

10 December 2013

By Fax (2147 5770) & Post

Policy Address and Budget Consultation Support Team,
24/F, Central Government Offices,
2 Tim Mei Avenue, Tamar, Hong Kong

Dear Sirs,

Re: HKIS Views to 2014 Policy Address and 2014-15 Budget

The Hong Kong Institute of Surveyors (HKIS) is the only professional organization representing the surveying profession in Hong Kong. Our members contribute immensely in the real estate and construction industry, of which is highly related to everyone in Hong Kong from public / private housing, employment opportunities to competitiveness of Hong Kong etc.

On behalf of the Hong Kong Institute of Surveyors (HKIS), I have much pleasure in submitting our views and expectations as below for your consideration.

1. Housing

The administration is fully aware of the high property price of private housing and the short of supply in public housing, and how they closely connect to each other. We note that the Government has launched considerable measures to curb with the sour of housing price which we see that they are preliminary effective. In order to address the housing issue, we would like to bring our following comments and views for your attention.

1.1 Housing Need

- 1.1.1 The role of the Government is to allocate limited resources properly and to provide support to its citizens who are in need of. The HKIS believes that a comprehensive review on the demography of Hong Kong could help to identify the need as well as the priority of resources allocation. In order to avoid resources misallocation, the Government may also consider conducting a study about the effectiveness of various means which give out these resources.
- 1.1.2 The Institute is in support of the proposed housing supply of 470,000 units for the next decade as pronounced in the Long Term Housing Strategy to meet i) the housing need of increasing population and/or number of households; ii) improve

the housing quality particular for those living in subdivided units or multiple-household flats; and iii) prevent surge of property price due to serious shortage of housing supply.

1.2 Housing Supply

- 1.2.1 The Government should provide adequate and affordable flats through provision of more public rental housing (PRH) for the grassroots and Home Ownership Scheme (HOS) flats for the low to middle income group who are not eligible for PRH and cannot afford to buy private flats. Increasing the Public (PRH plus HOS) / private split to 60:40 level is reasonable in view of the huge demand of subsidized flats. The public / private housing portion can be adjusted when the market, economic and social situation change.
- 1.2.2 With number of singleton families increasing, more resource should be put on accommodating non-elderly one-person applicants who are above a certain specified age, say 35.
- 1.2.3 Second-hand market of assisted housing can be a source of flat supply. The Government should review its HOS policy to make HOS owners more willing to sell their flats to eligible HOS buyers so as to improve the sustainability of this sector of market and enhance the efficient use of land resource. The Government should also explore the possibility of adopting other more fair and equitable means of allocating HOS to applicants based on needs rather than luck.
- 1.2.4 The HKIS considers that re-launching of housing loan or mortgage repayment subsidies at this point of time is not supported as it will induce housing demand and therefore push up the housing price further.
- 1.2.5 Re-launch of domestic rent control is also not supported as it will discourage landlords from renting their flats in particular if they are not holding the flats for long-term investment and is contrary to the norm of a free capital market. It will also discourage the landlord from maintaining his flat in a proper manner if the rent received from the existing tenant is much lower than what they can get from a new tenant.
- 1.2.6 The Government should think and come up with some creative solutions for flat supply in the longer term in collaboration with the adjoining region in particular when traffic improves in 2023 and beyond.

2. Building

2.1 Building Safety

- 2.1.1 Nowadays, the general public has higher concerns over home safety. We noted the enforcement of regulations to identify and clear the unauthorized building works (UBWs) and setting up owners' corporations (OCs) to deal with the issues of the common areas of the building in the past years. We appreciate that the Government's effort in educating the OCs and property owners on the responsibility of on-going maintenance and repairs of their own properties as well as the common areas, and stipulating mandatory maintenance and repairs exercises on buildings and structures. Our Building Surveying Division in the HKIS is willing and prepared to play a part and engage in the public education through different kinds of activities.
- 2.1.2 Building maintenance and repairs require extensive professional knowledge in surveying practice. The Home Affairs Department, as an effective communications channel to encourage the public to form OCs, should consider strengthening the co-operation with other relevant bureau and/ or departments, which are responsible to formulate and implement of the Buildings Ordinance, to jointly deliver the knowledge about maintenance and repairs work in technical aspects to the general public. The HKIS is pleased to offer opinions and discuss with the concerned parties if required.
- 2.1.3 Addressing the problems that stem from unsatisfactory supervision by consultants in building repairs and rehabilitation projects. We propose the concept of listing recognized consultant firms and contractors for building maintenance and repairs work and propose the Government in allocating funding to setting up a statutory body to monitor the building maintenance and repairs work.

2.2 Sub-divided Flat Units

- 2.2.1 The Institute acknowledges the function of sub-divided units (the "SDUs") in satisfying the present housing need of the Hong Kong Society at large, in particular, the low-income families and eradication of all SDUs is not practical and realistic. However, we note the safety and hygiene conditions of many SDUs are far below the acceptable level which requires immediate improvement.

- 2.2.2 Noting the great hardship to meet the prevailing requirements of the Building Regulations, we strongly suggest the Government to formulate a separate set of interim design and construction requirements allowing certain degree of concession of the current Building Regulations requirements to gauge the standards of improvement works. We see a pragmatic approach should be adopted to allow more SDUs could be preserved after necessary improvement. In view of the compromised standard of most SDUs, we consider licensing or registration is not an appropriate means to regulate the SDUs. Instead, a validation scheme may be more practical to encourage improvement of sub-standard SDUs alongside with strengthened enforcement actions by the Government with a view to phase-out the sub-standard SDUs in long run.
- 2.2.3 In parallel, sufficient transitional housing is required to accommodate SDU tenants affected by the improvement works or government enforcement actions by way of temporary buildings at unallocated government land or conversion of other vacant government buildings or extension of existing public housing buildings. We suggest the Government in allocating an extra funding for temporary housing for SDUs upon the enforcement action to be exercised by Buildings Department and increase the manpower resources of Buildings Department.
- 2.2.4 In long run, we urge the Government to set out a clear policy to promote design and provision of small residential unit for singleton and elderly persons.

2.3 Healthy Built Environment

- 2.3.1 The Institute also notices that a number of existing old residential buildings which have yet reached its economic life are lack of maintenance and quickly becoming dilapidated that would reduce its attractive in the second hand property market and hence the supply transactions. The situation is worsen under a cyclic action where the dilapidation is accelerated making redevelopment of building is the only solution, this would cause lots of existing old buildings stacked in the market with lower utilization rate or become unauthorized sub-divided units.
- 2.3.2 As a crucial part of the Long Term Housing Strategy, we advocate that the Government should pay greater attention to improve the quality and social, environmental and economic sustainability of existing housing. To this end, it is of paramount importance for the Long Term Housing Strategy to set out

directions for the Government to enhance health and safety standards, improve energy performance, achieve greener environment, promote building maintenance and improvement and build stronger community, both for existing private and public housing.

3. Land Supply

3.1 General View

3.1.1 Hong Kong property market has become more attractive to non-residents since 2007 probably due to the United States' first Quantitative Easing Monetary Policy. Despite uncertain market situations in Asia, foreign (mainland and overseas) investment still lingers around the local property market, and the situation remains that there is no tendency for the foreign capitals to withdraw in short run. Under such environment, we believe that the current penalty to speculative activities and measures to restrict foreign investment to the local property market in order to maintain the short term stability of the property market alone may not be an all-round and effective solution to suppress the escalating property price; meanwhile, we all agree that a steady and consistent increase in land supply is the proper way to address the long-term housing need.

3.1.2 The current measures, such as minimum number of units and flats with limited floor areas specified in the conditions of sales, will definitely increase the availability of flats for small households, but they may also limit the supply of larger flats in the market as the private developers would direct their resources to smaller flats under this policy. As such, it has come to our attention that there has been a lack of supply in larger flats to provide for both local home buyers and non-local investors.

3.2 The Long Term Strategy

3.2.1 More housing supply would mean more housing land demand. The Institute is concerned about how the 470,000 units housing target set out in the strategy could be executed in view of the shortage of land supply in the next decade. We urge the Government to review and implement all the possible land supply proposals including new towns development in order to secure sufficient land for housing development. On the other hand we also request the Government to conduct regular review

of the target to reflect the actual situation of housing demand from time to time.

- 3.2.2 In view of the strong demand for land support to meet the housing supply, the HKIS supports the review and increase of plot ratio where appropriate, particularly in new towns.
- 3.2.3 Use of existing green belt sites can potentially provide sizable and ready-to-use land for the society and is worth detailed consideration and planning. While new town development in the New Territories still faces lots of problems and objections and land support is uncertain, reclamation of land outside Victory Harbor is an option to choose. Reclamation would take time and we urge the Government to materialize the reclamation proposal that put forward recently.

4. Revamp of Development Control Mechanism

- 4.1 The Institute has raised this concern on the hurdle on property under the current development control mechanism of Hong Kong. The three distinct areas of land, planning and building are under the jurisdiction of three independent authorities namely the Lands Department, Planning Department and Buildings Department. Over the years, the bureaucracy due to overlapping of controlling power and uncoordinated administration among the three departments has caused undesirable delay and obstruction to many development projects in Hong Kong. There is an urgent need to revamp the existing development control mechanism and policy with a view to enhancing efficiency in administering of building and development works in Hong Kong. Relevant legislations such as the Buildings Ordinance may need a thorough review to keep pace with the society changes and needs.
- 4.2 In view of the market situation and past experiences, we consider it is appropriate to keep reviewing the current disposal method of land e.g. the Application List System plus regular land auction or tender.

5. Land, Management and Planning

5.1 Determination of Land Boundaries

- 5.1.1 Certainty of the location of land parcels is essential for protection of the rights and interests of land owners and the government. The Government has proposed to amend the Land Survey

Ordinance (Cap 473) (LSO) to provide the channel for determination of the boundaries of a lot. The Institute supports the government's policy goal to provide a legal framework to allow land owners to ascertain the extent of their property through determination of land boundaries. The Institute understands that the Government is reviewing the related issues but a concrete proposal has not been put forward for the stakeholders to comment. We think that in view of the pressing need for providing more land for infrastructure and housing development, the Government should speed up the work in developing the legal framework for implementation of determination of boundaries so as to ensure certainty of the land boundaries and thus avoiding disputes and delay in the development process.

- 5.1.2 In conjunction with determination of boundary, the Government should also establish a cadaster for Hong Kong which is a system of public records of the land boundaries which allow the public to access the cadastral survey information in an open and efficient manner.

5.2 Building Information Modeling (BIM)

- 5.2.1 With reference to the latest advancement of Building Information Modeling Technology, we consider the Government should impose policy for wider implementation of BIM in Hong Kong for improving the design, construction, cost control, project management, property management, preventive maintenance and facility management. The government should facilitate setting up assistance loan scheme and standards, providing training and promoting application of BIM in Hong Kong.

5.3 Spatial Data Infrastructure (SDI) in Hong Kong

- 5.3.1 Accurate, timely and up-to-date information are necessary for making policy decisions and managing Hong Kong in an effective manner. The Government should put forward measures for further development of the Spatial Data Infrastructure (SDI) of Hong Kong which is a platform for integrating and delivering information from different sources. It is an important tool for land use management, developing land and housing strategy, urban design, town planning, environmental studies, traffic management, greening and tree management. The SDI also facilitates development of innovative services with advanced information technology.

6. Resumption and compensation

- 6.1 The Institute has pointed out over the years that resumption works has become a difficult task for the respective governmental departments. Objections and resistance to clearance are often seen in most government projects that involve land resumption or site clearance. Officers who are trying to enforce the regulations may probably face unreasonable challenges or resistances from the affected dwellers. Despite the adversarial forces, we anticipate that there will be an increase in resumption works, especially in the New Territories where new town developments are at the edge.
- 6.2 In addition, it is expected that the affected parties will ask for more on their compensation and settlement packages than the packages that are supposed to be provided based on assessment under relevant Ordinances. We consider the Urban Renewal Strategy Review launched a couple of years ago was a good reference. The Government should consider to run a similar programme to engage public participation in the resumption and compensation policy for the rural districts in the New Territories, or other alternative such as resettlement. In parallel, sufficient staffing should be increased to cope with such work.

7. Transport Planning and Management

- 7.1 A high efficiency transport planning and management is essential to the long-term growth and economic development of Hong Kong. The Institute reiterates that apart from the mass transit transportation system, the road network planning in Hong Kong should be compatible with the urban and/ or city developments and planning. Traffic congestion in certain urban areas is example of the lack of co-ordination and forward planning between the transport network and the city development. Daily congestion at the conjunction of the main trunk roads between the New Territories East and Kowloon hinders the new town development in New Territories East and New Territories West. The Government should strengthen the co-ordination between transports planning and town planning at policy level.

8. Public Project Developments and Professional Supports

8.1 Government Investments and Labour Supply

- 8.1.1 We welcome the Government to allocate resource in the development of major infrastructure projects in recent years.

However, we also note that the social resources particular the skillful labour force cannot cope with the need of these substantial projects. Major infrastructure projects do benefit the overall industry, however, the Government should also invest in sizeable building construction local projects which would provide a unique and sustainable platform for the growth and development of the local professional firms and contractors; and provide facilities to attract sufficient new blood to enter the construction industry in order to meet the demand of the sustainable development of the industry.

- 8.1.2 We suggest the Government to review the existing labour supply market in the construction and building industry to ensure that sufficient labour supply can be provided for public and private projects.

8.2 Surveying professionals

- 8.2.1 Surveying professionals play an important role in the property, economic and social development in Hong Kong. The role of surveyor in any construction projects is indispensable and able to safeguard the public interest. For instance, General Practice surveyors can undertake the financial viability aspect of development projects and also the role of a project manager from planning to completion; Land Surveyors would provide precise boundary and alignment setting and development related land survey service; Building Surveyors play an key role in the building safety and maintenance, particular the recent building and window checking requirement initiative, while Planning & Development Surveyors, because of their background training in town planning and development experiences, can contribute to the society through property development & management of public and private projects, with balanced planning, financial, socio-economic and environmental objectives.
- 8.2.2 Nowadays, the general public is of more concerns over the disparity between the approved budgets and the anticipated final contract sums / expenditure of some of the civil engineering projects. With the well proven track record of Quantity Surveyors on contract and cost administration, we would recommend the Government to appoint independent Quantity Surveyors to carry out contract and cost administration in some identified pilot civil engineering projects. We would be pleased to work together with the Government to identify suitable civil engineering projects to be included in the list of pilot projects.

8.2.3 The surveying professionals are one of the key stakeholders and play an important role in the property and construction field. We urge the Government to make use of and promote the surveying professional in Government and other development projects.

8.3 Professionals in the government departments

8.3.1 In the past decades, the Government has tried its every effort to balance the need of the society and the expectation of civil servants. One of the achievements was to appoint professionals to lead some professional governmental departments. It is particularly important when the department comes across issues where technical knowledge and impartial professional advice are required. We urge the Government to make use of the surveying professional to serve in those departments which are specialized in landed property nature and required in-depth professional knowledge. The leader of these departments should, on one hand, possess professional knowledge to guide the internal works, and on the other hand, able to communicate with the public.

8.3.2 With the ever increasing working load of the government projects particularly in facing the coming huge demand on housing and land supply and also the increasing workloads arising from the society's growing demand, the Government should review the staffing situation of professional and technical grade in order to maintain the service efficiency. There has been criticism on the efficiency of various government departments which are responsible for the property development or related works and has drawn the conclusion that the manpower resources in those departments have significant insufficiency and causes delay of many property development projects.

8.3.3 We would like to urge the Government to review the existing staffing at every level of all departments so as to identify any possible deficiencies among hierarchies, age generations and working experience, and to rectify them through external hiring and internal promotion of professionals as appropriate. This will create a more balancing staffing and ensure healthy transitions between generations. We believe that the above initiatives from the Government will set a good example for the market, which in turn will attract and retain more professional and technical talents to serve the society through joining the surveying profession.

8.4 Sustainable development of young generation

- 8.4.1 Surveying professionals have always played their parts to maintain a healthy and stable development of construction and real estate sector. To uphold the standard of the industry, a sustainable development plan for our younger generation in an organized manner is highly recommended.
- 8.4.2 Through education, the Government may consider putting additional resources to surveying discipline organized by recognized tertiary institutions and universities immediately to cater for the society need.

9. Promotion of business and professional services

- 9.1 Under the CEPA framework, the HKIS relied on the Government with its continuous efforts to facilitate our professional services to gain access to the Mainland market and to encourage mutual recognition of professional qualifications. Yet, HKIS members still encounter difficulties and limitations concerning registration procedures in the Mainland which prevent us from practice in the Mainland, even though our members do possess professional qualifications which are mutually recognized. We would like to bring this up to the Government again for attention and assistance.
- 9.2 In respect of this, the Government, apart from maintaining contacts and dialogues with the relevant parties in the Mainland for comprehensive solutions, should extend the service of the HKSARG Beijing Office and/ or setting up representative offices in other major cities in China to facilitate discussions and foster collaborations with local officials in China. The HKIS has coped with the idea of enhancement in closer connection with Mainland, by setting up an office in Beijing in November this year.
- 9.3 In order to achieve a better result and resolve those problems encountered by Hong Kong Professionals in conducting business in Mainland, we urge the Government to consider setting up a task force led by the Secretary for Development in order to engage into a higher level discussion with the Mainland officials. This may help to address and/ or tackle the fundamental problems of the current situation. With the establishment of our new Beijing Office, the HKIS is pleased to provide assistance in this regard.

The above opinions / views shall only provide you with a broad outline of those issues that we, as property and construction professionals consider as important and urgent for a better society, and that we surveyors are in the best position to offer assistance. We sincerely hope that these ideas and proposals will be further explored with your Policy Secretaries. We are more than pleased to share our views with you, please contact Ms Karen Tam on 2526 3679 if you require more information or would like to set up a brief discussion meeting on the above proposals.

Thank you for your attention.

Yours sincerely,

Sr Stephen LAI
President
The Hong Kong Institute of Surveyors

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