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INSTITUTE OF NATIONAL AFFAIRS, P.O. Box 1530, Port Moresby, Papua New Guinea

28 September 2009

Mr Thomas Abc,
 Commissioner,
 Independent Consumer and Competition Commission,
 P. O. Box 6394,
 Boroko, NCD

Dear Mr Abc,

RE: HOUSING INDUSTRY REVIEW

I apologise for not responding to the invitation to comment on the TOR for the above review earlier. I have just returned from holiday, but will make a few quick observations now.

This review is an important and overdue exercise. There has been little undertaken since the late 1970s/early 1980s with respect to housing policy, and those policies and policy recommendations were unfortunately barely implemented. At that stage there were several studies undertaken by this institute and at least one by LASER (forerunner of NRI). Many of the issues highlighted then have changed little, except in extent. It was emphasised then that the pre-Independence policy of restraining people from moving to NCD and other major centres was longer reasonable nor practical (although emphasis should still be upon making rural areas more attractive, notably with respect to both economic and social opportunities, which has not been achieved over the past decades, particularly with the breakdown of rural infrastructure and services).

The early studies recognised that, with an inevitable significant drift to towns and prospective urban opportunities, it would be well beyond government's own capacity to meet housing demands directly. It was therefore realised by government that private capital was required and, particularly for the lower income settlers, that government should open opportunities to move into semi-orderly settlements, with recognised titles provided and capacity for securing credit or registering for essential utilities etc. Morata was a case in point where settlements were formalised, with titles provided. NCD had a


discretionary arrangements to official and other privileged persons, who've been able to corner or effectively monopolise local land markets. Other anti-competitive arrangements or cases of market collusion have clearly been prevalent.

The review should certainly examine the current market conditions and constraints, but focus upon ways to open up the housing/rental markets, including to encourage ways for credit and institutional capital (e.g. superannuation funds) to be available at affordable prices to meet market needs, but heading the clear warnings from the US against creating a housing bubble and providing mortgages to those clearly unable to pay. Recently developed housing provided by institutions, such as NasfUND, still appear outside the range for most middle even higher income earners, on current salary ranges. All ways to reduce those costs to buyers or self-help owner-builders must be examined, by reducing the overheads (including time taken in gaining approvals, title, etc) and increasing competition in the building trade (which is particularly restricted in some provincial centres to one or two main builders). Some reforms have recently been introduced with respect to Land Administration, including over customary land, which should assist in speeding up processes, including at the provincial level, but it will require adequate funding for Land administration, including for making records readily available. Much capacity, including urban planning, is severely run down, and needs to be restored. Some of these tasks would be eminently suitable for administration under Public Private Partnerships.

There is certainly a need for special consideration for certain categories of public service employees, including essential service providers, with lack of housing being a major constraint on securing and retaining staff. Again some partnership with the private sector and institutions, such as superannuation funds, can be considered, although for some staff who may need to be periodically relocated, there remains a need for institutional housing, as there is also for housing in special purpose hostels etc. The National Housing Commission/Corporation concept was sounds for the provision of certain facilities, but the unrealistically low sale prices of public properties and low rentals in the past undermined capacity for subsequent investment and maintenance. It is generally preferable to have realistic rentals being charged, with appropriate rental allowances, rather than subsidies being hidden.

As the study proceeds this institute will be happy to make material available to your review team (from past studies etc) and we will provide more detailed inputs on different aspects of the housing market, as you may seek. At this stage I will leave it there,

Yours sincerely,


Paul Barker
Executive Director