

# Implications of the People's Housing Programme Policy

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## **ABSTRACT**

*Housing policy in Malaysia is not much linked to other social policies that dealing with poverty reduction. The poverty issues are tackled by the government through sectoral, instead of issue based approach, thus making an integrated approach not feasible. Housing policy is supposed to fix the past mistakes and to have a better future. The People's Housing Programme (PHP) tried to solve urban housing problems but on the contrarily, it symbolized and stigmatized its dwellers. Policy wise, housing programmes should work with the market. However, due to discrepancies in selling price between PHP and market price, there are supply and equity implications. Buyers of PHP are better off because they buy at a much cheaper price. Instead of supplying housing directly, vouchers are better option; the government can target the poorest of the poor and be able to promote non-concentration objectives. The poor families can move into the private rental housing and to neighbourhoods of higher income. However, production subsidies instead of voucher need to be used in promoting neighbourhood redevelopment. Nevertheless, production subsidies may be used for the elderly, mentally and physically disable person's housing. PHP housing policy, with a "one size fits all" model does not work. People have different housing needs and priorities change through time. The regional solutions are pertinent, in this case states and local authorities must remove regulatory barriers. PHP implementation has the potential to*

*reduce housing supply for the poor and low income groups. Furthermore, it discourages the state government's involvement in housing planning and development.*

**Keywords:** *Housing, policy, subsidy, implementation, Malaysia*

## **INTRODUCTION**

One of the social objectives of development thrust in Malaysia is to provide low-cost housing as a basic need based on home owning democracy and human settlement concepts (Government of Malaya - Federation of Malaysia Second Five Plan, 1961; Laporan Akhir Kajian Dasar Perumahan Negara, 2005; Mohd Razali Agus, 1986, 1997, 2005). This recognition, has led to various policies, programmes and strategies to ensure that every Malaysian, especially the urban poor, have access to adequate decent shelter and related facilities. People's Housing Programme (PHP) is one of such programmes but with a distinctly different approach, in which the federal government is taking a direct active role in public low-cost housing delivery. All these while, the activity of delivering of public low-cost housing is the realm of the state government. With the introduction of PHP, the state government relinquishes its main duty of providing the public low-cost housing for its population.

## **AFFORDABLE HOUSING**

The provision of affordable housing is a basic pillar of civilized society. In Malaysia, the efforts to provide affordable housing in recent four decades, have failed as the numbers of people living squatter areas testified. There are the fiscally sound policies available to overcome the problem but whether there is enough political will, boldness and imagination in all levels of government to apply those solutions.

Normally, the reason put forward to justify for social housing is basing on principle of equity. Two issues are related to the equity, one people find housing too expensive and they have little left over for other necessities. Assuming that 30 percent of the total income as level of expenditure beyond which housing becomes unaffordable. By using this definition, roughly one third of the households in Kuala Lumpur find housing to be

unaffordable (conditions in the other states may vary). Second, the people respond to the high cost housing by consuming very bad housing. On the other hand, the government spends a lot on housing reactionary practices that put constraint on the education, health care, transport and the budget for well being of society.

In order for the low-income group to contribute for development, the physical and social conditions of low-income people have to be improved first. Without taking action on these matters, the people in urban areas are living in a “two cities”, one with well housed the other is not, as the consequences the quality of life deteriorates and prosperity for all is minimized.

Then there is the public health externalities associated with squatting and substandard housing living in which the public open spaces like parks, road, railway, and river reserves are invaded and avoiding others from using these places. This is a form of the social exclusion or live disengagement. These arguments are strengthening the case for addressing their housing needs.

## **ADDRESSING HOUSING AFFORDABILITY**

This article focuses on policies that directly address housing affordability. The affordability problem arises because of housing being too expensive. One way to tackle the problem is to increase the purchasing power, which arises as the result of low incomes. The related policies would be to address the productivity or improve the after tax wages of the low-income groups. These policies to improve the education, transportation and employment or to lower marginal income tax rate are affordable housing policies. However, as to maintain a manageable scope of discussion, this paper deals with narrower issue of policies directly target the affordable low-cost housing policies.

In this paper, the structure and level of other forms of social assistance were seen as given, thus allowing the discussion to focus on the effort to improve affordability of low-income group. Thus, this paper focuses on the questions that have a bearing on housing policy design. The first issue is, if the housing policy is to help the poor and the low-income groups, what appropriate form of the new policies should be?

The federal government recently has introduced the People's Housing Programme, a construction of new housing for the low-income group.

Decline in the resources for development of low-cost housing is the primary cause of housing problems and the growth of squatting activities adds another dimension to the problems. One of options worth considering is the provision of shelter allowances that would enable rental-housing units are privately provided in the market. Under the present arrangement of the PHP, the federal government is sole provider of formal structured rental housing for the low-income group with rent of RM124 per month in which the private sector is not actively involved.

The second question focuses on the government machinery, it is known fact that the federal government is currently being active involving in the development of low-cost housing but what are roles of the other players, especially other levels of government especially the states and local governments under the federal administrative system. Under the Malaysian Constitution, all three levels of government have their own roles to play. The answers should be found, what is the appropriate approach in the federal system of three tiers government levels (federal, state and local government) as in Malaysia, should the sole responsibility of providing low-low cost housing depend on the federal government's effort alone? Second question is why the enabling approach is not being pursuing aggressively with steps to create partnership and participatory approaches to achieve shelter for all. As an enabler, federal government should create and strengthen effective partnership with all stakeholders; the state governments, local authorities, non-governmental organizations, civil societies and private sector. Holistic, inclusive, participatory approach of "good urban governance" should be the basis for successful programmes and policies.

## **THE PEOPLE'S HOUSING PROGRAMME**

This paper tries to look at PHP whether the policy which is designed in such a way that respect and encourage the incentive of private housing developers or the people themselves in providing their own house. Development by building many public housing projects under the PHP is not doing any good at all if it leads to the destruction of similar effort by the private and people themselves in housing initiatives. Giving grants or subsidies to a few select groups of the low-income households no doubt may make them better off, but it is hardly helpful and fair to other poor groups who are not subsidized. They might end up paying more for their housing. Serageldin (1982)

mentions that the poor should be made to pay for their own minimal shelter and services, only then can the necessary realism and discipline are injected into design of shelter projects for the poor. Through this project, replication can be ensured, making a large-scale attack on housing problem possible. Otherwise the effort will only continue to provide occasional “beautiful, better” units on a woefully inadequate scale. Replication of project is feasible only in the presence of affordability, and the only guarantee of affordability is cost recovery. Looking in this way, the implementation of PHP by federal government is a policy flaw.

## **HOUSING IN NEW MILLENNIUM**

Michael H. Schill and Susan M. Watcher (2001) in “Principles to Guide Housing Policy at the Beginning of the Millennium” mention seven principles to guide housing policy at the beginning of the millennium in order to provide housing to all levels of society. The seven principles include the following:-

1. Housing policy must be linked to other policies;
2. Housing policy must fix the mistakes of past and do no harm in the future;
3. To the greatest extent possible, housing programme should work with market rather than against it;
4. Housing vouchers should be the primary source of incremental housing assistance in the future;
5. Production subsidies should be used only where special justifications exist such as barrier to supply or desire to promote neighbourhood redevelopment;
6. Housing policy cannot adopt a “one size fits all model and principle”; and
7. Regional solutions are necessary and require that states and localities become responsible partners in removing regulatory barriers - Michael H. Schill and Susan M. Watcher (2001).

These seven principles become basis to find out whether the results of Malaysian federal’s government direct involvement in PHP implementation fit within those seven principles as stipulated by them. Although housing is

not regarded as bricks and mortar issues in which a better housing would improve the lives of its occupants not much have been done toward that objective.

## **LINKING HOUSING WITH OTHER SOCIAL POLICIES**

Most of the housing programmes since colonial days have not changed much. Housing policy is not much linked to other social policies especially with those of relating in poverty reduction. The grave mistake made in every Malaysia development plan, the Ninth Plan (2006-2010) included, the government tackles the poverty issues through sectoral (e.g. housing, health, education) approach not through issue approach. Thus making the integrated approach to tackle the issue and problem are not feasible.

Mohd Taib Dora (2000) in his study of poor Malay families in Kuala Lumpur found that they are still remaining poor despite rapid urban economic expansion. Not only they are excluded from getting information and various types of aid and development assistance, they are also excluded from the urban socio-economic systems especially in job opportunities. In other words, there is no focus in the integrated approach to solve the problem because each agency is doing on its own solving the problem with its own effort without linking the effort with other agencies' efforts; the poverty eradication programme is one of clear examples. Further more, it is complicated by the different ways of looking at the cause of poverty, that in turn lead to different policies and approaches. Poverty in Malaysia is associated with the various streams of thought. Among the thoughts are first, the institutional and structural thoughts by writers like Ungku Aziz (1964) and Syed Hussin Ali (1972). Second, the cultural traits by writers like Parkinson (1967), Wilder (1968), Wilson T.B. (1967), and Swift (1965). Third, on the dependency thought by writers include Khor Kok Peng (1983), Hing Ai Yun (1984), and Li Dun Jen (1982). Fourth, the social exclusion thought by Mohd Taib Dora (2000). Fifth, the empowerment through self-help thought etc. Poverty is a universal problem that occurs in different forms, situations and areas. Thus, various strategies should be devised to overcome the causes as mentioned in the above school of thoughts.

## **Housing as Strategy**

Housing can become a tool for human betterment in which housing policy is a part of the holistic strategy to build human capital and promotes economic mobility. PHP policy is on the right direction with its rental rate of RM124 per month, families are allowed to stay renting for a five-year period after which they have to find accommodations at other places if their incomes have increased. If their incomes do not improve yet, they can continue staying there for a certain period. This transit housing policy provides them time to improve their income and buy their own house or renting other house when they are ready. However, there is little effort of various agencies in integrated ways helping them to increase their income or to reduce the poverty level. This is in contradiction with what has been done to same category of people who live in rural areas. In case of the people in rural areas, they receive many forms of helps. Many agencies are helping them to increase their incomes in order to reduce poverty level. Is this because of the parliamentary seats are based on the rural bias and the low income people in the urban area are not important political power base? There is no specific agency in urban areas to carry out the same function as those found in rural areas. The low-income people in urban areas, especially those recently moved to the low-cost housing schemes under the squatter eradication programme, are burdened by the rent and the accumulated rental arrear, which they find difficult to pay. In fact, economically they are worse off than before when they lived in the squatter areas (Nurizan Yahaya, 1998).

## **Homeownership**

Homeownership is another issue in which the difference between the Bumiputra and non-Bumiputra ownership is most stark. In 2000, 76.9% of all Malaysian families of homeowners the Bumiputra homeowners' rate were only at 33.1% of the total despite them being the majority of populations. Initiative to expand the homeownership serves many objectives. Families that become homeowners have the opportunity to experience an increase in wealth as property values appreciate in time, control over housing cost and security of tenure which is lacking in squatter settlement. The benefit of home ownership also extends to the neighbourhood where the low and low medium income families live, which see the better upkeep, city services, and active community involvement.

## **Resources**

Unless there is a very great increase in allocation and very rapid development of land bank, the government can only develop a limited number of projects at any given time. There is an urgent need to build the capacity to plan and to implement large-scale programmes such as PHP rapidly. The government housing effort so far has reached only the cities and big towns or to extend of consolidating power or to hold on power. Housing programme may become a tool to maintain power because it comes from the people in which there is opportunity to make case for housing as vote getter for coming election or to prevent revolution or foreign intervention in the name of the “democracy” when election is not around the corner (Mumtaz, 1988).

## **Land Reform**

Urban land reform is a crucial factor in the overall urban development, in which housing is a component. Land ownership in the urban areas is complex and badly distributed (Nurizan Yahya, 1998). Squatter upgrading can improve the housing situation of low-income group, through giving security of tenure to them is similar to giving equity of land ownership, and may result in high return in terms of the retained and improved housing stock. By doing this local authority can gain taxes and use them to improve squatter living conditions as the result housing stock would improve, access to earning opportunities is widening and welfare will consequently improve. Some payment for the land use is necessary in order to reduce government subsidy. It is advisable not to issue land right to squatter because it is an explosive political and legal issue, never the less it can be done with the presence of strong commitment and political will from decision makers and careful planning by practitioners.

## **Taxation**

Taxation on land is essential for the effective housing policy, penalizing landowner who speculates, keeping large tracts of land underdeveloped especially in urban area. In this connection, Salleh Buang in the *New Strait Times*, July 9, 2005 mentions that under the National Land Code of 1965, there is a provision for this matter. He further mentions that if land left idle beyond the “permitted period” they can be forfeited by a state authority on



grounds of breaching the “implied conditions” set out under section 115, 116 and 117 of the Code. On the other hand, the capital gains and other taxes are effective tools for limiting the land speculation however; the integrity of implementing the taxes is very important issue. In practices, there are valuation problem and erosion of tax base due to corrupt practices.

## **Mortgage Fund**

There is also strong constraint due to the lack of mortgage funds especially for the minor developer and contractor who face difficulties to fulfil the necessary requirements. During hard time like economic slow down, all firms suffer, financial institution would stop give financing when developer is facing cash flow problem thus it may cause project to be abandoned. Normally, the interest rate for lending is within 1 to 3% on borrowing rate. At the current base lending rate of 6% interest rate, the interest rate charge is between 7 to 9% per annum, a very high rate as compared to Japan, which charges the developer for 1.5% per annum and 2 to 4% for contractor, a very competitive rate because of the big competition among banks. For the house buyer there are many banks, finance institutions and related agencies offering attractive loans. In Malaysia, however not all are lucky to get the loan/finance which after all are depending on loan scheme and the buyer qualification (ability to service back the loan). Although many incentives are given, the high interest rate prohibits the low and low medium income groups from gaining access to them.

## **Strategy and Capability**

The effective housing policy requires sound strategy and effective administrative capability to handle it. In the final analysis, an effective national housing policy cannot exist in isolation, independent of logical human settlement strategy. Housing policy, however comprehensive it is, depends on the efficiency of other policies dealing with city and metropolitan development, planning of regional growth centres, employment creation and internal migration. An effective housing programme can serve as incubator for the positive social and economic change besides producing shelters and services.

## **FIXING PAST MISTAKES**

Principle 2 by Michael H. Schill and Susan M. Watcher (2001) in “Principles to Guide Housing Policy at the Beginning of the Millennium” and Susan M. Watcher in “The Future of Public Housing” (undated), mentions that the housing policy must fix the mistakes of past and do no harm in the future. Here housing policy can either improve the physical, social and economic condition or destroy people and places when they are not properly implemented. Wrong-headed housing policy can cause havoc for urban areas with the public housing programme. Low-Cost Housing Programme by either the public or private sector, which PHP is one of them, rather than helping to solve urban problems has come to symbolize and stigmatize them. The government or housing developers by default located the low cost housing projects in the undesirable location or separated from other higher housing categories of medium and high cost. Frequently, the public low cost housing is built at extremely high densities in order to economize on the high urban land cost. Projects are often poorly constructed and poorly managed. Projects in the cities such as Kuala Lumpur and Johor Bharu exist to serve the patronage need of the local politician as oppose to the housing needs of the low and low-income families.

### **Tenant**

The government also contributes to the public housing problems by requiring that the tenant largely the poorest of the poor with the relatively stringent admission requirements and fixed rent of RM124 per month which some cannot afford, and the persistent and under funding of operating expenses that causing many experiences of severe physical and social distress. Examples of these can be found at Bukit Chagar, Johor Bharu and Paya Nahu, Sungai Petani, Kedah in which the residents are living under deplorable conditions as if they are living in another slum area instead of living under the government funded formal housing programme. The people in authority have an apathy attitude towards the hardship of dwellers. This is shown by the concentration of poverty within the public low cost housing area that harms the tenants as well as area surroundings neighbourhood. The children growing up in area with the concentration of poverty develop weak links to labour market and middle class values, which perpetuate the poverty cycles. Thus, there is a need to change in income targeting requirement

with mixed income and lower density development. The income range of dweller should include the low medium and middle-income earners together.

## **Homeownership**

Recently, the government decides to introduce homeownership programme of rent to buy, especially to present dwellers who are renting in the PHP rental housing in Kuala Lumpur. However, only 13.1% of the households are affordable to buy while the rest 86.9% are unaffordable. Those who are unaffordable to buy have to continue renting. The issue is they are the same group of squatters who had stayed together in the same squatter settlement and moved in block to the PHP of the same scheme. Now, they have to be separated because of their income differences. No doubt, that the benefits of homeownership have been well established but without the appropriate safeguards, homeownership would be a burden to the not well to do residents. Unaffordable to own a house may lead to the loss of home and devastating effects to the family. For an example, where there are existing large numbers of foreclosed homes occurred, especially in a block such as in the PHP, they bring the devastating impact on a community. Thus, who are unprepared to own now should not be encouraged to become homeowner.

Economy may expand or slow down, in that case the housing agencies concerned need to be vigilant in forestalling defaults and foreclosures. They should be able to counsel the homeowners before and after purchase to avoid the pitfalls but the question arises whether these agencies have the expertise and labour to do the job? Do the agencies have the financial assistance for defaulting owner? These questions need answer which the government not able to answer at this time because there is no agency of calibre, as the Singapore's Housing Development Board existed in Malaysia.

## **MARKET ORIENTED HOUSING PROGRAMME**

Principle 3 by Michael H. Schill and Susan M. Watcher (2001) "Principles to Guide Housing Policy at the Beginning of the Millennium" suggests that the greatest extend possible, the housing programme should work with the market rather than against it. In Malaysia, as the case in point,

private housing developers are required to build a thirty percent of the total units with the low cost housing units. In order to do this, normally a housing developer has to sell other categories of housing which consisting of the medium and high cost categories with higher price tags than they are suppose to be. The government stipulates selling price of low cost housing as in Table 1.

Table 1: Selling Price of Low-Cost Housing

<b>LOW-COST HOUSING SELLING PRICE</b>				
Public Sector (RM)	Private Sector (RM)	Location/area (cost of land per sq. meter)	Monthly Income (RM)	House Type
35,000	42,000	City & largest town (RM45 and above)- Area A	1,200 – 1,500	Flat, 5-storey or more
30,000	35,000	Larger towns & urban periphery (RM15-RM44) Area B	1,000 – 1,350	Flat, 5-storey
28,000	30,000	Small towns and urban periphery (RM10-RM14) -Area C	850 – 1,200	Terrace/ cluster
25,000	25,000	Rural areas (Less than RM10) - Area D	750 – 1,000	Terrace/ cluster

Source: Ministry of Housing and Local Government 1998 and 2002

### **Selling Price**

The discrepancy in selling prices of low cost housing between that ones developed by the government agencies and those by the private developers leads to supply and equity implications. Low cost housing is targeted for low-income group, which is defined as that household with income range from RM750 to RM1500 per month. The targeted for both the public as well

as private developer is the people with same range of income group. For the low cost develop by the private developer, the selling price is ranging from as low as RM 25,000 to RM 42,000 per unit while for those develop by the public sector, the selling price is fixed at RM 35,000 to RM 25,000 per unit. This is not to mention about price discrepancy between the federal government PHP and state government low cost housing selling price.

Under this circumstance, those people who buy from the PHP for sale, developed by the public sector are better off because they are buying at RM 35,000 per unit (or stipulated prices according to location). The low cost house developed by private developer is sold at RM 42,000 per unit (or the appropriate prices as stipulated by state government). The difference of RM 7,000 per unit has to be incurred by the buyer from private developer. The buyer from the public sector gains while from private sector is losing money. Actually, this is not a good housing policy especially for the low-income group. The private developer will pass this cost to the buyers of medium and high cost housing. The government on the other hand, heavily subsidizes the public sector developer. The government subsidises in term of fifty percent of the land cost and one quarter of infrastructure cost for the PHP for sale. On the other hand, for the PHP for rent, the government bears all the development costs. By implementing this policy, the government is discouraging the development of the low-cost housing for sale as well as for rental by the private sector developer.

The implication of this policy is the low-income people will play a waiting game. They will wait for PHP to come by and ignoring the low cost housing developed by the private developer. However, the country is considered lucky because the development of PHP is not in full force yet because there was a surprise policy change occurred. In the Budget Speech of 2004 announced at October 2003 in which Syarikat Perumahan Negara Berhad (SPNB) was given the responsibility to develop PHP for sale, taking over the role from the Ministry of Housing and Local Government (MHLG). In this case, SPNB was at the state of haze as what to do with the target to deliver 40,000 units of the low-cost housing. There were two years remaining period before the ending of the Eighth Malaysia Plan in 2005. As it was then, hardly a single unit of the PHP for sale had been built by SPNB under the plan period.

## **DEMAND SIDE SUBSIDY**

Principle 4 by Michael H. Schill and Susan M. Watcher (2001) in “Principles to Guide Housing Policy at the Beginning of the Millennium” stipulates that the demand side subsidy in the form of housing vouchers should be primary source of housing assistance in the future. When compared with the supply-oriented programme, the vouchers schemes have several virtues. On the first place, the vouchers are less costly than production programme of housing such as the Public Low Cost Housing (PLCH) or People’s Housing Programme.

Secondly, in the world with constrained resources, the delivery housing subsidies through vouchers (demand subsidies) as compared to the other types of assistance, promote efficiency and enable people to receive some form of assistance. In supply the delivery programme as PHP, only the very limited lucky target groups are benefited.

Thirdly, in the supply subsidy of the PLCH or PHP, there are some abuses in the distribution of housing due to bureaucratic and political interferences. The groups that are well-connected having link with the people in power or clients of political patrons benefited earlier than other groups. The vouchers programmes are less susceptible to the abuses in which the tenants have the ability to shop among the various landlords. They can move out from the units poorly administered by landlords to the better ones. Theoretically, the recipients are able to move and take vouchers with them, provides the form of market discipline that other programmes lack (Schill, 1993). To be more effective, the transaction cost such as moving expenses need to be minimized.

Tensions presents in the supply oriented programme between efficient targeting and concentrations of poverty. In the supply programme, the principal of vertical equity supports that those who have the greatest need for housing assistance should receive subsidiaries before the household who are more affluent. The supply side oriented programme would lead to concentration of poverty that has proved so devastating in many cities in the world. This is the main intention of PHP to reduce stigmatization, however it look like it will be back fired due to the application of supply side oriented of subsidising the housing not the people.

In Malaysia for example, the urban poverty is identified to be concentrated in the low cost housing schemes. This shows the impact of supply side oriented programme. As the result, the Urban Poverty

Eradication Division of the Ministry of Housing and Local Government is focusing on the low-cost housing projects as the targets for poverty eradication programme. This actually an ironic contradiction with the objective of the programme. In the first place the programme is to overcome the poverty and to create national integration. However, what coming out from the efforts are the stigmatization and segregation of the poor and low-income group from the rest of affluent groups.

By using vouchers, the government can target the poorest of the poor and able to promote non-concentration (deconcentration) objectives in which the poor families with vouchers can move into the private rental housing and to neighbourhood occupied by households with higher income. Additional efforts are needed in order to help low-income household make the transition into good neighbourhood may be useful in process of social inclusion.

## **SUPPLY SIDE SUBSIDY**

Under the principle 5 by Michael H. Schill and Susan M. Watcher (2001) in “Principles to Guide Housing Policy at the Beginning of the Millennium” suggests that the production subsidies should be used only where special justification exists such as supply or desire to promote neighbourhood redevelopment. No doubt the demand subsidy in form of vouchers can be relied upon to house the low and moderate income however, the supply or production subsidies may be useful under certain conditions. In some housing markets, the sudden increase in demand or barriers to the supply of new housing may exist; under those circumstances, relying solely on the demand subsidies in the form of vouchers may generate rent inflation. Temporarily, in order to overcome the problem, production programmes that increase supply may be useful.

Investment in the housing, either through homeownership or through rental housing may benefit entire communities, not only those who live under the roof of the building created. The government can use housing to spur economic and community development. By building housing in a neighbourhood, employment can be created, although the potential for providing such job to the low-income group in seldom fully realized. By repopulating or bringing back to the neighbourhood that had large numbers of abandoned buildings, it can create a base for local retail and services.

Production subsidies may be useful for the supportive housing in which the elderly or mentally and physically disable persons often require supportive services as well as housing. By locating these households together and by providing enriched services on the site may be most effective way to promote indulgence of these special needs population.

## **POLICY FLEXIBILITY**

In principle 6, Michael H. Schill and Susan M. Watcher (2001) in “Principles to Guide Housing Policy at the Beginning of the Millennium” mention that the housing policy cannot adopt a “one size fits all” model. Housing problems differ dramatically across Malaysia. In the growing cities in Klang Valley, Johor Bharu and Pulau Pinang, the major problems are the affordability and the inability of the private sector to provide enough units of housing to keep the demand fuelled by new comers. On the other hand, some older towns in Kinta Valley in Perak, Rembau in Negeri Sembilan, Kelantan and in some rural areas, housing is abundant. Given the population losses, these areas are experiencing having too much housing, which has lead to abandonment and decay.

In this case, the federal government housing policy should be flexible enough to adapt to these different problems. In this case, the production of PHP may make sense in fast growing towns and cities. It might actually increase the problem of the urban areas with soft housing market like Kota Bharu, Ipoh and Rembau. Regardless whether the demand is high or low, the housing vouchers (demand subsidies) can be expected to function in most housing markets. Housing programme must be flexible enough to adapt to local realities, for example on the tight market, higher payment standards may be necessary in addition of outreach and counselling. In the soft market or in places with large numbers of deteriorated housing, subsidiaries are used to allow the owners to bring otherwise eligible properties up to standard or code may be desirable.

In the event the federal government introduces new production of housing programme such as the People’s Housing Programme, it is vital that the programme be adaptable to local objectives. As mentioned earlier the production programme is justifiable in order to achieve neighbourhood redevelopment objectives. However, the programme to be implemented should be a part of comprehensive strategy to improve communities. Thus,



the local authority should complement the federal programme of the PHP or city sponsored efforts to improve site conditions and urban services. A failure to coordinate with the urban authorities or local authorities will leave to dissipation of impact and waste of public resources.

Just as not all places are the same, not all people have the same housing needs. John Turner (1972) mentioned that housing priorities change through time. The needs of newly arrived migrant, the 'bridge headers' are for temporary accommodation near places of work, tenure and quality of accommodation are secondary considerations. On the other hands, the more established migrant with a growing family the 'consolidator', wants more space, less worried about the location and quality of architecture. The last is not important because the aim of household is to improve the quality of accommodation over time. What the family needs most is the security of tenure and accessibility to some basic services. When family incomes rise, the family may desire a "suitable" home that has solid walls and a "better class of neighbourhood".

For most of low and medium income households, high rent-to-income burdens are their main problem. The PHP rent is RM124 per month, which is relatively cheap compared to the housing rent in open market. The average monthly rental in 1999 for Ipoh was RM310, Johor Bharu RM 777.42, Kuala Lumpur RM 1271.28 and Kuching RM 450.44 per month.

As for the low cost housing with floor area of about 63 square meters, the average rent according to rate in 2000 was RM 232.25 per month. Kuala Lumpur with the rent of RM 447.00 per month was the highest, followed by Sabah, RM 408.75, Selangor RM 377.25, Pulau Pinang RM 328.42 and Johor RM 320.83. The rents for the rest of other areas were still higher than RM 124. The implication of the policy is that those who benefited from the housing programme are unlikely to move out from the PHP. Instead of trying to reduce the stigma attached with the low cost housing programme, the programme is fact is strengthening it.

## **REGIONAL SOLUTION**

Principle 7 by Michael H. Schill and Susan M. Watcher (2001) in "Principles to Guide Housing Policy at the Beginning of the Millennium" relates that the regional solutions are necessary and require that states and localities become responsible partners in removing regulatory barriers. Formerly,

under the PLCH and Sites and Services schemes, the state governments were actively participating in planning and implementation of low-cost housing projects in their state.

The state identified their housing needs and monitoring the supply of housing in their respective state. The introduction and implementation of the PHP directly by the federal government have big implication on supply of housing for the poor and low-income group. The state governments are not interested any more too actively engage in planning for the low-cost housing. What the state governments are doing now is submitting request to the federal government to implement the low-cost housing projects (rental or ownership) in their state. As the project implementation now is in the hand of the federal government, the state governments do not feel the need to become responsible partners in removing regulatory barriers for efficient housing delivery. In federal system, each level of state (federal, state and local government) is jealously guarding its constitutional rights. By taking over the implementation of their public low-cost housing programme there is a feeling of anger and frustration that the federal government is trampling on their rights, naturally they do not want their states' rights are further eroded.

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