



Telephone: (675) 325 6080
(675) 325 6099
Direct Line (675) 301 2507
Facsimile: (675) 325 8108
Email Address: vkehi@dci.gov.pg

DEPARTMENT OF COMMERCE AND INDUSTRY

2nd Floor, Moale Haus
P.O. Box 375
WAIGANI
National Capital District
PAPUA NEW GUINEA.

Office of Secretary

18th September, 2009

Mr. Thomas Abe
Commissioner & CEO
Independent Consumer and Competition Commission
P. O. Box 6394
BOROKO
National Capital District

Dear Mr. Abe,

SUBJECT : THE HOUSING INDUSTRY REVIEW

With reference to the caption above and the ICCC's task in undertaking the review, the Department of Commerce & Industry fully supports the review and looks forward for the recommendations and intended outputs of the report.

As a National Department we are no different from other government departments and agencies who are faced with difficulties in providing housing for our Staff. Many of our staff and like many of the public servants throughout the country reside in settlements and overcrowded accommodation with fortunate relatives who have houses in the cities and towns.

We hope this review will address some of the obstacles in the housing industry and that ICCC recommend constructive strategies to overcome this dilemma affecting the country.

Due to the complexity of the issues and time limit, my department shares the following commentaries attach for your consideration which I hope will assist you in your review.

Yours sincerely

ANTON KULIT
Secretary

**COMMENTS BY
THE DEPARTMENT OF COMMERCE & INDUSTRY
ON
THE HOUSING REVIEW
FOR
THE INDEPENDENT CONSUMER & COMPETITIVE COMMISSION**

Introduction

The housing industry in the country as mentioned in the submission to review the housing policy by the ICCC, does play an important part in the facilitating of economic growth and development in the country through the provision of adequate housing requirements for the people. Thus, having a safe and secure home will contribute greatly towards providing the critical link in encouraging development in education and health and enhance positive economic growth for the country.

The review needs to explore practical solutions to the mismatch that exists in the supply and demand for housing in the country.

The Cost of Housing

The question on why the cost of housing is high in the country can be attributed to a number of factors, notable ones, include, the infrastructure development cost, if built on undeveloped land, the type and cost of the materials used for construction, and the labor costs which are normally direct costs. Then, you add the indirect costs like transportation, hire of equipment and machinery, land cost and other elements like statutory fees charged by agencies like the Building Boards, Lands & Physical Planning Boards, PNG Power, Eda-Ranu and the Commercial Banks which all contribute to the overall cost of housing.

The current housing market prices set by Real Estates and private landlords also contribute to the extravagant cost of houses on sale and purchase, including rental properties in the cities and towns of the country, because there is no regulatory mechanism in place to control and determine the market rates.

No agency has been building affordable residential houses for the public and private sectors for the last two decades, hence, the mismatch whereby the demand gap has grown and gone out of proportion over the supply of adequate housing in the country.

The agency, the National Housing Corporation (NHC), supposedly, mandated and responsible for the provision of adequate and affordable residential housing in the country has being made dormant because of its own internal management infighting, compounded with inadequate budgetary support for residential housing development and lack of positive and firm direction from respective Housing Ministers and the Government on housing matters.

Land Availability.

Likewise, the Department of Lands and Physical Planning (DLPP) has had its share of land related issues including improper land distribution and speculation, shady

land deals, hence the absence of proper physical and town planning and the disparity in the provision of adequate and proper land development plans by the relevant authorities throughout the country. Established processes and procedures do exist in the DLPP system for the physical planning and distribution of land for town development in the country.

However, the process of land distribution and properly acquired land from DLPP for genuine intended purposes is a question that needs to be properly addressed, because land is one of the important components in the housing delivery process that also contributes to the overall cost of housing delivery.

Government Policies and Initiatives for Housing

A number of positive policies and initiatives regarding housing introduced by the Government in the past including the *1975 Self-Help Housing Scheme*, the *Morgan and Mortgage Schemes National Home Ownership Scheme*, the *National Housing Giveaway Scheme*, the *1993 State Landownership Partnership for Affordable Shelter*, the *National Homeownership Scheme*, the *Housing Credit for Home Financing*, the *Housing Bank* and the *1990 National Housing Policy* were not taken seriously and supported by the successive Governments who introduced them, hence the dilemma faced today.

Stakeholders in the Housing Delivery System

There are a number of important players that form part of the housing process that make up the structure, size, and operations including the characteristics in the housing industry. These include those agencies in the public and private sectors, some of which are mentioned herewith;

The Public Sector

- National Housing Corporation
- Department of Lands & Physical Planning
- Municipal Building Boards
- Department of National Planning & Monitoring
- Department of Finance & Treasury
- Office of the Solicitor General/State Solicitors Office

The Private Sector

- Real Estates
- Commercial Banks
- Nambawan Superannuation Fund
- Nasfund
- Other Financial Institutions, Micro Finance etc.
- PNG Power
- Eda Ranu,
- Private Land Developers/Investors
- Design Consultants
- Building Contractors

- Building Materials Suppliers
- Customary Land Owners

Housing Issues

The current housing policy prepared by the National Research Institute (NRI) also needs to be re-looked at and reviewed to gauge whether or not privatization is the way to go in addressing the housing issue.

There is also the need to look at the overall picture of housing in the country in the short term and long term and also look at ways to cater for the realities in the housing development and delivery process which includes urbanization, the formal and informal housing development, urban villages, traditional land for housing development and rural housing. Previous studies and policies regarding housing issues, should be reviewed and where necessary deliberated on, in this current review.

Formal housing is referred to the delivery of housing in the towns and provincial centers throughout the country, whereby housing delivery will need to be categorized to cater for the low-cost, medium, high cost and executive housing development in terms of affordability. Consideration should also be given in the short term as to whether the delivery of housing will be in terms of low and medium cost row-housing and two level walk-up apartments to cater for the demand now, especially in the towns and cities or other immediate or long term appropriate solutions recommended.

The informal housing development will need to be also addressed to cater for the urban sprawls, consisting of squatter settlements, urban villages and traditional land, whereby the whole exercise needs re-planning for proper housing development and redevelopment to take place which should be done in consultation with the genuine landowner groups concerned.

The whole exercise needs to be done in consultation and collaboration with the Office of Urbanization, Municipal Authorities and all other stakeholders mentioned above to not only address the housing issue but also recommend relevant strategies to provide adequate and affordable housing in the formal and informal housing category to benefit everyone and not for selected sectors of the communities in the country.

The Real Estate agencies control the private housing market in the country, especially in the urban areas. Legislation is therefore required to regulate and monitor the sector so that reasonable market rates are properly determined and charged. This should be considered in line with the public sector housing market through a national housing industry policy to determine and establish reasonable market rates for house purchase and rental properties throughout the country.

The National Housing Corporation (NHC) has hopefully sorted out its internal problems, because they are currently in the process of building houses from Government

funding of Fifteen Million Kina (K15M) at Gerehu Stage 3B 2 which include H55's and H65's type houses.

There is also a proposal initiated by the NHC to build more houses through external funding of some Two Hundred Million Kina (K200M) from the Chinese (PROC) which is a good indication that more houses will be built for the people of PNG.

However, careful consideration needs to be given to the technical aspects of the project. The show houses being built at the NHC HQ for demonstration as model houses at Tokarara, NCD are not the type of houses we want for our people. The money from the Chinese could be used to build cheaper NHC standard L40's, H55's and H65 using our own or introduced cheaper and durable technology, so that our people are able to pay for an affordable and comfortable house, that they can regard as home, and not some Chinese oriented building structure.

Municipal Authorities through their Physical Planning and Building Boards also need to employ professional technical personnel on merit, who should police effective physical planning issues and apply proper building standards, in order to ensure proper residential housing development practices are adhered to and that appropriate and affordable decent residential building structures are constructed especially in urban center throughout the country.

Conclusion

There is a need for a collaborative effort by stakeholders in the housing industry to address the housing issue in the country. Working together may bring the cost of housing down to a reasonable level. However, having both the Honorable Ministers for Housing and Public Service trying to address the housing issue may not be the right way to go in solving our housing problems.

All housing matters should be handled by the Minister responsible for housing and that everyone concerned should support his cause and portfolio. The agency responsible for housing, the National Housing Corporation (NHC) should be supported and adequately resourced to administer all housing matters for the country. This should also include the other important stakeholders, especially the Department of Lands & Physical Planning.

A number of housing assisted projects for some government departments and agencies have been executed recently and also in the past decade, which have been done through private arrangements, and some of which, whether fortunately or unfortunately have used public funds and have benefited a selected few. This is not the way to help everyone, who is desperately in need of affordable accommodation in the country.

This also includes the K80,000.00 for public servant who are on Grade 14 and above and the recently approved K39M to build two hundred (200) or more houses, for the so called retiring public servants.

There seem to be however, nothing in consideration for the rest of the public servants who are below the Grade 14 category and those who are not at retiring age. Efforts need to be done to assist everyone who is in great need of accommodation and not to just benefit a selected few.

Other proposed housing development arrangements by private developers are also currently around, however, the cost of the residential houses that they propose and some which are already constructed, can cater for the up-market sector, for only those who can afford to pay for them.

Recommendations

- There is the need to review the overall housing policy and look at all aspects of the housing delivery system in the country in collaboration with the NHC, the NRI, the Office of Urbanization, the Department of Lands & Physical Planning, Municipal Building Boards and other relevant stakeholders in the housing delivery system.
- There is the need to allow all housing issues to be managed and handled by one agency, in this case, the National Housing Corporation who was given the mandate to oversee and administer all housing related issues.
- There is the need to support and revamp the National Housing Corporation with a new look and image as a commercial entity with a competent CEO, be equip with all necessary resources, financially, necessary equipment, employ competent manpower comprising of technical professionals, of architects, civil engineers, builders, surveyors, draftsmen and supervisors in the housing industry including IT personnel and competent housing Officers to operate and effectively run the programs of the NHC.
- Adequate and affordable housing design solutions should be encouraged to suit our local culture requirements and conform to PNG health & safety and building standards.
- House design competitions should be also encouraged so that our local design consultants and the School of Architecture and Building in Lae, can come up with appropriate house design solutions that depict our PNG culture, aesthetically, be structurally sound, adapt modern and traditional building technology, and utilize of appropriate modern and local building materials, whilst maintaining health and safety and building standards but most importantly be affordable by our people.
- Establish legislation for the real estate sector.

18th September, 2009