

## **The Triple Bottom Lines : A few Practical Examples**

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I have to confess to having had no little trepidation at being invited to speak here today as I have always held the view that the "bottom line" for any property valuer is to value as he interprets the market - what would the property fetch if it were to be put up for sale with all the usual things that go with that? - willing seller and buyer and proper exposure to the market. Thus, I have always said if we, as valuers, think that current market prices are silly and cannot be sustained, we must still value at silly values. Whether one gives one's client something on one's thoughts on the state of the market is another matter and could be the theme of a separate conference.

So, with that sort of philosophy, how did I come to be here - how could I find it in myself to accept the invitation?

Well, I must confess that my old ex-colleague and friend Stephen Yip played more than a small part in that. I phoned him and said I'd had the invitation, that - lets be absolutely frank here - Xian sounded a very interesting place to have a conference (I was a Xian virgin until now) - but that I really wondered about the theme. Stephen, whom I gather was influential in the choice of theme, gave me a few ideas that broadened my perspective and the rest, as they say, is history.

What I intend to do is to focus on a few issues which we, as property professionals - I'm already starting to broaden the scope by expanding "property valuers" so as to avoid compromising my "if the market is paying silly prices, we as valuers must adopt silly values" principle - regularly come across and in which we find conflicting objectives. Actually, these conflicts often - if not usually - involve all three of the conference theme elements - economic, environment and social.

Anyhow, I'd like to start with an old favourite of mine - compulsory purchase and compensation.

I have sometimes said that I have made a career out of forcing people out of their homes and likelihoods. Whilst I have positive feelings about the projects which necessitated the compulsory acquisition and feel proud to have played a part in bringing them to completion, I

do harbour some guilty feelings about the impact of the acquisition on the victims - those owners and occupiers who happened to be in the way of the projects and have had their lives disrupted by them

Here we have all 3 conflicts : economic, social and environmental. Economic in that public works projects such as railways or roads or schools have an economic impact - positive we hope - on society. They are undertaken because they are reckoned to be for the public good and the notion is that if a few have to suffer their property being compulsorily acquired, then that is acceptable given the magnitude of the gain to society as a whole. One can't fault the logic of that but we have to recognize and address the social impact - families being uprooted, sometimes from homes they have lived in for generations and breadwinners being deprived of their ability to make a living in the way that they have been used to for years. This is an issue on which we, as the valuers who assess and negotiate the compensation, can play a part. Indeed, with our first-hand knowledge of the levels of compensation that are paid and sort of problems people suffer, notwithstanding the compensation payments, we are perhaps in a unique position to make proposals to the authorities for improvements in the compensation packages that the various categories of affected persons are entitled to.

It seems, at least from my personal observations of the rules for compensation packages in the two jurisdictions that I have had experience of - UK and Hong Kong - that there is a bit of a pendulum effect in political attitudes to compensation. When compulsory purchase first surfaced in UK in the mid-nineteenth century (as a result of the railway boom stemming from the invention of the steam locomotive), there was a practice of adding 10% to market value to take some account of the acquisition being compulsory. This was in recognition of the social conflict. But after the First World War - which had a major social impact, not least in people's attitude to privilege and the "landed gentry" - this disappeared. But in the 1960s, the social issues gain came to the fore and since then there has been a series of enhancements to, in particular domestic owner occupiers', compensation. Similarly in Hong Kong, payments to domestic owner occupiers have been significantly enhanced, to the point, some say, of being over-generous. On the other hand, business operators do not seem to have fared so well. In Hong Kong and, I suspect, in many other jurisdictions, business operators, particularly small business operators, often experience difficulty in proving their losses, so even with an apparently reasonable entitlement, they end up feeling disgruntled. Whilst one has to recognize that there are always those who regard a compensation claim as fair game to attempt to claim compensation far and away beyond their actual losses, for persons affected to get a poor deal is bad for the project as their protests can often delay the obtaining of

possession of the site, and shortchanging people in these circumstances should not be acceptable in a just society. We have an important role to play here and should not be backward in coming forward with proposals for improvements where we find circumstances which justify this.

I did say that in compulsory purchase, we find all three "conflicts". I have mentioned the social and economic ones but what about the environment? I think here we are talking about the environmental aspects of the schemes for which the compulsory acquisition is invoked. More and more frequently, public works schemes have an environmental rationale. Examples are new railways : electric-powered rail is more environmentally friendly than road transport, so we find rail schemes going forward rather than road - or in addition to road! And then there are the landfills for waste disposal which we are constantly told are consuming land at worrying rates. Do we as professionals involved in the implementation of these schemes through providing the land for them, get involved in the controversies over whether the expenditure on green railway schemes is worthwhile from the economic and social points of view?

Do we get embroiled in the arguments over landfills v. compulsory waste separation and recycling and the economic and social aspects of that? These are controversial issues that have to be addressed and the property valuer's opinion is as valid as anyone's, so we should not shirk from attempting to inject a bit of rationality into what are, let's face it, emotive issues.

Compulsory acquisition today is almost always invoked by public authorities. However, I would like to mention an aspect of it in Hong Kong where this element is absent. This is a statute which empowers the owner of a certain percentage of the units in a development, for example a block of flats, to require the owners of the remaining minority percentage (the threshold is currently 90%) to put their interests up for sale by auction with reserve prices being set by the courts, thus giving the majority owner the ability to complete his acquisition and proceed with redevelopment. I don't know whether similar statutory powers exist in other jurisdictions, but I personally have great difficulty in coming to terms with this. I suppose this is to do with the fact that I regard compulsory acquisition (actually "compulsory sale" would be a more appropriate description of what we have here, but the difference is not, I suggest, significant) as being something required for a public purpose - the "public good" outweighing the inconvenience and disadvantages suffered by those whose property has to be acquired as mentioned earlier. In the case of this statutory power, the only gain seems to be that of the

90% owner who stands to be able to acquire 100% and redevelop. Granted it facilitates the putting of the site to its highest and best use and that this does have a positive economic impact for society but at what social cost? The whole thing seems to me to be contrary to the principles of private property ownership and my sympathy goes out to amongst others, the 80-year old retiree who has no interest in selling his property and just wishes to see out his or her twilight years in a particular property that he or she is very content in. To my mind, the economic benefits here cannot outweigh the social impact. Maybe we can touch on this in the Q&A session.

Before I move away from compulsory acquisition, one further aspect of social and economic conflict is the actual process by which the compulsory powers are given. Some jurisdictions, e.g. the UK, have a comprehensive system of public enquiries where affected persons or organizations have a right to put their cases forward for not being the victims of a particular proposal. Thus, a landowner, whose land stands in the path of a scheme and stands to be acquired if the scheme is authorized, has a right to be heard. This is all part and parcel of the final decision being taken maximizing the public - i.e. economic - benefit and minimizing the impact on those affected - the social conflict. Other jurisdictions pay less regard to this and more to the need for a speedy decision-making process to bring the economic benefits on stream that much quicker. The downside of that is that the decision may be taken with a less than complete knowledge of all the alternatives and that those who are affected - the victims - are more likely to consider themselves victims and to resist the authorities' attempts to implement. It is a dilemma for authorities and an issue on which no doubt we all have our own views. As valuers - sorry, property professionals - our opinions are particularly valid and we should not be shy in articulating them.

## **BIOGRAPHICAL NOTES**

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