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'\$90m bungle' over sale of apartments

By BERNARD FONG

LEGISLATIVE Councilor Stephen Cheong Kam-chuen said yesterday the Government had made a \$90 million bungle in the sale of 160 luxury civil servant apartments at Tai Tam.

He questioned whether the acting Director of Buildings and Lands, Mr Robert Pope, should have decided to sell the flats for \$510 million, when real estate agents more recently appraised the flats, at what is now Parkview Estate, at \$600 million.

Mr Cheong said the Government could have obtained a higher price had it waited or had it pursued a "business approach" in negotiations with the realtor.

His remarks follow the Director of Audit's report which concluded that by not postponing the sale at a time when property prices were escalating, the Government lost out on a bonanza.

Mr Cheong accused Mr Pope of failing to defer the assessment of Government property value to the Com-

HEADS of Government departments, criticised last week by the Director of Audit for misusing or inefficient use of public funds, yesterday defended their spending habits at a Legislative Council Public Accounts Committee special session. BERNARD FONG and SIMON MACKLIN report.

missioner of Rating and Valuation.

Mr Pope, however, stood firm that the price was fair and that the public interest had been served.

The Government had agreed to the sale on the condition that it waived liquidated damages it was seeking from the developer, who failed to finish the flats on time.

Mr Pope said the decision to sell was made because it was the view of the Attorney-General that a court case might, in the end, cost the taxpayer even more and that the sale price was reasonable, based on his assessment of property market trends.

He denied the allegation that the Government was not persistent in negotiations with property developer Chyau Fwu, who eventu-

ally paid \$510 million in cash for the flats.

Mr Pope said negotiations went on for three years with the Government rejecting an offer of the \$510 million being paid in instalments.

The controversy arose when senior civil servants refused to move from the Tregunter flats on Old Peak Road to the Tai Tam development.

The development had shops, recreation facilities, and a park, but was considered inconveniently located and not as prestigious as a Peak address.

The deal with the developer was struck in July 1988, three years after he had been unable to complete the first 80 flats by the March 1985 deadline.

Liquidated damages at the rate of \$700 per flat for each day of delay were assessed.

The developer felt that, rather than pay the fine, it should buy the Government's 160 flats.

The Legislative Council's Finance Committee agreed in May 1985 to waive liquidated damages in three joint venture schemes, of which Parkview was one.

The building covenant was extended because the Government felt it was in the public interest to complete the flats.

While the Government had the option of suing the developer, the Attorney-General thought the case was weak because the joint venture partner was nominally a shell company.

The deadline was extended four times to allow the developer to complete the flats by March 31, 1988 and premiums of \$6 million were levied. The total liquidated damages amounted to \$37.4 million.

While delays persisted, the developer persuaded the Government to sell the flats when it became apparent that civil servants were not keen to move.