

For discussion on
21 November 2000

LEGISLATIVE COUNCIL

PANEL ON PLANNING, LANDS AND WORKS

Interest Rates for Provisional Payment, Redemption Money and Compensation Payable under Various Ordinances

INTRODUCTION

This paper sets out Government's intention to make technical amendments relating to the interest rates for compensation payments as provided in the various ordinances. These amendments are necessary as a result of the deregulation of interest rate rules on short term deposits by the Hong Kong Association of Banks (HKAB).

BACKGROUND

2. At present, interest is payable to provisional payment, redemption money or compensation under 11 Ordinances¹ at a rate to be determined by the various authorities.

¹ These Ordinances include Lands Resumption Ordinance (Cap 124); Foreshore and Sea-bed (Reclamations) Ordinance (Cap 127); Land Acquisition (Possessory Title) Ordinance (Cap 130); Country Parks Ordinance (Cap 208); Mass Transit Railway (Land Resumption and Related Provisions) Ordinance (Cap 276); Air Pollution Control Ordinance (Cap 311); Water Pollution Control Ordinance (Cap 358); Roads (Works, Use and Compensation) Ordinance (Cap 370); Land Drainage Ordinance (Cap 446); New Territories Land Exchange Entitlements (Redemption) Ordinance (Cap 495); and Railways Ordinance (Cap 519).

3. With some minor variations, the rates so determined under these pieces of legislation make reference to the lowest rates (normally the 24-hour deposit rate) offered by members of the HKAB on time deposits². The variations in the different ordinances are: (a) some stipulate that the lowest interest rate should be paid and (b) some require that the interest rate payable should have regard to the lowest rate offered by members of the HKAB. Relevant provisions for the determination of interest rates in these 11 ordinances are set out at the Annex for reference.

Deregulation of interest rates rules

4. Deregulation of interest rates rules for the 24-hour and up to 6 days time deposits took place on 3 July 2000. Before that, the rates offered by members of the HKAB were largely the same. The practice then was that upon a press release from the HKAB on any variation of interest rate, the Administration would approach the HKAB to confirm the information.

5. After the deregulation, the interest rates for these time deposits vary among the 150 members of the HKAB. We have requested the banks to provide us with information on their 24-hour deposit rate at the close of business on each working day. Only some 30 banks have agreed to provide the information. The Government does not have any statutory power to require the banks to provide the requisite information.

² The only exception among these Ordinances is the New Territories Land Exchange Entitlements (Redemption) Ordinance (Cap 495), which makes reference to the note-issuing banks instead of members of the HKAB.

It is therefore not practical for the Government to ascertain the lowest interest rates from over 150 banks for the calculation of interest payment for provisional payment, redemption money or compensation payable under the above-mentioned Ordinances.

6. As an interim measure and in line with the existing provisions in the various ordinances, we are now paying the lowest interest rate on 24-hour deposit offered by banks which have provided us with the information or the lowest rate on 24-hour deposit offered by the three note-issuing banks, as the case may be.

7. As a result of the deregulation of interest rate rules, we need to amend the above ordinances to redefine the interest rates applicable to provisional payment, redemption money and compensation payable under these ordinances to resolve the problem.

PROPOSAL

8. We intend to amend the relevant provisions in the aforesaid ordinances such that the amended provisions are as close to the original formula as possible. Since the lowest interest rate on time deposits is normally the 24-hour deposit rate, we intend to stipulate the use of this deposit rate in the proposed amendments. We also intend to make reference to the applicable rates offered by the note-issuing banks instead of the rates offered by all members of the HKAB. This is because the

three note-issuing banks are unlikely to offer an exceptionally high or low rate on 24-hour deposits as compared with other small and medium sized banks.

9. Reference to the interest rate offered by the note-issuing banks has been adopted in the existing New Territories Land Exchange Entitlements (Redemption) Ordinance (Cap. 495) in relation to redemption money payable under that Ordinance. It is therefore considered both reasonable and administratively convenient to make reference to the note-issuing banks in determining the interest rates payable.

WAY FORWARD

10. We are drafting a Bill to amend the aforesaid Ordinances with a view to introducing the relevant amendments to the Legislative Council in early 2001.

Planning and Lands Bureau

Transport Bureau

Environment and Food Bureau

November 2000

Interest Rates for Compensation Payments

**Authorities under the 11 Ordinances for determining
interest rates for compensation payments**

	<u>Ordinance</u>	<u>Section</u>		<u>Authority to determine the interest rate payable</u>
1	Lands Resumption Ordinance (Cap.124)	s.16A(1)(b)	Interest on any payment made ...calculated having regard to the lowest rate payable from time to time by members of the HKAB on time deposits.	Director of Lands
		s.17(3A)	The rate of interest....shall be such rate as the Lands Tribunal may fix having regard to the lowest rate payable from time to time by members of the HKAB on time deposits.	Lands Tribunal
2	Foreshore and Seabed (Reclamation) Ordinance (Cap. 127)	s.14(1)(b)	Interest on any payment made...calculated having regard to the lowest rate payable from time to time by members of the HKAB on time deposits.	Director of Lands
		s.15(4)	The rate of interest....shall be such rate as the Lands Tribunal may fix having regard to the lowest rate payable from time to time by members of the HKAB on time deposits.	Lands Tribunal

3	Land Acquisition (Possessory Title) Ordinance (Cap. 130)	s.9(1)(b)	Interest on any payment made...calculated having regard to the lowest rate payable from time to time by members of the HKAB on time deposits.	Director of Lands
		s.10(4)	The rate of interest....shall be such rate as the Lands Tribunal may fix having regard to the lowest rate payable from time to time by members of the HKAB on time deposits.	Lands Tribunal
4	Country Parks Ordinance (Cap. 208)	s.21	The Lands Tribunal may direct that interest be paid on compensation (but not costs)...at the lowest rate paid from time to time by members of the HKAB on time deposits or at such other rate as may be determined by resolution of the Legislative Council	Lands Tribunal
5	Mass Transit Railway (Land Resumption and Related Provisions) Ordinance (Cap. 276)	s.26	The Lands Tribunal may direct that interest be paid...at the rate paid from time to time by members of the HKAB on deposits at 7 days' call or at such other rate as may be determined by resolution of the Legislative Council.	Lands Tribunal

6	Air Pollution Control Ordinance (Cap. 311)	Paragraph 8, Schedule 4	The Lands Tribunal may direct that interest be paid on compensation (but not costs)...at the lowest rate paid from time to time by members of the HKAB on time deposit or at such other rate as may be determined by resolution of the Legislative Council	Lands Tribunal
7.	(a) Water Pollution Control Ordinance (Cap. 358) (b) Water Pollution Control (Sewerage) Regulation (Cap. 358AL)	Paragraph 8, Schedule 2 s.22(b)	The Lands Tribunal may direct that interest be paid ... from such date and for such period as the Lands Tribunal thinks fit, at the lowest rate paid from time to time by members of the HKAB on time deposits or at such other rate as may be determined by resolution of the Legislative Council. The Lands Tribunal may direct that interest be paid ... from a date and for a period that it considers appropriate and at a rate that it may fix but not below the lowest rate payable during that period by members of the HKAB on time deposits.	Lands Tribunal Lands Tribunal
8	Roads (Works, Use and Compensation) (Cap. 370)	s.33(b)	The Lands Tribunal may direct that interest be paid ... from such date and for such period as it thinks fit and at such rate as it may fix but not below the lowest rate payable during that period by members of the HKAB on time deposits.	Lands Tribunal

9	Land Drainage Ordinance (Cap. 446)	s.42(b)	The Lands Tribunal may direct that interest be paid ... from such date and for such period as it thinks fit and at such rate as it may fix but not below the lowest rate payable during that period by members of the HKAB on time deposits.	Lands Tribunal
10	New Territories Land Exchange Entitlements (Redemption) Ordinance (Cap. 495)	s.6(2)	The rate of interest payableshall be at the lowest rate payable from time to time by note-issuing banks on deposits at 24 hours call.	Director of Lands
11	Railway Ordinance (Cap. 519)	s.38(b)	The Lands Tribunal may direct that interest be paid ... from the date and for the period as it thinks fit and at the rate it may fix but not below the lowest rate payable during that period by members of the HKAB on time deposits.	Lands Tribunal