

For discussion  
on 20 December 2011

## Legislative Council Panel on Commerce and Industry

### Latest Developments of Industrial Estates

#### PURPOSE

This paper briefs Members on the latest developments of Industrial Estates (IEs) managed by the Hong Kong Science and Technology Parks Corporation (HKSTPC) and our effort in identifying new land for IEs.

#### BACKGROUND

2. HKSTPC is managing three IEs in Tai Po (TP), Yuen Long (YL) and Tseng Kwan O (TKO). The three IEs offer a total of 217 hectares of land for long lease until 2047 to projects which cannot be accommodated in ordinary multi-storey industrial or commercial buildings. The land is granted at a premium based on land development costs and adjusted periodically taking into account of inflation and prevailing market conditions.

3. The IEs are home to over 160 local and international companies, including those from traditional manufacturing sectors as well as technology and service sectors. As at end of November 2011, HKSTPC had granted around 97% of greenfield sites in the three IEs. The latest position of the three IEs is summarised below.

	<b>TPIE</b>	<b>YLIE</b>	<b>TKOIE</b>
<b>Year of commencement</b>	1978	1980	1994
<b>Site area (hectare)</b>	75	67	75
<b>Current land premium (per square metre)</b>	\$3,100	\$2,500	\$3,100 (inland) \$3,800 (waterfront)
<b>Occupancy rate</b>	100%	99%	91%
<b>Number of grantees</b>	82	52	34
<b>Area of remaining greenfield site (hectare)</b>	--	0.5	6.7
<b>Number of jobs provided</b>	14 000	6 000	10 000

4. In April 2011, we briefed Members on the latest position of IEs (vide LC Paper No. CB(1)1893/10-11(03)). We advised Members that HKSTPC had been improving IEs' utilisation through facilitating assignment of under-utilised sites to new grantees and stepping up lease enforcement actions. Members generally considered that the effective use of IE land would help promote the development of innovation and technology in Hong Kong and supported examining the development of the fourth IE. At the meeting, we undertook to provide an update within 2011 on the revitalisation measures and our study on the possible expansion of IEs.

## **REVITALISATION OF IEs**

5. To ensure the effective use of valuable land in IEs and to release under-utilised sites to meet demand in the short to medium term, HKSTPC has been actively improving the utilisation of IE land through the following initiatives –

(a) Tackling under-utilisation

Most of the grantees are fully utilising their sites for approved productions. Due to business changes, some of the grantees have scaled down or ceased operation, including moving the production line to the Mainland. HKSTPC has taken actions against them and will continue to follow up;

(b) Facilitating assignment of IE land

HKSTPC encourages grantees that are not fully utilising their sites to consider starting new projects, surrender the sites or to look for new users which meet the prevailing IE admission criteria by way of assignment. New businesses involving advanced technology, high investment, high value added and employment of more technical personnel are preferred.

As reported at the Panel meeting in April 2011, HKSTPC approved 17 assignment applications involving about 18 hectares of land from 2007 to March 2011 (versus only 19 assignment applications were approved in the first 29 years of IE operation, i.e. from 1978 to 2006). Since the Panel meeting, HKSTPC has further enhanced the revitalisation efforts, resulting in five additional assignment cases, which released around seven hectares of land in the past eight months; and

(c) Repossession of site

In September 2011, HKSTPC repossessed a seven-hectare greenfield waterfront site in TKOIE. Given that it is the very last piece of greenfield waterfront site in the three existing IEs and the large area involved, HKSTPC has divided it into smaller sites to accommodate more quality projects.

## **IDENTIFICATION OF NEW IE LAND**

6. Due to scarcity of land and cost reasons, etc., Hong Kong is no longer a suitable location for mass manufacturing. In any case, such industries have already all moved to the Mainland. However, Hong Kong has competitive advantages such as strategic location, access to the huge Mainland market, international intellectual property protection regime, good “brand name”, good supply of talent, etc. This would render it suitable for high value added and high technology (but less land intensive) industries such as high-end data centres, pharmaceutical and other clean industries. These industries would bring benefits to the economic development of Hong Kong. We would hence continue to promote high value added manufacturing and servicing industries to enable our economy to move up the value chain. Provision of IE land is part of our strategy.

7. While the revitalisation of existing IEs can provide some land for the short to medium term, we have been assisting HKSTPC to identify new IE land to facilitate the sustainable development of high technology industries in Hong Kong. The latest developments are –

(a) Sites in the vicinity of existing IEs for extension

We have been liaising with the Planning Department to explore if there are suitable sites for extension in the vicinity of existing IEs. The merit of adjacent sites is that they would better facilitate clustering of industries where fit, achieve management efficiency and are hence administratively logical choices. However, many of such sites may have already been reserved for other public uses. Further, we may have to overcome various challenges, such as resumption of private lots, developments in nearby green belts (thus requiring re-zoning), environmental and engineering concerns, etc. We are currently actively exploring on this; and

(b) Sites for a new IE

We have also requested the Planning Department to conduct a territorial search to identify suitable sites for the development of a potential fourth IE. We appreciate that with Hong Kong in its current stage of development, it will be difficult to expect a site with area comparable to existing IEs (each with around 70 hectares of land). We have hence been looking for sites of smaller sizes, say 15 to 30 hectares. Given land resources are extremely scarce and there are other competing priorities (e.g. housing and other public services), this would still be a challenging task.

To meet our need in the longer run, a 40-hectare site in the northern part of the Ping Che/Ta Kwu Ling New Development Area has been reserved for special industries. The site is still at an early planning stage. We will actively liaise with relevant departments to follow up the progress and make the best of new development opportunities.

## **WAY FORWARD**

8. The Government, in conjunction with HKSTPC, will continue to actively explore the expansion of IEs and revitalise the existing IEs to release precious land for new high technology projects. We will report to the Panel in future when there is further development.

9. Members are invited to note the latest developments in respect of IEs.