

OFFICIAL REPORT OF PROCEEDINGS**Meeting of 13th April, 1955.**

PRESENT:HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)

SIR ALEXANDER WILLIAM GEORGE HERDER GRANTHAM, G.C.M.G.

HIS EXCELLENCY THE COMMANDER BRITISH FORCES

LIEUTENANT-GENERAL CECIL STANWAY SUGDEN, C.B., C.B.E.

THE HONOURABLE THE COLONIAL SECRETARY

MR. RICHARD JOHN CLYDE HOWES, M.B.E., *Acting*.

THE HONOURABLE THE ATTORNEY GENERAL

MR. ARTHUR RIDEHALGH, Q.C.

THE HONOURABLE THE SECRETARY FOR CHINESE AFFAIRS

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

THE HONOURABLE THE FINANCIAL SECRETARY

MR. ARTHUR GRENFELL CLARKE, C.M.G.

THE HONOURABLE THEODORE LOUIS BOWRING, C.M.G., O.B.E.

(Director of Public Works).

THE HONOURABLE DOUGLAS JAMES SMYTH CROZIER

(Director of Education).

DR. THE HONOURABLE YEO KOK CHEANG

(Director of Medical and Health Services).

THE HONOURABLE HAROLD GILES RICHARDS, O.B.E.

(Director of Urban Services).

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

THE HONOURABLE CHARLES EDWARD MICHAEL TERRY.

THE HONOURABLE NGAN SHING KWAN.

THE HONOURABLE DHUN JEANGIR RUTTONJEE.

THE HONOURABLE CEDRIC BLAKER, M.C., E.D.

THE HONOURABLE KWOK CHAN, O.B.E.

DR. THE HONOURABLE ALBERTO MARIA RODRIGUES, M.B.E., E.D.

THE HONOURABLE RICHARD CHARLES LEE, O.B.E.

MR. ROBERT WILLIAM PRIMROSE (*Deputy Clerk of Councils.*)

MINUTES.

The Minutes of the meeting of the Council held on 30th March, 1955, were confirmed.

PAPERS.

THE COLONIAL SECRETARY, by Command of His Excellency the Governor, laid upon the table the following papers: —

<i>Subject.</i>	<i>G.N. No.</i>
Interpretation Ordinance (Chapter 1).	
Notice of Change of Style by the Governor under section 3(10)	A. 33
Stamp Ordinance (Chapter 117).	
Stamping and Denoting of Documents (Amendment)	
Regulations, 1955	A. 34
Ferries Ordinance (Chapter 104).	
Excluded Ferries Regulations, 1955	A. 35
Dangerous Drugs Ordinance (Chapter 134).	
Amendment to Declaration	A. 36
Public Order Ordinance (Chapter 245).	
Military Installations Closed Areas (Amendment and Consolidation) (Amendment) Order, 1955	A. 39
Post Office Ordinance (Chapter 98).	
Determination by Postmaster General under section 4	A. 40
Quarantine and Prevention of Disease Ordinance (Chapter 141).	
Order declaring Chittagong infected on account of cholera	A. 41
Quarantine and Prevention of Disease Ordinance (Chapter 141).	
Order declaring Rangoon infected on account of smallpox	A. 42

**URBAN COUNCIL (COMMISSIONER FOR RESETTLEMENT)
ORDINANCE, 1954.**

THE COLONIAL SECRETARY moved the following resolution: —

Resolved, pursuant to section 3 of the Urban Council (Commissioner for Resettlement) Ordinance, 1954 that the duration of the said Ordinance be extended for the term of one year with effect from the 30th April, 1955.

He said: Sir, I beg to move in pursuance of section 3 of the Urban Council (Commissioner for Resettlement) Ordinance, 1954, that the duration of the Ordinance be extended for one year with effect from 30th April, 1955.

When the Ordinance was first enacted last year, it was designed to provide for the temporary appointment of the Commissioner for Resettlement as an *ex-officio* member of the Urban Council. Despite the substantial achievements of the Resettlement Department working under the general direction of the Urban Council, the task of resettling squatters is still far from complete, and it is consequently desired that the Commissioner for Resettlement should continue to sit as a temporary member of the Urban Council for a further period of one year.

THE ATTORNEY GENERAL seconded.

The question was put and agreed to.

**HONG KONG AND YAUMATI FERRY COMPANY
(SERVICES) ORDINANCE, 1951.**

THE FINANCIAL SECRETARY moved the following Resolution: —

WHEREAS—

- (i) Section 4 of the Hong Kong and Yaumati Ferry Company (Services) Ordinance, 1951 (hereinafter referred to as "the Ordinance") provides that the ferry services authorized by the Ordinance shall be maintained and operated upon the terms and conditions specified in the Schedule thereto;

- (ii) Section 5 of the Ordinance provides that the Schedule thereto may be varied at any time, with consent of the Company, by Resolution of Legislative Council;
- (iii) Paragraph 5 of the Schedule to the Ordinance makes provision for the Company to pay to the Government a royalty of twenty-five per cent of the net profit of the Company for each year;
- (iv) It has always been intended that no deduction for royalty should be made in ascertaining the net profit on which royalty is payable and no such deduction has been made;
- (v) Doubt has arisen whether the wording of paragraph 5 of the Schedule to the Ordinance clearly gives effect to the intention aforesaid;
- (vi) It is desired to remove such doubt;
- (vii) The Company has consented to the variation of the terms of paragraph 5 of the Schedule;

NOW, THEREFORE, BE IT RESOLVED, with the consent of the Company, that subparagraph (2) of paragraph 5 of the Schedule to the Ordinance be varied by the substitution of a semi-colon for the full stop at the end thereof and by the addition of the following—

"and provided further that in ascertaining the net profit as aforesaid no deduction shall be made of any sum payable as royalty by the Company to the Government."

He said: Sir, this resolution is I think fairly adequately explained in the seven clauses of the Preamble, and I have but to add that the inadvertent omission of the phrase which it is now sought to add to the Schedule to the Ordinance was noticed in the course of negotiations with the Telephone Company on the revision of their franchise.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

**SUPPLEMENTARY PROVISIONS FOR THE QUARTER
ENDED 31ST DECEMBER, 1954.**

THE FINANCIAL SECRETARY moved the following resolution: —

Resolved that the Supplementary Provisions for the quarter ended 31st December, 1954, as set out in Schedule No. 3 of 1954/55, be approved.

He said: Sir, this schedule, like so many others, includes large provisions for fire relief and rehabilitation, \$4 millions for the Lee Cheng Uk fire, and \$½ million for the Taipo Road fire.

Provision of \$13½ millions is made for the arrears of salary falling due in respect of the revised salaries scheme. This covers the period from the 1st October, 1953 to 31st January, 1955, after which date departmental votes carried the new charges.

Provision is made for a new refuse dump at Gindrinkers Bay; the reclamation of Kun Tong Bay makes it necessary to stop dumping refuse at this point.

Further interest free loans to private schools bring the total figure for such loans to date to over \$8 millions.

All the items in the schedule have already been passed by Finance Committee and now require the covering approval of this Council.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

TELEPHONE (AMENDMENT) BILL, 1955.

THE FINANCIAL SECRETARY moved the First reading of a Bill intituled “An Ordinance to amend the Telephone Ordinance, 1951”.

He said: Sir, the purpose of this Bill is set forth in the objects and reasons, but I might perhaps add a little further explanation.

Under its present franchise, the Telephone Company pays as royalty a fixed fee per exchange line; over and above this fixed fee any profits in excess of a sum equal to 12 per cent of the issued capital must be divided equally between the Company and Government.

It has become apparent in the years since the war that there are a number of defects in this system. For instance, the amount of royalty must depend on the amount of issued capital. Accordingly when the Company is developing and wants to increase its capital, Government is placed in the position of having to give permission for an increase in capital, thereby losing on royalty; or of refusing to allow an increase in capital, thereby laying itself open to the charge of hampering the development of the Telephone undertaking. An even greater defect is that the meaning assigned to "profit" in the Telephone Ordinance differs from the meaning given to "profit" in the Inland Revenue Ordinance, and indeed the definition under the Telephone Ordinance is far from being as clear and explicit as it should be.

The Company has felt for some time that it is unduly hampered by the restriction on issues of capital and on borrowing, and after some considerable negotiation it has been agreed, subject to the approval of this Council, that the royalty shall in future be 25 per cent of the profits as assessed for Profits Tax under the Inland Revenue Ordinance, as in the case of the Yaumati Ferry Company. On past figures it appears that the financial effect of this change is negligible; royalty at 25 per cent of assessable profits would have almost exactly equalled the figures which have been paid under the existing system. For the future it is expected that with increasing profits from normal expansion, Government will benefit in some degree. The company will henceforth be at liberty to increase its capital or to borrow as it wishes.

A further change is made in relation to Government's role as a customer of the Telephone Company. At present Government has 500 lines free, and receives a discount of 25 per cent on lines above this number. It is now proposed that Government shall give up its right to free lines, but instead will receive a discount of 50 per cent on all its telephone services. Government has under 1400 direct lines at the moment, so that we lose on this deal. But when the number of Government telephones goes

past the 1500 figure, as it is bound to do before very long, and certainly when the new Kowloon Hospital goes up, the immediate financial loss, which we now suffer by giving up our free lines, will be offset by the gain resulting from the larger discount.

An example of the dangers of planning ahead in this Colony is the present section 26 of the Ordinance, which lays down where the exchanges shall be placed, and for how many subscribers they shall cater. Although the Ordinance was only passed in 1951, for Tsun Wan the Company's obligation was to provide for 100 subscribers. There was no obligation to provide for any subscribers in the Western district of Victoria, where the demand for telephones is large and where the Company is about to build a new exchange. Accordingly this section is being repealed, and clause 4 of the Bill will instead lay on the Company the obligation to provide such telephone exchanges as are necessary.

It is proposed that the franchise terms of this Bill shall have retrospective effect from the beginning of this calendar year, being the Company's accounting year. The introduction of the Bill was postponed until the Budget had been disposed of, in order that honourable Members should not be burdened with too many problems at once.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

Objects and Reasons.

The "Objects and Reasons" for the Bill were stated follows: —

The purpose of this Bill is to amend the Telephone Ordinance, 1951 (No. 18 of 1951), so as to give effect to changes in the franchise of the Hong Kong Telephone Company Limited which have been agreed between the Government and the company.

2. The principal changes are as follows: —

(1) As from the 1st January, 1955, the royalty for any year will be 25% of the net profit for that year ascertained in accordance with Part IV of the Inland Revenue Ordinance (Cap. 112) and without deduction of any sum payable as royalty.

Provision is made for payment of monthly sums on account, and for the Financial Secretary to obtain information for the purpose of ascertaining the net profit.

(2) The present restrictions on the alteration of the company's memorandum and articles of association, on the number of directors, on capital issues and on borrowing are to be lifted. But it is provided (clause 2) that the company shall remain registered under the Companies Ordinance (Cap. 32) and that the direction and management of the company shall be in British hands.

(3) In view of the provisions contained in clause 3 of this Bill it is thought that the requirement (in section 35(3) of the principal Ordinance) that the accounts of the company shall be audited by a person approved by the Governor in Council may be dispensed with. Under the proposed new sections 7 and 7A (see clause 3), the Financial Secretary will be given adequate powers in relation to the examination of the books and accounts of the company for the purpose of ascertaining the net profit (see sub-paragraph (1) above).

(4) The present concession to the Government of 500 free telephones is to be withdrawn as is also the 25% discount for telephones used by Government in excess of 500, and in place thereof provision is made for a 50% discount in respect of all Government telephones.

(5) Section 26 which lays down specific requirements in relation to the provision of telephone exchanges is to be repealed. But the company will still be under the obligation to provide, equip and operate, to the satisfaction of the Governor in Council, exchanges capable of expansion to meet the requirements of the Colony.

(6) It is provided that the Schedule will be amended to make provision for separate installation fees: as present, these are provided for in effect by a higher charge for the first year.

GAMBLING (AMENDMENT) BILL, 1955.

THE ATTORNEY GENERAL moved the First reading of a Bill intituled "An Ordinance to amend the Gambling Ordinance, Chapter 148".

He said: Sir, the purpose of this short amending Bill is sufficiently explained in the statement of Objects and Reasons and there is nothing that I can usefully add thereto at this stage.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a First time.

Objects and Reasons.

The "Objects and Reasons" for the Bill were stated as follows: —

The object of this Bill is to prohibit the playing of mahjong, tin kau and card games in places where a fee, commission or other payment is charged. There is in the Colony a considerable number of such places which are considered to provide a meeting place for undesirable characters and societies.

2. Clause 2 seeks to achieve this object by including such places in the definition of "common gaming house" in section 2(1) of the Gambling Ordinance. The provisions relating to common gaming house offences are to be found in sections 5 to 8 of that Ordinance.

JUDICIAL PROCEEDINGS (REGULATION OF REPORTS)

BILL, 1955.

THE ATTORNEY GENERAL moved the Second Reading of a Bill intituled "An Ordinance to regulate the publication of reports of judicial proceedings in such manner as to prevent injury to public morals".

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Second time.

Council then went into Committee to consider the Bill clause by clause.

Clauses 1 to 3 were agreed to.

Council then resumed.

THE ATTORNEY GENERAL reported that the Judicial Proceedings (Regulation of Reports) Bill, 1955 had passed through Committee without amendment and moved the Third reading.

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read a Third time and passed.

ADJOURNMENT.

H. E. THE GOVERNOR: —That concludes the business, Gentlemen. When is it your pleasure that we should meet again?

THE ATTORNEY GENERAL: —May I suggest this day fortnight.

H. E. THE GOVERNOR: —Council will adjourn to this day fortnight.