



LIMITED

11<sup>th</sup> September 2009

Mr Thomas Abe  
Commissioner & CEO  
Independent Consumer & Competition Commission  
P O Box 6394  
**BOROKO 111**  
National Capital District

**By Hand Delivery**

Dear Sir,

**RESPONSE OF NAMBAWAN SUPER LIMITED FOR HOUSING INDUSTRY REVIEW SUBMISSION.**

We refer to the ICCC issues paper recently released to the public for comment and are more than happy to contribute and also share our own experiences in regards to this critical issue our country is being faced with. We also take this opportunity to thank ICCC and the Treasury Department for initiating this review.

Our comments are made in light of our current and ongoing involvement in the construction and sale of houses to our members and the lessons and experiences learned thereof.

We respond as follows:

**1. National Housing Policy Framework**

It is obvious that the lack of an overarching 'National Housing Policy' to holistically address the housing needs of the country has resulted in the state of condition we are in today. While some employers and Institutions such as ourselves are working on being part of the housing solution through our relatively small housing rollout programs, more can be achieved through a collaborative and sustained platform through such a policy framework.

In summary the policy will connect with a strategy that will cover the following broad principles;

- A National Housing Vision and Goals
- Linkage with our National Constitution and housing as a Basic Human Right
- Overall approach to ensure practical housing delivery mechanisms
- Institutional and Employer arrangements
- Subsidies
- Urban Squatter Settlement areas

From the Office of the Managing Director

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Office of the Commissioner  
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Prices, Regulatory Affairs & Special  
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- Savings
- Funding and credit
- Housing support ( Land, infrastructure, service standards)

The policy should also restrict non-citizens to acquire only new stock of housing. This is the standard in many countries, as in Australia, for instance. As the housing crises is essentially the result of a fundamental lack of supply to match against accelerating demand, such a condition in the policy should work to towards stimulating growth in new housing stock construction while at the same time cooling off the current heat. We suggest that a Foreign Investment Review Board under the supervision of Investment Promotion Authority should be set up to independently perform this task, similar to the Australian Model.

## 2. **Overhaul and Reforms of National Housing Corporation**

The National Housing Corporation (“NHC”) must be transformed to truly fulfill its mandate of annually rolling out houses across the country for the low to medium income segment of the market. Singapore's model has its housing authority closely linked with its Central Provident Fund. Such a model should be studied for relevance to the country's needs. Further, the direct influence of Government needs to be removed from the NHC Board and management appointments and be linked through an independent regulator for corporate governance adherence and policy direction. A reformed NHC can open up for innovative business models such as partnerships with Institutions such as Superannuation Funds, other national savings schemes, customary land owners, and international investors depending on the target market.

## 3. **Undeveloped Land**

The management of undeveloped land by the Department of Lands must be publicly re-tendered strictly under improvement covenants conditions. There appears to be far too many individuals/companies with no direct development capacity who acquire titles to large land blocks, such as Urban Development Lease, with the view to selling off the land at highly inflated prices which, at the start, already impedes on any business case for housing developments. This is even before factoring in infrastructure costs and actual housing construction expenses too.

## 4. **Building/Construction Impediments/Tax Benefits**

Ongoing impediments to construction of affordable houses are the high cost of infrastructure, civil, design, utility services and also the slow response time from the regulatory services for certification (i.e. building occupancy permits etc.) In addition, developers face high construction costs through high taxes on materials that need to be imported, especially for low cost housing. Consideration must to be given to implementing tax concessions for developers based on both volume and funds invested, , as example if the developer builds 50 houses or more or a total cost of, say, K5 million or more.

## 5. **Tax Benefits for buyers**

With regard to tax, the IRC definition of low cost housing is K75,000.00 for tax exemptions. This needs to be reviewed up to K150,000 - K200,000. This will in turn assist members of superannuation funds to be able to also access their accumulated interest on top of 100% of their own contributions without getting assessed for tax. It will assist many first home buyers .

## 6. **Lending Assistance by Banks/Financial Institutions**

Lending has improved compared to 6 years ago, with longer term horizons up to 25 years for home loans by BSP, together with interest rates below 10% for first home buyers. Equity which was previously at 10% has now increased to 20% due to prudential concerns, which obviously affects an individual's ability to source financing to purchase a house. The lending side should be encouraged to gradually move to 30 to 40 year home loans. The lack of this is really a flow on from the lack of longer term fixed income securities, hence a mis-match in loan term duration. The Bank of PNG and the Department of Treasury should look at guidelines to promote this in the Banking and Finance Market. Also, housing loan spreads should be looked into.

## 7. **Home Ownership Schemes**

As a means to retaining key personnel for fixed periods of time, Employers with sufficient assets create Home Ownership Schemes to assist their staff to buy homes. The cost to the Employer of running a HOS can be steep in terms of the assistance given to the number of staff through either loan equity payments and/or the subsidized monthly or fortnightly loan repayments. Return of the employer's investment is measured through the employee's productivity over the course of time. Perhaps governmental assistance should be given to Employers who have HOS in place to lessen the burden of the cost through tax relief of some kind.

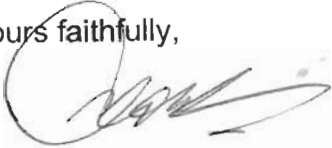
## 8. **Control of Settlement Areas**

The lack of decent, affordable housing and the burgeoning population of the cities and towns has caused settlement areas to swell both in population and the amount of land they occupy. Obviously, the occupied land, some of which is prime, needs to be freed up for development purposes. Forceful removal of the people who live in the settlements should not be the only option for removing squatters. Some thought should be given to identifying land on the outskirts of the city/town boundaries which could then be subdivided and allocated to whole families who reside in current settlement areas. For those people who are unemployed or earn low incomes, each block would have sufficient room to enable the family to grow, say, vegetables for selling at market. Of course, before this exercise could be carried out, identification of all who reside in settlements would need to be done. Essentially, proper planning of land usage for settlements to control the spread of settlements and the people who reside in them is needed and should be handled in a humane way too.

Thank you again for the opportunity to contribute our thoughts to the matter of working towards solutions to the housing crisis which affects a multitude of our contributors and indeed the country .

Please let us know should you require further clarification to our comments.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Leon Buskens', written over a light grey rectangular background.

**LEON BUSKENS**  
Managing Director