

OFFICIAL REPORT OF PROCEEDINGS**Meeting of 8th July, 1953****PRESENT:**

HIS EXCELLENCY THE GOVERNOR

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

HIS EXCELLENCY THE COMMANDER BRITISH FORCES

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

THE HONOURABLE THE COLONIAL SECRETARY

MR. RONALD RUSKIN TODD (*Acting*).

THE HONOURABLE THE ATTORNEY GENERAL

MR. ARTHUR RIDEHALGH, Q.C.

THE HONOURABLE THE SECRETARY FOR CHINESE AFFAIRS

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

THE HONOURABLE THE FINANCIAL SECRETARY

MR. JOHN JAMES COWPERTHWAITTE (*Acting*).

THE HONOURABLE DOUGLAS JAMES SMYTH CROZIER

(Director of Education).

THE HONOURABLE KENNETH MYER ARTHUR BARNETT, E.D.

(Director of Urban Services).

THE HONOURABLE ALEXANDER PROVAN WEIR

(Acting Director of Public Works).

DR. THE HONOURABLE JAMES MALCOLM LISTON

(Acting Director of Medical and Health Services).

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

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

THE HONOURABLE LO MAN WAI, O.B.E.

THE HONOURABLE CHARLES EDWARD MICHAEL TERRY.

THE HONOURABLE DHUN JEANGIR RUTTONJEE.

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

THE HONOURABLE KWOK CHAN, O.B.E.

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

THE HONOURABLE NGAN SHING-KWAN.

MINUTES

The Minutes of the meeting of the Council held on 24th June, 1953, were confirmed.

OATH

Dr. The Honourable James Malcolm Liston took and subscribed the Oath of Allegiance and assumed his seat as a Member of the Council.

PAPERS

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

| | <i>Subject</i> | <i>G.N. No.</i> |
|--|----------------|-----------------|
| The Defence Regulations (Continuation and Modification) (No. 1) Order, 1948. | | |
| Possession of Gold (Goldsmiths) (Amendment) (No. 7) Order, 1953 | | A. 97 |

SUMMER TIME BILL, 1953.

THE ATTORNEY GENERAL moved the First reading of a Bill intituled: "An Ordinance to provide for the observance of summer time, and to fix a basis for the summer time period."

He said:—Sir, under the existing Summer Time Ordinance, the beginning and the end of summer time in each year are fixed by order of the Governor in Council, and the main purpose of this Bill is to replace that Ordinance by one which will render the period readily ascertainable for any year by reference to the Ordinance itself and the calendar. The change will be of particular benefit to any undertakings, such as airways companies, which have to plan their activities well into the future. The various Government departments particularly affected, and the Chamber of Commerce and the Employers' Federation, were consulted when the Bill was being drafted and had no objections or criticisms. Sir, I beg to move.

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 period of summer time is at present ordered anew each year by the Governor in Council, but it would be of convenience to many organizations which have to plan ahead that there should be a fixed basis upon which the commencement and determination of this period should be based.

It has been found that a convenient date for the changeover in each case is during those weeks in the spring and in the autumn when dawn occurs at about 6.30 a.m., and upon this basis the period between the week commencing the 18th March to the week commencing the 31st October has been utilized in drafting this Bill.

Standard time as denned in the Interpretation Ordinance is the mean time of the 120th meridian east of Greenwich, and is eight hours in advance of Greenwich mean time. The Bill therefore provides for summer time being one hour in advance of standard time during summer time period.

IMMIGRANTS CONTROL (AMENDMENT) BILL, 1953.

THE ATTORNEY GENERAL moved the First reading of a Bill intituled: “An Ordinance to amend the Immigrants Control Ordinance, Chapter 243.”

He said:—Sir, as is explained in the statement of objects and reasons, the existing procedure on appeals to the Governor in Council under the Immigrants Control Ordinance is considered to be inappropriate, and this amendment makes provision for an appeal by way of petition to the Governor in Council. I only wish to add by way of emphasis that an aggrieved person’s right to go to the Courts instead of appealing to the Governor in Council is expressly provided for, and further the Governor in Council is enabled to seek the assistance of the Full Court on any point of law that may arise on consideration of a petition. Sir, I beg to move.

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:—

Section 36 of the Immigrants Control Ordinance (Chapter 243) provides for an appeal to the Governor in Council against decisions and actions of officials acting under that Ordinance and stipulates the procedure to be followed upon such appeal. The procedural provisions are at present based upon rules which are usual in the case of appeals against judicial and quasi-judicial decisions. Under this Ordinance however the decisions taken are administrative and consequently the stipulated procedure is not appropriate.

2. Clause 2 of this Bill therefore seeks to repeal and replace section 36 of the principal Ordinance by a new section which preserves the right of appeal, but substitutes a more appropriate procedure which gives an appellant full opportunity of making-whatever representations he wishes by petition to the Governor in Council.

3. Clause 3 provides that the new procedure shall have effect in all cases except where an appeal has already been lodged at the date of commencement of the Ordinance.

LANDLORD AND TENANT (AMENDMENT) BILL, 1953.

THE COLONIAL SECRETARY moved the Second reading of a Bill intituled: “An Ordinance further to amend the Landlord and Tenant Ordinance, Chapter 255.”

THE ATTORNEY GENERAL seconded.

DR. CHAU SIK-NIN:—Your Excellency: A fortnight ago my Honourable Friend, the Acting Colonial Secretary moved the first reading of the Bill amending the Landlord and Tenant Ordinance. I should like, first of all, to associate myself with his expression of appreciation for the painstaking effort devoted by Mr. McNeill and the members of his Committee to the compilation of a comprehensive and useful Report.

Since the first reading of the Bill I have received about 130 petitions and representations from responsible bodies, and in view of the large section of the community as well as the wide and varied interests they represent, I feel myself bound to express the opinion that the implementation of Government’s proposals at the present time will have most deleterious effects on the Colony’s economy.

Though I am not in agreement with the proposals in the Bill relating to rent increase, it was gratifying to note that Government has shown benevolent concern for the welfare of the people. Modifications in the increases recommended by the McNeill Committee have now been proposed and concessions have indeed been made. Those recommendations of the Committee for decontrol and increases in rent after two years for both business and domestic premises have not been accepted by Government, and wisely so. My Unofficial colleagues and I agree with Government that it would have been imprudent and quite unnecessary to legislate so far into the future.

I shall deal first with the proposed increases in rent for business premises. Government proposes to adopt the Committee's recommendation of an immediate increase of 50% on the standard rent, and another 50% after a year. As there has already been in effect since November, 1949, an increase of 100%, it would mean that tenants of business premises would have to shoulder the burden of a 150% increase on the standard rent for the ensuing twelve months from 1st September next and thereafter 200%. I deeply regret the timing of the introduction of these proposals for I am strongly of the view that Government could not have chosen a more inopportune moment than the present to do so. The Colony is passing through one of the worst economic slumps in its history and serious difficulties already confront our business community. Many firms are effecting drastic retrenchment or cutting down the salaries of their staffs, and in the case of the thousands of small Chinese traders who form the very backbone of this Colony, the situation is even more critical. These small businesses have had to start again from scratch after the war and just as they were about to achieve a semblance of recovery from the grave effects of the enemy occupation, the depression has set in. Unlike the big concerns with adequate capital structure and accumulated reserves built up during the recent boom years that would enable them to stand up to the pinch of lean times, the small firms, trading on a small capital and a narrow margin of profit, have not the financial strength to tide them over a prolonged period of trade stagnation. The proposed rent increase would certainly aggravate their difficulties though to the big businesses it would not be of much consequence.

It is appreciated of course that Government, to be impartial, has to consider the interests of both landlords and tenants. Government, however, must hearken to public opinion which, in my view, has never before been expressed so cogently than

in the present instance. The numerous petitions and representations received from the various sections of the population have served to emphasize still further the misgivings that have been aroused, and in a community accused so often of apathy and lack of public-spiritedness they are conclusive proof of the moment attached to this matter by the people. Realizing full well that no matter how strong the case against rent increase is, Government having previously announced its acceptance of the main recommendations of the McNeill Committee, will legislate for increases of some description. I can only plead for a more generous reduction of the increases proposed to palliate hardships. My feeling is that Government's proposals still tend too much on the side of the landlords and leave the tenants insufficiently cushioned against the initial shock. I propose therefore that the 50% increase as from 1st September, 1953 proposed by Government, be divided into two increases of 25% each, the first to be effective as from the 1st September, 1953, and the second as from 1st March, 1954. The further increase of 50% as from 1st September, 1954 proposed by Government should be dropped entirely.

An important factor to be considered when sanctioning any increase is that so long as there is no substantial or major improvement in the current world political situation, trade prospects in the Colony will remain in their prevailing state of gloom. Since no one can say when a change for the better will come, is it not incumbent on Government to see to it that the additional burden of the present rent increase to be borne by the small businessman is reduced to a reasonable minimum?

I find I cannot accept the arguments advanced for the increase of rents of domestic premises. The cruel and avaricious principal tenant dominates the picture here and the plight of some hundreds of thousands sub-tenants is so obvious that I feel it my duty to express, in no uncertain manner, the wishes of the vast majority of the people, that Government must consider again the probable consequences of its proposals. As the McNeill Report states "statistics seem to show that a population of some two millions has been squeezed into accommodation suitable for less than half that number". This shows that sub-tenants constitute the bulk of the population.

To the man in the street, the man who has to content himself with calling "home" a bed space, a cubicle or a room in a tenement flat, he sees in Government's present proposals a move to increase still further his already heavy burden. He has, in some instances, already suffered a serious cut in his wages and is having a hard

enough time as it is to make ends meet. This new threat of rent increase coupled with the everpresent shadow of “retrenchment” makes his lot in life a bitter one indeed.

In these difficult times, nothing must be done to add to his burden and I urge Government to do all it can to ease his load and to guard at all times his interests. While it is true that here also, Government has its duty towards landlords, I would suggest that Government’s primary duty in the present circumstances is to consider which party is likely to suffer in consequence of its actions and which party is better equipped to make sacrifices, if sacrifices are called for. It must not be forgotten that property and land values today are appreciably higher than they were when that property and land was purchased, and these in themselves are, in my opinion, compensatory to a degree.

My Honourable Friend, the Acting Colonial Secretary, in presenting this Bill, put his facts in a simple, straightforward, and, I might add, not unpersuasive manner, but I regret I cannot agree with his point of view. He elaborated at length on the safeguard that will be introduced to prevent the passing on to the sub-tenant, the stepped-up rent except in cases where Government considers an increase is justified, but I must at once express the belief that once increases in rents have been legislated for, the prevailing situation will not only continue but will be further aggravated, and confusion will be added to confusion.

It must always be borne in mind that a considerable proportion of the sub-tenants of standard rent premises are not highly educated and though machinery is in existence for the correction of malpractices, it is doubtful whether more than a very small percentage is aware of its rights, and it is not at all surprising that an even smaller percentage is prepared to exercise those rights. Fear of reprisals and the difficulty of finding alternative accommodation without having to resort to the payment of high key money, are the deterrents, and it doesn’t require a great stretch of imagination to visualize the course reprisals might take or to appreciate the fact that few workers have nest eggs sufficiently large to meet key money demands. This view is substantiated by the statement made in the McNeill Report that a survey conducted by the Kai Fong Associations in conjunction with the Social Welfare Office indicates that the position today is that some 70% of the subtenants are being overcharged and that more than half of all sub-tenants are paying between 51% and 200% too much rent. Has Government paused to consider why it is that such a situation exists? And, at this juncture may I ask what measures Government proposes to adopt to correct these

flagrant violations of the law ? It seems to be that Government's first job must be to bring the offenders to heel, and, relief to the 70% referred to. Where the authorities are satisfied that gross over-charging has taken place, I recommend that not only the penalties permitted by law be imposed but in addition that the principal tenant be evicted. If it is generally known that such steps will be taken I think Government's statement that subtenants are unwilling to stand by their own rights and unwilling to help themselves, will no longer be admissible.

The people who have been fleeced so long, interpret Government's latest proposals as unsympathetic, unrealistic and having no regard to their personal predicament. I am not at all sure that I blame them for these views. Government's wisest course is to implement its plans for the S.C.A. Sub-Department without delay, issuing at the same time its explanatory leaflets. I wholeheartedly endorse the view that the Secretariat for Chinese Affairs has become the father-confessor of a large section of the Chinese population and here is, I agree, the popular authority for them to bring their problems and seek advice. The Sub-Department should be endowed with all the powers proposed— the right to enter and inspect premises, to demand statements and proofs of rents paid and received, area occupied, amenities available; and furthermore it should have power to make adjustments where it is found that excessive rents are being paid. If this organization endowed with such powers, is given wide publicity, I have no doubt, provided there is accompanying legislation which prohibits the eviction of sub-tenants except for reasonable causes, and on the other hand threatens the eviction of principal tenants who have been waxing fat at the expense of the sub-tenant by charging illegal rents, that a large percentage of the community hitherto accused of inertia, and disinclined to help authority to enforce the law, will volunteer information and help to shake off its own shackles. From the information thus gathered it can then be ascertained whether any increase in standard rents will adversely effect the sub-tenant or whether he is in fact entitled to a reduction. Until this information is available, I am of the opinion that no legislation should be enacted to increase rents of domestic premises. I propose that this organization should be allowed to function until such time as it has completed its findings; then and then only should legislation be considered. If the proposed organization is set up and simultaneously rents are increased, the public will believe Government is insincere in its intentions, and its response to the S.C.A. Sub-Department investigations will be no more than half-hearted. The attitude of the bulk of the people will be "why should I go to all the

trouble of volunteering information which would probably result in making my domestic life unbearable, when Government has already made it quite clear that my troubles, my burdens and my complaints will not have the slightest influence on the out-come, law already having been passed to increase my rent and all this talk of protecting my interests is just so much empty gesturing". Let the public see that Government really intends to protect its interest and if a case is made out for stepped-up rents, I feel that public opinion will be warmer and will not be filled with bitterness as it is today.

Sir, at the Committee stage the Unofficials propose to move amendments to the Bill as it now stands.

MR. BLAKKR:—Your Excellency, before proceeding to make certain particular comments on the Bill before us, I should like to make it clear that I am in complete agreement with the general principles set out and I feel that our ultimate target should be on the lines stated. Unfortunately, however, the timing has misfired and during the 18 months that have elapsed since the Committee was appointed, there has been a very marked change for the worse in general conditions, rendering it necessary, in my opinion, to lessen the impact of the increases both on business and on domestic premises and to defer consideration on those recommendations of the McNeill report for increases beyond the year 1954.

In this Colony, we are accustomed to rapid changes in conditions and it is as well not to make commitments without regard to this circumstance which has been recognized by the Hon. Colonial Secretary in moving the first reading of the Bill.

It is important to remember that we are dealing with standard rents, and the number of tenants, both business and domestic, who pay standard rents is small. Many of the letters in the Press have missed this point and are, therefore, irrelevant. At this period, it is well to take a conservative view.

Taking firstly the business premises, it is true that the majority of the established businesses paying standard rents could well afford to pay the increases set out in the draft Bill, but there may be a considerable number of smaller businesses who might find the increases a little bit severe. It has been put forward that this might necessitate a reduction in staff. I think agreement is unanimous that any further unemployment at this juncture is to be avoided if it is at all possible.

I accordingly support my Hon. friend, Dr. S. N. CHAU, in his views that as regards business premises, the increases should be at the lower rate as suggested by him.

Taking now domestic premises, it has been suggested in some quarters that legislation for any increase in standard rents should be delayed entirely pending experience gained in the operation of the special department to be set up by S.C.A. My answer to this is that no landlord or tenant is going to take the slightest practical interest in visiting this department until it is known definitely when and to what extent increases will be made.

I consider it essential, therefore, for immediate legislation to be enacted to cover any increase which may be envisaged. I attach such great importance to the help which I am certain landlords and tenants will receive from the S.C.A. in clarifying their positions, that I consider it important for a suitable time to elapse between the passing of the Bill and the incidence of the increase, firstly to allow that special department to get into its stride and secondly—and of more importance—to allow landlords and tenants to see how they stand.

I am in favour, therefore, of legislating for one increase only of 25% on the standard rent to come into effect six months after the passing of this Bill and of arranging to review the position later, when the effect of this initial increase can be duly assessed.

Government will issue a pamphlet in Chinese and English which is written in simple language and will go a long way to clear up fears, mistakes, and misapprehensions.

MR. TERRY:—Sir, like my honourable friend Mr. Blaker, I am in complete agreement with the general principles of this Bill, based as it is on the recommendations of a Committee of four well qualified members of the community who devoted much time and care to weighing all the evidence available to them, and whose conclusions and the recommendations stemming therefrom are based on logical lines of argument and, in most cases, on concrete evidence. It seems to me that any objections to the proposals must be similarly based, and I do not consider it enough merely to say “times are bad and people cannot afford to pay more” unless more proof of that inability to pay, in the case of those people affected by the Bill, is produced than has hitherto been the case.

I found myself unable to agree with the McNeill Committee's recommendation of a specific time within which complete decontrol should take effect, and I am glad that Government has taken note of the representations made in this respect and accepted the fact that it would be unwise to legislate now for future decontrol. It is apparent also from the Honourable the Colonial Secretary's introductory remarks, and from the provisions of the Bill now before us, that full consideration has been given to the advisability of cushioning the effect of any permitted increases, and to the absolute necessity of protecting tenants from exploitation by unscrupulous landlords. The latter, Sir, is to my mind the most important feature of this Bill, and those responsible for its administration will, I hope, adopt all possible means of acquainting the public at large with the rights which they possess under the Bill or under existing legislation, and of simplifying the procedure for them to obtain those rights. Most legislation of this nature says in effect, "*Pay unless you can prove that you are being improperly assessed.*" This Bill in fact says, "*Do not pay until your landlord proves to you that he is entitled to make the charge.*" Provided the machinery set up for this purpose works with the minimum of inconvenience to the tenant (and I see no reason why it should not) there is in my opinion adequate protection against unjustified demands on those whose premises do not in fact come within the scope of this Bill or who, if they are occupying premises subject to control, are already paying rents in excess of those legally payable. As the Honourable Colonial Secretary said, it is an unfortunate fact that far too many people today do not seek the protection of the Law which is rightfully theirs. This state of affairs cannot be rectified solely by legislation—the tenants themselves must be taught, taught that it is possible to seek and obtain that protection without costly legal proceedings and without fear of reprisal, and I believe the provisions of this Bill, if properly disseminated and applied, will go far in achieving that result.

It cannot be emphasized too strongly that any increases permitted under this legislation apply only in those instances where controlled rent is now being paid, whether the premises be business or domestic. All the evidence which I have been able to obtain convinces me that the number of tenants thus affected form a very small proportion of the whole; it is nevertheless necessary that full consideration be given to the effect even on that small proportion. There is, of course, a natural disinclination on the part of everybody to pay any more than they are paying at present for anything, particularly in times of economic stress. No one appreciates more than I do the effect of existing

trade conditions in the Colony, both on business as a whole, and on individuals, and I agree fully with the picture of present conditions so ably presented by my honourable friend Dr. S. N. Chau. I cannot, however, agree that the effect of an increase in standard rents on those concerns affected will either put them out of business or result in reduction of staff. It is a fact that in every new building which goes up even at the present time the Office and Shop accommodation continues to be occupied immediately. I believe the average level of rental in such premises is around three times that of premises subject to rent control, or even higher. I cannot see, therefore, how it can seriously be suggested that a reasonable increase in controlled rents can so adversely affect the businessman when an identical business in the same neighbourhood can be carried on at the much higher uncontrolled rents. The same argument, I think, applies to the suggestion that such increases will automatically result in higher prices to the consumer. Nevertheless, particularly on the part of the small shopkeeper, time is needed to appreciate the adjustment rendered necessary in one's trading to meet an extra overhead, and for that reason I believe that the increases should be cushioned farther than proposed in the Bill. I believe that an immediate increase of 25% with provision for a further 25% increase in March next year, for which the businessman or shopkeeper will have six months to budget, is fair and affords ample consideration to those affected. For the same reasons as have already been accepted as valid against legislating too far in the future, I do not think provision for any further increase beyond these two should be made at this stage. Further consideration should be given later when the actual effect of the increases which we now propose can be more adequately assessed in relation to the conditions at that time.

As far as domestic premises are concerned, Sir, the problem is admittedly much more difficult, but I cannot agree with the view expressed by my Honourable friend, the Senior Unofficial Member, that the bulk of the population will in fact suffer through any permitted increase in controlled rents. To defer legislation which gives effect to principles which are accepted as right and proper, merely because the population in general have not learned to avail themselves of the protection afforded by Law, is a course which cannot be countenanced by any responsible body. I conceive it to be Government's duty to remedy the state of affairs which exists, and which has been described quite accurately by my honourable friend, rather than pander to it. The remedy lies, as I have said, in adequate education and provision of safeguards, and the people must be taught that if they will not help themselves

no one can help them. It is, however, essential that the machinery to do this should be tested for efficiency before it is required to function at full power, and any weaknesses which become apparent must be remedied.

I agree with my honourable friend Mr. Blaker that unless specific legislation is now enacted it will be impossible to test this machinery, and I strongly support his proposal that we should now legislate for an increase of 25% only in standard rents to become effective in six months' time; this would provide ample time for both landlords and tenants to ascertain their legal position in the matter and for those entrusted with the administration of the law to obtain first hand information on results. I also support the view that no increase above this amount should be legislated for until these results can be accurately assessed.

I believe such a permitted increase to be justified because once again I stress the fact that the majority of the populace are already paying far in excess of the permitted rents of controlled premises. If it is economically possible for them to do so on a wage scale which is identical with that of the comparative few who are enjoying the benefit of controlled rents, I cannot see the validity of the argument of undue hardship in the case of the latter.

There is one aspect, Sir, in which I think the Bill falls short of requirements, and which I should like to see remedied. Section 13 of the Bill provides for the addition to the Ordinance of a new Section giving the Tenancy Tribunal power, *on the application of a landlord*, to increase the standard rent of any premises if the Tribunal is satisfied that the standard rent is unreasonably low, having regard to the general level of rents in December, 1941 for premises of a similar character in the same neighbourhood, or if the amenities of the neighbourhood have been improved since December, 1941. No provision, however, is made for the converse situation.

Many pre-war properties which commanded a comparatively high rental prior to 1941 through their location in desirable residential areas have now deteriorated through age, dilapidation or the general lowering of amenities in the neighbourhood and therefore would not command the same level of rental to-day. It seems to me that provision should be made in such cases for revision downwards of the existing standard rent, and it seems only equitable that power should be given to the Tenancy Tribunal to make such revision on the application of a tenant. I think it therefore necessary that a further amending clause, making this provision, should be introduced in this Section.

Sir, I support the proposals for further cushioning which have been outlined by my colleagues who preceded me, not from any sense of compromise, but because I believe them to be a fair way of implementing the principles involved with the minimum of reaction upon the economic life of those affected. I hope that Government will give these proposals sympathetic consideration, and will find them acceptable in the best interests of the public at large.

MR. LO MAN WAI:—Your Excellency, I regret that I do not and cannot see eye to eye with my colleagues on the question of rent increase. There is, however, one proposition which I am sure would command acceptance by all Honourable Members, and that is that this Bill is one of great importance affecting, as it does, the vast number of people occupying pre-war premises, whether for domestic or business purposes. As an Unofficial Member of this Council I conceive it is my duty in the field of legislation to support the passing of laws enacted not for the benefit of a section of the community, however large, but for the benefit and interests of the Colony as a whole. With this principle in mind, I have formed a definite opinion on the scope and limit of Government action in tenancy legislation. It is because of this opinion that my views on the Bill before Council in regard to the all important question of rent increase differ from those entertained by my colleagues in this Council. In fact, speaking before this Council, I have an uncomfortable feeling of isolation without the compensatory sense of splendour, but I am not troubled, like Hamlet, by any philosophic doubts, on this important question, to increase or not to increase. On the contrary, I can declare solemnly and sincerely that I fully support the recommendations of the Rent Control Committee's Report on this question.

Sir, I have not arrived at this conclusion lightheartedly. It is based on my understanding of what should be the Government policy in regard to Rent Control and my experience and knowledge of local conditions for the last 37 years. In view of the extraordinary diversity of opinion in this matter, ranging from the opposition to any increase of standard rent whatsoever, to the percentage of such increase and its timing, I feel that I should endeavour to set out in details the reasons for my views.

Before so doing, I should like to make some comments on the Rent Control Committee appointed by you, Sir, in February, 1952 and on the report of this Committee. I join with my Honourable friend, Dr. S. N. Chau, the Senior Chinese Member

of this Council, in paying tribute to Mr. McNeill and members of his Committee, but thereupon, I must part company because I accept their recommendations in regard to rent increase whilst my Honourable friend proceeded in the body of his speech to express opinions which are at variance with the report.

Sir, I shall in the latter part of my speech deal with the opposition to the Bill. I should like, however, now to say a few words about the critics of the report. Some of them say that the members of this Committee are not truly representatives, and even suggest that they are biased in favour of landlords and that the Government should appoint another committee to which representatives of landlords, tenants, businessmen, labourers, Heads of Kai Fong Associations and leaders of Chambers of Commerce are invited. What a ridiculous suggestion!

I should like to amplify my tribute to this Committee. Sir, you could not have appointed a better team. The members consisted of the following gentlemen:—

The Chairman, Mr. John McNeill, a barrister.

Mr. T. A. Martin, an incorporated accountant.

Mr. LEE Wai Tong, a well-known and highly respected Chinese sportman, and last but not least,

Mr. F. Shanks, the Commissioner of Rating and Valuation.

How can it be said that they are biased in favour of landlords. This Committee devoted nearly 10 months in research work, in the investigation of facts, and in hearing of witnesses and held over 100 meetings. They have produced a report of r40 pages containing many valuable recommendations, but just because among them there is a recommendation for increase in the standard rent, they had been attacked. Mr. Lee Wai Tong has been the target for these violent attacks in the correspondence columns of the Chinese Press and has been labelled as “the Public Enemy No. 1”. Well, I suppose after my speech, I shall join his company and earn the highly respectable title of “Public Enemy No. 2”. They have borne these unjust attacks with dignity and have refrained from replying. I have no doubt that they feel they can let the report to speak for itself, and rely on the truth of their report and feel confident that truth will prevail in the end. I applaud their attitude.

Sir, I appeared before this Committee as a witness and found them impartial, patient and anxious to get at facts and to hear all points of view. How many critics of this report have appeared

before the Committee or have read and digested their report. Unless they have done either one of these two things, they are not qualified to express any opinion on this matter.

I now come to my reasons for supporting the recommendations of this report as regards rent increase. These can be classified into two categories:—

- (1) Those based on theoretical grounds, namely, what should be the scope and limit of legislation in the matter of rent.
- (2) Those based on facts as found in the Rent Control Report and formed on facts within my personal knowledge.

I will deal with the reasons under the first category first.

The object of this Bill before Council is to amend the existing Landlord and Tenant Ordinance by bringing' into effect some of the recommendations of the report with certain modifications. Whether one should support or oppose this Bill, it is absolutely essential to have a clear understanding of the fundamental objects of the principal ordinance. I take it that no one will dispute the following propositions:—

- (1) That the normal relation of landlord and tenant is best regulated by agreement arrived at between the parties concerned instead of by legislation.
- (2) That Government should not intervene unless there is such a serious shortage of housing as to enable an unscrupulous landlord to extract from the tenant a scarcity rent, that is, a rent which is beyond and has no relation to the proper economic rent, that is, a rent which is a fair rent based on the cost of the land and building.
- (3) That when Government intervenes, the object is not to enable a tenant to pay only such rent as he can afford but to prevent a landlord from charging a scarcity rent.
- (4) That the ordinary citizen should pay for his lodging and his business premises just as he has to pay for his food and clothing.
- (5) That if any rent were to be subsidized, the subsidy should be restricted to the poorest class of the population, that the subsidy should not come from the landlord but from the legally all powerful but financial impotent body, namely, Government, who, to find the money, must raise it from tax payers.

- (6) Government control of rent is only a palliative measure and is not the real solution of housing shortage, the real solution lies in the production of more houses.
- (7) That Government cannot build houses for the whole population, the production of new houses for the majority has to depend on private enterprise.
- (8) That private capital in the Colony demands a high return and will not be attracted to the building of new houses unless the return on the investment is commensurate with or even higher than other forms of investment, such as in mortgages, or in the purchase of shares on the Stock Exchange.
- (9) That due to the increase in the cost of land, labour and material, the rent of a new house, whether built by Government or by private enterprise, is from three to five times the rent for a similar pre-war building.

Sir, I do not propose to go into the historical background of rent control in the Colony. This has been dealt with in paragraphs 16-24 of Mr. McNeill's report, but I should like to say a few words on the Proclamation No. 15, Landlord and Tenant, issued on the 22nd October, 1945, on which the principal Landlord and Tenant Ordinance was based. I assisted in the drafting of this Proclamation which was in fact the outcome of a memorandum which I submitted at the request of the Chief Civil Affairs Officer for the consideration of the Military Administration. What are the outstanding features of this Proclamation? I enumerate the following:—

- (1) That it is a piece of experimental and emergency legislation necessitated by the chaos and uncertainty of the post-war period.
- (2) Its main objects were to maintain a *status quo* in regard to the then all existing tenancies by conferring on the tenants security of tenure; to regulate the rent payable on the basis of what was then considered a fair rent in respect of the premises, but certainly not on the basis whether the tenant could or could not pay such rent; to get rid of the rampant over-charges of the principal tenant.
- (3) By one stroke of the pen, all domestic and business premises, irrespective whether they were occupied by a labourer or by a millionaire, were brought into the net. There is no such sweeping legislation in any part of the world where the belief in the institution of private

property still happily prevails. Even in the United Kingdom, which has attained the high standard of a Welfare State, similar legislation is restricted to dwelling houses, the rateable value of which does not exceed a certain figure which I believe is round about £100 per annum. There, there is no control of business premises.

- (4) It is essentially a temporary measure as shown by the fact that it has to be renewed every year.

What have been the results of this Proclamation and the Ordinance which followed it? Sir, to pass a law is not difficult. The difficulty is in judging the effects of the law. Having taken a small part in the drafting of this piece of legislation, it was a disappointment to me to find that it has not only failed to curb the abuses of subletting, but it has produced an undesirable class of persons. Before the war, there was a class of people whom I would call professional principal tenants. They rented a floor or a series of floors from a landlord, divided the premises into a number of cubicles and made a profit by subletting.

The Ordinance attempted to limit the profits of subletting by making it illegal to overcharge a subtenant. It is notorious that this provision has been ignored and has become a dead letter. But it is not only the professional principal tenant who has and is overcharging the poor occupants of a cubicle or a bedspace. A tenant of a flat or a floor, who, in the pre-war days, would be occupying the whole portion of his premises without subletting any part thereof, was, after the reoccupation, under irresistible economic pressure. Thanks to the Ordinance, he holds the key position. He has security of tenure. His monthly tenancy has been turned into a tenancy of indefinite duration. With the huge increase in the population and the housing shortage, new comers to the number of nearly a million had to find accommodation. An offer is made to rent a portion of his premises at a rent which is equal or even more than the rent the tenant has to pay under the Ordinance to his landlord. Can the ordinary person resist such offer? The offer is accepted, and the tenant becomes a principal tenant. It is difficult, of course, to give a figure as to the number of these persons, but even on a conservative estimate, the number must be great. By virtue of this Ordinance, they become, practically speaking, owners of the property, but unlike the legal owner, they derive profit out of another person's property with no responsibility or liability of ownership and their profits are free from any taxation whatsoever.

Sir, the principal Ordinance was enacted in 1947. It is about time that an attempt is made to rectify the defects which have become apparent in the course of these years. I therefore welcome this Bill. There is one omission on which I should like to comment. There is no provision relating to decontrol. I agree with this. Unless the permitted rent has reached to the level of the true economic rent, decontrol is obviously out of the question. As the proposed increase is nowhere near this level, control must continue.

I do not propose to speak on the technical provisions of this Bill and shall confine myself to the provisions relating to the increase of rent. The report recommended the following increases:—

(a) In respect of business premises:—

- (1) immediate increase of 50% ;
- (2) after one year a further increase of 50% ;
- (3) after two years a further increase of 100%, making 300% in all.

(b) In respect of domestic premises:—

- (1) immediate increase of 50% ;
- (2) after two years a further increase of 50% ;
- (3) thereafter the position to be reviewed in the light of existing conditions.

This Bill provides only for 50% increase in case of domestic premises and 100% in case of business premises. My friend, the Honourable Acting Colonial Secretary, in his speech in introducing this Bill, gave as the reason for not providing for further increases in two years hence, as recommended by the Report, that Government does not consider that it should legislate for so far in advance. I regret I cannot subscribe to this view. The vital question to consider is what should be the proper rent for pre-war premises at the present time. The Committee in effect say that the rent for business premises should be 300% over and above the pre-war rent and that the rent for domestic premises should be 130% over and above the pre-war rent. Taking all the economic factors into consideration, the Committee's recommendation should be accepted. I have already given my theoretical grounds. I will now deal with the facts. Take first the case of domestic premises. According to the report, the average case of a cubicle was found to be as follows:—

Where let including other charges \$33.00 per month.

Where let excluding other charges \$22.00 per month.

The corresponding figure for bed spaces being \$14.00 to \$11.00 per month respectively. Personally I know of cases where these figures have been exceeded. The Report further says that overcharging in case of dependent domestic premises was found to exceed in approximately 70% of the cases. What is the conclusion that one can only draw from these facts? Surely it is that the proposed increase would not affect the poor type of tenants if the law were effectively enforced. In this connexion, I am glad to see in this Bill Clauses 28 and 29. If these provisions were strictly enforced as they should be, I am confident that the proposed increase would not fall on sub-tenants. As regards the rare case of a fortunate tenant of a pre-war house or a flat who has not sublet a portion at an exorbitant rent, he is still in a better position than the tenant of a new building, the rent for which is 500% of a similar pre-war building or over.

As regards business premises, this is still less than what the tenant would have to pay if he were to occupy premises built in recent years. It is a fact that there is a long waiting list for rooms in the new office buildings which are being erected in the Central District. If business can be carried on in the new buildings, it is hard to believe that business in old premises will have to close down as the result of the proposed increase.

Sir, although I am of the opinion that the increased recommendations are just and proper, it is obvious that they should be brought about by instalments. I take it that this is the reason for the recommendation for further increases in two years time. It is because I regard the recommendations in this light that I respectfully dissent from the Government view that a provision for a further increase in two years' time is legislation in advance.

Sir, I hope I made myself clear on this issue. I understand that my colleagues would in the Committee's stage of this Bill move certain amendments cutting down the proposed increase. While I would not oppose any amendment which will have the effect of lengthening the period within which the proposed increase shall take effect, I will not support any amendment which would have the effect of cutting down the percentage specified in the Bill.

It now remains for me to deal with the opposition to the Bill. I have read most of the letters and the editorials on this subject. I have received and studied copies of Petitions from the Kowloon Chamber of Commerce, Central District Kai Fong Welfare Advance Association, the Hong Kong Hotels Boarding Houses

Association, the Kowloon Hotels Boarding Houses Association, Tsim Sha Tsui Hotels and Boarding Houses Association and Kwong Luen Boarding House Association. I confess I find it difficult to follow some of the arguments advanced against the increases, but so far as I can follow, I would summarize them as follows:—

- (1) Because business is bad at the present time.
- (2) Because public opinion should be respected as a guide for all policies and protests have been made by various organizations in the Colony against the proposed increase.
- (3) Because landlords are rich and the tenants are poor.

As regards the first argument, I grant that business is now not so good as in (lie previous years when trade was booming. According to this argument, there would have been no opposition had the proposed increase been passed before the present trading conditions set in. Is it suggested then that had the increase taken place two years ago, Government should now introduce a Bill abolishing such increase. This argument is, of course, based on the fallacy that Government should regulate rent according to the ups and downs of business. If this were the policy, it follows that Government should also control the profits of businessmen and should also pry into their accounts to ascertain whether they are making or losing money. I wonder how many businessmen would relish the prospect of Government taking this step. It is astonishing that a person who is free to make as much profit out of his business as possible should expect Government to impose this extraordinary restriction on a particular type of business, namely, the provision of business premises.

Sir, I have known the Colony in days of real general depression when houses were empty and landlords had to beg tenants to remain on at a reduced rent or no rent at all. Happily, we are not in such a position today. No landlord can increase his tenant's rent unless there is a person who is willing and ready to pay the increased rent. If a tenant of a business premises cannot pay the increased rent but another person can, it is not in the interests of the Colony as a whole that a tenant who is unable to pay the economic rent should remain in occupation of the premises.

As regards the second argument, far be it for me to decry against public opinion, but in a matter of this sort, which reduced to simplest elements, the issue is, to pay or not to pay, public opinion is not a safe guide, unless it is founded on facts and on right principles.

As regards the third argument, why single out landlords for largesse? Why not levy a special tax on all rich people for distribution among the poor? But seriously how is Government to know whether a tenant is so hard hit that he cannot afford to pay for the increase? It cannot be suggested that all tenants cannot afford the proposed increase. Here again, Government would have to set up a means test. Would anybody welcome this?

It seems to me that the agitation against the proposed increases stems largely from the widespread impression that it applies to all rents which all tenants are now paying and from misunderstanding of the Government's true policy in this matter. Even our leading newspaper, the South China Morning Post, whose editorials usually command respect, I regret to say, have in some of its comments contributed to this false impression and misunderstanding. I quote a paragraph which appeared in the editorial of the 19th May:—

“If there is to be a generally acceptable solution, however, it is necessary to emphasise a fundamental consideration— that rents revision will impose a cost, which someone must bear. The beneficiaries will be the landlords, old and new, and the Government.”

Does not one gather from this paragraph the impression that all tenants will be affected by the proposed increase? Again in the editorial of the 14th May, there is this paragraph. I quote:—

“We have calculated that the Committee's recommendations means a gift to old landlords of some \$60,000,000 a year: the figure may be too high, but it has not been challenged.”

This figure is grossly exaggerated. The Commissioner of Rating has kindly supplied me with an estimate from which it is shown that the proposed increase of 50% will result in additional of \$11,250,000 per annum to the landlords who have kept to the letter of the law regarding increases in rent. Not only is the figure wrong, but the suggestion that it is a gift to the landlords is totally misleading. But for the Government control of rent, landlords would have received many more times than this amount. The true view is that landlords have been deprived of this sum for many years.

Sir, I apologize to you and the other Members of this Council for having taken more than my share of the valuable time of this Council. My only excuse is that believing firmly and sincerely in the views which I hold, I feel it is my duty to place them before this Council.

MR. DHUN RUTTONJEE:—Your Excellency, the rent question is so important a factor in the general Hong Kong housing problem, and on that account lies so close to the roots of the Colony's welfare, contentment and security, I feel sure it is unnecessary for me to urge that Government, in legislating for increased rents, should proceed with extreme caution and with every consideration for the views that have been expressed by all sections of the community since the Rent Control Committee's Report was published. From a close study of those representations, it is found that the more or less general opinion is that a strong case for compromise has been established. The amendments made to the Committee's proposals in this Bill indicate that Government has recognized the strength of the case presented by the public, and has made some effort to meet the obvious need for concessions. I regret, however, that I cannot agree that these amendments go far enough towards alleviating the anxiety of tenants and lightening the extra burden that this legislation will place upon them.

It is generally agreed that the Committee's report is a comprehensive, careful and conscientious survey. Its recommendations for rent increases were, however, received with almost universal dismay and indignation—providing as they did for an immediate increase of 50 per cent in the rents of both business and domestic premises, and a further increase after one and two years in the case of business premises, and two years in the case of domestic premises, bringing rents to 300 per cent and 150 per cent respectively above the pre-war amounts.

I am aware that there are some who question whether the indignation and anxiety aroused by those recommendations were entirely justified. Admitting that circumstances vary considerably, and on that too wide a generalization could be grossly unfair, there can, however, in my opinion, be little doubt but that the large immediate increases proposed by the Committee would have inflicted a serious hardship on the Colony's workers, and gravely disturbed, or even imperilled, the harmoniousness of our industrial relations, and, with that, Hong Kong's prosperity and security.

I come of a property-owning family, but I am also Hongkong-born and am closely in sympathy with the less fortunate members of the Colony's population. Someone has said that statistics can be made to prove anything: on paper it is possible to show that wages have increased from four to seven times on pre-war figures, but so has the cost of living, and one has only to go into Hong Kong's congested tenements to see the acute discomfort in which

hundreds of thousands of people are living. The overcrowding is in many cases incredible. It is easy to understand that the anxiety of those people is very real: anything that will add sharply to the cost of living can but cause increased distress to those who are at present barely able to make ends meet from pay-day to pay-day. The inevitable result of the adoption of the Committee's recommendations would have been a universal demand for higher wages. Meanwhile employers would have to face rent increases, rising to 300 per cent, on their business premises, and would, of very necessity, have been contemplating reductions in their staffs rather than higher wages. Much unemployment and economic depression might have resulted: at best manufacturers, importers and retailers would have raised their prices. The outcome would have been inflation.

The Rent Control Committee was appointed under terms of reference which strictly limited the scope of its inquiries and recommendations to the two questions—what increases, if any, in standard rents should be sanctioned, and what other amendments, if any, to the Landlord and Tenant Ordinance were desirable. There are few reasonable people who will deny that owners of pre-war properties have been labouring under some injustice, but there is a wide consensus of opinion among large section of the community that, in the modifications of the Committee's recommendations adopted in this Bill, Government has chosen to disregard the economic consequences of a 50 per cent increase within seven months in the rents of domestic premises in its determination to remedy the landlords' grievance at all costs. I feel I cannot help diverging here to note that neither the terms of reference nor the Committee's report purpose to contribute in any way to the betterment of the very deplorable housing conditions of the great majority of the Colony's workers, or to relieve the present general congestion. The Committee's recommendations and this Bill are admittedly in the interest of the owners of prewar properties—by the removal of the relative hardship which rent control legislation has inflicted on them.

Government has not disclosed whether it has, as yet, mapped out a fixed X-year programme of decontrol, but the large immediate increase of 50 per cent on business premises, and the similar increase within seven months on domestic property, proposed in this Bill would seem to indicate a somewhat undue haste to reach the stage where rent control will no longer be necessary.

In introducing this Bill, the Honourable Acting Colonial Secretary set up two criteria—justice to the landlord and no hardship to the tenant—and he claimed that the amendments which

the Bill made on the Committee's recommendations met those requirements. I am, however, of the opinion that Government should have offered a more realistic compromise. Such a compromise will be effected by the adoption of the amendments which my Unofficial Colleagues speaking before me have proposed and which I strongly support *i.e.* an increase of 25 per cent from the 1st September, 1953, on the rents of business premises, and a further similar increase on the 1st March, 1954, making a total increase of 150 per cent on pre-war rents; and an increase of 25 per cent on the rents of domestic premises, not to commence until six months after the passing of the Bill, making an increase of 55 per cent on the pre-war rents of such premises, with provisions for a review of the position when the effect of this increase can be properly assessed. There is still a considerable amount of new building in progress and the housing situation has very markedly improved during the last twelve or eighteen months. In my opinion, it may reasonably be expected to correct itself by the end of 1955, as, with immigration restriction the Colony's adult population may be assumed to be static.

In supporting these proposed amendments to the Bill, I would particularly invite attention to the fact that the Bill authorizes principal tenants to levy a further increase of 30 per cent on their sub-tenants, to which levy will be paid by all but a negligible fraction of the Colony's 1½ million white collar and manual workers.

Considering all the circumstances, these amendments offer, in my opinion, an equitable compromise—meeting the landlords' grievances as generously as those circumstances permit, and effectively reducing the shock of the additional financial load on the already overburdened workers.

Nobody who has a knowledge of social conditions in this Colony can fail to be deeply concerned as to the adverse effects of the rent increases proposed in this Bill on Hong Kong's economic stability. I have seen it somewhere stated that they involve an annual addition of fifty to sixty million dollars to the Colony's rent-rolls. Who is to bear this enormous added burden? It will, of course, first be carried by the workers; then by their employers' as demands for increased wages have to be met, and finally by the general public, the consumers of commodities, to whom all rent increases, whether on business or domestic premises, will ultimately be passed. The shock will, however, be effectively lessened if the proposed amendments to the Bill are adopted by this Council.

If Government considers that owners of pre-war properties should be granted a greater relief than the 25 per cent increase which we now propose, instead of the two increases of that amount provided for in the Bill, I would suggest that the more fortunate owners of post-war properties might equitably be required to meet at least a part of the difference by payment of a higher property tax against a corresponding reduction of this tax on controlled properties.

I would like to see every encouragement given to an extension of the plans for further building of cottage houses. These are now being erected as part of the squatter resettlement scheme, but the housing situation would be appreciably relieved if the plan were extended to permit of buildings of the same type being erected for or by workers, other than squatters who are now living with their families in crowded cubicles or mere bed spaces, and paying illegally excessive rents to the principal tenants of tenement floors. I would urge that Government make a large area at Shatin available for this purpose. The transportation problem renders the outer suburban areas on the island and in Kowloon unsuitable for workers' homes, but rapid transportation by railway is available to and from Shatin, and Government may be prepared to assist by providing cheap fares at very special commuter rates. Perhaps Government would consider earmarking for such a cottage housing scheme, the additional revenue, in assessment rates and property tax, to be derived from the increased rents now to be sanctioned—which additional revenue would, I am informed, probably amount to five million dollars yearly on the amended rents which we are now proposing. This would make twenty million dollars available for a four-year cottage housing scheme for workers.

I would suggest that Government consider making provision in this Bill for the bringing under control of the rents of all new domestic properties that remain unlet six months after the date of the Building Ordinance Office's Certificate of Completion. While there is still a great shortage of domestic accommodation, the public is asking why nothing is being done to eliminate the scandal of the large number of flats that remain unoccupied because the owners are demanding fantastic sums as key money and rent, by which, in some cases, they would fully recover their capital expenditure within four years. When key money is not demanded, rents are still more exorbitant; within the last few weeks one owner has openly advertised—"No key money; high rent". I am of the opinion that all such properties should be

brought under control at rents to be determined by an *ad hoc* branch of the Tenancy Tribunal, geared to function with special expedition.

Finally—and I regard this as the chief consideration in this whole rent question—while I welcome the Government's proposals for protecting sub-tenants from exploitation by unscrupulous principal tenants, and the creation for that purpose of a special sub-department of the Secretariat for Secretariat of Chinese Affairs, I would strongly emphasize the supreme importance of every possible precaution being taken to ensure that, as far as possible, every sub-tenant in the Colony is informed as to his rights under the new Ordinance, and of the remedies open to him if he is paying, or is called on to pay, a rent in excess of that authorized by this legislation. In this connexion Mr. Lee Wai Tong, a member of the Rent Control Committee, has stated, since he signed the Committee's report, that he would not be in favour of a rent increase if Government did not take effective measures to protect the legal rights of tenants. It is hoped that no charges will be made to sub-tenants by the new sub-department. Hitherto the cost of the remedies available has been prohibitive, with the result that the great majority of the Colony's 1½ million workers are now paying illegal rents, often several times what they should be charged. If this open and crying scandal is permitted to continue, and if Government fails to protect effectively the interests of sub-tenants, who have too long been grievously victimized, it will have to bear the responsibility for any resultant impairment of Hong Kong's economic security and of the harmonious industrial relations which this Colony now enjoys. The rights of sub-tenants should be given the greatest possible publicity, and I would suggest that all principal tenants be required to give particulars by statutory declaration of the rent collected by them from each sub-tenant, thus rendering themselves liable to the penalty laid down in Section 7 of the Perjury Ordinance for a false declaration. These and other details are, however, for Government to consider. What cannot be over-emphasized is that a really effective control must now at last be exercised to ensure that the Colony's economic life shall no longer be endangered by a continuance of the vile rent exploitation scandal that has, for too long been conveniently ignored or tacitly tolerated by inaction.

MR. KWOK CHAN:—Your Excellency, I once had the impression that a newly appointed unofficial member on this Council need not anticipate much speech-making until the annual Budget Debate. However, it now appears to me that the call

has come much sooner than expected, and I am now faced with the ordeal of having to take part in a debate on an issue of such major importance and of such widespread public interest.

I cannot help but express my admiration for the painstaking manner in which Mr. McNeill and the members of his committee discharged their onerous duties. The comprehensiveness of their report on Rent Control, the recommendations of which form the basis of the proposed amendment of the Landlord and Tenant Ordinance, bears ample witness to the quality of their work.

My Honourable colleagues have presented their views on the subject, and I have listened to them with intense interest. I find myself in agreement with the views expressed by my Senior Unofficial colleague Dr. S. N. Chau and I give his suggestions my fullest support.

The McNeill Report was completed in November, 1952— some seven months ago. Since then events have moved so swiftly and unexpectedly that we can hardly say that the conditions which existed when the report was prepared are still with us, and have not worsened.

In this connexion may I refer to Your Excellency's budget speech of 1952, in which you described 1951 as a year of "downs" and declining trade; and to Your Excellency's 1953 budget speech which referred to 1952 as a year of "downs" and "ups". We were then very much encouraged by your note of confidence which was indeed based upon facts and figures.

But due to unforeseen circumstances completely beyond the control of this Government and its people, the "ups" turned out to be short-lived; and now trade has declined to such an extent that we look back to 1951 and 1952 as comparatively good years.

The business community of Hong Kong has earned a reputation for resourcefulness. But however resourceful they may be, it is obvious that this alone is not sufficient to stem the tide of depression which has set in.

It is therefore my conviction that to adopt Government's proposed rent increases at this time is bound to have a disturbing effect on the Colony's economic equilibrium.

With regard to the proposed increases in rent for business premises, upon which my Honourable colleague Dr. S. N. Chau has spoken, I am convinced that his suggestions for modification, or, to use his own word, cushioning, represent a realistic solution

which takes account of the competing interests of all parties, and should, I believe, be found acceptable. I do not propose to add anything further to his remarks except to say that I am in full agreement with them.

Turning now to the proposed rent increases for domestic premises, I associate myself once more with Dr. Chau's remarks and I would like to add a few of my own.

Many of those who will be affected by any increase in rentals of domestic premises belong to the wage-earning and low income groups of the community. Unlike their employer, their only source of income is (their salary). In the majority of cases, they derive no additional benefit from the profits, large or small, which their employers have been fortunate enough to make, particularly in the early years following the re-occupation.

We frequently speak of the rapid recovery of this Colony from the ravages of the war, but how many stop to think of the indispensable part this section of the community—the employees, the workers, and the labourers—played to bring about this recovery.

Is it fair to inflict hardship on these people? I know many of them are already finding it difficult to make ends meet, and not a few of them have been unlucky enough to find themselves out of employment as a result of retrenchment caused by declining trade.

I must say emphatically that any increase in rentals of domestic premises at this time is both inopportune and will most certainly inflict hardship on this section of the community which constitutes the bulk of the population.

My Honourable Friend the Colonial Secretary has undoubtedly presented Government's case in the best light possible allowing certain concessions in the process. Due emphasis was laid on the need to avoid inflicting hardship on the sub-tenant and, equally, to do justice to the landlord.

It is true, as my Honourable Friend the Colonial Secretary pointed out in moving the first reading of the Bill, that many sub-tenants are paying their principal tenants or, in a few instances, their landlords, considerably more than is allowed by law. Government is seeking to correct this unsatisfactory state of affairs by establishing a Tenancy Inquiry Bureau at the same time as these proposed rent increases become law.

The argument was advanced that unless legislation for rent increases was passed concurrently with the establishment of this bureau, no landlord nor tenant would bother to come forward to have their complaints resolved.

I am afraid I cannot subscribe to this reasoning. We must expect that many cases will be taken to this bureau for settlement, and the number may run into four or even five figures. Surely all these cases cannot be satisfactorily dealt with in the time available between now and a few months hence, when the increase would take effect. There was a suggestion that tenants need not pay rent until overcharges and other anomalies have been adjusted. If this course is to be followed, would it not lead to a confused situation with, perhaps, some unscrupulous landlords taking counter measures by litigation, and tenants, in defense, desperately trying to find the means to procure legal assistance—a course beyond the means of many people.

I propose that steps should first be taken to have this bureau put into operation and, through it, perhaps with the aid of public bodies like the District Kaifong associations, inform the general public on their rights and privileges under the existing Landlord and Tenant Ordinance as well as settle individual cases. Until an existing wrong is righted by abolishing excessive rent, to legislate for further increases at this juncture, even though it may not be for immediate enforcement, is merely to add another thorn in the side of the sub-tenant.

On the other hand, if the machinery is there and the public fail to take advantage of it in their own interest, then that is no fault of the Administration. Alternatively, if the public do take advantage of the assistance offered and eventually secure relief from excessive rent, then they will appreciate the good intention lying behind Government's approach to this problem.

The first objective is then to gain public co-operation in making the fullest possible use of the tenancy bureau, and the bureau for its part must deal with all cases with the minimum of delay. If the public accept this proposal in the spirit in which it is offered, and so help to remove many of the burdens the tenants are now bearing, then all responsible elements in the community will surely look more favourably upon the proposals to increase rentals, always provided the economic climate is such as to make such increases practical.

I therefore support the suggestion of my colleague Dr. Chau that legislation for rent increases for domestic premises should be delayed, until we see what results are achieved by the tenancy bureau to be set up under the S.C.A.

I earnestly urge Government to bear in mind the difficult present-day conditions and to give most sympathetic consideration to the representations of the people of Hong Kong.

DR. RODRIGUES:—Your Excellency, as the last speaker in today's debate on what has been rightly described as a thorny subject, I should like to add my voice to those of Honourable Members, in complimenting the Rent Control, Committee for presenting such a comprehensive report so clearly and above all courageously. I do not agree, however, with their recommendations with regard to increases, as I hold the view that in making these recommendations they either gave little or no consideration to the state of the Colony's economy or were possessed with an unrealistic faith and undue optimism in the immediate future. I cannot otherwise see how they could recommend progressive increases in rent, in both business and domestic premises, with final decontrol in business premises after three years.

After the able and quasi convincing speech of the Honourable the Colonial Secretary two weeks ago and the speeches today with their varied and in some cases almost conflicting views, it becomes obvious that we are dealing with a complex problem which cannot be solved to the complete satisfaction of all.

Business Premises.

I shall consider business premises first.

In your opening speech Sir, at the budget debate early this year, a speech described by an Honourable Member as a frank and heartening address on the Colony's affairs, you warned us that the Colony's trade figures were down and that there did not seem much hope of an increase in the near future. The situation stands today just as you so rightly predicted.

It is true that some years back the business community enjoyed a post-war boom and it can be said that landlords did not share in it, but the business world is going through a difficult period, not only due to business recession, but as a result of

- (a) The unpalatable yet inevitable list of restrictions, *e.g.* The American embargo; "Licensed" trading; prohibited imports and exports, and currency difficulties in hitherto profitable export markets.

(b) The entry of Japan into the field as a full-fledged competitor.

These and other factors have led to the present day contracted and reduced trading.

I am in full agreement with Honourable Members that some increase is justified, but that this should be one which can be borne by the small businesses, and not passed on to employees in the form of reduction in staff or cut in wages. I therefore support my Honourable Friend, Dr. S. N. Chau in his recommended cushioning reduction to 25% as the increase on standard rent of business premises now. I support the plea that increases above this may affect the employee.

Domestic Premises.

I am against any increase in rent of domestic premises.

I agree it is essential and fundamental to put right those evils as disclosed by the rents committee, and Clauses 28 and 29 are to my mind the most important ones of this proposed bill. A clause providing protection against eviction of sub-tenants should be added to these. The proposal that the implementation of this machinery be left in the capable hands of the Secretariat for Chinese Affairs is most welcome as this is a department not only noted for its efficiency and fair-mindedness but also enjoying the confidence of the Chinese population.

On paper the clauses appear foolproof but I would like to see it in full working order before I accept it as practical. After all, those who passed the existing bill in 1947, must, I am sure, have sat back and considered all aspects of the rents problem as having been covered. Yet today, we have this new profiteer, the principal tenant, clause 11 notwithstanding. Let this machinery be set in motion to include business premises with new rentals (sub-tenancy also exists here) and domestic premises with the present legally allowed rent. I disagree with the Honourable Members who think the landlords and tenants will not be interested in this department unless an increase is legislated for first. The landlords may not, but the tenants will welcome this chance for a "breather" from excessive rents. Protection is after all, already long overdue.

Landlords.

It has been put forward that justice and equity for the landlord warrants the increase. With this I do not agree.

A large number of the pre-war houses were built long before 1941 and these landlords have, in fact, already received more than the total of their initial investments.

In many cases the tenants were the ones who effected the reconditioning of the premises after the re-occupation, presenting the landlord with a decently rehabilitated property.

Water charges and in many cases, rates and taxes, have been passed on to (he tenant. Any increase in rent means additional costs to these tenants.

The greatly increased cost of maintenance is generally carried by the tenant and this fact is borne out in the McNeill report. If an increase is to be accepted, there should be a "*quid pro quo*" in the matter of repairs by the landlord, but there is no provision for this in the Bill.

By and large landlords have fared well by contrast with other investors. It must be conceded that present day property and building costs are exceedingly high hence there must be a fair breach between the rentals of post-war and pre-war premises. What has not been mentioned is the unreasonable and scandalous charges made by some new landlords which has led to the feeling that there is a lack of equity—a grievance, which is really relative. I have no quarrel with those who have built luxury apartments for the upper classes, or those who have charged fair rents on market values, but many new buildings with rooms no larger than cubicles command rentals which could have been arrived at with only one purpose in view, to reap benefit in the quickest possible time without any consideration of the moral or social aspect thereof. Even at the risk of stirring a hornet's nest, I will suggest that if equity is sought then attention should be paid to those new landlords.

There is obviously no "typical" landlord, and there may be some who feel that they deserve higher rentals by virtue of the fact that their property may be situated in better residential districts or in recently developed areas. These have recourse to clause 13 of this Bill.

Tenants.

It has been argued that sub-tenants, comprising 60% of the tenants of pre-war premises, are already paying more than they should and will not therefore suffer hardship if rents are increased. Has there been any investigation to find out if these sub-tenants are not already feeling the pinch? And how does this justify

the increase in rental of the 40% who are not sub-tenants? We are here concerned with a class of wage-earners, permanent residents of Hong Kong, many of whom have only small or fixed incomes and whose rents take a large part of their incomes, setting them a difficult pace in trying to keep up with the cost of living.

Any increase in rent will mean increase in costs and will lead to a lowering of living standards, and to more congestion with its danger to health and exposure to that scourge tuberculosis, for how else will the individual prevent costs from overtaking his means, or the family man ensure that his children will continue to get the education which is so important to-day.

Housing.

Housing is almost as essential as air and water, and it is the shortage of housing that has been the main reason for control of pre-war houses and non-control of post-war ones. The principle of not controlling post-war buildings to encourage private enterprise to help fulfil the need for more houses, which they would not have done, if inducement in the way of good short-term investment had been curtailed, was perhaps sound, but none foresaw the orgy of profiteering that followed. Next to these landlords the principal tenants appear rank amateurs.

The time is past when free enterprise can be expected to help the housing problem, nor will the passage of this bill help to build more houses. The Housing Societies which have already done and are still planning excellent schemes are to be commended and deserve continued encouragement, but as Your Excellency pointed out, their buildings can only serve the white collar class, so there must be provision for the lower salaried workers.

It is welcome news indeed to know that a Housing Authority will be set up soon, responsible for the provision and management of adequate housing for the poorer members of the community at minimum economic rentals. It would further help the problem if this department could include a rents assessment section. I recall how well the Quartering Authority kept rentals at economic levels in the immediate post-war period, but then it was for apartments requisitioned by Government.

As the largest employer in this Colony, Government has recently taken a most laudable step, in accepting as a moral obligation the financing of building schemes to house its local employees. It is well-known that all large concerns and public

companies in Hong Kong provide accommodation, often palatial, for their expatriate staff. Very few have quarters for the local staff and these, I am sure, enjoy a better employer-employee relationship and are the better for it. It would go a long way towards solving the problem of housing in this colony if all large institutions will follow Government's lead and finance comprehensive schemes to house their local employees, providing them with accommodation in keeping with their position and at reasonable rentals.

Time will still remain the natural remedy of this complex problem.

Meanwhile, I feel strongly that it will be against the principles of social justice to increase costs on a section of the community which is already hard-put to make ends meet and which has no security against the mischances of life.

I shall support the amendments as outlined by the Honourable the Senior Unofficial Member.

THE COLONIAL SECRETARY:—Sir, I am sure your Excellency and my Official colleagues will agree with me when I say that we have listened with very great interest to the speeches which the Unofficial members have made this afternoon on this important and controversial subject.

The points and suggestions made by the Unofficial members merit and will certainly receive the most careful and sympathetic consideration by Government. In order that consideration may be given, a certain amount of time is necessary and, if Hon. members agree, I suggest that this debate be adjourned. I take it that Hon. members do agree and I accordingly move that the debate on the Second reading of this Bill be adjourned until the next meeting of this Council.

THE ATTORNEY GENERAL seconded.

H.E. THE GOVERNOR:—Do Members agree that this debate be adjourned until next week ?

Members indicated their agreement.

ADJOURNMENT

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