

Provisional Legislative Council

Panel on Trade and Industry

Admission of Service Industries into the Industrial Estates

Purpose

This paper sets out the proposal to allow service industries for admission into the industrial estates.

Background

2. The Hong Kong Industrial Estates Corporation (HKIEC) was established in 1977 to develop and manage industrial estates. Land on industrial estates is offered at cost to manufacturing operations which cannot operate in multi-storey factory buildings. An application is strengthened if new or improved technology and production processes are involved.

3. There are currently three industrial estates at Tai Po, Yuen Long and Tseung Kwan O respectively. The Government is actively supporting HKIEC in the establishment of the fourth industrial estate by 2004.

4. To reflect the changing character of Hong Kong's manufacturing sector, the Board of Directors of the HKIEC agree in 1990 to expand the scope of the activities permissible in industrial estates to include also supporting services for manufacturing industries (e.g. research and development, technical centers, prototype design, etc.) A copy of the current selection criteria which reflect this development is at [Annex A](#).

5. Having taken into account the consideration set out in paras. 6 -11 below, the HKIEC Board of Directors has agreed in principle that service industries should be allowed for admission into the industrial estates and the selection criteria should be revised accordingly.

Justification for Admitting Service Industries

6. The industrial estates were first intended, and provided, to ensure that our manufacturing development - which was the mainstay of the economy at the time - was not hindered and frustrated by the lack of appropriate physical facilities. This facilitatory role has been subject to review and adjustment to reflect the changing character of the manufacturing sector, resulting in the revision of the admission criteria in 1990.

7. Hong Kong's economy has undergone a major restructuring process in the past two decades with the opening up of the Mainland of China and the globalisation of the world economy. Service industries now account for over 80% of our annual Gross Domestic Product. The development of the service sector, which makes and will continue to make important contribution to the economy of Hong Kong, should be facilitated. Currently, there are no facilities comparable to the industrial estates for the service sector. The science park is planned for opening in the second half of 2001. It is intended for intensive R&D activities of technology-based firms. The business park is still on the drawing board and its intended mission and clientele have yet to be established.

8. Against this background and given the on-going economic restructuring, we believe that the mission of the industrial estates should remain relevant and sensitive to Hong

Kong's prevailing and future economic development. There is therefore a case for expanding the scope of the industrial estates to cater for those service industries which cannot be accommodated in ordinary multi-storey buildings.

9. The proposed change in the HKIEC's admission criteria also recognises that the line between manufacturing and service as integral parts of a total value chain is becoming increasingly blurred. This has come about partly because the relevant processes are increasingly more geographically dispersed and partly because of increasing technological application and innovation in such processes. There is also empirical evidence suggesting some demand from the service sector as reflected from the enquiries received by the HKIEC in the past few years. These enquiries show that there are some operations in the service sector which cannot operate in multi-storey premises, which apply new or improved technologies and processes, which involve high level of investments, and which have beneficial economic spin-offs. A case in point is the entertainment and television industry which is not only known for its increasing application technology, but is also a major player in research and development in information technology.

Implications on the demand of land in the industrial estates

10. There will be implications on the overall take-up rate of land in the industrial estates if service industries are admitted into them, and hence their capacity to meet demand from both the manufacturing and service sectors. The Administration has conducted an initial study on the likely demand from the service industries. It shows that the demand from the service sector is likely to come from the entertainment and television industry and, to a less extent, the financial and telecommunications services with special hardware requirements.

11. Given the outstanding stock of about 45 hectares in the three existing industrial estates, the availability of additional land at the fourth industrial estates, and the need for applicants from the service sector to satisfy other criteria based on the sophistication of their products and/or processes, the level of technological application and investment, the requirement for value-added operations as well as beneficial economic spin-off, we believe there exists a safe margin to cushion the Corporation from an early exhaustion of its existing stock as a result of admitting service industries in the industrial estates.

Revised Selection Criteria

12. The principles behind the current obligatory and indicative criteria should equally be applicable to applications from service industries. The proposed revised selection criteria are set out at [Annex B](#).

Consultation

13. The Industry & Technology Development Council was consulted on 2 March 1998 and supported the proposal.

Way forward

14. We will finalize the proposal to take into account comments received. We hope to implement the finalized proposal as early as possible.

Annex A**SELECTION CRITERIA
(Revised w.e.f. April 1990)**

The object is to assess applications for sites on the industrial estates so that the successful ones involve industrial processes and products which broaden the base of industry in Hong Kong for the economic well-being of Hong Kong.

1. obligatory criteria

Applications must be for industrial operations which cannot be housed in a multi-storey flatted factory building. Storage is not permitted as a primary function nor are offensive trades allowed.

2. indicative criteria (in descending order of priority having regard to their contribution towards broadening Hong Kong's industrial base).

An application is strengthened if the industrial operation :

- i. introduces products new to Hong Kong or is based on new technology;
- ii. improves products already manufactured in Hong Kong through processes new to Hong Kong;

produces products of a higher quality or quantity through improving processes already existing in Hong Kong; and
- iii. introduces new processes likely to have spin-off benefits to Hong Kong's economy.

If an applicant scores low on the above criteria, his application would be further helped if it :

- i. introduces new or upgraded technology;
 - ii. has a high local value-added;
 - iii. produces products needed by industry in Hong Kong;
 - iv. contributes substantially to exports;
 - v. has a high level of investment per square metre, particularly in new machinery.
-

Annex B**Proposed Revision to the Selection Criteria**

The object is to assess applications for sites on the industrial estates so that the successful ones involve industrial processes, and products and services which broaden

the base of industry in Hong Kong for the economic well being of can make a substantial contribution to Hong Kong's economy.

a. obligatory criteria

Applications must be for industrial operations which cannot be housed in a normal multi-storey flatted factory industrial or commercial building. Storage is not permitted as a primary function nor are offensive trades allowed.

indicative criteria (in descending order of priority having regard to their contribution towards broadening Hong Kong's industrial base economy).

An application is strengthened if the industrial operation :

- i. introduces products or services new to Hong Kong or is based on new technology;
- ii. improves products already manufactured or services already provided in Hong Kong through processes new to Hong Kong;
- iii. produces products or provides services of a higher quality or quantity through improving processes already existing in Hong Kong; and
- iv. introduces new processes or services likely to have spin-off benefits to Hong Kong's economy.

If an applicant scores low on the above criteria, his application would be further helped if it :

- i. introduces new or upgraded technology;
- ii. has a high local value-added;
- iii. produces products needed by industry in Hong Kong or provides services;
- iv. contributes substantially to exports; or
- v. has a high level of investment per square metre, particularly for example, investment in new machinery in the case of manufacturing industry.