

The Dutch Kadaster in Times of Financial Crisis

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SUMMARY

The paper reports whether and how the ambitious strategy of the Dutch Kadaster (to develop into the ‘number one supplier of land information in the country’) can survive in times of financial crisis. Therefore the effect of the crisis on the Dutch property market will be analysed, and its impact on the financial position of the Kadaster. Being an independent public body since early 90's, for the first time the state of the national economy enforces a test of the steadiness of Kadaster's founding regulations. Then the paper deals with the arrangements that are made to overcome the financial crisis. Finally the paper draws some lessons learned.

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1. INTRODUCTION

The aim of this paper is to explain how the Dutch Cadastre, Land Registry and Mapping Agency (the 'Kadaster') copes with the impact of the global financial crisis. In Section 2 describes the financial crisis briefly, not only as an historical overview, but also bearing the question in mind whether we -as Executive Board- could have foreseen what was going to happen in order to anticipate in an early stage. This is even more pressing now Members of Parliament start to ask questions why we decreased the fees twice in 2006/2007, with 10% in both cases, while having financially bad times now. Then, in section 3, the impact of the crisis on the national economy of the Netherlands is analysed. In section 4 I analyse the impact on the Dutch real estate and credit market. To understand the effect of the declining markets on the Kadaster's position, section 5 described the financial arrangement that forms the fundament of our performance, while in section 6 the impact on that position is analysed. Section 7 gives an overview of the measures taken to overcome the crisis, while section 8 reflects on the future. Section 9 summarizes the lessons learned.

2. THE FINANCIAL CRISIS: WHAT HAPPENED?

The interest rate -decreased as a reaction of the FED on the economic confusion caused by the 9/11 attack- made lending money cheap (MinFin, 2009). Combined with a high world growth, this pushed asset prices, however -as experienced some 5 years later- introduced also certain risks and imbalances (IMF, 2009).

The availability of cheap money and rising of house prices (2000, index 100, 2007, index 170 according to the Office of Federal Housing Enterprise Oversight 2008) made it for many people attractive to apply for a loan, with their house as a collateral.

Mortgage associations such as the Federal National Mortgage Association ('Fannie Mae') and the Federal Home Loan Mortgage Corporation ('Freddie Mac'), which were established as 'government sponsored enterprises' in 1938 (after the Great Depression) respectively in 1970, provided money to lending institutions, through the mechanism of securitization, which is the mechanism of purchasing mortgages and pooling them into packages that can be sold to investors in the form of so called mortgage backed securities (later developed into collateralized debt obligations). The optimistic outlook persuaded money lenders to provide loans to home buyers that did not meet the traditional standards of assets and income (the NiNa's, that stands for 'no income, no assets') which market segment became known as the 'sub-prime mortgage market'. It is estimated that in 2007, the subprime loans amounted to 1,3 trillion USD (concerning 7,2 million families), which is an impressive increase compared with 332 billion USD in 2003 (CRL, 2007).

Problems started when during 2006 many homeowners, having subprime mortgage-loans, could not fulfil their obligations, on one hand because of higher interest rates, and on another hand because of too high houseprices to be affordable by new categories of buyers. This development had impact on both homeowners and the mortgagebanks. Homeowners who could not pay their loans back, were and will be faced with foreclosure. Today, already 1 million homeowners have been evicted, and it is estimated that another 2 million families will lose their home in the near future (CRL, 2009). As a result, between 2006 and 2008 housesales dropped from 6,5 million to 4,9 million, and prices fall from 221,900 USD in 2006 to 181,800 USD in June 2009 as an average (NAR, 2009).

The effects of the distress sales on the mortgage industry were disastrous. More than 100 mortgage banks closed, and tens of thousands of employees were laid off (CRL, 2007). The depreciation of the housing stock and the value of the mortgage portfolio caused a decline of their equity level far below the regulatory equity as required by the Federal State, and insolvency was imminent. By 7 September 2008 Fannie Mae and Freddie Mac became under the State's conservatorship. Bear Stearns faced similar problems with two of her hedge funds, came in liquidity problems and was bought by JP Morgan for a fraction of the value in March 2008 (JPMorgan Press Release 24 March 2008).

The real danger however was hidden in the mortgage backed securities and collateralized debt obligations, because the market value could not be trusted any more. These securities and obligations could not be valued against market value (they were no 'shares') so that the value was based on credit ratings and calculated risk-estimations. Since the mortgage crisis in the USA, the value of these packages with subprime mortgages, in possession by banks all over the world, could not be fixed any more. This appeared to be the main reason for the escalation in September 2008. In 2007 the value of these mortgage bonds was estimated at 7 trillion USD, growing from 2 trillion USD in 1996 (BBC, 13 November 2007). And in 2008, who would say? They were considered as 'toxic'. The largest victim was Lehman Brothers, holding a substantial portfolio of subprime mortgages. After losses of 60 billion USD in 2008, and stocks valued less 73%, the firm filed for bankruptcy with a debt of 613 billion USD (Press Release Lehman Brothers 15 September 2008). In a timespan of 36 hours the situation collapsed into a global financial crisis (NYT 13 November 2008).

'The realisation that such a keyplayer in the international financial system could fail, shook the confidence of bankers, investors, and households alike, and reverberated rapidly throughout the global economy' (World Bank, 2009).

Since two years after the problems in the USA-mortgage market, the current financial crisis is considered as the biggest one since the Great Depression, causing 2.9 % less economic growth and 10% less international trade to be expected in 2009 globally (World Bank, 2009).

Would it have been possible to recognise the crisis say during 2007? The problem with the crisis' causes is that they are quite invisible. 'It's not like a stock market crisis, where the scary plunge of stocks is obvious to all. The credit crisis has played out in places most people can't see' says the New York Times in an article of Joe Nocera on 1 October 2008. Although Steve Shiffers on BBC (13 November 2007) says that 'the carnage in the financial markets could cause a credit squeeze that will dampen economic growth for the

years to come', we -in the Executive Board- could not expect that the subprime mortgage crisis in the USA could develop into a world wide economic decline so heavily.

It is interesting to observe that colleagues in the USA exploit the financial crisis to stress the need for a country wide parcel based cadastre. After the publication of the National Research Council reports on the need for a multipurpose cadastre (1980) and a land parcel database (2007), the financial crisis makes the need clear for enforcing such a land parcel database that can act as a 'early warning system' (von Meyer and Cowen, 2009).

3. IMPACT ON THE DUTCH ECONOMY

A press release of the CPB Netherland Bureau for Economic Policy Analysis (the government think tank) of 20 March 2007 said that economic perspectives for 2007 and 2008 are favourable, both years a growth rate of 2.75% is expected, while also the international economic perspectives are positive, knowing the world economy showed an excellent performance in 2006. The September 2008 forecast is still 2.75% growth in 2008 and 1.75% in 2009. The December 2008 forecast appears to be influenced by the events in the USA from September 2008 onwards. With reference to the demise of Lehman Brothers, the CPB expects a growth rate of 0.75% in 2008, 0.75% in 2009 and a better 1, 0% in 2010. The Forecast of March 2009 suddenly speaks about -3.5% in 2009 and -3.75% in 2010. The latest forecast, published in June 2009, says -4.75% in 2009 and -5% in 2010.

This shows, that the impact of the events in the USA were only slowly realised by the Dutch economist. Only in 2009 the expectation of economic growth were in negative figures. The June 2008 forecast also reveals unemployment increasing from 3.9% in 2006 to 9.5% in 2010, and a State deficit from a surplus in the past, towards -4.1% in 2009 and -6.7% in 2010. The actual realisation is -4.5 % in Q1, and -5.1% in Q2 of 2009. Investment decreased with 12.9%, especially in the construction industry; decreasing housing transactions also caused less investments in houses, namely -5% (CBS Central Bureau of Statistics, press release 13 August 2009, see figure 1).

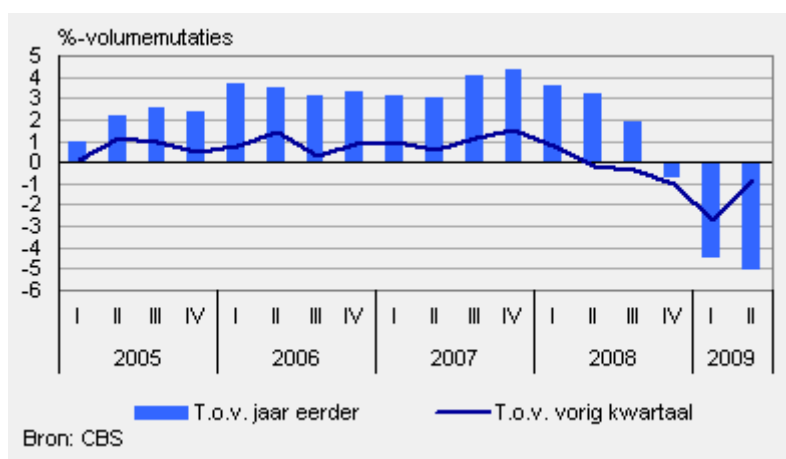


Fig 1 (in blue): Economic growth of the Netherlands (CBS, 13 August 2009)

The amount of bankruptcies is also a indicator of the wealth of the national economy (see figure 2).

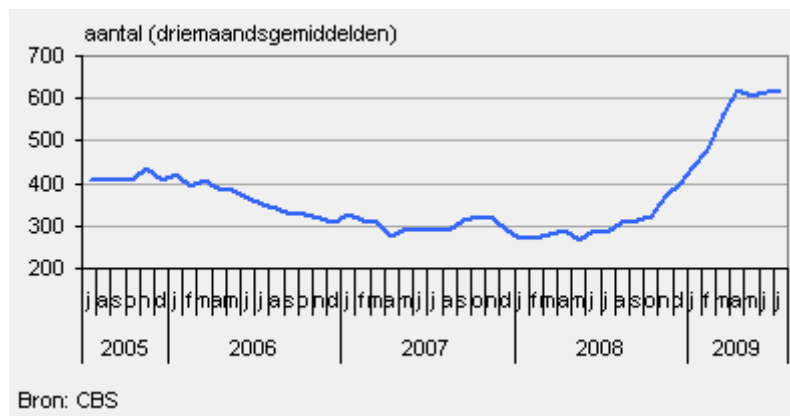


Fig 2 The increase of bankruptcy (CBS, 22 June 2009)

Regarding foreclosures, the figures show stability: 2004 (1300), 2005 (1900), 2006 (1961) and 2007 (1811), nothing compared with the figures from the USA (press releases Real Estate Agents LMV retrieved 13 August 2009, NU Business 10 August 2009).

An investigation amongst architects revealed that in 2008 architects received 30% less orders for building design than in 2007, although 50% concerned offices and hospitals (press release CBS, 9 June 2009)

Worrying is the decrease in house removals: 2005 (1.6 million), 2006 (1.7 million), 2007 (1.6 million), 2008 (1.7 million) but first halfyear 2009 only 0.75 million (press release CBS 12 August 2009).

The conclusion is that the Netherlands economy is severely affected by the global financial crisis. The Kadaster is strongly related to the real estate and credit market. How the figure are, will be explained in section 4.

4. THE DUTCH REAL ESTATE AND CREDIT MARKET

Starting with the situation in Europe, the houseprices deteriorated drastically, such as Ireland (-9.1%), Spain (-3.2%), France (-2.9%), Portugal (-6.3%), UK (-8.7%) in 2008. Mortgage lending activity showed decline in Greece (-24%, in 2007 13.4%), Ireland (-5.8%, in 2007 -13.4%), France (-7.6%, in 2007 12.7%), Spain (-4.3%, in 2007 13.1%), and Portugal (-4.1%, in 2007 -10%), according to the European Mortgage Federation (EMF, 2008). 'There is no parallel between the USA and the EU mortgage market, as the EU has neither the problem of 'toxic' sub-prime mortgages, nor the problem of the bad securitized issuance (the repackaging and selling-on) of such toxic loans. The current crisis in the EU therefore is a secondary symptom resulting from the exposure of European banks to USA's 'toxic' loans due to the wide distribution of these loans through an insufficiently transparent securitisation process' (EMF, 2009). By consequence, also in the Netherlands the real estate and credit markets are heavily affected.

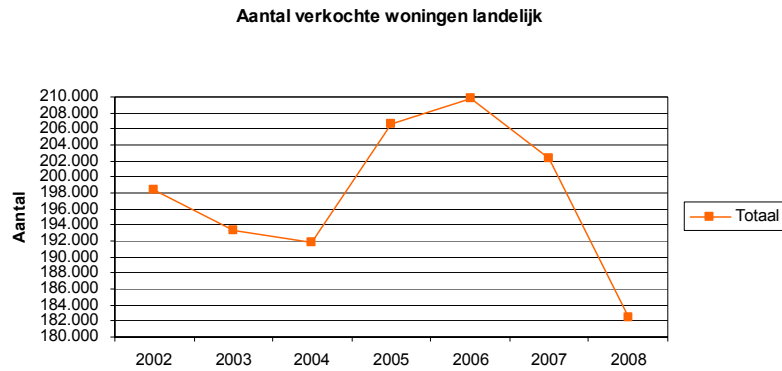


Fig 1 The number of sales of residential homes 2002-2008

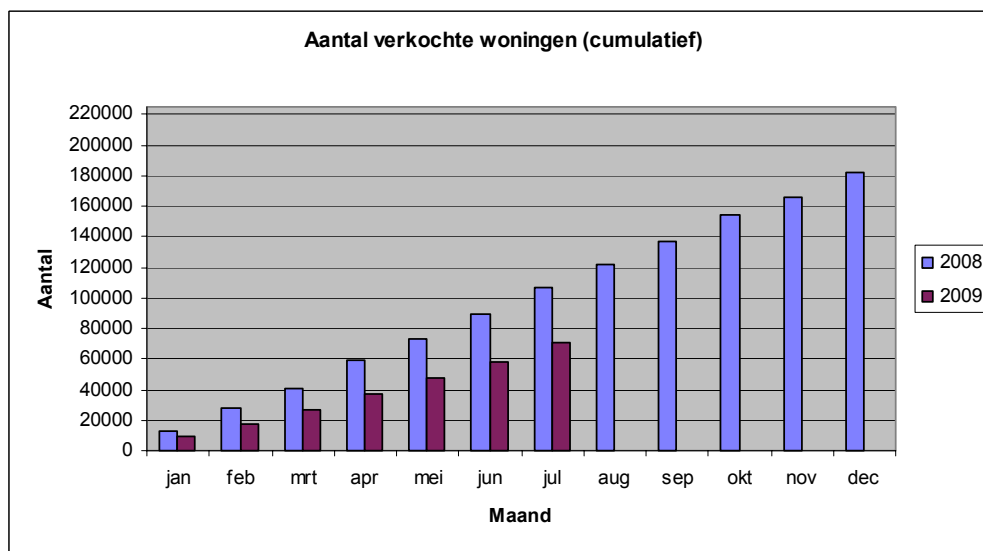


Fig 2 Number of sales of residential homes per month 2009 compared with 2008. (cumulative)

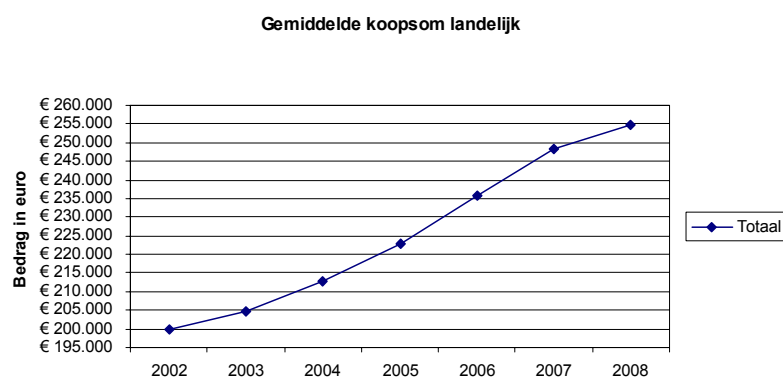


Fig 3 Development of prices of residential homes 2002-2008

Gemiddelde koopsom landelijk

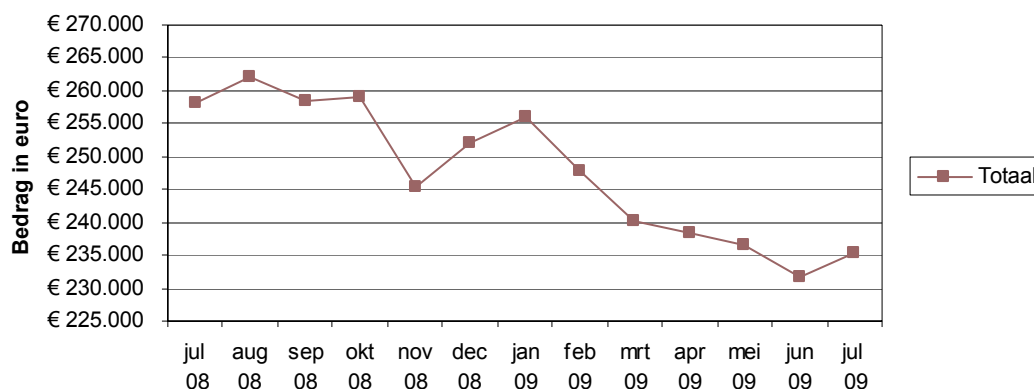


Fig 4 Development of prices of residential homes per month in 2008 and 2009

	Number mortgages Q2 08	Number mortgages Q1 09	Number mortgages Q2 09	Increase Q 09 compared with Q2 08	Increase Q2 09 compared with Q1 09
1	75.514	41.255	49.418	-34,56%	19,79%
2	16.831	8.627	9.357	-44,41%	8,46%
3	4.227	2.283	2.439	-42,30%	6,83%
4	6.996	3.662	3.441	-50,81%	-6,03%
5	23.137	11.927	15.580	-32,66%	30,63%
Total 1 - 4	103.568	55.827	64.655	-37,57%	15,81%

	Total sum of mortgaged loan Q2 08	Total sum of mortgaged loan Q1 09	Total sum of mortgaged loan Q2 09	Increase Q 09 compared with Q2 08	Increase Q2 09 compared with Q1 09
1	€20.812.817.733	€11.130.734.237	€13.100.772.807	-37,05%	17,70%
2	€ 1.707.805.536	€ 908.445.672	€ 966.005.423	-43,44%	6,34%
3	€ 465.744.584	€ 245.176.964	€ 258.055.365	-44,59%	5,25%
4	€ 2.208.222.877	€ 1.170.109.430	€ 1.017.056.642	-53,94%	-13,08%
5	€ 5.652.486.753	€ 2.881.792.091	€ 3.812.252.903	-32,56%	32,29%
Total 1 - 4	€25.194.590.730	€ 3.454.466.303	€15.341.890.237	-39,11%	14,03%

Fig 5 Development number and sum loans secured by a mortgage for categories (1) registered as the first mortgage on a property, (2) second mortgages, (3) third mortgages, (4) all others, (5) number of mortgages that were converted into new ones (also included in category (1), so the total is (1)-(4).

The figures 1-5 lead to the conclusion that the Dutch real estate- and credit markets are severely affected by the global financial crisis. The number of residential homes transactions in 2008 was 9.89% less than in 2007. January 2009 was 48.15% less than December 2008. January 2009 was 28.64% less than January 2008 (Press release Kadaster

13 February 2009). How the decline of the markets affect the turnover of the Kadaster is depicted in section 6.

5. HOW IS THE DUTCH KADASTER FINANCED

During the preparations early '90 for the transition from government department in a ministry to an independent public body (a legal body 'sui generis', so by special law, see Besemer & van der Molen, 1996), the creation of a sound financial regime was of course prominent. A requirement from the cabinet of ministers was that the new agency should be costrecovery through customer paid fees, while the generation of a surplus fund was not allowed. At the same time, the new agency should meet the usual financial ratings, such as solvency and liquidity. Although the new agency should operate at an arms length of the minister, what could be the ministers influence on the financial arrangements. The law 'sui generis' (Kadaster Organisation Act 1994 State Gazette 125) comprised the concept that there should be a structural equity of 30% of the balance sheet total (exclusive of reserves and provisions, the 'short balance sheet'), and a so called cyclical equity, a piggy bank as a first reponse to bad time. According to the law, the volume of the piggy bank should; be negotiated annually between the agency and the minister. Today, the structural equity is fixed on 58 million € and the cyclical reserve on 34 million € (letter 31924 XI 10 of the minister to the Parliament 29 June 2009). The mechanism agreed on in 1994 is as follows: when a certain business-year results in a profit, it will normally be added to the structural equity. When the equity exceeds the agreed amount, the minister should get a proposal to decrease the fees, to bring back the equity in the next year. When the annual result is a deficit, then the equity gets lower than agreed, and the minister should get a proposal to increase the fees, to raise the equity in the next year. The mechanism of steering on equity is further described by (van der Molen, 2001). To avoid too much volatility in the fees, the mechanism is applied over a period of five years, using a forecastmodel. Based on this forecastmodel, developed by the agency together with a few Dutch universities, a rolling forecast is developed annually to estimate the turnover, business costs etc and the influence on the fees, respectively the equity. This rolling forecast (the Long Term Policy Plan

now

2009-2013,

see:

http://www.kadaster.nl/index_frames.html?inhoud=/kadaster/hoe/hoe-meerjarenbeleidsplan.html&navig=/kadaster/nav_serverside.html%3Fscript%3D1) is the base for the fee-proposals to the minister. Profit or deficit can be caused by differences in turnover (due to activity property market) and expenses (business costs).

The forecast model builds on 4 indicators, namely (1) % Growth GDP, (2) interest rates, (3) % homeownership, and (4) estimated construction results (newly built houses etc). The indicators (1) and (2) are submitted by the Netherland Bureau for Economic Policy Analysis (CPB, thinktank government), (3) by University of Delft (OTB Research Institute for Housing, Urban and Mobility Studies), and (4) by TNO (Research Institute). The indicators result in a forecast of the turnover of the Kadaster for the next 5 years.

In section 7 we will see that the steering-mechanism implies decreasing fees in good times, and increassing fees in bad times: critical questions from members of Parliament

regarding the proposal to increase the fees by 1 August 2009 indicate that this mechanism is not always easy to explain, let alone accepted (Parliamentary minutes 2 July 2009).

6. IMPACT OF THE CRISIS ON THE DUTCH KADASTER

The negative development of the national economy and related decline of the real estate and credit market, cast their shadows on the financial position of the Dutch Kadaster. The way the Dutch Kadaster is financed, as described in section 5, is dependent of a variety of products and services where customers pay for, but the main sources of income are -of course- the registration of deeds of transfer, and deeds of mortgage. How did the submission of deeds for registration develop.

The development of deeds of transfer (Annual Report 2008, see www.jaarverslag-kadaster.nl/english):

	Deeds of transfer	Deeds of mortgage
2004	444,700	702,900
2005	478,200	770,900
2006	497,700	748,800
2007	488,100	632,500
2008	452,800	546,400

Fig 6 Number of registered deeds of transfer and of mortgage

The realisation figures of 2009 compared with the planning 2009 reveals again a structural decline of 30%.

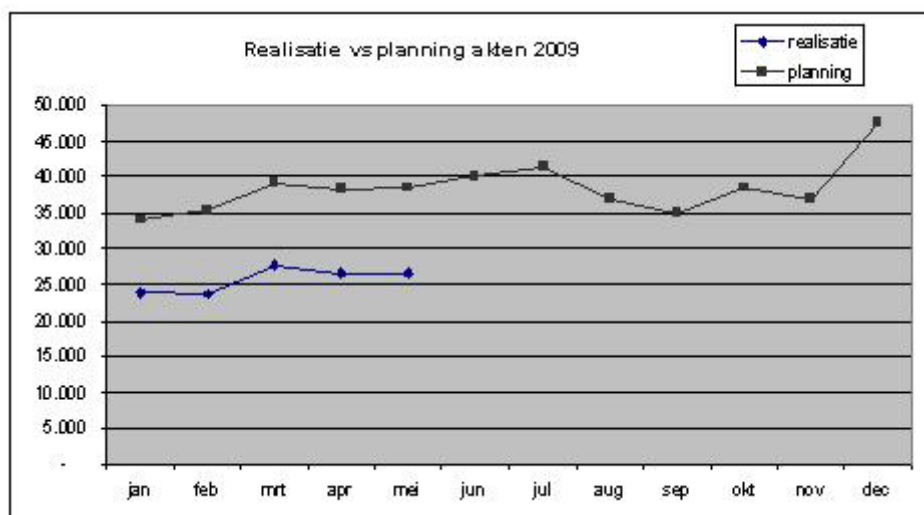


Fig 7 Realisation of registered deeds of transfer in 2009 compared with planning

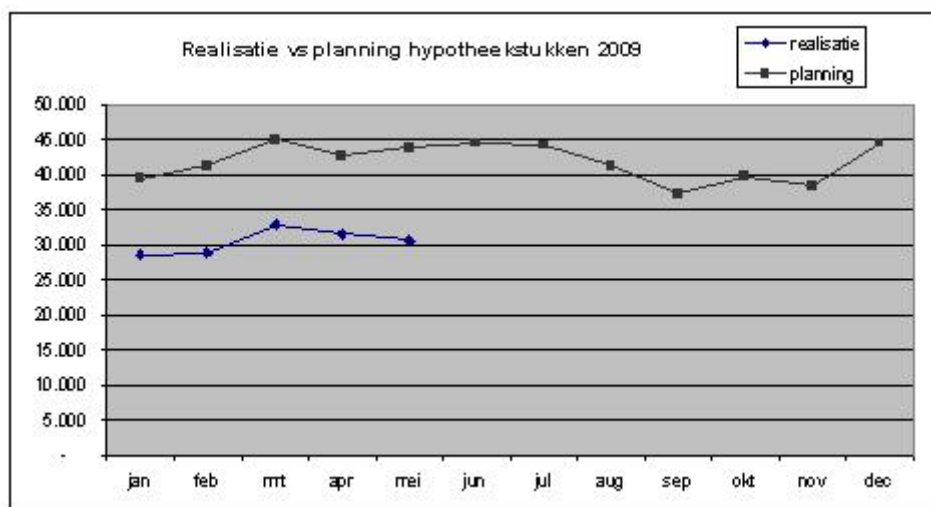


Fig 7 Number of registered deeds of mortgages in 2009 compared with planning.

The effect on income generation is depicted in figure 8, 21% less income than planned.

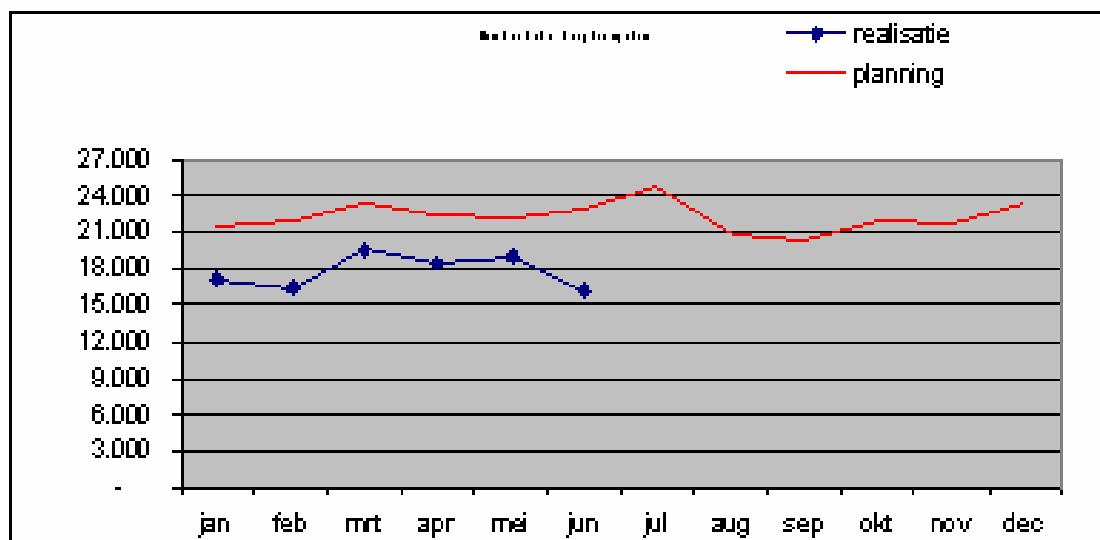


Fig 8 Realisation of income in 2009 compared with planning (in thousand € per month).

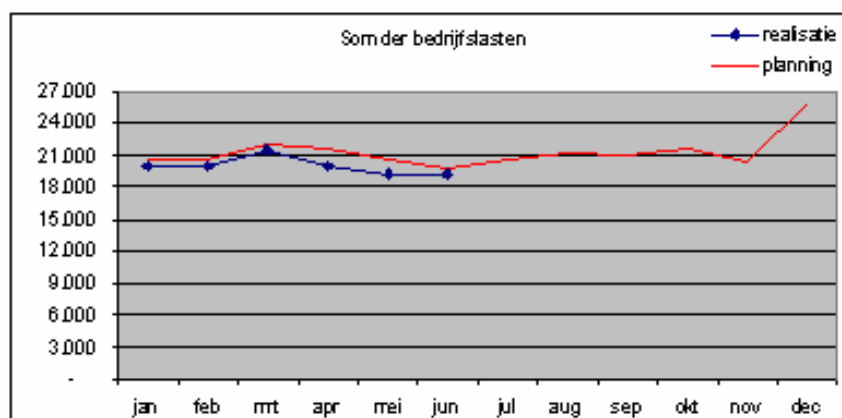


Fig 9 Realisation expenses in 2009 compared with planning (in thousand € per month).

As explained in section 5, the decline in revenue generation in the profit and loss statements leads inevitably to a decrease of the equity (Annual Report 2008, Half-yearly Report 2009)

	Business Result (million €)	Equity (million €)
2004	+ 4.7	+92.4
2005	+29.8	+124.8
2006	+3.6	+129.3
2007	-74.6	+58.5
2008	-50.6	+8.4
2009 Q1+Q2	-14.0	-5.6

Fig 9 Development of business result and equity 2004-2009

It should be noted that the equity –as required by the law- was much too high in the years 2004-2006, then in 2007 it met the requirements namely +58.5 million €. This was caused by the mechanism of decreased fees in May 2006 (-10%) and January 2007 (-10%). Unfortunately the much lower fees, just before the outbreak of the crisis, played tricks on us when the impact of the financial crisis became manifest.

7. RESPONSE TO THE ECONOMIC TURBULENCE

7.1 Improving efficiency

Attention to efficiency and effectiveness always have been a major policy aim of the successive Executive Boards.

Investments in ICT aim at improving efficient work processes on one hand, and better customer satisfaction on the other hand. However, the ICT costs are regularly benchmarked by Gartner. The most recent one, July 2009, reveals that ICT costs show market conformity. In 2005, the costs were still +17% higher than the market average

(Internal press release 8 July 2009). Costs are about 60 million € annually, of which about 15 for system design and development, and the rest for maintenance. One of the main projects is renewal of our existing systems, and a drastic reduction of the complexity of our ICT architecture.

Regarding the number of staff, continuous reduction takes place, from 2216 in 2004, 2095 in 2005, 2018 in 2006, 1951 in 2007 and 1894 in 2008 (Annual Report 2008), we aim at about 1695 in 2010 (Long Term Strategic Plan 2009-2013). Flexible workforce is about 200 temporary workers, of which the contracts are all terminated in 2008, except for a few essential ones.

The number of offices is reduced drastically. This was already decided in 2005, but now the agency went back from 15 to 8 offices. The rationale is that regional presence is hardly required any more, and still we have at all town halls an access point to our data. Our cadastral surveyors work on home-office/field office basis, and increasingly in 1 person field parties.

All these reductions take place in a context of more tasks, better service, and innovative products (van der Molen, 2009).

The regular customer survey indicates that 27% of the customers are very satisfied and excellent, while 88% would recommend us to their own business relations.

Finally, the agency is assessed on a regular basis by a assessment committee of the association of independent government bodies, which is a quite intensive investigation in our performance, and the latest examination turned out to be very positive (Examination Report 2008 Handvest Group).

Apart from this examination, in 2008 ISO 9000:2002 certificate was awarded again, after thorough investigations by the British Standard Institute.

My conclusion is that the Board can give ample evidence of its policy towards efficiency and effectiveness.

7.2 Cost reduction

The measures mentioned under 7.1 are measures on a long term basis. The acute financial problems require also short term measures. The very first question to be answered by the Board was: shall we delay our ambitions as mentioned in the Long Term Policy Plan 2009-2013. Many of these ambitions concerned vital functions in society, such as the development of key-registers, the realization of national access portals, contributing to e-government initiatives, increased registration of subsurface infrastructure, and the enhanced registration of public encumbrances. Intensive consultations of our stakeholders revealed that this was not a realistic option. Taking such a decision would have damaged the good reputation of the agency seriously. Although some projects were delayed, the ambitions have to be realized. So, other measures were necessary.

Now we come to an interesting point, namely that government bodies -even when having an independent status- have structural difficulties to achieve cost flexibility. These bodies are legal bodies 'sui generis' (by law), which is quite a difference compared with a company. For example: while the costs of discharged staff members are paid by social funds and form a direct cost reduction for the company, government bodies remain financially responsible for their discharged employees, therefore no cost are reduced.

Cost-flexibility by consequence should be established by a certain workforce of temporary employees, whose contracts can be terminated when necessary. Before the financial crisis we employed 200-300 of such workers. The contracts are terminated now. Another option is of course outsourcing. Currently our external costs are about 60 million, partly endowments to the ministry with regard the development of access portals to key registers and the subsurface infrastructure registrations, and partly outsourcing of operational activities (focus on ICT). Some examples of short term spending cuts are (a) vacancy and hire stop, (b) critical review of all non structural labour-contracts, (c) less beneficial labour conditions Kadaster employees, (d) diminishing senior staff benefits, (e) less sick leave, (f) no paid lunches, (g) less travel, (h) more keen purchase policy, and (i) quick completion of work that was paid in advance (such as subdivision surveys), (j) less m2 office space per employee, (k) concentration of certain distributed departments such as customer care centres, (l) optimisation of work processes, and (m) more outsourcing of management and maintenance of ICT systems.

7.3 Increase of fees

The mechanism as described in section 5 (using the level of fees to keep the equity under control), caused the following decisions by the minister on the fees.

	1995	1997	1998	2002	2004	2006	2007	2008	2008	2009
-15%	- 30%	-10%	-25%	+20%	+2,25%	-10%	-10%	+5%	+26%	+10%

Fig 9 Change of the level of fees since becoming an independent public body in 1994

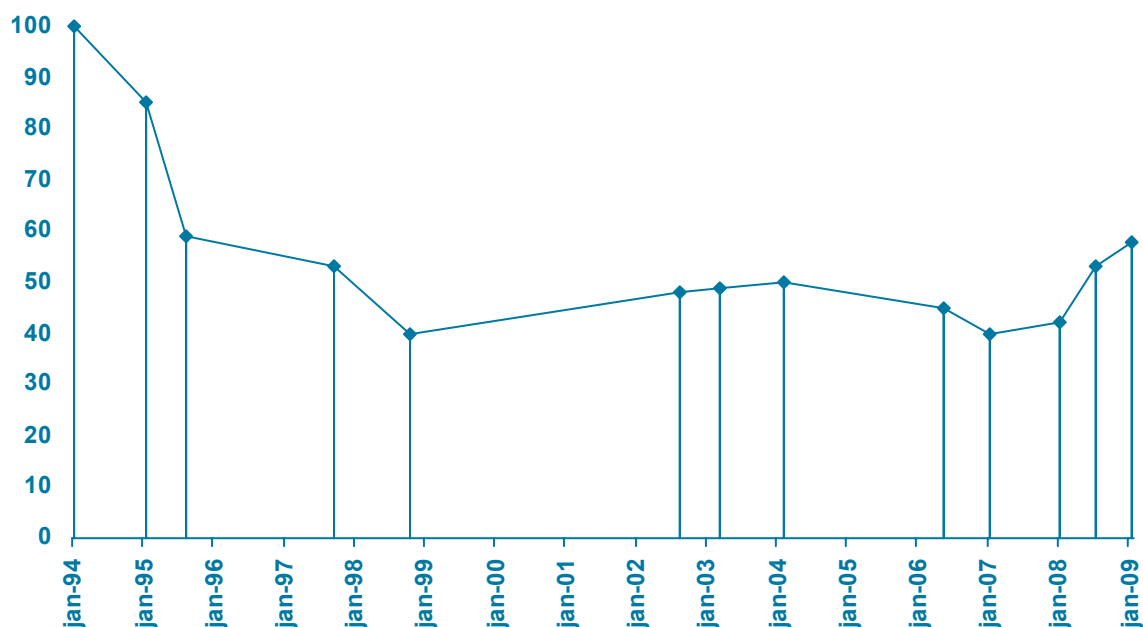


Fig 10 Level of fees compared with 1994 (index 100)

With regard to the equity in July 2009 (-5.6 million €), it became clear that another increase of the fees was due. It was calculated that an increase with 25% was necessary, in order to guarantee the continuity of the agency. Referring to section 6, the equity decreased to -0.5 million € in July 2009 (Parliamentary Minutes 2 July 2009'. So, even after two substantial increases of the fees (mid 2008 +26%, January 2009 +10%) the equity is still far from the required equity. As explained, the structural part of the equity should be 58 million € and additionally a cyclical equity of 34 million €, together 92 million €. As the cyclical part is meant to cope with bad time and can be spent, the equity should thus at least be 58 million €. Therefore the increase of fees was considered as necessary.

This proposal met very serious criticism in the Parliament. Questions were asked by members of the Liberal Party. A motion was adopted on 2 July and the minister was asked not to agree on the proposed increase. Nevertheless the minister decided positively, and per 1 August 2009 the fees were increased with an average level of 25%. After the Parliament's summer-recess the Parliament will interrogate the minister again.

7.4 Liquidity

The debate in the Parliament showed that without the increase of about 25% by August 2009, the equity would have decreased to - 43 million € end of 2009, and -83 million € in 2010. Even with the increase of August 2009, the equity will develop to -22 million € end of 2009 and to -13 million in 2010. As the minister concluded, a normal company would have been bankrupt. 'As the Kadaster is not a 'normal company', nevertheless being a fee-financed organization it still has to run its own business, the increase of the fees was considered as very necessary', so said the minister and she did not meet the endorsed motion. The remark about bankruptcy was correct. Solvency ratio, current ratio definitely show red figures, and the ability of the Kadaster to pay its debts is weak. Normal companies might go bankrupt, at least when banks are not willing any more to provide credit. With a negative equity, banks easily cut off funds and the creditors will then file for bankruptcy. Therefore a main priority was to guarantee liquidity of the agency. We might have mortgaged our offices, which are -as fixed assets- valued at 60 million €. As a public body however, the agency successfully applied for a credit facility of the Ministry of Finance (a current account). The balance sheet 2008 shows that this facility was used to an amount of 17.7 million € (interest rate EIONIA fixing), while for 2008 and extra add-on was agreed of 25 million €. This facility gives the agency sufficient liquidity to be solvent. As the liquidity account end of 2008 showed (annual report 2008), liquidity amounted to 19.5 million €, of which 17.7 came from the current account. This shows the importance of the arrangement.

8. THE FUTURE

The global economy is expected to expand 2.0% in 2009, and 3.2% in 2010 (World Bank, 2009). So, better times are at the horizon, hopefully. As section 7.4 demonstrated, even after the increase of fees of August, the equity still is negative.

The ‘system-error’ for fee-financed agencies is exactly what one of the MP’s said during the debate on 2nd of July: ‘what happens when the situation is so bad that only ten transactions take place in a year, will we face an increase of fees of millions of %?’. Indeed, when only 1 transaction will take place, the registration costs must be 250 million €. With that level of transaction costs, we will not rank high in the World Bank Doing Business Reports any more! How that may be, the level of the cyclical equity deserves serious re-consideration. As said in section 5, this cyclical part was fixed on 34 million €. The minister said in the Parliament, ‘most likely we were too quick with lowering the fees twice with 10% in the year 2006/2007’. With running the risk of getting the reproach of hoarding up funds, the cyclical equity should -may be- at the level of one year turnover, so 250 million €.

Furthermore the cost-flexibility is important, as currently this is too low. Quick downsizing must be possible, through another balance own/temporary employees, and own operations/outourcing.

9. CONCLUSIONS

The financial crisis provides much food for thoughts about the way land administration organisations such as the Kadaster should be managed. Internally, the mechanism of fee-based funding and equity steering has proven to work well when the market is not that much volatile (1994-2006), but showed serious weaknesses in times of crisis (2007-2009). Re-consideration will most likely focus on (1) the participation of the government in the funding, instead of being 100% dependent on fees and (2) the level of the cyclical part of the equity. Also the cost-flexibility should be improved, in order to have a quicker response to declining economy. This brings us to a better balance between what we do by ourselves, and what we ask the private sector to do for us. Already now we have strong partnerships with companies like Intergraph, CapGemini, Cyclomedia and various others. The cooperation with the private sector should develop to a higher volume. Traditional patterns should be discussed: we still do the cadastral surveying by our own land surveyors, while many other countries involve the private sector substantially, even up to the level of licensing to carry out a public task. Also the portfolio should develop beyond traditional cadastral products and services, also in good cooperation with the private sector (value added resellers, integrated products etc) (see van der Molen, 2009). The financial crisis taught us another thing: don’t be too defensive; don’t lose the faith in the agency’s products: geographical information and location based services have proven to enjoy a bright ‘commercial’ future.

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