



INDEPENDENT CONSUMER & COMPETITION COMMISSION

PRESS STATEMENT

“PNG HOUSING IN CRISIS - NEEDS URGENT GOV'T ATTENTION THROUGH REFORM PACKAGE”

The Independent Consumer and Competition Commission (“Commission”) wishes to advise the relevant Industry Stakeholders, including members of the general public, that it presented its Final Report on the Review of the Housing and Real Estate Industry to the Minister for Treasury and Finance, the Honourable Patrick Pruaitch, MP on the 19th January 2010. The Commission was formally requested by the Minister to undertake this Review on the 16th June 2009 and was conducted in accordance with the provisions of Part VIII of the *Independent Consumer & Competition Act 2002* (“Act”) which empowers the Commission to conduct specific enquiries necessary and desirable for the purposes of the Commission carrying out its functions or as directed by the Minister.

“The Final Report contains the Commission’s concluded views on the Housing and Real Estate industry and recommendations of a reform package aimed at improving supply and making houses more affordable to ordinary PNG Citizens” Mr. Thomas Abe, Commissioner and Chief Executive Officer of the Independent Consumer and Competition Commission, said today.

Mr Abe said “the enormous scale of the housing problem in PNG dwarfs those in other countries and requires a paradigm shift in thinking and taking a completely different approach to that being currently pursued. The scale of the housing problem has reached crisis proportions – more than 40% of people live on less than US\$1 a day. Trying to ‘transplant’ developed country approaches to PNG will not work as the scale of the problems in those countries, their stage of economic development, and their business environments are completely different. Moreover, some of those approaches now sought to be implemented in PNG have been modified or discarded in those very countries”.

On the other hand, Mr Abe pointed out to the enormous potential for growth of the housing sector which would diversify the economy as a new contributor and generate employment, savings and investment which would raise living standards, if this package of reforms is implemented.

“The Commission, in devising the reform package for consideration by government, has considered various studies on housing, the current land reform initiatives and the feedback from consultations it has undertaken throughout the Review process” Mr. Abe said. He added “the outcome sought to be achieved was governed by the principle of ‘the greatest good of the greatest number’, which provides housing for as many Papua New Guineans as possible, rather than giving weight to sectional interests, which would be inequitable for ordinary citizens”.

Mr Abe said that the report described the constraints on the development of the housing sector as being largely attributable to ‘piecemeal’ and sometimes contradictory, attempts to address the symptoms rather than the cause of the malaise which benefited some sections of society at the expense of others; and have been implemented inefficiently. What is required was a holistic, internally consistent, economically sensible approach that was made known to the market and to the public, who are ultimately affected. “This lack of certainty and direction has stifled investment in the

sector” said Mr. Abe.

He went on to say that a key aspect of this review is that it recommends an approach which takes account of the scale of the problem and the limited resources of Government. He emphasised that providing monetary assistance for housing to certain segments of society, do nothing to resolve fundamental economic bottlenecks - they only create distortions which exacerbate the problems for others. Furthermore, he added that direct provision of housing by Government will not make much of an impression on the housing problems of ordinary Papua New Guineans across the country as budgetary resources are too limited to meet all housing needs.

Mr. Abe said “this Review recognises that high prices and lack of affordability are only the symptoms of significant underlying failures, represented by

- the inefficient and insufficient supply of ‘raw’ land (‘portions’);
- the conditions of its allocation to developers, which are neither transparent, nor based on objective criteria, hence fail to encourage competition and efficiency at any stage of the vertical chain;
- organisational deficiencies;
- failure to address urban drift at its source; and
- lack of clarity of Government policy, which, in turn, creates the conditions for divergent, and sometimes conflicting, initiatives on housing, by various arms of Government”.

Mr Abe went on to say: “A lack of coordination within the National Government, and between that level of government and the relevant arms of the Provincial and Local Level Governments, in relation to issues such as zoning, building approvals, and other statutory authorisations also holds back residential construction.

“The package of reform initiatives includes

- the immediate freeing up of supply of state land and encouraging the bringing of customary land to market to address scarcity of raw land;
- promotion of competition and efficiency at every stage of the vertical chain from release of land under Urban Development Leases (UDLs), through the subdivision stage, to home construction;
- generating efficiency and creating space for the private sector by winding back inefficient Government involvement in housing;
- encouraging innovation in building materials and design;
- implementation of an effective consumer protection regime to prevent exploitation of consumers and address ‘opportunistic’ conduct in the real estate agency and building sectors; and
- Well-targeted incentives to private sector providers of micro-finance to rural dwellers for community-based housing credit.

“This report includes implementation strategies that cover organisational, sequencing, timing, accountability and probity issues and the adoption of these recommendations and taking a co-ordinated approach to their implementation will not only go a long way to resolving the housing scarcity, but will ‘kick-start’ the residential construction sector and create the conditions for its evolution into a key contributor to national economic growth, with resulting benefits for employment, incomes, diversification of the economy and general improvement in living standards for ordinary Papua New Guineans”.

Mr Abe said that no single recommendation was likely to achieve the reform objectives, as they are linked to each other and their whole implementation is important to achieve desired synergistic outcomes. “Good co-ordination is also required for effective implementation and a Joint Co-ordinating Group, chaired by the Treasury and including the ICCC, National Research Institute, the Office of Urbanisation and the Department of Provincial and Local Government Affairs is being

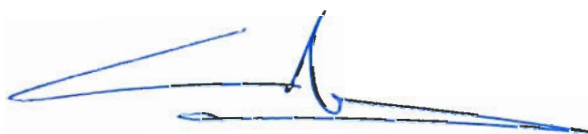
proposed to oversee the implementation of these reforms, liaising with all other stakeholders, including relevant Government departments, agencies, SoEs and statutory authorities”, Mr Abe said.

Mr. Abe went on to say “As a publicly conducted inquiry, this review has invited submissions and taken account of the diverse views expressed by the individuals in the community, Government departments, SoEs and Ministers, discussing and evaluating all of them in this report. The benefits of such a transparent process are not always available to inquiries conducted internally by Government. This report, therefore allows Government policy to be formulated without undue delay, based on recommendations which rely on the evidence and arguments considered and tested transparently. As the consumer protection reform recommendations are likely to be uncontroversial their implementation can begin as soon as Government decides to accept them.”

Mr. Abe said: “I take this opportunity to thank every industry stakeholder, interested party and member of the public who have one way or the other provided comments and submissions and participated in the review during the conduct of this public inquiry. The submissions and comments provided have greatly assisted the Commission to explore and identify key issues in the industry consistent with the official Terms of References as set out by the Treasurer for the Commission to conduct this Review.”

Hard copies of the Final Report can be obtained at the reception counter of the Commission’s office at 1st Floor Garden City Complex or by contacting Mr. Titus Mengi on 325 2144 or by email tmengi@iccc.gov.pg. A softcopy of the Final Report can also be downloaded by accessing the Commission’s website at www.iccc.gov.pg

Authorised By:



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Thomas Abe
Commissioner & CEO

19th January 2010