

1st October, 1952

PRESENT

HIS EXCELLENCY THE OFFICER ADMINISTERING
THE GOVERNMENT

MR. ROBERT BROWN BLACK, O.B.E.

HIS EXCELLENCY THE COMMANDER BRITISH FORCES

LIEUTENANT-GENERAL SIR TERENCE AIREY, K.C.M.G., C.B., C.B.E.

THE HONOURABLE THE COLONIAL SECRETARY

MR. BRIAN CHARLES KEITH HAWKINS, C.M.G., O.B.E., *Acting*.

THE HONOURABLE THE ATTORNEY GENERAL

MR ARTHUR RIDEHALGH, Q.C.

THE HONOURABLE THE SECRETARY FOR CHINESE AFFAIRS

MR. JOHN CRICHTON MCDOUALL, *Acting*.

THE HONOURABLE THE FINANCIAL SECRETARY

MR. ARTHUR GRENFELL CLARKE.

THE HONOURABLE THEODORE LOUIS BOWRING, O.B.E.

(Director of Public Works).

THE HONOURABLE DOUGLAS JAMES SMYTH CROZIER.

(Director of Education).

THE HONOURABLE KENNETH MYER ARTHUR BARNETT, E.D.

(Chairman, Urban Council).

THE HONOURABLE CHAU TSUN-NIN, C.B.E.

DR. THE HONOURABLE CHAU SIK-NIN, C.B.E.

THE HONOURABLE LEO D'ALMADA E CASTRO, Q.C.

THE HONOURABLE MAURICE MURRAY WATSON.

THE HONOURABLE CHARLES EDWARD MICHAEL TERRY.

THE HONOURABLE NGAN SHING-KWAN

THE HONOURABLE HUBERT JOHN COLLAR, C.B.E.

THE HONOURABLE KWOK CHAN.

MR. RONALD THOMPSON *(Deputy Clerk of Councils)*

ABSENT:

DR. THE HONOURABLE YEO KOK CHEANG

(Director of Medical and Health Services)

MINUTES.

The Minutes of the Meeting of the Council held on 17th September, 1952, were confirmed.

PAPERS.

THE ACTING COLONIAL SECRETARY, by Command of His Excellency the Officer Administering the Government, laid upon the table the following papers:—

<i>Subject.</i>	<i>G.N. No.</i>
The Immigrants Control Ordinance, Chapter 243.	
The Immigrants Control (Amendment) Regulations, 1952	A. 157
The New Territories Ordinance, Chapter 97.	
The Sandy Ridge Cemeteries (N.T.) (Amendment) Rules, 1952	A. 158
The Protection of Women and Juveniles Ordinance, 1951.	
Notification under section 2	A. 159
The Hong Kong Air Navigation (General) (Amendment) Regulations, 1952.	
Amendments to the Hong Kong Air Navigation (General) Regulations, 1950	A. 160
The Defence Regulations, 1940.	
The Price Control Order, 1946—Addition to the Schedule	A. 163
The Pensions Ordinance, Chapter 89.	
The Pensions (Amendment) (No. 2) Regulations, 1952	A. 165
The Ferries Ordinance, Chapter 104.	
The Excluded Ferries (Shamshuipo and Wilmer Street) (Amendment) Regulations, 1952	A. 166
The Volunteer and Naval Volunteer Pensions Ordinance, Chapter 202.	
Nomination under section 6	A. 167

<i>Subject.</i>	<i>G.N. No.</i>
The Motor Vehicles Insurance (Third Party Risks) Ordinance, 1951.	
The Motor Vehicles Insurance (Third Party Risks) (Amendment) (No. 2) Regulations, 1952.....	A. 168
The Importation and Exportation Ordinance, Chapter 50.	
The Exportation (Prohibition) (Specified Articles) Regulations, 1952	A. 169
The Importation and Exportation Ordinance, Chapter 50.	
The Importation (Prohibition) (Specified Articles) Regulations, 1952	A. 170
The Pleasure Grounds and Bathing Places Ordinance, Chapter 173.	
The Pleasure Grounds (Control and Allocation) (Amendment) Regulations, 1952	A. 171
The Pleasure Grounds and Bathing Places Ordinance, Chapter 173.	
New Table to the regulations	A. 172
The Pleasure Grounds and Bathing Places Ordinance, Chapter 173.	
Fees for the use of Pool Grounds	A. 173

THE TELEPHONE ORDINANCE, 1951.

THE FINANCIAL SECRETARY moved the following resolution:—

WHEREAS by sub-section (1) of section 6 of the Telephone Ordinance, 1951, the capital of the Hong Kong Telephone Company Limited shall be nineteen million dollars divided into one million nine hundred thousand shares of ten dollars each: Provided that after an amount of fifteen million dollars of such capital shall have been issued no part of the balance shall be issued without the prior consent of the Legislative Council signified by resolution;

AND WHEREAS the said Company has requested such consent and the granting of such consent is considered desirable;

IT IS RESOLVED that consent be given for the said Company to increase its capital beyond the sum of fifteen million dollars by an increase of four million dollars divided into four hundred thousand shares of ten dollars each; but that such shares shall be issued at twelve dollars and fifty cents per share.

He said: Sir, this resolution and the one which follows it on the Order Paper arises out of discussions which have been held with representatives of the Hong Kong Telephone Company following a formal application from them for permission to increase their capital and to increase the subscription rates for telephones. This particular resolution deals with the problem of additional capital.

The need of the Company for further capital arises from the obligations which have been imposed upon it by section 26 of the Telephone Ordinance. Under that section the Company undertook to provide nine telephone exchanges in different parts of the Colony, providing for 53,000 lines. The Company is endeavouring to fulfil its obligations to the best of its ability, and by 1955 hopes to have 40,000 lines connected. But it is now faced with the problem that it has insufficient capital to carry on. Its foreseeable needs in the early future total \$14 million, and at the moment its cash resources are exhausted. It is clear therefore that more capital is needed, and, as an emergency measure, it is proposed now to issue the balance of the authorized capital at a premium of 25 per cent. This will bring in \$5 million, which will enable the Company to get out of its immediate difficulties, after which further consideration will be given to longer term requirements.

There is a possibility in the present state of affairs in the Colony that the whole of this proposed issue may not be taken up by shareholders, and in the circumstances Government has agreed to underwrite the issue and will if necessary utilize the Development Fund for the purpose.

Lest Government's motives in taking this step be misinterpreted, I think, Sir, I should explain that we feel that we cannot, in all fairness, continue to impose numerous and onerous obligations on the Telephone Company, including the obligation to pay royalties, unless we are prepared to assume some obligations ourselves. The Company urgently needs fresh capital, and we propose to assume the obligation of seeing that the capital will be forthcoming.

THE ACTING COLONIAL SECRETARY seconded, and the Motion was carried.

HON. CHAU TSUN-NIN, C.B.E.:— Sir, I declare an interest. I am a member of the Board.

THE TELEPHONE ORDINANCE, 1951.

THE FINANCIAL SECRETARY moved the following resolution:—

RESOLVED in accordance with sub-section (2) of section 29 of the Telephone Ordinance, 1951, that as from the 1st October, 1952, the Schedule to the said Ordinance be amended by the deletion of items 1 and 2 of Part I and the substitution thereof of the following—

<i>Item</i>	<i>Particulars of Charge</i>	<i>Amount of Charge</i>
1	For an exchange line used for business purposes within Victoria, Kowloon or the Peak District, or within a radius of one mile from any exchange that may be established outside those areas.	\$350 for the first year payable in advance. Thereafter \$ 300 per annum payable quarterly in advance.
2	For an exchange line in a <i>bona fide</i> place of residence within Victoria, Kowloon or the Peak District or within a radius of one mile from any exchange that may be established outside those areas.	\$275 for the first year payable in advance. Thereafter \$225 per annum payable quarterly in advance.

He said: Sir, the immediate cause for the application made by the Telephone Company for an increase in its rates of subscription to which I have already referred was a marked reduction in the use of radio telephone services connected to their system following on the present trade recession in the Colony. This seriously reduced the Company's income. But quite apart from that factor, it is clear from figures furnished by the Company, and indeed generally available in its published accounts, that on its present earnings it is unable to maintain its return to its shareholders, and at the same time to provide adequate reserves for renewal and replacement of existing plant as it wears out. Indeed, it appears that renewals in one large exchange which will be necessary in the comparatively near future will have to be paid for by a new issue of capital.

In the circumstances Government is forced to agree that the Company's revenue must be increased, and in view of the fact that the existing subscription rates are probably the lowest for any telephone system in the world, it is felt that the proper solution is that the rates must be raised. It is accordingly proposed to accept the suggestion of the Company to recognize

the principle that those who make most use of the telephone should pay most, and that when raising the subscription rates a differentiation should be made between telephones used in business premises and those used in residences. The proposal is that the subscription rate for telephones used for business purposes shall be increased by 50 per cent and for telephones in *bona fide* places of residence shall be increased by 12½ per cent, both changes to take effect as from to-day.

As I indicated when introducing the earlier motion, further discussions with the Company will be necessary. Accordingly, it has been agreed with the Company that these new rates, if approved by this Council, shall fall to be reviewed on or before the 31st March, 1954. Moreover, as the increase in rates is necessitated by the urgent need of the Company for more funds, the Company has agreed that until that date, that is in respect of the years 1952 and 1953, the dividend to its shareholders shall not be increased.

It might be of interest to Honourable Members to mention that one of the points to be raised in the forthcoming discussions with the Company is that of extending the principle of payment according to use by introducing a system of payment based on metering of calls, such as is common practice in most other parts of the world. There are many problems and many objections to be considered before any decision can be readied, but one argument in favour is that when there is no restriction of any kind on the use of a telephone in a telephone minded community, once the flat subscription rate has been paid, the exchanges can be and are frequently so overloaded that proper maintenance to obviate breakdowns and wrong numbers becomes a serious and expensive problem.

For comparative purposes, I might mention that for a telephone in a *bona fide* place of residence in the London area, the annual subscription rate is now £8, *i.e.* \$128, as against the \$225 now proposed in Hong Kong. But there is an important difference. In Hong Kong, the \$225 covers an unlimited number of calls. In London, a subscriber's use of the service without further charge is limited to 50 local calls for a half year, to the value of 6/3*d.*, that is, two local calls a week. Any calls over and above this must be paid for. The effect is that a London resident who makes one local call a day, pays \$154 a year for his telephone; if he makes five local calls a day he pays \$300.

THE ACTING COLONIAL SECRETARY seconded, and the Motion was carried.

ADJOURNMENT.

H.E. THE OFFICER ADMINISTERING THE GOVERNMENT:— That concludes the business for to-day, Gentlemen. When is it your pleasure that we should meet again.

THE ATTORNEY GENERAL:— I would like to suggest this day fortnight, Sir.

H.E. THE OFFICER ADMINISTERING THE GOVERNMENT:— Council will adjourn to this day fortnight.