



INDEPENDENT CONSUMER & COMPETITION COMMISSION

PUBLIC NOTICE

REVIEW OF HOUSING INDUSTRY IN PAPUA NEW GUINEA

NOTICE PURSUANT TO SECTION 124 OF THE *INDEPENDENT CONSUMER & COMPETITION COMMISSION ACT 2002* (“the ICCC Act”)

The Government, through the Minister for Treasury and Finance has formally requested the Independent Consumer & Competition Commission (“Commission”) to undertake a review into the current state of the housing Industry (“industry”) in PNG to identify any impediments hindering growth in this industry and make appropriate recommendations that the Government could adopt in order to foster the growth and development of the industry.

The Minister’s request is consistent with the provisions of Part VIII of the Independent Consumer & Competition Commission Act 2002 (“the ICCC Act”) which empowers the Commission to undertake specific industry inquiries necessary and desirable for the purposes of the Commission in carrying out its functions or as directed by the Minister responsible for Treasury matters or by Parliament.

On 16th June 2009, the Treasurer formally referred to the Commission the Terms of Reference (“TOR”) upon which the Commission is to undertake the review. Inclusive within the TOR are the specific tasks to be undertaken and the deliverables to guide the Commission in terms of reporting and presentation of the review findings through the Draft Report and Final Report.

In undertaking this Review, the Commission is mindful that there have been related studies into this industry in addressing the inherent housing shortage by independent agencies and their findings and recommendations will be aligned and all issues addressed in a coherent manner within the context of this inquiry. Furthermore, it is important to inform the general public and stakeholders that the intention of this Inquiry is not necessarily to determine the setting of prices and rental rates in the industry but where necessary the inquiry will look at the role and place of regulation in general if such is considered appropriate.

Purpose of the Review

For the purposes of this review, the Housing Industry encompasses housing provided by the government, private companies and individual and those in the development, construction, letting and servicing of residential accommodation in the urban and semi urban areas.

The Review will also focus on the supply of and demand for housing needs in PNG for high, medium and low covenant houses which is the major concern unlike the high prestige houses. Since an integral part of this review will be to examine issues associated with supply of houses provided by the larger private sector, various Government Departments and the National Housing Commission, this terms of reference will also include reference to the role of the National Housing Commission, and other relevant Government instrumentalities that are directly or indirectly associated with this industry. This study will also examine the activities of the

housing industry particularly in the ownership, management, lease, sale, valuation and appraisal, brokerage, development and consulting in respect of housing development and improvements situated in Papua New Guinea.

The principal objectives and deliverables of the review as directed by the Minister for Finance and Treasury are to:

- Report on the current state and operation of the Housing Industry in PNG with a particular focus upon:
 - the size and other characteristics of the housing industry,
 - the competitive behaviour of participants in the industry,
 - impediments to competition in the industry, both regulatory and non-regulatory,
 - the relationship and interaction between real estate companies, the building companies, finance companies, National Housing Corporation, Department of Lands and Physical Planning, Insurance Companies and the owners of the properties,
 - any particular issues impacting on competition at the housing industries arising from the spatial characteristics of the country,
 - the current statutory arrangements in releasing land for property development to assess if some improvements are necessary;
 - the nature of the regulatory and supply/demand factors acting upon the behaviour of the market
 - the role and behaviour of the main players in the market such as land development companies, the National Housing commission, the real estate agents, the larger private sector business who provide accommodation to its employees, government department providing housing to its employees and private individuals who acquire land or house
 - factors determining the availability of housing for owners or for lease
 - evidence of market failure (inability of the market to determine the right balance between demand and supply of dwellings
 - finding out if the current high prices for property rental and purchase and the pent up demand is related to demand, supply or a combination of both and what policy measures would be required to address this; and
 - the range of government policy and regulatory requirements impacting on the industry, including the consistency in these regulatory requirements at the national and Provincial government level across the country.
- Identify issues and areas where Government action may be appropriate to address the problems and issues which are contributing to the failure of the market to get the demand and supply balance right to improve the overall competitiveness, efficiency and effectiveness of the housing Industry in PNG.
- Make recommendations on what action by Government may be appropriate to rectify any problems in the current structure, regulation and operation of the Housing Industry with a view to improving competition and the imbalance in the supply and demand for accommodations.

Conduct of the Review

The Review will be conducted through the public consultation process which will involve the following broad stages:

- Public announcement of inquiry and invitation for submissions to be made to the Commission;
- Release of an Issues Paper discussing aspects of the inquiry and the major issues that the Commission believes need to be considered;
- Release of a Draft Report and the inviting of submissions on that Draft Report;
- The possible holding of Public Hearings on the Draft Report; and
- Release of the Final Report and Determination.

A timetable for the review process will be published when the Commission releases the Issues Paper. It is expected that the deadline for the release of the Final Report will be absolute while other dates may be altered by the Commission as and when necessary.

Public Participation

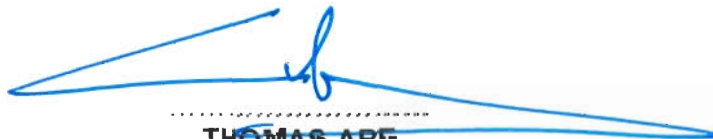
The Commission endeavours to conduct the Review in an open and transparent manner in accordance with Sections 124 and 125 of the Act. These Sections of the Act require the Commission to receive and consider submissions and comments from industry stakeholders, interested parties and general public at large during the course of the Review Process. The Commission will also notify the public of any public hearings that will be held as part of the Review. The form and nature in which written submissions would be required will be detailed in the Issues Paper and Draft Report that will be issued by the Commission as part of the overall public and stakeholder consultation process.

Copies of the official Terms of References for the Review as issued by the Treasurer are available at the offices of the Commission. Electronic copies can be obtained through the Commission's website www.iccc.gov.pg or by emailing tmengi@iccc.gov.pg or by contacting the Commission at the address below.

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Authorised by:



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THOMAS ABE
Commissioner & CEO

16th July, 2009