

STANDING COMMITTEE ON
PUBLIC ACCOUNTS

[Verbatim Report]

HELD IN THE

COMMITTEE ROOM (WEST WING)

ON

WEDNESDAY, 6TH JUNE, 2018

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON PUBLIC ACCOUNTS COMMITTEE HELD AT THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY, 6TH JUNE, 2018 AT 12.00 P.M.

Interviewee/Submittee: Housing Authority of Fiji

In Attendance:

- | | |
|--------------------------|---------------------------------|
| 1) Mr. Poasa Verevakabau | GM, Finance and Administration |
| 2) Mr. Isikeli Navuda | GM, Land, Housing & Development |
| 3) Mr. Iliesa Rakaseta | Manager, Technical Services |
| 4) Mr. Ramesh Chand | GM, Lending |

Office of the Auditor-General

Mr. Dineshwar Prasad	Director
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DEPUTY CHAIRPERSON.- Honourable Members, Parliamentary Secretariat staff, representative from the Office of the Auditor-General, members of the media and in particular the resource personnel and officials from the Housing Authority of Fiji, I welcome you all to the meeting of the Public Accounts Committee dated 6th June, 2018. We are here to discuss the audit report of the 2015 State-Owned Entities and Statutory Authorities and in particular an issue was sent on behalf of PAC to the Authority in regards to the discrepancies in accounting of fixed assets.

My apologies, I am not sure about the exact portfolio and I believe if I read it out incorrectly, it will be very disrespectful so I would like to give the opportunity to the designated leader or the team head who is leading the officials here for the submission today to very briefly introduce us your team, provide us with a bit of background about the Authority and then from there I believe a PowerPoint presentation is ready for us to see. Thank you.

(Mr. Verevakabau introduces the team from Housing Authority of Fiji)

I will go through the presentation very quickly. Is it alright?

DEPUTY CHAIRPERSON.- Okay.

MR. P. VEREVAKABAU.- It is a brief overview of Housing Authority.

DEPUTY CHAIRPERSON.- All right. Thank you.

MR. P. VEREVAKABAU.- Thank you. That is briefly the role of Housing Authority. Basically it is from the Act. The principal objective is to provide housing accommodation to workers, that is a division of itself and by way of loan guarantee, that is another lending division. Again on role and objective, our role is not really to be profitable but to enable the

workers and their families to obtain accommodation suitable to their needs at a minimum cost without the Authority actually incurring a loss. Again, we are guided by the Public Enterprise Act 1996. We are declared a Commercial Statutory Authority (CSA) so we need to be more efficient, productive, accountable and better organised. I think the organisation is going towards that direction and we thank the guidance of the board and other Ministries.

Housing Authority is to operate profitably, perform social obligation as a Government agency and practice principles of good governance and operate in a transparent and accountable manner. Again, our five-year corporate plan is aligned to the National Development Plan of the nation. It supports a long term transformational plan, access to affordable housing and ensuring that more land is available for home construction and help increase the supply of housing. The Government also encourages both public and private investors, also Government is encouraging vertical villages, building strata's with one room, two rooms and three rooms with the concept of migration as their salary increases.

The Housing Authority and the Public Rental Board jointly will ensure that more land is developed for residential lots and more affordable and accessible housing is provided. That is briefly about our organisation chart. We report to Ministry of Housing and Public Enterprise; the Board, we have a CEO and General Managers.

Strategic direction, again this is our vision, mission and our corporate values. Again, the main focus is helping Fijians own affordable homes. I will not go through other details. This is based on the corporate plan. We have financial and non-financial targets based on the balance score card and the main focus is to address the broken market or housing market with improving on the supply and looking at affordability. The focus is to ensure that prices and loan packages are affordable and easily accessible to the low and middle income earners. Our main concentration is on those who are earning \$17,500 - \$30,000 per annum. Our threshold is \$50,000 and below.

This is our strategic direction. Again, this is part of the five-year corporate plan. We need to deliver about 1,000 lots per annum. Before this used to be 500, now it has stretched to 1,000 lots per annum. It is a challenge but the Authority is working towards that. Almost 70 percent to 80 percent of the lots are subsidised for the low and middle income residents. We are encouraged to design and build houses, strata units affordable to the low and middle income earners and also provide innovative housing solutions to build integrated communities in different urban centres. We also provide total financial solutions for low income earners with household income below \$50,000.

Again, with the corporate plan, we have our KPI set in order to achieve those stretched targets and our KPI focuses on sustainability, growth, and productivity and service delivery to those who are earning \$50,000 and below. Those are part of the matrix which we are assessed for every quarter. That is the matrix for our capital projects. That is our five-year plan – sorry it is not visible. Right at the bottom indicates the delivery per annum which should be 1,000 per annum. So, we are trying to achieve those targets in the next five years as we move on.

Those are the different projects; on the left is Matavolivoli, Nepani, Tacirua East, Davuilevu, Koronisalusalu that is in Tavua, Covata that is in Labasa, Tavakubu in Lautoka then we have other projects that where we have to go through acquisition process like Korovou and Veikoba. This is our capital project, our cash outflow for the 5 years. We started off in

2018 with \$41 million, \$67 million in 2019 and \$46 million, \$36 million and \$42 million and that is for funding these development projects.

These are lot deliveries from 2013 and sales progress from 2013. We are all aware that the Land Development Team was outsourced way back in the late 1990s and it was re-established again in mid-2000 and then the next lot came up at Wainibuku, that was when we started developing Wainibuku, and that is where the team was re-established internally.

Those are the deliveries and the sale progress by year. In 2013, we started off with 39 lots, which is after delivery of Tacirua Phase 1, this was the high end lots. Then 2014 is 47 lots, 2015 - 407 lots, 2016 – 334 lots, 2017 – 132 lots and 2018, we managed 52 so far. In total for those periods is 1,000 lots. We have a balance of 440, the bulk is from Matavolivolvi which was delivered late last year and should be sold off by June or July this year.

The balance at the lower half is work in progress and is expected to be delivered in 2018, that is, Nepani – 170 lots, Davuilevu, this will be in two phases that is in September for 300 lots and in 2019, Tavakubu will be delivered in two phases, 100 lots in September 2018 and the balance in 2019. So overall for the period mentioned is 2,908 lots and we have yet to sell after delivery of those lots, we will sell off another 1,897 lots in the coming one or two years.

Loan package, these are the interest and RBF facility. If you look at the first column, TM3; this is internally funded at 5 percent. These are for customers earning \$10,000 and below, these are existing customers, when they joined they were earning above \$20,000, \$25,000 or \$30,000, they faced financial distress or they are no longer employed and maybe they have another alternative job which is less than \$10,000, they fall in this category. We assist them in this category at 5 percent.

Our variable rate was reduced from 7.5 percent to 6.99 percent; this package is 5 percent. Then we have the gold home loan package. This relates to the RBF funding which started off in 2013 and this catered for those earning \$16,500 and also a combination of \$16,500 and below \$25,000. This product was not really going out fast so TM1 came into the picture where threshold was moved up and that is the number that we have to-date for TM1 – 731 customers. We have exhausted this funding. This fund went up to \$25 million, RBF approved only \$25 million and we went up to \$31 million. So the balance that was funded, internally with the rates that applies to funding through RBF. We anticipated RBF to provide more funding for us to continue with that package but it just did not happen so soon. That happened later in the 2017 and 2018 budget period when the \$25 million was rolled over to the next five years. It matured in 2018 and we had a discussion with RBF and they had approved the rolled over to the next five years. There is another additional \$25 million which we are drawing from right now and so far we have drawn round about \$13 million that is for about 150 customers. So, those are the facilities that we have that facilitates the low income earners especially those earning lower than \$50,000 and also at a very lower bracket. Those are the interest rates that we offer for these different products.

Housing Assistance Grant: This is one of the grants that really assists our customers for them to be eligible to take loans especially when it covers up a gap of \$10,000 or \$5,000. So, in 2013 we assisted about 87 customers at a value of \$800,000. In 2015 - 97 customers of \$775,000 and 2016 - 197 customers of \$1.8 million and 2017 - 162 customers at \$1.45 million

and 2018 - 46 customers at \$400,000. In total the grant has provided \$5.3 million in assistance to these customers and the customers in total is 589.

Again the grant applies to new home buyers and who are first time home owners. This is the initiative given to them to take up that package, but at the same time we look at those existing customers who are facing financial difficulties during their loan term maybe after five years, maybe after ten years they have this financial distress so these are the packages that we also have for them; a social housing policy. From 2011 to 2017 we have assisted 397 customers with the value of \$3 million while there is a provision from Housing Authority of \$3 million that was also written off against that debt.

So, there are strict criteria for this policy and it goes through the due diligence process and approved by the Ministry.

Strata Unit: We play a role as a corporate body in this area. There are four strata unit locations; Edenville, Vesida, Cakau and Rogi. We normally renovate these buildings every five years, compared to the cost that we collect as ground maintenance is not sufficient to cover for the maintenance every five years. The current maintenance is going on for \$600,000 while the fees is round about \$33,000 per annum, that is, \$150 per lot for 200 units and that is \$33,000 five years that is a thousand so Housing Authority has to put in another \$400,000 to cover for that. It is a contractual obligation so we cannot really get away from it and we have to do that.

Market Segment Overview: We have a database reporting where customers lodge in their interest. This is related to the new projects. So, customers lodge in their interest in any HA centres forms are filled and updated in the Stock Management System (SMS). All customers are provided with a registration number and we also advertise for expression of interest where we intend to carryout development in some areas. Also we collaborate with other centres like the Town Councils for them to collect these forms and we collect it from them.

Right now in our database there is round about 9,000 customers and out of that, 5,000 is eligible while 4,000 are below the income threshold and Housing Authority is also looking at ways in assisting them on how we can look at packages with the interest rate to assist these customers.

Financial Performance: If you have noted, we are just making a break even according to the Act. Mr. Deputy Chairman, 2015 resulted in a \$2.2 million (our performance). It was due to sales development from 2011, which is from Tacirua and Wainibuku which resulted in that increase. We also have a forecast until 2022, based on the project development, we anticipate to have that growth as we move on.

Mortgage Portfolio: Again based on the Corporate Plan, we anticipate the mortgage portfolio to increase, at the same time the team is stringent with their monitoring of loan performance especially those who fall in the non-performing category. If you have noticed this has reduced from \$50 million in 2011 to \$7 million in 2017 and we anticipate that to reduce further to \$4.97 million. Our business, we cannot really eliminate this completely. There is always this element in there but there are ways that will always discuss with our line ministry on how to assist these customers.

In terms of recovery, we have our recovery process but in terms of mortgagee sale, we have not been doing mortgagee sales since last year or last two years. We only do mortgagee sales for those properties that are vacant and commercial lots if we have any in our portfolio.

Borrowing Portfolio: We heavily rely on borrowing portfolio. We do not rely on Government sub-administrative grants. So, this is our borrowing portfolio. It is broken down into three.

- i) Bonds;
- ii) Reserve Bank of Fiji (RBF) which is a 1 percent interest rate; and
- iii) Exim Bank Loan which is through Ministry of Economy.

Borrowings - Values and Interest Rates: We have the different investors here and we have the value and interest rates. The biggest interest rate that we have in our bond portfolio is 12 percent that is \$24 million, which is 10 percent to 12 percent. We are thankful that RBF has assisted us which has leveraged the weighted-average cost including the interest spread which is sustaining the Authority in the couple of years.

Borrowing Portfolio: According to our Corporate Plan, we anticipate that this borrowing portfolio will increase. We have a weighted-average cost that around 4 percent as we go down to 2019/2020 but we anticipate to have this at around 3 percent. So, at least we can also review the variable interest rate that we charge our customers.

To support this strategic direction, the high interest rates, this will be early redeemed in 2018 which is around about \$24 million; interest rate from 10 percent to 12 percent. So, if we replace this with 4 percent or 5 percent that is a huge gap.

Lot deliveries: We are recruiting engineers and graduate engineers. They have started on board this year and we anticipate to beef up the staff capacity in order to deliver that 1,000 lots so that they can be involved in different projects and the Authority can be running different projects simultaneously and deliver the number and also the demand from the public.

Review legacy business application system: This is a long overdue. This has been approved by the Board and we are working on EOI to advertise this.

Create synergies to break barriers affecting affordability: We have these assistance from Reserve Bank of Fiji (RBF) - Housing Facility.

We already had \$25 million from 2013 to 2018 which has been rolled over for the next five years and we are drawing from the additional \$35 million that was approved in the 2017/2018 budget with the amount of \$35 million. So far we have drawn \$13 million, so we are expecting to go up to \$20 million or \$25 million, hopefully.

Also, discussions with ADB is at a preliminary stage. We also intend to engage with them even with International Finance Corporation (IFC). There are discussions with them on development in other areas with the hope of breaking those barriers affecting affordability.

Increasing infrastructure cost: This is one of the challenges we are facing comparing the cost 10 years ago, 15 years ago where there is a huge difference in terms of development cost or

contract sum that comes from the contractors. The only way we can assist in this is through Government grant which is of a great help, reducing the price of the lots significantly. In some cases, it is 50 percent so that it is of a great assistance to Housing Authority.

Innovative Housing solutions: Looking at technology, our Land Development Team is looking in that area how to engage in technologies that will assist in constructing houses at a very reasonable price. Building right now is very challenging where the teams have been trying for a while so they will be looking into new technologies to assist them as we move along.

Acquire technology to support the Land Development Team: They will need more sophisticated equipment and we are actually working on this, procuring more equipment for the team so that they are more efficient in what they were doing, for two to three months, they can do it in a week.

Support from stakeholders at times, this is always a challenge to the team but I think they are working around this and the relationship is improving with other stakeholders. That is just a map on the development sites that we have. That is Matavolivoli Development, completed in Nadi. We were proceeding with the sale from last month, this month and next month. That is Nepani, which is down in Nasinu, that is Davuilevu and that is Tavakubu in Lautoka. Thank you.

DEPUTY CHAIRPERSON.- Thank you, Sir. We will now move on to the audit issues.

MR. P. VEREVAKABAU.- Thank you Honourable Deputy Chairperson and Honourable Members. The inventory discrepancies on inventories has been an issue highlighted also in 2016. So we have managed to work on a policy and it will be submitted to the Board in the next meeting.

For inventory evaluation, we have addressed this and according to our inventory policy this needs to be monitored by the General Manager Customer Relations every six months. So that mechanism is in place and it has to be ensured that this evaluations are carried out so we have to determine if there is any impairment required to be booked in the same process.

Methodology of calculating impairment of loans and advances. This issue remains in 2016 also and in 2017, we still adopted the same policy which is the RBF but from 2018 with the standards that is enforced we are relooking at reviewing the methodology of calculating impairment on loans and advances. So once we complete that process, we can advise members on an update.

DEPUTY CHAIRPERSON.- I am sorry, we do not have the written response to the third issue.

MR. P. VEREVAKABAU.- To the third?

DEPUTY CHAIRPERSON.- To the third issue that you have discussed. The methodology on loans.

MR. P. VEREVAKABAU.- The existing one?

DEPUTY CHAIRPERSON.- It is not here in the written submission.

MR. P. VEREVAKABAU.- Sir, the existing one?

DEPUTY CHAIRPERSON.-Yes, we do not have it.

MR. P. VEREVAKABAU.- The policy, the impairment policy, we can provide that.

DEPUTY CHAIRPERSON.- Yes, I do understand the confusion because the Audit Report format has actually changed. I think what you have just highlighted must have been the draft audit issues that were raised.

MR. P. VEREVAKABAU.- My apologies, Sir.

DEPUTY CHAIRPERSON.- Just correct me if I am wrong. Office of the Auditor-General, the three issues that were discussed were those draft audit issues?

AUDIT REP.- Thank you, Deputy Chairperson. The issue that was reported in the General Report was no policy on inventory provisioning, there were couple of other issues which were at management level were sent to the Authority for further comments. So basically, I believe that second issue that the GM Finance was discussing was from the Draft Management Report.

DEPUTY CHAIRPERSON.- That is completely fine. Whatever was discussed and what we asked, what our main concern was on the second one that you mentioned, Sir, and that is formal policy or guidelines on the calculation of the provisions for inventory. But you did take the indulgence of explaining to us further on the audit issues that were raised and we would like to thank you for that. But just a request if whatever was discussed can be given to us as a written copy. Honourable Members any questions?

HON. A.M. RADRODRO.- Deputy Chairperson just on this formal policy and guideline, I mean, the existence of Housing Authority has been for quite some time. How come there is no formal policy and guidelines regarding the provisions? Secondly, what sort of inventory is this, if it is land, land does not depreciate, so why should you provide for it?

MR. I. RAKASETA.- Thank you Deputy Chairperson and Honourable Member. With the current development, I think the team are taking due diligence in ensuring that all lots are saleable but in the previous development there were some challenges in terms of drains and sewer lines running across. So sometimes some of these issues or discrepancies are detected after the sale when the customers come back. That is where we reduced the value to a reasonable price and that is where the net realisable value comes in where we record it at net realisable value in our books and if it is disposed at that price, we will get that price.

DEPUTY CHAIRPERSON.- Office of the Auditor-General, would you agree on that measure?

AUDIT REP.- Thank you Deputy Chairperson. Just further clarify on that issue, usually when the lots are developed, they are recorded on cost which means all the cost that has been incurred in actually developing the lot. But what happens sometimes is that the amount that the

Authority could sell it to the potential customers is not the actual price of the cost because of certain factors as described by the GM Finance.

So particularly what happens is that they have to go down to the net realisable value which means what our potential customers are willing to pay for that piece of land which could be lower than the cost. So there were instances noted where there were some lots which were not saleable, so ultimately what the Authority had to do is to revalue those lots and to put a figure that the customers are willing to pay. That, we consider as impairment and provisioning of those lots. Normally it does not happen with the land but there are cases where the lots, if they have not been able to be sold, sometimes it is because of the location or some other factors, for example, like, if it is a flooding zone, then probably the customers will not want to pay for the impaired amount which was actually the cost of developing the lot. So the Authority needs to book that at a net realisable value which would be lower than the cost amount.

DEPUTY CHAIRPERSON.- We do take note of the cost, that is \$389,000, would you have any data on the number of lots that this constitutes of? If you do not have it, you can provide us later but just in case.

MR. I. RAKASETA.- We have round about 20 lots in this category. We are going forward, we do not anticipate any lots to be sitting in this category. These lots are earmarked and identified to be written off, so we are submitting papers. It was round about 40, we have reduced it to 20, so these are identified and will be submitted to the Board during this year. So that is the value of, the provision is round about \$360,000.

DEPUTY CHAIRPERSON.- On that note, I would like to give my sincere acknowledgment for a very extensive introduction about the line Ministry itself. We have very few cases of where entities are coming and providing us as much detailed information as your good-self provided us. A lot of information is there and if we are to know in and out about Housing Authority, a lot of data is there as well, that was a very good presentation.

I was just referring to some of the scheme plans. I believe a lot of developments are happening in the Central region. I am just interested to know about Nadi. Those developments that are there, I was referring to some of the proposed sites and one of them is Waqadra and I think there is Matavolivoli. Matavolivoli is there, how about Waqadra, is it still work in progress?

MR. I. NAVUDA.- Honourable Deputy Chair, one of the issues that hindered our progress on this one was the flooding. The area is prone to flooding and we are trying to work out some areas that are not as prone on the upper end to try and develop that phase first before we do the rest. We may need to raise this, in some areas one metre, in some even two metres to go beyond the flood threat levels. Again when we do that, it will inundate some of the areas that are not flooding yet. So we are also working in consultation with the Ministry of Drainage and Irrigation to see if the flood mitigation that they are doing elsewhere upstream from Nadi River, if they will support then we should be able to move in to Waqadra.

I think in the next few weeks we will be putting out some advertisements on the interest of potential home buyers and we also intend to do a bit of commercial in front of this residential to see either interest and what type of products that they will want before we design. But of course, we confirm that we are into that Waqadra development as well.

DEPUTY CHAIRPERSON.- The reason why I asked because the population of Nadi tends to be increasing a lot too so there is a lot of demand for housing there as well. Honourable Members, do you have any questions?

HON. RATU N.T. LALABALAVU.- Honourable Chairman, through you. To the officials of the Housing Authority of Fiji, I echo the comments made by the Honourable Deputy Chairman on the very detailed information that you have submitted regarding the organisation as it is now.

But the issue that I would like to raise gentlemen is the core objectives of the Authority. One glance, you are not to be making any profit. Just ensure that you meet the cost and that has been the case all along. When you underwent reorganisation, you changed a bit. It was more profit-oriented. So, can you just guide the Committee on that? Where does the Authority stand now when this tends to conflict?

The second issue that I would like to seek your attention on is on the third item that you mentioned on the loan repayment. How has this new Government policy of short-term contracts affecting our loan repayments? You are targeting the \$5,000 - \$50,000 bracket. loan repayment goes with the term.

The third issue is still on loan repayments, the issue of interest. You still have that compounded or it is on a reducing balance now? Thank you, Honourable Chairman.

MR. P. VEREVAKABAU.- Thank you, Honourable Deputy Chairman and Honourable Member for those questions. The feedback totally comes in as like Honourable Deputy Chairman has mentioned, there is a conflict between social and commercial obligation. But we take it as a challenge where we always maintain that focus where we ensure that we serve our low-end customers. Like in our database, those earning less than \$15,000 so we are working towards some strategies on how to address them.

For the price lots, while we are doing our costings, we always make sure that the lot prices are around the range of \$20,000, \$25,000 and \$30,000 to facilitate or to assist these lower-end customers. So that has been the case in Tacirua and with Matavolivolvi coming up, there are slots for these low-end income earners. This is subsidised through Government as we mentioned earlier where we reduce the price by 50 percent. So this is the assistance that is given by the Government to assist us. While we operate on a commercial level, at the same time we ensure to address or to ensure that we serve those earning from \$17,500 to \$30,000.

So once they come in with their eligibility, with their income, we try and calculate an eligibility for them to buy a land, not only a land but includes a house package in it. So we always give them the challenge. You need to buy this land, do not leave the land vacant for long, we need you to build your house so this will also encourage them and also ensure that those who are interested to build a house, they take this offer. So we are addressing that social obligation as we move along. A good example is the strata unit where we are spending about \$400,000 so in terms of commercial, it really challenges our commercial ability in terms of profitability. So we normally have this discussion with our line Minister and he always takes

us down to that role that we are supposed to be playing out there in housing, the low income earners, so that has been keeping us on track all this time.

MR I. NAVUDA.- Honourable Member, if I can just add. In doing our developments, there may appear to have been some on the upper income range. For those lots I can assure that we do not realise all that income, we are kind of cross-subsidising for the low-end lots. Some end lots that should be more expensive, we use that to reduce their prices so that lower-end customers are able to afford the land so that they have a bit more eligibility to build their homes.

Maybe in addition to the question on the loan terms, these packages that we give based on short term loans, we provide those for that period but it is for the term of the loan, whatever the packages that we are offering and some have got interest holidays between one to five and that is just to allow them, in most cases loans are heaviest in the first five years, so that allows them to reduce their loans and when they get to the sixth year they will go back to the normal interest rate or the standard interest rate that is applying which for us now is 6.99 percent and then it will be back to that. But just to take them through these comfort periods to allow them to reduce their initial mortgages. Thank you Honourable Member and Deputy Chairperson.

DEPUTY CHAIRPERSON.- Yes, Honourable Member

HON. RATU N.T. LALABALAVU.- Thank you Mr. Deputy Chairman, through you again. Still I am not comfortable with the reply given regarding the Authority's views now, your position now regarding the new Government policy of short-term contract. How does that affect your loan repayment? How does that project your marketing?

MR. P. VEREVAKABAU.- Thank you Deputy Chairperson and Honourable Member, in terms of the short-term contracts, we all understand when a long is given it has to be based on the contract itself so for 3 years or 5 years. In this case, we are dealing with those who are between the age of 25, 30, 35 and they are marketable out there in the field. If a contract completes, either it gets renewed or they get employment elsewhere or if there is a couple, it depends on their contract term or they are both on contract while one can be servicing and the other if in case, like contract expires and you cannot get employment, second maybe one of the parties will continue with the loan. But we have not come across cases where it has adversely affect our portfolio because they are still in employment and they are still servicing their loans.

HON. RATU N.T. LALABALAVU.- Deputy Chairperson, Civil Service Reforms being undertaken right now and projection by the FijiFirst Government is short-term contracts whether they be teachers or whatever. That forms the bulk of the clientel that Housing Authority services. Any forward kind of scenario that you have come up with or you still relying on

MR. P. VEREVAKABAU.- Honourable Deputy Chair and Members, we will continue to monitor that as we, our learning team is continuously monitoring that situation when we come across that. But again we are monitoring that, we have not had any adverse experience yet and most of our customers are

HON. RATU N.T. LALABALAVU.- Do you mean to say, you are not preparing for it although it is in the horizon now, short-term contracts, you still have not prepared anything in that regard?

MR. I. RAKASETA.- Honourable Member, thank you. You have raised that, we will factor that into our systems going forward. As of now, those who have come in with these difficulties we have some systems in place to assist them, give them holidays; six months, 12 months to find another job or in some cases reduce their loans if they qualify due to loss of employment. But in line with what is being suggested Honourable Member, I believe we will factor that into our records as we move forward. Thank you, Sir.

HON. RATU N.T. LALABALAVU.- The interest rates, is it compounded or on a reducing balance now?

MR. P. VEREVAKABAU.- Mr. Deputy Chairperson and Honourable Member, it is on a reducing balance.

DEPUTY CHAIRPERSON.- It is on a reducing balance and it depends on a case by case scenario too.

MR. P. VEREVAKABAU.- Exactly, Mr. Deputy Chairperson.

HON. A.M. RADRODRO.- Follow-up question on that interest, what sort of system is Housing Authority using, I have to declare, I used to audit Housing Authority too. There is always a big problem in the calculation of interest and reducing balances of customers. So, has the system changed?

MR. P. VEREVAKABAU.- Yes, this is done by the system.

HON. A.M. RADRODRO.- Is it still the same system that was used ten years ago?

MR.P. VEREVAKABAU.- We have the AS400, now we have the lands fair system

HON. A.M. RADRODRO.- That is a new system?

MR. P. VEREVAKABAU.- That is from 2010.

DEPUTY CHAIRPERSON.- Thank you Honourable Members, any more questions?

HON. A.D. O'CONNOR.- Mr. Deputy Chairperson, General Manager where does HART Home sit in within the Ministry? Is it directly under your organisation?

MR. I. NAVUDA.- Thank you Mr. Deputy Chairperson and Honourable Member, We have no direct links but in some instances they do come to us for assistance in terms of land and some of our new development proposals, we are reserving sites for HART like we do for PRB. We have also earmarked a few acres for HART just in anticipation for their use going forward but we do liaise with them now and then.

HON. A.D. O'CONNOR.- The actual controls of

MR. I. NAVUDA.- Honourable Member and Deputy Chairperson, I think they are controlled by the churches, if they are Non-Government Organisations but we do assist where we can.

HON. RATU N.T. LALABALAVU.- Thank you Mr. Deputy Chairperson, just another question to General Manager Finance. Is there a mix in the policy that you have in terms of addressing middle income earners as well? All that I have been reading here is targeting the low income earners. Why I am raising this because at one time Housing Authority did a mix, Raiwaqa had the middle income people there, there was a market for it. What is the policy now?

MR. P. VEREVAKABAU.- Mr. Deputy Chairperson and Honourable Member, we still maintain that ratio within our policy. The middle income earners are above \$30,000 and \$40,000, it is still under our threshold of \$50,000 and below, so we do assist them. With the low interest rate, these middle income earners do not have any problems in going to any bank like the challenges we used to face before where we have interest rate of 11 percent so that is where the affordability was greatly affected. Now, when the interest rate is round about 5 percent, 6 percent, 4 percent or 3 percent, eligibility is more than what was compared 10 to 15 years ago when we used to have interest rate of 11 percent.

So, we have a ratio for the middle income earners and we also cater for them. The reason why we are focussing more on low income earners is because they would not be able to get the lot they are getting from us from other developers. So, that is the challenge that they face. Our responsibility is more weighted to them but also to the middle income earners, Honourable Member.

DEPUTY CHAIRPERSON.- I think why that policy is in place because that is the whole idea of Housing Authority to provide housing for the low income earners. I did try to put forward this issue earlier but then I realised the whole idea behind the establishment of Housing Authority is to mostly focus on the low income earners.

Honourable Radrodro, you had a question?

HON. A.M. RADRODRO.- The specification of low income earners, before it was used pegged with the Tax Marketing System. Now that bracket has changed to \$30,000. So, is this now a new bracket for low income earners that Housing Authority is relying on?

MR. P. VEREVAKABAU.- The threshold that we are working on is from \$17,500 to \$30,000 per year.

HON. A.M. RADRODRO.- Supplementary question, we just had a presentation from Public Rental Board (PRB). They are supposed to also look after the low income earners but they are now venturing into the inclusivity brand by including those above the bracket that they should be legislated to look after. I am just wondering whether that is also brought into your target market, whether the two entities are speaking to each other in terms of the policies that you do develop so that you do not conflict in the end, it should be synchronised. Has there been any discussions regarding the approaches they are taking and what Housing Authority is taking?

MR. I. NAVUDA.- Honourable Member, thank you. In our discussions, we have noted that a lot of their customers have been with them for many, many years and that should be part of a transition point and because of that, as indicated in our earlier answers, we have begun to give them lots in our developments so that they can do more residential units for rent which will free up their current stock and allow new people to come in. So, that we have had over the year's discussions with them and going forward, we also continue too. These customers that are wanting to come across, we give them that preference. We kind of give them a quota, this is the number that you can come in and buy lots. So, when they come, they buy lots, they are free. Even now, I think in Matavolivoli we did that. We offered them probably around 20 lots from their customer base to come and buy lots and the rest we are selling ourselves.

HON. A.M. RADRODRO.- Deputy Chairperson, just a supplementary question regarding the inventories. The table that was shown there, regarding the lot delivery - sales progress. I see now that the figures that you are showing is only relating to lots. Are there any plans to sell the already built building instead of just lots?

MR. I. NAVUDA.- Honourable Member, yes, there are plans. At the moment we are looking at some design options on affordable homes that we have gone through and taken people who can provide some affordable options with engineered certification. Currently we have four houses being built which are engineer certified to withstand, what we have been promised, Winston category winds and at reasonable prices. We are trying this out, when they are completed, we will open this to customers to see and if there is a good preference for this, customers will probably go into contracts and say, "you build 5,000 of these" going forward.

Sir, that is on the table. Once we finish this, and there are others who are also coming in, in line with what was suggested by the Deputy Chairperson in terms of initiatives on technology to minimise costs. We are moving in that direction as well.

DEPUTY CHAIRPERSON.- Honourable Members, I believe time is up and the Standing Committee for Justice, Law and Human Rights is waiting. On that note I would like to thank the team from Housing Authority of Fiji. I would like to say that please do continue the good work that you have been doing. Thank you once again for your indulgence, for your time, for taking us through this expensive presentation and at the same time ensuring us supplementary questions are answered.

So, without further ado, any final comments from you, Sir, before we conclude.

MR. P. VEREVAKABAU.- Thank you, Deputy Chairperson for the time. We appreciate the contribution and the questions and discussion, it was a concrete one. We will look at the questions that has been put forward. We will take it as a challenge and we will try and work up towards it for the betterment of this nation, *vinaka*.

The Committee adjourned at 1:02 p.m.