

Managing Director's Statement



Mr Quinn LAW Yee-kwan, JP

“As a team, we are very proud of our achievements over the years. With the unwavering support of the Government, and our stakeholders, we managed to forge ahead and tackle many challenges.”

Whereas 2010/11 was a year of planning and preparation for the URA following the promulgation of the new Urban Renewal Strategy (URS) in February 2011 which redefined and expanded the Authority's role in advancing urban renewal in Hong Kong, 2011/12 will be noted as the year of implementation of all the major new initiatives under the new URS.

Choices offered by New Initiatives

That the URA was able to launch these initiatives within 12 months of the promulgation of the new URS was a significant achievement that we are very proud of, especially when they were designed to respond to various consensuses reached during the two-year public consultation on the URS review (URS review).

These consensuses came about after careful consideration of the wide spectrum of demands expressed by the community during the URS review, and identifying those with sufficient justifications

and public support to be acted upon. At first glance, these demands appear to be different in nature, but in essence, they carry a similar message that calls for more choices to be given to stakeholders in matters concerning urban renewal. Indeed, the provision of more options is central to each new initiative. The Flat-for-Flat scheme offers an interested owner-occupier, in addition to the normal cash compensation route, the choice of selecting an in-situ flat in the new development built within the site he used to reside or at the Kai Tak development earmarked for the scheme. The owner-driven Demand-led Redevelopment Project Pilot Scheme and Facilitating Services Pilot Scheme, on the other hand, offer interested property owners the choice to take the initiative to invite the URA to redevelop their lots or buildings or to avail the Authority's services as a facilitator to assemble property titles for joint sale in the market.

The offering of more choices is an integral part of innovation, and in combating the multi-faceted problem of urban dilapidation, the URA has to continue to refine its methods and approaches. That said, there is no denying that innovation often comes at a price. The options that the URA formulated are not bare options, but are "asset-backed". Given a number of choices, the selection made by an owner may have little financial implications for him, but for the URA, the offering of such choices incurs considerable costs which cannot be recouped. For example, the provision of units which may or may not be taken up under the Flat-for-Flat scheme illustrates this point. The scheme entails the URA holding a stock of flats pending selection by the owners at certain costs and which necessitates different arrangements to be made with the joint venture partners. Such may well affect URA's revenue. Nevertheless, the desire for more options is understandable, and as a forward-looking, dynamic and responsible body executing the Government's urban renewal policies, the URA will continue to strike the right balance between stakeholders' interests and our various bottom-line responsibilities, and endeavor to effect positive changes that accord with the best standards of the day and community aspirations.

Redevelopment

In addition to the 29 ongoing redevelopment and four preservation projects which the URA continued to implement during 2011/12, two new redevelopment projects were commenced, namely, the Kowloon City Road/Sheung Heung Road project and the Reclamation Street/Shantung Street project. This was followed by the commencement of three demand-led redevelopment projects in April 2012. In line with the new URS which envisages a more diverse approach to redevelopment, the URA aims to launch a balanced mix of self-initiated and owner-initiated redevelopment projects each financial year.

It needs to be stressed however that the demand-led redevelopment scheme is in its infancy, and the actual implementation of a demand-led redevelopment project will be conditional upon the decision of owners with the requisite level of property holdings in the project



(from left) URA Executive Director (Planning and Project Control) Ms Iris Tam, Secretary for Development Mrs Carrie Lam, URA Chairman Mr Barry Cheung and URA Managing Director Mr Quinn Law at the press conference to announce the "flat-for-flat" option.

site to accept URA's conditional acquisition offers, followed by the authorisation by the Policy Secretary for the project to proceed.

The offering of facilitating services by the Urban Redevelopment Facilitating Services Co. Ltd, a wholly-owned subsidiary of the URA, will also continue.

In our current Corporate Plan covering 1 April 2012 to 31 March 2017, we aim at commencing more sizeable redevelopment projects to expedite the urban renewal programme. Should opportunities arise and resources be available, we would explore the feasibility of carrying out a more ambitious programme than the one contained in our current Plan. At the time of writing, the URA is making arrangements to launch the Redevelopment of Industrial Buildings Pilot Scheme which originated from a request by the Government in the 2012/13 Budget Speech. It is the intention of the URA to commence one to two pilot projects in 2012/13.

Rehabilitation

As befits its new declared status as a core business of the URA, rehabilitation work has intensified during 2011/12, not only in terms of workload, but preparation made for the expanded coverage that will progressively take place in the coming five years. Together with the Hong Kong Housing Society, the URA will begin in the third quarter of 2012 to provide technical advisory and financial subsidy to building owners selected for the Mandatory Building Inspection Scheme. The setting up of a Building Rehabilitation Division led by the Executive Director, Operations and Project Control, fully recognises the growing importance of this mode of urban renewal. Also, the rehabilitation team is the fastest growing team within the organisation. The significant increase in overall manpower of the URA in the next few years will be mostly attributed to the expansion of the rehabilitation team.

Contributing to Sustainable Development

The URA's upgraded policy on environmental sustainability was formalised in 2009.



An artist impression of the Kai Tak flat-for-flat development.

The URA's Kai Tak development which is earmarked for provision of flat for flat units has adopted a "modest design concept" in response to the call for "no frills" developments by the public. The modest design features are intended to be practical, durable, cost-efficient, and environmentally-friendly by promoting energy efficiency through measures such as insulation and sun shading devices incorporated in external walls, and cross ventilation of living and communal spaces. Elderly-friendly facilities will also be added to the development.

Wherever possible, the URA strives to incorporate the highest practical standards that promote environmental sustainability and energy efficiency in its redevelopment projects and rehabilitation work. In 2011/12, the URA had received another BEAM Platinum Award and two further provisional awards, which brings the total of such awards received by the URA to nine. Management recognises the importance of sustainable development, and will deploy additional resources in this area to keep abreast of and adopt the latest development and practices.



URA Managing Director Mr Quinn Law (third from right) and community leaders officiate at the opening ceremony of the Pak Tsz Lane Park.

Financial results

The URA's net asset value was \$21.8 billion as at 31 March 2012. This comprised a capital injection totaling \$10 billion from the Government, and an accumulated surplus from operations of \$11.8 billion. For the year ended 31 March 2012, the URA recorded a net operating surplus of \$2.6 billion as against \$2.2 billion achieved in the preceding year. The result can vary considerably from year to year but any surpluses earned by the URA from redevelopment projects are retained and then applied to finance further redevelopment projects and the URA's rehabilitation, revitalisation and preservation efforts.

The operating surplus for 2011-12 of \$2.6 billion and for recent years was mainly attributable to the favourable property market which has been rising steadily since the start of 2009.

The URA is exempt by the Government from the need to pay land premium. If not for this arrangement, the URA's total accumulated surplus since its establishment of \$11.8 billion would have been reduced by \$5.5 billion to \$6.3 billion, being the total amount of land premium assessed by the Lands Department to have been foregone by the Government in making land grants to the URA for 17 projects up to 31 March 2012.

We estimate that, in the five years from 1 April 2012 to 31 March 2017, a total expenditure of about \$25 billion, excluding operational overheads, will be required by

the URA to meet the costs of all projects contained in its 2012 to 2017 Corporate Plan. This expenditure covers the URA's work in redevelopment, rehabilitation, preservation and revitalisation. However, it should be noted that while the Corporate Plan has been drawn up taking full account of the new URS, expenditure may nevertheless be higher after the inclusion of additional demand-led redevelopment and industrial building redevelopment initiatives. To ensure that its urban renewal programme is sustainable in the long term, the URA will continue to exercise due care and diligence in handling its finances.

Working as a Team

As a team, we are very proud of our achievements over the years. With the unwavering support of the Government, and our stakeholders, we managed to forge ahead and tackle many challenges. Apart from external support, the importance of teamwork cannot be stressed enough, and we are very fortunate to have an extremely dedicated staff body, led by an experienced management team. Most senior staff members have been with the organisation for over six years. Staff turnover remains low, and at the senior management level, this ensured continuity in leadership, and clarity of purpose which in turn have a stabilizing effect



"Origin of Chinese Revolution" is adopted as the design theme for the Pak Tsz Lane Park.

on the whole organisation. Staff promotions within the organisation are also preferred as part of our succession plan. With the URA entering a new era of urban renewal in implementing various new initiatives under the URS, expanding the geographical coverage in building rehabilitation, involvement in the Mandatory Building Inspection Scheme, and our participation in the redevelopment of industrial buildings, continuing stability is vital for the organisation.

Our increasing workload and new responsibilities also make it imperative for us to recruit new talents from time to time. To help new staff members settle down quickly, and integrate seamlessly with our existing team, we continue to put a lot of efforts into providing all necessary support to newcomers. Internal communication that keeps every staff member informed of the progress of different areas of our work will continue to be strengthened. Appropriate trainings aimed at enhancing the knowledge and skillsets of staff will continue to be arranged.

Vote of thanks to the Board, Committees and Staff Members

I would like to express my heartfelt thanks to the wise counsel and support of our Chairman and Members of the Board, Committees and District Advisory Committees.

My sincere thanks are also due to all staff members who have worked very hard during the past year, and whose efforts are not only appreciated by the Board, senior management and the Government, but increasingly by the community that we serve.

Quinn LAW Yee-kwan

Managing Director

31 July 2012