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How Professionalism leads to a Better Hong Kong?

Being one of the global cities in the world, Hong Kong is the hub for producer services in the Asia Pacific Region and plays an important role in the global economy. In 2006 (2007 figures to be announced), the four key industries - Trading and Logistics, Financial Services, Professional and other Producer Services and Tourism - contributed 57% of the total Gross Domestic Product of Hong Kong, of which producer services contributed 26.4%, generating HK\$376 billion in the year. Moreover, the economies of Hong Kong and its neighbouring areas are now blooming, which further creates greater potential of growth for the producer services industry, including the Real Estate Professional services sector.

The Real Estate Profession possesses a wide range of expertise in town and urban planning, land administration, land surveying and mapping, architectural and landscape design, building control, property development and construction, project and safety management, asset and facilities management, housing management, property maintenance and improvement, investment and marketing and other fields in the real estate and construction industry. We are highly involved in the development of the economy of Hong Kong and our expertise is closely tied up with the community.

As a developed city with limited land resources, Hong Kong is currently facing many challenges and opportunities in its future advancement. Therefore we, as Real Estate Professionals, have the obligation, knowledge and insight to provide expert input, by advising the Government in the formulation of policies and delivering appropriate messages to the community. Particular attention should be paid to the challenges below:

Challenge (I)

How can Real Estate Professionals gain more business to remain competitive and in turn contribute more to the building of a quality city?

Discussion

- It has been more than half a century since World War II. Since then Hong Kong has developed into a mature economy.

- During the past decades, Real Estate Profession, including Architecture, Landscape Architecture, Planning and Surveying, prospered as a result of the booming economy of Hong Kong, which has been real estate-driven. After the Asian Financial Crisis of 1997, the rate of economic growth dropped from double digits in percentage terms to a low level and the property market suffered from a long downturn period. The demand for properties dropped significantly and there was an oversupply of real estate-related professional services in the market, resulting in shrinkage in both the private and public sectors of the Real Estate Profession. Taking the Government Sector as an example, there had been a cessation of employment of long-term staff for over eight years until recent small-scale recruitment. The situation continues to be of concern.

- Although the Real Estate Profession in Hong Kong is well recognised as having reached international standards, there is a lack of systematic and regular promotions by the Government and the professional bodies to a wider region. The diversification of our world-class Real Estate Profession into Mainland China has a long way to go.

The economy of Hong Kong has recovered from the trough in 2003. However, job opportunities for the Real Estate Profession are still limited. Our professionals in both the public and private sectors are currently faced with acute competition. Under such circumstances, unhealthy situations, such as “cut-throat competition” currently characterise the private sector. In the public sector the Government continues to adjudicate tenders on the basis of price at the expense of quality.

- While such problem persists and government support continues to be insufficient, we need to tackle the problem with feasible solutions. Otherwise, our profession would result in lower esteem, confidence and prestige to the detriment of our professional image.

What can we as Real Estate Professionals do?

- To work closely with the Government to target a better professional environment, especially in providing more job opportunities and to avoid “cut-throat” competition, the focus areas would be:
 - (a) to promote and expedite the progress of public and infrastructure projects and development programmes

such as urban and rural renewal developments and redevelopments, new railway projects and regional highways, as well as the development of HK-Zhuhai-Macau Bridge and other similar plans;

- (b) to speed up the renewal of old industrial areas and dilapidated areas throughout Hong Kong;
- (c) to streamline interdepartmental communications and approval processes of government departments;
- (d) to assist professional institutes in the negotiation of Reciprocity of Professional Recognition;
- (e) to further enhance CEPA arrangements;
- (f) to study whether professional fees should be based on contributions to real estate values rather than on percentages of project costs;
- (g) to restrict the preparation and submission of planning applications to professionals only;
- (h) to urge for more job opportunities in the Government
- (i) to urge the Government to abandon the policy of salaries of new civil servants being geared to the experiences obtained from the Government only

- **to diversify into real estate-related services**

Being a way to diversify our conventional real estate services, we have to explore dispute-related matters such as mediation, arbitration, independent valuation, expert witness, etc. ...

The Government had proposed to promote the development of international arbitration services and forge closer ties with international arbitral bodies in the financial industry. Similar approaches can be applied to the real estate and construction industry.

Our Real Estate Professionals are active in regional projects and our unique status quo (in terms of an entity governed under the common law legal system while having a close and preferential tie with China) can assist us in resolving disputes between China and other countries in an internationally recognised way.

- **to ally with other professional entities**

Having considered the situation from a local perspective that our professionals are faced with such unfavorable environments, Real Estate Professionals need to have a wider vision and diversify their opportunities regionally and globally; we need to actively seek opportunities outside the conventional professional ambit of a local arena. We should aim at “Multilateral Professional Development” in regional and global perspectives to keep our profession competitive.

In order to achieve this, we need to continue to ally with other overseas professional bodies in both the same and different professional entities. Examples of Hong Kong Real Estate professional institutes which have mutual recognition with foreign professional bodies include:-

- (a) HKIA (with Mainland and overseas)
- (b) HKIE (with Mainland and overseas)
- (c) HKIP (with Mainland and overseas)
- (d) HKIS (with Mainland and overseas)

Aside from fostering better understanding on the practices of various places, the alliances would potentially lead to more cross-border, cross-sector collaboration opportunities for Hong Kong Real Estate Professionals.

- **to promote continuous development**

We need to share experience among Real Estate Professionals for a continuous professional development.

- **to make Real Estate Professionals more influential**

Real Estate Professionals can take up leading positions in business practices and professional areas.

- **to maintain constant communication with related government departments in Mainland China**

Constant communication with government departments in Mainland China can facilitate implementation of commitments secured under Closer Economic Partnership Arrangement (“CEPA”) Supplement IV and Reciprocity of Professional Recognition arrangements.

Enhanced mutual understanding between the Central Government of China and Hong Kong would lead to more future co-operation between the professional bodies of both places.

Challenge (II)

Increasing needs of the public have imposed many new challenges to the Real Estate Professionals in the public sector

Discussion

- About 25% of Real Estate Professionals are working in the public sector and 75% are working in the private sector. Professional manpower in the Government is inadequate, as evidenced by the low “professional staff to citizen” ratio in different government departments.
- The higher demand of services by the public has significantly increased the daily duties and workloads of professionals in the public sector.
- The job nature of the non-civil-service contract (“NCSC” staff and civil servants is almost identical; however, their remuneration package and benefits are significantly different. It is difficult for the NCSC staff to maintain a high morale to face with the increasingly challenging and demanding daily duties under the current working environment.
- Salaries of new civil servants are geared to their civil service experiences only, without taking into account their experience in the private sector.
- Administrative responsibility always prevails over professional responsibility when conflict arises, which dampens the morale of professional staff.
- There has been an increasing aspiration and need from both the public and the media. Professionals working in the Government have to face increasing challenges.

What can we as Real Estate Professionals do?

- Encourage open dialogues with various Real Estate professional institutes on a wide range of issues.
- Urge the Government to pay serious attention to the resources issue and take appropriate and prompt actions to relieve the resource strain.
- Review the current recruitment policy of civil servants and to implement necessary measures to properly balance resources, quality and professionalism.
- Hold regular joint forums for young Real Estate Professionals, especially for those working in the public sector. Young professionals could freely express their perspectives on matters of concern, such as career development and the difficulties they face, aiming to build a sense of belonging to the professions and the community.

Challenge (III)

The economic transformation to a knowledge-based economy has phased labour-intensive industries out of Hong Kong. However, Hong Kong’s advantageous status as a free market tends to incline to the “Four Key Industries” and its full potential in other areas has been overlooked

Discussion

- As earlier mentioned, the four Key Industries of Hong Kong - Trading and Logistics, Financial Services, Professional and other Producer Services and Tourism comprised over 50% of the Gross Domestic Product of Hong Kong in 2006. However, tourism and logistic industries are facing challenges of varying degrees and are on the verge of losing competitiveness, while the financial and professional services are undoubtedly playing more important roles.
- With the housing market downturn in the U.S. and its weakening economy spreading to a wider global spectrum, the global financial markets are unlikely to stabilise in the foreseeable future. Economic activities in other major advanced economies have also shown signs of loss of momentum.
- Despite the above, the Mainland is still expected to retain its comparatively vibrant economy, which should provide some cushioning effect to Hong Kong from the negative, if not dampening, effect of the economic slowdown in the developed world. However, we need to be cautious as to how long the impact will last. Therefore, this may be an appropriate moment to review Hong Kong’s economic development strategy. Should we revive some labour-intensive industries while continuing to transform into a knowledge-based economy? Can we strive to fully utilise the strength of our knowledge-based economy in a well-educated and skilful workforce to bear fruitful export products apart from the excellent financial and professional services?

What can we as Real Estate Professionals do?

• To Sustain the Economic Transformation to a Knowledge-Based Economy

In order to maintain the contribution of the professional services to the economy of Hong Kong, we should encourage the adopting of state-of-art information

technology and communication provisions to all aspects relating to the property industry, so that the economic transformation to a knowledge-based economy can be sustained.

Real Estate Professionals should also introduce the feasible and flexible provision of appropriate modern high-tech facilities to aged or preserved buildings to match with the urban revitalization campaign and fully utilise the valuable land resources of Hong Kong.

• To Revive Feasible Labour-Intensive Industries

The present weakening Hong Kong dollar gives rise to a cost push appreciation, which may have a negative impact on the Hong Kong economy, although it is also an opportunity for the possible return of manufacturing industries to Hong Kong to take advantage of the lower anticipated costs. Taking into account the advantage offered by CEPA for entering the China market, it would be a very decisive moment to participate in joint ventures with overseas partners to focus on the manufacturing of technically sophisticated modules that require intensive skilful labourers. Thereafter, the competitiveness of Hong Kong in the Pacific Rim would be enhanced.

Challenge (IV)

The rising aspirations of the public for a sustainable living environment are constraining the traditional practice of our real estate industry

Discussion

Endeavouring to build Hong Kong into a world-class city and to make it a clean, comfortable and pleasant home, would require a new concept of “value”. In addition to tangible considerations of the best use and planning of land, we need to set values to intangible considerations such as blue sky, clean air, green features, open space, collective memory, etc.

The challenge is to find effective ways to bring about full integration of the need for economic and social development while conserving the environment. The integration bears implications on the quality of life and involves careful consideration of physical aspects of our society in terms of:-

- (a) urban design;
- (b) conservation and heritage;

- (c) energy efficiency; and
- (d) green living.

The above considerations require active and close collaboration between the Government and all stakeholders in our community with a view to achieving a sustainable future for Hong Kong.

What can we as Real Estate Professionals do?

Practical ways leading to a sustainable Hong Kong include:-

• Urban Design

- (a) Through lowering development density where appropriate (we always need to balance requirements for development against invaluable land resources), nuisances such as wall effect, heat islands and overcrowded living environment could be alleviated.
- (b) Urban design can have its influence radiated from individual building perspective with different innovative designs in enhancing human comfort interacting with one another.
- (c) Being the “Asia’s World City”, Hong Kong needs a good urban design for a superior quality of life through optimal coherence of spatial planning, environmental controls and functional designs.

• Conservation and Heritage

- (a) Representatives from Real Estate Professionals should be nominated, together with other stakeholders (e.g. government officials, conservation groups, representatives of the public, etc.), to assess and audit the proper utilisation of the Environment and Conservation Fund (proposed by the CE in his Policy Address 2008).
- (b) New technology should be adopted to make records of structures for all sorts of purposes. For example, the Old Star Ferry Pier, Old Blake Pier, Lei Cheng Uk Han Tomb, Tai Fu Tai Mansion in San Tin, the Fire Boat Alexander Grantham, and various slopes and retaining walls have been scanned to create 3D digital models for studies.
- (c) To offer practical suggestions and assistance in territorial heritage mapping, heritage economics, conservation and preservation, recording, rehabilitation, revitalization and associated land and property administrative arrangement.
- (d) To work with government to encourage adaptive re-use of historic buildings by non-government organizations

(“NGOs”).

- (e) To assist the Government to explore economic incentives to encourage heritage protection by private owners. Possible incentives include land exchange, plot ratio allowance and premium discount.
 - (f) To urge the Government to be more transparent, together with wider involvement of relevant stakeholders and professional institutes, as well as the public, in assessing heritage values, as heritage values encompass many essential aspects, including design inspirations, stylistic influences, social significance of property and its relationship with its immediate environs.
- Energy Efficiency
 - (a) To promote development to bear effective natural lighting/ventilation design, solar power for some building consumption and an intelligent energy conservation system.
 - (b) To support the proposed mandatory implementation of Building Energy Codes.
 - (c) To advocate emissions reduction campaign to combat global warming.
 - (d) To encourage more corporations and institutions to adopt a “dress-down” policy in summer, leading to energy saving in the age of global warming.
 - Green Living
 - (a) To promote a territory-wide strategic Greening Objectives, together with statutory District Greening Master Plans.
 - (b) To help the Incorporated Owners or property management companies of premises to implement enhanced recycling measures, covering recyclable items such as paper, aluminum cans, plastic bottles, CDs, plastic and metal materials.

Professional representatives from the public and private sectors, as well as the young professionals, should be encouraged to actively participate in public consultation exercises for different aspects.

Challenge (V)

There is an increasing concern for a better living environment and an increasing demand for development

Discussion

- Hong Kong residents are keen to upgrade their standards of living, while also much concerned about the quality of the environment. Therefore, more stringent controls have been imposed on building density and height restrictions.
- However, according to statistics, the population of Hong Kong is around 7 million and is steadily increasing every year; the average habitable area of each resident being about 160 sq.ft, a number which is too small to be considered a “Good or quality” living environment.
- In order to enhance the living environment, there is an urge for more housing supply. In this small but prosperous city, development may not always coincide with environmental concerns.

What can we as Real Estate Professionals do?

- Real Estate Professionals should further investigate the effective uses of land by way of better building design and comprehensive planning and development for the following:
 - (a) There has been a misconception that the living environment can be improved by simply lowering the development density and imposing height restrictions. These are only limited considerations on project basis and the benefits brought by these measures to the whole Hong Kong are in fact arguable.
 - (b) As the land supply in Hong Kong is scarce, particularly in the urban area, a lowering of development density will decrease the total development area and hence the habitable area per household will be further decreased, provided that the supply of land is constant. As a result, the living quality will generally be deteriorated.
 - (c) To meet with the future demand, more land, likely the greenery in the New Territories, has to be exploited and developed. In addition to the loss of greenery areas in the New Territories, the traffic load between the urban area and the New Territories would further worsen traffic congestion, increase gas emission from vehicles and cause air pollution.
- Real Estate Professionals should draw public awareness on the importance in striking a balance between development and sustaining a good environment. We need to encourage innovative planning, design and technologies to achieve the balance between good living quality and development, in both building efficiency and environmental terms.

Challenge (VI)

The pace of revitalization is slower than that of deterioration of the urban environment

Discussion

- The Urban Renewal Authority is endeavouring to promote urban renewal and urban revitalization. In the process of implementation, there are several areas of concern by various parties on designs, development schemes, resumption and compensation packages, disposal strategies, development density, financial feasibility, “Collective memory” etc. ...
- Progress of urban renewal will be prolonged if the above concerns cannot be resolved or satisfied.
- However, at the same time, the demands and needs for different degrees of urban renewal attention continue to grow as time goes by.

What can we as Real Estate Professionals do?

- To participate more in urban renewal by offering advice on different stages in planning and implementation of urban renewal and revitalization projects.
- To encourage the progress of urban renewal by reviewing and making appropriate suggestions for current legislations (say, Land Compulsory Sale for Redevelopment Ordinance Cap. 545) and government policies.
- To utilise the expertise in building maintenance and revitalization, and refer to the successful experiences of other international cities such as London and Paris.

Other Challenges

- As an established economic system, Hong Kong is a city which believes in governance led by professionals. Various areas of governance include politics, real estate, accounting, law, medical, employment, education and imbalance in the distribution of wealth, etc.
- Challenges under these areas include:
 - Medical Reform
 - Political Reform
 - Globalization
 - Mainland Relationship
 - Voice what we need as middle income level group

Each area of governance has an important role. However, the challenge is on how to fully utilise the strengths of each

profession, combining efforts to demonstrate, complement and create synergies.

My Recent Activities

As you may be aware, a disastrous earthquake happened in Sichuan on 12 May 2008. In order to help the reconstruction of the devastated areas in Sichuan, General Council has agreed to join “The Hong Kong Construction Sector 5. 12 Reconstruction Joint Conference” led by the Development Bureau in mobilizing and organising support and assistance to the earthquake aftermath reconstruction works. We hope our knowledge can make contribution to expedite the recovery of Sichuan from the disaster. I would also thank you for your generous support and donations to assist the victims in the Sichuan earthquake.

I would like to share with you the following remarkable events in May and June:

- On 21 May, I had a dinner with some of our members working in Shanghai. During the dinner, they shared with me their working experience as well as some practical problems they were facing in Mainland;
- On 27 May, I represented the HKIS to attend the Annual Dinner of The Hong Kong Real Estates Agencies General Association;
- On 29 May, I attended the 91st LBAC meeting;
- On 30 May, I was invited to be the honorable guest to present awards in the QSD Annual Dinner;
- On 2 June, I attended the ceremony “義工攜手建四川計劃 — 愛心時間大募捐” held by Agency for Volunteer Service and RTHK; and
- On 22 June, YSG is going to participate “粵港行業團體深圳聯誼活動” and I will be a speaker of the event.

In addition to the above, I attended the “Tenpin Bowling Tournament” held by The Hong Kong Coalition of Professional Services on 1 June 2008. I am very grateful to share my happiness with you that I made 139 scores and was the champion of the tournament.

Wishing you all an enjoyable summertime.

YU Kam-hung
President