

# LCQ18: Pilot Scheme for Arbitration on Land Premium

Following is a question by the Hon Alice Mak and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (June 2):

Question:

In October 2014, the Government introduced the Pilot Scheme for Arbitration on Land Premium (the Pilot Scheme) under which an additional avenue is provided for applicants of lease modification/land exchange (LM/LE) and the Lands Department (LandsD) to expedite the conclusion of negotiations on the amounts of land premium by both sides in LM/LE cases. Given the lukewarm response of the trade to the Pilot Scheme, the Government introduced refinements to the Pilot Scheme in August 2020, setting upper and lower limits for the amount of land premium payable for cases under the Pilot Scheme. In this connection, will the Government inform this Council:

(1) of the respective numbers of LM/LE applications received and handled by the LandsD (a) in each of the five years before and (b) since the aforesaid refinements came into effect and, among them, the number of cases in which the applicants were invited to participate in the Pilot Scheme; among the latter cases:

(i) the respective numbers of cases in which the invitation were accepted by the applicants, arbitrations are being/were conducted, and arbitrations were concluded;

(ii) the respective shortest, longest and average arbitration time taken for those cases in which arbitrations were concluded; and

(iii) the number of cases in which those applicants who had declined such invitations subsequently reached a consensus with the LandsD over the amount of land premium, as well as the respective shortest, longest and average negotiation time taken for such cases;

(2) of the number of LM applications for rezoning agricultural lands in the New Territories as residential sites handled by the LandsD in each of the past five years, and the land area involved and the number of units proposed to be built in each application; the respective shortest, longest and average time taken for handling such applications; and

(3) as the Government indicated in its reply to a question raised by a Member of this Council on the 5th of last month that considering that the issuance of provisional basic terms offer as well as premium offer were respectively two key milestones in the handling of a LM application, the Steering Group on Streamlining Development Control would follow up with the LandsD on shortening the time required for these two procedures, of the progress of the

relevant work?

Reply:

President,

To increase land supply, the Government has been making all-out efforts to identify and produce land as well as to expedite the land development process, which includes reviewing the approval procedures for applications related to private development projects from time to time and introduction of new operation models to streamline the approval process. To this end, the Government launched the Pilot Scheme for Arbitration on Land Premium (the Pilot Scheme) in October 2014. Furthermore, since September 2018, the Lands Department (LandsD) assigned its Valuation Section in the Headquarters to handle the premium assessment of all land transactions (including lease modification and land exchange) centrally. In order to further expedite the processing of lease modification and land exchange applications, the LandsD also established the Land Supply Section (LSS) in April 2019 dedicated to handling cases under the Government's Land Sale Programme and lease modification and land exchange cases involving large-scale development. Subsequently, the Government promulgated refinement measures to the Pilot Scheme in August 2020, including the setting of upper and lower limits of premium payable. The Pilot Scheme will run until October 23, 2022.

My reply to the various parts of the question is as follows:

(1)(a) The LandsD had received 256 lease modification and land exchange applications (including simplified and technical lease modifications) between January 2015 and July 2020. Within the period, the LandsD had considered 57 lease modification and land exchange cases which would be eligible for arbitration under the Pilot Scheme and proactively invited 14 applicants to participate in the Pilot Scheme. One of the applicants accepted the invitation to participate in the Pilot Scheme and the premium was settled through arbitration in 2015. The arbitration process took about 11 weeks from the formation of the Arbitral Tribunal to the award by the Tribunal. For the remaining 13 cases, applicants chose to make appeals through the established mechanism and 10 of the cases reached agreement with the LandsD on the premiums in the end. For these 10 cases, the premium negotiation process took about two to 33 months (nine months on average) from invitation to participate in the Pilot Scheme to accepting the premium offer.

(b) Since implementing the refinement measures of the Pilot Scheme in August 2020, the LandsD has further invited applicants of 16 eligible cases to settle premium negotiations through arbitration under the Pilot Scheme. So far, no such application has been received. Other applicants of lease modification cases eligible for the Pilot Scheme may also take initiative to invite the LandsD to conduct arbitration.

(2) In the past five years (i.e. from 2016 to 2020), the LandsD had completed and executed 18 land exchange and lease modification cases involving change of land use from agriculture to domestic purpose in the New Territories. The concerned site area is about 909 000 square meters providing about 13 900

flats (see note). The processing of such cases from receipt of a valid application to the execution of the lease involves many different procedures, including premium negotiations etc., and the processing time of each application varies depending on the complexity of the case and the issues involved. Since the period from receiving the application to execution of the lease often involves some time beyond the control of the department (for example, the applicant needs time to prepare technical assessments), the LandsD does not have readily available statistics concerning the processing time of such cases.

Given that the issuance of provisional offer with basic terms as well as premium offer are two key milestones in a lease modification application, the Development Bureau (DEVB) and the LandsD are following up on how best to shorten the time required for these two procedures, including setting different priorities and target timetables for different categories of cases. The proposals will be submitted to the Steering Group on Streamlining Development Control convened by the DEVB and the related industry group for discussion in due course.

Note: The number of flats is estimated based on relevant lease conditions. The actual number of flats would depend on the actual design of the proposed development projects.