

Prices, Regulatory Affairs & Special
Projects Division
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14 September 2009

Mr. Thomas Abe
Commissioner & CEO
Independent Consumer and Competition Commission
P.O. Box 6395
Boroko, NCD

Dear Commissioner,

Subject: PNG Housing Industry Review Issues paper

Thank you for the opportunity to provide a submission to the PNG Housing Industry Review.

The Institute of National Affairs and the Consultative Implementation Monitoring Council (CIMC) Secretariat are concerned about the social injustice and high cost to individuals and businesses, with the way the housing industry is developing and welcomes the review.

Of particular concern to the INA and the CIMC are the following.

Issues 1: Scope of the Review and the TOR

- Assessment of the demand for accommodation in each category, low cost, high cost.
- Low cost settlement accommodation should equally be considered.
- The issue of affordability to be given greater prominence.
- Regulatory standards be given priority.

Issues 2: Operation, Structure, Size and Characteristics of the Housing Industry

- Operations virtually unregulated.

- Industry needs to be properly structured so as not to overuse limited available resources such as land.
- Standardizing is necessary to ensure that those buying the service get the value for their money.
- Some form of coordination is necessary to ensure that houses do not necessarily pop up at will almost anywhere.

Issues 3: Current Demand and Supply of the Housing Industry

- Since the industry is unregulated and solely determined by demand and supply factors the open playing field that this entails gives rise to a very high level of price variations as suppliers go about imposing prices at will.
- Due to the high demand out in the market issues like structure and standards are unheard of. People and companies only go for what they can afford.

Issues 4: Whether some form of Regulation should be considered in the Housing Industry

- An authority with powers to regulate and enforce controls on rents be considered for the industry.
- This authority should have private sector representation. The National Housing Corporation should not be considered as it has been a total failure. It should rather be abolished.
- ICCC should be involved in the area of price regulation of housing.

Issues 5: The Scope of Policies that will improve the Imbalance in the Supply and Demand of Housing in PNG

- As well as providing housing through the public service machinery, the government should consider making land available to private sector organizations that wish to provide affordable accommodation to their employees. This should work hand in hand with the urbanization policy. Government alienating land from customary landowners and making it available to private sector developers.
- Government should consider providing accommodation on an institution by institution basis. For instance, houses built for the health department would be reserved for employees in the health sector only and no one else. Administration of these houses would rest on the department/institution concerned. This would enable the department to know exactly who is occupying what rather than having an organization that does not seem to have the slightest idea of what's going on.
- Harmonize the review with the urbanization policy that is being piloted as development on customary owned land in peri-urban areas.

Issues 6: The Level of Competition in the Prices and Quality of Houses on the Market

- Since the industry is not properly structured and standardized there is no fair competition out in the market. Demand for accommodation is ever growing. Consequently prices of housing provided by real estate companies are skyrocketing making it unaffordable for the average wage earner. Taking advantage of the situation unregistered private firms and individuals who provide accommodation charge prices that do not necessarily reflect the sub standard services they provided. In this case what matters most is not quality but affordability.
- Need to look at competition in housing finance.
- To consider the need for a Financial Services Authority – which is to also regulate other sectors. The purpose is to protect mortgage customers on:
 - Fairness
 - Information disclosure – same framework for all institutions
 - Selling standards
 - Responsible lending
 - Managing arrears and possessions
 - Does not regulate interest rates
- Standards for housing quality is important. There should be some form of accreditation such as hotel accommodation with ratings, linked with prices.

Issue 7: Likely Developments in the Housing Industry over the next decade

- Impact of the LNG projects on the price of housing, as well as office accommodation. The effect is likely to be inflationary, as it is already pushing the price up of office space for other companies to an unaffordable level.
- Population growth rate is estimated to be around 3% per year, and not the official 2.3 %. Urban growth rates are much higher. Projections of future population and economic growth need to be incorporated.

Issue 8: Other Relevant Issues

- The cost of water, electricity and transportation should be included in the overall cost of housing, when assessing the affordability issue, according to wage levels for local people.

The INA and the CIMC considers that a holistic and proactive policy approach is required to address these issues.

We thank you again for the opportunity to participate in the Housing Industry Review and look forward to participating in future consultations.

Yours faithfully,



MARJORIE ANDREW
INA Deputy Director
& CIMC Executive Officer