

**Submission to the Independent Consumer and  
Competition Commission  
in respect of the  
Real Estate and Housing Industry Review**

by



***Real Estate Industry Association***

***Papua New Guinea***

September 2009

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papua new guinea

# Real Estate Industry Association



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## Submission to the Independent Consumer and Competition Commission in respect of the Real Estate and Housing Industry Review

### Introduction

**“Under all is the land. Upon its wise utilisation and widely spread ownership depend the survival and growth of free institutions and of our civilisation. Members of the Real Estate Industry Association should recognise that the interests of the nation and its citizens require the highest and best use of the land. Members should also require the creation of adequate housing, the building of functioning cities, the development of productive industries and farms, and the preservation of a healthful environment as a National Priority.”**

The above is an extract from part of the Ethos of the Real Estate Industry Association of Papua New Guinea and it is a fitting way to commence this submission which is tendered by the Real Estate Industry Association (REIA) in response to the request by the Independent Consumer and Competition Commission (ICCC) who are conducting a review of the Housing and Real Estate Industry in Papua New Guinea on behalf of the Minister for Treasury and Finance.

The Real Estate Industry Association is an Incorporated Association of firms and individuals involved in the Real Estate Industry in Papua New Guinea advocating honesty and integrity in real estate dealings and subscribing to a code of ethics and annual auditing for Agents of trust funds. Membership of the Association is currently voluntary.

By way of background, our Association was originally created as an Association for Real Estate Agents. This was in response to the situation where some high profile real estate agents in Papua New Guinea became involved in activities which may have been illegal, as well as some businesses that went into liquidation as a result of financial difficulty. A number of well run and reputable real estate agents decided to establish an organisation whose intent was to re-establish faith in real estate agents and provide the public with the ability to identify real estate agents in whom they could trust.

The Real Estate Agents Association was established in 2002 and membership required all real estate agent members to adopt a code of ethics as well as provide an audit certificate of their trust account to show that all trust funds held by them were accounted for.

By 2006 it became obvious that Real Estate Agents were only a small part of the Real Estate Industry and in an effort to extend the aims and ideals of our Association to other sectors of the Real Estate Industry we altered our constitution and name and became the Real Estate Industry Association. This then enabled people in the real estate industry who were not real estate agents to also become members of our association and subscribe to our code of ethics and Ethos. This included self managed property owners, valuers, architects and draftsmen, builders and developers, banks and super fund managers, accountants and lawyers.

Early in our existence we realized that one of the key ingredients to operating successfully within our industry was to train and educate staff in first world real estate practices. To achieve this aim in 2003 we established a relationship with the principal real estate industry body in Queensland - being our nearest neighbor. Our desire to improve our industry in Papua New Guinea received their immediate support and this resulted in the establishment of an MOU between the Real Estate Institute of Queensland (REIQ) and the Real Estate Industry Association in Papua New Guinea. This MOU effectively enabled Real Estate Industry Association Members in Papua New Guinea to be treated as members of the REIQ and access to their training materials and staff, library material and other industry aids. This generous arrangement has been very beneficial especially with regard to training and since 2004, with the help of the REIQ, we have been able to offer training in key real estate practices to our members as well as other people within our industry. The courses that have been presented are to REIQ standard and as taught in Queensland but have been modified to suit PNG circumstances. The range of courses on offer is gradually expanding and the general improvement within the industry as a result of people attending these courses is very noticeable.

The development of our Association to date has been one of crawl, walk and then run and we are keen and happy to assist the ICCC and the Government wherever possible in the further development of our industry. It appears that we are now at the stage where more obligatory requirements are necessary to progress the industry further along the path of fair and honest dealings.

### **Recommendations**

The time has now come take steps to better control the activities of people engaged in the real estate industry in Papua New Guinea. We believe that the Real Estate Industry Association is well positioned to become the vehicle that people within our industry should become part of so as to control these future developments and for the REIA to collaborate with ICCC on establishing suitable rules and requirements for people in the real estate industry to comply with and adopt as standard operating requirements. For the REIA to accommodate the new needs of the Industry it will be necessary to make alterations to its Constitution to facilitate new membership and licensing requirements.

We understand that under existing legislation the ICCC is able to declare the Real Estate Industry a "Regulated" industry and therefore subject to rules and requirements established for the purposes of regulating the industry. We feel that this is very achievable by working with the REIA. By establishing these rules and requirements in collaboration with each other we will be able to establish rules and requirements that:

- Are not excessively onerous on the people involved in the industry
- Require people within the industry to abide by a code of ethics
- Require people within the industry to undertake suitable training
- Ensure that standards are maintained and that people are not required to live in unsafe and unhygienic rental accommodation
- Require people within the industry to obtain suitable licences for the activities that they are engaged in
- Enable the activities of the people within the industry to be reviewed on a regular basis
- Enable consumers to have some level of confidence in the honesty and integrity of the people that they are dealing with
- Enable people within the industry who act unscrupulously or illegally to be fined, suspended or even excluded from the industry

The organisations and people to be included in the scope of the proposed rules and requirements will be:

- Real Estate Agents
- Self Managed Rental Property Owners
- Property Lessors
- Property staff employed by Property Owners

The methods to be used to achieve the results required can include but not be limited to:

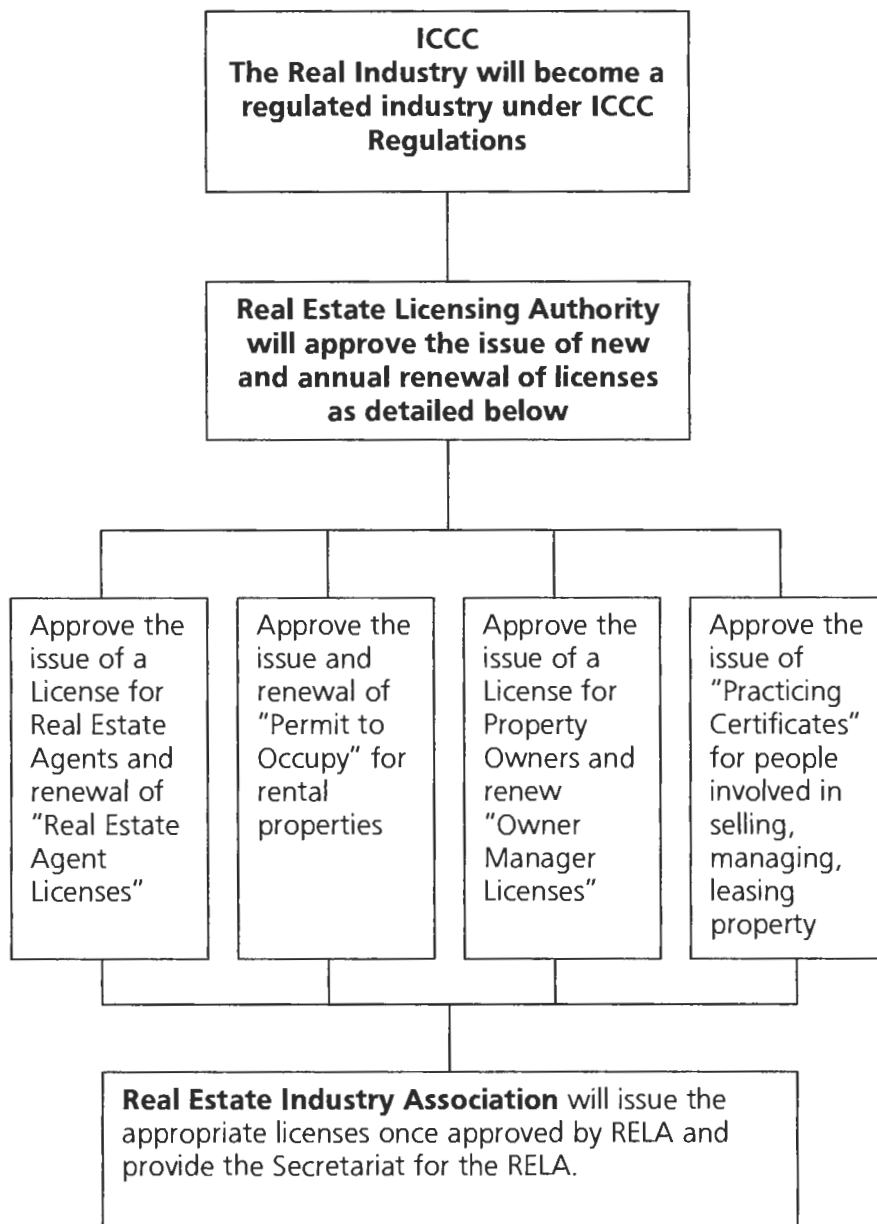
- Licences for Real Estate Agents renewed every three years
- Practising Certificates for Individuals renewed annually
- Compliance Certificate for all rental property for compliance to acceptable Structural, Electrical and Health Standards
- Adoption of a Code of Ethics by all participants
- Annual Auditing of Real Estate Agents Trust Funds
- Membership of a professional body renewed annually
- Professional training in real estate activity
- Education of the public about who they should use

- Publication regularly of the names of compliant firms and individuals
- ICCC would encourage the public to report firms and individuals who do not adhere to the Code of Conduct

### Real Estate Licensing Authority

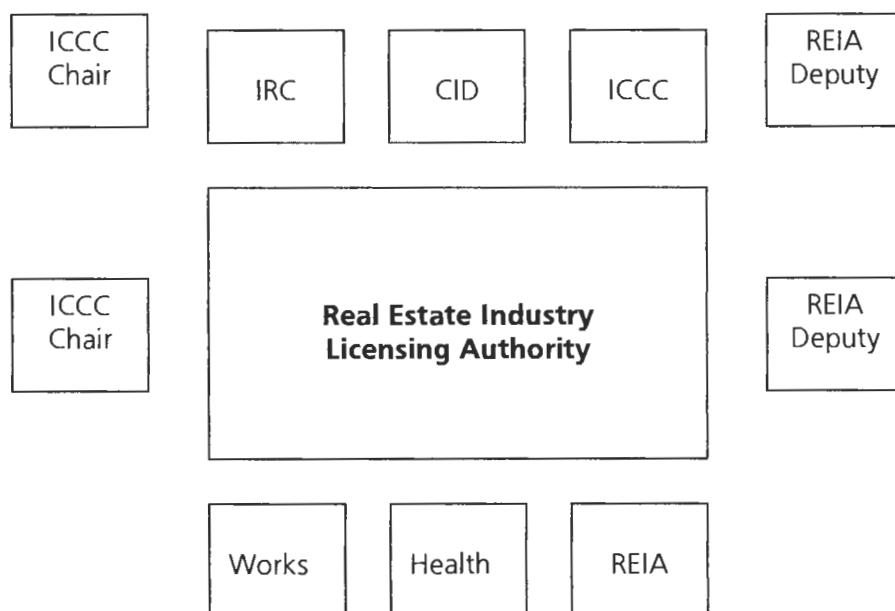
Licences, Compliance Certificates and Practicing Certificates would be approved by a Real Estate Licensing Authority (RELA) which would mainly comprise members of both REIA and ICCC but would also provide for representation from Internal Revenue Commission and the Fraud Section of the RPNG Constabulary. This would be for new applications as well as renewals.

The Authority would be the controlling body for the industry in respect to licences and would determine the eligibility for the issue of licenses. The RELA would also become the receiver of complaints and be the body that reviews the complaints and determines what disciplinary action should be taken in any specific circumstances. The Authority would most likely meet monthly.



## Real Estate Industry Licensing Authority Membership

For ease and convenience the Authority would not have a large number of members and at this stage we feel that eight would be sufficient to provide a cross section of views and have the major stakeholders and review organisations represented.



## Licences that would be Issued by RELA

### Real Estate Agent Licenses

These would be issued to IPA approved businesses that fulfil the requirements established by REIA for membership of REIA. These licences would be valid for a period of three years. These licences can be made provisional, suspended or terminated by the RELA within the period of the licence if the licence holder breaches any of the terms of membership of the REIA.

### Permit to Occupy

These would be issued to property owners of rental property after they have been checked for Structural, Electrical and Health Standards and would be required to be issued by a Local Level Government Building Authority or Government Department e.g. Building Board, Works Dept. or in the absence of any of these then an Approved Contractor. These licences would be renewed annually. Any Property Owner or Real Estate Agent renting property will be required to have a current Permit for each property being rented. Tenants will be able to request a copy of the Permit for the property being rented by them. Where a dispute arises the RELA will have the final say.

### **Owner Manager Licenses**

These would be issued to IPA approved businesses or individuals who own and manage their own properties and fulfil the requirements established by REIA for membership of REIA. These licences would be valid for a period of three years. These licences can be made provisional, suspended or terminated by the RELA within the period of the licence if the licence holder breaches any of the terms of membership of the REIA.

### **Practicing Certificates**

People engaged in renting, managing or selling property in the real estate industry will be required to obtain a Practicing Certificate. This will initially be available to all current practitioners but eventually will require the completion of REIA courses to obtain.

## **Real Estate Industry Association**

REIA would provide the Secretariat services for the Licensing Authority. This would be funded by the payment of fees for the various licences so that the Secretariat would become a "user pay" system and not become a liability on either ICCC or REIA.

Licences and Practicing Certificates would be issued by REIA after approval by RELA. Licenses and Certificates would be required to be prominently displayed. (Attached for example is a copy of the current REIA Membership Certificate).

Existing REIA Members will be automatically licensed by virtue of the fact that they already follow a code of ethics and real estate agents already have audits of the trust funds that they hold but they will become subject to the review arrangements thereafter.

REIA Constitution as well as the ICCC Regulations and Legislation will be used to discipline offenders. This would include the ability to level fines, place licence holders on probation, suspension and expulsion.

Recommended fee scales which are already in place with REIA will be adopted for the sale and management of real estate and will be regularly advertised for the guidance of the public.

REIA in conjunction with Real Estate Institute of Queensland (REIQ) will continue to facilitate courses in real estate for training and educating individuals in Real Estate best practices. New applicants after the introduction of the proposed rules and

regulations will probably be required to have undertaken appropriate training before being eligible for a licence or certificate.

Courses currently being offered by REIA are:

- Introduction to Real Estate
- Introduction to Property Management
- Advanced Property Management Stage 1
- Advanced Property Management Stage 2
- Commercial Property Management
- Managing / Owning a Real Estate Business
- Administration of a Real Estate Business
- Trust Accounting
- Selling Real Estate with individual Modules covering:
  - Ethical Real Estate Practices
  - Implement a personal marketing plan
  - Establish and expand client base
  - Market property
  - Provide property appraisal
  - List property for sale
  - Inspecting a property

Education of the general public in Papua New Guinea on real estate matters and issues is also an important matter and REIA has been involved in doing this. We have developed Information Brochures which we distribute to the public which cover aspects of Selling, Renting and Buying property. In these brochures we give the public some idea on the "do's and don'ts" that should be considered where engaging in these activities.

### **Attachments**

The following attachments have been provided for your information:

- a. A sample of a Membership Certificate for the Real Estate Industry Association.
- b. A sample of the Course Manual for a course conducted by REIQ / REIA.
- c. A sample of the Attendance Certificate currently being issued for courses listed above.
- d. A copy of the Ethos of the REIA.
- e. A copy of the Code of Ethics of REIA

- f. A copy of the current REIA Constitution
- g. A copy of the Sale, Buy and Sell Information brochures

## **Conclusion**

To conclude we thank you for the opportunity to have been involved in this very significant review of the Real Estate Industry in Papua New Guinea. We reiterate our willingness to assist as we see your aims and ours as being very similar. As many of us have significant investments in real estate in PNG we feel the need to be involved in the future of the industry as well as its governance. We realize and welcome the fact that an independent entity needs to become involved in regulation of the industry to some extent and assure you that it is our intention to be of assistance in securing a positive outcome to this process.

We would also welcome the opportunity for you to meet with our committee in Port Moresby at some stage where we can explore further detail on important aspects of our submission and address any areas of concern that you may have or suggestions you may have to better implement the reforms that would assist our industry.

Mike Quinn  
**President**  
**Real Estate Industry Association Inc**