

OFFICIAL REPORT OF PROCEEDINGS**Meeting of 5th August 1964****PRESENT:**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR DAVID CLIVE CROSBIE TRENCH, KCMG, MC
HIS EXCELLENCY LIEUTENANT-GENERAL
SIR DENIS STUART SCOTT O'CONNOR, KBE, CB
COMMANDER BRITISH FORCES
THE HONOURABLE EDMUND BRINSLEY TEESDALE, CMG, MC
COLONIAL SECRETARY
THE HONOURABLE MAURICE HEENAN, QC
ATTORNEY GENERAL
THE HONOURABLE PATRICK CARDINALL MASON SEDGWICK
ACTING SECRETARY FOR CHINESE AFFAIRS AND COMMISSIONER OF LABOUR
THE HONOURABLE JOHN JAMES COWPERTHWAITTE, CMG, OBE
FINANCIAL SECRETARY
THE HONOURABLE KENNETH STRATHMORE KINGHORN
DIRECTOR OF URBAN SERVICES
DR THE HONOURABLE TENG PIN-HUI, OBE
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE WILLIAM DAVID GREGG
DIRECTOR OF EDUCATION
THE HONOURABLE JAMES JEAVONS ROBSON
ACTING DIRECTOR OF PUBLIC WORKS
THE HONOURABLE DAVID RONALD HOLMES, CBE, MC, ED
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE JAMES TINKER WAKEFIELD
DISTRICT COMMISSIONER, NEW TERRITORIES
THE HONOURABLE DHUN JEHANGIR RUTTONJEE, CBE
THE HONOURABLE FUNG PING-FAN, OBE
THE HONOURABLE RICHARD CHARLES LEE, CBE
THE HONOURABLE KWAN CHO-YIU, OBE
THE HONOURABLE KAN YUET-KEUNG, OBE
THE HONOURABLE FUNG HON-CHU
THE HONOURABLE TANG PING-YUAN
THE HONOURABLE TSE YU-CHUEN, OBE
THE HONOURABLE KENNETH ALBERT WATSON, OBE
THE HONOURABLE WOO PAK-CHUEN, OBE
THE HONOURABLE GEORGE RONALD ROSS
THE HONOURABLE JAMES DICKSON LEACH, OBE
MR A. NDREW McDONALD CHAPMAN (*Deputy Clerk of Councils*)

ABSENT:

THE HONOURABLE LI FOOK-SHU, OBE

MINUTES

The Minutes of the meeting of the Council held on 22nd July 1964, were confirmed.

PAPERS

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

| <i>Subject</i> | <i>LN No</i> |
|---|--------------|
| Sessional Paper, 1964: — | |
| No 27—Annual Report by the Custodian of Enemy Property for the year 1963-64. | |
| Buildings Ordinance, 1955. | |
| Building (Construction) (Amendment) Regulations, 1964 | 111 |
| Buildings Ordinance, 1955. | |
| Building (Demolition Works) (Amendment) Regulations, 1964 | 112 |
| Buildings Ordinance, 1955. | |
| Building (Standards of Sanitary Fittings, Plumbing, Drainage Works and Latrines) (Amendment) Regulations, 1964 | 113 |
| Registration of Persons Ordinance, 1960. | |
| Registration of Persons (Cancellation of Registration and Identity Cards) (No 10) Order, 1964 | 114 |
| University Ordinance, 1958. | |
| Statutes of the University (Amendment) Statutes, 1964 | 115 |
| Registration of Persons Ordinance, 1960. | |
| Registration of Persons (Cancellation of Registration and Identity Cards) (No 11) Order, 1964 | 116 |

QUESTIONS

MR DHUN J. RUTTONJEE, pursuant to notice, asked the following questions: —

Your Excellency, having regard to the congestion in the Courts, and the precedent already established with regard to traffic offences, will Government give consideration to written pleas of "guilty" being accepted for minor offences, instead of defendants having to be personally present or legally represented in Court?

THE ATTORNEY GENERAL replied as follows: —

Sir, subsection (5) of section 18 of the Magistrates Ordinance, Chapter 227, empowers a magistrate, in his discretion, to accept a plea of guilty by letter from a defendant charged with any of the offences specified in the Third Schedule to the Magistrates Ordinance.

Although the offences at present so specified are, in the main, minor offences against Road Traffic Regulations, included also are certain offences under the Summary Offences Ordinance, Chapter 228, the Dogs and Cats Regulations and the Public Market By-laws, 1960.

Subsection (7) of section 18 of the Magistrates Ordinance empowers this Council to add to, alter or amend the Third Schedule to that Ordinance by resolution and Government will give consideration to the desirability or otherwise of extending the scope of subsection (5) of section 18.

MR DHUN J. RUTTONJEE: — Thank you. Your Excellency, I now rise to ask a question with reference to Section 63 of the Miscellaneous Licences Regulations.

Is Government satisfied that everything possible is being done to ensure that no girl under the age of 15 years is being employed in public dance halls?

It is common knowledge that many of these establishments are used for immoral purposes and in view of this is it Government's considered opinion that the age limit of 15 is sufficiently high?

THE COLONIAL SECRETARY replied as follows: —

Licensed dance-halls are inspected at least once a week by women Police Officers with a view to seeing that this particular regulation is observed, and Government is satisfied that the Commissioner of Police, so far as staff and other responsibilities permit, is doing all he can to ensure compliance.

It is, however, the opinion of the departments concerned with these questions that it is not public dance-halls so much as the so-called dancing-schools which, as the law stands at present, provide opportunities for the moral dangers to which my honourable Friend refers. Changes to the Miscellaneous Licensing Ordinance and Regulations have recently been prepared and these are designed among

other things to bring dancing-schools, the great majority of which do not at present require a licence, under stricter control. Several amendments are proposed, and these include raising the minimum age of employees in such establishments from 15 to 18.

The minimum age of hostesses in dance-halls is also to be given further consideration in connexion with these amendments.

MR DHUN J. RUTTONJEE: —Thank you. Your Excellency, thirdly, since Government has agreed to grant expatriate officers education allowances, will Government give consideration to all school fees being deductible for income tax purposes?

THE FINANCIAL SECRETARY replied as follows: —

Sir, may I first venture to suggest that there is really no logical connexion between the payment of education allowances to overseas members of the public service and my honourable Friend's suggestion that school fees should be deductible for income tax purposes. They involve quite separate fields of Government action and quite separate considerations.

Leaving that point aside, however, I might make one or two practical comments on the suggestion itself.

In the first place, the children's allowances which are already granted under the Inland Revenue Ordinance are intended to include an undetermined element for educational costs. It may, of course, be argued nevertheless that income tax relief, beyond what is already given through children's allowances, would be a suitable method of further redistributing educational costs on the basis of ability to pay. But I have some doubts myself.

One of the basic difficulties is that, with our personal income tax system and its progressive rate of tax from 2½% up to 25% of income over a generous minimum, the effect of deductibility would be to provide greater benefit the higher the income of the taxpayer. In the case of a married man with, say, two children, no tax at all is paid on salaries up to \$1,500 a month, so that no advantage would be enjoyed. It is only the comparatively few with very high salaries who would gain a substantial benefit.

Then I presume that my honourable Friend does not propose that fees in Government and aided schools should be deductible; they are already heavily subsidized by the taxpayer

in general irrespective of the income of the parents and an additional subsidy through the income tax system for the comparatively few who would benefit would not appear justifiable.

Again, and this is a curious aspect, unless it is my honourable Friend's proposal that school fees abroad should not qualify for deduction, the greatest beneficiaries of deductibility would probably be those overseas officers who are in receipt of education allowances. These allowances, it may not be generally understood, are liable to tax. Unless deductibility were excluded in these cases, it would give them tax relief not only on the substantial part of their children's fees which they must themselves meet but also from tax on the allowances themselves. They probably would have a sound claim to at least part of the former relief, so that some means would have to be found to provide just the right degree of deductibility.

All in all, quite complicated provisions might be necessary to achieve anything like a reasonable result in these complicated circumstances, if indeed one can be achieved at all by these means.

Whether, in spite of these difficulties it is worthwhile attempting to use concessions under our tax system to provide educational subsidies must also depend, of course, on the actual structure of fees and salaries in our schools themselves. Their future structure is at present under consideration by a Committee (of which my honourable Friend is a member) set up to advise on the Marsh/Sampson recommendations; and I think that consideration of any proposal to make school fees in some way specifically deductible for income tax purposes would have to await decisions on these broader issues. It could not be looked at in isolation from them.

But I must emphasize that a major obstacle in any event is that our income tax structure as it is at present is not geared for use as an instrument of social policy; so that any concession of the kind suggested would benefit the rich rather than the poor.

MR DHUN J. RUTTONJEE: — Your Excellency, lastly, having regard to the large number of fires and electrical accidents, will Government indicate what measures are being taken to ensure that electrical wiring is carried out by properly qualified persons?

MR J. J. ROBSON replied as follows: —

Your Excellency, under the Electricity Supply Ordinance, Chapter 103, the Power Companies are authorized to lay down the standards of wiring which they require to be achieved before any supply will be given and both the Hongkong Electric Company and the China Light and Power Company have published booklets which give details of the conditions and particulars of the Company's Electricity Supply, Wiring Rules, etc. These set out specifications for electrical installations which follow closely the normal world-wide practice of power companies and the regulations advocated by the Institution of Electrical Engineers. All wiring must be done by "authorized" contractors who are registered with the Companies and installations carried out by other persons will not be accepted.

Before any supply is given new electrical installations are inspected by the Company concerned to ensure that they conform with the required standards. From the Electricity Supply Ordinance and the Power Company's regulations the responsibility for the maintenance of electrical installations rests with the consumer who is required to maintain his installations in a safe condition. The Electricity Companies are, however, obliged to inspect each installation at least once every 5 years and to take steps to see that they are in a proper condition. Similarly, in the case of dance halls, theatres and other places of public entertainment stability tests required by the Director of Fire Services are carried out by the Companies annually. Investigations are also made when a consumer's consumption is considered excessive, when main's fuses blow, etc. Any installation found to be defective; particularly regarding danger to personnel, or fire risk; is disconnected and no supply given until the defects have been remedied to the satisfaction of the Electricity Company.

The Director of Fire Services has confirmed that in most cases when the cause of a fire was considered to be electrical the fault was in machinery, meters and trailing leads. There are occasions when wiring becomes defective by weathering but this is the exception rather than the rule.

In the case of Government installations there have been very few cases of fire due to defective wiring: in fact only three instances in the last 10 years can be recalled. Of these two were due to the age of the installation and one to overloading. No electrical accident due to defective

Government installations can be recalled. This record is attributable to proper design, good fittings and routine maintenance.

With the overcrowded conditions which exist in Hong Kong it is necessary for the public to appreciate that the majority of fatal accidents are due to illegal extensions, the use of sub-standard equipment and the fact that much of the extension wiring and connexion of equipment is carried out by itinerant electricians without the knowledge or approval of the Power Companies. Fires caused electrically are usually due to the overloading of circuits, misuse of equipment and illegal extensions of circuits. It is hoped, by the publicity given to the honourable Member's question and this reply, the public will be reminded to be vigilant in ensuring the safety of all electrical wiring installations and equipment, to avoid illegal extensions and to consult "registered" electrical dealers and contractors when advice or work is required. For the information of the public, arrangements have been made for lists of these "registered" contractors to be held by the Public Enquiry Service.

TELEPHONE ORDINANCE, 1951

THE FINANCIAL SECRETARY moved the following resolution: —

Resolved, in exercise of the powers conferred by subsection (2) of section 29 of the Telephone Ordinance, 1951, that, with effect from the 5th day of August 1964, the Schedule to the said Ordinance be amended in Part I—

- (a) by the deletion in the third column of item 1 of the sum "\$300" and the substitution therefor of the following—
"\$350"; and
- (b) by the deletion in the third column of Item 2 of the sum "\$225" and the substitution therefor of the following—
"\$235".

He said: —Your Excellency, this Resolution is concerned more with the future of the telephone services than with their past; and in speaking to it I am not proposing to speak as apologist for the Telephone Company against the criticisms, justified or unjustified as they may be, which have been levelled at them for past or present deficiencies.

By their current \$200 million expansion programme, designed to increase the number of telephones in operation from 145,000 at the beginning of 1963 to 260,000 at the end of 1965, and by the commissioning of the recent British Post Office survey, the Company have already given earnest of their intention to improve and expand their services at a rapid rate.

In connexion with the latter, I understand that the Company have accepted in principle the recommendations made in the Survey. These include the construction of five new major exchanges to provide an additional 170,000 lines over the four years 1966 to 1969, and to be capable of further expansion to 280,000 lines. If sites can be made available in the near future, the Company plan to have 55,000 lines in service at these exchanges by July 1967, and a further 25,000 in service by late 1966 or early 1967 by extension of existing exchanges.

If these plans are to be carried into effect, they will need capital, a great deal of capital. The additional 88,000 lines planned to be in service by July 1967, will cost something of the order of \$125 million over and above the present \$200 million programme. And this will not, of course, be the end of expansion; if the Survey's estimates of future demand are correct, \$50 million to \$60 million a year will be required up to 1980—at to-day's prices.

I repeat, this requires a great deal of capital. Deprived of adequate finance no utility can be efficient or keep up with rapidly increasing demands; and in the case of a private enterprise utility this means that the regulatory authority must allow it to levy charges adequate to provide a return which can attract sufficient long-term private risk capital into the enterprise, in competition with other uses for money. In the present case, it would be the negation of progress to take the line that the company has been so insufficient in the past that it deserves no concession now; let us therefore refuse to agree to any adjustment of charges even if it is necessary in order to attract capital into the company. All that would be achieved by that would be to perpetuate, and very seriously aggravate, present deficiencies. It may indeed be plausibly argued that inadequate returns compared with other utilities has been one of the key factors in the company's comparative failure to keep up with demand. Their profits have generally been insufficient to provide a substantial degree of self-finance and they have found it necessary to go to the market for capital more frequently than other utilities. This is not a matter in which the company's interests and public interest are in conflict; it is a matter of common interest. The alternative to giving a reasonable return on private risk capital is public acquisition and public operation, the necessary capital either coming from even higher charges on the present subscribers or from general taxation, in competition with other urgent calls on the

public purse. I do not think that many in Hong Kong would advocate this course.

The Telephone Company presented in December 1963 a formal application under section 32(1) of the Telephone Ordinance, in which it was represented that the company's costs had increased without a reasonably proportionate increase in revenue and that this tendency was continuing at a rapid pace; and that the decline arose largely from the nature of telephone systems, in that an increase in subscribers normally entails a disproportionate expenditure on exchange equipment. Furthermore there have been increases in both capital and operating costs since charges were last adjusted in 1952, twelve years ago. Equipment is purchased by the company at rates accepted by the British Post Office after periodic investigation into costs; these rates have risen by 22% since 1955. Operating costs, especially for labour, have also risen significantly in this period. I should add that there is nothing in the British Post Office Survey to suggest that the company's costs have been substantially inflated as a consequence of inefficiencies on the company's part.

The telephone system has, in the opinion of the British Post Office consultants, "grown at a phenomenal rate" during the last ten years with heavy expenditure on capital equipment in excess of what might be considered normal expansion. In most businesses, economies of scale normally occur when the business expands. But, as the company have quite properly represented, the business of providing telephone services is unusual because, as the system expands, it is necessary to instal expensive exchange equipment to enable new subscribers to be connected without delay to a growing number of other subscribers. Because of this, requirements for exchange equipment tend to grow more rapidly than the number of subscribers and, consequently, the unit cost of facilities increases as more subscribers are added to the system. And, of course, the more rapid the rate of expansion the more rapidly this phenomenon takes effect. In mathematical language, there is a substantial element of costs which grows with expansion in geometrical rather than arithmetical ratio. In this a telephone system is not comparable, for instance, with an electricity undertaking, where the connexion is only between the source of power and the point of consumption. This is a fact which is generally recognized. Another related characteristic of telephone systems is that they have an unusually high proportion of capital cost in total cost of operation.

I think that one might properly criticize the company, not for making an application for increased rates when they did, but, in the light of their prospects, for having delayed their application so long. From evidence provided by the company's auditors, the return on capital employed in the undertaking, a common criterion for public

utilities, has declined from 14.3% in 1956, the first full year in which the last changes in the terms of the company's franchise were effective, to 6.9% in 1963. These figures are after providing for profits tax liabilities. Alternatively, the return on shareholders' funds employed (that is, capital plus reserves) has fallen from 17.2% in 1956 to 8% in 1963, both figures after tax. The returns quoted have been calculated on a normal commercial basis which excludes the distorting effect of initial depreciation allowances granted for profits tax purposes.

It is true of course that the absolute amount of the Company's profit has increased very substantially between 1956 and 1963, from about \$6¼ million to \$14½ million, an increase of 130%. The public is often misled by looking at such profit figures by themselves into believing that the Company and its shareholders are doing more than twice as well as they were in 1956. But this is, of course, not so. Profits must be related to the capital which is invested in the business in order to make these profits. During the period 1956 to 1963, when profits were increased by 130%, the capital which had to be invested increased by almost 300%. The rate of return on this additional capital is therefore very low indeed. Looking at this in another way profit per telephone fell during the period from \$98 to \$79.

In the original application the company proposed that increased charges should be designed not only to counter this narrowing margin between costs and revenue but also, because of the difficulty of securing adequate finance by other means, to contribute approximately \$50 million towards financing its \$200 million development programme up to the end of 1965; the remainder of the capital required was to come from the company's own resources and from credit from equipment suppliers and other sources. The increase proposed by the company was from \$300 to \$550 per business line and from \$225 to \$415 per residential line.

The company was informed in February this year that, while Government was aware of the difficulties the company was facing in raising the very large amounts of finance necessary for expansion, Government could approve of capital for expansion being raised by increased charges to subscribers only if the public's proprietary interest in the assets so created was recognized and safeguarded, and if provisions were introduced to prevent the distribution to shareholders of any substantial part of the profits arising from these assets.

The Company then withdrew their original application and on 1st May presented new proposals based on an intention to raise the additional finance required from sources other than subscribers' charges and, in particular, from the issue of further shares. The application was for an increase in charges designed to afford a return of 10%, after

corporation profits tax, on capital employed. The actual increases proposed were from \$300 to \$450 (*i.e.* \$150) for business lines and \$225 to \$300 (*i.e.* \$75) for residential lines.

In considering this application the main question is the appropriate level of return which must be aimed at in order to attract new long-term development capital into the undertaking in adequate amounts. Section 32(2) of the Telephone Ordinance provides that, if resort is had to arbitration, Government shall propose amendments to provide the company with revenue sufficient, in the opinion of the arbitrators, to make provision for the maintenance of an efficient service and for the payment for the time being of a dividend of 8% on the paid-up capital of the Company. This is a minimum figure and, being in terms of dividend, is, of course, after tax. Another relevant fact is the original provision for what was called "additional royalty", repealed in 1955, whereby the Company retained in full profits up to 12% on paid-up capital but paid as additional royalty half of any excess over that figure.

In Britain the rate of return aimed at from capital employed in nationalized public utility undertakings is 8%; this applies to British Post Office Telephones. In America, the American Telephone and Telegraph Company is reported as having recently been making over 7% (after corporation taxes, I understand), although state control boards have apparently been aiming to regulate them to 6½%. The Telephone Company has itself been offering a dividend of 8¾% on recent new issues of shares. The recent issue by the Hongkong Electric Co., Ltd., offered 10.2%.

It is clearly of vital importance, since the Company has undertaken to provide so large a part of its requirements of development capital by the issue of shares that, while the return allowed should not be excessive, it should be adequate to attract long-term capital in sufficient amounts against other competing attractions. It is important also that the prospective shareholder should be inspired with adequate confidence that permitted charges will be adjusted, as and when necessary, to counter the depressing effects on his rate of return of the rapid expansion of the company he is financing. Although I have quoted figures from other countries, I should particularly emphasize that this return must be related to conditions in Hong Kong and to the rate of return expected here on long-term investment. It should be adequate to pay a dividend of at least the order of that paid at present, with a modest margin for ploughing back with the promise that gives of some growth.

It is probable that the company will have to continue to finance a substantial part of its expansion from short-term borrowed capital, although it is difficult to forecast accurately what proportion of its finance will be in this form and what proportion will be in shareholders' funds. It is proper, in these circumstances, that borrowed funds should

be taken into account when considering return on capital because, although short-term interest rates may not be high in relation to normal profit levels, loans are in effect secured against the shareholders' equity and will have to be replaced at an early date with longer term capital.

I therefore suggest that an appropriate rate in present circumstances would be 9% on total capital employed, before deduction of interest charges. Up to the end of 1965, on the basis of present intentions as to sources of finance, this would represent something of the order of 12% on shareholders' funds. Both figures are after tax. On a before-tax basis the figures would be 10.2% and 13% respectively. It has been emphasized to the company that the adoption of this rate of return for purposes of the present amendment of charges will not imply that charges will at all times in future be adjusted so as to give this particular return.

I would like here to mention the rather difficult matter of treatment in respect of profits tax. It might be argued that the correct course was that profit rates should be set on a before-tax basis as, otherwise, there was an implication that shareholders would be permanently protected against increases in tax. But this argument has less validity in Hong Kong, where the flat profits tax is a charge on the company rather than on the shareholder, and profits and dividends are normally quoted on an after tax basis, than in countries with a full income tax system where the incidence of tax varies from nil to a very high level according to the personal circumstances of the shareholder. In general the level of return on capital adjusts itself in the long run to changes in tax on profits; and therefore in the present context, the level of tax having remained constant for many years, it is appropriate to look at the after tax return. But the company have been informed that this does not necessarily imply an automatic adjustment of charges to offset any future change in profits tax.

We have also given consideration to any other changes we could make in the financial provisions of the Ordinance so as to minimize the necessary increase in charges. Two changes are proposed.

The first concerns royalties. Prior to 1955, royalty was \$4 a line plus 50% of profits in excess of 12% on paid-up capital. This was altered in 1955 to 25% of net profits as assessed under the Inland Revenue Ordinance. At this time our policy was to put the royalties paid by utilities on a net profits basis as it was assumed that, with Hong Kong's growth, profitability at a given level of charges would grow and it was considered that public revenue should enjoy a share of that growth. At that time there was no reason to expect the phenomenal rate of expansion that the company has in fact had to undertake. As I have already explained, telephone undertakings are the

exception to the rule, profitability tending to fall with expansion. The effect of this is that, if charges must be increased by a given amount to restore an adequate return on capital, there must be an additional charge in respect of royalty which has the effect of restoring that, too. For example, to increase net profits by \$3, charges must be raised by \$4. Thus the royalty tends to become a charge on the subscriber, rather than on the company's profits. The present royalty payable is about \$2½ million which represents approximately \$18 per exchange line a year and to maintain this over the next two years would require a substantial increase in charges.

It is proposed to remove this complication by reverting to a fixed royalty per line, this royalty being regarded as a fee for the privilege of statutory way-leaves over public roads and similar privileges. Some fee should clearly be paid for the statutory privileges received even by essential services but \$18 a line is perhaps excessive. It is therefore proposed to fix the royalty at \$8 per line, thereby reducing royalty payable at present by about \$1.4 million a year.

I should emphasize that while the royalty at this reduced level will now become a fixed charge per line and so, in effect, a charge on the subscriber for the public rights he enjoys, responsibility for its payment will rest on the company. It is proposed that the new royalty should take effect from 1st January 1964: legislation will be necessary.

The second change proposed in order to minimize the increase in charges concerns the discount of 50% which Government receives on the charges for telephone services used by Government. This represents a subsidy of about \$700,000 a year at present, met in effect by private telephone subscribers through the charges they pay. It seems only proper that taxpayers in general, irrespective of whether or not they are subscribers, should bear the cost of Government telephones and it is proposed to introduce legislation discontinuing the discount from 1st January 1964.

I should mention one further matter where a similar change is *not* proposed. The inflationary, effect of the present royalty arrangements on charges, which I have already described, arises with profits tax also, although in less pronounced form. I think, however, that it is undesirable to tamper with tax liabilities, which are of a different nature from royalties. The effect is that the adjustment of charges will produce some \$900,000 more in taxation than if charges were not adjusted. This is for the most part not to be regarded as additional to existing taxation as it largely makes up the fall in tax yield which would otherwise have resulted from declining profits.

The net effect of these proposals for royalty, Government discount and tax is to reduce the public revenues receipts from telephone services by rather more than \$2 million below its recent level.

The proposed rate of return on capital leads, after downward adjustment for the proposed changes in royalty and Government discount, to the increases proposed in the Resolution before Council, that is, an increase of \$50, from \$300 to \$350 a year, for business lines, and an increase of \$10, from \$225 to \$235 a year, for residential lines; or less than one dollar a week extra for the former and 20 cents a week extra for the latter. These increases would be some 40% higher were it not for the proposed changes in royalty and discount. The Resolution will permit the company to adjust charges with immediate effect but whether or not an immediate adjustment is made depends also, in each subscriber's case, on the precise terms of his contract with the Company.

In making these calculations it has been possible to look ahead only as far as the end of 1965, and it is proposed that then, by which time expansion plans for the longer period should have been fully formulated and adopted, these charges should be reviewed again. In view of the very considerable element of estimation in the present proposed charges, it has been agreed with the Company that any adjustment which may be made after 1965 will take into account any excesses or deficiencies in the profit levels forecast. I should mention that the company has agreed not to increase its dividend in 1964 or 1965.

Members will have seen press reports to the effect that police investigations are in progress into certain allegations of malpractices made against members of the company's staff in connexion with the procurement of supplies. These investigations are being made at the express request of the Board of the company and nothing further can be said about the matter at the present moment. I would strongly suggest, however, that we cannot afford to allow the fact that these allegations have been made and are the subject of investigation to prejudice the major and vital, practical question before us today—which is, in effect, how the unprecedentedly rapid expansion of our telephone system is to be financed and carried into effect. Delay would accomplish nothing except to place that expansion in jeopardy.

Now one final matter—no doubt many will ask, given these increased charges, what guarantee do we have that the company will, in fact, improve and expand its services to the extent necessary. As I have already said, I think that the Company has given earnest already of the seriousness of its purpose. But I am authorized by you, Sir, to announce one further proposal. Under the terms of the Telephone Ordinance, apart from satisfying the Postmaster-General as to its efficiency at the technical level, the Telephone Company "shall provide, equip and operate to the satisfaction of the Governor in Council in locations

suitable for the purpose, telephone exchanges capable of expansion to meet the requirements of the Colony." At present, there is no formal machinery for enabling the Governor in Council to consider these matters on a regular and fully informed basis. It is the intention therefore to set up a Telephone Services Advisory Committee on the analogy of the Advisory Committee on Public Transport. Its terms of reference will be as follows: —

In the light of public demand, both present and forecast, for telephone services.

- (1) to conduct a continuous review—
 - (a) of the adequacy of plans for improvement and expansion of these services,
 - (b) of the carrying into effect of these plans, and
 - (c) of the operation of the telephone services;
- (2) to present periodical reports on these matters to the Governor in Council, together with any recommendations the Committee may deem it appropriate to make;
- (3) to examine any complaints or suggestions relevant to (1) above which may be received from time to time and to make recommendations whether, and if so what, steps should be taken to meet these complaints or adopt these suggestions.

The Committee will be set up at an early date. The Board of the Company has welcomed this proposal warmly and has assured us of their full co-operation with the Committee.

The new charges are still very low compared with those ruling elsewhere. In Singapore, for example, a business line costs \$471 and a residential line \$339. One of the reasons for this wide discrepancy is, I believe, that costs have to some extent been kept down by the comparative over-loading of our exchanges, due partly to the extraordinary intensity of use of telephones in Hong Kong (five times that in Britain). If, as everyone hopes, the company's expansion plans bear fruit in a less congested service, which means, in effect, a substantially larger investment per subscriber's line than we have at present, we may expect costs to rise substantially over their present level. That will raise the question whether or not at least a partial message rate should not be introduced so as to spread the higher cost more equitably in relation to the use made of the expensive facilities of the exchanges. At the level, however, at which it has proved possible for the moment to restrict the increase the question need not arise. Let us hope in any event that the present increase is large enough to attract the capital which the company must have in such unprecedented amounts to meet the needs of their rapidly expanding system and to improve their service to all subscribers.

THE COLONIAL SECRETARY seconded.

MR R. C. LEE: —Sir, I beg to declare my interest as a director of the Telephone Company and shall abstain from voting.

MR C. Y. KWAN: —Your Excellency, I rise to declare my interest in the subject matter of the resolution now before Council, inasmuch as I am beneficially interested in some shares in the Hong Kong Telephone Company, Limited. That being so, I shall abstain from voting on the resolution. Since the subject matter raised by the resolution is one of considerable public concern, I feel that in my capacity as a member of this Council I cannot let the occasion pass without making a few comments of public interest. It is, I think, common knowledge that the public as a whole is far from being satisfied with the service of the Hong Kong Telephone Company, Limited, and that expressions of objection to any increase in the company's present rate of charges have appeared in the press. On the other hand my honourable Friend, the Financial Secretary, has, if I may respectfully say so, made out a case in support of his motion. Be that as it may, Sir, I am of the opinion that the public is justified in demanding that the company, which has the sole right to supply and operate public telephonic communication, should provide a more adequate and more efficient telephone service to meet the community's need. It is true that the company has expanded its service since the liberation of the Colony 19 years ago, but has the company's service expansion kept pace with the development and growth of the Colony's commerce and industry, which call for many more telephones without any further delay and much better service than the company has so far been able to supply? Perhaps the company will take a good and serious look at its present management to see what, if anything, is wrong with it which has given rise to so much public dissatisfaction and criticism. There are numerous complaints of inefficiency and allegations of corruption. To retain the confidence of the public that it is capable of carrying out its obligation to provide the community with an adequate and efficient telephone service the company must, it is respectfully submitted, forthwith take urgent and energetic steps to expand its service on the one hand and on the other hand to remove (a) the cause of the complaints of inefficient service and (b) the general impression of the man in the street that he can hardly expect to get a telephone either at all or without waiting for an indefinite period of time unless he is prepared to pay something to some one in addition to what he has to pay to the company.

In view of the general dissatisfaction with the situation I am sure the public welcomes the proposed appointment by Your Excellency of an advisory committee on telephones services with the terms of reference

as outlined by my honourable Friend, the Financial Secretary, which is, I think, both timely and necessary.

Sir, on the question of the company's obligation to install a telephone and to maintain a good and continuous telephone service I would like to quote, before I resume my seat, the relevant part of Section 27 of the Telephone Ordinance, 1951, which provides that "the company shall, within a reasonable time after the receipt of a request in writing in that behalf from any person, install a telephone in such building within the Colony as the requesting party may require, and shall connect the same with the nearest exchange and accord the requesting party a good and continuous telephone service for so long as that person continues to pay the company's usual charges on the due date'.

Sir, for the reason I have stated I decline to vote on the motion now before Council, and I ask that this be minuted in accordance with Standing Order 24.

MR Y. K. KAN: —Your Excellency, I must confess that when it became known that the Telephone Company was seeking to increase its charges, my immediate impulse was to oppose any approval being given to such increase. Having now had an opportunity of studying the matter closely, and, in this connexion, I am most grateful to my honourable Friend, the Financial Secretary, for making available all the information which we, the Unofficial Members, sought on the subject, I am convinced that it is in the public interest that the small increase now asked for should be approved.

I am aware that there is considerable opposition from certain quarters to the proposed increase, but I think I am right in saying that by and large this opposition stems from a widespread dissatisfaction, or should I say, exasperation over the Company's past performance, a feeling which I personally share and which prompted me to speak out during the Budget Debate in 1962.

The whole matter, in my opinion, can be reduced into a simple issue. Is the public going to put up with a grossly inadequate telephone service or does it want an expanded efficient service, in which case, it must be prepared to pay for it?

The public, however, has a right to demand that the extra revenue derived from the increase and the concessions just announced by the Financial Secretary will not simply go to line the shareholders' pockets or frittered away through incompetent management but will bring about a vastly improved service capable of meeting the needs of the community. Whilst no one other than the Company itself can give any such guarantee, Government is now proposing to set up a machinery to ensure that the Company will, now and in the future, carry out its

obligations imposed on it by Ordinance. The terms of reference of the Committee are sufficiently wide to make sure that public interest will be safeguarded. The Company will do well to co-operate fully with the Committee if it wishes, as I am sure it does, to restore public confidence and good relations. I am gratified to learn that this co-operation will be forthcoming from the Company.

Sir, despite my support of the resolution now before Council, I shall nevertheless abstain from voting as I have a small personal interest in the company concerned.

MR P. C. WOO: —Your Excellency, Section 27 of the Telephone Ordinance (No 18 of 1951) provides that "the company shall, within a reasonable time after the receipt of a request in writing in that behalf from any person, and upon the payment in advance, if demanded, of the company's usual charges and of any other moneys due under this Ordinance from such person to the Company, and the signature, if required, of the Company's usual form of agreement for an exchange line, instal a telephone in such building within the Colony as the requesting party may require, and shall connect the same with the nearest exchange and accord to the requesting person a good and continuous telephone service for so long as that person continues to pay the company's usual charges on the due date" In short, that is, the Ordinance lays down that the Company shall provide lines on request within a reasonable time. But there is no machinery to compel the Company to comply with this section. Another section, namely section 45, providing for arbitration might be applicable to such cases when the Company fails to instal a telephone service within a reasonable time of a request, but arbitration is a cumbersome, dilatory and costly procedure. The enforcement of section 27 therefore can probably be implemented only by an application to the Court for a writ of mandamus calling upon the Company to provide such a telephone service if it were not installed within a reasonable time.

But the ordinary person simply cannot contemplate embarking on either of these alternative and possibly, in law, unavailable procedures in view of the trouble, expense and time involved.

Whether it is due to the Company's inefficiency or not the backlog of applications for telephone service now stands at the alarming figure of 34,000, and it is abundantly clear that the Company cannot even begin to comply with the terms of section 27, the plain meaning and purpose of which it ignores, thereby turning that section into a dead letter contrary to its plain intention to the interests of the community.

The appointment of an Advisory Committee will therefore be enthusiastically welcomed by the general public in that complaints against the Telephone Company and in particular those under section 27 can be dealt with by the Committee in a summary manner.

My honourable Friend, the Financial Secretary, bases the appointment of the Advisory Committee under the 1955 amendment to section 24 of the Telephone Ordinance. I am however doubtful whether the amendment envisages such a procedure. As at present constituted the Advisory Committee will have to rely upon the Telephone Company's co-operation to carry out its terms of reference to the fullest extent. I therefore suggest that the proposed Advisory Committee should be made a statutory body and that the Telephone Ordinance be amended accordingly.

Furthermore the speech of my honourable Friend in moving this resolution gives me the impression that the appointment of an Advisory Committee is an afterthought. I, however, say that the appointment of the Advisory Committee should be a condition precedent before any increase of charges should be made.

My honourable Friend has indeed presented an eloquent plea on behalf of the Telephone Company and I think he has made out a case that the modest increases proposed are necessary for the more efficient carrying out of the statutory duties of the Telephone Company under the Telephone Ordinance, but I must say that the management of the Company is such that it leaves a lot to be desired, and the criticisms and outcries of the general public have certainly indicated that no matter how small the increases in charges are to be made the general public will not welcome them. I am however satisfied that the Telephone Company do require substantial sums of money to carry out its statutory duties for the expansion of the telephone service.

Sir, subject to a prior appointment of an Advisory Committee, I shall support the Resolution.

MR K. A. WATSON: —Sir, my friends of the Press would, I think, be disappointed if I did not speak on this matter. May I hasten to assure them that I am no longer a shareholder in the Telephone Company and that my remarks need not therefore be treated with suspicion.

My colleagues have spoken of the widespread dissatisfaction with which people in Hong Kong regard the telephone service. This includes the shortage of new telephones and the suspicion of favouritism or corruption in allocating them, the frequency of lines going out of order, the suggestion that the system used is out-of-date, and the constant, infuriating difficulty in getting through to any number beginning with "9" during office hours.

This is a formidable list of complaints and the temptation is to blame them all on inefficient management. But my honourable Friend, the Financial Secretary, has today mentioned other causes, such as the phenomenal increase in demand and the enormous capital cost of expanding and improving the service.

There is, I believe, one other major cause and that is the present flat rate system of charging which I consider to be an open invitation to extravagance, and a deterrent to economy. However careful a man may wish to be, there is no incentive to keep down the number of calls he makes, if his bill is to be exactly the same as everyone else. This results in one of the most intensively-used telephone systems in the world and, in terms of equipment required for each line, the most expensive.

The Honourable Financial Secretary has pointed out that the usual economy which expansion brings to a public utility does not apply to telephones, because much of the equipment increases geometrically and not arithmetically with the increase in the number of phones. Now this explains the paradox of a phenomenal growth on the one hand and a steady fall in the rate of earnings on the other, to such an extent that it is apparently no longer possible to raise sufficient capital for the improvements needed.

It also means that the flat rate must be increased at regular intervals to keep pace with the rapidly increasing costs. I am afraid that the charges now proposed may be only a stop-gap, and that by the end of 1965 further increases will be required if the vast expansion programme planned is to continue. As my honourable Friend, Mr KAN, has said, if the public wants an expanded and efficient service, it must be prepared to pay for it. But the price may become impossibly high unless we are able to reduce the present excessive use of individual phones.

It is, of course, very convenient to pay a lump sum and not to have to bother how many calls are made. But if it leads to chronic lack of capital, a shortage of telephones and to general inefficiency, the so-called "convenience" disappears.

I suggest that we must introduce a greater sense of responsibility in the use of our phones and that the best way to do so is to change to a message-rate system. People would then have the choice of being as sparing or as lavish in their usage as they wished. They would only have to pay for what they used, as with every other public utility, and not for what they do not use, as at present. The small extra cost of counting and billing calls would be negligible and would disappear in savings which would come from a more careful use of telephones, a tendency which would keep everyone's bills lower. Once the rate per call had been fixed, there would be no need to alter it for many years, for the income of the Company would increase proportionately to use, and so enable it to finance further expansion.

This is one of the things which I hope will be studied by the new Advisory Committee on Telephone Services which is warmly welcomed

by us all. Let us hope that its formation will be a turning-point leading to a much more efficient operation and the disappearance of our present frustrations.

The question was put and agreed to.

SCHOOL MEDICAL SERVICE BOARD INCORPORATION BILL, 1964

DR TENG PIN-HUI moved the First reading of a Bill intituled "An Ordinance to make provision for the establishment and incorporation of a Board to operate a scheme to provide economical medical treatment for the pupils of schools participating therein and for matters ancillary thereto."

He said: Your Excellency, a Working Party under the Chairmanship of Dr the Honourable A. M. RODRIGUES, was appointed in 1962 with the following terms of reference.

"To make recommendations on the establishment of a School Medical Service to be financed by equal annual contributions of \$7 a head from the parents of each child participating and \$7 a head from Government, with administration costs of \$1 a head to be provided by Government and in particular: —

- (i) to advise Government on the constitution, responsibilities and functions of a School Medical Service Board, and such standing committees thereof, as may be desirable;
- (ii) to recommend the terms of appointment of doctors participating in the School Medical Services;
- (iii) to recommend a formulary governing the supply of medicines by the doctors participating; and, lastly,
- (iv) to make such other recommendations as to the administration and lines of development of the School Medical Service as may appear relevant to the Working Party during its deliberations."

One of the important recommendations of the Working Party was that the scheme should be on an entirely voluntary basis both on the part of the schools and of doctors.

Arising out of the report of the Working Party a Provisional School Medical Service Advisory Board was appointed in November, 1963, also under the Chairmanship of my honourable Colleague Dr A. M. RODRIGUES, to examine the recommendations of the Working Party with a view to introducing the new service in the academic year commencing in September, 1964.

Before going further I would like to express my sincere appreciation to Dr the Honourable RODRIGUES and all those who were associated with the Working Party and the Provisional Board for their help and for having devoted so much of their valuable time in connexion with this laborious assignment. I should also like to express my appreciation of the members of the medical profession who on joining the scheme are making an extremely valuable contribution to the public welfare by agreeing to accept an annual fee for each participant which is well below those normally prevailing in the Colony.

All arrangements have now been completed and it is now proposed to set up a School Medical Service Board which shall be the controlling authority for the new service. Provision has been made in the constitution of the Board for one representative of the Chinese Medical Association, not more than four members who shall be practising medical practitioners taking part for the time being in the scheme and not more than five members to be appointed by the Governor. Full details of the constitution of the Board are given in Clause 3. *Clause 6* stipulates that the Board shall be a body corporate. *Clause 7* sets out the Powers of the Board in the organization of the service.

If you will bear with me for a few moments, Sir, I would now like to make some comments on the proposed medical scheme and the facilities to be provided. Firstly, in my opinion the scheme offers excellent value for money. For a moderate fee of \$7 a year or roughly 58 cents a month, each participant is entitled to periodic physical examinations and unlimited consultations plus free medicines from a comprehensive formulary. At the same time Government will contribute a further \$7 a year for each participant so that the total payment made to the doctor for each patient will amount to \$14 a year. In addition Government will contribute another \$1 a year to cover the administrative costs of the scheme for each participant; that is office accommodation, staff salaries, etc. At this stage no provision has been made for specialist consultations, in-patient hospital treatment or home visits. Neither does the scheme include dental treatment and the provision of spectacles, or surgical or orthopaedic appliances.

Initially, no provision has been made for free participation in the scheme by students who are too poor to afford the annual subscription but consideration is being given to devising a scheme for waiving of fees in cases of need. This does not mean that poor children will be in any way deprived of medical attention. The resources of the outpatient clinics operated by Government and other voluntary medical agencies will be at their disposal in the normal way. Later on, when the scheme has been in operation for a time it is hoped to introduce a system of free participation financed, perhaps, from a special endowment fund.

The public health services in relation to children of school age such as immunizations against infectious diseases, control of communicable diseases, including mass X-Ray examinations and the environmental hygiene of school premises will continue to be the responsibility of the Health Division of the Medical and Health Department.

Finally, I would commend this scheme to all parents interested in the health of their children during their formative years. Any improvement of facilities and the possible widening of the scope of the scheme will, to a considerable extent, depend on the numbers joining it.

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 purpose of this Bill is to seek the incorporation of a statutory Board to provide, by such means as the Board may find expedient and economically possible, inexpensive medical treatment for pupils in schools of the Colony.

BUILDINGS (AMENDMENT) (NO 2) BILL, 1964

MR J. J. ROBSON moved the First reading of a Bill intituled "An Ordinance further to amend the Buildings Ordinance, 1955."

He said: Your Excellency, on a considerable number of occasions recently the demolition of old buildings and the excavation and piling for new buildings have endangered nearby properties and collapses, causing injury and loss of life, have occurred. It is not only adjoining buildings which are affected as certain types of piling cause considerable ground quake and this, in certain instances, has affected other buildings in the area. In addition, there have been instances when the excavation has undermined the adjacent public road causing it to collapse.

While it is often possible to reduce or eliminate these dangers by adequate shoring and other methods, at present the Building Authority can only advise on the precautions which should be taken in respect of adjoining buildings. He has no powers to withhold consent to the demolition of a building even when it seems obvious to him that no matter what precautions are taken, such demolition will create dangerous conditions.

From November 1963 to June 1964 the Building Ordinance Office had to issue 73 Cease Works Orders; that is to stop demolition, excavation, or piling works; because of danger to adjacent properties. During the same period 206 buildings had to be closed because they had become dangerous, and in 114 of these cases, demolition, piling or excavation works had at least some bearing on the decision to close the building. The majority of the remaining cases were brought to light during inspections made as a result of applications for demolition, piling or excavation works. In these cases, and where collapses have occurred there is no doubt that nearby development over the past few years caused rapid deterioration of the building's condition.

In view of this, and the increasing tempo of redevelopment of old buildings, there is an urgent need to vest in the Building Authority such powers as are necessary to enable him to ensure that danger of collapse is avoided. The fact must be faced that there are many developers, authorized architects and registered contractors who carry out building works with little or no regard for the safety of the public or the occupiers of adjoining or nearby buildings, and fail to assume their responsibilities to take precautionary measures until compelled to do so by official action.

Under the Bill before Honourable Members, the Building Authority will have power to refuse consent to demolition, excavation, piling or foundation works until he is satisfied that adequate precautions have been drawn up and taken to ensure the safety not only of adjacent but also of other buildings. He will be empowered to prescribe measures to achieve this and to prohibit, for example, the use of driven (or percussive type) piles. However, as in most cases there are satisfactory alternative methods of piling the exercise of these powers should not prevent development or re-development continuing.

For the cases where it is evident that, if proposed demolition works or building works are carried out, the danger of collapse of adjoining or other buildings cannot be avoided; it is intended that the Building Authority should be able to refuse to approve building, piling, excavation and foundation plans and also to refuse to allow such works to proceed.

Where these powers are exercised the effect must be to stifle the proposed development. But if the works are allowed to proceed, the only course open to the Building Authority would be the exercise of his powers under Section 17 of the Buildings Ordinance, 1955, that is, to require the demolition of the adjoining or other building on the ground that it has been rendered dangerous or is likely to become dangerous. In the circumstances, therefore, it is considered that the public interest requires that the Building Authority should be vested with these new

powers. The developer will also be protected by being prevented from embarking upon a development scheme which cannot be carried out.

To ensure the safety of surrounding property, it may be necessary during demolition operations to provide shoring not only to the building being demolished but also to adjoining and other properties. Such shoring may also be necessary prior to the commencement of piling, excavation or foundation works. As the law now stands the erection of shoring to adjoining and other properties without the consent of the owner would be a trespass and could even constitute a nuisance. It is therefore proposed to provide limited statutory authority to require the erection of such shoring and to prevent the owners or occupiers of the property concerned from obstructing its erection or demanding its removal. The shoring will be erected only around the relevant property or on land belonging to the developer or owner of the building for which the shoring is provided. Shoring will not be affixed in or over or upon any street except with the permission of the Director of Public Works.

Compensation may be recovered from the developer by any person who suffers loss or damage by reason of the erection or maintenance of the shoring. The developer will also be required to make good any damage to the building for which the shoring is provided, by reason of either the erection or the maintenance of the shoring.

In view of the seriousness of the situation that these provisions are designed to remedy, it is intended that, where necessary the Building Authority will exercise his new powers in spite of the fact that plans were submitted for his approval or application for consent to carry out building works was made, prior to the Bill becoming Law. It should be borne in mind that the passing of this legislation will not prevent building collapses but it will provide positive control which should minimize the possibility of a collapse occurring.

The opportunity has been taken to amend section 26 of the Buildings Ordinance, 1955, to permit the making of regulations with respect to the construction, inspection, testing and safe working of ventilation systems.

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: —

On a considerable number of occasions recently, the carrying out of demolition works or of building works involving piling or

excavation has endangered adjoining or other nearby buildings. Section 17 of the Buildings Ordinance, 1955, empowers the Building Authority to require the demolition of a dangerous building or, wherever practicable, the taking of other measures short of demolition, but the number of buildings whose safety is, or is likely to be, adversely affected by demolition works or such building works in the neighbourhood has assumed substantial proportions, and in the light of the serious situation that has developed in consequence it is considered that protective measures must be taken immediately.

2. Normally, the danger of the collapse of adjoining or other buildings due to the carrying out of demolition works or other building works in the neighbourhood can be avoided in one way or another. The intention, therefore, is to vest in the Building Authority such powers as are necessary to enable him to ensure that the danger of collapse is in fact avoided. In the case of demolition works, the Building Authority will have power to refuse his consent to their commencement until he is satisfied that adequate precautions have been taken for the safety of other buildings. In the case of piling works, excavation works or foundation works, the Building Authority will be able, when he approves plans, or gives his consent to the commencement, of such works, to prescribe such conditions as he considers necessary to ensure the safety of other buildings. It is likely, in the case of piling works, that the Building Authority will find it necessary in some cases to prohibit the use of driven (or percussion) piles, but there are satisfactory alternative methods of piling and the exercise of these powers should not, therefore, prevent development or redevelopment continuing.

3. For the cases where, if proposed demolition works or building works are carried out, the danger of the collapse of an adjoining or other building cannot be avoided by any reasonable and practicable means, if at all, it is necessary to take rather more stringent powers. It is intended that the Building Authority should be able to refuse to allow the works to proceed. In order that developers should be put on notice at the earliest possible stage, it is also intended that the Building Authority should be able to refuse to approve building plans if the building works will necessitate the demolition of a building that cannot be demolished without unavoidable danger to another building, and to refuse to approve plans of piling works, excavation works or foundation works if the works cannot be carried out without unavoidable danger to another building. Where these powers are exercised, the effect must be to stifle the proposed development. But, if the works are allowed to proceed, the only course open to the Building Authority would be the exercise of his powers under section 17 of the Buildings Ordinance, 1955, to require the demolition of the adjoining or other building on the ground that it has been rendered dangerous or is

likely to become dangerous. In the circumstances, it is considered that the public interest requires that the Building Authority should be invested with these new powers.

4. In order to satisfy the Building Authority, in the case of proposed demolition works, that adequate precautions have been taken for the safety of adjoining or other buildings, it will sometimes be necessary to provide shoring for the building, and the Building Authority may, when he approves plans or gives his consent to the commencement of piling works, excavation works or foundation works, find it necessary to prescribe conditions requiring the provision of shoring for an adjoining or other building. The affixing of such shoring in or to or around an adjoining or other building without consent would be a trespass, and, depending on the manner in which it is erected, the erection of such shoring might constitute a nuisance. It is proposed that limited statutory authority should be given for the erection and maintenance of the necessary shoring, with a view, in particular, to preventing the owner or occupiers of the building for which the shoring is to be provided from obstructing its erection or requiring its removal. The statutory authority will not permit the affixing of shoring in or to or around any building other than the building for which it is provided, nor will it permit the use for this purpose of any land other than land belonging to the developer or the owner of the building for which the shoring is provided. Also, the statutory authority will not permit the affixing of shoring in or over or upon any street except with the permission of the Building Authority.

Any occupier of a building for which shoring is erected pursuant to this statutory authority, and any other person whatsoever, who suffers loss or damage by reason of the erection or maintenance of the shoring will be entitled to recover compensation from the developer. The developer will also be required to make good any damage done to a building for which shoring is provided by reason of the erection or maintenance of the shoring.

5. In view of the seriousness of the situation that these provisions are designed to remedy, it is intended that, where necessary, the Building Authority should be able to exercise the new powers notwithstanding that plans have been submitted for his approval, or application for consent to commence the demolition works or building works has been made, before the Bill becomes law. Clause 7 will make the necessary provisions.

6. The opportunity has been taken to amend section 26 of the Buildings Ordinance, 1955, to permit the making of regulations with respect to the construction, inspection, testing and safe working of ventilating systems.

ROAD TRAFFIC (AMENDMENT) BILL, 1964

THE ATTORNEY GENERAL moved the Second reading of a Bill intituled "An Ordinance further to amend the Road Traffic Ordinance, 1957."

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 4 were agreed to.

Council then resumed.

THE ATTORNEY GENERAL reported that the Road Traffic (Amendment) Bill, 1964, 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 into law.

**CHINESE ANGLICAN CHURCH BODY INCORPORATION
(AMENDMENT) BILL, 1964**

MR R. C. LEE moved the First reading of a Bill intituled "An Ordinance to amend the Chinese Anglican Church Body Incorporation Ordinance."

He said: Your Excellency, the purpose of this short amending Bill is clearly set out in the statement of Objects and Reasons to which there is nothing I can usefully add.

MR C. Y. KWAN seconded.

MR P. C. WOO: —Your Excellency, I declare my interest in the Bill before Council.

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 remove any doubts which may arise under the present wording of section 4 of the Chinese Anglican Church Body Incorporation Ordinance that the Church Body of the Chinese Anglican Church has full power to invest moneys in land and house property and to redevelop any such land or property.

ADJOURNMENT

HIS EXCELLENCY THE GOVERNOR: —That concludes the business for today, gentlemen. When is it your pleasure that we should meet again?

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

HIS EXCELLENCY THE GOVERNOR: —Council stands adjourned until this day fortnight.