

Surveying newsing



Message from
the President

HAPPY NEW YEAR

MR HAK CHAN ELECTED HKIS PRESIDENT 2001-2002

PRESIDENT'S ADDRESS
(DELIVERED AT THE HKIS AGM ON 11 DECEMBER 2001)

Dear members,

At the beginning of a new year and my taking up this post I would like to throw out some of my own ideas about the work ahead for the Institute.

Of course, the first and foremost task is to continuously elevate the image of our Institute and the status of our members and to provide quality surveying services to the community. We should try to have more active and prompt participation in those relevant committees and consultative bodies and regular dialogue with legislators and government officials; put forward our comments and ideas readily; publish more professional articles, technical papers and journals; participate in and organise forums, conferences and talks, particularly those with international presence.

Internally, we should try to enhance communication and co-operation amongst divisions and members, particularly, during this difficult property and building development market situation and the rapidly changing economic, social and technological environment. Having a better understanding of each other's work would help us to develop ourselves further professionally and enable us to call for assistance from or refer work to other members. With concerted effort we would be able to reinforce and build up the strength of our Institute and to explore more opportunities and new services.



President, Mr. CHAN Hak delivering his address

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Surveying

SURVEYING is the newsletter of the HKIS. It is distributed to members, students and friends of the surveying profession free of charge. Anyone wishing to receive a copy may contact the office of the Institute.

HKIS EXECUTIVE COMMITTEE 2001/2002

President	Hak Chan - 陳克 FHKIS, FRICS, RPS(LS)
Senior Vice-President	Kenneth Chan - 陳佐堅 BSc, FHKIS, FRICS, FBEng, MCI Arb, AP, RPS(BS), CFM, FPFM
Junior Vice-President	Tony Tse - 謝偉銓 FHKIS, FRICS, RPS(GP)
Honorary Secretary	Alex L.F. Wong - 王來發 AHKIS, MRICS, RPS(BS), FPFM
Honorary Treasurer	T. T. Cheung - 張達榮 BSc(Hon), MSc(Arch), FHKIS, FRICS, RPS(QS)
Immediate Past President	Stephen Liu - 廖凌康 FHKIS, FRICS, ACI Arb, RPS(QS)
Chairman, Building Surveying Division	Raymond Y. M. Chan - 陳旭明 FHKIS, FRICS, MCI Arb, AP, MASI
Chairman, General Practice Division	Alexander T. W. Lam - 林增榮 FHKIS, FRICS, MCI Arb, RPS(GP)
Chairman, Land Surveying Division	C. H. Wong - 黃仲衡 FHKIS, FRICS, MCI Arb, AMBCS
Chairman, Quantity Surveying Division	Nelson Cheng - 鄭偉雄 FHKIS, MRICS, AAIQS, ACI Arb, RPS(QS)
Chairman, Junior Organisation	Nathan H. T. Lee - 李海達 BSc(Hons), AHKIS, MRICS, RPS(BS)

SECRETARIAT
Secretary-General: Gordon M. Y. Ng - 吳文仁
AHKIS, MRICS, RPS(GP)

HON. EDITOR: Gilbert Kwok - 郭靖華

EDITORIAL CONTRIBUTIONS

Surveying encourages article queries and submissions. Article submissions should include both hard (printed) copy and a diskette in Word format. Contributions should reach the Hon. Editor at the office of the Institute before the 10th of each month.

Information & Contents

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Advertising

All advertisements and small ads are welcome. SURVEYING is reaching over 5,700 readers. For detailed information and advertising rates, please contact Ms Margaret Yung of the Secretariat office at 2526 3679.

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香港測量師學會

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Office Hours:
Monday to Thursday: 9:00am - 5:30pm
Friday: 9:00am - 5:00pm
Saturday: 9:30am - 12:30pm



Immediate Past President, Mr. Stephen Liu, congratulates President, Mr. CHAN Hak

Information Technology is an area we should invest in and exploit for better administration of the Institute, more effective and efficient communication internally and externally, and expedient dissemination of information and publications to our members and interested parties.

Whereas externally with places outside Hong Kong, including the Mainland China, we should try to establish more contact with the relevant professional bodies so as to keep abreast with

the development of the surveying profession around the world and to obtain reciprocal recognition with reputable institutions thereby placing ourselves in the international scene and paving the way for our members to go international.

This is briefly what I see the new Council should focus on for the coming year. Indeed your views and suggestions will be most welcome. I can assure you the new Council will spare no effort in seriously examining the various issues and mapping out the way forward. The Institute's matters are also your matters. So let us work together to make 2002 a prosperous year for every surveyor.

Thank you.

HKIS ANNUAL GENERAL MEETING

On 11 December 2001, 350 members attended the HKIS AGM at the Hong Kong Convention and Exhibition Centre. Both the General Council and members were amazed by the large number of members who turned up to choose their preferred members for the challenged positions of Junior Vice President and Honorary Secretary. It gave a clear message that members cared about the Institute and who the Office Bearers would be. The new General Council must work hard to show their appreciation of members' support.



Office bearers addressing members



New General Council 2001-2002

HKIS GENERAL COUNCIL 2001-2002

The following office bearers and Council members were elected to the HKIS General Council for the term 2001-2002:-

Office bearers

President	Mr. CHAN Hak	陳克先生
Senior Vice President	Mr. CHAN Jor Kin, Kenneth	陳佐堅先生
Junior Vice President	Mr. TSE Wai Chuen, Tony	謝偉銓先生
Honorary Secretary	Mr. WONG Loi Fat, Alex	王來發先生
Honorary Treasurer	Mr. CHEUNG Tat Tong	張達榮先生

Council members

Building Surveying Division

Mr. CHAN Yuk Ming, Raymond	陳旭明先生 (Chairman)
Mr. TANG Hoi Kwan, Edwin	鄧海坤先生
Mr. YUN Ying Kit, Kenneth	甄英傑先生

General Practice Division

Mr. LAM Tsan Wing, Alexander	林增榮先生 (Chairman)
Mr. LAM Ka Fai, Francis	林家輝先生
Mr. POON Wing Cheung, Lawrence	潘永祥先生

Land Surveying Division

Mr. WONG Chung Hang	黃仲衡先生 (Chairman)
Mr. LAM Li Wah	林利華先生
Mr. CHAN Hon Kwan, Henry	陳漢銀先生

Quantity Surveying Division

Mr. CHENG Wai Hung, Nelson	鄭偉雄先生 (Chairman)
Mr. LEUNG Lap Ki, Francis	梁立基先生
Mr. KWOK Ching Wa, Gilbert	郭靖華先生

Junior Organisation

Mr. LEE Hoi Tat, Nathan	李海達先生 (Chairman)
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V-WALK FOR VOLUNTEERING

On a cool Saturday afternoon on 1 December 2001, a team of HKIS members led by the then Senior Vice President, Mr Chan Hak, turned out at the Peak Galleria.

They were there to do something healthy and good. They were joining the fund raising V-Walk for Volunteering, organised by the Agency for Volunteer Service.



Some members of the HKIS team before the Walk

The short walk along Harlech Road / Lugard Road took less than an hour. It gave a good opportunity for socialising and for members to get to know each other. The team raised more than \$10,000. For members' information, HKIS is a member organisation of The Hong Kong China Committee on United Nations Volunteers. Should you be interested to know more and want to support volunteer work, please contact the HKIS administration office.

Building Surveying Division

APC

We had a busy month after the APC in early November. An assessors' debriefing was held on 26 November 2001, where the results for the Practical Task was finalised. The results have already been distributed to candidates. A summary of comments will be provided when available.

AGM AND ANNUAL DINNER

On 30 November 2001, the AGM and annual dinner of the Building Surveying Division was held at the Hong Kong Football Club. There were six tables of members in the Annual Dinner and everyone enjoyed the function. Many thanks to the organising committee.

The new BSD Council was elected at the AGM with details as follows:-

Chairman:	Mr. CHAN Yuk-ming Raymond ymc@raymondchansurveyors.com.hk
Vice Chairman:	Mr. TANG Hoi-kwan Edwin edwin.tang@housingauthority.gov.hk
Hon. Secretary:	Mr. YUN Ying-kit Kenneth yunyk@archsd.gov.hk
Hon. Treasurer:	Mr. LI Kwok-wah Edgar edgar@brown.com.hk
Members:	Dr. CHAN Man-wai Mr. HO Siu-leung Nelson Mr. HO Kui-yip Vincent Mr. IP Che-kay Andrew Mr. KAM Man-yiu Phillip Mr. LEUNG Chi-tim Robin Mr. TSE Chi-ming Philip Mr. WONG Loi-fat Alex Mr. YEUNG Man-kai Gary

Immediate Past Chairman:	Mr. CHEUNG Kwok-ho Richard
Representatives in HKIS	Mr. CHAN Yuk-ming Raymond
General Council:	Mr. TANG Hoi-kwan Edwin Mr. YUN Ying-kit Kenneth

The e-mail address for office bearers are listed for members' information. Members are welcome to contact the Council, make suggestions and join the panels under the Council.

After the first divisional Council Meeting, the following nominations were made:-

HKIS Divisional Spokesmen:	Mr. CHAN Yuk-ming Raymond Mr. CHENG Kwok-ho Richard
Representative in Standardisation of Constitutions Working Group :	Mr. TANG Hoi-kwan Edwin
Representative in Board of Education:	Mr. CHUNG Hung-kwan Barnabas Mr. WONG Bay Peter
Representatives in Board of Membership:	Mr. TANG Hoi-kwan Edwin
Nominations for Contractor's Registration Committee in BD:	Mr. LAU Wing-wai Patrick Mr. CHEUNG Kwok-ho Richard
Nomination for Asbestos Administration Committee:	Mr. LAU Cheung-chee

CPD

Two CPD events were held. A re-visit to the Glass Manufacturing Plant of China Southern Glass Holding Company Limited in Shenzhen was held on 8 December 2001, which had been well received by 64 members of all classes and from other divisions.



A talk on Photovoltaic and Indoor Air Quality was held on 14 December 2001 at the Hong Kong Convention and Exhibition Centre. 



THE HONG KONG POLYTECHNIC UNIVERSITY DEPARTMENT OF BUILDING AND REAL ESTATE

Chair Professor
(Tenable Immediately)

The Hong Kong Polytechnic University is a large and dynamic institution of higher education offering around 160 programmes, in a wide variety of disciplines, and at levels ranging from higher diplomas and bachelor's degrees through to master's and doctoral degrees. The University is fully committed to academic excellence in a professional context whilst placing an emphasis on designing, developing and delivering application-oriented education and training programmes. The current number of enrolled students is approximately 23,900, with a full-time equivalent student population of around 16,300. The academic structure consists of six Faculties, comprising 29 academic Departments, Schools and Units devoted to teaching and research, and a number of interdisciplinary and specialist Centres.

The Department of Building and Real Estate has a good international profile and is the major supplier of surveying graduates in Hong Kong. The programmes offered by the Department leading to awards of Doctor of Philosophy, Master of Science, Bachelor of Science, Higher Diploma and other higher degrees span a wide range of subject disciplines from Construction and Real Estate, International Real Estate, Project Management, Building Engineering and Management, Building Surveying, Construction Economics and Management, to Building Technology and Management. There are currently 45 full-time members of academic staff, 64 full-time and part-time research staff and research students in the Department. With its two Research Centres, one in Construction and Real Estate Economics and the other in Construction Management and IT, the Department aims to expand considerably its research and scholarly activities and consultancy work, in order to consolidate and enhance its international reputation.

The Department is currently seeking to appoint a Chair Professor whose subject area is to fit within the overall spectrum of the Department's range of teaching activities. The appointee must be able to offer a strong research record and must have the drive, leadership skills and ambition necessary to help the Department achieve its aims. The appointee will be expected to play a leading role among the senior professional bodies in the construction and real estate field in Hong Kong and, on application, should already be a member of a professional body. The appointee may also be offered a concurrent appointment as Head of Department.

Qualifications and Experience

Applicants should have academic qualifications at doctoral level in related areas, an international reputation in scholarship and research, a strong record in attracting research funding, a demonstrated commitment to excellence in teaching, personal qualities necessary to lead a large department with all its diverse functions, and a proven record in high-level consultancy.

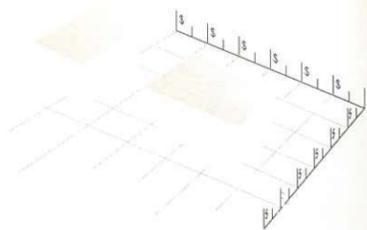
Salary and Conditions of Service

Salary is within a range and not less than HK\$107,550 per month.

Initial appointment at this level is normally made on a fixed-term gratuity-bearing contract of four years with an interim gratuity payable on satisfactory completion of the initial two years of service; re-engagement thereafter is subject to mutual agreement. Fringe benefits include leave, medical and dental schemes, housing benefits and leave passage allowance.

Application

Applicants are invited to send detailed curriculum vitae (in duplicate if by post) with names and addresses of two referees to the Human Resources Office, 13/F, Li Ka Shing Tower, The Hong Kong Polytechnic University, Hung Hom, Kowloon (Fax: 2764 3374; E-mail: hrstaff@polyu.edu.hk) preferably by Friday, 22 February 2002. Post specification is obtainable through the Hotline 2766 6666. Candidature may be obtained by nominations. The University reserves the right not to fill this post or to make an appointment by invitation. General information about the University is available on the University's World Wide Web Homepage <http://www.polyu.edu.hk>, or from the Human Resources Office (Tel: 2766 5293). Details



GENERAL PRACTICE DIVISION

Alexander Lam, Chairman

ANNUAL GENERAL MEETING

Twenty Council members for year 2002 and 2003 were elected at the AGM on 22 November 2001 at the Joint Professional Centre. We had over 150 members attending the meeting, which was one of the record high attendance. After the election, Hon. P. C. Lau briefed the attendees on the latest legislative news about our profession.



Twelve days later, the Division had the first Council meeting in which office bearers, representatives in the General Council as well as convenors of a number of sub-committees were elected as follows:

Chairman	Alexander Lam
Vice Chairman	Simon Lai
Hon. Secretary	Serena Lau
Hon. Treasurer	Francis Lam
Representatives to the General Council	Alexander Lam, Francis Lam, Lawrence Poon
Board of Education	Rock Tsang, Michael Price
Board of Membership	K.K. Chiu, Mona Woo
Surveyors Registration Board	Kenneth Pang, K.K. Chiu
Professional & Practice Standard Committee	Simon Lai
Education, Membership & APC Committee	Rock Tsang

International & Public Relations Committee	Alexander Lam
Continuous Professional Development Committee	Wilson Siu

VISITS FROM APPRAISERS ASSOCIATIONS FROM THE MAINLAND

- On 7 December 2001, a delegation of 36 members from the Shenzhen Real Estate Appraisers Association (深圳房地產估價師學會) visited the HKIS. During the 3 days' visit, a series of talks were delivered by Rock Tsang, Tony Tse, Clement Leung, Wyatt Choy, Eric Poon as well as Serena Lau, and were all well received.



- A delegation of 14 from the Shanghai Real Estate Appraisers Association (上海房地產估價師學會) visited GPD on 11 December 2001. Francis Ng, Chairman of the HKIS Mainland Committee, together with some members hosted a welcome lunch. They stayed in Hong Kong for 9 days. Serena Lau kindly organised a special program which included seminars, talks, site visits, courtesy visits to various government departments, MTRC, Urban Renewal Authority as well as to private practitioners.



An invitation was actually put forward to us to have a "friendship soccer match" in the coming months. Proposals on other types of games including but not confined to golf, table tennis, tennis and badminton were also made. 



- The GPD had an extremely busy month of December. We received a third group of visitors from the Mainland. On 12 and 13 December 2001 a group of 6 representatives from 深圳市註冊資產評估師協會 and 山西省資產評估協會 were received by Mr. Chan Hak, President of HKIS, Mr. Alexander Lam and Mr. K.K. Chiu representing the GPD. Strong intention was expressed by the Association that the two professional bodies should keep a close liaison with each other.

BOOK YOUR SPACE IN THE HONG KONG INSTITUTE OF SURVEYORS DIRECTORY AND ANNUAL REPORT 2000/2001

Preparations are being made for the publication of the HKIS Directory and Annual Report for 2000/01. The A4 size Directory will include:-

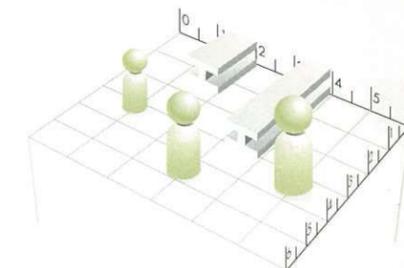
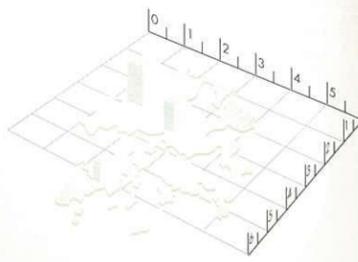
- A listing of surveying firms including company descriptions;
- A listing of companies providing services to surveyors;
- A list of members of HKIS;
- A description of the roles and functions of HKIS including a report of the activities of the past year.

We are seeking your support in subscribing to the advertisement initiatives as contained in the attached order form.

Over 7,000 copies of the HKIS Directory will be distributed free to all HKIS members, academic institutions, professional institutions, major corporations, public libraries etc.

The deadline for booking is 8 February 2002.

If you should require further details, please contact Miss Margaret Yung at 2526 3679.



LAND SURVEYING DIVISION

LSD ANNUAL GENERAL MEETING 2000/2001

The 2000/2001 HKIS LSD AGM was held on 20 November 2001 at the Hong Kong Convention and Exhibition Centre, Wanchai, Hong Kong.

The LSD Council Officers and Council Members in 2001/2002 are as follows:-

Chairman	WONG Chung-hang
Vice-Chairman	LAM Li-wah
Hon. Secretary	CHAU Ming, Marvin
Hon. Treasurer	CHAN Yue-chun
Council Members	CHAN Hon-kwan, Henry
	CHAN Sim-ling, Sarah
	CHAN Tak-hing
	CHU Fei-man
	KWOK Chi-wo
	LEUNG Kin-wah
	SIU Wai-ching
	TANG Hong-wai, Conrad
	TSOI Rina
	WOOTEN Ian
J.O. Representative	PANG Cody
Student Representative	CHEUNG Yue-yan, Ricky

APC SCHEME RESULT ON QUESTIONNAIRE SURVEY

Ronald Chan

The Land Surveying Divisional Education Committee carried out a questionnaire survey in mid 2001 on the Assessment of Professional Competence (APC). A total number of 246 questionnaires were sent to both student and professional members of the LSD. There were twenty returns but six of them indicated nil comment on the existing system.

Among the fourteen answered questionnaires, most of them selected the status quo. Some student members preferred to increase the training period from two to three years in order that they could learn more and not to face a tough and condensed two years practical training.

The writer must thank some members who returned their questionnaires with lengthy comments in order to strengthen and improve the scheme. Their comments have been passed to the members of the education committee but I am afraid that their comments will be used only as a reference because the return is only one-tenth of the questionnaires sent out. ■

COMING EVENTS

25 January 2002 **La Salle Old Boys Surveyors Network** will hold a lunch meeting with Mr. Nicholas Ng, Secretary for Transport Bureau and Mr. David Wong, Chief Executive Officer of FPD Savills. Interested parties, please contact Jim Yip at 6128 5469.

QUANTITY SURVEYING DIVISION

Nelson Cheng, Chairman

AGM

The AGM of the QS Division was held on 4 December 2001. I am pleased to be re-elected as the Divisional Chairman for another year with the following Officers and Committee Members having been elected:

Vice-Chairman	Mr. Francis Leung
Hon. Secretary	Mr. Gilbert Kwok
Hon. Treasurer	Mr. Thomas Tse
Ex - officio	Mr. T.T. Cheung
Committee Members	Mr. Jacob Lam, Mr. Evelyn Kwok, Mr. Rowson Lee, Ms. Ellen Lau, Mr. Stephen Chung, Mr. Keith Yim, Mr. Eric Cheng, Mr. Sam Cheng, Mr. James Longbottom, Mr. Daniel Ho Mr. N.W. Kwan, Mr. K.S. Yam, Ms. Sandy Tang, Mr. Honby Chan Mr. K.C. Tang and Mr. Paul Ho

In addition to the nominated Council members, I have also co-opted the following members into the QSD Council:

Mr. Derek Mackay, Dr. Anita Liu, Mr. Mickey Wong, Mr. K.F. Yau, Mr. Donald Wong, Mr. H.F. Leung, Mr. Michael Yu, Mr. Sunny Chan, Mr. Peter Ho, Mr. Michael Yu and Mr. M.H. Suen.

The Council is functioning through the following major sub-committees:

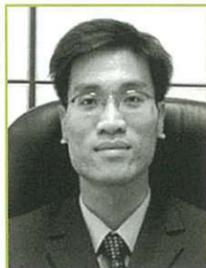
1. APC
2. Education
3. Mainland
4. IT
5. International
6. CPD
7. SMM (building and building services)
8. Contract
9. Editorial Board

All members are welcome to offer their assistance by joining the sub-committees. Would all interested members please contact me at email nelsoncheng@levettandbailey.com. However, members for the APC sub-committee would be by invitation only. If accepted, members would be formally co-opted by the relevant sub-committee chairman.

Lastly, I wish all members a happy and prosperous New Year. ■

JUNIOR ORGANISATION

Jim Yip, Hon. Secretary



Nathan Lee



Sunny Chan



Tony Wan



Jim Yip

PASSION AND VISION - JOURNEY ONWARD 同心向前

THE CHANGING OF GUARDS

JO members are bruised: some have lost their year-end bonus or have suffered steep pay cuts; some are in the last month of employment; some have just failed the APC for the third time. But the gloom has failed to make its mark on the faces of more than 30 members who attended the JO AGM on 3 December 2001. We emerged cheerful. In the meeting we carefully selected the team and threw out ideas for the New Year plan.

Nathan Lee (BS) is this year's JO Chairman. An experienced oarsman and a leader in the HKIS dragon boat team for a number of years, he will paddle our JO out of choppy waters with "Journey Onward" as his mission for this year. He is counting on our concerted effort and solidarity. He will rally support from JO members as hard as he can. Every great leader is born in turbulent times.

Sunny Chan (QS), the Vice-Chairman, vows to bring sunshine to the JO community. He will mobilise every divisional representative to marshal support from each division for a joint APC workshop for JO members.

Tony Wan (GP), the Treasurer, seems to have unbridled energy and bursting thrust. He wants to smash into each college and tell our student members that to seize the world tomorrow we would need to better equip ourselves starting from today.

Secretary Jim Yip (GP) is rather pathetic, he always stumbles each time he tries to play smart in the crowd. Nevertheless, he promises to do another stunt this year: to whip up each member into shape and to

clamor for a party spirit in what this will certainly be an ever-expanding corner with more and more fun events to report in the coming year.

Obviously we have many other equally interesting characters in our JO Committee and we will introduce them to you in our next issues. We would also like to thank David Wan, the immediate past chairman, for his hard work in the last year. In the same year he also became a proud father. We would never find out how hard he juggled his time between his professional work, sterilizing milk-feeding bottles and the insurmountable workload as required for a JO Chairman. David, my schoolmate, and we both started our property career as assistant valuers in JLW in 1989, has never stopped a moment to inspire people.

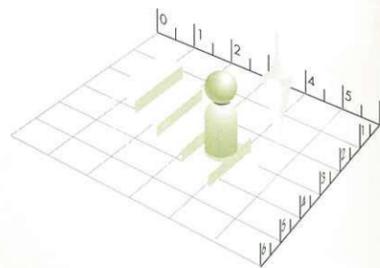
JO website: <http://devoted.to/hkisjo>

OLD STATUE TO CRUMBLE

From now on, we will ensure the following two distinctive flavors for any CPD event that we are going to hold this year:

Achieve synergy with cross-disciplines. JO is a multi-disciplinary platform for young surveyors. We don't compartmentalize our membership and our CPD events. We think bringing up two speakers from two or more different surveying disciplines in CPDs will be most beneficial for our members. When we draw up a list of CPD events we will first think how best we can achieve synergy and added value for the talks.

Best way of learning is by asking, not by teaching. We prefer to hold CPD events in a small group and in an informal setting, preferably participants are greeted with a glass of wine and fine cheese. In a relaxed environment we tend to learn more and have more opportunities to interact with the speakers. On the other hand, we will



JO E-mail Chain

We want to assemble an e-mail contact list for our JO members so that we can notify our members of our forthcoming events in a fast and efficient manner. Please send your e-mail to yipjim@sinaman.com now.

The qualification for a JO member is simple: any member below 33 years old irrespective of the membership class.

In your e-mail please state your division, e-mail address, phone number, student or member status, and any other comments you would like us to have.

spare our speakers from spending a large amount of time in preparing their talk material and fancy PowerPoint presentations, so that we will have a larger pool of speakers, which will enable us to deliver more as well as seasoned CPD events.

GIVE YOUNG SURVEYORS A HAND

In the JO we nurture a new spirit. We encourage all our JO members, including our college students to strive to be ferociously competitive, by learning new skills and sharpening up our edge. We pamper an innovative and creative culture in our JO community. However, senior members' support is vital for the spirit to flourish.

Encouraged by his senior, Mr. Yu Kam Hung, Jones Lang LaSalle's director in valuation advisory services department, Wesley Chan, our new JO Committee member, had his maiden article published in last month's HKIS's newsletter. We have every reason to believe that Wesley will be pounding us more with his insightful analyses. We praise Mr. Yu for his wonderful support, and three members from his team have shown their faces in our Newsletter so far.

There has never been a time to have seen so many writers in the JO Committee, we have Martin Leung, Ronald Cheung and C. Y. Fung and a few more are weighing in. Unlocking the potential and talents in our young members, we call on our seniors to give more opportunities to them and remove the barriers that seem outdated in today's work practice and which, unfortunately retard the growth of our younger surveyors in our profession.

WORK WITH THE RESIDUAL VALUE

To most people, a residual value is something left over, a marginal sum and insignificant.

To surveyors, we know this is the cream of our valuation. They are something after the construction cost, finance charges and profit that we fork out to bid for the land. It can be safe to say that the higher the residual values, the smaller our government deficits or the greater the surplus we have.

Last month, I wrote a story on investment funds and puzzled as to why we have no REITs market locally. My story didn't just stop there. I sent my views to Mike Rowse, the chief of our InvestHK office, the government body that actively promotes foreign investments to Hong Kong. In November, through the help of the InvestHK office, Tony Tse and myself met the officials from the Securities and Futures Commissions. We argued that currently lacking a legal framework in REIT has stifled the development in this area. Tony Tse, our Junior Vice-President, sees greater career prospects for surveyors in REIT developments and promises to raise the issue to Hon. P.C. Lau, our legislator, and make a bigger push on that. Let's wait and see what interesting developments there will be.

Less the shares you have to dedicate to your work, family and other areas, can we kindly ask how much is your residual valuation for the JO?

FIRST SOCIAL EVENT : DRINKING BINGE - ALCOHOL-BASED AND KNOWLEDGE-BASED

17 January 2002 at 7.00 pm

Features:

- Meet in a "Surveyors" Pub, as the partners behind this pub in Causeway Bay are made up of a few surveyors
- Wine tasting session
- Introduce the development process of the pub by the owners
- Presentation 1 - from GP representatives: pub rents, transactions and valuation method for pubs
- Presentation 2 - from BS representatives: pub licensing and fire regulations
- Continue drinking and socializing

Presenters are our student members and they are to water down a few drinks before standing up on a table and shouting out their findings.

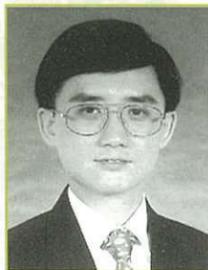
Places are limited to 40 only, on a first-come, first-served basis. Charges are \$80 per head, free selected red wines till 10.00 pm. Please contact Jim Yip 6128 5469 or Tony Wan 2846 5518 for details.



A STRAIT FORCE

A TRAILBLAZER IN TAIPEI AND PRC MARKETS, THE NEW GPD CHAIRMAN, ALEXANDER LAM PUSHES FOR MORE BOLD STRIKES.

Jim Yip, AHKIS MRICS, JO Editorial Board Representative



In the night of 1 December 2001, immediately after the Legislature Yuan Election, Taiwan's President Chen Shui-bian was still seen battling for a new coalition since his party failed to win the majority seats in the election.

At the same time, 640 miles away from Taipei City, Alexander Lam was deep in thought of plotting his new strategies. The steps pacing around his study became more frantic. To aggressively move onto Mainland China - not an idea that the present Taiwan government would contemplate now.

Events in Taipei used to capture his attention, but not tonight. He had a much bigger job to do. In the next week, he would be elected as the commander for the General Practice regiment and he would unfold to his comrades his blueprints in the next two years' of his stewardship. His chief campaign is to advance HKIS's battalion deep into the PRC territory and set up forts, no more treading water and hiding in the bunker. He almost heard the drum beating and the horn blowing outside. The strike was on.

Captain Alexander Lam is no stranger when it comes to battlefields in foreign land. In 1989, he went alone to Taipei and built Jones Lang Wootton's local office from scratch. When he left in 1993, the number of employees in the Taipei office had grown to 55.

In 1993, Alexander joined C.Y. Leung & Co. as executive director. He

was in charge of a new mission: to build a strong property consultancy network across PRC's major cities. Today, the firm now known as Debenham Tie Leung (DTZ), has 8 branch offices in the Mainland, employing over 600 property professionals.

"The success is all teamwork." Alex explains the winning formula. "The property market and regulations in the Taiwan and PRC markets are so different from Hong Kong. When we first moved in these markets, we placed great emphasis on market research. We had the best market intelligence so that we could convince our clients the market trends and the appropriate strategy." DTZ's property research in the PRC is widely acclaimed in the market.

In 1999, Alex proposed an upscale mall marketing concept for Hang Lung's Plaza 66 in Nanjing, Xilu, Shanghai, which was due to be opened a year later. The developer was skeptical of his proposal. With many foreign retailers getting their fingers badly burned in the Shanghai market in the early 90s, the upscale mall was a thing of the past. Besides, Plaza 66 faced stiff competition from other rivals. Hutchison's Westgate Mall with Isetan department store as its anchor tenant was just around the corner and Citic Square, developed by Citic and Swire Properties, stood shoulder to shoulder to Plaza 66 and would open at the same time.

Alex flew in a group of French retailers of a prestigious brand to Shanghai and they were thrilled at what they saw - the opulent old Shanghai had sprung back to life. In 2000, LVMH opened its first

flagship store with a gross floor area of over 3,000 sq.ft. at Plaza 66.

"In the late 90s, Shanghai sustained a robust economic growth. Unlike the boom in the early 90s, which was buoyed up by speculations, this one was more real and sustainable. Foreign companies were pouring in and the vacancy rate, in what was an oversupplied office market was dropping fast and rentals edged up slowly. We were positive that the similar buoyant trend would replicate in the retail market," says Alex. DTZ subsequently won the sole agency for the Shanghai's premier shopping mall of 540,000 sq.ft., which boasts international brands like Louis Vuitton, Cartier, Chanel and Christian Dior.

Alex does not seem content with all his present trophies. There is one issue that holds dear to his heart. He wants a wider recognition of Hong Kong surveyors in the PRC property market. "As I have worked in the Taipei and PRC markets, I firmly believe that the future of Hong Kong surveyors lies in the Greater China region and our vision must go beyond the boundaries of our own border," he says.

He helped HKIS stage two Real Estate Services Expos, one in Beijing last year and the other in Shanghai in 2000. He was also in the working group to negotiate a reciprocity agreement with the China Institute of Real Estate Appraisers, which finally obtained its blessing from the HKIS General Council.

"While leveraging up on our past efforts and for HKIS to move fast in the PRC market is my key agenda in my term, let us not forget some issues at home," says the GPD chairman. "Unlike other surveying

divisions, public perception towards the job nature of general practice surveyors seems confused. Even some of our own members have problems in telling exactly what we do as a general practice surveyor. This is a big disadvantage to us. I want to identify a new public image for general practice surveyors during my term."

Alex is a very nice and friendly person, someone you would want to sit next to at dinner. His appearance, particularly his hallmark hairstyle has impeccably remained intact all these years.

A couple of years ago I would have joined DTZ's China marketing team had it not been for my unforgiving slip-up in an interview with Alex. With a close to native Mandarin accent to flaunt, I anticipated to make a killing in our first encounter. But things twisted the other way as they usually do at critical moments. I was shocked when I was asked to make a presentation off the cuff on a pen he was holding in front of me. I squandered the golden opportunity.

"You know how to put on a better show now?" he said with a big smile.

Of course, it would be rather creative for me to say at that time: "To pen the story of one Hong Kong surveyor who has a remarkable record in exploring new markets and who will lead us in bigger strides into the Mainland market."



TIME OF THE ESSENCE - A MISUNDERSTOOD TERM

John B Molloy, LLB(Hons), BSc(Hons), FHKIS, FRICS, FInstCES, MCI Arb, RPS(QS)
Managing Director, James R Knowles (Hong Kong) Limited



Contractors and sub-contractors often ask me to give advice on specific terms in their contracts, particularly where those terms are specially written for the contract in question. Drafting clauses in contracts is difficult and specialist works, and should not be undertaken without very careful thought.

Large employers' organizations such as the Government, the MTRC or the KCRC will generally have their special conditions of contract drafted by their legal advisors and in such circumstances, the clauses usually achieve their purpose without ambiguity. Smaller employers however will often leave the drafting of their special conditions to their consultants, principally their architects or quantity surveyors, and it is in this area that problems often arise.

Problems with special conditions of contract arise generally due to ambiguity within the clause itself, or the effect of the clause causing discrepancies within the remainder of the document. Ambiguities are the result of poor drafting, often the incorrect or inaccurate use of particular terms.

One such term that arises frequently in special conditions of contract regarding the time for completion or extensions of time is 'Time of the Essence'. Often there will be a statement to the effect that 'the time for completion of this contract shall be of the essence'.

Generally, draftsmen of such clauses insert them to emphasize to the contractor the importance of completing on time - as if a contractor really needs reminding of such a point with the threat of liquidated damages hanging over his head! But is this correct, or does 'time of the essence' mean more than simply time being important?

Well in my experience 'time of the essence' is one of the most misused contractual terms, particularly in construction contracts. Time is of the essence where failure to meet the particular date is a fundamental breach of contract entitling the other party to treat the contract as repudiated, accept such repudiation and claim damages.

Time is seldom of the essence in a construction contract because the effect of such a provision is that the employer is stating that if the

building is not completed on a certain date, then the employer does not want the building at all, and will treat the contract as repudiated.

It is possible to think of circumstances where this may be relevant in a construction contract. For example, time could be of the essence in a contract to build a grandstand to watch the Chinese New Year Fireworks because there is no value to the Employer in receiving the grandstand one month late when the Chinese New Year has passed. However, such circumstances are very rare.

Generally, therefore time is not considered to be of the essence in construction contracts, because construction contracts are different to most other contracts in that the contractor will have expended heavily in performing the contract prior to a delay in completion and in constructing the works the employer will have become owner of the property and thus have received a major and irretrievable benefit.

Further, it is clearly arguable that provisions in construction contracts for extensions of time and liquidated damages are inconsistent with an interpretation that time could be of the essence, because both clauses indicate a preference on the employer's part to allow the contractor to complete and accept liquidated damages as compensation. This point was made in *Lamprell v Billericay Union (1849)* where the judge commented:

"Looking to the whole of the deed, we are of opinion that the time of completion was not an essential part of the contract; first, because there is an expressed provision made for a weekly sum to be paid for every week during which the work should be delayed after June 24, 1840; and, secondly, because the deed clearly meant to exempt the plaintiff from the obligation as to the particular day in case he should be prevented by fire or other circumstances satisfactory to the architect; and here, in fact, it is expressly found by the arbitrator that delay was necessarily occasioned by the extra work."

For these reasons the courts have been very reluctant to interpret time in construction contracts as being of the essence, even if (as is often the case) it is stated as being so. In the case of *Lucas v Godwin (1837)* the judge commented:

"It never could have been the understanding of the parties, that if the house were not done by the precise day, the plaintiff would have no remuneration; at all events, if so unreasonable an engagement had been entered into, the parties should have expressed their meaning with a precision which could not be mistaken."

An alternative view to the above two cases was however given in *Peak Construction (Liverpool) Limited v McKinney Foundations Limited (1970)* where Lord Salmon considered that the inclusion of a clause that time was of the essence and provisions for extensions of time and liquidated damages was not inconsistent but simply gave the employer the choice of termination or damages. However, the other two judges

in the case did not consider such argument, and in general the weight of authority would appear to be against this view.

Notwithstanding this point, where there is an extendable time for completion with liquidated damages, and the contractor is in delay, it is possible for an employer to make time of the essence by serving a notice requiring completion by a certain date. He cannot do so, however, if his own breach of contract is already affecting the contractor's ability to complete. This remedy would only be available in rare cases where the contractor's failure to complete is so persistent or flagrant as to evince an intention not to be bound by the contract. ■

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WHAT'S IN AN ARBITRATION CLAUSE?

James B Longbottom, Brian E Rawling & Associates



Generally, at the back of most construction contracts there is an arbitration clause by which the employer and contractor agree to submit to arbitration all or certain disputes that may arise between them. The clause is unique in that, under the doctrine of separability, it survives the main contract, should that contract be discharged by performance, frustration, fundamental breach, or repudiation. In other words, if the main contract for any legal reason ceases to exist, the arbitration clause (hereinafter referred to as 'the agreement') will be severed from the main contract and continue in its own right. This is an important principle of arbitration law as, without an agreement to arbitrate, there can be no arbitration.

The terms of the arbitration agreement dictate the conduct of the arbitration and provide for such things as the arbitrator's authority to hear a particular type of dispute, the arbitrator's powers and duties and the rules for the arbitration. This article considers the basic points which the parties should consider when confronted with an arbitration agreement, usually drafted as part of a standard form of contract, or are considering what matters an arbitration agreement should contain.

JURISDICTION

The overall authority or mandate of an arbitrator to entertain a dispute is known as his jurisdiction. Such jurisdiction will depend on the "width of the wording" used by the contract drafter to describe those disputes which may be arbitrated. In this respect, Mustill and Boyd, in *Commercial Arbitration*, 2nd Edition, set the following broad principles to consider when construing the "width of the wording" in an arbitration agreement:-

- the agreement to arbitrate will be taken on first appearance to infer that the parties intend all disputes relating to the contract to be resolved by arbitration;
- in the absence of clear words to the contrary, the remedies or redress available to the arbitrator will be the same as those exercisable by the Courts; and
- the words used in the agreement to describe those disputes falling

within the arbitrator's jurisdiction will be given their "natural meaning" in the context that they are found.

For example, under the HKIA Standard Form of Building Contract, the arbitrator's jurisdiction is defined in clause 35(1) by the following provisions:-

"Provided always that in case any dispute or difference shall arise between the Employer or the Architect on his behalf and the Main Contractor, either during the progress or after the completion or abandonment of the Works, as to the construction of this Contract³ or as to any matter or thing of whatsoever nature arising thereunder³ or in connection therewith⁴..."

If clause 35(1) is dissected into its constituent parts it is apparent that all contractual claims arising under the HKIA Form are arbitrable with the exception of tort per se i.e.:

- 1 "... any dispute or difference..." - is thought to mean all disputes that may flow from the contract;
- 2 "... as to the construction of this contract..." - encompasses disputes concerning the interpretation of the contract terms;
- 3 "...or as to any matter or thing of whatsoever nature arising thereunder..." - provides that disputes "arising under" the contract may be referred to arbitration, but it does not include claims in tort; and
- 4 "...or in connection therewith" - widens the jurisdiction of the arbitrator significantly to include disputes which induced the contract such as misrepresentation and negligent misstatement. This provision extends to common law claims in connection with the contract.

APPOINTMENT OF THE ARBITRATOR

Generally, an arbitration agreement will provide that the parties are free to agree who shall act as arbitrator(s). However, should the parties not wish to be bound by a standard clause in a standard form, then they should consider the following points:-

- **Qualifications.** If the parties wish the arbitrator to possess certain qualifications (e.g. "not a lawyer") this should be expressly stated in the agreement.
- **Number of arbitrators.** Unless a contrary intention is expressly provided for within the agreement as to the number of arbitrators, Section 8 of the Arbitration Ordinance, Chapter 341 ("the Ordinance") provides that it will be deemed that the parties intended the dispute to be heard by a single arbitrator.
- **Appointment by a third party or institution.** If the parties fail to agree on a person or persons then there should be express provisions within the agreement to cater for such eventualities.

Under the HKIA Form, if agreement cannot be reached between the parties, the arbitrator is appointed, on request of either party, by the President or Vice-President of The Hong Kong Institute of Architects in conjunction with the Chairman or the Vice-Chairman of the Royal Institution of Chartered Surveyors (Hong Kong Branch). This poses an obvious problem since the RICS (Hong Kong Branch) no longer exists and it is not possible to apply to a body, which does not exist. Care should therefore be exercised to ensure that the standard HKIA clause is amended so that the new clause provides certainty as to the appointing body in the event that the parties are unable to agree upon an arbitrator.

As for those parties left with an unworkable agreement, all is not lost. Section 12 of the Arbitration Ordinance states that if agreement cannot be reached between the parties then they may apply to the Hong Kong International Arbitration Centre (HKIAC) to make such an appointment.

WHEN TO ARBITRATE

Generally, a construction arbitration agreement will provide that, unless the parties agree otherwise, an arbitration cannot be commenced, subject to certain exceptions, until after completion or termination of the works.

One reason for this provision is, presumably, to put the interests of the project first as a full-blown arbitration during the course of the

works may have inevitable detrimental effects on progress, quality and the like, not only because the contractor's resources are tied up in the arbitration but also the consultants could be involved in preparing the case for the employer.

For a contractor who is suffering cash flow problems due to unjustly disputed claims, this standard provision offers no relief and, as yet in Hong Kong, there is no compulsory adjudication (as in the UK) which means that such contractors obtain no relief until well after the work is carried out.

Employers, on the other hand, faced with a defaulting contractor, can determine the contractor's employment under the contract and achieve some redress (if only partial) in this way.

Clause 30(7) of the HKIA Form also provides that if arbitration proceedings are not commenced within 14 days after the issue of the Final Certificate then the said Certificate:-

"shall be conclusive evidence in any proceedings arising out of this Contract that the Works have been properly carried out and completed in accordance with the terms of this Contract".

Exceptions to the conclusive nature of the certificate will only be made in the event of fraud, mistake or the discovery of latent defects. It is therefore important that a claimant under the HKIA Form not only refers a dispute to arbitration before the "time bar" takes effect but also that the "notice of arbitration" is worded in the widest possible terms to cover all eventualities that may arise before the Final Certificate becomes conclusive evidence.

If a contractor is unwittingly caught out by a Final Certificate issued under clause 30(7) of the HKIA Form, then he should consult his lawyer as early as possible if he is to challenge the finality of that Final Certificate.

Section 2GD of the Ordinance states that the arbitrator may extend the time for the arbitration proceedings if he is satisfied that:-

"5(a) the circumstances were such as to be outside the reasonable contemplation of the parties when they entered into the

arbitration agreement, and that it would be just to extend the period; or

(b) the conduct of one party makes it unjust to hold the other parties to the strict terms of the agreement”.

However, in *Crown Estates Commissioners v. John Mowlem & Co Ltd* (1994) 10 Const L.J. 311 (CA), the conclusive effect of a Final Certificate issued under the JCT 80 Standard Form of Building Contract in the UK (which has similar provisions to clause 30(7) of the HKIA Form) was considered and held not to operate as a “time bar” but as an “evidential bar” to the claims in the proceedings, i.e. there was no time limit within which to commence proceedings, they could be brought at any time. Instead, the bar was concerned with the admission of evidence (and restrictions thereon) and not the parties’ underlying rights. Therefore, if the Final Certificate only bars evidence and not the arbitration proceedings then the logic would suggest that Section 2GD of the Ordinance cannot apply. Whether an arbitrator and/or the Courts would find this analogy persuasive in Hong Kong remains to be seen.

WHERE TO ARBITRATE

Given the level of internationality of construction in Hong Kong, the parties should expressly state the law governing both the contract and the arbitration proceedings to avoid both ambiguities and misunderstandings.

HOW TO ARBITRATE

(1) Procedural Rules

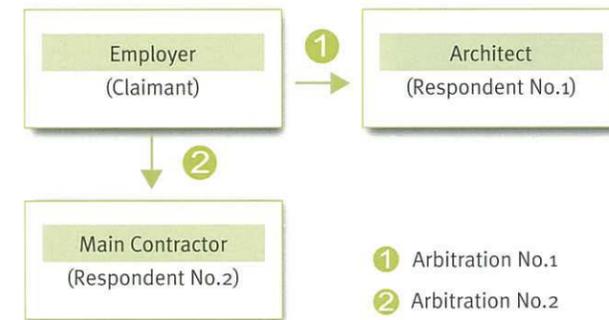
The contract drafter should consider whether it is desirable to adopt any procedural rules for the conduct of the arbitration proceedings and, if so, expressly refer to them in the arbitration agreement. In this respect, reaching agreement on any matter once arbitration proceedings have commenced can be an uphill and costly task.

(2) Consolidation

Arbitration agreements are normally bilateral arrangements between two parties. Problems may therefore arise where third parties are involved in related disputes arising out of the same set of facts but where there is no agreement to join the third parties into the arbitration e.g.:-

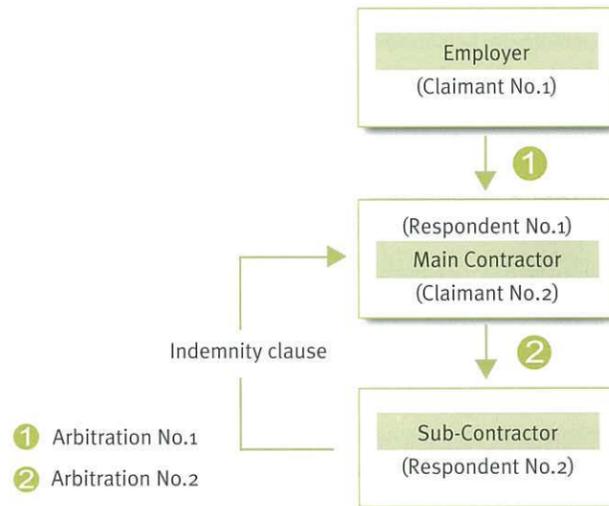
- In **Scenario 1** herein the employer wishes to pursue a related claim for defective work against both the architect for design defects (Arbitration No.1) and the main contractor for poor workmanship (Arbitration No.2); and

Scenario 1 - Multiple Respondents



- In **Scenario 2** herein the employer wishes to pursue a claim for defective work against the main contractor (Arbitration No.1) who in turn wishes to claim an indemnity from the sub-contractor who actually did the work (Arbitration No.2). This is commonly known as a string or chain claim.

Scenario 2 - 'String Claims'



One answer may be to consolidate the different proceedings into one arbitration. The argument for not so doing is party autonomy, i.e. arbitration is a private consensual arrangement between two parties who may not wish to see themselves joined into someone else’s arbitration or vice versa.

However, the danger of pursuing independent actions, either concurrently or consecutively, is that the different tribunals may make inconsistent findings of fact. The further obvious disadvantage is the considerable cost of running two separate arbitrations.

Section 6B of the Ordinance enables the Courts to consolidate two or more arbitration proceedings if it appears to the Courts that:-

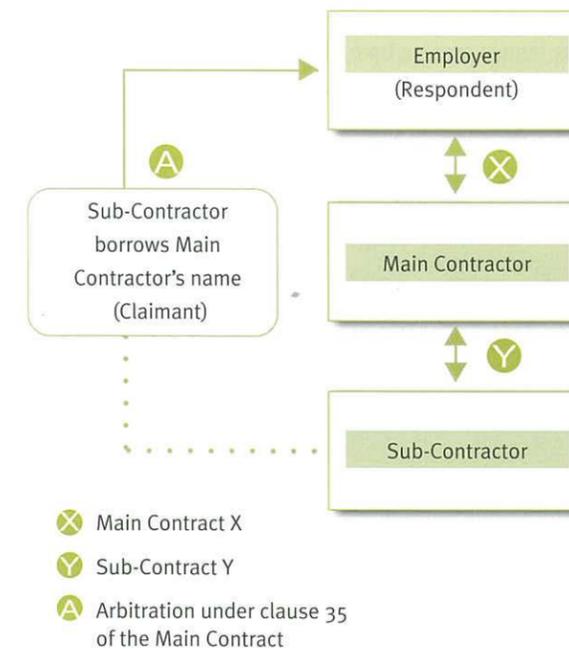
- (a) “some common question of law or fact arises in both or all of them; or
- (b) the rights to relief claimed therein are in respect of or arise out of the same transaction or series of transactions; or
- (c) for some other reason it is desirable to make an order under this section.”

An alternative approach may be to provide some form of consolidation in the arbitration agreement itself. For example, the arbitration agreements found in the JCT building contracts in the UK set out a mechanism for the consolidation of related disputes between the employer or main contractor and a nominated sub-contractor or supplier before one arbitrator.

(3) Name Borrowing

A further difficulty is illustrated in **Scenario 3** herein. In this example, a sub-contractor wishes to pursue a claim against the employer with respect to a dispute that does not involve any conflict with the main contractor, e.g. a dispute over the valuation of a variation carried out by the sub-contractor and instructed by the employer. In such circumstance, the ideal option would be for the sub-contractor to leapfrog the main contractor and commence arbitration proceedings against the employer. Contractually, this is, of course, not possible since there is no contractual link between the parties.

Scenario 3 - Name Borrowing



One solution under the HKIA Form of Sub-contract for use by Nominated Sub-Contractors is ‘name borrowing’ whereby the main contractor allows the sub-contractor to use his name in arbitration proceedings under clause 35 of the main contract. The scope of the right by the sub-contractor to borrow the main contractor’s name should be clearly defined by the contract drafter in either the arbitration agreement or conditions of sub-contract.

BEFORE ARBITRATION

Although not specifically referred to in the HKIA Form, before the parties resort to arbitration (which is usually an expensive exercise) to decide the disputes, less formal dispute resolution methods should be considered, such as:-

- mediation;
- adjudication;
- early neutral valuation;
- expert determination;
- and the like.

Although such alternative dispute resolution methods are not as detailed and thorough as arbitration, they can provide guidance, for a relatively low cost, as to the possibilities of success or failure in arbitration. History of the ACP conditions of contract shows that the disputants were able to settle their difference via mediation and adjudication as very few disputes involving employer and main contractor reached a formal arbitration hearing.

CONCLUSIONS

The arbitration agreement should cater for the parties’ requirements. When the contract is formed, the arbitration agreement clause is usually one of the last things on one’s mind. However, if disputes arise which are not settled between the parties and formal disputes develop, then the arbitration agreement becomes the crucial link between the parties under the contract and the independent authority who will decide the disputes.

In Hong Kong, there is no formal requirement for a valid arbitration agreement, other than that it should be in writing for the Ordinance to apply. Indeed the words “Arbitration: Friendly arbitration in Hong Kong” have been found by the courts to be sufficiently clear to constitute a binding arbitration agreement. However, if the agreement is to be effective and arguments about the meaning and scope of the arbitration agreement (and costs) are to be avoided at the outset of proceedings, then the points in this article should be considered to clearly and consistently spell out the parties’ intentions.

For further information contact bera@netvigat.com



HAMMER OUT A TELLING TRUTH

THE ABSENCE OF HONG KONG BIDDERS IN THE MUCH-TRUMPETED SHENZHEN LAND AUCTION CANNOT MAR THE GROWING PRESENCE OF "SHENZHEN INFLUENCE" IN OUR PROPERTY MARKET.

Martin Leung



The beautiful scenery and lush green along the coastal Binhai Avenue rivals Singapore's East Coast Parkway - the gateway connecting Changi airport to the city. Egrets hover in the sky over the mangrove wetland, suggesting this area - a vast strip of reclaimed land in Shenzhen Bay - is more than a welcoming home for mankind. The skyline of Tin Shui Wai in silhouette across the shimmering Deep Bay drops a hint of its physical closeness to Hong Kong.

A lot of hoopla was sparked when Mr. Yu You-jun, the Shenzhen mayor, in his visit to Hong Kong's Shenzhen Real Estate Exhibition in June last year, unveiled its government plan to dispose of the reclaimed land by land auction.



The reclaimed site of 290ha is earmarked by the Shenzhen Government for a massive residential development project with the total gross floor area up to 26 million sq.ft. It is considered as the most prestigious land in Shenzhen. To further

enhance its attractiveness, the Shenzhen-end of the proposed Western Corridor will be built somewhere close to the site. With the new bridge in 2004, the travel distance and time to Hong Kong will be cut drastically.

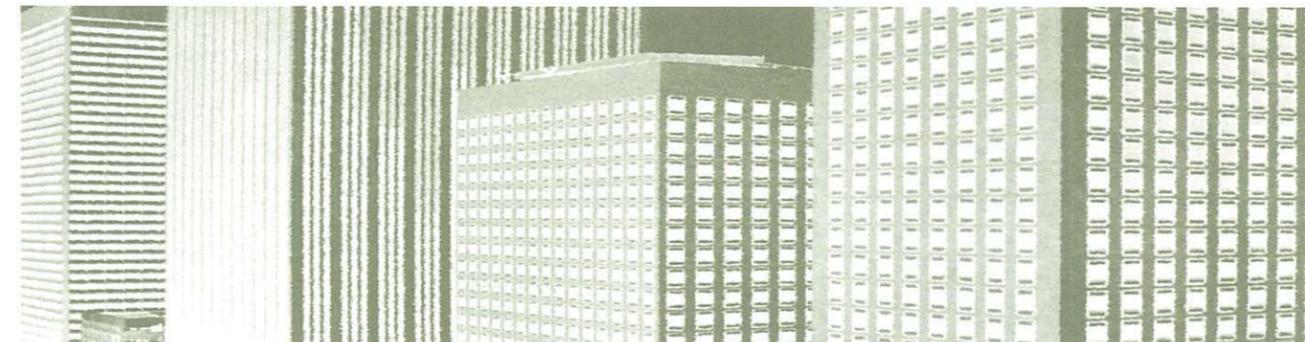
Given the fact that the current property price in Hong Kong is at least 4 times more expensive than Shenzhen, more and more Hong Kong buyers will be expected to move into the Shenzhen property market.

The first 3 residential lots, providing a gross floor area of more than 8 million sq.ft., were offered in a land auction held in the City Hall on 6 December 2001. There was intense bidding for all three sites, fetching a record-breaking sum of 2.23bn Yuan in Shenzhen land auction history. The rapid-fire auctioneer's chant and the rendition of *The Magnificent Seven* by Elmer Bernstein at every hammer fall had provided additional excitement.

However, the market was disappointed with Hong Kong developers, whom were largely missing from the bidding scene. Some of them whom had initially expressed keen interest only showed up to watch in Shenzhen.



Mr. Ou Ya-ping (right), chairman of Sinolink, the developer who won the seafront site for 780mn Yuan, shared his winning joy with Martin.



There were several reasons accounting for this twist in development:

- Lately there is a sign of life in the local sales market and the talk of recovery is on everyone's lip. Obviously, developers don't want to give a false signal of their lacking confidence towards the future by showing strong interest in the neighboring Shenzhen market. This would dampen the buoyant sentiment.
- Developers are still showing a cautious attitude towards the Shenzhen property market. Concerns are raised with the large future supply in this reclaimed land.
- The building covenant for the first three residential lots is a three-year term from the date of land sales. Shenzhen imposes a strict pre-sale rule that no pre-sale consent is given unless the development is proved 75% completed. Given the three lots with the same building covenant, adjoining to each other and of similar product mix - high-rise residential developments - market competition would be intensified when some 8 million sq.ft. of residential are rolled out at the same time.
- Developers have not been too familiar with the land auction system in Shenzhen.

The Shenzhen property market has come a long way since its first land auction in 1987. In terms of legal framework, market structure and development quality, big developments have been made. The whole marketing exercise of the latest land auction was seen as a clever move.

The Hong Kong property market for the first time felt the most formidable challenge from its neighbor Shenzhen. We expect that in future, events in the two market places will further be intertwined and will exert impacts to both. With a more open border and improved traffic between the two places, land and property supply in Hong Kong will be potentially increased and the factors affecting the local price trend cannot exclude consideration of those in Shenzhen.

Interestingly, 14 years ago, HKIS donated the gavel and rostrum to the Shenzhen Government and history was made for the first PRC land auction. Today we witness another history in the same hall.

Table: Land Auction Results

Lot number	T207-0035	T207-0034	T207-0026
Site area (sq.ft.)	869,089	881,872	808,471
Residential GFA (sq.ft.)	2,632,874	2,804,022	2,683,465
Plot ratio	3.1	3.25	3.4
Land price (RMB mn)	700	755	780
Residential A.V. (p.s.f.)	266	269	290
Developer	Tinhua	Tinhua	Sinolink

Special thanks to Ms. S.Y. Lim, secretary assistant for the Shenzhen Institute of Real Estate Appraisers, who had kindly arranged entrance tickets for us to the land auction. ☑

Difficulties in Valuation of Properties in People's Republic of China

Yu Kam Hung, FRICS, FHKIS, Director of Valuation Advisory Services Department, Jones Lang LaSalle
 Harry Chan, MRICS, AHKIS, Senior Manager, Valuation Advisory Services Department, Jones Lang LaSalle



Yu Kam Hung



Harry Chan

To carry out valuation of properties in Mainland China is not an easy task. The lack of market transparency and reliable information has urged valuers to exercise more skills. In this article, we discuss various issues and problems faced by valuers acting as overseas consultants in doing valuation of properties in Mainland China.

UNIQUENESS OF LAND SYSTEM IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

In China, most of transferable land in the market is State-owned Land Use Right. The PRC government grants the State-owned Land Use Right to a grantee for a specific term depending on the uses of the land concerned and a State-owned Land Use Right Grant Contract is signed between the government and the grantee. Some property interests are subject to restrictions on assignment and letting in the market. Such property interests are normally created by administration appropriation of land use right, particular for sino-foreign joint venture projects, in which the Chinese parties are state-owned enterprises. In such cases, opinion of PRC legal advisers on the validity of the land title and the possibility of converting the land into State-owned Land Use Right should be sought. The valuer has to discuss with the client on the basis and method of the valuation to be adopted when dealing with the restricted land use right.

SOURCE OF INFORMATION

In addition to the State-owned Land Use Right Grant Contract, there are various title documents, official approvals and permits under the PRC land system that are essential documents for development properties and completed buildings. Some of them are listed below for reference:

- a) State-owned Land Use Certificate
- b) Realty Title Certificate

- c) Red Line Drawing
- d) Construction Land Use Planning Permit
- e) Construction Works Planning Permit
- f) Construction Works Commencement Permit
- g) Construction Completion Verification Certificate
- h) Building Completion Drawings
- i) Commodity Buildings Pre-sale Permit

Since not all city governments provide the public with access for obtaining copies of the above documents or property related information from the government authorities, a valuer has to request the client to provide such documents and rely on a considerable extent of information given by the clients.

In normal situation, copies of the document are provided. However, it is advisable to examine the originals in doing valuation. For example, to differentiate different ownerships, two types of Realty Title Certificate are prepared by PRC government. One is in a red cover and the other is in green. Property interest with Realty Title Certificate in a red cover is transferable in the market whereas that in a green cover is restricted from being transferred in the market. If valuers do not view the original Realty Title Certificate nor are advised by the client, they would not know any restriction on the land use right.

Further, valuers should exercise a duty of care by requesting the client to view the original documents to check whether the copy provided is a true copy.

OPAQUE LAND REGISTRATION SYSTEM

Another way to verify the copies provided is to make enquiries to the relevant government authorities. Most city governments in the PRC

have already developed comprehensive land registration systems, however the official records in relation to land title/property information are not open to the public yet.

Only a few cities, such as Guangzhou and Shenzhen, do the governments allow the property owners to make a request in person for viewing the original legal documents and official records in connection to his property at the government Real Estate Archives Centre. To check the original documents and official permits, valuers can request the client, being the property owner, for an authorization letter to view the documents and records at the Archives Centre, or accompany the property owner to visit the Archives Centre and view the information.

In any case, valuers should examine the original documents to verify ownership or to ascertain the existence of any lease amendments, which may not appear on the copies handed to the valuers.

TOWN PLANNING ISSUE

One important issue relating to development site and development properties in the PRC is the permissible land use under town planning control. The Town Planning Bureau of each city has prepared a Master Layout Plan for the city and Land Use Zoning Plans for administration districts. The former shows the land use in broad terms and is exhibited at the office of the Town Planning Bureau while the latter shows the land use of a district in more detail and is for government internal use. To assess the development potential of a particular site, valuers have to make enquiries in writing to the respective Town Planning Bureau to check the planning intention, permissible land use and plot ratio of the site under town planning zoning.

ASSEMBLY OF COMPARABLES

In gathering an analysis of comparable properties, valuers have to pay

attention on the quality of the comparable properties as the standard of workmanship and building specification of properties vary substantially in the market.

In Mainland China, developers normally sell residential units in bare-shell condition (without basic finishes and water closets). It is only common in the Pearl River Delta Region that residential units offered for sale are equipped with basic finishes, water closet, bathtub and kitchen cabinets similar to Hong Kong. In the course of valuation, valuers should select comparable properties which have similar finish standard and specification and analyze like with like.

ANALYSIS OF UNIT RATE

In analysis of comparable transactions, various information would draw a valuer's attention including currency, area measurement and unit rate.

Currency

The official currency in China is Renminbi ("RMB"). However, in major cities such as Beijing, Shanghai and Shenzhen, sale prices of quality offices, retail space and luxury residential properties are commonly quoted and transacted in US Dollars ("USD"). Even for government land grant, the land premium specified in the State-owned Land Use Right Grant Contract is denominated in USD. In analysis of the transacted prices, valuers have to convert all transacted prices in the same currency.

Area Measurement

Although the PRC government promotes the use of metric unit in measuring area, it is common that local people use traditional area unit, "mu" ("亩"), to describe the land area, in particular, agricultural land. One mu is equal to approximately 667 m².

In analysis of the transaction price in the PRC, valuers have to carefully

ascertain the floor areas in terms of gross floor area (“GFA”), saleable area and plot ratio countable GFA, as the terminology and definitions of these areas are different from Hong Kong. In general, gross floor area does not include the area of balcony. The floor area below ground is plot ratio non-accountable whereas that above ground is plot ratio accountable. For instance, retail space on basement levels is not accountable for plot ratio whilst car park podium is countable for plot ratio.

Unit Rate

It is interesting to know that the rentals of quality office and retail properties are commonly quoted and transacted on daily basis, that is USD/m²/day. As mentioned before, the unit area adopted for land is mu. Local people usually quote the land price at a unit rate of RMB/mu or USD/mu.

DIFFICULTY IN ANALYSIS OF TRANSACTION

In view of the lack of reliable market information, valuers would make reference to the building brochure prepared by the developers for the information such as floor plans, accommodation, facilities and building specification. However, not all buildings’ brochures contain all the relevant information. Some building brochures are in simple format and contain only the layout plans of various units but not the whole floor plans. Readers cannot know the layout of lift lobbies, common staircases and orientation of flats on a typical floor from the building brochure. Valuers are therefore advised to inspect the comparables to check all these aspects.

Land granted by the PRC Government can be broadly divided into three categories depending on the conditions of the land. They can be described as virgin land (“生地”), gross land (“毛地”) and improved land (“熟地”).

Virgin Land

Virgin land is a tract of land without basic infrastructure and public utilities such as access road, electricity, water and gas supply and telecommunication connection. The developer has to invest in the basic

infrastructure prior to the property development and the land cost is generally at a low level.

Gross Land

Gross land is a plot of land on which old buildings and houses ripe for redevelopment exist. Relocation of existing residents and business establishments and demolition work are required for property development.

Improved Land

Improved land is a piece of land with necessary infrastructure and public utilities available to the boundary of the land. Improved land is generally in urban areas, and the government land sale of improved land is similar to Hong Kong.

In granting the land use right of virgin land and gross land, the PRC Government breaks down the land price into two portions. The first portion is the basic land cost that is normally stated in the State-owned Land Use Right Grant Contract and amounts for small value in comparing with the land price. The second portion is the cost for relocation of existing residents and infrastructure costs. These costs are stated in an agreement separated from the State-owned Land Use Right Grant Contract and amount to the major portion of the land price. In the analysis of land price, valuers have to carefully scrutinize the land use right grant contract, relevant land documents and identify what constitutes the land price.

DIFFICULTY IN FORECAST

In the past ten years, the investment environment and property market in China have changed substantially. Most of the policies and regulations relating to the property sector promulgated in the early 90’s have been amended and repealed to meet the demand of the rapidly growing property industry. As the change in regulations has great impact on the property market, it has imposed difficulties on the valuers and researchers in predicting the market trend and forecasting various market parameters. For instance, the Shanghai Government has released the restriction of foreigners from buying domestic sale

residential units in August 2001. The two-tier residential market (domestic sale and overseas sale sectors) in Shanghai has since then merged together to become a single residential market.

In valuing investment properties by Income Capitalization Approach, including direct capitalization and discounted cash flow analysis, the valuation methods require input of various financial parameters including market rent, term and market yields, discount rate, etc. If valuers do not have market knowledge and an idea of these financial parameters, they have to carry out extensive research on similar investment properties to find out the benchmark of a particular market sector.

PROFESSIONAL REGISTRATION AND LICENSING SYSTEM

In China, there are three categories of valuation professional: real estate appraiser, land valuer and asset appraiser. The professional valuers/appraisers and valuation firms under each category are monitored and regulated by three different ministries. The Construction Ministry, State-owned Land and Real Estate Ministry and Finance Ministry monitor the real estate valuation, land valuation and asset valuation industries respectively. Valuers who attain the qualifications and are registered in the responsible ministry can practise as a qualified valuer in one of the three professional areas. The scopes of services that are provided by these three kinds of valuers are different.

Real Estate Appraiser

Real estate appraisers provide valuation services for general properties and emphasize on completed buildings.

Land Valuer

Land valuers provide valuation services similar to real estate appraisers but emphasize on completed properties whilst land valuers emphasize on land.

Asset Appraiser

Asset appraisers can provide a wide scope of services including

valuation of tangible and intangible assets such as buildings and land, plant and machinery, trademark and business, etc.

Valuation Firm

The types of valuation jobs and properties to be undertaken by the valuers/appraisers and the valuation firms are strictly controlled by the respective responsible ministry. Estate appraisers and land valuers can undertake valuation jobs generally for the purposes of mortgage, financing, sale and purchase, etc. The asset appraisers can undertake asset valuation for accounting, liquidation, legal proceedings and company floatation, etc.

In addition, valuation firms are broadly classified into three grades in terms of the value of the property being assessed and the geographical coverage. Grade A valuation firms can undertake valuation of geographical coverage of the whole country and without property value limit. Unlike Hong Kong, obtaining a business licence for a valuation firm and to practise as one kind of valuers/appraisers is complicated.

CONCLUSION

Valuation of properties in China is not an easy task in view of the imperfect market information, geographical difference and the inaccessibility to the government sources of information. It is expected that the barriers to the property valuation would be gradually removed as the PRC property market continues to develop and government authorities adopt a more open-minded attitude.

Hong Kong valuers who undertake valuation of properties in China are acting as overseas consultants as we are not registered PRC qualified appraisers/valuers. The PRC Government has recently allowed Hong Kong people to sit for the professional examination in real estate appraisers, which is held biannually. In addition, HKIS is working on the proposed reciprocity agreement between HKIS and the China Institute of Real Estate Appraisers. In the foreseeable future, we would expect more Hong Kong valuation professionals to be PRC qualified appraisers/valuers and to practise valuation in Mainland China. ■



MEASURES ARE NEEDED FOR THE HOME MARKET TO RECOVER

WORRYING SIGNS EMERGE IN THE MARKET AND WILL LIKELY FURTHER DEPRESS HOUSING DEMAND. PROPER MEASURES ARE NEEDED.

Jim Yip, AHKIS, MRICS, Senior Research Analyst, Asia Financial (Securities) Ltd.



The observation of a falling apple in his orchard led Isaac Newton into the discovery of universal gravitation and the pulling force for the moon. Today, after 275 years, it seems that we are puzzling on a new kind of gravity, for the apple of our life - our home value.

Residential prices have been falling by 10% since the beginning of 2001. A flat in Kingswood Villa, the estate with the most breathtaking view of Shenzhen new city, dropped 12% in price. But for a similar apartment in South Horizon, Aberdeen, Hong Kong's last outpost to the South China Sea, the price shed by 14%. In this property slump, no estate could remain unscathed and the degree of casualty is not tilted on geographical reason.

THE MARKET HAS ALL THE ALLURE

Home prices have fallen back to the 90s level, whereas the average household income has doubled in the last decade according to the latest Census results.

The current mortgage rate is the lowest in 30 years. Compare the mortgage yield with the rental yield, we now have a positive carry yield (i.e. return rate exceeds the cost of interest.) This makes renting more expensive than buying. Home buying seems to be a more viable option, not only for investment purpose but also for the self-occupation purpose.

Moreover, the upfront payment i.e. 30% of the house price, once a housing barrier for new buyers, has now been largely provided by the government subsidized housing loans or the developers. New buyers now find it much easier than before in buying properties.

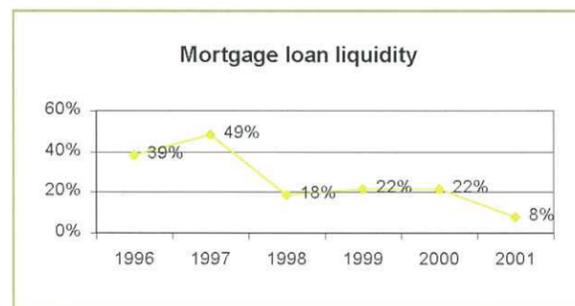
YET HOUSING MARKET IS SLUGGISH - A CONUNDRUM

All the blocks are cleared. Affordability is at an all time high. Yet housing demand is lacking and market activity is sluggish. Property prices fell by another 25% from 1999, despite a strong recovery in the local

economy, with an impressive two-digit growth rate in GDP last year.

In our view, such anemic housing demand can largely be attributed to the fall in the trade-up demand. Properties are not only brought by first time buyers, but also from existing owners who wish to trade up. We have long argued that upgrading is the most important source of housing demand in Hong Kong market and a rejuvenation of its activities heralds a housing market recovery.

EXISTING HOMEOWNERS DO NOT UPGRADE, WITNESSED BY THE DROP IN LIQUIDITY IN OUTSTANDING MORTGAGE LOAN BALANCE



WORRYING SIGNS FOR THE HOME MARKET

With property price lingering at the bottom and first time buyers dominating the market activities, some worrying signs have emerged in the last four years, which we believe would have a destabilizing effect on the upgrading demand:

- **In recent years flats of size over 700 sq.ft. and a 3-bedroom type become more affordable, even for first-time buyers.** If these owners consider upgrading, they will definitely shun flats of a size smaller than theirs. As a result, market liquidity in the small flat market will drop, discouraging owners in this sector to upgrade.

- **The qualities and facilities of new developments in recent years have improved dramatically.** Clearly there is quite a big distinction in quality between developments completed in the last five years and those completed before this period. That's why first-time buyers prefer new developments.

But such preference has an unfavorable implication on the housing market demand. When the owners of these new developments consider trade up in future, where would they consider buying? Old developments would not be their choice. Most probably, they will confine their choices to the developments comparable to their existing ones, i.e. developments completed in recent years. We believe this would further eat into the market liquidity in the old stocks, and hamper upgrading demand.

- **Rising tide of property purchase across the border.** Recent market statistics show that more homebuyers are buying large flats across the border as a holiday/weekend home. As flats in the Mainland are much cheaper than Hong Kong, we are concerned that more homeowners, dismayed by the poor secondary market, will shift their focus from Hong Kong to the Shenzhen market for the upgrading purpose. If this trend becomes more prevalent in future, it will have serious repercussions on our home market.

To revive the housing market, especially the upgrading market, we think there are some measures that the Government can consider to adopt.

POSTIVE MEASURES MUST BE IN PLACE FOR MARKET RECOVERY

Clear up the supply overhang

We think the 10-month suspension period in HOS sales would provide a breathing space for developers. Without the competition from HOS, developers should be able to pick up property sales in the coming year and offload their stocks. Clearing up the large inventory stock will lead

to a return in pricing power for developers and subsequent property recovery.

Deliver measures to stimulate upgrade demand

In September, the Government agreed to provide an additional 12,000 Home Purchase Loans each year. The total number of Home Purchase Loans each year will increase to 16,000 and the loan is to encourage existing sitting tenants in the public rental market to buy flats in the HOS market or the private sector.

We welcome such move. Given that the HOS market is suspended for 10 months, Home Purchase Loan applicants will have to buy flats in the private market and this will increase home demand in the private market and help reduce the supply overhang.

However, we think the current housing subsidy is geared much towards the first time buyers. Each year there are 12,000 Home Starter Loans plus 16,000 Home Purchase Loans, all targeting the first time buyers. We doubt whether there would be sufficient demand each year from first-time buyers to take up all these 28,000 loans.

To stimulate more home demand, we think the Government should deliver stimulating actions to help the existing homeowners who still have the financial ability to pay a mortgage and have the aspiration to trade up. One straight solution is to extend the application of home loans to existing homeowners who wish to use the loan to pay up their mortgage shortfall and buy a new flat for an upgrading purpose.

Scrap the Home Purchase Scheme

Since 1997, the Housing Authority has operated a Home Purchase Scheme in which public rental flats are sold to sitting tenants at discounted prices. Today, over 60,000 public rental units have been sold. We think this is a bad housing policy, reducing housing demand in the private market. Moreover, this policy is counterproductive to the Home Purchase Loan Scheme, which on the other hand encourages

sitting tenants to buy flats in the private market.

CONCLUSION

In the past four years, the Government has rolled out many measures to buttress the property market. Unfortunately, these measures in our view, are not the right cure for the heart of the problem in our housing market i.e. the dwindling upgrading demand. We have seen some emerging signs from the market, which is detrimental to the upgrading market. We warn that we might lose our upgrading market to Shenzhen in the near future.

As the falling apple led Newton to the discovery of gravitational force and great scientific inventions, which have dramatic influences to the modern life, today we hope that the Government can seize this property

crunch period to revamp its old policies and pave the way for the property recovery.

Send your comments to Jim Yip at jim@aisl.com.hk 

CORRECTION

The author of "Foreign Real Estate Funds Are On The Prowl" in the last issue of Surveying wishes to clarify two mistakes in the article.

- 1 The name of one Beijing residential development partly owned by Hongkong Land should be Maple Place; and
- 2 Hongkong Land's interest in the development is 35%.

technical analyses, price data, related laws, prominent companies, latest construction techniques and the like are featured. It also offers related professional services and consultation.

<http://ce.cei.gov.cn/region/Chinamap.htm>

This webpage shows a map of China (most of it) and a click on the geographical links will give you the basic economic profile of the particular location, be it a province or a city. It is very handy for a quick and simple reference.

<http://www.rcanalytics.com/home.asp?stay=Y>

This site belongs to a company called Real Capital Analytics, which specializes in tracking and analyzing commercial capital investment markets. It covers essentially the whole USA and most commercial properties including apartments, offices, retail facilities, hotels and the like. Most of the services require a subscription or fee.

http://www.cipprec.ca/research_education/articles.htm

This is the website of the Canadian Institute of Private and Public Real Estate Companies. It is meant for members, though there are sections in the research and education that can be accessed freely. Topics include land titles, real estate buying and selling, development and construction. Useful for gaining an insight into Canadian practices.

<http://pages.ebay.com/realestate/>

Probably most of you would have heard of e-Bay, but do you know that you could actually sell / auction real estate at e-Bay? Residential, Commercial, Time-Shares, Foreclosures, Land and the like, you name it, they've got it. There are of course rules to follow and membership to subscribe etc. before a listing becomes active. Commissions and fees apply too. Nonetheless, it offers global appeal. Maybe the Hong Kong Government may wish to do a cost-benefit analysis to see which is more effective and cost_efficient when disposing their lots (traditionally or virtually?).

<http://www.claudehopkins.com/table.shtml>

This site actually is a book written presumably by a person called Claude Hopkins (maybe members who are familiar with psychology and marketing may give us a hint if possible). Anyway, the book seems interesting and simple to read. A good choice if you wish to do some leisure reading.

<http://www.thinksmart.com/about/index.html>

http://www.thinksmart.com/mission/workout/workout_gym.html

This site belongs to Innovation Network created by a group of people who want to create working environment conducive to building communities for innovations. It also contains an "Innovation University" and you get to play a related game to gain access to a 'free meeting'. In any event, the 'idea workout gym' features a groovy page with interestingly annotated images and graphics (possibly something for the kids too).

<http://www.china-beijing-hotels.com/>

Members who travel to Beijing regularly or occasionally may find this site useful. It lists many of the major hotels up there and you can make your booking online. Each hotel comes with exterior and interior photos, number of rooms, room rates, facilities, location map and so on. Not only that, it makes bargain hunting nice and easy (at your own home and a sip of coffee) and comparing your travel agent's package a real possibility.

At the time of writing, one of the biggest US companies "Enron" was reported to have failed and billions of US\$ were lost. Naturally, it is not the author's intention to dwell into the technical why, how and what stuff nor does he have the resources to do that. It is just that the name 'Enron' itself looks a bit spooky. There are two angles to this: (a) take the right 'leg' off each of the "n" and you've got "Error", and / or (b) rearrange the letters and you may get "None(r)". Coincidence, or perhaps there were some subtle warnings in the name though few noticed it until now. Lesson for all = buy well-named stocks! (If you believe this you believe anything! By the way, call me for details on a casino fund that I am planning to run. Ha! Ha!)

The answer to the "Saving Private Ryan" riddle in the last issue is (d) = a US brigadier general (i.e. a 1-star general. The other categories of 'general' were 2-star = major general, 3-star = lieutenant general, and 4-star = a full general) was in fact killed on D-Day June 6, 1944 in Normandy as his glider went out of control.

Send suggestions and comments to stephenchung@real-estate-tech.com 

Surveyor's
Surf



SURVEYOR'S SURF

Stephen Chung, Zeppelin Real Estate Analysis Limited



Being a baby-boomer and a Beatles fan (was / is / will be) since 4 (yes, you haven't read incorrectly, it does mean 4 years old and the author still remembers vividly having for some strange reasons to sing 'Mary had a little lamb' during music class while in kindergarten, I mean who cares if Mary had a little lamb? Why didn't we just sing yeah, yeah, yeah, and do some shaking instead? At least that seemed cool), the author was saddened by the passing away of another Beatles member, George Harrison (the first to go was John Lennon if you would recall). With half of the group up there somewhere and the other half (Paul McCartney and Ringo Starr) still on ground +/- 'o', it is a vivid reminder that most baby-boomers have already entered, putting it gently, middle

age, or putting it more bluntly, used up half of their lifespan (as batteries do all the time). In any event, the Beatles will always be a four-some and may their music continue to add sparkle and joy for all (well, maybe not all, like the kindergarten music teacher) in years to come. The websites below have out-lived most previously shining dot-coms and probably will bring satisfaction to most in years to come:

<http://www.realestate.gov.cn/default.asp>

This site apparently belongs to the news and information center (translated) of the Ministry of Construction. It is a one-stop service center for people interested in China real estate markets: market news,

Book Review

THE THIRD WAVE (BY ALVIN TOFFLER)

ISBN 0 330 26337 4

Cliff Tse, AHKIS, MRICS,
Director of Valuation Advisory Services Department
Jones Lang LaSalle Limited
Email: cliff.tse@ap.joneslanglasalle.com



First published in 1980, "The Third Wave" is not a new book, but its insights towards the future is far reaching and still applicable even in today's term. Some of us (including myself) may have first read the book in the 1980s. Every time we read the book again new insights are flowed. We are overwhelmed by the events that have hit in the past 20 years. Even more dazzling, they have been precisely prognosticated in this 545-page paperback.

Frankly, it is not a sort of predication-type book on possible future events, but describes in detail the high speed revolution that is changing us in respects of life-styles, work roles, economic structures, etc.

Although the book centers on the coming importance of the Third Wave (information age), it also presents the historical evidences of the First Wave and more particularly of the Second Wave. The First Wave (the agricultural revolution) began sometime around 8000BC and had dominated the earth unchallenged until sometime around AD 1650-1750. Then the First Wave lost momentum as the Second Wave (the industrial revolution) picked up steam.

The Second Wave consisted of six sets of inter-related principles including standardization, specialization, synchronization, concentration, maximization and centralization. Details of these principles are not elaborated here, may I just quote the example of synchronization - which stereotype the mechanical movement of the Second Wave population. The old economies required all workers to synchronize their daily life, tying the rhythms of the clock. Every one must arrive and work at the same time, and leave around the same time. Punctuality and time-consciousness is a must and indoctrinated to children at their early age. However, this nine-to-five model came to an end when flexi-time was first introduced during 1970s. Each employee could choose his/her flexible hours to come to work. This was largely materialized with the aid of computers and Internet connection. Currently, for example, I no longer have to tune in time precisely to listen to my favorite radio program because I can choose to download to listen at my convenience.

The Third Wave arrived in the US, beginning about 1955 - the decade that saw white-collar and service workers outnumber blue-collar workers for the first time. During the past 4 decades or so, we witnessed the rising importance of knowledge workers like professors, lawyers, bankers, venture capitalists, accountants, and software developers, and of course **Surveyors**.

Chapter 16 of the book mentions electronic cottage, which is almost a breakthrough in organizational behavior under Second Wave operations because more and more people can now choose to work at home. Second Wave organizations centralize all workers under one roof in order to synchronize all operations and to bring in economic efficiency. When more people shift to work in the knowledge-based works, time and place of work are no longer critical for workers to perform. These people can choose to work at home at their preferred time with the aid of the computer. This mode of work is more relevant for parents who prefer to spend more time with their kids and to work during the same time. This process is also improved with the advent of mobile communications and Internet connections. For example, although most of my routine works are regularly done in office, I do research and strategy planning at night in front of my Macintosh at home with follow-up emails sending back and forth home and office. Mobile phone and Palm-based PDA can enable me to stay outside the office for various matters and "remotely" command data for perusals.

One of the attractive concepts in the book is the name of prosumer. In the industrial age, producers and consumers are basically two separate functions in the society. Companies basically produce goods and then sell the goods to the consumers. This split of functions led to the rapid spread of the market or exchange network. Nowadays the consumers can become part of the production process and integrate closely with the producers. Imagine that you can pre-order a new computer with your own specifications on Dell's web site, or custom-make a pair of new jeans that fit perfectly over your hips through your own instructions on the Levis' web site.

The most important concept is the organization of the future. The Second Wave organization is a classical bureaucracy: a gigantic, hierarchical, permanent, top-down, mechanistic organization, well designed for making repetitive productive products or repetitive decisions in the industrial environment. These days, however, we have heard more about the typical Third Wave organization - flatter hierarchies, less top-heavy, leaner middle tiers, more responsive to market changes. These organizations operate more and more around

the clock. Almost 20 years after the publication, these "new" concepts have been mentioned in large organizations now.

This is really a good book, which I sincerely recommend to all members. Mr. Toffler seems to have slowed down his writing works in the past few years, but his other books like "Future Shock" and "Power Shift", etc are also good books to read. Anyway, I am anxious to wait for his next book - his resourceful insights on the coming twenty years. ☒

UPDATE OF GOVERNMENT PRACTICE NOTES

Department	Practice Note/Reference#	Description	Date	Home Page
Works Bureau	Technical Circular No. 32/2001	Electronic Dissemination of Tender Documents and Electronic Submission of tender Returns on Removable Media.	19 December 2001	www.wb.gov.hk
	Technical Circular No. 31/2001	Electronic Submission of Consultancy Proposals on Removable Media.	18 December 2001	
	Technical Circular No. 27/2001	Contractors' Joint Ventures.	14 December 2001	
	Technical Circular No. 29A/2001	Reporting and Management of Consultants' Performance.	7 December 2001	
	Technical Circular No. 28/2001	Past Performance as a Quality Criterion in Consultant Selection.	5 December 2001	
	Technical Circular No. 29/2001	Reporting and Management of Consultants' Performance.	5 December 2001	
	Technical Circular No. 30/2001	Capital Works or Maintenance Works (including Tree Planting) Within or Adjacent to the Kowloon-Canton Railway (Hong Kong) Section.	30 November 2001	
	Technical Circular No. 26/2001	Mass Transit Railway Protection.	28 November 2001	
	Technical Circular No. 23/2001	Particular Specification for Prescribed Mixed Concrete with Recycled Coarse Aggregate.	27 November 2001	
	Technical Circular No. 26/2001	Admission of EMSTF onto the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under 25 Categories of E&M, Electronics and Building Services.	19 November 2001	
	Technical Circular No. 24/2001	Simplified Tendering Arrangement for Capital Works.	6 November 2001	
Planning Dept.	Practice Notes for Professional Persons No. 3/2001	Processing of Amendments to Approved Building Plans in respect of Non-conforming Development Proposals.	14 December 2001	www.info.gov.hk/planning

Please note that the above Practice Notes can be downloaded from the corresponding home page.



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It is a matter of discretion for individual employers to recognise any qualification to which this course may lead.
[個別僱主可酌情決定是否承認本課程可令學員獲取的任何資格]

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