

**OFFICIAL REPORT OF PROCEEDINGS****Meeting of 6th September 1967****PRESENT**

HIS EXCELLENCY THE OFFICER ADMINISTERING THE GOVERNMENT  
(*PRESIDENT*)

MR MICHAEL DAVID IRVING GASS, CMG  
THE HONOURABLE THE COLONIAL SECRETARY (*Acting*)  
MR DAVID RONALD HOLMES, CBE, MC, ED  
THE HONOURABLE THE ATTORNEY GENERAL (*Acting*)  
MR GRAHAM RUPERT SNEATH, QC  
THE HONOURABLE THE SECRETARY FOR CHINESE AFFAIRS (*Acting*)  
MR PAUL TSUI KA-CHEUNG, MBE  
THE HONOURABLE THE FINANCIAL SECRETARY  
MR JOHN JAMES COWPERTHWAITTE, CMG, OBE  
THE HONOURABLE ALEC MICHAEL JOHN WRIGHT, CMG  
DIRECTOR OF PUBLIC WORKS  
DR THE HONOURABLE TENG PIN-HUI, CMG, OBE  
DIRECTOR OF MEDICAL AND HEALTH SERVICES  
THE HONOURABLE WILLIAM DAVID GREGG  
DIRECTOR OF EDUCATION  
THE HONOURABLE ROBERT MARSHALL HETHERINGTON, DFC  
COMMISSIONER OF LABOUR  
THE HONOURABLE ALASTAIR TODD  
DIRECTOR OF SOCIAL WELFARE  
THE HONOURABLE TERENCE DARE SORBY  
DIRECTOR OF COMMERCE AND INDUSTRY  
THE HONOURABLE GEOFFREY MARSH TINGLE  
DIRECTOR OF URBAN SERVICES  
THE HONOURABLE KENNETH STRATHMORE KINGHORN  
DISTRICT COMMISSIONER, NEW TERRITORIES  
THE HONOURABLE DHUN JEANGIR RUTTONJEE, CBE  
THE HONOURABLE KAN YUET-KEUNG, CBE  
THE HONOURABLE LI FOOK-SHU, OBE  
THE HONOURABLE FUNG HON-CHU, OBE  
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 WILFRED WONG SIEN-BING, OBE  
THE HONOURABLE ELLEN LI SHU-PUI, OBE  
DR THE HONOURABLE CHUNG SZE-YUEN

**ABSENT**

THE HONOURABLE TANG PING-YUAN, OBE  
THE HONOURABLE MICHAEL ALEXANDER ROBERT YOUNG-HERRIES, MC

**IN ATTENDANCE**

THE DEPUTY CLERK OF COUNCILS  
MR DONALD BARTON

**MINUTES**

The minutes of the meeting of the Council held on 23rd August 1967 were confirmed.

**PAPERS**

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

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation: —	
Importation and Exportation Ordinance.	
Importation and Exportation (Reserved Commodities) (Amendment) Regulations 1967 .....	132
Public Order Ordinance.	
Public Order Curfew (Consolidation) (Amendment) Order 1967 .....	136
University Ordinance.	
Statutes of the University (Amendment) Statutes of 1967 .....	137
Emergency Regulations Ordinance.	
Emergency (Legal Aid in Criminal Cases) (District Court) Regulations 1967 .....	138
Nurses Registration Ordinance.	
Nurses (Registration and Disciplinary Procedure) (Amendment) Regulations 1967 .....	139
Hong Kong Tourist Association Ordinance.	
Hong Kong Tourist Association (Amendment) Rules 1967 .....	140
Emergency Regulations Ordinance.	
Emergency (Principal) (Amendment) (No 3) Regulations 1967 .....	141
Emergency (Principal) Regulations.	
Emergency (Principal) Regulations (Commencement) (No 5) Order 1967 .....	142
Sessional Paper 1967:—	
No 16—Annual Report by the Chairman, Public Services Commission for the year 1965/66.	

### QUESTION

MR WILFRED S. B. WONG, pursuant to notice, asked the following question: —

In view of the current public interest in the financial situation of Hong Kong, can Government give an up-to-date report about the position in general and about bank deposits and loans in particular?

THE FINANCIAL SECRETARY replied as follows: —

He said: —Sir, I understand that my honourable Friend's question is directed to the state of public finances as well as to the banking situation. I will report on the former first.

Our completed accounts only take us up to the end of July. The July accounts have not yet been published but they show revenue of \$146 million against expenditure of \$151 million or a deficit of \$5 million. This brings up to \$27 million the accumulated deficit for the first four months of the financial year. A deficit in the early months of the year is becoming increasingly the normal pattern because of the increasing seasonally of tax collections; up to July last year the deficit was \$44 million compared with \$27 million this year. But this is rather too favourable a comparison without some qualification, for last year some \$30 million in arrears of salaries and wages was paid during this period; while this year we also have to reckon in special emergency expenditure which has not yet been taken into the accounts and which had amounted to \$13<sup>^</sup> million by the end of July. But when one takes also into account the fact that last year finished with a surplus of \$12 million while this year we have budgeted for a deficit of \$37 million (a total swing of \$49 million), the results are by no means unsatisfactory and certainly no cause for despondency.

I might, perhaps, mention some of the individual sources of revenue. Those most affected by the present dislocations are those which derive from spending by the man in the street, on tobacco, liquor, entertainment and so on. Clearly he is being careful with his money and probably the increased cost of food and transport has left him with less for luxuries. But Entertainment Tax has made a very good recovery in recent weeks and is now running at a normal level. I might add also that the last Government lottery was 50% up on previous lotteries this year and we almost ran out of tickets.

Liquor revenues are a little down on last year but this is to a considerable extent due to the reduction in the supply of Chinese liquor, particularly Chinese beer which is 19% down on last year, while Hong Kong beer, which pays a lower rate of duty, was 17½% up. This is not, I may say, the only revenue head where lower collections indicate our neighbour's difficulties rather than our own.

Tobacco is the duty whose yield is furthest down on last year, at about 4% less by the end of August; but it is never easy to follow the trend of tobacco revenues because of complications involved in drawback on exports of cigarettes. Gross duty paid is well up on last year and it is clear that some of the drop in yield results from more rapid processing of drawback claims; but there is no doubt, too, that there has been an appreciable reduction in consumption of the more expensive brands most of which pay a higher rate of duty, but not of the cheaper ones.

The other substantial duty, that on hydrocarbon oils, is doing very well, being some 6% over last year at this time.

I have left the two main Heads of Revenue to the last—Rates, and Salaries and Profits Tax. Rates have come in very well and are virtually on target. Tax assessed to date on Salaries and Profits is up on last year but net collections are slightly down, largely because the Department has been catching up on arrears of claims to Personal Assessment, the main effect of which is to increase the amount of tax refunded.

There is usually a tendency, in times like these, for the man in the street to expedite his claims on Government—and on anyone else for that matter—(either for a tax refund—where we have been to some extent aiding and abetting him by processing claims faster—or for goods supplied or services rendered) while delaying his payments as long as possible. There have been some signs of this, but not to any serious extent. Total revenue up to the end of August was, indeed, some 2½% up on the same period last year—not quite our usual rate of increase but not unsatisfactory.

I should add that the present situation has generated some substantial additional revenue to counterbalance decreases, although this revenue remains hidden at present. When the public decide that they wish to hold banknotes rather than bank deposits, the note-issuing banks have to make a prior deposit in the Exchange Fund of an amount equivalent to the extra notes they issue. There it earns interest for the Fund, interest which should be available in due course for transfer to General Revenue or the Development Fund. These deposits are in effect interest free loans to the Exchange Fund, jointly from the banking system and the note-holding public. Revenue from interest on the extra notes taken out by the public in May and June is running at about \$3 million a month.

The position of our public finances is therefore one that gives no real cause for concern. With our very large reserves to back us, while we are being a little cautious about new expenditure proposals and examining them more carefully than usual, there is no question of any

deliberate slowing down of the programmes of expansion we are engaged on. I have little doubt that, as budgeted, we shall have a deficit this year but I am not rash enough at this stage to forecast what the final out-turn will be. I am afraid, however, that the financial soothsayers of the Communist press who confidently forecast a deficit of \$600 million are going to be sadly disappointed.

Now the banks. It has become clear that the figures for bank deposits at the end of July, as they will appear in due course in the Supplement to the *Gazette*, will give a somewhat distorted picture of the trend of deposits during July itself. This is due to certain short-term transactions, largely unconnected with the present situation, which have had the fortuitous effect of transferring part of the true reduction in deposits from June to July, thereby overstating the reduction in July and understating the reduction in June. If one makes the necessary adjustments for these extraneous factors, the net reduction in money reserves in June should have been \$317 million, not \$177 million as previously calculated. This compares with \$207 million in the last two-thirds of May. It seems, therefore, that the Middle East crisis in June had a greater effect than we had previously supposed.

The July bank returns, which will be published in the next Supplement, show that in July, after the necessary adjustments I already have made for June, there was a further drop in deposits of \$193 million, of which \$35 million was converted by the public into banknotes. Advances increased by \$1 million, so that the total reduction in monetary resources was only \$159 million, a very much lower figure than in May or June.

One feature of the month was that there was an actual increase in savings deposits of \$57 million. Also, there is evidence that the reduction in total deposits was due to a substantial extent to the reduced inflow of funds rather than to any outflow of funds. The recent course of the U.S. dollar rate supports this conclusion.

The other main feature was that there is very clear evidence that the fall in deposits in July was more a consequence of the economic difficulties of our neighbour than of any difficulties, economic or political, of our own and this hurts them rather than us. I do not, of course, welcome this, in the way that the Communist press like to gloat about our mythical economic ruin; for it is to the advantage of both of us that trade should expand, not contract.

Preliminary indications for August are that there has been a further decline of the rate of loss of deposits, possibly even an increase. Certainly, savings deposits have been recovering strongly. Movements in deposits are now, indeed, dropping to such a low absolute figure that they can be appreciably influenced by quite normal commercial

transactions which have nothing to do with the present situation. Government's own seasonal deficit, which reduces Government's bank deposits, is an example of this sort of thing.

Banknotes are also now beginning to come back into the banks and in August the note issue was contracted for the first time since May; although the amount of the contraction to date is relatively small, \$40 million, it is an encouraging sign.

The theoretical effect of an expansion of the note issue under our Hong Kong system is deflationary, not inflationary, as some of our critics would have it, for it sterilizes monetary resources. But, fortunately, in present circumstances the deflationary effect has not been too marked because of the very large reserves of liquidity which the banking system enjoyed earlier this year. Although total deposits fell by 12% between May and July, advances increased by \$177 million or 3% during that period; which is fairly close to the rate of increase in advances during the previous six months. Yet the liquidity of the whole banking system at the end of July was still 43% compared with the statutory minimum of 25% and no bank had been seriously embarrassed. Although the experience of individual banks has varied somewhat, the policy of the larger banks at least has been not to withdraw credit or to introduce anything in the nature of a "credit squeeze", even if they have not been in a position to meet all the demands for new credit made upon them in present circumstances. Honourable Members will also have noticed that the inter-bank interest rate, which has been high, came down substantially last week showing a further easing in the general position of banks.

I must apologize for having taken so long to answer my honourable Friend's question—practically an interim budget speech, even if I have not felt it necessary to propose any additional taxation. But it seemed to me desirable to give as full an account as would be appropriate in answer to his question.

MR WILFRED S. B. WONG said:—Sir, may I ask a supplementary question? I may have missed it but may I know the total deposits in the banks at July 31st and the total advances?

THE FINANCIAL SECRETARY replied as follows:—

He said: —I am sorry I don't have this information. I am speaking in terms of movements in the figures, not in absolute figures. But, if my honourable Friend would like a very rough figure, deposits were about \$7,900,000,000 and advances \$5,700,000,000 but I do not guarantee these within two or three hundred million dollars.\*

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\* [Note: —The correct figures, which were published on 7th September, were \$7,858,104,000 and \$5,864,252,000.]

**HONG KONG AIRPORT (REGULATIONS) (AMENDMENT)  
BILL 1967**

THE COLONIAL SECRETARY moved the First reading of:—"A Bill to amend the Hong Kong Airport (Regulations) Ordinance."

He said:—Sir, this Bill will enable the Governor in Council to make regulations for the designation and control by the Director of Civil Aviation of car parks within the airport and for the imposition of parking fees. At present, since the airport is Crown land, charges are made on a contractual basis, but there is no statutory provision for such charges. Clause 3 of the Bill, which is modelled on sections 29 and 30 of the Road Traffic Ordinance (Chapter 220), will give the Director adequate powers to ascertain the identity of any driver who is alleged to have committed an offence against any of the provisions of the Ordinance or of any regulations made thereunder.

THE ATTORNEY GENERAL 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 widen the Governor in Council's regulation making power so that regulations may be made concerning car parks within the Hong Kong Airport.

Clause 3 adds two new sections, modelled on provisions in the Road Traffic Ordinance, which relate to the detection of drivers of vehicles who contravene any provision of the Ordinance.

**ROAD TRAFFIC (AMENDMENT) (NO 2) BILL 1967**

THE COLONIAL SECRETARY moved the First reading of:—"A Bill to amend further the Road Traffic Ordinance."

He said: —Sir, at present both the roads and also the car parks which are within the boundary of the Hong Kong Airport and to which the public have access, are under the control of the Commissioner for Transport by virtue of the Road Traffic Ordinance. In addition, the Director of Civil Aviation has wide powers over traffic in both the public and also in the restricted areas of the airport under the Hong Kong Airport Regulations, including the power to remove vehicles

from and prohibit their entry into the airport. It is considered desirable that the Commissioner for Transport should retain control of those roads within the airport to which the public have access, in order that he may enforce the normal requirements applicable to vehicles and drivers on all public roads, but that the Director of Civil Aviation should exercise control over traffic within the airport car parks. In order to achieve this end the Bill seeks, in relation to the airport, to exclude such car parks from the definition of “road”.

THE ATTORNEY GENERAL 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 amendment is to make the provisions of the Road Traffic Ordinance inapplicable to car parks within the Hong Kong Airport. These car parks will come under the control of the Director of Civil Aviation and the provisions of regulations under the Hong Kong Airport (Regulations) Ordinance will apply thereto.

However, the carriageways within the Airport, to which members of the public have access, will remain under the Road Traffic Ordinance.

#### **IMMIGRATION (CONTROL AND OFFENCES) (AMENDMENT) BILL 1967**

THE ATTORNEY GENERAL moved the First reading of:—“A Bill to amend further the Immigration (Control and Offences) Ordinance.”

He said:—Sir, the present system of appeals which is by way of petition to the Governor in Council against a decision of the Director of Immigration has proved on occasions to be too slow. It can also be said to be defective in that the right of appeal is limited to persons who are actually in the Colony.

The new system which is for review upon the lodging of an objection, and is introduced by clause 3 of the Bill as a new section 49A, will not therefore be limited to persons physically present in the Colony; an aggrieved person anywhere will be able to avail himself of the new machinery.

I should like if I may, Sir, to pause here for a moment to inform honourable Members that it is not Government's wish that members



of the public who wish to appeal by way of petition must put themselves to trouble and expense in the preparation of very formal documents. All that is required, and is indeed essential, is that the petition should state the grounds on which the appeal is being made and all the relevant facts to support it.

Returning to the problem of the existing system proving too slow on occasion, I should state that the new machinery provides that in *the* great majority of cases there is to be a 14 day period which is calculated from the time when a disputed decision was communicated to the person aggrieved, a time within which the objection may be lodged with the Clerk of Councils; and furthermore that this period may be extended at the discretion of the Governor in any particular case. However where persons have entered the Colony illegally and have been here for less than 10 days they would have only a 24 hours within which to lodge their objection. In order to ensure that such cases may be dealt with expeditiously it is provided that it may be reviewed by the Governor without necessarily consulting the Executive Council. Of course should time permit in such cases the normal practice of consulting with Executive Council would be followed.

The new section 49A will also empower the Governor in Council to confirm, vary or reverse a decision of the Director of Immigration even though no objection to it has been lodged.

The present practice whereby the Executive Council is consulted by the Governor on all aspects of immigration policy will, of course, be continued. The Director of Immigration is responsible for implementing the immigration policy, but the ultimate power to control and direct policy lies with the Governor, as indeed it does for all matters affecting the administration of the Colony. The new section 49, which is also introduced by clause 3 of the Bill, places this fact beyond doubt by providing that the Governor may direct any public officer, other, that is, than a judicial officer, with respect to the exercise of any powers, functions, or duties that he may have to perform under the Ordinance.

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: —

Clause 2 contains a revised definition of "Director" which includes therein a reference to "a principal immigration inspector".

2. Since the control of immigration is a subject of great delicacy it is considered essential that the Governor's ultimate power to direct immigration policy should be placed beyond doubt. Consequently the new section 49 contained in clause 3 will make it clear that the Governor may give directions to public officers as to the manner of the discharge of their duties under the principal Ordinance.

3. The present provision under the principal Ordinance for appeals against the decision of public officers to the Governor in Council has proved unsatisfactory in practice. Often it is necessary for decisions to be taken as a matter of great urgency and the present procedure can result in undesirable delays.

4. Accordingly the proposed new section 49A will—
- (a) replace this provision with a new method whereby an aggrieved person may lodge an objection with the Clerk of Councils against any exercise of powers under the Ordinance other than a decision by a court;
  - (b) provide that an objection lodged by a person who in the preceding ten days entered the Colony without the permission of the Director or at any unauthorized landing place will be dealt with by the Governor;
  - (c) provide that any other objection will be dealt with by the Governor in Council;
  - (d) empower the Governor in Council of his own motion to vary or reverse a decision of the Director.

An objection which is to be dealt with by the Governor is required to be lodged within twenty-four hours after the time when the person objecting was informed or became aware of the action decided upon in relation to him. An objection which is to be dealt with by the Governor in Council may be lodged within fourteen days from the date upon which the person objecting was informed or became aware of the action decided upon in relation to him or such further period as the Governor may allow.

#### **CHINESE PUBLIC DISPENSARIES COMMITTEE (WINDING UP) BILL 1967**

THE SECRETARY FOR CHINESE AFFAIRS moved the Second reading of:—"A Bill to extinguish certain trusts relating to property formerly managed by a committee known as the Chinese Public Dispensaries Committee."

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read the Second time.

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

Clauses 1 and 2 were agreed to.

Council then resumed.

THE SECRETARY FOR CHINESE AFFAIRS reported that the Chinese Public Dispensaries Committee (Winding Up) Bill 1967 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 the Third time and passed.

### **PROTECTION OF NON-GOVERNMENT CERTIFICATES OF ORIGIN BILL 1967**

MR T. D. SORBY moved the Second reading of:—"A Bill to make provision for the better protection of certificates of origin issued by chambers of commerce and other bodies."

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read the Second time.

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

HIS EXCELLENCY THE OFFICER ADMINISTERING THE GOVERNMENT:—  
With the concurrence of honourable Members, it is proposed that we take the clauses in groups of not more than five.

Clauses 1 to 14 and the Schedule were agreed to.

Council then resumed.

MR T. D. SORBY reported that the Protection of Non-Government Certificates of Origin Bill 1967 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 the Third time and passed.

**CITY HALL (AMENDMENT) BILL 1967**

MR G. M. TINGLE moved the Second reading of:—"A Bill to amend the City Hall Ordinance."

THE COLONIAL SECRETARY seconded.

The question was put and agreed to.

The Bill was read the Second time.

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

Clauses 1 and 2 were agreed to.

Council then resumed.

MR G. M. TINGLE reported that the City Hall (Amendment) Bill 1967 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 the Third time and passed.

**HOP YAT CHURCH OF THE CHURCH OF CHRIST IN CHINA  
INCORPORATION BILL 1967**

MR Y. K. KAN moved the Second reading of:—"A Bill to provide for the incorporation of the Hop Yat Church of The Church of Christ in China."

MR F. S. LI seconded.

The question was put and agreed to.

The Bill was read the Second time.

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

Clauses 1 to 4 were agreed to.

Clause 5.

MR Y. K. KAN:—Sir, I rise to move that clause 5 be amended as set forth in the paper before honourable Members.

*Proposed Amendment.**Clause*

5 Leave out the clause and substitute the following—

Vesting of property. **5.** On the commencement of this Ordinance—

- schedule
- (a) all those pieces or parcels of ground specified in the second column of the Schedule, together with all rights, easements and appurtenances thereto belonging, shall vest in the Corporation for the unexpired residue of the respective terms of years created by the Crown leases and Conditions of Grant specified opposite thereto in the third column of the Schedule, subject to payment of the rent and performance of the covenants and conditions reserved by and contained in the said Crown leases and Conditions of Grant; and
  - (b) the Corporation shall succeed to all other property, rights, privileges, obligations and liabilities of the trustees for the time being of the Hop Yat Tong Church of Christ Hong Kong incorporated under the repealed Hop Yat Tong Church of Christ Hong Kong Incorporation Ordinance.

Clause 5, as amended, was agreed to.

Clauses 6 and 7 were agreed to.

Clause 8.

MR Y. K. KAN:—Sir, I rise to move that clause 8 be amended as set forth in the paper before honourable Members.

*Proposed Amendment.**Clause*

8 Add the following new subclause after subclause (3)—

- (4) The constitution shall not be amended without the consent in writing of the Registrar of Companies.

Clause 8, as amended, was agreed to.

Clauses 9 to 12 were agreed to.

MR Y. K. KAN:—Sir, I rise to move that a new Schedule be added as set forth in the paper before honourable Members.

Add the following New Schedule: —

<i>Item.</i>	<i>Description of property.</i>	<i>Crown lease and Conditions of Grant.</i>
SCHEDULE. <span style="float: right;">[s. 5.]</span>		
1.	Section D of Inland Lot No. 590.	Crown lease dated 18th August 1859.
2.	1/11th undivided share in Section C of Subsection 1 of Section B of Quarry Bay Marine Lot No. 4.	Crown lease dated 31th December 1932.
3.	1/7th undivided share in Subsection 5 of Section B of Kowloon Inland Lot No. 615.	Crown lease dated 30th December 1902.
4.	Remaining Portion of Kowloon Inland Lot No. 6591.	Conditions of Grant No. 5259.
5.	Remaining Portion of Kowloon Inland Lot No. 7266.	Conditions of Grant No. 5973.

The addition of the Schedule was agreed to.

Council then resumed.

MR Y. K. KAN reported that the Hop Yat Church of The Church of Christ in China Incorporation Bill 1967 had passed through Committee with certain amendments.

HIS EXCELLENCY THE OFFICER ADMINISTERING THE GOVERNMENT:—These amendments are material. In accordance with Standing Order 28 the motion for the Third reading will be deferred until a later meeting of the Council.

#### ADJOURNMENT

THE COLONIAL SECRETARY moved the adjournment.

THE ATTORNEY GENERAL seconded.

The question was put and agreed to.

#### NEXT MEETING

HIS EXCELLENCY THE OFFICER ADMINISTERING THE GOVERNMENT:—Council will now adjourn. The next meeting will be held on 20th September.