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Panel on Development

Meeting on 16 July 2014

**Background brief on
the Pilot Scheme for Arbitration on Land Premium**

Purpose

This paper provides background information on the Pilot Scheme for Arbitration on Land Premium ("the Pilot Scheme") as well as summarizes the views and concerns expressed by LegCo Members during past discussions on the subject.

Background

2. According to the Administration, a lease modification/land exchange application, including premium negotiation, is a contractual matter between the Administration acting in the capacity of a private landlord and the applicant, which could be completed and executed only with mutual agreement¹. The amount of the premium payable by the applicant is one of the key terms of such applications for lease modification/land exchange. Differences over the amount of the premium payable could leave the lease modification/land exchange applications pending after a long period of negotiation.

Pilot scheme for arbitration on land premium

3. To facilitate early agreement on land premium payable by way of arbitration so as to advance housing land supply and speed up flat production,

¹ Source: LC Paper No. CB(1)741/13-14(03) -- "Initiatives of the Development Bureau in the 2014 Policy Address and Policy Agenda"

the Chief Executive announced in his 2014 Policy Address that the Administration would introduce the Pilot Scheme.

Views and concerns expressed by Members on the Pilot Scheme

4. At the DEV Panel meeting held in January this year to discuss the policy initiatives of the Development Bureau under the 2014 Policy Address, and in the written questions put up in examining the Estimates of Expenditure 2014-2015, members enquired about the implementation arrangements for the proposed Pilot Scheme. Some members stressed the importance for the Administration to enhance the transparency of the Scheme in order to dismiss any allegation that the Scheme was designed to transfer benefits from the Administration to property developers and business conglomerates. On enhancing public confidence on the impartiality of the Pilot Scheme, some members considered that the Administration should engage the public at an early stage in formulating the implementation arrangements.

5. According to the Administration, before proceeding to arbitration under the Pilot Scheme, both parties, i.e. the applicant and the Administration, would need to confirm their willingness to do so. The premium amount determined by arbitration would be binding on both parties and would be made known to the public. The Administration also advised that relevant departments, including Lands Department and the Department of Justice, were working on the implementation details, which were expected to be promulgated in mid-2014. The Administration would consult the relevant professionals, including arbitrators and surveyors, on the implementation arrangements.

Latest development

6. The Administration will brief DEV Panel on the implementation of the Pilot Scheme at the meeting on 16 July 2014.

7. A list of relevant papers with their hyperlinks is in the **Appendix**.

Pilot Scheme for Arbitration on Land Premium

List of relevant papers

Date	Meeting/Event	References
28 January 2014	Panel on Development	<p>Administration's paper on the initiatives of the Development Bureau in the 2014 Policy Address and Policy Agenda (LC Paper No. CB(1)741/13-14(03)) http://www.legco.gov.hk/yr13-14/english/panels/dev/papers/dev0128cb1-741-3-e.pdf</p> <p>Address by the Chief Executive at the Legislative Council meeting on 15 January 2014 -- "Support the Needy, Let Youth Flourish, Unleash Hong Kong's Potential" http://www.legco.gov.hk/yr13-14/english/panels/1314policy-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)1246/13-14) http://www.legco.gov.hk/yr13-14/english/panels/dev/minutes/dev20140128.pdf</p>
2 April 2014	Finance Committee	<p>Administration's replies to Finance Committee members' initial written questions in examining the Estimates of Expenditure 2014-2015 (Planning and Lands) -- Reply Serial No. DEVB(PL)070 (p. 174) http://www.legco.gov.hk/yr13-14/english/fc/fc/w_q/devb-pl-e.pdf</p>