

Information Note

Resolving disputes arising from land resumption

IN04/14-15

1. Introduction

- 1.1 In Hong Kong, the claimant or the Government may refer the case to the Lands Tribunal for final determination if they cannot agree on the amount of statutory compensation for land resumption. Nonetheless, some members of the public have considered that the litigation process can be costly. Instead, they have suggested that the Government considers introducing alternative dispute resolution ("ADR") procedures such as mediation and arbitration for resolving disputes arising from land resumption.¹
- Against the above, the Panel on Development at its meeting on 28 October 2014 requested the Research Office to study the mechanism adopted by Hong Kong and Commonwealth states for resolving land resumption disputes. This information note studies the corresponding mechanisms adopted by Hong Kong, England of the United Kingdom, New South Wales ("NSW") of Australia, Ontario of Canada and Singapore. England is studied as it has an established land resumption regime and the responsible judicial body for adjudicating compensation disputes has been encouraging the adoption of ADR procedures for resolving such disputes. NSW and Ontario are studied for their common use of ADR procedures for resolving disputes arising from land resumption. Meanwhile, Singapore is selected as it is a Commonwealth state with socio-economic characteristics similar to those of Hong Kong.

¹ See GovHK (2014).

The Panel also requested the Research Office to study the practices adopted by Hong Kong and Commonwealth states for assessing the value of resumed properties. In this connection, the Research Office has prepared a separate information note entitled Assessment of the value of resumed properties (IN03/14-15).

In Australia and Canada, the land resumption process is regulated by legislation developed by individual state/province and territory.

2. Mechanism for resolving land resumption disputes in Hong Kong

- 2.1 In Hong Kong, either the Government or the parties affected by land resumption may refer claims for statutory compensation to the Lands Tribunal for final determination if they cannot agree on the amount of compensation after negotiation. The Lands Tribunal is headed by a President who is a Judge of the Court of First Instance. It also comprises three Presiding Officers who are District Judges, and two Members who are qualified surveyors. The President and a Presiding Officer may either sit alone or together with a Member in hearing cases. Any party to the proceedings may appeal to the Court of Appeal against a judgment of the Lands Tribunal on the ground that such judgment is erroneous in point of law.
- 2.2 In recent years, the Judiciary has been encouraging a wider use of mediation as an ADR procedure for the resolution of civil disputes such as family disputes, construction disputes and disputes relating to building management. Mediation is a voluntary process in which a trained and impartial third person, the mediator, helps the parties in dispute to reach an amicable settlement that is responsive to their needs and acceptable to all sides. The efforts of the Judiciary in promoting the use of mediation are in line with the Civil Justice Reform implemented in April 2009 aiming to, among other things, streamline and improve civil procedures, and facilitate the settlement of disputes by a means other than litigation in court.
- 2.3 The Government has also stated that it will consider introducing schemes for mediation or arbitration in appropriate contexts. In August 2014, the Government has introduced a pilot scheme under which arbitration is adopted as a dispute resolution procedure to facilitate early agreement on land premium payable for lease modification/land exchange applications. Arbitration is a consensual dispute resolution procedure where the parties agree to submit their disputes to be resolved by one or more independent third parties the arbitrators appointed by or on behalf of the parties in dispute. Arbitration awards are final and binding.
- 2.4 Nonetheless, some members of the public have pointed out that the Government inclines to adopt litigation instead of ADR procedures in dealing with disputes with the public arising from land resumption. They are concerned that affected parties in land resumption who cannot afford the

costly litigation procedure before the Lands Tribunal may have no choice but to accept the compensation proposals offered by the Government.⁴

2.5 Against the above concern, the Government has stated that the Lands Department is obliged to follow the principles set out in the relevant legislation and the court rulings made in relevant land resumption cases in assessing the amount of statutory compensation. As such, the scope of matters relating to statutory compensation claims that can be submitted to arbitration or mediation is relatively limited. Besides, ADR procedures may not be applicable in some Government disputes with the public which involve important legal disputes or significant public interest. For these cases, it is necessary to seek determination by the courts so as to lay down legal precedents and guidance for the Government's reference in handling future cases of similar nature. Nevertheless, the Lands Department could consider requests for handling statutory compensation claims by mediation if the claimants so request. Yet, the mediation process and the agreement to mediate cannot affect the Government's and the Lands Tribunal's exercising of authority provided for under the law.

3. Mechanism for resolving land resumption disputes in selected overseas jurisdictions

3.1 Among the selected overseas jurisdictions, Ontario is the only jurisdiction where the land resumption legislation requires the resolution of disputes arising from land resumption through mediation and/or arbitration. In contrast, the land resumption legislation in England, NSW and Singapore provides for the resolution of compensation disputes through judicial proceedings before a tribunal or a specialist court. Nonetheless, the respective judicial bodies in these overseas jurisdictions have encouraged the adoption of ADR procedures for the resolution of land resumption disputes before hearings are held.

England of the United Kingdom

3.2 In England, either the claimant or the acquiring authority may refer a dispute arising from land resumption to the Lands Chamber of the Upper Tribunal

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See GovHK (2014).

("the Lands Chamber") for final determination. The jurisdictions of the Lands Chamber include, amongst others, determining disputes regarding entitlement to compensation and the amount of compensation to be paid for resumed properties. The Lands Chamber comprises the President, the Deputy President, six part-time judges, and three specialist members who are chartered surveyors. The parties concerned may appeal to the Court of Appeal against a decision of the Lands Chamber on points of law.

- 3.3 The Lands Chamber has been encouraging the parties involved in disputes, including land resumption disputes, to consider ADR procedures for resolving their disputes. ⁵ The ADR procedures include mediation, arbitration and early neutral evaluation⁶, and they are quicker and less costly than litigation procedure before the Lands Chamber.
- 3.4 The Practice Directions of the Lands Chamber specify that in case the parties concerned agree to adopt ADR procedure for resolving their dispute after referring the case to the Lands Chamber, they may apply to the Lands Chamber for a short stay in the proceedings to allow time for settlement of their dispute through the ADR procedure. The Practice Directions further empower the Lands Chamber to award costs against a party for unreasonably refusing to consider ADR.⁷
- 3.5 Notwithstanding the effort of the Lands Chamber, it was reported that the adoption of ADR procedures for resolving compensation disputes referred to the Lands Chamber was not common.⁸ The low adoption rate of ADR procedures was attributed to a lack of understanding of or familiarity with the principles and processes of the procedures among legal practitioners and other relevant professional advisors of the claimants, making them cautious about advising their clients to adopt the procedures.9

Tribunal Procedure (Upper Tribunal)(Lands Chamber) Rules 2010 stipulate that the Lands Chamber "should seek, where appropriate (a) to bring to the attention of the parties the availability of any appropriate alternative procedure for the resolution of the dispute; and (b) if the parties wish and provided that it is compatible with the overriding objective, to facilitate the use of the procedure".

Early neutral evaluation refers to a procedure whereby the parties agree to employ a senior lawyer or other appropriate expert such as a chartered surveyor to evaluate the likely outcome of a case or to consider the strengths and weaknesses of the parties' evidence or arguments and advise how best to conduct the litigation quickly and economically.

See Tribunal Judiciary (2010).

See Williams (2013).

According to Williams (2013), the potential for resolving compensation disputes through ADR procedures such as mediation still exists provided that further education efforts are made.

New South Wales of Australia

- 3.6 In NSW, property owners affected by land resumption can lodge their objection to the Land and Environment Court ("LEC") if they oppose the compensation offered by the acquiring authority. LEC is a specialist statutory court in NSW with jurisdiction in environmental, planning and land matters. Claims for compensation for land resumption are usually heard by a judge, at times assisted by a commissioner 10 with special knowledge and expertise in valuation of land. A claimant may appeal to the Court of Appeal against a decision of LEC on a question of law.
- LEC has implemented an ADR system since 2006 for handling 3.7 specified classes of dispute, including claims for compensation for land resumption. These disputes are screened, diagnosed and referred to an appropriate ADR procedure, such as conciliation¹¹, mediation and neutral evaluation, for resolution after proceedings are commenced in LEC.
- 3.8 According to LEC, the implementation of the ADR system has led to an increased percentage of matters resolved without hearing and determination by the Court. In particular, the percentage for disputes relating to compensation for land resumption increased from 63% in 2006 to 78% in 2010.

Conciliation

3.9 The Practice Note of LEC has laid down a presumption in favour of referring matters of specified classes of dispute to conciliation unless the parties involved demonstrate a reason to the contrary. As such, conciliation has been the most frequently used ADR procedure in LEC.

3.10 Pursuant to the Land and Environment Court Act, conciliation undertaken in LEC is a combined dispute resolution procedure. It starts with conciliation and, if the parties involved do not agree to resolve the dispute,

Commissioners are specialist members appointed for their expertise in disciplines of knowledge relevant to specified classes of dispute. They are also trained in ADR procedures. A commissioner may exercise the functions of the Court in adjudicating proceedings or acting as a conciliator or mediator for specified classes of proceedings including claims for compensation for land resumption.

Conciliation is a process in which the parties to a dispute, with the assistance of an impartial conciliator, identify the issues in dispute, develop options, and consider alternatives and endeavour to reach agreement. The conciliator may have an advisory role on the content of the dispute or the outcome of its resolution, but not a determinative role.

adjudication will ensue. Conciliation involves a commissioner with technical expertise on issues relevant to the case acting as a conciliator in a conference between the parties. The conciliator facilitates negotiation between the parties with a view to their achieving agreement as to the resolution of the dispute. In 2012, 911 conciliation conferences were held for the specified classes of dispute, up from 552 in 2008.

Mediation

3.11 LEC may, at the request of the parties involved or on its own initiation, refer specified classes of dispute to mediation. LEC provides a mediation service at no cost to the parties by referral to the Court's mediators. LEC may also refer disputes for mediation to an external mediator not associated with the Court and agreed to by the parties involved. In 2012, mediation was conducted for nine dispute cases in the category of land valuation appeals and claims for compensation for land resumption. The corresponding number was eight in 2008.

Neutral evaluation

3.12 LEC may also refer proceedings in specified classes of dispute to neutral evaluation with or without the consent of the parties involved. The dispute may be referred to neutral evaluation by a commissioner or an external person agreed to by the parties involved.

Ontario of Canada

3.13 In Ontario, the *Expropriation Act* requires the settlement of disputes about compensation for land resumption through mediation and/or arbitration. Either the property owners concerned or the acquiring authority may lodge disputes arising from land resumption to the Board of Negotiation ("BON"), an informal tribunal established under the Environment and Land Tribunals Ontario ("ELTO")¹². BON aims to provide a fair, accessible and informal forum for the parties involved to reach a resolution through mediation. There is no cost to the parties to apply or have a matter proceed before BON.

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ELTO comprises five tribunals and boards which adjudicate matters relating to, amongst others, land use planning, environmental and heritage protection, property assessment and land valuation.

- 3.14 BON comprises members who have experience in real estate, property appraisal and business loss claims. The members are appointed by the provincial government based on a competitive and merit-based selection process. The BON meetings held for dispute resolution are closed to the parties involved and are usually guided by two BON members. BON has no power to impose a settlement. However, it may, where sufficient information has been submitted, provide a non-binding recommendation to the parties on what would be fair compensation in case they cannot reach a settlement by the end of the meeting. According to ELTO, BON has been able to achieve a high rate of success with the cases brought before it. In 2012-2013, mediation was conducted for about 28 cases, of which around 40% of the cases were resolved.
- 3.15 If a settlement is not reached after a BON meeting, a second meeting may be scheduled or either party may file an appeal with the Ontario Municipal Board ("OMB"). OMB is an independent adjudicative tribunal established under ELTO for resolution of the dispute by arbitration. It comprises members who have legal training and/ or experience in land use planning or other relevant fields. The members are appointed by the provincial government based on a competitive and merit-based selection process. Either party involved in a dispute may request for or OMB may initiate a pre-hearing conference. If no settlement can be reached, OMB will conduct a hearing and make a determination on the amount of compensation to be given to the claimant based on the evidence presented, the applicable law and policies, and previous OMB decisions (if applicable).
- 3.16 The parties who disagree with an OMB decision may request OMB to review its decision on questions of law or fact. The parties may also lodge an appeal with or seek judicial review in the Divisional Court against a decision of OMB on a question of law. In 2012-2013, 55 dispute cases related to compensation for land resumption were filed with OMB. According to ELTO, most disputes filed with OMB were resolved by a full hearing.

As at 14 December 2014, BON comprised eight members and one vacancy.

¹⁴ As at 5 November 2014, OMB comprised 30 members and one vacancy.

The conference is to identify issues, discuss opportunity for settlement or deal with any matter that may assist in a fair, cost-effective and expeditious resolution of the issues.

<u>Singapore</u>

3.17 In Singapore, any person who is dissatisfied with the statutory compensation awarded to him or her for land resumption may appeal to the Appeals Board (Land Acquisition) ("the Appeals Board"), a quasi-judicial tribunal established under the *Land Acquisition Act* to hear and determine appeals. The Appeals Board for hearing an appeal consists of a Commissioner of Appeals or a Deputy Commissioner of Appeals¹⁶, either sitting alone or with two assessors who are drawn from a panel comprising experts in related fields such as valuation and quantitative surveying. All proceedings in appeals to the Appeals Board are deemed to be judicial proceedings and the determination of the Appeals Board is final. Either the claimant or the acquiring authority may appeal to the Court of Appeal against a decision of the Appeals Board upon any question of law provided that the award as determined by the Appeals Board exceeds \$\$5,000 (HK\$29,450).

Mediation in Land Acquisition Appeals Scheme

3.18 To facilitate quicker resolution of disputes relating to compensation for land resumption, the Appeals Board has implemented a voluntary Mediation in Land Acquisition Appeals Scheme ("MiLAAS") since 2009. Under the scheme, parties which have lodged an appeal with the Appeals Board may seek mediation services in case the statutory compensation offered is less than \$\$500,000 (HK\$2.95 million) and the property concerned is residential.

3.19 Upon receipt of the consent to mediation from the parties involved in an appeal case, the Appeals Board may appoint a mediator from the panel of assessors to help the parties reach a settlement. Where a settlement has been reached, the appeal will be fixed for hearing for a consent decision to be made in terms of the agreed terms of settlement. In case a settlement cannot be reached within four weeks¹⁷ or any party withdraws the consent to mediation, the appeal will be fixed for pre-hearing to discuss issues relating to the appeal and fix a hearing date in case the parties intend to proceed with the appeal.¹⁸

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The current Commissioner and Deputy Commissioner are sitting judges of the State Courts.

The time for mediation may be extended by the mediator with the consent of the parties involved in the dispute.

The Research Office has written to the Appeals Board to enquire about the adoption rate of mediation service for resolution of disputes arising from land resumption under MiLAAS. As at publication of this information note, no reply has been received.

Conclusion

- 3.20 In contrast with Hong Kong, all the selected overseas jurisdictions have promoted the use of ADR procedures for resolving disputes arising from land resumption, either under the relevant land resumption legislation, or under arrangements or schemes introduced by the judicial bodies responsible for handling such disputes.
- 3.21 Ontario is the only jurisdiction where the land resumption legislation provides for the use of mediation and/or arbitration for resolving compensation disputes. In both NSW and Singapore, ADR procedures are administered by the judicial bodies responsible for adjudicating compensation disputes. Likewise, in England, the *Rules* and Practice Directions of the Tribunal provide for the adoption of ADR procedures for resolving disputes lodged before the Tribunal, including those relating to land resumption. Nonetheless, the lack of familiarity with the principles and processes of ADR procedures among professional advisors of the claimants was identified to be one of the factors contributing to the relatively low adoption rate of ADR procedures in England.

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