



Australian Government
The Treasury



National Construction Code Modernisation Project

Interim Report

30 April 2026

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ISBN: 978-1-923278-44-8

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In the spirit of reconciliation, the Treasury acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples.



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Executive Summary

The National Construction Code (NCC) provides Australians with safe and high-quality buildings. It sets clear minimum standards for safety and health, amenity and accessibility, and sustainability, and establishes a nationally consistent baseline that underpins public confidence in the built environment.

Australia faces a housing shortage, with governments and industry agreeing an aspirational, national target of 1.2 million new, well-located homes under the National Housing Accord. However, housing and construction productivity is declining due to a range of factors, such as the many layers of complex regulation. This constrains supply and makes housing less affordable for Australians.

This interim report under the [NCC Modernisation Project](#) sets out five reform directions to boost productivity by restoring certainty, rebuilding trust and reducing unnecessary compliance costs while maintaining safety and performance. Immediate actions have been identified under each reform direction, alongside areas requiring further exploration, to inform targeted consultation and guide the next phase of work toward a final report later this year setting out priority actions.

Stakeholders have been clear and consistent. While the NCC provides Australians with safe, quality buildings, it has not kept up with modern practices, and the system around it is no longer functioning as a simple, nationally consistent regulatory framework. Differing views on proposed solutions exist, but there is strong alignment on the underlying problems and the need for reform to enhance industry productivity, clarity, certainty, trust and national consistency; and support housing delivery.

Five reform directions emerged across submissions and discussions, with some clear immediate actions:

Reform direction	Immediate actions to consider	What this means for NCC users
1. Simplify access and use	Remove barriers to access, reduce duplication, ambiguity and complexity, and use digital tools to improve usability.	Faster design and approval decisions, lower design costs, less reliance on consultants.
2. Recommit to a national market	Reduce variations and strengthen mechanisms to sustain national consistency over time.	Fewer jurisdiction-specific requirements, improved delivery efficiencies, and a stronger national market.
3. Tougher, more rigorous cost-benefit analysis and decision making	Strengthen end-to-end decision processes and governance, separating policy reform from technical updates, and embed improved cost-benefit analysis.	Greater certainty and understanding of changes, reducing disruption, implementation costs and risk.
4. Enable innovation and new products	Establish clear, nationally consistent and scalable pathways to accelerate uptake of innovative products and methods.	Can use new innovations sooner, reduced approval times, and scalable cost-saving approaches. Increased national market opportunities.
5. Reduce the cost of demonstrating compliance	Implement risk-based, proportionate compliance pathways tailored to building type and complexity.	Faster compliance, reduced paperwork, lower consultant reliance, and reduced certification costs.

These reform directions will be the basis for targeted, structural reform to ensure the NCC and the regulatory environment remains effective, trusted and fit for purpose.

The next phase of the project will focus on deepening the evidence base, testing potential reform options, and assessing implementation impacts to ensure changes are practical, proportionate and nationally workable.

Chapter 1: Context

The creation of a nationally consistent set of buildings' laws was a key focus of **microeconomic and productivity reform agenda of the 1990s**. Specifically, the NCC was designed to provide a clear, nationally consistent set of requirements that enable buildings to be designed and constructed efficiently across jurisdictions.

The NCC replaced a patchwork of state-based rules with a unified code (Building Code of Australia and Plumbing Code of Australia), streamlining building regulation across Australia. Since 1996, the NCC has used a performance-based approach, allowing builders to meet requirements through a prescriptive Deemed-to-Satisfy (DTS) path or innovative performance solutions, enabling flexible design and new technologies.

The NCC has set clear minimum standards for structural integrity, energy efficiency, accessibility and sustainability. Recent reforms have delivered stronger energy performance, more liveable and accessible homes, improved fire and moisture protection and future mobility needs – lifting building quality and long-term outcomes for occupants. This has led to real benefits. For example, residential energy efficiency changes in NCC 2022 [save Australian households](#) approximately \$185 per annum in energy bills for houses.

The aim of the NCC Modernisation Project is not to unwind or dilute important standards, but to provide confidence and certainty around how buildings should be constructed through an easy-to-use NCC. The Australian Government remains committed to essential safety and quality changes, along with important policy settings, like the strong residential standards adopted in NCC 2022, including 7-star energy efficiency.

However, the benefits of the NCC have diminished over time. The NCC has become more complex, less predictable and less national. It has expanded in volume and scope, accumulated layers of guidance and interpretation, and been implemented inconsistently across states and territories. As a result, the NCC is no longer delivering the clarity and certainty required to support a modern construction sector under acute housing pressure.

The consequences are now material:

- Compliance costs are growing.
- Approval timeframes are lengthening.
- Innovation is constrained rather than enabled.

Rather than being about the technical standards within the NCC, the project is about whether the system is fit for purpose and whether it supports productivity within the building sector, while still protecting consumers and the community.

The NCC Modernisation Project presents a critical opportunity to reset the systems around the NCC as a genuine national framework: clear, and usable by industry and regulators, and trusted by the public. Without reform, complexity and fragmentation will continue to grow, further increasing costs, slowing delivery and undermining confidence in the system.

Consultation to date shows broad consensus that the NCC is providing high-quality buildings, but change is required and there is increasing alignment on where reform should be directed. This interim report outlines five reform directions, focused on restoring certainty, rebuilding trust and reducing unnecessary compliance costs while maintaining safety and performance requirements. These directions are intended to guide further work and targeted consultation ahead of a final report to Building Ministers later this year.

Explainer: How the NCC works

The NCC is a performance-based code. This means it sets out the outcomes that must be achieved, rather than prescribing exactly how to achieve them. The NCC consists of performance requirements, performance solutions and deemed-to-satisfy (DTS) solutions.

1. Performance requirements

Performance requirements are the mandatory outcomes in the NCC.

They do not prescribe materials, designs, or construction methods. Instead, they define what the building must achieve (for example: safety, health, amenity, sustainability).

If the performance requirements are met, the building complies with the NCC.

2. Performance solutions

A performance solution is a tailored, project-specific way of meeting the performance requirements. Performance solutions are commonly used where designs are complex, novel, or depart from standard assumptions.

Key features:

- Directly demonstrates compliance with the performance requirements
- Can require modelling, testing, expert judgement
- Allows flexibility in design, materials and construction
- Encourages innovation and new technologies
- Unique to the specific building or situation
- At least equivalent to Deemed-to-satisfy provisions

3. Deemed-to-Satisfy (DTS) solutions

A DTS solution is a pre-approved 'recipe' set out in the NCC. DTS solutions trade flexibility for certainty and simplicity.

Key features:

- Specifies exactly what to do, where, when and how
- Uses prescribed materials, components, design factors and construction methods
- If followed exactly, the solution is automatically taken to meet the performance requirements
- Lower design and approval complexity
- Limited flexibility and innovation

The challenge ahead

Consultation on the [NCC Modernisation Discussion Paper](#) identified three interrelated challenges that are collectively undermining construction productivity, housing delivery and confidence in the regulatory system:

1. The system is not operating as intended

The NCC is a performance-based framework, setting mandatory minimum standards for building safety, health, amenity, and sustainability (known as performance requirements) with no obligation to adopt any particular material, component, design factor or construction method. In principle, this approach allows flexibility, innovation and better outcomes and supports new products, modern construction methods and continuous improvement.

In practice, it is not delivering these benefits consistently. Performance solutions – which allow a unique, flexible pathway for each situation – are often perceived as uncertain, costly and high-risk, resulting in widespread avoidance. Acceptance of performance solutions as compliant varies greatly across jurisdictions and certifiers, evidence thresholds are high, and risk is shifted onto individual projects rather than managed systemically. There is also evidence of performance solutions being used to address non-compliance or defects, with performance reports being required to ‘back solve’ issues.

As a result, industry increasingly defaults to the more prescriptive DTS solutions – a set recipe of what, when and how to do something – for certainty, even where better or more efficient options exist. The system intended to enable innovation is, in operation, constraining it.

2. Compliance costs are rising and compounding across the lifecycle

Compliance costs have increased steadily and structurally, driven by growing complexity, documentation requirements and risk management practices. While many individual requirements are defensible, their cumulative effect has become significant.

Costs are now driven less by construction activity itself and more by:

- Regulatory interpretation, modelling and assurance
- Extensive documentation and certification
- Inconsistent application across jurisdictions
- Conservative design and pricing responses to uncertainty

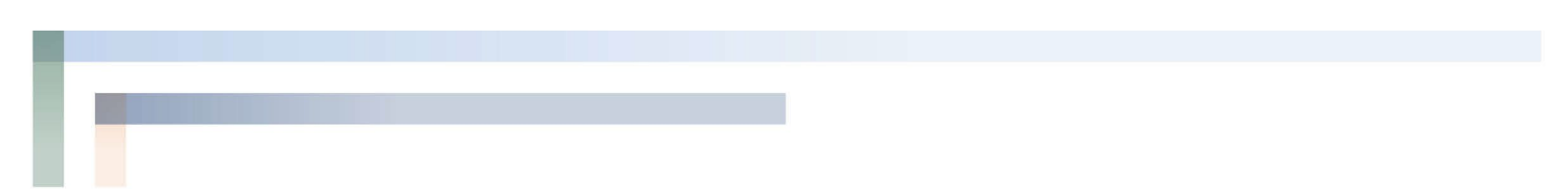
These costs compound across design, approval, procurement, construction and certification stages, disproportionately affecting lower-risk and more standardised building types.

The result is higher prices, slower delivery and weaker productivity, with costs ultimately borne by consumers.

3. Trust and integrity in the NCC have eroded

As complexity, cost and uncertainty have increased, confidence in the NCC has declined. Stakeholders increasingly report that:

- Compliance outcomes depend on interpretation rather than clear rules
- The system rewards process compliance over good outcomes

- 
- National consistency is not reliably delivered in practice
 - Failures still occur despite growing compliance effort
 - The NCC is being used to pursue policy aspirations without considering non-regulatory options

This has weakened trust – among industry, regulators and the public – that compliance with the NCC consistently delivers safe, high-quality buildings. In turn, loss of confidence drives further regulation and assurance, reinforcing a cycle of rising cost and diminishing effectiveness.

Why this matters now

Australia faces sustained housing demand, productivity challenges and constrained industry capacity. In this context, a construction code that is complex, slow and uncertain imposes real economic and social costs.

Modernising the NCC is not a technical exercise – it is a system reform critical to housing delivery, productivity and public confidence. The challenge is to restore clarity, proportionality and national consistency – so that the NCC operates as a trusted foundation for safe, efficient and innovative construction.

Table 1: Spotlight: Growing compliance costs

Driver	How this presents	Cost impact
More regulation, layered over time	<p>Each building failure, safety incident, climate target or consumer protection concern adds new requirements rather than replace old ones. The result is:</p> <ul style="list-style-type: none"> • Larger and more complex code • Duplication of regulation across multiple locations e.g. Standards Australia, jurisdictional variations and the NCC overlapping content 	More time, specialists and documentation per project.
Shift from prescriptive to performance-based regulation	<p>Performance-based frameworks were intended to enable flexibility and innovation, but in practice they often lead to:</p> <ul style="list-style-type: none"> • More consultant input (engineers, certifiers, fire, acoustics, energy modellers) and associated costs • Project-specific assessments instead of standard solutions • Greater uncertainty and risk allocation downstream 	Higher upfront design costs and risk premiums.
Increased documentation and assurance requirements	<p>To manage liability, there is increasing reliance on:</p> <ul style="list-style-type: none"> • Detailed evidence trails • Multiple sign-offs and certifications • Certifier approval at the completion of a building rather than progressively staged approvals 	Administrative burden grows faster than build cost inflation.
Fragmented and inconsistent application	<p>National codes applied through:</p> <ul style="list-style-type: none"> • State and local variations • Different interpretations by regulators, certifiers and councils • Inconsistent enforcement thresholds <p>Regulatory complexity shifts risk to the certifier rather than being proportionately shared by designers, builders, and subcontractors and product suppliers.</p>	<p>Re-work when moving across jurisdictions. Also “compliance by over-design” to manage uncertainty.</p> <p>Hidden costs embedded in prices and reduced productivity.</p>
Risk transfer down the supply chain	<p>This drives:</p> <ul style="list-style-type: none"> • Conservative design choices • Higher insurance and contingency allowances • Reduced uptake of new products and methods 	
Perceived disproportionate impact on low-risk buildings	<p>Overtime more DTS provisions have been added for lower risk (Class 1) buildings. As a result, the NCC is perceived as:</p> <ul style="list-style-type: none"> • Applying high-assurance requirements regardless of risk • Treating simple, repeatable buildings like complex ones 	Smaller projects and volume housing absorb relatively higher compliance costs.

Chapter 2: Work underway by the Australian Government

The Australian Government recognises that excessive red tape is constraining construction productivity, delaying housing delivery and increasing costs for consumers.

In August 2025, following the Economic Reform Roundtable, the Government committed to reducing regulatory barriers holding back construction productivity and housing supply. This commitment reinforced National Cabinet's existing agreement under the **National Planning Reform Blueprint**, with most measures now partially or fully delivered. The Government has also invested \$50 million through the **Housing Support Program** to strengthen planning capacity across state and local governments.

Following the Economic Reform Roundtable, the Government also established a new strike team within the Department of Climate Change, Energy, the Environment and Water to accelerate assessment of the more than 26,000 homes.

The Government has also reformed the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) to deliver stronger environmental protections, faster project approvals and more transparency. These reforms will simplify and streamline the approvals process for housing developments in areas where it is appropriate to build. Since the reforms came into place, the Government has announced the development of a bilateral agreement with Western Australia which provides an opportunity to promote economic growth and progress key projects in Western Australia, including housing, energy and critical minerals.

In October 2025, Building Ministers agreed to **streamline the NCC and to pause** further residential changes following NCC 2025, except for essential quality and safety measures, until the end of the National Housing Accord period in mid-2029. This decision reflects a shared concern that frequent and cumulative regulatory change has contributed to complexity, uncertainty and rising compliance costs.

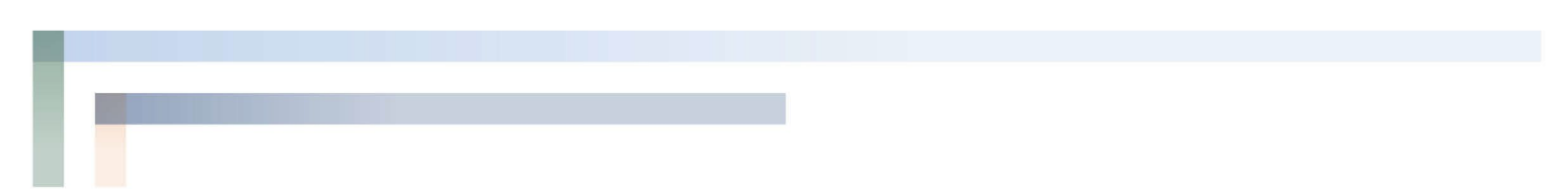
The NCC Modernisation Project is focusing on four priority areas:

- usability and accessibility of the NCC
- complexity and regulatory burden
- governance and decision-making processes
- innovation and housing diversity.

Targeted action is already underway to remove regulatory barriers affecting modern construction methods. Through the **National Productivity Fund**, \$120 million has been made available to states and territories to reduce red tape blocking modular and prefabricated construction. Projects include:

- legislating nationally consistent definitions for prefabricated and modular construction
- establishing a national voluntary manufacturer certification scheme to support NCC compliance and chains of responsibility
- ensuring regulatory neutrality between modern and conventional construction methods in planning and building legislation
- ensuring regulatory neutrality in consumer protection frameworks.

These initiatives are helping to improve the resilience of the construction industry, which will hopefully help the industry to weather the impacts of the Middle East conflict more effectively than during COVID.



While these initiatives demonstrate clear momentum and a strong commitment to reform, consultation on NCC Modernisation Project indicates further work is required to address the structural issues affecting the NCC.

Stakeholders consistently emphasised that complexity, inconsistency and compliance costs are being generated by the way the NCC itself is structured, governed and applied. Without a more fundamental modernisation of the Code and its supporting systems, existing reforms risk delivering incremental improvement without resolving the underlying causes of delay, cost escalation and loss of confidence.

Chapter 3: How did we engage

The NCC Modernisation Project has been informed by extensive consultation with industry, governments and the community. This has been led by three project leads: Rebecca Billings, Dan O'Brien and David McCarthy, who have provided specialist advice based on their strong executive experience across regulatory governance, construction delivery, and public sector management.

Engagement has been designed to test the scale of concern with the current operation of the NCC, identify areas of consensus, and highlight issues requiring deeper examination before final actions are agreed with Building Ministers.

Earlier this year, the Australian Government released the [Streamlining and Modernising the NCC Discussion Paper](#), inviting views on how the NCC and its governing arrangements could be improved to reduce construction costs, lift productivity and better support housing supply.

The NCC is too important to get wrong, and consultation has been critical to this project. The NCC sits at the very heart of how Australia designs, constructs and occupies its buildings. Extensive engagement has provided a broad and robust evidence base for the project, identifying key challenges, issues and risks experienced by NCC users and directly informing and shaping this report and the final outcomes, ensuring the project is grounded in practical experience.

Consultation was undertaken through multiple channels to capture a broad range of views, including:

- targeted workshops with key user groups
- bilateral discussions with industry, professional bodies and governments
- an open public submission process

In total, consultation included:

- six workshops across key user groups, involving 42 participants
- 21 discussions with key industry stakeholders; 7 of these meetings were with the Australian Buildings Code Board's (ABCB) CEO and representatives
- 213 submissions received through the online consultation process

Contributors included members of the public, community and advocacy organisations, industry participants, professional and peak bodies, academics and researchers, and Commonwealth, state and local government agencies.

Submissions and consultations revealed a high degree of alignment across stakeholder groups. While views differed on specific solutions, there was strong and consistent agreement on:

- the scale and impact of growing NCC complexity
- the rising cost and uncertainty associated with demonstrating compliance
- the erosion of national consistency over time
- the need for reform that improves usability, certainty and proportionality without compromising safety

All non-confidential submissions have been published on [Treasury's consultation hub](#) to support transparency and ongoing engagement. Insights from consultation directly informed the structure of this interim report, including the identification of five reform directions and the distinction between areas of broad consensus, issues for immediate action and issues requiring further analysis in the next phase of the project. Engagement will continue as these issues are explored in more detail ahead of the final report to Building Ministers later this year.

Chapter 4: What we have heard

Consultation revealed a strong and consistent message: while the NCC provides Australians with safe, quality buildings, it is no longer operating as a clear, nationally consistent and proportionate regulatory framework. While stakeholders differ on specific solutions, there is broad alignment on the nature of the problem and the priority areas for reform.

Five reform directions emerged repeatedly across submissions and discussions. Together, they are aimed at restoring clarity, certainty, trust and national consistency, while reducing unnecessary compliance costs and supporting housing delivery.

Reform directions include:

1. Simplify NCC access and use
2. Recommit to a national market
3. Tougher, more rigorous cost-benefit analysis and decision making
4. Enable clear pathways to innovation and new products
5. Reduce the cost of demonstrating compliance

Reform direction 1: Simplify NCC access and use

What we've heard

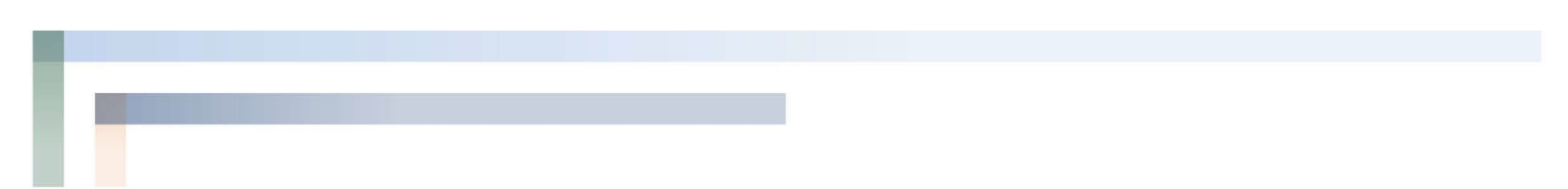
- Stakeholders consistently identified usability as a fundamental barrier to effective compliance. Feedback indicated that the NCC can be difficult to navigate, overly complex in some areas and poorly aligned with how it is used in practice, particularly on site.
- Rather than adopt and refer to the NCC during the design process, there is strong evidence emerging that designers have become reliant on “NCC consultants” and other “experts” to ensure that their designs are compliant. Increasingly, these consultants are used as part of a risk mitigation strategy to transfer risk.
- There was strong agreement that complexity does not reflect unwillingness to comply, but rather a system that has become too hard to interpret and apply.
- Stakeholders contrasted this with earlier iterations of the NCC as a more practical, site-focused tool, observing that efforts to make the Code serve a wider range of purposes have instead diluted its clarity and effectiveness in practice.
- While most stakeholders support the use of AI to simplify access, some stakeholders caution against rushing an AI-enabled tool, given the NCC’s performance-based nature.
- Performance requirements are intentionally non-prescriptive, meaning an AI tool would need to make judgements about compliance – potentially requiring the Code to be rewritten as rules rather than outcomes. This is a more complex task than simply putting the Code into an existing AI tool.

Immediate actions to consider

- Remove barriers to access, including paywalls on referenced standards, to improve understanding and compliance. Industry has consistently raised access to free standards as a barrier, including in pre-budget submissions.
- Reduce duplication, ambiguity and unnecessary complexity caused by overlapping requirements across the NCC, referenced Australian Standards, and inconsistent state and territory variations.
- Rewrite the NCC to support digital accessibility, with strong interest in modern digital tools to support navigation and compliance (drawing in requirements beyond NCC, as appropriate).
 - The ABCB is scoping options for an AI-enabled digital tool, including how it can write the Code to support AI accuracy in the future.

Issues requiring further exploration

- Provide regulatory certainty on when and how NCC changes are introduced, reducing compliance risk and managing transition costs.
- Redraft the NCC to better meet the needs of its different users (including builders, designers and certifiers), including clarifying the intent and application of some legal requirements to reduce ambiguity and unintended confusion.
- The ABCB has developed a [consolidated performance requirements handbook](#) which captures the mandatory legal requirements under the NCC in a single, clear reference to support consistent



interpretation and application across jurisdictions. This could be reviewed periodically to ensure clarity for users.

- Consider target audience requirements, ensuring the NCC's level of complexity matches the skills and qualifications of practitioners.
- Restructure the NCC to give more prominence to its legal requirements as a performance-based code as well as explicit guidance on how and when non-mandatory provisions such as DTS and performance solutions can be used to demonstrate compliance.
- Implement default recognition of commonly used compliant performance solutions to remove the cost of repeated assessments of the same solution.

Snapshot: NCC structure can create confusion and inefficiency

Some builders – particularly small and medium-sized operators – report that the NCC is difficult to use in practice, as it does not align well with the day-to-day sequence of building activity.

With the exception of the Housing Provisions, which are organised around how a home is physically constructed, the NCC is largely structured by building classifications and technical themes, rather than by construction stages.

Over successive editions, new requirements have been layered onto this structure, resulting in a Code with increasingly complex navigation, lots of cross-referencing and references to external Australian Standards.

In residential construction, work is typically delivered in clear, logical stages. However, housing requirements are now dispersed across multiple sections and volumes of the NCC, rather than presented in a single, linear pathway.

For example, completing a bathroom can require builders to navigate at least six different NCC sections, in addition to energy efficiency and liveable housing requirements that sit elsewhere in the Code.

Users must therefore interpret performance requirements out of sequence, jumping between multiple NCC parts and paywalled Australian Standards to understand what applies at each stage of the build.

This can result in more time spent navigating and interpreting the Code and greater reliance on external consultants – adding to the time and cost of building.

Case study: The opportunity of digital tools

- Digital tools make regulation usable by tailoring requirements to the user and task, improving search functions, and showing how provisions and standards fit together. They support consistency and reduce risk by sourcing guidance, examples and prompts at the point of need.
- However, to be useful, these tools depend on clear, consistent, modular regulation and requirements with explicit intent and outcomes.
- Digital tools cannot compensate for poor design and regulation must be digitally ready, machine-readable, well-defined, accessible (including not behind paywalls), supported by clear guidance, and designed around how users apply it in practice.
- For the NCC, digital and AI-enabled tools present a major opportunity to lift usability and compliance by moving to a truly digital-first Code – improving navigation across performance requirements and DTS pathways, reducing misinterpretation, and supporting more consistent national application.
- A number of digital tools already exist to support NCC users:
 - The [Building Tools](#) app translates NCC Housing requirements into structured, build-stage guidance via interactive graphical images. It supports builders and designers to be compliant with NCC 2022 with the aim to reduce costly errors and defects in construction.
 - [AskNCC](#) is an AI Assistant that can instantly draw out specific information from NCC as required. This solution provides users with immediate access to relevant construction specifications and requirements in a concise and condensed format.
 - [MyCodey](#) is an AI-enabled, web-based tool for the Australian construction sector that provides information on construction and WHS obligations drawing on jurisdiction-specific legislation. It allows users to select a state or territory and ask plain-language questions to receive guidance to support compliance and understanding of requirements.



Reform direction 2: Recommit to a national market

What we've heard

- Variations to the Code and its interpretation at the state and local levels reduce national consistency and increase complexity, compliance risk and costs for users, particularly for those operating across borders.
- Variations undermine economies of scale, constrain productivity gains, and limit the effectiveness of innovation, modern construction methods and digital compliance tools.
- Varied NCC implementation schedules create uncertainty for industry.
- Improving national consistency of the NCC will help stimulate productivity growth in the construction sector, boost housing supply, and reduce housing prices over the medium-term.

Immediate actions to consider

- States and territories recommit to reduce variations and uphold nationally agreed timeframes.
- Improve data sharing across jurisdictions to create feedback loops on the use of performance solutions, complaints, evidence of defects and emerging risks.

Issues requiring further exploration

- Introduce mechanisms to maintain national consistency over time, including limits on variations and options for stronger national legal or governance models.
- While a new Intergovernmental Agreement (IGA) is in final jurisdictional review and sign-off, there is an opportunity to consider future governance arrangements, including how national harmonisation will be maintained in the timing and implementation of the Code by states and territories.
- Improve transparency around why state and territory variations arise and whether their impacts are proportionate, with agreed handling or criteria for unavoidable variations (e.g. based on geography and effects of climate).
- Increase national consistency on compliance demonstration (e.g. agreed set of compliance gates).
- Improve clarity on the evidence required for performance solutions.

Evidence snapshot: Towards a single national code

- A 2012 report by the Centre for International Economics (CIE) for the ABCB, found that moving to a single nationally consistent technical code delivered substantial productivity and efficiency gains.
- The CIE estimated the impact of three significant reforms: the development of a single national technical code in the early 1990s; the introduction of a performance-based building code in the mid-1990s; and the integration of plumbing and construction into the NCC in 2011.
- The CIE found:
 - moving to a national code **lowered business compliance costs**, particularly for firms operating across multiple states, by simplifying design, certification, training and product approval processes.
 - the **annual economic benefit of a single national technical code is around \$300 million**, with benefits accruing to both residential and commercial construction at broadly similar levels.
- Importantly, the CIE found that **only around half of the potential benefits** of national consistency had been realised, with further gains to be captured by reducing remaining variations and implementation constraints.
- State variations contribute approximately 600 extra pages to NCC 2022.
- More broadly, Australia's productivity growth has slowed due to structural economic changes and reduced competitive dynamism, diminishing returns from past reforms. Well-functioning competitive markets are central to lifting productivity by allocating resources more efficiently, enabling more productive firms to expand, and driving higher wages, innovation, better products and lower prices.
- Strengthening a genuinely single national market through a truly national Code would allow governments to unlock competition as a driver of productivity and innovation, while collectively addressing barriers to a more efficient and equitable economy.

Case study: Victoria's commitment to remove state variations

- On 30 March 2026 the [Victorian Government announced](#) it will remove a number of Victorian variations to the NCC to align with the national code and make it easier for consumers and builders to work together.
- The Victorian Appendix to the NCC 2025 **reduces the number of variations and additional clauses from 115 down to 60 (removing 29 pages from NCC 2025)** across the three volumes of the NCC for adoption from 1 May 2026.

Case study: State variations for heated water services – NCC Volume Three

The heated water services requirements in NCC 2022 are a clear example where state and territory variations reduce national consistency. The NCC's intent is to reduce scald risk and improve energy efficiency through nationally referenced standards (such as AS/NZS 3500.4), however, jurisdictions vary in when requirements apply, what systems are permitted, and how compliance is demonstrated.

Examples include:

- **New South Wales:** largely replaces NCC requirements with NSW's BASIX compliance pathway, alongside modified scald control triggers and replacement exemptions.
- **South Australia:** replaces NCC requirements with their own prescriptive provisions for permitted heater types, minimum gas star ratings and solar/heat pump thresholds, and expands scald control triggers.
- **Victoria:** adds replacement exemptions for scald control, adds extra compliance requirements for thermostatic mixing valves, and links aspects of heater compliance back to state plumbing regulations.
- **Tasmania and Queensland:** embed alternative water heating and energy requirements and jurisdiction specific provisions, further fragmenting national application.

Reform direction 3: Tougher, more rigorous cost-benefit analysis and decision making

What we've heard

- Stakeholders noted a general lack of clarity and agreement on the overarching objectives of the NCC, the intergovernmental agreement (IGA) and the ABCB. Some stakeholders have suggested emphasising safety and health as the primary objective. Others have requested productivity and affordability to be inserted as explicit objectives.
- There is concern that NCC decision-making is too opaque, policy changes are too frequent and disconnected from real-world cost impacts, and the adoption of sensible technical changes are too slow. This has reduced confidence that changes are proportionate or well targeted.
- Stakeholders also noted efforts to make the Code serve a wider range of purposes, including broader policy goals, have diluted its clarity and effectiveness in practice.
- In particular, some noted that the NCC is being used to pursue policy aspirations without apparent consideration of non-regulatory options, and a clear tension between short-term housing delivery pressures and long-term building performance and policy goals.
- Stakeholders highlighted that governance reform is fundamental to restoring the integrity and confidence in the NCC as a system and will help drive productivity in the sector.

Immediate actions to consider


- Agree clear roles, accountability and transparency of responsibilities for Ministers, policy makers and technical bodies.
 - Policy reforms happen at Ministerial level, typically every five years, with a 12-month implementation period.
 - Technical changes, especially for DTS provisions, are made as needed to address innovation and dynamic requirements.
- Establish greater separation between major policy reform cycles and more agile technical updates, particularly for DTS provisions.
- Introduce a clearer process and transparency for industry-led change proposals, including the composition and role of technical committees.

Issues requiring further exploration

- Ensure appropriate design, structure, responsibilities and funding for the ABCB.
- Improve end-to-end decision processes that explicitly consider implementation impacts on industry, and balance these with policy outcomes.
- Conduct stronger, fit-for-purpose cost-benefit analyses that capture cumulative, downstream and lifecycle costs, not just first-order impacts, drawing on technical expertise and evidence.
- Clarify and improve transparency of stakeholder roles and influence with NCC decision-making.

Snapshot: Addressing waterproofing and weatherproofing defects in buildings

- States and territories estimate between 20% to 40% of apartment buildings have waterproofing defects.
- To address the issue, the ABCB commenced a Waterproofing and Watershedding Project in 2021-22 and incorporated a first stage of changes in NCC 2022, with a second stage incorporated in NCC 2025.
 - The ABCB worked with industry, professional bodies and the NSW Building Administration to understand the issues and develop updated NCC requirements to mitigate and prevent future waterproofing defects.
- On behalf of the ABCB, ACIL Allen's Cost Benefit Analysis of the proposed waterproofing and weatherproofing changes had a positive Benefit Cost Ratio (BCR) for apartments of 4.3 and 4.9 for commercial buildings.
 - ACIL Allen estimated the costs to households for the improvements in waterproofing and weatherproofing of apartment buildings, for the period of 2025 to 2034, to be \$306 million, with an additional \$4 million in costs to industry.
 - The avoided rectification and other associated costs to households in apartment buildings for this period were estimated to be in the order of \$1.3 billion.
- This project demonstrates the benefits of transparent, evidence-based reforms.
 - The ABCB was able to work with state regulators, industry and professionals to identify the problem and develop sound solutions, preventing households and building owners from incurring significant financial losses and costs to rectify issues.



Reform direction 4: Enable clear pathways to innovation and new products

What we've heard

- While the NCC is intended to be performance-based, stakeholders repeatedly emphasised that pathways for innovative products and methods are slow, uncertain and costly. As a result, innovation struggles to scale nationally.
- The Panel heard evidence from one product supplier of a 10-year journey to have an innovative building system approved that had the potential to lower building costs by over 10 per cent.

Immediate actions to consider

- Establish a clear, trusted and nationally consistent pathway to market for new products and construction methods.
- Shift away from project-by-project performance solutions to reduce costs and improve consistency.

Issues requiring further exploration

- Implement scalable approval pathways for products and methods that demonstrate performance once and are reused many times.
- Expand and better resource DTS pathways.
- Strengthen national certification mechanisms (such as CodeMark) to reduce duplicated assessments, including consideration of technical advisory groups to support product certification decisions.
- Fast track adoption of international standards where they meet Australian standards and deliver a clear net benefit.

Case Study: CodeMark and missed opportunities

- CodeMark is a voluntary, third-party building product certification scheme administered by the ABCB. It provides a Certificate of Conformity to verify that a building product complies with the NCC requirements.
- CodeMark aims to support broader use of new or innovative building products in specified circumstances by providing high-level evidence of suitability. It has the potential to:
 - speed up construction by pre-verifying products meeting building standards
 - mitigate the risk of using non-compliant or inferior materials on projects
 - increase the use of new and innovative products and grow new markets.
- However, there are barriers to realising these benefits. While costs to apply and time taken to receive certification are acceptable and tolerated, CodeMark-certified products are not automatically accepted to meet compliance.
- This has impacted product manufacturers in their pursuit to develop new and innovative materials recognised as compliant with the NCC, including when submitting proposals to have DTS provisions in the NCC for their products.
 - Changes to the NCC, including through the ABCB's request for change process, are beholden to the regular update decision processes of the NCC, including update cadences.
 - Manufacturers carry significant risk undertaking this pathway and are beholden to broader processes and opaque decision making.
 - If CodeMark provided greater surety of acceptance, it would either prevent the need for inclusion in the DTS or provide a pathway for demonstrating compliance while the ABCB undertook their assessment process for the proposal for change.
- For example, the National Association of Steel-Framed Housing (NASH) submitted a proposal for change to have light-gauge steel framed walls recognised as an acceptable wall type for loadbearing internal walls in Type A construction.
 - NASH undertook the steps required by the ABCB (submitting a proposal, providing evidence and undertaking appropriate stakeholder engagement) including extensive fire testing and request for peer-reviewed technical research (deferring consideration from NCC 2019 to NCC 2022).
 - However, due to NCC update cadences and decision processes, the walls were not included in NCC 2022 and were deferred to NCC 2025, limiting the timely adoption of this product.

Reform direction 5: Reduce the cost of demonstrating compliance

What we've heard

- Stakeholders highlighted that compliance costs are being driven by a lack of clarity of what is required to demonstrate compliance with the NCC.
- There is a growing dependence on consultants to navigate certification processes through the entire construction timeline, from planning, designing, construction and delivery.
- A “one-size fits all approach” means that lower-risk building types jump through as many hurdles as higher-risk building types.

Immediate actions to consider

- Adopt a more risk-based approach to regulation and compliance.
- Address concerns that low-risk and standardised buildings are subject to disproportionate compliance effort and cost.

Issues requiring further exploration

- Implement more consistent enforcement and clearer compliance checkpoints.
- Tailor compliance pathways by building classification, including simpler, clearer requirements for lower-risk buildings and targeted performance pathways for more complex structures.

Case study: Opportunity for repeatable design certification

There is a clear opportunity – particularly for project builders and large-scale developers – to streamline compliance where they construct a variety of repeatable homes that use the same underlying building components, construction methods and performance outcomes, with variation limited to non-structural design features (such as façade treatments, internal layouts, or tile and colour selections).

Under a more modernised compliance approach, a single, robust set of reference designs could be certified once, provided the designs are demonstrably compliant and materially the same in all performance-critical respects. Subsequent builds using the designs could then be automatically deemed compliant, or subject to an expedited and less onerous certification pathway, rather than undergoing full re-assessment each time.

This approach would significantly reduce duplication across the approval process, cut assessment timeframes, and materially lower compliance and holding costs for industry – without compromising safety, quality or regulatory outcomes. It would also support greater productivity and certainty for builders, enable faster housing delivery at scale, and free up regulatory resources to focus on genuinely novel or higher-risk proposals.

Chapter 5: Next steps

This interim report sets out the case for reform and identifies five priority directions to modernise the NCC. It reflects areas of strong consensus as well as issues requiring further analysis before final actions are taken.

The next phase of the NCC Modernisation Project will focus on deepening the evidence base, testing potential reform options, and assessing implementation impacts to ensure changes are practical, proportionate and nationally workable.

In particular, further work will:

- explore the design and feasibility of mechanisms to strengthen national consistency
- assess options to simplify compliance and reduce costs, particularly for lower-risk buildings
- examine governance and decision-making arrangements to support timely, transparent and evidence-based changes
- test pathways to better support innovation and new products at scale.

This work will be undertaken in close collaboration with states and territories, industry, regulators and consumer stakeholders. Targeted engagement will focus on areas identified for further exploration in Chapter 4.

A final report, including refined reform options and implementation considerations, will be provided to Building Ministers in late 2026 to support decisions on the future direction of the NCC.

Stakeholders are encouraged to provide feedback on the reform directions and related actions outlined in this interim report, particularly on:

- priorities for reform sequencing
- practical impacts on industry and regulators
- areas where early action could deliver the greatest benefit

Feedback received will directly inform the development of final actions.

For further information or to provide feedback, stakeholders can contact nccmodernisation@treasury.gov.au.