

## ITEM FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

### HEAD 701 - LAND ACQUISITION

#### 1100CA - Compensation and ex-gratia allowances in respect of projects in the Public Works Programme

Members are invited to recommend to Finance Committee to approve an increase in the allocation for **Subhead 1100CA** for 1999-2000 from \$1,581.44 million by \$595 million to \$2,176.44 million.

### PROBLEM

The approved allocation for **Subhead 1100CA - Compensation and ex-gratia allowances in respect of projects in the Public Works Programme** is insufficient to meet the estimated expenditure to be incurred during the remaining months of the 1999-2000 financial year.

### PROPOSAL

2. The Director of Lands (D of Lands), with the support of the Secretary for the Treasury, proposes to increase the approved allocation for **Subhead 1100CA** from \$1,581.44 million by \$595 million to \$2,176.44 million to meet estimated expenditure for the remainder of the current financial year.

### JUSTIFICATION

3. The annual allocation for Subhead 1100CA is calculated on the basis of the estimated expenditure to be incurred in a particular financial year, including new commitments and commitments carried forward from previous financial years.

With regard to planned commitments, D of Lands consults various works departments about the implementation schedules of potential Category A Public Works Programme (PWP) items and aims to dovetail the land acquisition with their scheduled start dates. However, experiences show that there will be advancement or slippage in the implementation of PWP items for one reason or another, thus affecting the clearance target date. With regard to firm commitments, D of Lands, on the basis of past expenditure pattern, estimates the amount of expenditure to be incurred in the financial year in question. The accuracy of the estimates is affected by the negotiation process with landowners, which may stretch over a long period of time in some cases. The settlement of some claims may also take a considerable period of time to complete because of difficulties in establishing ownership, and in cases where reference to the courts is involved the entire process may take several years. The fluctuation in property price level has also a bearing on the acceptance ratio of compensation.

4. Given the lengthy period of time required to settle compensation payments and the uncertainty involved in the timing of individual resumptions or clearances, it is difficult to make accurate projections of when specific ex-gratia or compensatory payments will become due. Consequently, the allocation sought under the annual estimates exercise represents a best estimate of the amount required during the year taking into account the projected timing of planned resumptions and clearances. For a number of reasons set out above, the timing of such activities is subject to change during the financial year, resulting in an excess or shortfall of funds available to make the required ex-gratia or statutory payments.

## PRESENT POSITION

5. With regard to the 1999-2000 allocation, D of Lands reviewed the spending position of Subhead 1100CA in July and September 1999 respectively. He has concluded that there is a need to provide supplementary provision to the subhead to enable the Government to meet its statutory obligations in the case of land already resumed and to undertake the planned land acquisition programme for the remainder of the current financial year. The two contributory factors to the shortfall in funding are as follows -

- (a) some 40 PWP items are moving ahead faster than was originally forecast or have outstanding commitments rolled over from the 1998-99 financial year. More offers and acceptance of land compensation have been made and received respectively, leading to a significant increase of \$1,197 million in expenditure. The key items involved, each of which will require an additional allocation of \$10 million or more, are set out at **Enclosure 1**; and

/(b) .....

- (b) in line with the established practice of reviewing ex-gratia compensation rates for resumed land in the New Territories every six months, we have adjusted these rates upwards by 12% on average as from 1 October 1999. This has the effect of increasing the requirements under Subhead 1100CA by \$31 million for 1999-2000.

6. The combined effect of the above two factors means there is a shortfall of some \$1,228 million in the current allocation for Subhead 1100CA. On the other hand, D of Lands has identified potential savings of about \$633 million from some 50 items upon which expenditure is unlikely to be required in the current financial year. The key items involved are set out at **Enclosure 2**. We therefore need an additional \$595 million to meet the estimated claims for resumed land and ex-gratia allowances during the remainder of the 1999-2000 financial year.

#### FINANCIAL IMPLICATIONS

7. A comparison of the original approved allocation for **Subhead 1100CA** approved in January 1999 and the revised estimate in October 1999 is as follows -

|                                    | \$ million | \$ million           |
|------------------------------------|------------|----------------------|
| Approved allocation for 1999-2000  |            | 1,581.44             |
| Additional allocation required     | 1,228.00   |                      |
| Offsetting savings identified      | (633.00)   |                      |
| Net additional allocation required | <hr/>      | 595.00               |
| Revised Estimate for 1999-2000     |            | <hr/> 2,176.44 <hr/> |

#### BACKGROUND INFORMATION

8. Subhead 1100CA is a block allocation approved on an annual basis by the Finance Committee. On 15 January 1999, Finance Committee approved a provision of \$1,581.44 million for 1100CA for 1999-2000. D of Lands believes he

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will be able to meet the estimated expenditure for the remainder of the current financial year, given an additional allocation of \$595 million.

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Finance Bureau  
October 1999

(PWSC0184/WIN7)

**Key items in need of additional allocation  
under Subhead 1100CA block allocation for 1999-2000**

| Project description   | Approved allocation<br>1999-2000<br>\$ million | Revised estimate<br>1999-2000<br>\$ million | Proposed increase in allocation<br>\$ million | Main contributory factors  |
|---|--|---|---|--|
| 1. Main drainage channels for Fanling, Sheung Shui and hinterland, stage II (Upper River Indus), phases 1 to 3, North District  | 246.48   | 690.00                                      | 443.52  | Greater than anticipated acceptance of land compensation.  |
| 2. Fanling / Sheung Shui development, formation and servicing works for public housing development in area 36, phase 1, Fanling | 25.60  | 200.00                                      | 174.40  | Outstanding land compensation rolled over from last financial year.  |
| 3. Main drainage channels for Yuen Long and Kam Tin, stage II, phases 1 and 2   | 72.24  | 203.00                                      | 130.76  | Greater than anticipated acceptance of land compensation.  |
| 4. Kau Hui development, engineering works in area 16, Yuen Long, phase 1A, road works   | 60.75  | 184.00                                      | 123.25  | Initial estimate adjusted taking account of previous expenditure pattern.  |
| 5. Main drainage channels for Ngau Tam Mei, phases 1 and 2  | 106.17   | 206.00                                      | 99.83   | Increase in zonal compensation rate, and initial estimate adjusted taking account of previous expenditure pattern. |

| Project description  | Approved allocation 1999-2000 \$ million | Revised estimate 1999-2000 \$ million | Proposed increase in allocation \$ million | Main contributory factors   |
|--|--|---------------------------------------|--|---|
| 6. Public housing development in area 13 in Hung Shui Kiu  | 49.30                                    | 107.82                                | 58.52                                      | Outstanding land compensation rolled over from last financial year. Prolonged processing time taking into account legal advice. |
| 7. Tung Chung New Town development, phase IIB, stage II  | 54.40                                    | 100.00                                | 45.60                                      | Outstanding land compensation rolled over from last financial year.   |
| 8. Ping Ha Road improvement - remaining works (Ha Tsuen section)   | 6.32                                     | 45.05                                 | 38.73                                      | Greater than anticipated acceptance of land compensation.   |
| 9. Village flood protection for Yuen Long, Kam Tin and Ngau Tam Mei, NWNT - stage 1 - Village flood protection works for Pok Wai phase 1 | 17.20                                    | 39.64                                 | 22.44                                      | Initial estimate adjusted taking account of previous expenditure pattern.   |
| 10. Engineering works for Ha Mei San Tsuen Village Extension   | 10.92                                    | 25.21                                 | 14.29                                      | Greater than anticipated acceptance of land compensation.   |

**Key items requiring less allocation  
under Subhead 1100CA block allocation for 1999-2000**

| Project description   | Approved allocation<br>1999-2000<br>\$ million | Revised estimate<br>1999-2000<br>\$ million | Proposed reduction in<br>allocation<br>\$ million | Main reasons  |
|---|--|---|---|---|
| 1. Smithfield extension resumption of private lots  | 142.40   | 0.00  | 142.40  | Pending Lands Tribunal hearing. Compensation agreement is expected to reach in the next financial year.             |
| 2. Resumption of land for public housing in area 13, Yuen Long  | 124.57   | 0.00  | 124.57  | Reversion date revised to tie in with engineering programme.  |
| 3. Resumption of land for DOS and GIC facilities in North Tsing Yi  | 188.88   | 66.00                                       | 122.88  | Prolonged negotiation on compensation with claimants and Lands Tribunal case.                                       |
| 4. Road works for widening Tin Ha Road (part) and construction of Road L1, L2 (part) and L6 (part) at Hung Shui Kiu | 37.20  | 0.00  | 37.20   | Project boundary under review. Reversion date to be revised.  |
| 5. Resumption of NKIL 5998 - concrete batching plant  | 37.60  | 10.00                                       | 27.60   | Prolonged negotiation on compensation with claimants. Provisional payment would be made during this financial year. |

| Project description  | Approved allocation 1999-2000 \$ million | Revised estimate 1999-2000 \$ million | Proposed reduction in allocation \$ million | Main reasons   |
|--|--|---------------------------------------|---|--|
| 6. Fanling / Sheung Shui development, formation and servicing in area 36, phase 2, Fanling   | 25.60                                    | 0.00                                  | 25.60                                       | Reversion date revised to tie in with engineering programme.   |
| 7. Main drainage channels for Fanling, Sheung Shui and hinterland, North District, stage 1 (River Beas and Lower River Indus), phase 2 | 44.24                                    | 20.00                                 | 24.24                                       | Land Title problem.  |
| 8. Reprovisioning of Sai Wan Ho chiller plant  | 24.00                                    | 0.00                                  | 24.00                                       | Prolonged negotiation for land compensation. Compensation agreement is expected to reach in the next financial year. |