

27 August 2025

Queensland Productivity Commission
266 George Street
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To Whom It May Concern

SUBMISSION IN RESPONSE TO INTERIM REPORT – CONSTRUCTION INQUIRY

This is a joint submission in response to the above inquiry, specifically addressing the elements of the interim report related to Modern Methods of Construction (MMC).

Background

The current housing system faces significant challenges due to an inadequate supply that fails to meet demand. Queensland's population is expected to grow rapidly until 2046, increasing pressure on housing needs. The Queensland Government's goal of building one million new homes by 2044, including 53,500 social and community housing units, requires about 50,000 new dwellings to be constructed each year. However, as the interim report reveals, the current industry capacity produces around 35,000 homes annually.

prefabAUS' Industry Roadmap has quantified the potential productivity benefits of greater MMC adoption. It states, "Australia's construction sector contributed just under \$153 billion to GDP in 2022. Estimates of prefabrication advantages over conventional methods range from a 20% cost reduction to a dramatic five to tenfold productivity gain, stemming from a strong mass production manufacturing approach that utilises high standardisation, modularisation, and off-site production."¹

Our understanding of the interim report findings on MMC

1. The interim report finds that MMC "has the potential to increase productivity in the construction industry".
2. It also finds that stakeholders were not able to "identify market failures that prevent more widespread use". Rather, the report states that most stakeholders pointed to regulatory issues and procurement policies that impede or disincentivise MMC. For this reason, the report states, "there is no evidence to support more interventionist approaches, such as procurement mandates or direct subsidisation by government."

Our response to the interim report findings on MMC

1. The organisations listed in this submission agree that MMC has significant potential to increase productivity in the construction industry across Queensland, including its role in realising the ambitious housing targets the Queensland Government has set.
2. In terms of the statements in the report suggesting that a more 'interventionalist' approach by the government is not required. We have a different perspective, and we have shared our reasons throughout the rest of our submission to explain why we believe this is important.

¹ Australia's Smart Building Revolution: A Prefabrication Industry Roadmap 2023-2033, Released September 2023, <https://www.prefabaus.org.au/industry-roadmap> [Accessed 18 Aug. 2025].

Market challenges

As indicated in the opening, MMC offers a transformative approach to housing delivery, but several market barriers are slowing its wider adoption in Queensland. We believe these should be actively considered as part of the inquiry. Additionally, greater use and required adoption of MMC could assist the Government in achieving its ambitious housing targets and improving the speed and efficiency of its housing delivery. But this would require further intervention and industry support.

Some of the current market challenges in Queensland include:

1. Regulatory and compliance	2. Industry skills and workforce	3. Market Investment Barriers
<ul style="list-style-type: none">• Building codes and standards that are not fully adapted to MMC	<ul style="list-style-type: none">• Ageing workforce & apprenticeship gaps	<ul style="list-style-type: none">• Financing MMC housing projects has been a challenge with lenders and financial institutions
<ul style="list-style-type: none">• Previous Best Practice Industry Conditions, which have been linked to increased project costs	<ul style="list-style-type: none">• Number of skilled workers appropriately trained in MMC methods	<ul style="list-style-type: none">• Short-term procurement cycles: Contracts awarded on a project-by-project basis, which discourages long-term investment in MMC infrastructure
<ul style="list-style-type: none">• Fragmented planning systems and inconsistent local planning rules	<ul style="list-style-type: none">• No agreed Industry Roadmap and skills transition between the construction and manufacturing sectors	<ul style="list-style-type: none">• Public sector could be a major client, but it hasn't consistently committed to MMC across housing, health, and education projects. A stable pipeline would encourage further private investment and innovation

"Australia's construction sector faces a critical moment. Without meaningful productivity improvements, the country risks falling even further behind in meeting housing demand. Modular housing offers a path forward, but significant policy shifts are needed to facilitate its wider adoption.

If regulatory barriers can be addressed, and investment encouraged, prefabricated and modular housing has the potential to reshape Australia's housing market—delivering homes faster, more efficiently, and at a scale that traditional construction struggles to match."²

² Built Offsite. Australia's housing construction productivity crisis and the case for modular housing, <https://builtoffsite.com.au/news/australias-housing-construction-productivity-crisis-and-the-case-for-modular-housing/> [Accessed 22 Aug. 2025].

Proposed Recommendations

To unlock the full potential of MMC in Queensland in addressing housing supply and affordability challenges, we believe the government could take some of the following direct actions:

1. Further Regulatory Reform

- Streamline planning and building approvals to accommodate MMC, including modular and prefabricated construction
- Further refine the Queensland Housing Code with consistent design and siting rules across local government areas to reduce complexity and delays
- Queensland to lead on developing consistent definitions for MMC and bringing this to the national forum regarding the requirements of the National Construction Code (NCC), as well as addressing the work the Australian Building Codes Board (ABCB) is undertaking in this area. We recommend reviewing the "[Prefabricated, modular and offsite construction handbook](#)"³ co-authored by the ABCB and Building 4.0 CRC, published in October 2024, which highlights MMC as a spectrum of approaches needing consideration for the market.

2. Provide Financial Incentives and Investment

- Deliver targeted funding to support MMC adoption, including the establishment of a Productivity or Innovation Fund to support MMC acceleration in the state
- Provide capital support for MMC manufacturers and developers to establish and scale off-site construction facilities, particularly in Queensland's regions
- Offer further tax incentives or grants for early adopters of MMC in private sector housing delivery
- Support a range of [MMC business models](#)⁴ that can encompass the broad majority of small-to-medium enterprises (SMEs) in the existing construction sector and aid in the uptake of MMC delivery that can minimise burdensome capital expenditure.

3. Infrastructure and Pipeline Coordination

- Incentivise or fund enabling infrastructure (e.g., roads, utilities, digital connectivity) to support MMC-based housing developments, particularly in growth areas across Queensland
- Coordinate infrastructure delivery pipelines to avoid bottlenecks in labour, materials, and logistics, ensuring MMC projects can proceed efficiently
- Leverage the Queensland Government's social and community homes target of 53,500 new social and community homes, to develop a secure pipeline of homes that could be delivered by MMC providers
 - This could include a targeted procurement round or approach to bundle projects for a select number of approved providers to achieve scale and speed of delivery.

4. Assist Workforce Development

- Map the future industry workforce needs, including the transition between on-site construction, hybrid methodologies and modern manufacturing

³ Building 4.0 CRC, Prefabricated, modular and offsite construction – Handbook, August 2024, <https://building4pointzero.org/projects/103-abcb-handbook-for-ncc-compliance-using-modern-methods-of-construction/>

⁴ Building 4.0 CRC, Business Model Innovation: The Platform Ecosystem, August 2023, <https://building4pointzero.org/projects/40-business-model-innovation-the-platform-ecosystem/>

- Invest in further vocational education and training programs focused on MMC techniques and methodologies, including digital design, offsite manufacturing, and modular assembly
- Use data-driven models to forecast MMC labour needs and guide IR policy development
- Support small and medium enterprises (SMEs) that train apprentices and upskill workers in emerging construction technologies.

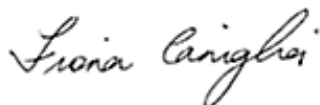
5. Public Sector Leadership and Demonstration Projects

- Lead by example by incorporating MMC in public and social housing, social infrastructure, and government-led infrastructure developments
- Continue with the target of at least 50% of projects in the Queensland Government's infrastructure pipeline to incorporate elements of modular construction or other forms of MMC by 2030⁵
- Consider the role MMC can play in the delivery of the \$7.1 billion infrastructure program⁶ required to support the delivery of the 2032 Games
- Fund demonstration projects in partnership with industry, architects, and community stakeholders to showcase the benefits of MMC and build market confidence
- Establish more innovation manufacturing hubs or centres of excellence to promote research, collaboration, and continuous improvement in MMC practices.

Further contact

We appreciate the opportunity to provide further input to the QPC Construction Inquiry. For further contact or questions regarding this submission, please contact the Q Shelter General Manager, Policy & Strategic Engagement, Jackson Hills, at Jackson.Hills@qshelter.asn.au in the first instance.

Yours sincerely



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⁵ Queensland Government's Infrastructure Productivity and Workforce Action Plan, July 2024, https://www.statedevelopment.qld.gov.au/__data/assets/pdf_file/0021/94008/infrastructure-productivity-and-workforce-action-plan.pdf

⁶ Queensland Government's 2032 Delivery Plan, https://ddu5wIntfgohw.cloudfront.net/media/Queensland_Government-2032_Delivery_Plan.pdf