



Agency for Real Estate Affairs (AREA)

Case Story on Anti-Corruption

June 2, 2008

Abstract

This may be a rare case story of anti-corruption in the typical business field; however, transparency is essential for our existence as a reliable property consultant firm, which requires transparency and strict impartiality when valuation and research assignments are conducted for clients. This case story elaborates how the quality check, as an instrument for anti-corruption, has been conducted. With this costly program, hardly conducted by any other firm, AREA can be internationally competitive in the professional field of property consultancy in the ASEAN Region.

THE BACKGROUND

The Agency for Real Estate Affairs (AREA) is a property consultant firm, and is considered to be the largest real estate information, research and valuation centre in Thailand. Assignments are carried out in Thailand nationwide, as well as in the Indo-China and ASEAN region. As a neutral institution, AREA conducts valuation for all local and international financial institutions in Thailand.

Professional practices in valuation in both developed and developing countries can involve malpractice because of the corruption of practitioners, such as valuers and researchers. Valuation is among the sensitive professional fields which require



these quality checks. During the economic crises in the past, quite a few cases of malpractice and corruption emerged, even in large international property consultant firms. In order to create trust and reliability among clients, a quality check program has been in practice in AREA since 2003.

Even in today's situation, valuers in some valuation firms still receive offers from clients of a financial institution to help value their properties at a higher price in order to receive a higher loan amount to cover the purchase price of their properties. In the upcountry in Thailand this seems normal practice, which the top management of some valuation firms neglect. AREA believes that this constitutes malpractice and ruins professional ethics.

THE PROGRAM

The quality check program of AREA aims at checking possible malpractice for protection purposes. It consists of the following:

1. Postcard Check

For the valuation of residential properties for loan purposes of financial institutions of over a thousand assignments every month nationwide, every client will receive a postcard to evaluate the performance of our valuer whom he/she met. All postcards are addressed to the President of AREA at the headquarters. There is a small division that within AREA that checks these postcards carefully and reports to the management on a fortnightly basis.

The contents of the evaluation are as follows:

- Professional performance of the valuers
- Competence of valuers
- Appointment time and time when valuers show up
- Satisfaction with the work of the valuers
- Any suggestion and other comments

2. Telephone Check

Staff members at the Quality Control Division (QC) of AREA call clients in both Bangkok and upcountry to speak with them directly. Half of the clients are called every fortnight. The number of successful cases are some 20% of them. The result of this check is a report to the top management on a fortnightly basis as well. However, if there are any urgent or severe cases, the report can be given at any time.

The contents of the evaluation are also similar to the postcard check but in further detail.



3. Field Check

At the Quality Control Department (QC), there are a few staff members that travel around Thailand to check the assignments of our valuers and researchers. AREA has 9 offices in Thailand. The QC staff members go to every office to conduct a sampling of some 10-15% of the assignments to check the quality of the reports. Reporting is conducted on a monthly basis. However, in urgent cases, the QC staff can report at any appropriate time.

The contents of the field check are as follows:

- The accuracy of the value appraised
- The validity of the evidence identified in the report
- The availability of comparable properties mentioned
- Satisfaction of the work of the valuers
- Any suggestions and other comments

THE BUDGET

The following table shows the cost of conducting the QC of AREA, which was worth Baht 1,916,000 (US\$ 60,000) in 2007 and is expected to be Baht 2,012,480 (US\$ 63,000) in 2008. In many branch offices upcountry, AREA provides accommodation for our staff members. However, our QC staff members do not stay there so that there are fewer opportunities to have personal relationships with other staff members. AREA provides these QC staff members with hotel accommodations in a location adjacent to the branch offices.

Estimated Annual Costs of Quality Checks of AREA		
Items	2007	2008
Field Quality Check		
Staff members	720,000	777,600
Lodging	60,000	60,000
Travel expenses	200,000	200,000
Administration	200,000	200,000
Telephone Check		
Staff members	324,000	349,920
Processing	150,000	150,000
Post Check		
Staff members	162,000	174,960
Processing	100,000	100,000
Total	1,916,000	2,012,480

Few if any property consultant firms invest this amount of money, which may constitute some 2.5% of AREA's revenue, to do a QC. AREA does this because we



believe that “there is no substitute for quality” (a motto borrowed from Arnott's of Australia which is internationally known for the production of biscuits).

THE RESULTS

Due to this rigorous check, few mal-practices or major mistakes can be found in our professional practices. This helps to safeguard AREA from the risks of being in any scandals. It is worthwhile investing in this QC program. This high quality performance makes AREA different from other competitors, even international ones.

REMARKS

The above is a prevention measure. However, anti-corruption cannot be really well-protected if there are no other positive measures in place. According to surveys conducted, staff members of AREA are paid higher than other firms.

- Senior Valuers: Baht 672,646 or US\$ 21,000 per annum
- Valuers: Baht 334,216 or US\$ 10,500
- Junior Valuers: Baht 276,230 or US\$ 8600

AREA also has other encouragement programs to keep our staff members on a good track. However, AREA believes that good payment is a key.