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From: Clerk to the Legislative Council

To : All Members of the Legislative Council

Follow-up action on motion carried in the Legislative Council

"Reviewing the compensation policy on land resumption"

Members will recall that the motion on "Reviewing the compensation policy on land resumption" moved by Hon Albert CHAN Wai-yip was carried at the Legislative Council meeting of 4 July 2001.

2. In response to the views expressed by Members in the said motion debate, the Administration has provided the progress report on its action. The report is attached for Members' reference. Members who wish to pursue the matter may approach Miss Salumi CHAN, Clerk to the Panel on Planning, Lands and Works, direct with suggestions on the matters to be followed up by the Panel.

(Miss Sandy CHU)
for Clerk to the Legislative Council

Encl.
c.c. CAS(1)5

Motion on
"Reviewing the Compensation Policy on Land Resumption"

Progress Report

INTRODUCTION

At the Legislative Council meeting on 4 July 2001, a motion on "Reviewing the compensation policy on land resumption" was carried. This paper informs Members of the progress of the review of the ex gratia compensation policy on land resumption, the feasibility study of a finance scheme and the review of administrative arrangements related to land resumption.

PROGRESS

Review of Ex Gratia Allowance

2. At present, owner-occupiers of industrial properties resumed by the Government are offered the open market value of their properties, plus one of the following payments -

- (a) the right to claim business loss (if substantiated) under section 10(2)(d) of the Lands Resumption Ordinance (Cap. 124), removal costs under section 10(2)(e)(i) and professional fees under section 10(2)(e)(ii) of the same Ordinance (disturbance payments); or
- (b) an ex gratia allowance based on a formula consisting of the rental for the period required for fitting out (one and a half months' rental), removal costs, basic decoration costs, stamp duty, legal fees and agents' fees.

3. As in the case of owner-occupiers, tenants of industrial properties affected by land resumption have the right to make statutory

claims for disturbance payments under the Lands Resumption Ordinance. Alternatively, they may receive the same ex gratia allowance payable to owner-occupiers.

4. Some Members are of view that the current ex gratia allowance in respect of industrial properties is inadequate. The Government is in the process of reviewing the ex gratia allowance for owners and tenants of industrial properties affected by land resumption. We hope to complete the review in late 2001/early 2002. The relevant Legislative Council Panel will be consulted on the proposed package once the review is completed.

Feasibility Study of a Finance Scheme

5. Some Members are concerned that the ex gratia compensation offered to owner-occupiers and tenants of commercial and industrial properties affected by land resumption may not be sufficient to cover all the financing needs of affected business operators who wish to continue their business elsewhere. The Administration is examining the feasibility of setting up a finance scheme for small business operators affected by land resumption. Views from relevant parties will be taken into account. We hope to complete the study and decide on how to take the matter forward in late 2001/early 2002.

Review of Administrative Arrangements

6. Some Members have suggested that the payment of compensation for land resumption should be expedited and that the procedures related to the disbursement of compensation should be streamlined. The Government is conducting a review of the current administrative arrangements related to the disbursement of compensation

for land resumption. The aim is to facilitate business operators to continue their business as a going concern.

7. Some Members have pointed out that land resumption would be less difficult if more information related to land resumption is available to affected people. To promote better understanding on land resumption matters, we are drawing up a comprehensive booklet covering different aspects of land resumption and compensation including various ex gratia allowances. We are also preparing a set of valuation guidelines for assessing the open market value of properties under resumption. The valuation guidelines would be published in the next few months.

CONCLUSION

8. We hope that the review of ex gratia compensation for industrial properties would be completed in late 2001/early 2002, and that the proposed measures, if approved, would be implemented as soon as practicable.

September 2001

Planning and Lands Bureau