

COMPARATIVE STUDY ON INTERNATIONAL COMPULSORY PURCHASE COMPENSATION SOLUTIONS IN ACCORDANCE TO FAO PRINCIPLES OF EQUITY AND EQUIVALENCE

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Agenda

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1. Introduction

Realization of all the assignments aiming at sustainable development of every society requires from public administration different kinds of objects and infrastructure formation.

Economical

Social

Ecological

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Introduction - continuation

In connection with the fact that the theme of the FIG 2011 Conference in Marrakech, is "*bridging the gap between the cultures*", the authors of this article inspired by its' message made an attempt to answer the questions:

1. How far the expropriation systems of selected countries differ from each other,
2. which of them have similar solutions.

Particular attention was paid to the analysis of rules for determining the amount of compensation for property taken over.

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2. FAO's principles of equity and equivalence

Equivalence

The amount of compensation should correspond to the value of the loss or the value of the lost profits

Balanced interests of the parties

Procedures should safeguard the rights of people who lose ownership or use rights of their land while ensuring that the public interest is not jeopardized

Flexibility

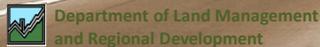
Rules governing the acquisition of properties for public purpose should combine the appropriate details and the ability to derogate from them in special situations

Uniformity

The holders of different rights to the property should be subject to the same procedures

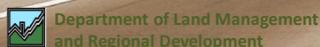
Fairness and transparency

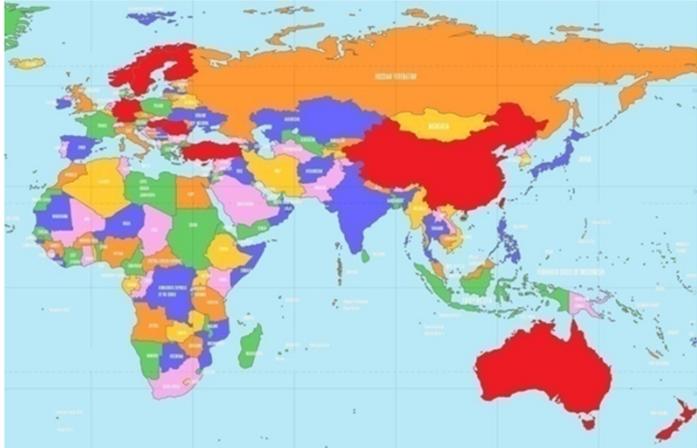
Procedures should allow equal access to information, expert advice, lawyers, valuers etc.



3. Questionnaire on compulsory purchase systems in different countries

In order to examine how specific principles contained in the FAO study are implemented in specific countries, the authors of the article used data collected in response to the survey called "Questionnaire on Compulsory Purchase," which was sent to more than 50 specialists from 28 countries, whose scientific and professional activity is closely related to real estate management, and particularly the expropriation of property. They were in the majority participants in the conferences organized by the International Federation of Surveyors - FIG. The answers were provided by representatives of 12 countries.





1. Australia - one questionnaire
 2. China - one questionnaire
 3. Cyprus - one questionnaire
 4. Finland - three questionnaires
 5. Germany - one questionnaire
 6. Norway - one questionnaire
 7. New Zealand - two questionnaires
 8. Poland - one questionnaire
 9. Sweden - one questionnaire
 10. Taiwan - one questionnaire
 11. Turkey - one questionnaire
 12. Hungary - one questionnaire

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4. Interpretation of FAO's principles for the need of the research and gathered answers

The principle of equivalence

COUNTRY	COMPONENTS OF COMPENSATION			POINTS
	VALUE OF THE RIGHT	LOST PROFITS	ADDITIONAL COSTS	
Australia	✓	✓	✓	3
China	✓	✓		2
Cyprus	✓	✓	✓	3
Finland	✓	✓	✓	3
Germany	✓	✓	✓	3
Norway	✓	✓	✓	3
New Zealand	✓	✓	✓	3
Poland	✓	✓ (partly)		2
Sweden	✓	✓		3
Taiwan	✓			1
Turkey	✓			1
Hungary	✓	✓		2
SUMA	12	10	6	

Interpretation of FAO's principles ... - continuation

The principle of balanced interests of the parties

COUNTRY	POSSIBILITY OF EXPROPRIATED PROPERTY RETURN			POINTS
	YES	NO	OTHER	
Australia	?	?	?	1
China	?	?	?	1
Cyprus	✓			2
Finland	✓			2
Germany	✓			2
Norway	✓			2
New Zealand	✓			2
Poland	✓			2
Sweden	✓			2
Taiwan	✓			2
Turkey	✓			2
Hungary	✓			2

Interpretation of FAO's principles ... - continuation

The principle of flexibility

COUNTRY	THE POSSIBILITY OF GRANTING A REPLACEMENT PROPERTY		THE VALUE OF REPLACEMENT PROPERTY		POINTS
	YES	NO	THE SAME	DIFFERENT	
Australia	✓			✓	3
China	✓		✓		2
Cyprus	✓		✓		2
Finland	✓			✓	3
Germany	✓			✓	3
Norway	✓			✓	3
New Zealand	✓			✓	3
Poland	✓			✓	3
Sweden		✓			1
Taiwan		✓			1
Turkey	✓		✓		2
Hungary	✓		✓		2

Interpretation of FAO's principles ... - continuation

The principle of uniformity

COUNTRY	Sales comparison approach				Income approach			Costs approach				POINTS
	1	2	3	4	5	6	7	8	9	10	11	
Australia	✓				✓				✓			3
China	✓	✓	✓		✓	✓				✓		3
Cyprus	✓	✓			✓	✓						2
Finland	✓	✓	✓		✓	✓		✓	✓	✓		3
Germany	✓	✓	✓		✓	✓		✓	✓	✓		3
Norway	✓				✓			✓				3
New Zealand	✓				✓	✓						2
Poland	✓	✓	✓		✓	✓		✓	✓	✓		3
Sweden	✓	✓	✓		✓	✓		✓	✓	✓		3
Taiwan	✓				✓			✓				3
Turkey	✓											1
Hungary	✓			✓*		✓		✓				2

1. Pair sales comparison
 2. Average price adjustment
 3. Statistical market analysis
 4. Other
 5. Direct capitalization
 6. Discounted cash flows
 7. Other
 8. Detailed technique
 9. Joined elements technique
 10. Index technique
 11. Other

* The base of the method is the AK value that belongs to the quality classes, to which multipliers are connected at all times

Interpretation of FAO's principles ... - continuation

The principle of fairness and transparency

COUNTRY	WHO DETERMINES		POINTS
	VALUE OF THE PROPERTY	AMOUNT OF COMPENSATION	
Australia	Contract Government valuers and private valuers for the party who loses their property. If no agreement and the matter proceeds to court, then the court may appoint an independent valuer		2
China	Registered Real Estate Appraisers	By negotiation of both sides.	2
Cyprus	The Valuation Section of the Lands and Surveys Department. There are qualified expert valuers.	The amount of compensation is defined by the Valuation Section of the Lands and Surveys Department	1
Finland	The unbiased expert(s) from the National Land Survey defines the amount of compensation. In larger cases unbiased amateurs are used to look after "the fairness" of the compensation. The cadastral surveyor.		2
Germany	The Valuation Committees (Gutachterausschüsse), organized in the counties.	Expropriation Authority which is organized at the medium level of the state administration.	1
Norway	Land Consolidation: Land Consolidation Court. Based on agreement: Normal Court.	Courts in charge. Expert consultants are often called.	2
New Zealand	Valuers, correctly instructed and independently for each party. If not agreed – the Land Valuation Tribunal		2
Poland	Real estate valuer	Voivodship Governor, Starost of the county	2
Sweden	Court		2
Taiwan	Government staff in department of land administration	Government staff.	1
Turkey	Valuation experts of the relevant institution	Committees of Valuation Experts.	1
Hungary	The expert of real estate valuer	The process of expropriation is performed by the head of the public administration office of the county or Budapest component as per the location of the real estate.	2

5. The research methodology

Systematization of information collected from surveys and the available literature, allowed to achieve another goal of the paper - the creation by means of **cluster analysis**.

The classification of the expropriation systems, in particular the systems of compulsory purchase compensation determination, in the surveyed countries was made with the use of **agglomeration method**. The measure of similarity between the classified objects was based on the function of the distance - **Euclidean distance metric**.

To determine the distance between the clusters of systems the principle of binding based on the **method of Ward** was used.



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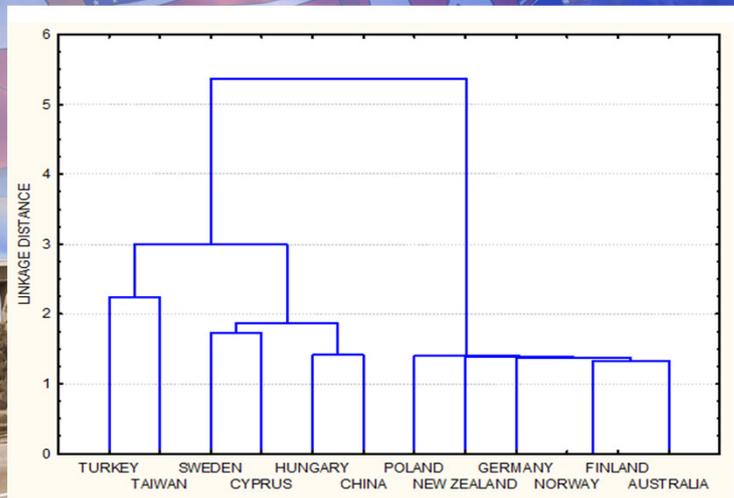
The research methodology - continuation

COUNTRIES	RULE 1	RULE 2	RULE 3	RULE 4	RULE 5	SUM
Australia	3	1	3	3	2	12
China	2	1	2	3	2	10
Cyprus	3	2	2	2	1	10
Finland	3	2	3	3	2	13
Germany	3	2	3	3	1	12
Norway	3	2	3	3	2	13
New Zealand	3	2	3	2	2	12
Poland	2	2	3	3	2	12
Sweden	3	2	1	3	2	11
Taiwan	1	2	1	3	1	8
Turkey	1	2	2	1	1	7
Hungary	2	2	2	2	2	10
SUM	29	22	28	31	20	



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6. Research results - Grouping of the countries with similar compulsory purchase systems



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7. Conclusions

1. The results of research should be considered in rather methodical than the strictly utilitarian context,
2. They suggest that the issue of compensation is very complex and requires very specific and uniformly interpreted input data,
3. The obtained results, which should be approached with a certain distance, justify the need for further research in this field

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Conclusions - continuation

4. For example the lack of data has been noticed in the following issues:
 - what are the definitions of market value and replacement value in particular countries,
 - what is the date and the land use taken while determining the value of expropriated property and the value of the additional losses
 - how was the fixed amount of compensation perceived by the owners of expropriated properties
5. Activities in the light of the current FIG involvement of its' members seems to be very up to date and needed while organized conferences and symposia irreplaceable.



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