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Revitalisation of industrial buildings in Hong Kong: New measures, new constraints?

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ABSTRACT

Like many post-industrial cities around the world, Hong Kong has been experiencing de-industrialisation since the 1980s, and revitalisation of multi-storey industrial buildings within a high-density development context is necessary. Focussing on recent progress in revitalisation of industrial buildings in Hong Kong, this research investigates the Government regulations and market responses. It is found that simply relieving the regulations and institutional constraints in revitalisation does not work, either for the policy aim in a narrow sense or for the local economy in a broad sense. New revitalisation measures by the Government have led to new constraints in revitalisation. It is necessary to address the policy lag. This paper presents an opening statement of discussing effectiveness of revitalisation policy in terms of urban competitiveness. It advocates some general principles and goals been taken into account in making revitalisation policy, including industrial diversity, indigenously owned companies, social costs and quality of life.

1. Introduction

Multi-storey industrial buildings, mostly in the form of flatted factories, are high-rise developments providing relatively low-cost factory units for small manufacturers to set up vertical assembly lines (Shelton, Karakiewicz, & Kvan, 2011). The term “flatted factories” is after the British expression for apartment. Mainly in response to land scarcity, flatted factories were originated in Hong Kong in the 1960s and some other districts also adopted this special arrangement such as Singapore (Lim, 2011). Dim Sum, a Hong Kong local meal in which items are served separately from steam baskets stacked in tower formations as a kind of vertical culinary zoning, is a vivid analogy in describing Hong Kong's flatted factories as vertical and volumetric configuration (Shelton et al., 2011).

Against the backdrop of globalisation and a new round of economic restructuring worldwide, de-industrialisation has been witnessed in many cities since the 1960s with abandoned and underused factories and warehouses (Adams & Watkins, 2002; Andres & Grésillon, 2011; Marshall, 2004). Economic restructuring decades on has rendered most of these industrial buildings no longer for the intended uses and therefore transformations are needed. There are many concepts related to this process: urban redevelopment, regeneration, renewal, revitalisation, reconstruction, rehabilitation and so on (Kamo, 2000). These terms, similar in nature though, have subtleties in academia (Lees, 2003). While the public-sector-initiated urban renewal in the 1960s was primarily concerned with the large-scale redevelopment of overcrowded inner city slum area, urban regeneration in the 1980s encouraged the involvement of private sector so as to spur more economic growth (Parvin & Mostafa, 2010).

Enormous socio-economic changes have taken place during these processes, and there have been different perspectives of studies on revitalisation of industrial spaces, including economic restructuring (e.g. Kiss, 2007), evaluation of cultural and planning policy (e.g. Healey, 1992; Mommaas, 2004; Tang & Ho, 2014; Tang & Tang, 1999; Verma, 1993), gentrification and social sub-system (e.g. Gospodini, 2006), urban entrepreneurialism (e.g. Hall & Hubbard, 1996), creative class and creative city (e.g. Florida, 2005; Scott, 2006), global cities (Friedmann, 2005), various stakeholders (Steinberg, 1996; Zheng, Shen, & Wang, 2014) and so on (Andres & Grésillon, 2011; Pratt, 2009). Sometimes, there are overlaps between these perspectives.

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In Hong Kong, the development and fading of flatted industrial buildings is connected closely with the changing policy background and the area's economic restructuring during the last six decades. From a modest beginning in the 1950s, the manufacturing sector grew rapidly in Hong Kong and it was the golden age of Hong Kong's industries. Such prosperity continued during the 1960s, mainly owing to the incorporation of Hong Kong into the global manufacturing and market networks under the backdrop that spatial relocation of manufacturing production in the world economy took place and international subcontracting networks emerged (Chiu & Liu, 2009: 26–29). Increasing space requirement for manufacturing activities had led to prosperous construction of multi-storey industrial buildings. In the market, most of such industrial space was provided by the private sector (Tang & Tang, 1999). In the 1970s, the tertiary sector replaced the manufacturing industry, becoming the leading economic sector in Hong Kong. Labour-intensive manufacturing industries in Hong Kong began to lose competitive advantage because of the rising production costs, particularly the rising labour costs and land rent.

With the opening up of Mainland China and its industrial investment welcomed policy since the 1978, manufacturing industries in Hong Kong have been relocating to the Pearl River Delta (PRD) region due to geographic approximation, social connection, and more importantly, cheaper costs of production. Such industrial relocation has contributed to the formation of new spatial division of labour between Hong Kong and the PRD region in the 1980s and the 1990s, conceptualised as the renowned “Store in front, factory behind” model (Eng, 1997; Sit & Yang, 1997).

After Hong Kong's returning to China in 1997, the changing institutional configuration brought Hong Kong both opportunities and challenges. In the decade of 2000s, cross-border development and regional integration of Hong Kong and the PRD region experienced ups and downs. Hong Kong underwent economic recession and outbreak of Severe Acute Respiratory Syndrome (SARS) in the year of 2003 and in the same year China entered WTO. The PRD region was provided with expanding domestic and global market. The PRD region was no longer relied so heavily on Hong Kong and was on her way towards more self-contained development (R.C.K. Chan, 2011). In addition, the institutional environment in the PRD began to change with Guangdong provincial government and the Central Government emphasising more on environmental concern and labour right protection (Liao & Chan, 2011). With the loss of competitive advantage in terms of costs of production, there was a new wave of industrial upgrade in the PRD region. The traditional “store in front, factory behind” model began to change with more and more “stores in front” relocated from Hong Kong to the PRD region and “factory behind” relocated from the PRD region to inland and other areas of lower cost of production (Liao & Chan, 2011; Yeh, 2006). During the same period, Hong Kong's technology-based urban competitiveness building slowed down, and business-service competitiveness building approach began to take a leading role (Martinelli, Moulaert, & Novy, 2013). With CEPA and the imaginaries of “Pan-PRD” released in 2004, the cross-boundary development and regional integration was promoted significantly. Service sectors of Hong Kong were provided with expanding and easier-access domestic market in the Mainland (Chiu, 2006; Yeh & Xu, 2008). Later, the “Outline of the Plan for Reform and Development of the PRD Region (2008–2020)” was released in 2009 by the State Council to further promote cross-boundary cooperation by policies. However, industries in Hong Kong have been facing severer competition from her rivals including the old partner—the PRD region. The concern of “marginalization of Hong Kong” was raised not until the “Pan-PRD” imaginaries but since when Hong Kong has been losing her competitive advantage with the economic miracles happened cross the border (Martinelli et al., 2013). Hong Kong is no longer of costs-based competitive advantage. Targeting mainly at international financial services, trading and logistics, tourism, and professional and producer services, Hong Kong repositioned itself to become Asia's world city (Kong, 2007).

As discussed, Hong Kong has been experiencing de-industrialisation during the last three decades since 1980s (see Fig. 1). With the demand for space for industrial use falling consistently in Hong Kong, many private flatted industrial buildings[1] (Table 1) – the mainstream industrial space in Hong Kong – became vacant or under-utilised. It urged an exploration for other uses, giving rise to responses from private sector, public sector and the wider grassroots.

The government has been endeavoured to relax the regulations to allow for flexibility in using industrial buildings since the 1990s. However, the responses from the market were not encouraging and the conversion or redevelopment of old industrial buildings was slow. There were only 37 cases of lease modifications regarding to change the use of industrial buildings during 2001 and 2009. As pointed out by Lai,[2] critics have charged that the Government is with “bureaucratic inflexibility and official inertia” in Hong Kong. Re-using old industrial space, releasing under-estimated land value and upgrading declined areas and economic activities are considered to be important for Hong Kong's repositioning and rescaling strategy. It was under such background that a set of new measures to facilitate the revitalisation of industrial buildings were put forward by the Hong Kong Government in 2009 for re-building of Hong Kong's urban competitiveness.

However, studies into revitalisation of industrial space in Hong Kong appear to be limited (Chan, Zhai, & Cheung, 2012; J. Chan, 2011; Stratton, 2003; Tang & Ho, 2014; Tang & Tang, 1999), particularly there is a lack of up to date studies after this recent round of revitalisation measures with big moves implemented since 2010. What is more important, regarding the role of government in revitalisation, Hong Kong following laissez-faire principles can be viewed as at one end of the spectrum, opposite to centrally planned economy. A case study of Hong Kong could provide evidence to better understand the problem and provide implications to revitalisation of industrial space in other areas that either adopting free-market economy or in-between the two ends. What are the intended and unintended consequences of the 2010 new package of revitalisation measures? How effective is the policy? Could government play a better role? The main aim of this paper is to address these issues.

The structure of this paper is as follows: it begins with a brief literature review, introducing the changing policy background and the development and fading of flatted industrial buildings in Hong Kong. This is followed by the changing policies in retrospect—how constraints on reviving industrial buildings are gradually relieved. Next, by examining the consequent market response and problems reflected, this study advocates jumping out of the picture and in quest of some general principles that better navigate the revitalisation to maintain urban competitiveness. And finally our findings are summarised and discussed. The work presented in this paper is supported by primary research and fieldwork based on on-site observation and semi-structured interviews conducted with key

[1] According to the Government (Rating and Valuation Department and Buildings Department), “*private industrial buildings usually refer to private flatted factories, private industrial/office and godown buildings. Specialised factories such as those located in industrial estates, storage premises in container terminals and flatted factories built by the Housing Authority are not included*”.

[2] Lai, C. 2013. “The Bureaucratic Case against Living in Hong Kong Industrial Building”, accessed July 9, 2014 available at: http://cleanbiz.asia/blogs/bureaucratic-case-against-living-hk-industrial-buildings#.UsoyxidN8uh.