

# Surveying news



CHAN Hak

## Message from the President

Recently, I had the opportunity to meet with many people during conferences, ceremonies and functions, etc. who had had no previous involvement with our profession. Very often I was asked, "What do surveyors do? Are they those peering through the telescope set on tripod by the road side?" I was quite taken aback by such remarks. How indeed is our profession so little known to the outside world?

When compared with several other building and construction related professions, that our profession is called 'surveying' does sound unfamiliar to many people particularly in the Chinese context. The fact that our profession is not commonly known implies our services have not been widely recognized and utilized in the community. It seems that we have not done enough to publicize the various services we are specialized at and indeed we are committed to provide. If considering it more seriously, we are hindering our advancement or blocking our way.

In fact, our work covers a wide range, including building surveying, quantity surveying, estate surveying (sometimes called general practice) and land surveying, plus the emerging planning and development. And within each there are further categories. To embrace all these into one word 'Surveying' and to call those practitioners 'Surveyors' is somewhat too far fetching. We might have noticed recently that quite a few new building and real estate related groups have sprung up, each of them bearing quite a distinct name and providing quite a unique service. Mind you many of these services are within our scope of work but are unaware of amongst the general public. Also in some countries, like northern America and the Mainland China, several of the services are separated out and named more appropriately, i.e. assessor, appraiser, cost engineer, etc.

It maybe opportune to explore ways to polish up our brand name and to promulgate the various professional services we deliver. In the meantime, we should take every opportunity to reach out to the community and to make known what we do. I do believe our quality services will contribute towards building a prosperous Hong Kong.

|   |                             |
|---|-----------------------------|
| 1 | Message from the President  |
| 2 | News from the Divisions     |
| 2 | Building Surveying Division |
| 5 | General Practice Division   |
| 6 | Land Surveying Division     |

|    |                             |
|----|-----------------------------|
| 7  | Quantity Surveying Division |
| 9  | Junior Organization         |
| 12 | Report from the Committees  |
| 15 | News from the Secretariat   |
| 16 | Features                    |

|    |                 |
|----|-----------------|
| 42 | Surveyor's Surf |
|----|-----------------|

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.

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## 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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Office Hours:  
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# Building Surveying Division

*Raymond Chan, Chairman*

## Liaison with Department of Construction Market Administration, Ministry of Construction (中華人民共和國建部建設市場管理司)

At the beginning of July, I went to Beijing again. This time, I managed to have an appointment to meet with Mr. Zhang Lu Feng (張魯風先生), the Director of Department of Construction Market Administration, Ministry of Construction (建設部建設市場管理司司長) and his staff. One of their duties is to administer Construction Professionals in China. In the meeting, representatives from the China Association of Engineering Consultants (中國建設監理協會) were also invited to attend. The meeting lasted for about 1½ hours. In the meeting, I introduced to them the expertise, job, position, training, APC, professional duties, contents of courses, and validation of courses for building surveyors in Hong Kong. I also briefly explained to them our reciprocal recognition with overseas institutions, the history of building surveyors, etc.

We also compared the Mainland and Hong Kong in the following areas:

### (1) Construction project management

### (2) Maintenance management

### (3) Building control

We also compared our APC with the examinations for their professionals. They seemed very interested to know more about us and I have verbally invited them to visit us. After returning to Hong Kong, I sent them an invitation.

## CPD event for Beijing Liaison

Please be informed that a CPD event on this subject will be held on 12 August 2002. You are urged to attend. We need to liaise with you on the latest development and changes undergoing in the Mainland and to discuss with you our moves to be taken in the future.

## Our Profession and training strategy

After becoming the Chairman of BSD, I have started to know many things, which I was not aware of before. One of them is the total number of BS members in HKIS. You may be surprised to know about the figures listed below (I was surprised when I first knew them). For figures up to 12 June 2002, we had a total of 622 corporate members (Fellows and Associates) while the number of student members was 540.

Bearing in mind that the membership of corporate members lasts for a life time (depending on the length of our lives), this may mean a period of say 40-50 years while a student member should only be "temporary" and "should" last for, say, less than 10 years. You can realise the imbalance we have for the time being. We have a large number of university

graduates who have obtained the university academic training and award, however they are finding great difficulties in qualifying as corporate members. You can imagine the consequences, which include:

- Insufficient corporate members to act as supervisors and assessors.
- Loss of people to other trades or professions when our "students" cannot pass our APC & SOE tests.
- Limits the development of BS profession. Bear in mind that many positions of "Building Surveyors" and "Maintenance Surveyors" are taken up by non-surveyors, not to mention areas of our traditional strength (e.g. conservation and restoration of historic buildings), which have not yet been given back to us.

While we want more of our students to "pass", our "headmaster" and fellow assessors have a difficult job. That is: "the students are not capable". It is the truth and nothing but the truth, that we can only "pass" those whose standards really deserves to qualify as a professional building surveyor. While we are not willing to (and in fact, cannot) lower our passing threshold, we may need to do something positive.

We may need to start with the universities. We may need to further tailor and strengthen the courses so that the graduates are better equipped to face the demand of his/her professional life. We also need to provide better training to them after their graduation. Some may think that employers "should" provide training to the graduates. Please have pity on the employers. Companies compete with each other fiercely these days and very few, if any, can afford the luxury of "training" their employees (government departments appear to be going in a similar direction). I agree that the "students" will eventually learn something in the work. I just want to stress that we cannot expect much from the employers. We think that the BSD and JO should take the lead to "train" our students. We need to run courses more than those teaching them "examination techniques" and "presentation skills". While they may have nothing to "present", giving them the "skill" is not helping them much.

Perhaps, we need to train them on more basic things. Basic things that make them competent and trustworthy to become a professional building surveyor. This will make the task of our assessors easier and they will be more confident in passing more candidates.

The BSD will be running a series of training and CPD events aimed to raise the knowledge level of our students. We also hope that they can be useful for qualified members as well. We need the support from our student and qualified members to attend and to run these courses. Please give us your support when called upon.

## Visit of AIBS President to Hong Kong

*Bishop Chung, Council Member*

Mr. Geoff Mitchell, the National President of Australian Institute of Building Surveyors (AIBS) visited Hong Kong from 30 June to 5 July 2002. Our President, Mr. Hak Chan and the Chairman of Building Surveying Division, Mr. Raymond Chan, had a welcoming lunch with Mr. Mitchell on 3 July 2002.

In Australia, building surveying professionals are actively involved in the Private Certification System in building control. Instead of having heavy government participation in building control, it will be the tendency of many other areas to put forth private certification system. Taking this opportunity, members of BSD exchanged experience with Mr. Mitchell about building control systems.

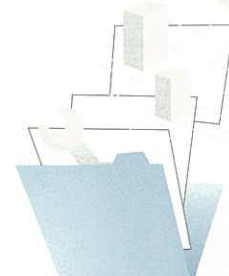
During Mr. Mitchell's visit, BSD arranged the following functions and events:-

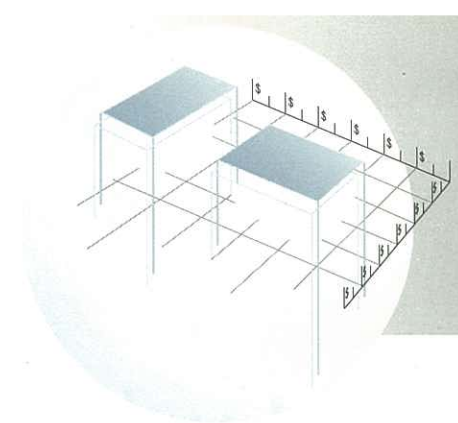
### 1. Visit to Cyber Port on 2 July

Fire engineering approach was adopted in the design of the commercial portion of Cyber Port. With the presence of an officer from the Buildings Department and the Project Architect, we showed Mr. Mitchell the flexibility in design in case there was any deviation from the code of practice in Hong Kong.

### 2. CPD Event delivered by Mr. Mitchell on 2 July

Mr. Mitchell introduced the Private Certification System in





## GENERAL PRACTICE DIVISION

Alexander Lam, Chairman

Australia to BS members. Since the event was arranged at short notice, members of other disciplines could not be informed. If members show an interest in this topic, a similar event may be arranged later.

### 3. Visit to HKIS office

Mr. Mitchell was invited to visit our office in Jardine House on 3 July 2002. He was impressed by the supporting facilities that HKIS was providing for the student members. Mr. Mitchell opined that training for student members was the prime mission of professional institutes. We also brought up the issue of exploring the possibility of forming a Pacific Association of Building Surveyors for discussion.

### 4. Visit to the Buildings Department on 3 July

The Director of Buildings, Mr. H.W. Cheung received Mr. Mitchell. Mr. Cheung introduced to Mr. Mitchell the control of unauthorized building works in Hong Kong and how the information unit in BD operated.

### Added value for Building Surveyors - Membership of the Association of Building Engineers

It was dating back to 1986 when the BS Divisional Council raised the issue of possible reciprocal recognition with the visiting Chairman of the Building Surveyors Division of the Incorporated Association of Architects and Surveyors (IAAS). The matter was not pursued vigorously at that time as HKIS was relatively young and the BS APC had only just been introduced. In the 90's the IAAS was reconstituted as the Association of Building Engineers (ABE) and further information can be browsed from their web site <http://www.abe.org.uk>.

The issue of reciprocity was taken up again when Barnabas Chung and Kenneth Chan, both Fellows of ABE, met David Gibson, CEO, and Patrick Reddin, IPP of ABE in London on 27 June 2002. Full details regarding the BS APC and the educational setup of the

HKIS were presented. The ABE replied on 9 July 2002 that "I have taken time to review the information provided and am pleased to confirm that the Association of Building Engineers, based on our discussion, will offer reciprocal membership."

Corporate members in the Building Surveying Division are now eligible to apply for corporate membership of the ABE as MBEng (or FBEng if applicable). Application forms together with relevant instructions and information may be obtained from the HKIS Office. Further inquiries may be directed to Barnabas Chung by email to [bhkchung@netvigator.com](mailto:bhkchung@netvigator.com).

The following members who are also members of the ABE may endorse applications as supporters.

CHAN Jor-kin Kenneth, FBEng  
CHUNG Hung-kwan Barnabas, FBEng  
HO Kwok-hung Sam, FBEng  
LEE Shue-shing Eddie, FBEng  
LIU Pang-sun Albert, FBEng  
CHAN Shui-fun Josephine, MBEng  
CHAN Wai-ming Stella, MBEng  
CHEUNG Tin-cheung, MBEng  
CHONG Hon-tak, MBEng  
CHONG Wing-hong Benjamin, MBEng  
CHU Koon-tin Tony, MBEng  
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TONG Lap-pun, MBEng  
TSE Lap-wa, MBEng  
WONG Yan-yan, MBEng

### Luncheon with the Director of Lands Department

The Division invited Mr. Patrick Lau, Director of Lands Department, and Mr. John Corrigan to a luncheon meeting on 26 June 2002, at which 12 members attended.

We raised concerns of the likely scale of retrenchment in the Lands Department; the possible impact on estate surveyors and above all, would the efficiency as well as quality of services to the community be affected as a result. Members suggested ways to streamline the lease modification procedure and cited some examples of bottleneck in certain applications for permit. Mr. Lau addressed each issue in an open and frank manner. He also promised to meet with us again in the latter part of this year.

### Research Paper

Local Affairs Committee of the Division has commissioned Hong Kong University to conduct a research paper titled "Review of the Rationale of Government Land Premium Assessment Procedures and Policy". The objective of this study is to examine the rationale of the current administrative system of land premium assessment carried out by the Lands Department. It is anticipated that the report will be completed in October or November 2002. Mr. C.K. Lau is the main co-ordinator. I shall inform all members about the findings or recommendations in the report when it is available.

### Visitors from Guangzhou

Land Value Appraisal Centre of Guangdong Province will visit Hong Kong and the GP Division in September/October 2002 for a 3-4 days training. Serena Lau, Honorary Secretary, has kindly accepted to take up the liaison and co-ordination. She is now looking for about 4 to 5 speakers for this function. In order to show your patriotic heart to the Institute please call her at 2735 2884 or e-mail to her [info@rhl-appraisal.com](mailto:info@rhl-appraisal.com). If I were you I would not wait for her to call you!

### HKIS - GP Division Web Site

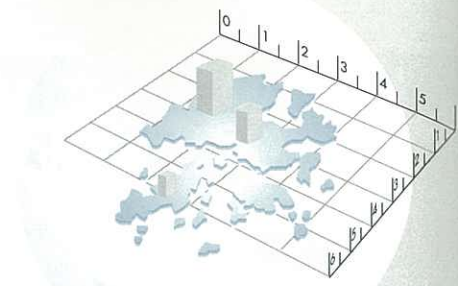
It has been under construction for several months and is now close to completion. The contents of which will comprise:

- Committee Announcement
- Committee Meeting List
- Conference
- Event
- Areas of Specialization
- Conference Papers
- Research
- Useful Information
- Useful Links

The General Council will meet on 15 August 2002 to determine the date of launching. Please send your comments or suggestions to enrich our web contents as soon as possible.

### CPD Event

The CPD event this month "Review of the Master Schedule of Notes to Statutory Plans", on 19 August 2002, is an important briefing session for every practicing GP surveyor to attend. We are pleased to have Ms. Brenda Au, the Chief Town Planner from the Planning Department to be the speaker. Quickly fill in your application form to reserve a place!



## LAND SURVEYING DIVISION

### Land Survey Ordinance

In March this year, the Chairman of LSD Boundary Survey Advisory Committee (BSAC), Mr. Leung Shou Chun invited members to comment on the Land Survey Authority's proposal to amend the Code of Practice. BSAC held a number of meetings to consolidate the views so collected. The Institute finally wrote to LSA on 17 June 2002 to express its comments on the proposed amendment to the COP. The Institute understands that there is a need to strengthen the standard of the submitted survey plans and reports on the one hand, and on the other hand, considers that a stringent COP would be unproductive to the system. Some freedom should be given for an individual authorized land surveyor to design his own form or to vary the style of the report according to the complexity of the survey. Since the survey report is to supplement the survey record plan, it need not repeat some of the information shown on SRP such as control data. As long as documents, such as aerial photographs, boundary correlation, etc, are properly referenced and traceable, the inclusion of the copies of them should be relaxed.

### ISPRS Commission II Symposium at Xi'an, China - 20 to 23 August 2002

The LSD Council has nominated Mr. KWOK Chi Wo, Simon and Mr. AU Chi Ho, Tommy to attend the ISPRS Commission II Symposium at Xi'an, China for the period 20 to 23 August 2002.

Please visit their web site at [www.commission2.isprs.org](http://www.commission2.isprs.org) for more information.

### CPD Event

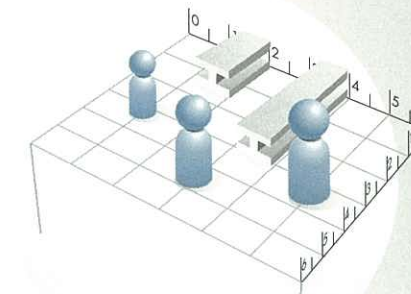
LO Hoi-yin, Maris

Among the seminar series of cadastral surveying in different countries, a CPD event entitled "Cadastral Surveying in Ontario, Canada", was presented by Mr. Chau Ming, Marvin, Land Surveyor of Drainage Services Department, on 25 June 2002 at the Hong Kong Convention and Exhibition Centre. About 50 participants benefited from this seminar by learning the legal and registration environment and the survey tradition and practice in Ontario. We would like to send our gratitude to Mr. Chau for his contributions.



Mr. Marvin Chau (left) receives a souvenir from LSD Vice-chairman, Mr. Lam Li Wah (right)

Back to Hong Kong, Mr. Ronald Chan, Senior Land Surveyor of District Survey Office/Tsuen Wan and Kwai Tsing of Lands Department will deliver a talk on "Land Boundary and Related Matters in Hong Kong" on 15 August 2002 at the Hong Kong Convention and Exhibition Centre. The event fee is HK\$100 per person. All members and non-members are welcome to attend the event. If you have any enquiries about the event, please contact Ms. LO Hoi-yin, Maris at 2683 9216 or Mr. LEUNG Kin-wah at 2309 5063.



## QUANTITY SURVEYING DIVISION

Nelson CHENG, Chairman

### Shanghai Technical Seminar - 29-30 June 2002

A high level CPD, jointly organized by HKIS QS Division and CECA, was held in Shanghai on 29-30 June 2002. More than 200 participants (some from Xin Jiang (新疆) and Wu Lu Mu Qi (烏魯木齊)) from various provinces in the Mainland joined this CPD. A team of about 20 members from the QSD Council including speakers attended this event. Several talks were given by the speakers on different topics including government procedures in the HKSAR, project cost management structure of the Housing Society, cost control of large infrastructure projects, claims preparation and assessment, project insurance and risk management.



The president of the CECA, Mr. Yang Sizhong (楊思忠) and several senior government officials in the Mainland officiated the opening ceremony of the CPD. They included Mr. Yang Luyu (楊魯豫), 建設部標準定額司司長, Ms. Wang Qinfen (王勤芬), 上海市建設工程標準定額管理總站站長 and Mr. Huang Jian Zhi (黃建之), 上海市人民政府建委副主任.

Participants found the talks very useful and raised many questions during the Q&A sessions.

Special thanks to the speakers who had spent lots of time in preparing for the talks.

上海工程造价管理高级研讨班合影留念



### 武漢市建設工程造價管理協會 visited HKIS on 17 June 2002

武漢市建設工程造價管理協會 sent a delegation of 15 persons to visit HKIS on 17 June 2002.



### The Quality Building Award 2002

The following five projects were the selected finalists:

- One International Finance Center
- Chi Nin Nunnery
- Ma Hang Village Phase 3
- Sheung Shui slaughter house
- Tung Chung Town Center



CHI Nin Nunnery

The winner was finally awarded to Chi Nin Nunnery on 28 June 2002.

Utilising the traditional Chinese classical Architecture and Culture, the Chi Nin Nunnery composed of the largest group of timber structures in the modern world. The timber components were crafted mainly by hand. It was an innovative and never-attempted before project in the architectural history of Hong Kong. Located at Diamond Hill in Kowloon, the site occupies a total area of about

33,000m<sup>2</sup> and the buildings have a southern orientation. The design was inspired by the Buddhist ideal of a pure land on earth. The Buddhist halls are all timber structures built in the classical architectural style of the Tang Dynasty (AD 618 - 907) using the "three gates, three compounds and one yard" layout.

### CPD

CPD events include the following:-

|                        |  |
|------------------------|--|
| <b>17 August</b>       | Site Visit to IFC II   |
| <b>September</b>       | (Three speakers from the Tianjin Technology University)        |
| <b>To be confirmed</b> | Use of Mediation (in Chinese)                                  |
| <b>To be confirmed</b> | Site Visit to Swire House Redevelopment                        |
| <b>To be confirmed</b> | Talk on Insurance  |
| <b>To be confirmed</b> | Site Visit to the Legislative Council Building / another topic |

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Both courses meet the academic requirements of the HKIS and the RICS, United Kingdom.
- **Bsc in Quantity Surveying\*** (University of Reading)  
Registration Pending. HKIS Accreditation pending.
- **Bsc in Building Surveying** (University of Reading)  
(This is a purely distance learning course with no regulated course activity or examination conducted in HK)  
Both courses meet the academic requirements of the RICS
- **Bsc in Construction Management** (University of Reading)  
(This is a purely distance learning course with no regulated course activity or examination conducted in HK)



These course start in December 2002. Applications should be received by 15 September 2002.

Web based resources have now been developed to support our existing distance learning materials. Visit our website at [www.cem.ac.uk](http://www.cem.ac.uk)

It is a matter of discretion for individual employers to recognise any qualification to which these courses may lead.

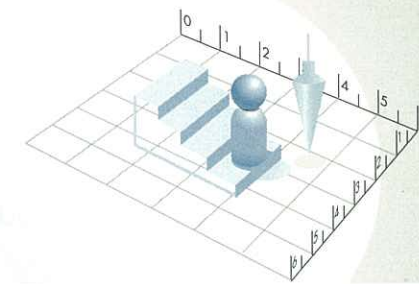


For further information, please contact:

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Tel: 2913 5110 Fax: 2913 5115 Email: [distance.learning@britishcouncil.org.hk](mailto:distance.learning@britishcouncil.org.hk)  
Website: [www.britishcouncil.org.hk/distancelearning/](http://www.britishcouncil.org.hk/distancelearning/)

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## News from the Divisions



# JUNIOR ORGANISATION

## The Property of Determination and Devotion 不可測量的信念

Jim Yip, Hon. Secretary

This year's JO is a special one, all our committee members are devoted to one cause - promoting the interests of young surveyors within and out of the institute. After almost half a year in our office, we could tell tales of how we have made changes, how we have made life easier for our student members and how we have empowered them through our weekly training program. On many occasions we have gone out to the secondary school and to the universities to preach the goods news of the surveying career. Last month, we participated in the dragon boat race at Stanley Bay and there was great fun and excitement in this event. One important lesson learnt from this half-year's experience is that a small effort from you can make a big contribution to what we call our profession and career.

## School Visits

JO participated in the Diocesan Girls School's Career Week during the last week of June. We set up an exhibition booth at the school.



JO committee members, Steven Wong, Ronald Cheung and George Cheung participated in a talk at the HK Polytechnic University on 22 June to some 50-60 F7 students, introducing the surveying degree course and career.

Meanwhile, Jim Yip, JO's secretary, was at the University of HK's JUPAS Talk to speak about his own experience as a surveyor.



## Training Program

David Cheung spoke at a PQSL of a Valuation Practice in PRC



Ivan Ng at a PQSL on Shopping Centre Management.



Tony Leung of Chesterton Petty, spoke at a PQSL on Arbitration on Valuation Disputes.



Simon Lui, barrister-at-law, shared his experience in the Lands Tribunal and cross-examination skills.



TT Cheung held a CPD on the Development of Cost Engineering Profession in PRC. In September, he will hold a further talk on a QS career in the PRC market.



Rock Tsang, at a CPD on APC guidelines, used examples of past exam papers to illustrate the standard of assessor's requirements in the APC written test.



### CPD / PQSL schedule for August/September

| Date  | Topic   | Speaker(s)   |
|---|---|--|
| 31 Aug (9:30-11:00 am)<br>Room 401, HKCEC     | How to handle a surveyor by a surveyor in a Lands Tribunal                                  | Simon Lui, Barrister-at-law                        |
| 31 Aug (11:30am - 1:00 pm)<br>Room 401, HKCEC | Development of real estate securitisation in PRC  | Ivan Ko, CEO, Advantage Services Holdings Ltd      |
| 31 Aug (2.30-4.30 pm)<br>Room 401, HKCEC      | Development control with case studies   | Jimmy Woo, Chief Estate Surveyor, Lands Dept       |
| 1 Sept (am)<br>Room 401, HKCEC                | GP APC lecture<br>- Project submission and external speaker on powerful presentation skills | APC assessors                                      |
| 1 Sept (pm)<br>Room 401, HKCEC                | GP APC small group workshop<br>- APC interview techniques                                   | APC assessors                                      |
| 7 Sept  | Noise Pollution Control in HK   | Representative from Environmental Protection Dept  |
| 14 Sept                                       | Waterproofing system in HK  | Benson Yau, Masterproofer - waterproofing supplier |
| 28 Sept                                       | Project management case study: Elderly home renovation project                              | Horace Lam, Hong Dao Construction                  |

Please note significant changes in the schedule.



MY Wan, the Street Surveyor renowned for his outstanding work at Youth Outreach, a voluntary center for street kids, was in a lunch talk with our young members, sharing his profound work experience in both the public and private sectors. He used a lot of real life cases to illustrate how a simple property decision could affect other people's lives and the society. There was a strong emotional touch behind each of his stories. Time was just not enough in this one-hour lunch talk.

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

### Coming CPD Events

**TT Cheung:** QS Career in PRC Market

**Daniel Cheng** of Chesterton Petty: Compensation for Land Resumption (HK) and Expropriation Act (Canada)

**Nicholas Brooke** of Insignia Brooke: Client Relationship Management Starting from Writing a Powerful Business Letter

**Roger Nissim** of Sun Hung Kai Properties: How the Planning and Land Policy Can Be Used to enhance Conservation

**Augustine Wong** of Henderson Land: Yau Tong Bay Reclamation Environmental Impact Assessment (EIA) Case Study

**Tony Tsui** of Hutchison Whampoa Properties: Shopping Center Leasing Management in PRC

Boat 1 team leader



### Power and Beauty 力量，汗水，衝刺！

### The Day of Fun at Stanley Bay

Jeffrey Wong

We all assembled in Wanchai at 6.30 am on 15 June, as we were scheduled to compete in the first and second match of the race at 8 am. We were a little surprised to find that no one was still in bed at this early hour and our coach left on time for Stanley Bay.

It was the first time we sent two teams to the race. We had over 40 participants, made up of students from three local institutions and members from different divisions. We had done six drilling practices on each Sunday afternoon before the big race day.

The day was blessed with fantastic weather and large crowds of people in different colors and in high spirits. It was a big party out there. The deafening drumbeats from the boats popped up every participant's hearts.

Although both of our teams bowed out in the first round, we had played well physically and tactically. We had shown our great determination. It was a day of great memory for all JO members! Special thanks to Cyprus Mok, the chief organizer of this event.



Boat 2 team leader

Group photo



Cyprus Mok

Continued on Page 44

More photos can be found at the JO web site: <http://devoted.to/hkisjo>

# RICS GOVERNING COUNCIL MEETING 1 & 2 July 2002, London

*Barnabas H.K. Chung*  
Chairman, Board of Education

The RICS Governing Council Meeting on 1 and 2 July 2002 in London was chaired by Peter Fall, RICS President, and was attended by the full council where three members were from Hong Kong. They were Nicholas Brooke, RICS Vice President, Kenneth J.K. Chan, representative for Asia and the Middle East, and myself representing HKIS.

The meeting started with welcomes and then a moment of silence in remembrance of those members recently deceased. Among the losses, there was Gordon Hogg at the age of 88. He was elected in 1937 and had worked in Hong Kong from the 50's to 70's in the Buildings Ordinance Office. He retired in the early 70's in the position of Chief Building Surveyor and Chairman of the Professional Training Board. Many senior members in the building surveying discipline, who were qualified thirty or more years ago, were his students. His period of service in building surveying actually predated the formation of the Building Surveyors Division of the RICS.

On the many issues discussed, I note below those of interest to the HKIS and Chartered Surveyors in Hong Kong.

## Global Regulation Strategy

The Ethics Conduct and Consumer Policy Committee (ECCPC) reported that whilst certain core global standards should prevail, it would be wrong to lay down a rigid and detailed blue print where cultural and other differences prevail. The ECCPC aimed, therefore, to oversee a strategy that will support the core values, yet permit a degree of flexibility in their application in a global context. The "Nine Core Values" are:

- 1) **Act with integrity.** Never put your own gain above the welfare of your clients, and respect their confidentiality at all times.
- 2) **Always be honest.** Be trustworthy in all that you do - never deliberately mislead, whether by withholding or distorting information.

- 3) **Be open, and transparent in your dealings.** Share the full facts with your clients, making things as plain and intelligible as possible.
- 4) **Be accountable for all your actions.** Never commit to more than you can deliver, take full responsibility, and don't blame others if things go wrong.
- 5) **Know and act within your limitations.** Be aware of the limits of your competence and don't be tempted to work beyond these.
- 6) **Be objective at all times.** Give fair neutral advice, and never let your own feelings or interests cloud your judgement.
- 7) **Never discriminate against others.** Always treat others with respect whatever their gender, race, religion or sexual orientation.
- 8) **Set a good example.** Remember that both your public and private behaviour could affect your own reputation, RICS and other members' reputations.
- 9) **Have the courage to make a stand.** Be prepared to act if you suspect another member of malpractice.

## Absorption of Minor Institutes into RICS

Further to the amalgamation of the former Institute of Building Control into the Building Control Forum of the Building Surveying Faculty, the Strategy and Resources Board continued to explore other opportunities of absorbing members of minor property related institutes into its membership mostly at technical level. This would involve also the acquisition of assets of these institutes. There were two such institutes that were being negotiated one of which may have members in Hong Kong. I raised the concern of possible impact on education and membership of HKIS and was assured that further details would be provided as soon as they were available so that we could assess our position.

## Lifelong Learning (LLL)

The Education and Membership Policy Committee had developed proposals to give effect to the strategic objective that RICS members possess and develop business and management skills. It was proposed that chartered surveyors qualifying after 1 September 2004 would be required to complete a post graduate business qualification specified by RICS within five years of qualifying as chartered members. Subject to further consultation, the Committee would consider the following steps to cause the membership to take their lifelong learning needs more seriously:

- (a) to require all Members to record their learning objectives in advance and the manner(s) in which they intended to meet them. Members would be able to amend them when they wished and would be obliged to revise or reconfirm them in their records no less frequently than every 12 months;
- (b) to require all Members to include in their records a brief evaluation of the effectiveness of his participation in qualifying LLL activities.

## RICS Global Manifesto

The RICS Global Manifesto was formally launched at the Governing Council Dinner by Peter Fall, RICS President, and Peter Faulkner, RICS Immediate Past President, who initiated it. It is a blueprint for future RICS initiatives in the international public policy arena. The RICS Global Manifesto sets out what RICS will do to promote improvements in six policy areas ranging from sustainable construction to transport, housing provision and viable rural communities. The report draws on input from a wide consultation following its publication in draft form last September. RICS will take advantage of links with governments around the world and international bodies to press for action on the issues identified in the Manifesto.

## Meeting with Education and Faculties Executives

While in London, I had the opportunity of meeting with RICS Education and Faculties Executives. In particular, I had discussion over dinner with Carolyn Slater, Executive Director, Membership Development Department, on various education and membership issues. Kenneth Chan and I also had a morning session with Martin Russell-Croucher, Faculty Director, and T. Trevis, Project Officer, of Team B, Faculties & Forums Department, which was responsible for Construction, Project Management & Building Surveying Faculties, as well as Building Conservation and Building Control Forums. We were briefed on the revised approach to the Assessment of Professional Competence.

## New Assessment of Professional Competence (APC)

The revised approach to the APC, which came into effect last year, was designed to satisfy specialized requirements of the 16 different Faculties, viz.

Antiques and Fine Arts  
Building Surveying  
Commercial Property  
Construction  
Dispute Resolution  
Environment  
Facilities Management  
Geomatics  
Management Consultancy  
Minerals and Waste Management  
Planning and Development  
Plant and Machinery  
Project Management  
Residential Property  
Rural  
Valuation

The APC encompasses several common competencies across all Faculties and compulsory core competencies relevant to the individual Faculties. There are optional competencies, which can be selected in addition to or in substitution of the core competencies as may be required by the specific Faculties or to suit the candidates' special training circumstances. Full details are contained in the APC Requirements and Competencies Guide.

### New Policy & Guidance on RICS University Partnerships

I was given a draft copy of the new Policy and Guidance on RICS University Partnerships by Chris Barclay, Senior Education Officer (Partnership), Academic Education Department. It is noted that RICS is adopting a new approach to partnership with universities worldwide in the production of high quality graduates for entry to the surveying profession.

The threshold standards applicable to Hong Kong cover student selection, employment profile, research assessment and teaching environment. The minimum standards are:

- 75% of first year entrants with an average A level score of 17 points;
- A Hong Kong University Grants Committee Research Assessment of 40% in the Cost Centre within which a university's surveying provision falls;
- An RICS External Examiner teaching environment assessment with a minimum requirement for Departments to achieve no more than two grade 2s in any of the six key areas;
- 75% of graduates who are in full time employment, in the year following graduation, must be in surveying related employment.

Each course must meet all four standards in full, but in its evaluation of the entry standard thresholds, RICS does not differentiate between courses on the basis of mode of study.

RICS continues to accept advanced entry to partnership accredited degree courses and the following Hong Kong courses are considered meritorious for entry to year two of accredited courses:

#### Hong Kong University (SPACE)

- Advanced Diploma in Construction Management \*
- Advanced Diploma in Property Development \*
- Professional Diploma in Construction Project Management
- Professional Diploma in Facilities Management
- \* (50% exemption from year two of undergraduate degrees)

#### Hong Kong Polytechnic University


- Higher Diploma in Building Technology and Management
- Higher Diploma in Geomatics
- Higher Certificate in Land and Engineering Surveying

#### City University Hong Kong

- Associate of Science in Architectural Studies (Full-time)
- Associate of Science in Building Services Engineering (Full-time)
- Associate of Science in Construction Engineering and Management (Full-time)
- Associate of Science in Facilities Management (Part-time)
- Associate of Science in Surveying (Full-time)

Detailed threshold reporting in respect of Hong Kong is set out in Appendix C of the policy paper.

#### RICS Visit

Peter Fall, RICS President, Louis Armstrong, Chief Executive, and other RICS officers are planning another visit to China and Hong Kong in October 2002 and will hold discussions with HKIS. 

### New Look of HKIS Website

We are pleased to inform you that our newly revamped HKIS Website will be launched very soon. The Website will have an entirely new look, giving you brand-new editorial content and page layout, and allowing you to surf on more conveniently. In addition, each Division will have its own homepage with useful reports and research papers for members to download. Besides, in the hope to reach more interested parties from the Greater China and other countries, the Website will have 3 language versions including English, Chinese and Simplified Chinese.

The new HKIS Website is not only a source of information, but also a database and a communication centre. Members Corner is one of the new features that we are particularly proud to introduce to you, where you can share your opinions with members in the Discussion Forum, receive latest news from the Institute through the Web Mail, and even change your personal data online. What is more, with the implementation of the Library's search function, you can search publications online and save on travel time to the HKIS Library at Jardine House.



### Hong Kong Housing Society Quality Field Practices Volumes 1-12 (in Cantonese) on DVD

The Housing Society has issued volumes 1-12 of Quality Field Practices in Cantonese on DVD. Limited copies of the DVD are available from the HKIS office on a first-come-first-served basis. Please check with the office on availability of stock.

### HKIS CONFERENCE 2002

- Theme : Dispute Resolution  
Date : 14 September 2002 (Saturday)  
Venue : Conrad Hotel  
Time : 9.00 am to 5.00 pm  
Fees : \$950 HKIS Members and Non-HKIS members  
\$750 HKIS student members

The HKIS Conference is one of the major CPD events for all divisions this year. Guest speakers have been invited to share their experience in four key topics, namely Arbitration, Mediation, Expert Determination and Litigation. The speakers will describe how each works, the regulatory framework and procedures involved, the pros and cons of each, and when each should be or should not be used. Case studies will also be presented to explain the practical application of each to property, land or construction disputes.

For further details of the programme and reservation form, please visit the HKIS website at [www.hkis.org.hk](http://www.hkis.org.hk) or contact the HKIS office at 2526 3679.





# ASCERTAINMENT OR ASSESSMENT OF COSTS

## Is there a difference?

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

When a contractor makes a claim for additional payment, whilst it is up to him to provide detailed particulars of the amounts claimed, it is the duty of the architect, quantity surveyor or the engineer ("the Contract Administrator") to either 'ascertain' or 'assess' the cost or loss and/or expense incurred.

I say either 'ascertain' or 'assess' the cost or loss and/or expense incurred because different forms of contract used in Hong Kong use different wording.

For example, under the HKIS Standard Form of Building Contract Clause 24, it is stated that the Contract Administrator shall "...ascertain the amount of... loss and/or expense". Similarly, under the Hong Kong Government forms of contract Clause 63, the Contract Administrator shall "...ascertain the Cost incurred...".

However, the Kowloon Canton Railway Corporation Conditions of Contract Clause 57 requires the Contract Administrator to "...assess the sum in respect of the Cost incurred...".

But is there any difference between these two obligations? Is the ascertainment of costs or loss and expense different to the assessment of costs or loss and expense?

The Shorter Oxford English Dictionary provides:

To 'ascertain' means, "to find out or learn for a certainty; to make sure of, get to know". And 'certain' is defined as "definite, exact".

To 'assess' on the other hand, is defined as "to estimate"; and 'estimate' is defined as "approximate calculation".

On the face of things then and applying the plain ordinary meaning of these particular words there clearly is a difference between the two duties.

In order to ascertain the costs the Contract Administrator would need to completely verify and satisfy himself as to the validity each and every amount claimed so that he could say with certainty what the correct figure was. No judgment is involved; the ascertainment is simply a matter of fact. This is, of course, a very demanding task which would involve inspecting all relevant documents and records of expenditure from, for example, staff salary details to invoices for consumables in the site office, in order to satisfy himself that no single amount forming a part of the resulting sum could be challenged.

On the other hand in order to assess the costs the Contract Administrator need only satisfy himself that a cost or loss and/or expense has been incurred, following which he may use his judgement to estimate by means of approximate calculations the amount of that cost or loss and/or expense.

Can this be right? Is it really intended by the draftsman of the respective contracts that there shall be such differing duties placed on the Contract Administrator, and, of course, on the Contractor that needs to provide the details?

Well the case of *Property and Land Contractors Ltd v Alfred McAlpine Homes North Ltd* (1995) 47 CLR 74 did indeed support such a position wherein Judge Lloyd QC said:

*'Furthermore, to "ascertain" means to "find out for certain"...and it does not therefore connote as much use of judgement or the formation of the opinion as had "assess" or "evaluate" been used. It thus appears to preclude making general assessments as have at times been done in quantifying damages recoverable for breach of contract.'*

However, the matter was looked at again in the more recent case *How Engineering Services Ltd v Lindner Suspended Ceilings Floors and Partitions* (1999) 64 CLR 67.

How Engineering was a sub-contractor for the installation of a sprinkler system as part of the re-development of Cannon Street Station in London. Lindner was a sub sub-contractor engaged by How for the installation of suspended ceilings, which followed the sprinkler installation.

Due to delays in the sprinkler installation, Lindner's works were disrupted for which they claimed loss and expense from How Engineering under the terms of their contract. How Engineering raised a number of counter claims and the matter was subsequently referred to arbitration.

Lindner's claim was a 'global' claim. It pleaded a number of events which, it was alleged, impacted upon the productivity of its work force and then quantified the resultant loss and expense by deducting from the tendered rates the tender cost of labour, and substituted this with the actual cost.

The arbitrator had traced the path of the alleged tendered productivity to test its validity, and found that there was almost a "complete concurrence" between Lindner's assessment and the labour allowances contained within the bills of quantity rates. He was also satisfied as to the expert evidence that the tendered productivity was reasonable. The arbitrator therefore accepted Lindner's method of quantification in his award.

How Engineering appealed on the basis that the arbitrator had erred in law in (among other things) quantifying Lindner's loss and expense claim. How Engineering claimed that the arbitrator had failed to ascertain the amount of damages due.

How Engineering relied upon the wording of the arbitration clause within the conditions of contract provided that:

*'...the Arbitrator shall ... have the power to direct such measurements and/or valuations as may in his opinion be desirable in order to determine the rights of the parties and to*

*ascertain and award any sum which ought to have been the subject of or included within any certificate...'* (Emphasis added.)

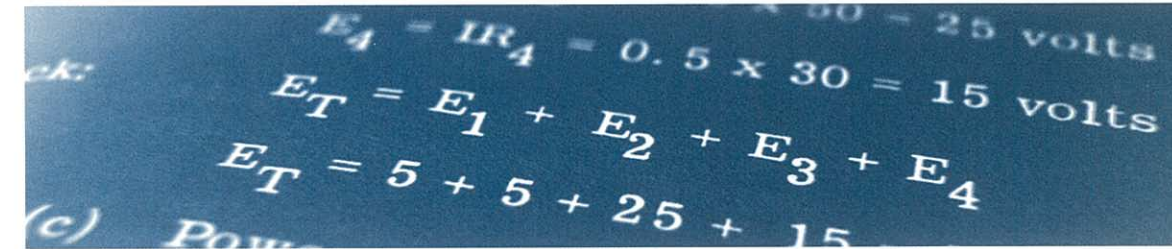
and the aforementioned case of *Property and Land Contractors Ltd v Alfred McAlpine Homes North Ltd* (1995) 47 CLR 74.

However, on appeal the judge, Dyson J, took a different position to that taken by Judge Lloyd in the Property and Land case. He held:

*'A judge or arbitrator who assesses damages for breach of contract will endeavour to calculate the figure as precisely as it is possible to do on the material before him or her. In some cases the facts are clear, and there is only one possible answer. In others, the facts are less clear, and different tribunals would reach different conclusions. In such cases there is more scope for the exercise of judgement. The result is always uncertain until the damages have been assessed. But once the damages have been assessed applying the civil standard of proof, the figure becomes certain: it has been ascertained. In my view, precisely the same situation applies to an arbitrator who is engaged on the task of "ascertaining" loss or expense under one of the standard forms.'* (Emphasis added.)

Following *How Engineering*, it appears therefore that the duties of the Contract Administrator when required to 'ascertain' or 'assess' amounts due are exactly the same.

In the ascertainment of amounts due, they should exercise professional judgement in that process and 'assess' such amounts when, in the circumstances, it is appropriate for them to do so. Having assessed amounts as being due on a balance of probabilities (the civil standard of proof), such will have been 'ascertained'. ■





# CLAIMS PREPARATION, ASSESSMENT AND SETTLEMENT

James B. Longbottom, Brian E. Rawling & Associates

On 29 and 30 June 2002, the HKIS and the China Engineering Cost Association (CECA) held a joint CPD seminar in Shanghai, PRC. One of the aims of the seminar was to outline to the CECA delegates the diverse range of services and expertise offered by Quantity Surveyors from Hong Kong. This is the first article of a two part series which provides an abridged version of one of the presentations, a role play on claims preparation, assessment and settlement. The participants in this role play were:-

**Mr. M. H. Suen** of Hongkong Land Ltd who played the role of the Employer, Richmond Investment. He also acted as overall narrator and translator.

**Mr. Thomas Tse** of Paul Y-ITC Construction Ltd who played the role of the contractor, China Right Construction Company.

**Mr. James B. Longbottom** of Brian E. Rawling & Associates who played the role of China Right's claim consultant.

**Mr. Kim Berry** of Widnell who played the role of the Architect, Sketch and Make Do Associates.

**Mr. Patrick O'Neill** of Brian E. Rawling & Associates who played the role of the Employer's Quantity Surveyor, Sparing and Thrift Associates.

This article considers the background and preparation of China Right's claims for extensions of time and prolongation costs. Next month's article will consider the assessment of the claim.

## (1) Background (Thomas Tse, China Right)



China Right entered into a contract with Richmond Investment Company (the Employer) for the construction of a 6 storey shopping plaza located in Shanghai known as Shanghai Plaza for the total sum of RMB350 million.

The Date for Completion was in November 2001, however, the project finished in March 2002, 116 days late.

As of April 2002, no extensions of time had been granted by the Architect to China Right despite the fact that China Right had issued many notices of delay and had provided interim particulars. The project had finished over budget and was forecast to lose RMB10 million excluding financial claims for delay.

Moreover, the Employer had advised China Right that it was its intention to deduct liquidated damages at a daily rate of RMB150,000/day i.e.  $116 \text{ days} \times \text{RMB}150,000/\text{day} = \text{RMB}17,400,000$ .

### Some Definitions

**Liquidated damages** are a fixed daily sum (on this project RMB150,000 per day), written into the contract as representing the Employer's expected loss estimated at the time the contract was entered into, in the event that the work was not completed by the completion date.

**An extension of time** is additional time granted to a Contractor to compensate the Contractor in time for delays, outside his control, to the completion of the Works and for which the Employer has agreed to accept liability. These delays are often referred to as "excusable delays". An extension of time has the effect of: (1) extinguishing the Employer's right to deduct liquidated damages for the extended time granted; and (2) keeping alive the Employer's right to deduct liquidated damages for delays for which the Contractor is liable.

China Right submitted that the critical delays to the project occurred during the construction of the substructure works. The notices of delay issued by China Right to the Architect during construction of the substructure works related to the late receipt of drawings, insufficient or conflicting details and design changes, all of which affected progress.

### Substructure

The sequence of works within the substructure comprised the following activities:-

1. excavation;
2. construction of pile caps;
3. construction of basement;
4. construction of ground floor slab; and
5. backfilling

In the Master Programme (see Figure 1) activities (2) to (5) have been consolidated for simplicity into one substructure activity.

The confined nature of the site meant that there was little scope for changing the logic of and/or re-sequencing any of these substructure activities.

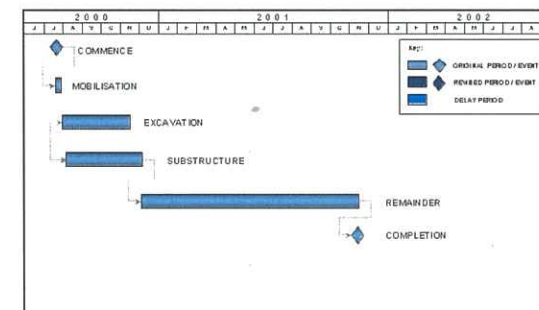


Figure 1 - Master Programme

Faced with the additional cost incurred from the over-run of the project as well as the potential exposure of the Employer deducting liquidated damages, China Right decided to engage a claims consultant. The consultant's brief was:-

- to investigate the problems which China Right had suffered;
- to establish China Right's entitlement to time; and
- to evaluate the effect of the delays in financial terms.

## (2) The Claim (James Longbottom, China Right's claims consultant)

A prolongation claim is an assertion of a contractor's contractual right to time and/or money resulting from the overrun of a project. The right to claim will depend upon how the Conditions of Contract deal with the risk of a particular event causing delay to the completion of the project. The form of contract used on Shanghai Plaza was the HKIA Form of Building Contract (the "HKIA Form"):-

- Clause 23 of the HKIA Form deals with *excusable events* giving rise to additional time.
- Clauses 11(6) and 24 of the HKIA Form deal with *compensable events* giving rise to money.

Figure 2 lists some of the principal *excusable and compensable events* which are found in the HKIA Form. For example, the risk of inclement weather causing a delay to the project is accepted by the Employer, hence, this type of delay is classed as an *excusable delay*. Conversely, the cost of a delay caused by inclement weather is one which is accepted by the Contractor. Therefore, for inclement weather, the Employer accepts the risk of time and the Contractor accepts the risk of money.

| Event / Cause                  | Excusable<br>(Clause 23) | Compensable<br>(Clauses 11/24) |
|--------------------------------|--------------------------|--------------------------------|
| 'Act of God' (e.g. earthquake) | ✓                        |                                |
| Inclement weather              | ✓                        |                                |
| Discrepancies in information   | ✓                        | ✓                              |
| Variations                     | ✓                        | ✓                              |
| Postponement of project        | ✓                        | ✓                              |
| Late information               | ✓                        | ✓                              |
| Inspections / tests            | ✓                        | ✓                              |
| Antiquities                    | ✓                        |                                |
| Employer's direct contractors  | ✓                        | ✓                              |

Figure 2 - Excusable and Compensable Events in the HKIA Form

The strength of any claim will depend on the quality of the records. For example, it is not possible to reconstruct a detailed as-built programme of what happened on site if there are no records showing when activities commenced and finished. Ideally, there should be labour returns detailing:

- the workers used to construct the Works;
- what the workers were doing; and
- when and where the workers were working.

Theoretical calculations, formula and rules of thumb do not provide proof of anything. A general statement that information has been issued late may in fact not be true if actual progress and slippages in the planned programme are taken into account. It is therefore important that the Contractor produces a claim which properly establishes his entitlement to time and money:-

- Firstly, the claim should describe the change in the time and sequencing of the project caused by excusable delays. In other words, what activities were affected and how were they affected?
- Secondly, the claim should identify when the change became apparent - this is particularly important if the Conditions of

Contract seek to impose a time bar as to when the Contractor can lodge a valid claim. On Shanghai Plaza, China Right was required to give notice of a *compensable event* within 30 days of its commencement otherwise China Right's right to claim loss and/or expense was lost.

- Thirdly, the claim should establish the effect of the change in terms of time and money - this will mean that the Contractor will have to consider the combined effects of all the changes as some delays may run concurrently or overlap with one another.
- Finally, the claim should provide documentary evidence to substantiate the calculations for time and money.

#### Basic Principles

The Employer will not be liable for China Right's loss if the Employer's breach of contract (e.g. the late issue of drawings) was not an effective cause of that loss. In other words, the Employer will only be liable for the time and money, which flows directly from *excusable* or *compensable events*. This causes a problem because *excusable* and *compensable events* may occur along side events for which the Contractor is culpable. For example, progress may have suffered because the Contractor had not engaged adequate resources or had simply mis-managed parts of the project. China Right must therefore be able to show a relationship between the claimed 'cause' of a delay and the 'effect' it produces in terms of time and money. This is known as 'cause and effect' or 'causation'.

For example, if the 'cause' of delay is an instruction by the Architect to add an extra storey to a building then the obvious 'effects' might be:-

- an increase in construction time;
- leading to a knock on delay to completion of the project; and
- an increase in time related costs associated with the programme overrun.

#### Shanghai Plaza - Causes / Events

For Shanghai Plaza, China Right identified four *excusable* and *compensable causes* of delay to the project:-

- the late issue of information by the Architect needed for the construction of the pile caps/ground beams;

- a revision made by the Architect to the specification for the waterproofing material;
- an increase in the quantity of reinforcement in the substructure; and
- amendments made by the Architect to the structural drawings.

#### Late Information

The first cause of the delay was the late issue and discrepancies in setting out details. Without the correct setting out details, China Right was unable to commence the excavation for the pile caps and ground beams. This is the most simplest kind of delay - without information, China Right could not build.

The excavation was a critical activity. This meant that the excavation was on the critical path to complete the project. The delay caused by the late information for the excavation therefore caused an overall delay of 27 days to the completion of the project. This delay is incorporated into the delay demonstration programme at Figure 3.

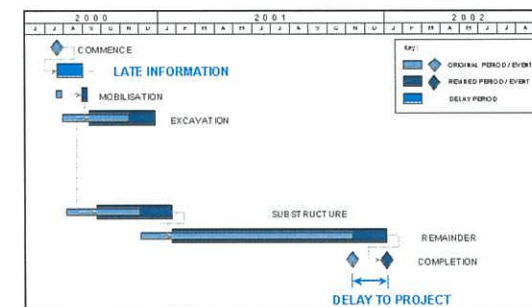


Figure 3 - Late Information

#### Waterproofing

The second cause of delay was a variation by the Architect in the propriety type of waterproofing material. The variation affected the progress of the project in a number of ways:-

- Firstly, the new material had to be ordered from overseas which meant the procurement period was longer. This caused a delay to the commencement of the waterproofing works.
- Secondly, the method of jointing the new material was changed from simple overlapped joints to welded joints. This

was more complex, took longer and required skilled workers who could weld the joints. Consequently, there was an increase in the time needed for installation.

As the steel reinforcement fixing in the substructure was dependent on the progress of the waterproofing, the steel reinforcement to the substructure was also delayed. The steel reinforcement in the substructure was a critical activity. This meant that the delay to the waterproofing, delayed the substructure, and caused a further overall knock-on delay of 52 days to the completion of the project. The progressive and combined effects of the late information and waterproofing delays are shown in the delay demonstration programme at Figure 4.

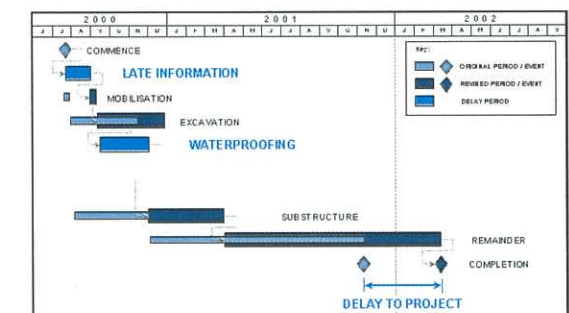


Figure 4 - Waterproofing

#### Drawing Amendments

The third cause of the delay was the late issue and revisions to the structural drawings by the Architect. This caused delays in fixing steel reinforcement and concreting activities for the substructure. The substructure, as already mentioned, was a critical activity. This meant that the drawing amendments, along with the waterproofing delays, prolonged construction of the substructure and caused a further overall delay of 15 days to the completion of the project. The progressive and combined effects of the late information, waterproofing and drawing amendments are shown in the delay demonstration programme at Figure 5.

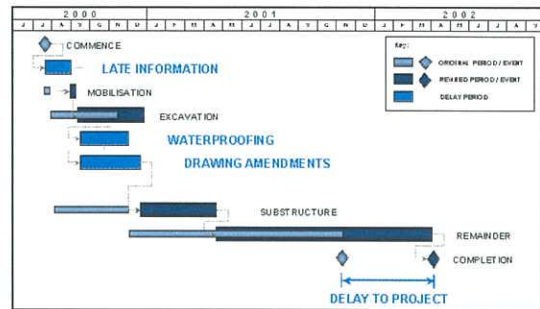


Figure 5 - Drawing Amendments

#### Reinforcement Increase

The final cause of delay was a 565% increase in the quantities of steel reinforcement shown on revisions to the substructure structural drawings. This caused an increase in the steel reinforcement fixing time.

If China Right had maintained its planned steel fixing resources, of 2 men per day then the increase in reinforcement would have potentially run into many days. In fact, China Right took mitigation measures to reduce the delay and increased the number of steel fixers from 2 men per day to 11 men per day.

The effects of the mitigation measures and actual mitigated delay of 22 days are shown in graphical terms in Figure 6.

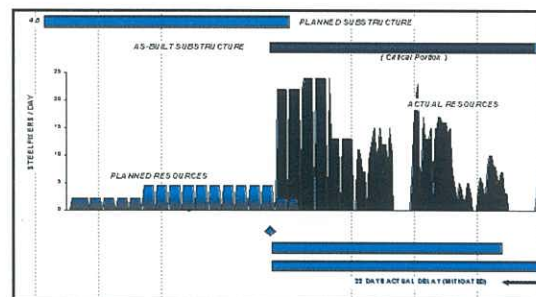


Figure 6 - Labour Histogram for Planned and Actual Steel Fixers

The progressive and combined effects of the delay caused by the reinforcement increase are fed into the overall delay demonstration programme in Figure 7.

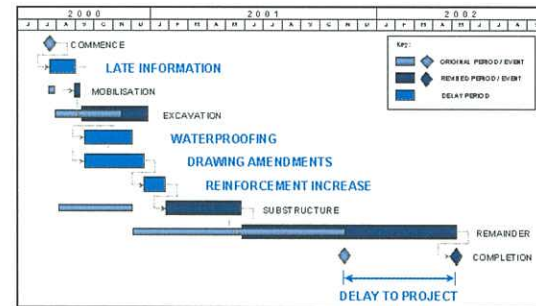


Figure 7 - Reinforcement Increase

#### Summary of Time

The total time claimed by China Right is summarised below:-

| Cause / Event          | Days            |
|------------------------|-----------------|
| Late Information       | 27              |
| Waterproofing          | 52              |
| Drawing Amendments     | 15              |
| Reinforcement Increase | 22              |
| <b>Total</b>           | <b>116 days</b> |

#### Evaluation

The evaluation of the claim in financial terms was broken down into the following cost headings:-

- additional cost of site preliminaries;
- additional head office overheads;
- cost of preparing the claim;
- loss of opportunity; and
- interest

#### Additional Preliminaries

Preliminaries are time related site resources or obligations which do not become part of the finished works e.g. site staff, electricity,

scaffolding, etc. Any delay will extend the use and consequently the costs of these resources. The total amount claimed by China Right was assessed at more than RMB2.4 million.

#### Additional Overheads

Head office overheads are the cost of running China Right's business e.g. director's remuneration, head office staff, office rent, marketing, tendering costs, etc. China Right's overhead costs are recovered from general turnover.

In 2000 and 2001, China Right's, turnover averaged RMB3 billion per year and overheads averaged RMB240 million per year. Therefore, China Right's overheads averaged 8% of turnover. Each project should therefore contribute 8% to the general overheads.

The prolongation of the project initially caused China Right to under-recover its head office overhead costs and then required an increase in the overall involvement of the head office in direct proportion to the prolonged period. The additional costs and contribution to China Right's overhead costs is assessed using the Emden formula at more than RMB6.7 million.

#### Claims Preparation

To undertake claims research and preparation, China Right was required to employ the services of a claims consultant at a cost of RMB350,000. China Right submitted that they would not have incurred this cost if it was not for the delays to the progress of the project. China Right contended that the cost should therefore be paid in full.

#### Loss of Opportunity

Due to the lock up of resources, including financial resources, on the Shanghai Plaza contract for longer than the original intent, China Right was denied the opportunity to seek out further work and earn income and profit from that further work. The loss of profit claimed, again using the Emden formula, is more than RMB5.9 million.

#### Interest

The financing of China Right's claim for loss and/or expense meant that China Right had to make up shortfalls in funds by

borrowing money. China Right has had to pay interest on the money it was forced to borrow. Compound interest is therefore claimed at 1% above the Prime Base Lending Rate to 30 June 2002.

#### Summary of Money

The total amount claimed by China Right, including interest is summarised below:-

|                            | RMB ¥ (M)    |
|----------------------------|--------------|
| Site Preliminaries         | 2.42         |
| Head Office Overheads      | 6.77         |
| Cost of Claims Preparation | 0.35         |
| Loss of Opportunity        | 5.92         |
| Sub Total                  | 15.45        |
| Interest                   | 1.50         |
| <b>Total</b>               | <b>16.95</b> |

However, this "wrap up" or global approach of allocating all of the time and money to the four events or causes of delay to the project is not always helpful. For example, what happens if the Contractor is found to be culpable for part of the claim? The success of the whole claim might be put at risk if it is not possible to separate such culpable parts from the total amount claimed.

China Right has therefore gone one step further in its claim submission and allocated both the claimed money and time to the four causes of delay. The advantage of breaking the claim down in this way is that 'cause' and 'effect' for each individual delay is clearly established. Therefore, if one of the heads of claim was not to succeed, the amount could easily be calculated and deducted from the total amount claimed.

In the September 2002 issue of the HKIS Newsletter, the Architect and Employer's Quantity Surveyor will review China Right's Claim submission.

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# SETTING THE STANDARDS FOR E-TENDERING

Kenneth K.Y. Poon, FHKIS, FRICS, Director, Davis Langdon & Seah Hong Kong Limited

## Introduction

The Hong Kong Works Bureau issued their Technical Circular No. 32/2001 titled "Electronic Dissemination of Tender Documents and Electronic Submission of Tender Returns on Removable Media" on 19 December 2001 to facilitate electronic submission of tender returns. This is a major step towards electronic tendering (e-tendering) for construction works. The Circular lays down detailed steps on how to carry out dissemination and submission of tenders electronically and specifies the preferred format for the document files to be used for the various sections of tender documents. These are summarized in Clauses 3.4.1 and 3.4.2 of the Technical Circular as follows:

*"3.4.1 The data formats for the various types of documents in EDP's are stipulated as follows-*

*3.4.2 To facilitate electronic tender preparation by tenderers and subsequent processing of electronic tender return, the files for "Bills of Quantities, Schedule of Rates and any other schedules" should be prepared in Excel 97 format, unless prior agreement is made with the Works Bureau. Cells, which are not intended for data entry by tenderers, should be locked and protected from being updated. The file should be structured and formatted to enable the use of verification tools that the Works Department may adopt to facilitate checking of unauthorized changes to locked cells."*

Whilst it is commendable for the Bureau to take this bold step forward to accept electronic submission of tender returns thus completing the whole tender process by electronic means, it is worrying that the implementation itself has started off on wrong grounds and the benefits of going e-tendering would not be fully realised.

| Type of File   | Editable File   | Image File            |
|--|---|-----------------------|
| Bills of Quantities, Schedule of Rates and any other schedules | Excel 97*   | Not Applicable        |
| Other text documents   | Rich Text Format**<br>Word 97   | Adobe Acrobat         |
| Scanned text documents   | Not applicable  | TIFF<br>Adobe Acrobat |
| Drawings   | Microstation<br>AutoCAD<br>Document Exchange Format (DXF)<br>Initial Graphic Exchange Standard (IGES) | Adobe Acrobat         |
| Scanned drawings   | Not applicable  | TIFF<br>Adobe Acrobat |

Notes: \* Subject to agreement with the Works Bureau on a case by case basis, RTF or Word 97 format may be allowed for Bills of Quantities, Schedule of Rates and any other schedules

\*\* Preferred format

## The Fundamental Aims

Before venturing further, it would be useful to have a reflection on the underlying reasons for embracing e-tendering (notwithstanding whether it is processed over the internet or by means of CD-ROMs or floppy disks). The immediate advantages that are brought to mind are savings in paper consumption and automatic summation of the tender sum after insertion of the tender rates. However, tenderers upon receipt of electronic files will normally print hard copies for ease of use. As a society in whole, there is actually no saving in paper consumption. The automatic summation of the tender sum will make compilation of the tender faster and checking of arithmetical accuracy no longer necessary. However, such savings are trivial in face of the vast resources the industry has to come up in order to cope with this change in traditional practice. A change of such extent should be aimed at much larger benefits, for benefits which will increase the efficiency of the industry as a whole.

The adoption of e-tendering by the Government would be an essential factor to propel the industry into the digital age. Provided appropriate standards are established, an open platform based on such standards shall open the doors to a lot of applications that would increase efficiency in many sectors of our industry. Benefits would include:

- 1) Electronic information exchange of data between different applications would avoid transcription errors, re-keying and scanning of data. This would cut down the overall time required in consequential actions performed on the same set of data but for different purposes under separate application programs, e.g. BQs by the consultants - estimates by the tenderers - procurement by the contractors.
- 2) Large amounts of data from past projects can be processed in a structured manner to create intelligent knowledge bases to establish more accurate yardsticks and parameters and to assist in the prediction and analysis of new and ongoing projects.

- 3) The availability of structured data shall allow programs such as time charts or method planning that has traditionally used only rough approximations, to take into consideration real quantities and other data and hence enhance its sensitivity and accuracy.

The number of applications made possible by such a platform shall be unlimited. Just look at the number of applications written around the Windows platform!

## The Main Problems

Now let us review the main problems that any e-tendering system must overcome to become practical. These are: security, reliability and compatibility.

- 1) **Security.** Construction contracts can run up to billions of dollars. A dispute costing millions can be caused by a mere typing mistake or a conflicting clause within the documents. It is therefore of prime importance that all electronic files issued are well protected from unapproved alterations which may be made deliberately or unintentionally.
- 2) **Reliability.** The means of dissemination of the electronic files and the return of the tenders must be robust and reliable. It must also be readily identifiable and legally binding.
- 3) **Compatibility.** All e-tendering systems should be compatible with the existing working practices in the industry. Undue restrictions should be minimised. Certain practices, such as the issue of tender addenda, post tender negotiated changes etc. must be fully allowed for any system to function properly.

## The Selected Formats

The Works Bureau has specified application programs for the various types of documents in a tender exercise. The rationale for the Bureau's recommendations instead of establishing (or endorsing) a set of structured data standards (protocols) to allow more flexible creation of specific application programs for the

many different purposes required in the industry is not explained. However, even the selected application programs by the Works Bureau seemed to have overlooked certain crucial aspects required for electronic tendering.

The programs selected for text or image files are non-controversial as such are normally static pages and no input from the tenderers are usually required. The selection of Excel for the BQs, Schedule of Rates and other schedules is, however, highly debatable. These files are not static pages and would allow the tenderers access to input their submission rates into the files which would directly arrive at the tender sum.

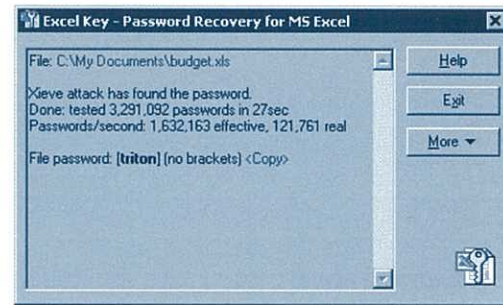
It is not difficult to understand why the Works Bureau chose Excel as the preferred format - it is undoubtedly the most utilised software for arithmetical and spreadsheets functions. Due to its popularity in the industry no extensive industry wide training would be required. Many companies already have the program installed and therefore only minimal additional expenses would be required. Politically, it also avoids the hard decision on selecting any specific solution, which would give advantage to any single software vendor.

However, the very advantage of Excel being a widely used general "fit-for-all" program makes it unsuitable for specific, legal conscious uses such as tendering in the construction industry. The decision to make Excel as the standard file format for dissemination and submission of highly complex and confidential documents such as BQs seems to have overlooked certain limitations of the software itself.

### 1.0 Limitation of Excel Spreadsheets

#### 1.1 Security

Although Excel 2002/2000/97 uses the RC4 encryption algorithm, there are softwares created that are easily available to the public to crack it. One of which is a solution called **Excel Key**. It finds the password by checking millions of passwords per minute. It uses brute-force attack and can test all the passwords of up to 7 characters. **Xieve Attack** is another password cracking software which is much faster and is capable of recovering passwords of up to 9 characters. Dictionary attack is the fastest method - there's no limitation on password length. (Refer to <http://www.lostpassword.com>)



Shown above is a screen shot of Excel Key cracking a password on an Excel spreadsheet.

Security would be a huge concern in adopting Excel as a means of electronic tendering. The Excel macro can be easily tampered with. Even though protected with a password, it can be hacked by password cracker tools from the Internet. Hence, data needs to be re-checked upon tender submission in order to ensure no unauthorised alterations have been made. Therefore, the use of Excel, although a widely adopted and available software, opens the security loophole for electronic tendering. Excel is a good spreadsheet for calculation. However, it was never meant to provide the high security required for electronic tendering.

Microsoft Excel security breaking tools and software are readily and easily obtainable by all. Some of these software are even distributed for free. A list of some of these companies and web sites that provides Excel security breaching tools and services are as follows: -

| No. | Company & Product Name                         | Web Site  | Price                  |
|-----|--|---|------------------------|
| 1   | Lostpassword.com<br>Excel Key, Xieve           | <a href="http://www.lostpassword.com">www.lostpassword.com</a>  | US\$45.00              |
| 2   | CRACK Software                                 | <a href="http://www.crak.com/word8.htm">www.crak.com/word8.htm</a>  | US\$450.00<br>per file |
| 3   | Access Data<br>- Password Recovery<br>Tool Kit | <a href="http://www.accessdata.com">www.accessdata.com</a>  | US\$495.00             |
| 4   | Excel Password<br>Remover                      | <a href="http://www.elkraft.unit.no/~huse/xlpassword.htm">www.elkraft.unit.no/~huse/<br/>xlpassword.htm</a><br>(Updated)<br><a href="http://www.straxx.com/excel/password.html">www.straxx.com/excel/<br/>password.html</a> | FREE                   |
| 5   | Password Solution<br>- Excel Locksmith         | <a href="http://www.intertek.org.uk/downloads/excel.html">www.intertek.org.uk/<br/>downloads/excel.html</a>   | FREE -<br>US\$5.00     |

#### 1.2 Cell Protection

Excel offers many ways to protect your data. But understanding the differences between the methods and the limitations of each of them can be daunting. If one does not fully grasp the concept of Cell Protection in Excel, one might be easily misled into thinking that the Cell Protection Feature is foolproof. In actual fact it is a very weak solution to protecting your data.

BQs would require cell protection of certain cells such as Reference, Description and Quantity against alteration by the tenderers. However, the Excel cell protection system does not provide foolproof security when tenderers price the BQ. The BQ would be open to manipulation of descriptions. Excel also does not provide audit trails for any manipulation done by tenderers. Consequently, this will lead to legal issues on which Excel macro is the correct version.

#### 1.3 Row limitations

Excel has a row limitation of 65,536. In BQs for large projects, such limitation would easily be exceeded. There is also a display limitation for the cells of 1,024 characters. For instance, when the description gets to more than 1,024 characters, the description would be truncated.

Excel 97 & Excel 2000 has the following limitations:

- Characters-per-cell: 32,767  
(only 1,024 display in a cell; all 32,767 display in the formula bar)
- Rows per worksheet: 65,536
- Row height: 409 points

There are also other limitations within Excel, some limited by the amount of memory available. Additional limitations apply to calculations, charts and PivotTables as well.

#### 1.4 Tender Checksum Requirements

After tender submission, the tenderer would wish to apply a mechanism to ensure that outside parties would not be able to tamper with the Excel file submitted. File encryption such as Crypto Tools allows the Excel file to be encrypted. However, if this were applied, there would be no way to perform checksum calculations on the data within Excel itself. Such checksum is needed to ensure that the data is consistent and

that the tenderers prior to submission have made no unauthorised alterations.

#### 1.5 Addenda

How will Excel handle addenda? Addenda are a very common practice in the construction industry practice nowadays and tend to be issued within shorter and shorter periods before tender return. When the tender initiator introduces addenda, the merger of the addenda into the original BQ would be a hassle for tenderers. How will the tender initiator ensure that everybody has incorporated the most updated addenda? If each addendum is taken as a new worksheet, the formula would become complicated and exposed to errors and alterations. Hence, inconsistency of data may arise as well as differences in the versions of addenda. The only way to ensure that the tenderers have incorporated all the required information on the addenda would be to re-issue the whole BQ with the addenda included. However, this will create an immense amount of double handling work at a short period before tender return and make the entire tendering process more painful than before. What needs to be sourced is a solution that enables easy identification of addenda that can be merged with the original BQ smoothly.

#### 1.6 Legal Implications

As the Consultant shall set the formulae in the Excel worksheets, what will be the legal implication if an error is made in the setting of formulae and links? Will this fault carry the same weight as a BQ calculation error? The same "user friendliness" of Excel that allows any user to input any formulae and links into a file creates huge uncertainties and complications when the file is passed on to another. The sheer risk and consequences of errors associated with the Excel files can be devastating for both the consultant and the developer!

#### 1.7 Incompatibility with existing software

The majority of BQ measurement software used by quantity surveyors in Hong Kong cannot transfer data into Excel format automatically. Additional resources would be required either to retype or re-format the data into an Excel program. This would be an additional burden on quantity surveyors who are already labouring under cut-throat fee competition.

## Industry Standards

It is still a question on why the Works Bureau did not adopt a structured data standards approach to establish an open platform to allow development of specific software for electronic tendering and procurement in the construction industry. General purpose software, though already in use by many in the industry, may not be the ideal solution due to the special requirements of our industry. For the reasons given above, Excel format may not be the most suitable standard for e-tendering. Industry professionals in other countries have already developed various standards to suit the construction industry. For instance, CITE, AEC and others have already developed working industry standards for the industry to follow.

### 2.1 CITE (Construction Industry Trading Electronically)

The World Wide Web Consortium (W3C) has developed XML. It enables the open exchange of information, including structured data elements. XML provides a structured data format that can be interpreted and displayed using a simple web browser, as well as enabling direct application-to-application interfaces. It is accepted as a universal, product-independent format for data exchange between computer systems. XML data is self-describing as it provides a standardized way to "tag" information according to its meaning (e.g. Price, Name).

Although an XML specification standard for the architectural, engineering and construction industry is still under development, CITE, which was launched in 1995 in UK, has been working hand in hand with aecXML, bcXML, ebXML and W3C to complement each other. Such collaboration has enabled CITE to establish standards and has received strong support from software houses to adopt its standard. CITE has a strong membership of BQ software companies such as:

- CSSP - RIPAC
- Masterbill Micro Systems Ltd.
- ConQuest
- IcFox
- JobMaster
- Altes Pro

Refer to <http://www.cite.org.uk/members/Members-SP.htm> for a complete listing of software providers whose products comply with CITE standards. Hence, by complying with CITE, electronic tendering would be adopting open standards and allowing tenderers to adopt whichever software they are inclined to or have invested in.

Note: Refer to the official website of CITE at <http://www.cite.org.uk>

## Conclusion

As practicing Quantity Surveyors, we should have the vision of implementing and supporting ONE exchange standard that will, on one hand, achieve the agreed commercial benefits from trading electronically and, on the other hand, provide the most cost-effective and future-proof implementation.

The Works Bureau seems to be too conservative in its implementation of e-tendering in Hong Kong. The approach now taken lacks foresight and grand strategy. Excel not only does not answer the most crucial issue of security, it will also only benefit Microsoft (Excel license costs HK\$2,400/user). This effort contributes very little to encourage and develop the local software and construction industry. I hope that the previous recommendations by the Works Bureau are but a temporary measure in an experimental stage and a complete strategy based on open industry standards would be adopted soon. ■

# HOUSING VOUCHER - AN ALTERNATIVE TO PUBLIC RENTAL HOUSING

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## Introduction

As we all know, Hong Kong is one of the, if not exactly the, most densely populated cities in the world. Also, its lack of developable land has pushed its land and housing prices to levels behind Tokyo only. Yet it is amazing that virtually every Hong Kong citizen has his own home.

That we can achieve this remarkable feat is largely due to the contribution by the Hong Kong Housing Authority (HKHA). Since its inception of the public housing estate program, in the wake of the great Shek Kip Mei fire on Christmas night in 1953, HKHA's public rental housing and Home Ownership Scheme flats have provided homes for probably half of Hong Kong's population. For millions of people crammed into a city the size of Hong Kong, it is of paramount importance to maintain stability. And what is more important than everybody having his own home?

No one doubts HKHA's success. But times are changing. The economy is changing. One may start to think of alternatives to providing public accommodation which can serve the same functions or achieve greater success.

A practical alternative, which has been in practice in the United States since 1974, involves the issue of housing vouchers to those who cannot afford private housing accommodation. In the following sections the mechanism, pros and cons of the voucher system are to be examined, its suitability to Hong Kong and its practicality as a viable alternative.

## What is the Housing Voucher Program?

The Housing Voucher Program (the "Program"), first promulgated by the US Federal Government in 1974, is an assistance offered

to the needy to have their own housing accommodation. US City governments dispense with the provision of public housing. Instead, housing coupons, representing a subsidy to rent private housing accommodation, are issued to applicants.

Until 2000, the Program has offered about 1.5 million cases of subsidy.

## How is the Subsidy Paid?

The subsidy represents the difference between the Fair Market Rent (FMR) of an applicant's accommodation, as determined by the Department of Housing and Urban Development (HUD), and 30% of the applicant/recipient's net income or 10% of his gross income, regardless of the rent actually paid for the accommodation.

Take a simple example by applying the Hong Kong situation. The FMR of a standard flat, as determined by the relevant government department, is HK\$5,000 per month. A successful applicant receiving an after-tax monthly income of HK\$10,000 may need to pay only 30% of this income (i.e. HK\$3,000) for the rent. The remaining HK\$2,000 will be paid by the subsidy under the Program.

## How is the Program Funded?

The HUD allocates a five-year fund to the local Public Housing Agencies (PHAs) which will, in turn, solely decide on the amount of subsidy to be offered and the number of successful applicants to whom the subsidies will be granted.

Once allocated the fund, the PHA will be left on its own. It will then carve out this package subject to all uncertainties in the economy, social conditions, rise or fall in the number of applicants and variance in running costs and set priorities on the distribution of the fund. Under this cloud of uncertainty, the PHA will decide on the number of successful applicants and the level of subsidy.

### What are the Advantages of the Program?

As already mentioned, the Program has already been implemented for almost 30 years. Until 2000, it has offered about 1.5 million subsidies. A program cannot be without any advantages if it can survive, let alone prosper, for so long. So what are its advantages?

#### 1. Direct

As it is a direct payment of subsidy to the applicants who are in need of housing accommodation, it is therefore, a direct efficient way of addressing the problem. It is what people most want, something of their own choice.

#### 2. Less Waste and Reduction of Vacancy

Compared with provision of public housing, it eliminates waste, as there won't be any unoccupied accommodation. Also it helps reduce the vacancy rate in the existing housing stock, thereby reducing and even preventing waste of precious resources.

#### 3. Save in Administrative Costs

There is no requirement for setting up a housing department to deal with the implementation, construction and distribution of public housing units. The administrative costs in implementing the Program are surely much less than that for setting up a housing department, no matter how efficient the latter is, and paying for the construction.

#### 4. Less Waiting Time

Under the Program, applicants can receive what they want in a much shorter time because all that is required is a direct payment to them only. Public housing tenants, on the other hand, will have to wait until their flats are completed before they can move in. They may need accommodation immediately, but will have to wait instead.

#### 5. Social mix

Perhaps the most significant benefit to the applicants and the society is the elimination of social segregation.

Under the public housing scheme, the needy applicants, mostly the lower income group, will have no choice but face their fellow class of people as their neighbours. The mental development and academic career of their children will be, most likely, adversely affected. Recent studies in America found that children living in a "mixed" neighbourhood tend to be more motivated to improve and further their studies. The social mix would improve their manners and perspectives, as children always want to imitate and cluster.

### Can These Advantages Apply to Hong Kong?

Yes. The Housing Voucher Program is especially suitable for Hong Kong. Facing a seemingly oversupply of private flats, continuation of the public housing while leaving the existing flats empty seems a terrible waste and a wrong allocation of resources. In terms of administrative costs, maintaining a public housing department in times of falling tax revenue and budget deficit seems extravagant. Better use of precious resources is surely needed. As explained above, the Program is the answer. It offers a direct payment only and produces a direct result, with only minimal administrative costs involved.

In Hong Kong there are about 90,000 applicants on the public housing waiting list. They will have to wait for 3 or 4 years for their flats. What could be more appropriate than offering them

the Program and to let them occupy the private flats that are already lying vacant.

While statistics may not reveal how children can be improved by a social mix, most parents in the lower income group will undoubtedly hope their children "mix" and study among those in an upper class. The clustering of poorer families in a particular housing estate often aggravates the crime rate there and turns many children into child gangs. In Hong Kong, many of the lowest grade (band 5) schools are found in the lower income group districts. Social mix can at least offer children a better choice of education.

### What are the Program's drawbacks then?

The Program, like all other systems, is not without disadvantages or undesirable effects.

#### 1. Market Rent

In a rising market there is always a possibility that the subsidy cannot be sufficient for an applicant to rent a home in an area he prefers. He may be forced to abandon the scheme or stick to a poorer area. As the amount of subsidy is decided by government officials periodically, it is likely that any upward adjustment may fall short of what is actually required.

#### 2. Fluctuating Rental Supply

Fervent speculation and high economic activities will likely deter landlords from offering their properties for letting. Instead they will speculate on them and wait for the next bidder. The supply of rental units may not meet the applicant's demand. In these circumstances, public housing accommodation has a role to play.

#### 3. Fraud

Man can make, man can break. Records from the PHAs in America show that tenants have under-reported income of

US\$14.4 million and under-paid their rent by US\$2.9 million. Also HUD estimated that 12% of the HUD assisted households were ineligible.

While this may not deter the Program, substantial attention must be paid to uncover cases of fraud and additional costs involved. Needless to say, prevention of bribery is also essential.

#### 4. Landlord's Prejudice

In America, racism may act as deterrence in making the Program work. In Hong Kong, racism may not be as severe. There are, however, landlord's prejudices against letting of their properties to poorer people for fear of damaging their properties and the likelihood of rental default.

#### 5. Social Mix

Social mix may be desirable. But there is no guarantee that better off people will be receptive to those from a lower class. Equally the lower income group may be reluctant to live in a "better class" area where retail prices and dining costs may be higher. Resentment and feeling of injustice may lead to social tension.

### Conclusion

On balance, the drawbacks are administrative problems that if given proper attention, can be rectified. In the present economic and social climate in Hong Kong, there is no reason not to pursue the Program. For better implementation, the whole establishment of the Program needs a constant review. Adjustment of priorities, coverage and the level of subsidy are required in different economic climates to better serve those in need.

Given Hong Kong's abundant experience in providing people with their homes, there is no reason why the Program cannot succeed.

For a Chinese version, please visit our web site at <http://surveyors.midland.com.hk>





# ONE COUNTRY - TWO STANDARDS

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## Introduction

On 30 April 2002, the RICS announced that it had posted a "Request for Comment" discussion paper on the GovTalk website in the UK ([www.govtalk.gov.uk](http://www.govtalk.gov.uk)), seeking comments on the "Proposal for e-Procurement XML Standard". The purpose of the GovTalk site is to enable the Public Sector, Industry and other interested participants to work together to develop and agree policies and standards for e-government through a consultation process.

This same topic was raised by the RICS President, Peter Faulkner at the offices of Icfex International Limited ([www.icfox.com](http://www.icfox.com)), when he visited recently, along with the RICS Chief Executive, John 'Louis' Armstrong and Shiraz Oshidar.

Furthermore, in the "Report of Questionnaire Survey on Initial Electronic Dissemination Scheme for Public Works Contracts" published by the Hong Kong Works Bureau in July 2001, comments on the electronic dissemination scheme such as these were received:

*"To avoid future software copyright problems, files can use (an) open standard such as XML"; and "To widen the choice of software packages for processing EDPs (Electronic Dissemination Package), open and non-proprietary formats such (as) XML should be adopted."*

## Extensible Markup Language (XML)

XML is a flexible markup language for documents containing data and other structured information. It was designed to facilitate exchanging data files over the web and to integrate the disparate platforms offered by different vendors. It has emerged as the universal exchange format for Internet information delivery, e-commerce and other data-intensive functions.

By serving as the standardized framework for data exchange, XML facilitates electronic commerce applications and automated communication between web applications. Its impact on e-Business communications is significant. By integrating XML

technology, Information Delivery solutions that deliver data visually to users are also able to deliver data electronically to applications.

In simple terms, an XML file encodes data with a simple text-based system. Specifically, it uses one opening tag and one closing tag to identify where a given data element begins and ends.

## One Standard

In the meeting between the RICS President and Icfex on 7 June 2002, the parties both advocated the need for a single standard for formulating the pricing documents in an e-Tendering process and agreed that it was quite apparent that the XML schema is most suitable to become the standard.

This writer finds it ironic, therefore, when there is such a demand for one enduring standard for producing a pricing document to conduct e-Tendering, this is not endorsed by certain sectors of our own Industry here in Hong Kong. For example, the Works Bureau, in their Technical Circular WBTC No. 32/2001 (<http://www.wb.gov.hk/circular/index.htm>), set as the standard file format for Bills of Quantities, Schedule of Rates and any other Schedules the use of Excel 97, Rich Text Format (RTF) or Word 97.

With all these local developments, we wonder whether we should go for a "One Country - Two (or even more) Standards" or a "Multiple Countries - One Standard" approach.

With XML being accepted as a universal, product-independent format for data exchange between computer systems, why should we in Hong Kong go for any other formats?

However, XML only defines the syntax and structure - not the actual tag names themselves. Therefore, to apply the XML technology in the Architectural, Engineering and Construction (A/E/C) Industry, defined exchange standards have to be set. In this respect, CITE is thankfully using its experience to work with international XML developments and deliver a robust XML solution to the A/E/C Industry.

## CITE

CITE, stands for the "Construction Industry Trading Electronically" ([www.cite.org.uk](http://www.cite.org.uk)). It is a collaborative electronic data exchange initiative for the UK construction industry. The initiative was launched in April 1995. CITE is owned and run by the organizations that comprise its membership. Government funding supported initial activities, but the real drive came from contractors, suppliers and professional services that identified the value of adopting a common approach to delivering a common information exchange solution.

When CITE was first established, the importance of electronic tendering was clearly identified. Information that will be used

throughout the life of a project should be exchanged electronically from the outset. The Bills of Quantities standards were therefore developed.

## Specification for CITE BQ

CITE respected the current structure of a Bills of Quantities and developed the CITE Bills of Quantities standard.

Highlights of the Specification for ASCII BQ - Version CITE4.2 are as follows:

### 1. File Format

All CITE BQ files must be saved using the extension ". EBQ". Bill information should be exchanged within a single file.

## 2. Field Summary

| Field Number | 1                      | 2         | 3      | 4        | 5               | 6          | 7              | 8               | 9                   | 10       | 11                 | 12      |
|--------------|------------------------|-----------|--------|----------|-----------------|------------|----------------|-----------------|---------------------|----------|--------------------|---------|
| Field Name   | Information Identifier | Reference | Text   | Quantity | Unit of Measure | Price Rate | Extended Price | Price Qualifier | Spare 1 (Integrity) | Currency | Currency Qualifier | Spare 2 |
| Position     | 0                      | 2-11      | 13-62  | 64-74    | 76-79           | 81-90      | 92-104         | 106-108         | 110-120             | 122-124  | 126                | 128-138 |
| Field Size   | 1                      | 10        | 50     | 11       | 4               | 10         | 13             | 3               | 11                  | 3        | 1                  | 11      |
| Field Format | an1                    | an..10    | an..50 | n11      | an..4           | n10        | n13            | an..3           | an..11              | an3      | an1                | an..11  |

Fields numbered 2 to 7 are actually the existing structure of a Bill of Quantities. To further identify the tag names for communications between different web applications, CITE appended Field Numbers 1 and 8 to 12 to the Bills of Quantities.

### 3. Information Identifier (Field Number 1)

- 'g' All Non-Provisional Priceable items
- 'B' Brought Forward From
- 'C' Carried to Collection
- 'F' Final BQ total
- 'L' A method related charge or preliminary - fixed amount
- 'M' A method related charge or preliminary - time dependent
- 'N' Notes - This is used to identify each line that contains information that does not form part of a priceable item.

'P' Provisional - This identifies an item as being provisional. This code should be used where the Bill Originator has included a price and extended price for the item.

'S' Carried to Summary

'T' Brought Forward from (Summary)

'X' An adjustment item

'Y' Contingency - This figure is applied after the 'F' code above.

'Z' Total including contingency - This identifies the final bill total after the Contingency has been added. If used, this will be the sum of the 'F' total and the 'Y' contingency.

### 4. Price Qualifier (Field Number 8)

'Lxx' (Where xx is one or more alphanumeric characters)



# PROPERTY VALUATION OF NON-PERFORMING LOAN (NPL) IN THE PEOPLE'S REPUBLIC OF CHINA



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## Background

Commercial banks in China have started to take controls and measures on improving their credibility in recent years. The country's "big four" state-owned financial enterprises have respectively established its individual asset management company (AMC) in 1999. The main role of the AMCs is to administer, purchase, dispose or recover the non-performing assets peeled off from them, with an aim to minimise the asset losses involved. With the average ratio of non-performing loans (NPLs) to total loans of China's banking industry confirmed to be no less than 15 percent, the process of reducing the ratio therefore plays an extremely crucial part in preventing and resolving financial risk of the industry.

Upon the disposition process of NPLs, the tendering method is often being used when the scale of the NPLs is large. Any potential buyer considering acquiring the NPL (hereafter the "Client") is likely to appoint an international property consultant with extensive experience in China before submission of the bid. The role of the consultant is to evaluate the property component of the collateral pool. In this article, we would like to share with you one of our past experiences in delivering the valuation services for a portfolio of NPL properties.

## The Assignment

The assignment was to carry out indicative valuations in respect of the properties under various valuation approaches and methodologies. The portfolio comprised of more than 25 properties of all property types scattered in more than 10 cities

across China. The scope of services covered two main parts. The first was to provide a base valuation package, which included a summary report for each property in an agreed template, and the second was to make a roll-up presentation. The agreed template mainly consisted of a general description on the subject property, social-economic data of the subject city, information on the land use rights and building rights, the assumptions behind each valuation method and most importantly, the final valuation conclusion. The time frame to complete the assignment was three weeks.

## Basis of Indicative Valuation

The scope of services in this assignment was for indicative purpose only, which meant the valuer reserved the right to change the final reconciled values if more information was available at the later stage. An indicative open market value and indicative court auction value for each property had to be provided. The reports in this assignment were prepared in accordance with the "Appraisal and Valuation Manual" published by the Royal Institution of Chartered Surveyors (RICS) subject to variation to meet local established law, custom, practices and market conditions.

## Open Market Value

The definition of open market value is published in the "Appraisal and Valuation Manual" by the RICS. In this assignment, the open market value was applied to the subject property independently. That is, the potential effect of selling a property as part of a

A number of items in a priced BQ could be linked together and a single lump sum price could then be entered to cover them all. This is the electronic equivalent of bracketing several items together and quoting a lump sum for supply.

'INC' This allows the tenderer to confirm that any unpriced items are included within the price of other (unspecified) item or items and have not been left blank in error.

'LS' Lump Sum. This is used where an individual item is priced as a "lump sum" without a rate being specified.

'NP' Indicates that the tenderer is not quoting for supply of that item and therefore the item is 'Not Priced'. The use of 'NP' may be disallowed as a condition of tender.

'ONP' Inserted by the Bill originator to indicate that this item is not to be priced.

'SUM' Indicates that an item has already been priced by the issuer of the BQ. For example, Provisional Sum.

## The Way Ahead

For a standard to become widely accepted, support from the Construction Industry at large is essential. The emergence of XML as the universal exchange format is already beyond doubt. It should also be noted that, as well as Industry players, CITE already has a strong membership of Service Providers, to name but a few of those well known in Hong Kong:

| CITE Service Provider          | Key Products                             |
|--------------------------------|--|
| Bidcom                         | ProjectNet                               |
| BuildOnline                    | ProjectsOnline                           |
| Causeway Technologies          | Collaboration/eTender                    |
| ConQuest                       | Estimating Software                      |
| Construction Computer Software | Candy                                    |
| Construction Software Services | Construct IT                             |
| CSSP                           | Ripac                                    |
| ECL                            | CATO                                     |
| e-hub                          | Project Management/<br>Procurement       |
| IcFox / Atles System           | AtlesTender/AtlesPro/<br>AtlesProjectNet |
| JobMaster                      | Estimating Software                      |
| Masterbill                     | Mb <sup>3</sup>                          |
| Projection                     | Scenario Advantage                       |
| Ramesys                        | Estimating/Procurement                   |

To save data into Excel format and to read BQ in CITE into Excel, CITE has provided an Excel macro that enables interchange of data between Excel and CITE. And, to generate a CITE BQ, even if one is not already in possession of the necessary proprietary software, CITE make free Bill Quantities software available.

For the conversion of Bills of Quantities prepared in Excel, all the Quantity Surveyor needs to do is to download the Excel macro freeware. Some minor manual editing is then required and, in no time, a CITE BQ will be created and ready to take its first step into the life of a project.

Each and every item in the Bill of Quantities will be tagged either by the Information Identifier or the Price Qualifier. Complemented with the XML technology, the tagged BQ items could then be exported to and/or imported from computer system to computer system and from software to software. These electronic data, which are recognizable by web applications, can then be exchanged for estimating, pricing, addendum management, e-procurement, tender analysis, valuation of variation and interim payment processes. This data will ultimately find its way to a databank waiting for the whole data exchange process to start again.

For a format to become a standard, the format should be able to facilitate electronic commerce applications and automated communication between web applications. When applied to e-Tendering, at the very outset we should be looking for an electronic exchange that can support the flow of Information throughout the life of a project. We have to consider whether the format/standard can provide the necessary security called for in a tendering process and to handle each and every activity throughout such process. Addenda management would be a good starting point to gauge the capabilities of any standard.

Excel 97 can work well as a spreadsheet, but simply cannot be the "standard".

## References

1. Tim Cole (2000). Electronic Communication in Construction. Thomas Telford.
2. Actuate. White Paper on Actuate and XML.
3. CITE (2000). Specification for ASCII Bill of Quantity Version CITE4.2. [www.cite.org.uk](http://www.cite.org.uk)

portfolio was ignored. Likewise, each property was valued as a single property interest and the potential effect of selling the property on strata title basis was ignored.

#### **Court Auction Value**

Under the existing legal system in the PRC, there is no well-defined and clear legal procedure on court auction of distressed property. In the absence of any clear defined definition, the attribute of the court auction value is considered to be similar to the Estimated Restricted Realization Price (ERRP; please refer to the RICS Appraisal and Valuation Manual for definition) with the only exception that the mode of sale is confined to Public Auction only. In our opinion, it may further dampen the final realization price.

#### **Valuation Approaches and Methodologies**

As per instructed, different valuation approaches were to be considered in order to provide the opinion of indicative values, namely Market Approach, Cost Approach and Income Approach.

**Market Approach** - The Property is valued on an open market basis by the Direct Comparison Approach assuming sale of the property interests in their existing state with the benefit of vacant possession and making reference to comparable sales evidence as available in the relevant market. Direct comparison approach relies on the availability of comparable transactions. Comparable properties of similar size, character and location are analyzed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. Physical, location and economical characteristics are important criteria to be analyzed when comparing such comparables against the property.

**Cost Approach** - The property is valued on the basis of Depreciated Replacement Cost ("DRC") which is a method of using current replacement costs to arrive at the value to the business in occupation of the property as existing at the date of valuation. The DRC basis of valuation requires estimates of the open market value of the land in its existing use or a notional replacement site in the same locality, and an estimate of the new replacement cost of the buildings and other site works, from which appropriate deductions are then made to allow for the age, condition, economic or functional obsolescence of the property, and other factors which might result in the existing property being worth

less than a new replacement. The valuation figure is derived on the assumption that the business would attract adequate potential profitability compared with the value of the total assets employed.

**Income Approach** - The property is valued by capitalising the existing/potential rental income (if any) less corresponding expenses at an appropriate capitalisation rate. Income approach is mostly suitable for the valuation of property having rental income or operating income (like hotel).

#### **Planned Schedule of Works**

##### **1. Property Inspections**

Planning and arranging the property inspections for the assignment was an interesting task. To begin with, all the subject locations were plotted in a map of China. Depending on the number of properties located in a single city, the number of days needed to be spent was estimated. A preliminary inspection schedule was then formed after assigning the number of locations to each valuer. This draft schedule was subject to change. If under any circumstances that resulted in delaying the schedule, it would be the valuers' own determination on keeping up with the pre-arranged schedule of flights and accommodations.

One of the major differences between a normal valuation and this job was that each member of the valuation team was likely to travel to a few different locations in a single trip. Extra attention would have to be paid by a valuer. e.g. managing the information in an orderly manner was a challenge. Large quantities of photos and notes would have been taken in the inspections. For high efficiency, the best way to review and recap those informations would be to compile them into the template in the evening following the day of each inspection.

##### **2. Collection of Information**

A summary prepared by the AMC was provided. This summary contained all information relevant to the subject loan, such as the borrower's details, financial records, collateral information and all supporting documents which could be obtained by the AMC. Relevant information in relation to the property component was identified and studied. In fortunate situations, documents such as State-owned Land Use Certificate or Realty Title Certificate could be found. However, there were cases in which only the address of the property had been provided, hence certain

assumptions and estimation would have to be made on the land title and building area.

Due to the limited information provided, all formal/informal sources on the search of further information had been used. In gathering the general market data, apart from the corporate database, informal local enquiries have also been relied on to a certain extent.

##### **3. Title Investigation**

As mentioned above, the Client provided only limited copies of title documents. The original documents had not been examined in verifying the ownership and encumbrances or in ascertaining the existence of any amendments. All the comments in this connection were wholly based on informal enquiries.

##### **4. Site Investigation**

Site measurements had not been carried out in verifying the correctness of the site area of the property. The site area was reported either based on the site area shown on the copies of title documents provided or by reference to informal enquiries. On-site investigations had not been carried out in determining the suitability of soil conditions and availability of services for the existing or any future proposed development. The final assessment was on the basis that those aspects were satisfactory.

##### **5. Reporting**

Having inspected the properties, collected information and data from all sources, studied the information on the site and title, the next step was to compile the summary report. The report comprised a general property description, neighbourhood analysis, economic condition and data of the city, the land and buildings inspection report, valuation assumptions, detailed calculations under each valuation methodology, rough estimation of holding expenses and taxes and the final reconciled value of the property.

##### **6. Roll-up Presentation**

One of the most notable features of this assignment was that a direct visual presentation had to be provided following the submission of all summary reports. Each and every items of the summary report were gone through. The presentation was intended for the valuer to justify the market data collected and defend the final reconciled values based on the assumptions and

calculations under the three valuation methodologies. Compared to the previous parts of this assignment, the roll-up presentation demanded the most skills from a valuer as it determined the success of the whole assignment. Clear minded, excellent memory, good presentation skills and exceptional reflex are the keys to success.

#### **Importance of Assumptions**

In view of the limited information available and the tight time frame, certain extent of assumptions had been made in order to protect the interest of the valuer. With regard to the final values, the scope of services in this exercise had been clearly defined for indicative purpose, that the right to amend the finalized values was reserved in case there was more information available at the later stage.

In relation to the formal/informal sources of property or market data, it was essential to state that the truthfulness had not been verified and there was no guarantee on the correctness on all information found. Should these prove to be incorrect or inadequate, the valuer reserved the right to adjust the reported indicative values since the accuracy of the indicative values might be substantially affected.

#### **Conclusion**

To deliver valuation services for NPL properties in China is not an easy task. Challenges to be tackled include tight time frame; shortage of information, lack of transparency in the market, justification of informally obtained market data and much more. A valuer not only requires a strong market sense and memory, excellent presentation skills, clear minded and high professionalism but will also need to be backed up by extensive experience in the property industry of China as well as a strong corporate database and network. It was a very exciting and interesting job when compared to the formal valuation reports. Following the huge international NPL deal between the Morgan Stanley-led consortium and Huarong Asset Management Corporation in December 2001, many more such deals by foreign investors and the big four AMCs are likely to be seen in the near future since the current estimated RMB600 billion China's bad loans are waiting to be absorbed. Thus, chances for valuers to come across the NPL valuation are indeed great. ■



# 關於中國的建築市場 和工程招標投標

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## 關於中國的建築市場

改革開放以來，中國進入了投資和建設的高峰期。

在20世紀90年代，共完成固定資產投資總額202841.5億元（人民幣，下同），平均年增長23.1%。其中，由建築業完成的建安產值128902.15億元。

十年間，共建成各類工業、能源、交通、通信、農林、水利、文教、科研等基本建設專案49.863萬個（其中，大中型專案1928個），更新改造專案35萬多個。

2001年，完成固定資產投資額36898億元，比上年增長12.1%；施工工程83萬個，施工面積17.87億平方米，房屋竣工面積8.25億平方米。

目前，已擁有一支門類齊全、專業配套的建築產業大軍。建築業企業近10萬家，3500多萬人；勘察設計企業1.1萬餘家，72.67萬人；工程監理企業6000家，約25萬人。

## 關於中國的工程招標投標

在計劃經濟時期，中國的工程是採取計劃分配和委託的方式。

從1981年開始進行工程招標投標制的試點。據統計，1984年工程招標投標面積占當年施工面積的4.8%，1990年為29.5%，1996年占54%，1998年上升為59%。目前，依法應招標和公開招標的房屋建築、市政工程的招標率、公開招標率均達90%以上。

當前，中國工程招標投標存在的突出問題：規避招標或搞假招標的問題較突出；招標投標的程式不嚴格、不規範，漏洞較多；招標投標中的一些不正之風和腐敗現象依然存在，錢權交易等違法犯罪行為時有發生；某些主管部門和領導幹部對招標投標活動的干預過多；行政監督體制不順，職責不清。

## 中國的有關立法情況

1997年11月1日頒佈了《中華人民共和國建築法》，1998年3月1日施行。

1999年8月30日頒佈了《中華人民共和國招標投標法》，2000年1月1日施行。

2001年6月1日，建設部頒發了《房屋建築和市政基礎設施工程施工招標投標管理辦法》（建設部第89號令）。

2001年5月1日，國家計委頒佈了《工程建設專案招標範圍和規模標準規定》（第3號令）。

2001年7月5日，國家計委、建設部等7部委頒佈了《評標委員會和評標方法暫行規定》（第12號令）。

許多地方還頒佈了相應的地方性法規和地方規章。

## 法律法規有關工程招投標的規定

### （一）依法必須招標的工程範圍 《招標投標法》明確規定：

“在中華人民共和國境內進行下列工程建設專案包括勘察、設計、施工、監理以及與工程建設有關的重要設備、材料等採購，必須進行招標：

- （一）大型基礎設施、公用事業等關係社會公共利益、公眾安全的專案；
- （二）全部或者部分使用國有資金投資或者國家融資的專案；
- （三）使用國際組織或者外國政府貸款、援助資金的專案。”

關係社會公共利益、公眾安全的基礎設施，包括能源、交通運輸、郵電通訊、水利、城市設施、生態環境保護專案等。

公用事業等專案，是指市政工程、科技、教育、文化、體育、旅遊、衛生、社會福利、商品住宅（包括經濟適用住房）等。

無論投資來源，只要投資上述領域，均屬強制招標的範圍。

使用國有資金的建設專案，是指使用各級財政預算資金的專案、使用納入財政管理的各種政府性專項建設基金的專案、使用國有企業事業單位自有資金並且國有資產投資者實質上擁有控股權的專案。

使用國家融資的建設專案，是指使用國家發行債券所籌資金的專案、使用國家對外借款或者擔保所籌資金的專案、使用國家政策性貸款的專案、國家授權投資主體融資的專案、國家特許的融資專案。

使用國際組織或者外國政府資金的專案，是指使用世界銀行、亞洲開發銀行等國際組織貸款資金的專案、使用外國政府及其機構貸款資金的專案、使用國際組織或者外國政府援助資金的專案。

上述五類工程建設專案達到下列標準之一的，必須進行招標：

施工單項合同估算價在200萬元人民幣以上的；

重要設備、材料等貨物的採購，單項合同估算價在100萬元人民幣以上的；

勘察、設計、監理等服務的採購，單項合同估算價在50萬元人民幣以上的；

單項合同估算價低於上述三項規定的標準，但專案總投資額在3000萬元人民幣以上的。

### （二）依法必須公開招標的工程範圍

在依法必須進行招標的專案中，全部使用國有資金投資或者國有資金投資占控股或者主導地位的，應當公開招標。

### （三）招標方式

在《招標投標法》中規定了公開招標和邀請招標兩種招標方式，取消了議標。

對於實行邀請招標的，招標人應當邀請3個以上具備相應承包能力、資信良好的特定投標人；投標人如少於3個的，招標人應當重新招標。

### （四）專家評標

《招標投標法》中規定：評標由招標人依法組建的評標委員會負責；評標委員會由招標人的代表和有關技術、經濟等方面的專家組成，成員人數為5人以上的單數，其中專家不得少於成員總數的2/3。

進入評標委員會的專家應當從事相關領域工作滿8年並具有高級職稱或者具有同等專業水平，由招標人從國務院有關部門或者省、自治區、直轄市人民政府有關部門提供的專家名冊或者招標代理機構的專家庫內的相應專業的專家名單中確定；

一般招標專案可以採取隨機抽取的方式，特殊招標專案可以由招標人直接確定。

評標委員會完成評標後，向招標人提出書面評標報告並推薦合格的中標候選人，招標人根據評標委員會的書面評標報告和推薦的中標候選人確定中標人，也可以授權評標委員會直接確定中標人。

評標委員會經評審，認為所有投標都不符合招標文件要求的，可以否決所有投標；所有投標被否決的，招標人應當重新招標。

### （五）中標條件

《招標投標法》第41條規定，中標的條件有兩條：

一是能夠最大限度地滿足招標文件中規定的各項綜合評價標準（即綜合評價法）；

二是能夠滿足招標文件的實質性要求，並且經評審的投標價格最低，但是投標價格低於成本的除外（即合理低價法）。

綜合評價法，可以通過打分或投票確定。合理低價法，可以在標底的合理幅度內確定合理中標價；也可以按當地同類工程的平均價格確定。凡低於者，應由專家對其技術方案進行評價，如認為不能保證工程質量的，不能中標。

《招標投標法》第40條規定：

評標委員會應當按照招標文件確定的評標標準和方法，對投標文件進行評審和比較；設有標底的，應當參考標底”。據此，招標人可以編制標底，也可以不編制標底；編制標底的，標底僅在評標時作參考。

### （六）招標投標的其他規則

《招標投標法》中對招標人的其他規定主要是：

- （一）招標人提出的招標專案，按照國家有關規定需要履行審批手續的，應當先取得批准，並落實資金來源；
- （二）招標人對潛在投標人進行資格審查時，不得以不合理的條件限制或者排斥潛在投標人，不得對潛在投標人實行歧視性待遇；
- （三）招標文件不得要求或者標明特定的生產供應者以及含有傾向或者排斥潛在投標人的其他內容；

(四) 招標人不得向他人透露已獲取招標文件的潛在投標人的名稱、數量以及可能影響公平競爭的有關招標投標的其他情況，標底必須保密；

(五) 確定中標人之日起15日內，向有關監督部門提交招標投標情況的書面報告；

(六) 招標專案需要劃分標段、確定工期的，招標人應當合理劃分標段、確定工期，並在招標文件中載明。

《招標投標法》對投標人的其他規定主要是：

(一) 投標應當具備承擔招標專案的能力，具備國家規定或者招標文件規定的資格條件；

(二) 投標人應當按照招標文件的要求編制投標文件，投標文件應當對招標文件提出的要求和條件作出實質性回應；

(三) 投標人擬在中標後將中標專案的部分非主體、非關鍵性工作交由他人完成的，應當在投標文件中載明；

(四) 投標人不得串通投標，不得排擠其他投標人的公平競爭，不得以低於成本的報價競標，也不得以他人名義投標或者以其他方式弄虛作假、騙取中標。

《招標投標法》對中標人的規定主要是：

(一) 中標人應當按照合同約定履行義務，完成中標專案。中標人不得向他人轉讓中標專案，也不得將中標專案肢解後分別向他人轉讓。

(二) 中標人按照合同約定或者經招標人同意，可以將中標專案的部分非主體、非關鍵性工作分包給他人完成。接受分包的人應當具備相應的資格條件，並不得再次分包。

#### (七) 工程招標代理

《招標投標法》規定：招標人可以委託招標代理機構辦理招標事宜。

招標人具有編制招標文件和組織評標能力的，可以自行辦理招標事宜。任何單位和個人不得強制其委託招標代理機構辦理招標事宜。

招標代理機構是依法設立、從事招標代理業務並提供相關服務的社會中介組織。招標代理機構與行政機關和其他國家機關沒有隸屬關係。

招標代理機構應當在招標人委託的範圍內辦理招標事宜，並遵守《招標投標法》關於招標人的規定。《招標投標法》規定，招標代理機構應具備以下條件：

(一) 有從事招標代理業務的營業場所和相應資金；

(二) 有能夠編制招標文件和組織評標的相應專業力量；

(三) 有符合法律規定的條件，可以作為評標委員會成員人選的技術、經濟等方面的專家庫。

《招標投標法》規定：

“招標代理機構從事工程建設專案招標代理業務的資格，由國務院或者省、自治區、直轄市人民政府的建設行政主管部門認定。具體辦法由國務院建設行政主管部門會同國務院有關部門制定。”2000年6月，建設部頒佈了《工程建設專案招標代理機構資格認定辦法》(第79號令)。目前，建設部已依法認定了238家甲級工程招標代理機構。

#### 關於整頓和規範建築市場秩序

按照國務院的部署，建設部正在全國組織開展整頓和規範建築市場秩序的工作，嚴厲打擊建築市場各種違法違規行為，以創造一個公開、公正和平等競爭的有序建築市場環境。

近些年來，中國的建築市場得到了培育和發展，但在發展中也出現了一些問題。突出的問題是：

建築市場各方主體特別是一些業主有法不依、躲避監督的問題比較嚴重。

地方保護、部門分割的問題仍未得到有效解決，統一開放、競爭有序的建築市場尚未形成。

在建築市場的管理上，政企不分、職權不明、執法不嚴的現象依然存在。

建設部今年整頓和規範建築市場秩序將重點抓好八個方面的工作：

切實加強對業主行為的監督和規範，嚴格執行各項法定建設程式和制度；

認真開展對轉包、違法分包等行為的專項整治；

繼續嚴肅查處違法違規行為，嚴格建築市場准入和清出管理；

嚴格執行工程建設強制性標準，狠抓工程勘察等薄弱環節，確保工程質量和安全生產；

進一步完善工程監理制度，提高工程監理水平；

充分發揮有形建築市場的作用，並規範有形建築市場的運行；

建立並推行工程風險管理制度，用經濟手段約束和規範建築市場各方主體的行為；

努力提高建設行政主管部門依法行政和嚴格執法水平。 □



## SURVEYOR'S SURF

Stephen Chung, Zeppelin Real Estate Analysis Limited



When a kid, your author was very amazed and humbled by the vastness of the universe. For instance, the Sun that we see everyday is actually so-many-minutes old i.e. the image is not real time so to speak because the distance between the Sun and the Earth is far enough that even light waves traveling at light speed take a while to get to us, not to mention those of the other stars and galaxies measured in light years. And then there was Einstein's theory of relativity and the  $E = mc^2$  formula (though disputed recently), which are somehow hooked up with the hypothesis that if you were traveling near the speed of light, you would age only 28 years while the Earthlings would have gone through some 4 million years (of earth time). No wonder the Star Wars folks liked traveling at light speed so often. Try beating that, all beauty parlors and products! Likewise in recent years, your author is also amazed by the total byte-kilometer distance that electronic messages generated because of the internet / web have traveled, granted that the gadget (computer, palm, laptop etc) sending the message and the gadget receiving the message could be thousands of kilometers apart. That total distance should by now be able to cover circling round the Earth millions of times over and might be more than sufficient for inter-galactic space travels. The following sites are equally worth the journey:

<http://www.directionsmag.com/>

This is the website of Directions Magazine and contains knowledge and information on Geographical Information Systems. There are a few sections where free content and maps may be downloaded though a large part of that seems to require subscription. In any event, a new source on understanding more on GIS.

<http://www.corenetglobal.org/associations.htm>

This website belongs to CORENET, or Corporate Real Estate Network. This page contains a list of some of the major professional institutes worldwide and in the States, a good resource for academics, executives of counterpart institutes and professionals.

<http://www.nyproperty.com/resources/resources.html>

This lists the real estate players in New York City and should be of use to those thinking of investment there and / or having a

need to find counterpart cooperating partners there. The list is categorized into brokers, REITS, and so on. Handy to use.

<http://www.fmlink.com>

A general reference resource for those interested and specializing in the Facility Management (FM) arena. It contains articles, a forum, and other tools and content. Registration as a user is necessary for accessing part of the content.

<http://www.ericit.org/weblinks/weblinks.shtml>

Based on the logo, this site belongs to the Department of Education, Government of the USA. It lists out some 50 sites for children and are categorized into history, health, mathematics, and so on. This should be of interest to parents and kids wishing to save some time in web surfing.

<http://www.activeiq.com/solutions/re.asp?menu=re>

This site belongs to Active IQ Technologies specializing in content management for real estate companies. There is little by way of free articles or data though the description on a few of the software and web products that they are marketing will offer some clues on the functions of such programs. This gives you an insight on what our counterparts in other parts of the world may be up to.

<http://www.marketocracy.com>

If you consider yourself a good stock / fund manager, take up the challenge offered by this website and the company behind it. According to the site, you will be given a hypothetical fund of US\$1M to handle and if you are one of the top performers, you will get a (token) reward (around US\$100), a place in the top performers' list, and perhaps even a job offer by one of the funds to become a manager?! Naturally, there is a registration process that they say is free. No guarantees here but sound like fun.

<http://theplanit.com/index.htm>

This is a company that helps people with building floor plans and virtual tours of their properties, especially offices and residences. It contains samples of their work as well and should be a good reference for those interested in or requiring such services.

<http://www.soufun.com/asp/news/>

We had many months ago introduced this website, and now to be more specific, and with the China markets occupying greater importance day by day, this webpage contains categorized lists of real estate news and information, albeit in simplified Chinese. Good for having a general feel of the real estate markets.

Speaking of Einstein's relativity, your author remembers that a person traveling on a really fast vehicle will see "taller / leaner / skinnier" versions of stationary objects outside of the vehicle

assuming he also has such "quick" eyesight. Hence, to appear taller / leaner / thinner / skinnier to your friends and peers, you have two choices: 1) enroll yourself in one of those trendy weight loss and lean body toning programs, or 2) buy fast cars for all your friends and make them drive the cars past you too. You will certainly be leaner, if not in shape, at least in finance.

Send suggestions and comments to [stephenchung@real-estate-tech.com](mailto:stephenchung@real-estate-tech.com) 

## Book Review

# Book Review

## THE MCKINSEY WAY

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For most of us working in the corporate sector, business problems happen every day such as plunging stock prices, dropping profit margins, failing R&D projects, unpredictable crisis, etc. Most companies would first seek the internal advice from the senior executives to address immediate problems, but some might resort to strategic consultants like McKinsey & Company to solve it for them. This book reveals the techniques used by the world's top strategic consultants to help their clients.

Part one describes how McKinsey thinks about business problems. Problem solving begins with a fact-finding process.

In reality, clients are always not good at diagnosing their problems. Very often we have to get enough facts, ask the right questions and to poke around prior to figuring the possible solutions. Secondly, all thinking must be structured with maximum clarity and maximum completeness. McKinsey-ites develop a number of problem-solving methods and give them fancy names: Analysis of Value Added, Business Process Redesign, Product Redesign, Production Marketing Scan, etc. Solving the problems requires a very clear map of defining, generating and testing the initial hypothesis. Then they develop an approach to find out the driver(s) of the problem. But

McKinsey-ites do not just dig out cookie-cutter solutions because every business problem is unique. In order to make sure the solutions fits the client, the consultants have to know the capabilities (strengths and weaknesses) of the clients and let them to implement the recommended solutions.

McKinsey consultants apply religiously the 80/20 rule to solve business problems. Somehow we would find that 80% of sales comes from 20% clients; 20% of an agent's job will take up 80% of his time, etc. All these findings are based on the data. After all the analysis you will begin to see useful patterns of the business problems as well as possible opportunities. Anyhow, McKinsey-ites try to work smarter, not harder. They do not boil the ocean to get a handful of salt - be selective to prioritize what should you do first.


Elevator Test is their way of life - many of their clients' top executives could only give the consultants 30 seconds (the average elevator traveling time from the top floor down to the ground floor) to present their recommendations. Clients may not have enough time to read through every presentation slide and all the supporting data which the consultants have prepared the night before. So they limit these 30 seconds to present the most important recommendations which will have the biggest payoffs. Just like Procter & Gamble, its managers can only write one-page memos to sell an idea (that's why even an MBA has to spend three years there to learn to write a good memo).

Part two of the book shows the McKinsey way of working to solve business problems, starting with the selling process, progressing to assembling a team, conducting research from their electronic database (PDNet), preparing interview plus seven successful tips to prepare interview guide and brainstorming.

One of the chapters, which interested me, was their selling process. In this Firm, McKinsey-ites do not sell, but they market. Senior partners never make cold calls asking if big companies want business problems solved, nor run ads in financial pages. They tend to wait for the phone to ring. In several ways they market their services through their steady stream of books and articles. Some are really influential like the *In Search of Excellence*. Their corporate web page *McKinsey Quarterly* enlists lots of latest management thinking for people to browse. They

also maintain a vast network of informal contacts with potential clients and some of the partners sit on the board of charities. They hold occasional meetings with former clients to review the situation after their recommendation and maintain some sort of "share of mind" should new problems arise again at the client side. Their partners would write articles for relevant trade journals to get their name in front of people who would otherwise never have heard of them.

Part three goes to get the clients to buy into their solutions, more importantly the thought process must be structured and logical. That may be formal presentations: meetings held around boardroom tables with neatly bound blue books (a typical McKinsey presentation document). Though grasped with all new ideas, they always engage all relevant players in the clients' firm through the findings, i.e. prewiring, before giving the final presentation. Otherwise it will be very difficult to get "buy-in" throughout the clients' organization.

I am not selling this Firm. And as a matter of fact, the author himself was an ex-employee of McKinsey. But this book reveals McKinsey's closely guarded management techniques - tools that will help anyone think like a McKinsey consultant. And the "meat" of the book lies in Parts One to Three in which you will find how these consultants adopt step-by-step ways to analyze the real problems, and to propose solutions. This 187-page book is intuitive and, as a guide, you do not need to read it from page one to the end. 

### Note:


According to the 8 July 2002 issue of *Business Week*, an article "Inside McKinsey" reported that this Firm was found in 1926 by University of Chicago accounting professor James "Mac" McKinsey. Its first client was Armour & Co (a meat packer). For decades this firm has counseled many successful blue-chip firms. Up to 40% of work centers on strategy, though consulting on operations, organizational issues and marketing are earning between 10% and 20%. Their annual revenue surpassed US\$3 billion in 2000. The total number of consultants is 7,700 in 84 worldwide locations.

## Update Of Government Practice Notes

| Department     | Practice Note/Reference#       | Description  | Date         | Home Page  |
|----------------|--------------------------------|--|--------------|--|
| Works Bureau   | Technical Circular No. 27/2002 | Consultants' Performance Reports and Performance Index System.   | 29 June 2002 | <a href="http://www.wb.gov.hk">www.wb.gov.hk</a>                       |
|                | Technical Circular No. 24/2002 | Contractors' Performance Index System.   | 28 June 2002 |  |
|                | Technical Circular No. 23/2002 | A Formula Approach to Tender Evaluation for Works Contracts.   | 28 June 2002 |  |
|                | Technical Circular No. 26/2002 | Special Conditions of Contract for Use in Mega Project Contracts.  | 27 June 2002 |  |
|                | Technical Circular No. 22/2002 | Marking Scheme in Tender Evaluation for Works Contracts.   | 24 June 2002 |  |
|                | Technical Circular No. 25/2002 | Contractor Management Handbook - Revision A.   | 21 June 2002 |  |
|                | Technical Circular No. 32/2002 | Electronic Dissemination of Tender Documents and Electronic Submission of Tender Returns on Removable Media. | 17 June 2002 |  |
|                | Technical Circular No. 21/2002 | Trip-ticket System for Disposal of Construction and Demolition Material.                                     | 6 June 2002  |  |
| Lands Dept.    | New Practice Note No. 7/2002   | Provision of Swimming Pools in Garden Lots.  | 27 June 2002 | <a href="http://www.info.gov.hk/landsd">www.info.gov.hk/landsd</a>     |
| Planning Dept. | Practice Note No. 2/2002       | Guidelines for Enquiries on Development Submissions to the Town Planning Board.                              | 4 July 2002  | <a href="http://www.info.gov.hk/planning">www.info.gov.hk/planning</a> |

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

## The Day of Fun at Stanley Bay

Home coming 



▲ Party Spirit - Jeffrey (left), also a member of the JO annual dinner organizing committee, will ensure a hot JO party towards the end of this year.

