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Action call on factory rents

Rocketing commercial rents will hit Hongkong's manufacturing industries in a few months if the present trend is not dealt with immediately, Kowloon Eastern District Manufacturers' Association president Hwang Jen, said yesterday.

He urged the Government to review its economic policies to help manufacturers overcome the adverse effects caused by current worldwide economic recessions.

Mr Hwang told a press conference that most manufacturers could only secure about 60 per cent of orders from overseas buyers, compared with previous years.

The number of new orders is expected to drop further, he said.

The current recession has already been felt in factories of all sizes.

According to Mr Hwang, the yearly factory rush period which usually begins around September — in which factories have to operate on three shifts a day at full capacity — will not be seen here this year.

He said a factory would be lucky to have enough orders to justify two shifts a day.

Over 90 per cent of the factories have to be closed on Sundays to meet reduced demand, he said.

The recession was still tolerable to many manufacturers.

However, unabated spiralling commercial rents have not only added a burden on manufacturers they have also forced many out of business.

High rentals hit particularly hard at small manufacturers, he said.

His association anticipates that more plants will close down at the end of the year.

According to Mr Hwang, more than 100 factories have closed in the first half of this year.

He said high land costs — the critical factor in the rent spiral — have also prompted some large plants to close down in order to enable redevelopment of their valuable land assets.

These are not healthy activities in the economy, he said.

Mr Hwang said his association doubted the truth of the rosy picture of Hongkong's economic prospects painted by the Financial Secretary, Sir Philip Haddon-Cave.

He said some interpretations of statistics cited by Sir Philip in his mid-year economic review last week were biased.

He urged the Government to take a more realistic look at the current situation confronting manufacturers and to act solidly on its findings.

Living costs engulf oil firm

An international oil company is to pull out of Hongkong, quoting the soaring cost of living in the Colony as one of its reasons.

Gulf Oil Chemicals has been running its Asian operations from an office in Harcourt Road, Central, but now it is packing up and withdrawing to Gulf's headquarters in Houston, Texas.

The main reason is that the company's communications and decision-making machinery have been suffering jet-lag as messages travel between America, Hongkong, and its Asian investments in Korea and Taiwan.

But another factor is rocketing rents and Hongkong's cost of living, a spokesman said yesterday.

The move only involves three executives.

The fourth man currently based in Hongkong will be staying here, as he is concerned with marketing the company's products.