

## A New Era for Professional Services in Mainland China –

### Blending the best of local and international experience

*by Nicholas Brooke, Chairman of Hong Kong Coalition of Service Industries*

The pace of economic and infrastructural development in Mainland China is phenomenal and as a result there is the opportunity to contribute added value services combining the best of local knowledge and expertise and international experience. These are some of the basic statistics that illustrate in very obvious terms, the size and scale of that opportunity.

- GDP Growth – averaged 8%+ for last ten years - at city level even higher
- Housing – 150 million sq.m. constructed each year
- FDI – likely to exceed US\$60 billion in 2005
- SME's – 27 million employing 200 million people
- New Foreign Funded Enterprises – averaging 20,000+ every six months
- New Telephone Subscribers – over 100 million in 2004

As is clearly evident, the scale and speed of progress is such that it is easy for errors to be made or for the solution proposed not to be the optimum from a social, economic or environmental sustainability point of view.

What are professional services? In this respect, there is the need to define and differentiate professional services from trading or technical services. What I will be describing today is advice and recommendations provided by members of professional organisations which have tertiary (university degree or equivalent) educational entry requirements, are governed by codes of conduct and high ethical standards and are required to keep themselves constantly up to date through involvement in life long learning.

The pattern of co-operation between international firms and local service providers in Mainland China has been somewhat erratic, with lawyers and accountants leading the way, and with architects and those involved in construction often having no alternative but to enter into partnerships with design institutes and construction units in order to meet local regulatory requirements.

However, as a result of reforms arising out of Mainland Government's WTO commitment and initiatives such as CEPA, a very different attitude and environment exists today. Choice as to who is the most appropriate service provider is now driven by the needs of the Client and this sea change encourages and enables professionals such as myself to respond with the optimum team and range of experience, reflecting the best of local and international expertise.

From a personal perspective, there are many areas where both local and international professionals can come together in Mainland China to offer the relevant, best practice solution to the Client.

Relevance is a key word and stems from a clear understanding of the Client and his objectives. Relevance comes not only from an appreciation of the challenge and the opportunity, but also from an understanding of the national, regional and local economic and regulatory environment in so far as it impacts on the case in question. Hence input from the local professional is essential.

However, similarly knowledge of best international practice, what works and does not and how that experience can be adapted in such a way as to be relevant in the context of the Mainland, is a key component to any well conceived and balanced professional recommendation.

In simple terms, it involves combining the best of local and global to the advantage of the Client. My profession is one of Chartered Surveyor – some call me a Property Doctor – and my role in Mainland China has been to work alongside and in partnership with Mainland counterparts to deliver added value services in the following areas:

1. The Sustainability of Cities. Many cities wish to develop a more market driven business plan which is framed around, and driven by the principles of sustainability and economic fundamentals. Similarly, cities have moved from copying one another to differentiating themselves and there is the need to identify core drivers and specialisms. Working with local professionals in the fields of strategic planning and sustainable development, we have produced business plans which have then been used as the basis for infrastructure provision, land use allocation and prioritizing the cities' objectives.

2. Land Use Planning. At the Provincial and City level, conceptual drawings which reflect the hopes and aspirations of a succession of senior officials and mayors are in abundance. However, few in reality can be described as action plans capable of delivery. The vision, I would argue, is the easy part, but the challenge is devising a holistic approach to the implementation and management of that action plan, which has the support of the community. Similarly, the plan needs to be flexible and responsive to changing market circumstances and this is where combining the best of local and international experience can be seen to be working at its best.

3. The Optimization of Development. The maxim “build and they will come” and Mall Mania are hopefully reflections of the past but there is still insufficient regard paid to project viability and feasibility. Working with local development professionals, we have analysed the aspirations of the end-user, be he purchaser or tenant, we have examined the choice of materials in terms of quality and maintenance costs, we have critiqued layouts so that they maximise on the efficiency of floor space and we have put in place mechanisms to ensure prompt delivery to the required quality and within budget. All this requires local knowledge but also the experience of development across a wide spectrum of international markets. What is particularly important is the ability and experience to give the Client the “best” advice, even though it might not always be what he wants to hear – this is one of the key distinguishing features of a professional service provider.

4. Valuation to International Standards. FDI is targeting Mainland China in a significant way and more and more of that funding is looking to participate in existing or new businesses or development or construction projects. However, an

essential ingredient from the international investor's perspective is a common valuation platform which will value all assets and businesses on the basis of recognised international standards. To provide such opinions of value, which will withstand close scrutiny, requires a detailed understanding of the local market and all issues impacting on value but also involves an appreciation of what is expected by the investor in terms of a robust Report and Opinion which can be understood by funding and institutions and advisors around the world. Again, the surveying profession, working with its appraisal counterparts in Mainland China is responding to the challenge by producing Reports and Opinions which will stand scrutiny by the best international experts and anticipate the questions and issues on which they require information.

5. Affordability of Residential Accommodation. This is a major issue not only in Mainland China but also in many of the mature economies of the world. Whether the Government should intervene, and, if so, how and when and how should it provide for those unable to afford to get onto the housing ladder is a challenge for many societies. Working with the relevant Government ministries and with various city authorities, I have been able to contribute international case studies ranging from extensive involvement to a leave alone approach, and to suggest a range of measures ranging from the provision of social housing to the levy of a development charge to fund/subsidise homes for those who are less well off.

These are just some of the examples I have encountered of blending the best of the local and international experience and if time permits I will happily share more with you during the Question and Answer session later, in that I genuinely believe this is a new era for Mainland professionals and their international counterparts.