

## LCQ15: Measures to boost supply of industrial lands

Following is a question by the Hon Jimmy Ng and a written reply by the Acting Secretary for Development, Mr Liu Chun-san, in the Legislative Council today (May 23):

Question:

According to the findings of a consultancy study entitled Review of Land Requirement for Grade A Offices, Business and Industrial Uses, commissioned by the Planning Department, there will be shortfalls of respectively 8.9, 53.6 and 17.4 hectares in lands for Central Business District (CBD) Grade A Offices, Industries and Special Industries uses in the long term (up to 2041), among which the shortfall in lands for industrial uses being the most acute. However, there will be surpluses of respectively 10.5 and 32.3 hectares of lands for non-CBD Grade A office and general business uses over the same period. Regarding measures to boost the supply of industrial lands, will the Government inform this Council:

(1) given that some industrial buildings have been converted into or redeveloped one by one for non-industrial uses in recent years, whether the authorities have other supply of new industrial lands apart from the new sources of supply from Hung Shui Kiu New Development Area, Yuen Long South and Stonecutters Island, and have planned for more industrial areas to increase the supply of industrial lands, so as to tie in with the re-industrialisation policy actively promoted by the Government in recent years; if so, of the details, including (i) the geographical distribution of such industrial lands, (ii) the relevant work schedules, and (iii) the total area of industrial lands expected to be provided; if not, the reasons for that;

(2) whether the authorities will consider converting the lands for non-CBD Grade A office and general business uses, which will be in surplus, into lands for CBD Grade A Offices, Industrial and Special Industrial uses; if so, of the details; if not, the reasons for that;

(3) given that in view of the increase in labour costs on the Mainland, the continued appreciation of Renminbi against Hong Kong dollars, and the Hong Kong Government's determination to vigorously promote innovation and technology in recent years, quite a number of Hong Kong manufacturers who have set up factories on the Mainland intend to relocate their high value-added manufacturing processes back to Hong Kong, whether the authorities will review and revise the definition of "industrial use", so as to increase the supply of industrial lands; if so, of the details, and whether they will plan afresh the industrial lands in the territory in accordance with the new definition of industrial use, so as to encourage manufacturers to return to Hong Kong and promote the development of Hong Kong industries; and

(4) as I have learnt that although owners of private lots may apply to the Lands Department for lease modification or short term waiver in order to change the uses of the lots concerned to uses not permitted under the leases, the time taken for the vetting and approval of such applications is quite long and several government departments are involved, whether the authorities will consider setting up a dedicated inter-departmental taskforce to handle such applications, so as to enhance the efficiency of the vetting and approval process; if so, of the details; if not, the reasons for that?

Reply:

President,

To facilitate the update of the territorial development strategy for Hong Kong under the "Hong Kong 2030+: Towards A Planning Vision and Strategy Transcending 2030", the Planning Department completed a consultancy study titled "Review of Land Requirement for Grade A Offices, Business and Industrial Uses" in 2017. The review covered a broad land supply and demand forecast of five market-driven economic uses (i.e. Central Business District (CBD) Grade A Office, Non-CBD Grade A Office, General Business, Industry and Special Industry) and anticipated that there would be shortfalls in the land for CBD Grade A Office, Industry and Special Industry uses in the short, medium and long term.

The aforesaid broad land supply and demand forecast only reflected the known situation at the time when the estimation was made. Given that land use planning is an on-going process, and that the changing Hong Kong's domestic economy and external economic environment will affect the demand for each type of economic land, the Government will assess timely the latest land requirement for different uses and facilities (including industrial use) and appropriate conceptual spatial planning strategies. This will help meet the projected demand and provide space for the sustainable development of Hong Kong's diversified economy.

I respond to the different parts of the question as follows:

(1) To sustain Hong Kong's competitiveness and seize new development opportunities, the Government will continue to put up industrial sites for sale in order to increase the supply. In the years 2016-17 and 2017-18, we sold three industrial sites (two in Kwai Chung and one in Tsuen Wan) providing a total gross floor area (GFA) of about 70 700 square metres. Early this month, we sold a logistics site in Tuen Mun, which provides a GFA of about 79 000 sq m. The Government will put up an industrial site in Fanling for sale in the first quarter of 2018-19 to provide a GFA of about 18 300 sq m. The Government will continue to earmark industrial land in existing and proposed development projects.

Besides, according to the Innovation and Technology Bureau (ITB), the Government's policy objective of "re-industrialisation" is to develop high-end and less land-intensive manufacturing based on new technologies and smart production, thereby seeking a new edge for our economy growth. To meet the

"re-industrialisation" policy and innovation and technology (I&T) development, the Government has reserved land of suitable size for industrial estates and I&T-related development. These sites are zoned "Other Specified Uses" (OU) annotated "Industrial Estate", "Research and Development" and "Business and Technology" zones, etc. The Government will continue to review the demand for I&T land from time to time to meet the development of relevant industries.

(2) General Business uses are mainly located in existing industrial buildings/industrial-office (I-O) buildings, followed by Non-Grade A Office buildings. While industrial uses are allowed in industrial/I-O buildings in general, most of such existing industrial/I-O buildings will likely be put to General Business uses under the current market situation. Moreover, Non-CBD Grade A Office or Non-Grade A Office sites are mostly located outside industrial areas. As the internal design, layout and structure of these buildings and the ancillary facilities are mainly to support non-industrial uses including office, these sites are not suitable for conversion to an industrial use.

Owing to the unique locational and operational requirements (such as higher loading, higher ceiling, larger floor plate, more reliable power supply with back-up power and/or dust free environment, etc.), Special Industry uses (including modern logistics and data centres) are usually set up at purpose-built premises. Industrial buildings and I-O buildings currently with General Business uses are normally not suitable for conversion to a Special Industry use.

As regards the supply of Grade A Office, the floor space of CBD and Non-CBD Grade A Offices is to a certain extent interchangeable through market forces. The shortage of CBD Grade A Office will drive up the rent of the district, causing some users to move to Non-CBD Grade A Office for business. This market reaction will help alleviate the shortfall of CBD Grade A Office in the short and medium term.

(3) For the planning regime, the Town Planning Board (TPB) reviews and revises the definition of land uses under statutory plans from time to time with reference to the prevailing social and economic needs. The current definition of "Industrial Use" on statutory plans is now extended to cover such uses as training, research, design and development, quality control and packaging related to industrial processes, as well as some emerging uses such as hydroponics, aquaculture, etc. Besides, uses that are always permitted under the "Industrial" zone have been widened to include "Office Related to Industrial Use", "Information Technology and Telecommunications Industries" and "Research, Design and Development Centre". Apart from updating and expanding the definition of "Industrial Use", TPB introduced the "OU" annotated "Business" (OU(B)) zone to provide greater flexibility for the uses of existing industrial land. For old industrial buildings within areas zoned "OU(B)" on statutory plans, redevelopment or wholesale conversion into commercial and non-polluting industrial uses (including offices, information technology, telecommunications and other creative industries) does not require application to TPB.

During the sale of new industrial sites, the Lands Department (LandsD) will determine the uses of the lot under the land lease with reference to those permitted under the relevant statutory plan. Taking the three aforementioned industrial sites sold in the past two years as examples, besides the industrial use, other uses such as office in direct support of an industrial operation, information technology and telecommunications industries, research, design and development centre, laboratory, inspection and testing centre, audio-visual recording studio, media design and media production, etc. are permitted under the lease conditions.

According to ITB, it is providing comprehensive support in respect of land, technical skills, funding and talent to encourage enterprises to relocate high value-added manufacturing processes back to Hong Kong, thereby promoting "re-industrialisation". This includes building an Advanced Manufacturing Centre and a Data Technology Hub in the Tseung Kwan O Industrial Estate; facilitating enterprises in moving towards high value-added production and gradually upgrading to Industry 4.0 through the Hong Kong Productivity Council; engaging in research and development (R&D) related to "re-industrialisation" through five R&D Centres, and financing enterprises to carry out R&D work through the Innovation and Technology Fund.

(4) Generally, private land owners may make waiver applications to LandsD for implementing uses not permitted under the land lease in their industrial buildings or lots, such as those uses having secured TPB's approval. In the past years, LandsD promulgated a number of streamlining measures to expedite the approval process including introduction of fees at standard rates for waiver applications in relation to information technology and telecommunications industries and industries generally permitted in an "Industrial" zone under statutory plans in 2001 and 2003 respectively. In promoting the policy for data centre development, the Government introduced a measure in 2012 to exempt the waiver fee for converting old industrial buildings into data centres and introduced another measure in 2016 to exempt the waiver fee for setting up testing and calibration laboratories in industrial buildings. In May 2016, LandsD introduced further streamlining procedures to reduce the processing time of waiver applications for data centres such that valid applications may be approved within two weeks upon receipt. As LandsD is implementing the above measures to streamline approval processes, there is no plan to set up a dedicated task force to handle waiver applications.