a tax, regressive in nature, for those who can least afford it. While NCC changes are necessary, their introduction needs to be further analysed against social costs of not building enough housing.

Large Scale Housing Developer - Vic

Any new NCC regulation change is not welcome in the current environment. We need a freeze on NCC reform to catch up and absorb the cost. I think the industry would be satisfied with 5-7 years.

As an example the NCC changes just rolled through cost us 12 months of innovation (design team and operations team 100% focussed on compliance) and around \$3m of direct costs to update all plans, costing and marketing materials. This is having a direct impact on the viability of building in the current environment and would be contributing to builders falling over (and cost of housing!!).

Developer and Builder of Luxury Apartments - NSW

We are wholly supportive of a freeze on the NCC for 10 years.

Our industry has experienced more change in NSW in the past 5 years than over the previous 35 years.

It amazes me that most politicians understand that affordable housing is an important issue, however then allow the bureaucracy to continue to build in more and more cost.

Developer and Builder of High End Apartments, Build to Rent, retail and office - NSW

What's the point to have the best design buildings in the world if no one can afford them, the NCC has been out of control for the past 6 years the changes are so much so that industry has struggle to keep up.

APPENDIX B: Industry Feedback on NCC Consultation Questions:

1. Does the current ABCB governance model work? Why or why not? What should change, if anything?

While having national coordination is important, decisions often do not reflect on-site construction realities.

Frequent changes, unclear decision-making, and limited accountability increase cost and risk for builders.

Industry has concerns with the ABCB governance model as it should:

- Increases direct builder representation with real influence.
- Separates policy goals from technical real-world application.
- Requires constructability and cost testing before approval.

2. How effective is the current model at facilitating adequate stakeholder engagement? How could it be improved?

Engagement is often undertaken too late in the process and is therefore rushed. Builders are usually consulted after key decisions are already made, limiting the ability to influence outcomes.

The Industry member recommendations include:

- Engaging builders earlier in the process.
- Allowing longer consultation periods.
- Providing ABCB Economic Impact Studies that give/investigate objective assessments of true cost/impact.
- Providing clear feedback on how builder input is used.

3. What is the best governance model to ensure independent and quality advice is provided to Ministers as the final decision makers of the NCC and related matters?

A more independent model with strong technical and industry input is recommended. Advice should clearly consider constructability, cost, workforce capacity, and delivery time impacts, and form the basis of decisions not just obtained and disregarded like that of the liveable housing reports that stated the cost implications were not in the best interest of the greater population.

The Industry member recommendations include:

- Establishing a more independent body with strong technical and construction expertise
- Requiring advice to include cost, time, and workforce impacts
- Publishing advice provided by government consultants for transparency

4. What is the optimum cadence for making changes to the NCC and what is the best way of introducing changes to the NCC?

Industry need stability. To achieve this, the Industry recommends major changes occur less frequently (e.g. every 5 years) with interim changes limited to critical safety or defect issues and supported by clear transition periods to allow better budget forecasting etc.

5. What should the role of the NCC be? Are there opportunities for the NCC to set minimum standards but provide pathways that effectively encourage the adoption of best practice?

The NCC should set minimum national standards and avoid opining on “best practice” either as a part of the standard nor as a guideline.

This keeps the standards clear and achievable across a greater number of states to encourage adoption. It also avoids potential for best practice issues to “bleed” into mandatory standards.

6. What parts of the NCC could be improved to remove complexity, ambiguity or duplication?

The NCC is currently too complex and contradictory. Overlapping requirements, unclear performance provisions, and duplication with referenced standards should be reviewed and aligned including:

- Removal of duplicated requirements across volumes and standards.
- Simplification of performance requirements.
- Consolidation and clarification of deemed to satisfy provisions.

7. How can affordability and productivity implications be better considered in the NCC process (e.g., alternative approaches to presenting regulatory impact analysis)?

Impact analysis should better reflect real construction costs, build time, labour availability, and approval delays—not just theoretical compliance costs. The industry member recommendations include:

- Build time, labour availability, and approval delays in impact analysis.
- An assessment of cumulative impacts of multiple NCC changes.
- Testing of proposed changes against real build scenarios.

Affordability and productivity would be better supported through the introduction of appropriate transition timeframes for major changes. This is particularly critical for volume builders, where large-scale updates require significant planning and implementation. Changes should be better staged, allowing sufficient time for industry to adapt and for policymakers to fully consider the implications of those changes.

For example, recent changes relating to condensation management are the result of cumulative historical amendments to the NCC and evolving construction practices. These impacts should ideally have been considered at the time earlier changes were introduced. When the requirement to achieve 6-star energy ratings was implemented, the resulting effects on building fabric and moisture management should have been assessed concurrently.

We strongly believe that all NCC changes should be evaluated against affordability, productivity, and practical implementation.

A clear example is the NCC’s 7-star energy efficiency requirements. Multiple modelling and cost–benefit analyses, including those commissioned by Government, have shown that changes to the building fabric account for the majority of the additional cost and complexity, while delivering comparatively limited performance benefits.

8. Do you find it difficult or costly to comply with the NCC? If so, what would make it easier and more cost effective to comply without compromising building quality and safety?

Complying with the NCC is becoming increasingly difficult and costly. The Code is complex, changes often, and is interpreted differently across state jurisdiction. This leads to higher design and approval costs, delays, and rework.

Following the most recent NCC changes, every standard plan required amendment. For volume builders with up to 500 designs, this represents a substantial and resource-intensive task.

Required updates also typically include plan revisions, elevation and artist impressions to be amended, material selections may require altering, bills of quantities, house costings, and marketing collateral such as websites, brochures, and flyers. There are also internal IT impacts, as well as management and administrative overheads associated with ensuring the correct products are released to the market. The scale and pace of change also increase the risk and cost of errors, particularly when updates must be rushed to meet mandated deadlines.

The most significant impacts in the recent cycle were associated with the Liveable Housing requirements and the 7-star energy efficiency changes.

Compliance would be more achievable and cost-effective with longer lead times, increased intervals between major NCC updates, and clear, consistent transition guidelines. This would allow industry to implement changes without compromising quality or safety.

Extra costs are inevitably borne by the homebuyer, which in turn adds to the cost of a home and effects housing affordability.

The Industry member recommendations include:

- The NCC becomes simpler, clearer, and more consistent.
- Changes introduced less frequently with adequate transition periods.
- Deemed-to-Satisfy pathways are clearer and more practical to apply.
- Performance solutions are less costly and more predictable to approve.
- State and territory variations are reduced.
- Referenced standards are easier and cheaper to access.

9. How do state and territory variations impact cost and productivity? Which of these variations have the greatest impact?

Variations increase cost, confusion, and rework. They make it more difficult to standardise designs within multi state businesses.

However, State & Territory variations can play an important role in tailoring the NCC to local environmental conditions, helping to ensure that requirements are practical and appropriate.

Insufficient lead times for NCC changes often undermine effective implementation, particularly when builders are uncertain about which changes will apply and when they will take effect.

This uncertainty is further exacerbated by changes in government. For example, under a previous State Liberal Government, certain NCC amendments were not adopted. Following a change in government and

ministerial leadership, those amendments were subsequently implemented, creating additional uncertainty and disruption for industry.

Variations by states should be clearly justified, reviewed regularly, and ideally limited to:

- Genuine local risks and climate variations (e.g. step entry allowable in cyclone risk / flood prone areas)
- State variations that are intended to fast-track housing supply (i.e. codes that are based on enabling 'pattern-book' affordable housing solutions like that released in NSW.¹)
- Necessary to minimise cost, enhance affordability, productivity or practical implementation.

10. How could the NCC be improved to make it easier to understand and use?

Industry members recommend that, overall, the patchwork of NCC changes over the years need to be more completely integrated with:

- Clearer language.
- better structure and navigation.
- more diagrams.
- practical examples.
- A visual alternative to the written code – ie: podcasts, videos and animations.

As a general comment to a lot of areas, additional resources would be helpful in guiding builders on changes to the code and how it can be addressed in varying solutions.

The code in a purely written format is not easy to understand for all. Trades for example may not easily understand the written code and need some supplementary visual examples such as onsite videos, animations etc.

11. How could the NCC better interact with regulations that sit outside the NCC (e.g. with international standards and Australian Standards referenced in the NCC)?

Industry members recommend that overall, there needs to be a number of simple changes including:

- Eliminate cost in accessing referenced standards.
- Improve alignment with referenced standards.
- Clearly identify which standards apply and when.

11. How do you access the NCC (e.g. on a device or via a printed copy)? Do you find it easy to locate and use? What would make it easier to use?

Industry members comment that a digital version on computers, tablets, and phones is the most prevalent way our members view and access the NCC.

¹ <https://www.planning.nsw.gov.au/government-architect-nsw/housing-design/nsw-housing-pattern-book>

The current format is difficult to search and navigate.

A simpler, more user-friendly digital (and/or app-based) platform is recommended.

12. How could the NCC better incentivise innovative ways of building? Does the performance solution pathway adequately promote innovation and new approaches or are there other approaches to more effectively encourage these outcomes?

Industry members have recommended that financial incentives could be used to help test potential rules. Incentives such as grants for builders to test certain NCC changes could help provide thorough cost analysis and help guide implementation on a national or state scale.

Industry members warn that performance solutions are costly, slow, and risky, with no guarantee of approval. Proven solutions are recommended to be simplified or converted into deemed-to-satisfy options.

13. How could the NCC better support diverse types of housing (e.g., medium density, commercial retrofits)? Clearer and more consistent building classification rules would help deliver medium-density and mixed-use housing more efficiently.

Industry members have noted that some states such as South Australia have done this well by placing exemptions on small lot homes.

NCC changes need to balance supply and pricing. Medium density homes provide an optimal way of increasing supply. This needs to be done with price point front of mind.

Longer transition periods or exemptions for first home buyers or small lot homes could be helpful.

14. Are there barriers to introducing new building products and methods? What are they and how could the NCC be improved to support their uptake by the construction industry?

Industry members note innovation is actively discouraged by inconsistent interpretation by certifiers, lack of clear guidance on Modern methods (ie, Prefab and modular construction), and slow approvals.

Nationally consistent pathways for new products and construction methods would support uptake by industry.

Project builders have noted that implementing differing building methods through performance solutions is avoided wherever possible due to time, costs, and the fact that they need to keep our methods as consistent with what the industry 'typically' does. This is because our trades are shared across varying areas, builders etc.

As noted above, additional resources would be helpful in guiding builders on changes to the code and how it can be addressed in varying solutions. Trades for example may not easily understand the written code and need some supplementary visual examples such as onsite videos, animations etc.