

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 25th February 1970****The Council met at half past Two o'clock**

[MR PRESIDENT in the Chair]

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR DAVID CLIVE CROSBIE TRENCH, GCMG, MC
THE HONOURABLE THE COLONIAL SECRETARY
SIR HUGH SELBY NORMAN-WALKER, KCMG, OBE, JP
THE HONOURABLE THE ATTORNEY GENERAL
MR DENYS TUDOR EMIL ROBERTS, OBE, QC, JP
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR DAVID RONALD HOLMES, CMG, CBE, MC, ED, JP
THE HONOURABLE THE FINANCIAL SECRETARY
SIR JOHN JAMES COWPERTHWAITHE, KBE, CMG, JP
DR THE HONOURABLE TENG PIN-HUI, CMG, ODE, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE ROBERT MARSHALL HETHERINGTON, DFC, JP
COMMISSIONER OF LABOUR
THE HONOURABLE TERENCE DARE SORBY, JP
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE DAVID RICHARD WATSON ALEXANDER, MBE, JP
DIRECTOR OF URBAN SERVICES
THE HONOURABLE GEORGE TIPPETT ROWE, JP
DIRECTOR OF SOCIAL WELFARE
THE HONOURABLE JAMES JEAVONS ROBSON, JP
DIRECTOR OF PUBLIC WORKS
THE HONOURABLE DONALD COLLIN CUMYN LUDDINGTON, JP
DISTRICT COMMISSIONER, NEW TERRITORIES
THE HONOURABLE JOHN CANNING, JP
DIRECTOR OF EDUCATION
THE HONOURABLE KAN YUET-KEUNG, CBE, JP
THE HONOURABLE FUNG HON-CHU, OBE, JP
THE HONOURABLE KENNETH ALBERT WATSON, OBE, JP
THE HONOURABLE WOO PAK-CHUEN, ODE, JP
THE HONOURABLE SZETO WAI, OBE, JP
THE HONOURABLE WILFRED WONG SIEN-BING, OBE, JP
THE HONOURABLE ELLEN LI SHU-PUI, OBE, JP
THE HONOURABLE WILSON WANG TZE-SAM, JP
THE HONOURABLE HERBERT JOHN CHARLES BROWNE, JP
DR THE HONOURABLE CHUNG SZE-YUEN, OBE, JP
THE HONOURABLE LEE QUO-WEI, OBE, JP

ABSENT

THE HONOURABLE TSE YU-CHUEN, OBE, JP
THE HONOURABLE MICHAEL ALEXANDER ROBERT HERRIES, OBE, MC, JP

IN ATTENDANCE

THE DEPUTY CLERKS OF COUNCILS
MR RODERICK JOHN FRAMPTON

PAPERS

The following papers were laid pursuant to Standing Order No 14(2): —

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation: —	
Merchant Shipping Ordinance.	
Merchant Shipping (Launches and Ferry Vessels) (Amendment) (No 2) Regulations 1970	25
Merchant Shipping Ordinance.	
Merchant Shipping (Life Saving Appliances) (Amendment) Regulations 1970	26
Supreme Court Ordinance.	
The Rules of the Supreme Court (Amendment) (No 2) Rules 1970	27

Sessional Papers 1969-70: —

No 39—Annual Report by the Director of Agriculture and Fisheries for the year 1968-69 (published on 25.2.70).

No 40—Annual Report by the Secretary for Home Affairs for the year 1968-69 (published on 25.2.70).

No 41—Annual Report of the Li Po Chun Charitable Trust Fund for the period 1st September 1968 to 31st August 1969 (published on 25.2.70).

No 42—Report of the Public Works Sub-Committee of Finance Committee (1969 Reviews leading to the 1970-71 Programme) (published on 25.2.70).

No 43—Draft Estimates of Revenue and Expenditure with Explanatory Memoranda for the year ending 31st March 1971 (published on 25.2.70).

No 44—Report of the Establishment Sub-Committee of Finance Committee for the year 1969-70 (published on 25.2.70).

No 45—Hong Kong Annual Report 1969 (published on 25.2.70).

Estimates of expenditure stand referred to a committee of the whole Council pursuant to Standing Order No 54(3). Referred by the President to the Finance Committee pursuant to Standing Order No 60(8).

Statement

THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER): —Sir, among the papers laid is the Hong Kong Annual Report for 1969. Members will, I think, agree with me that this is once again a production of high quality which reflects credit on both the editorial and the printing staff. A special word of commendation is due to the Government Printer for producing the volume so quickly, and at the time when he also had the annual estimates on his plate. The latter was a considerable task as honourable Members will themselves discover.

This is a suitable opportunity for me to say, with your permission, that, under the new Standing Orders of the Council, which were adopted in 1968, it is no longer the automatic practice at the opening of the Budget meeting for His Excellency the Governor to deliver a speech associated with the Annual Report. It is true, Sir, that you did address the Council at this time last year, when the new Standing Orders had only recently come into force, but this was necessary to bridge a transitional gap. Under Standing Order No 6, it is now the practice for His Excellency to deliver an address to the Council at the first sitting of a new session, which would usually be in October, but might be as late as mid-November.

I shall, however, have an opportunity during the second reading of the Appropriation Bill to refer again to certain aspects of your address of a year ago, and to assess in the context of the Budget now to come before Council the degree of achievement in the aims and objectives you then defined.

Motion

PENSIONS ORDINANCE

The Governor's recommendation signified by the Colonial Secretary *pursuant to Standing Order No 23(1)*.

THE COLONIAL SECRETARY (SIR HUGH NORMAN-WALKER) moved the following resolution: —

Resolved, pursuant to section 2A of the Pensions Ordinance, that the special addition to salary of the sum of \$140 a month, payable to all members of the Royal Hong Kong Police Force below the rank of inspector and known as the Special Police Allowance, be declared pensionable as a special allowance with effect from the 1st November 1967.

Question put and agreed to.

First reading**APPROPRIATION BILL 1970****PERPETUITIES AND ACCUMULATIONS BILL 1970****FATAL ACCIDENTS (AMENDMENT) BILL 1970**

Bills read the first time and ordered to be set down for second reading pursuant to Standing Order No 41(3).

Second reading**APPROPRIATION BILL 1970**

The Governor's recommendation called for, and signified by the Financial Secretary *pursuant to Standing Order No 42(1)*.

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAIT) moved the second reading of: —“A bill to apply a sum not exceeding two thousand three hundred and ninety-three million, eighty-one thousand, two hundred and twenty dollars to the Public Service of the financial year ending the 31st day of March 1971.”

He said: —Sir, under the new procedure brought into force last year, I present the budget in the formal context of an Appropriation Bill, instead of, as previously, a resolution on the Estimates. As required by Standing Orders, the bill was published in last week's *Gazette*. The publication of this formal bill, which does not go beyond listing the aggregate amounts it is proposed should be voted under each Head of Expenditure, has led to so much premature uninformed comment in the press and elsewhere, before I have had an opportunity of presenting the proposals in greater detail, that we shall have to think seriously next year of requesting Your Excellency's permission to suspend Standing Orders to the extent necessary to delay publication of the Appropriation Bill until Budget day itself.

Sir, during the current financial year, expenditure has taken a fairly normal course, while revenues have grown at an unusual pace, even for Hong Kong.

The revised expenditure estimate of \$2,088 million for this year is \$30 million or only 1½% below the original estimate. This is \$215 million or 11½% higher than the actual figure for the previous year 1968-69. This rate of growth is closer to that of the early 1960's than we have achieved for the last three years. This is partly because the rate of capital expenditure on public works has as last ceased to decline sharply, although it has not yet begun to rise again; there will indeed probably turn out to be a small further decline this year of only

\$7 million or 2½ below last year. The higher rate of growth of total expenditure is also partly due to recovery of the momentum of development of the public services, although it must be confessed that higher costs have played a part as well, notably the increase of about \$36 million in consequence of a salary award to the civil service.

One field of expenditure in which we had expected to have to request a supplementary vote during the current year but have been disappointed is public assistance. The details of a preliminary scheme of expansion are, I understand, nearing completing and should be reflected in increased expenditure next year although, as the details of the scheme have not yet been formally approved, no provision has been made in the Estimates themselves, and it will be necessary, as is normal with schemes approved during the course of the financial year, to proceed by supplementary vote. My honourable Friend the Director of Social Welfare will no doubt have more to say about this at a later stage in the debate.

There has also been a substantial shortfall in capital expenditure apart from public works, mostly in the field of equipment; it has been necessary to provide by revote in next year's estimates no less than \$31 million out of the \$75 million budgeted for this year. Although I have not had the necessary research done to be absolutely sure, I believe that this is an unusually high proportion, probably reflecting poor deliveries by overseas manufacturers.

I am aware that actual expenditure frequently turns out to be substantially lower than the revised estimate; last year it was \$58 million lower. To judge from expenditure up to the end of December it may well be lower than the revised estimate again this year by a similar sum but I am aware of some additional expenditure commitments not yet voted which may offset this to some extent.

Revenue, as I have already said, has grown at an unusual pace, even for Hong Kong. Revenue can be divided into two distinct parts; Earnings and Profits Tax which represents tax levied on the basis of income in the previous year; and the remainder which represents revenue arising out of activities during the current year. Both of these have shown unexpectedly large growth.

In presenting the revenue estimates last year, I said that we had possibly erred on the pessimistic side in putting the estimate of Earnings and Profits Tax this year at \$578 million compared with the revised 1968-69 figure of \$523 million. The actual figure in 1968-69 was \$535 million, while we have had to revise the 1969-70 estimate to \$617 million, an increase of \$82 million or 15% over the actual figure for 1968-69, and an increase of \$39 million over the original estimate for this year.

[THE FINANCIAL SECRETARY] **Appropriation Bill—second reading**

As to revenue from current activities, their remarkable rate of growth reflects a very high level of business activity and a high level of private spending largely consequential on it. This can be seen in nearly all sectors.

Stamp duty, for example, which is a fairly good indicator of business activity, is now estimated at \$90 million this year, compared with the original estimate of \$53 million and with actual revenue of \$68 million in 1968-69; and that in spite of the abolition of 3% Excess Stamp Duty. The increase reflects activity on the stock exchange, in the property market and in foreign trade. In the case of foreign trade, it is partly the consequence of revised arrangements for duty on exchange transactions, which brought in many transactions previously escaping duty.

Land sales are, of course, another prominent feature in the increase in revenue, although the increased level of sales is not directly or immediately reflected in revenue because so much land is now sold on the basis of instalment payments. Even so the revised estimate is \$86 million compared with an actual yield of \$40 million in 1968-69. This is still well below the levels of 1962 to 1965.

In the field of consumption, all duties, other than locally manufactured liquor, show substantial increases, the revised estimate at \$369 million being an increase of \$34 million or 10% over last year. Even tobacco, which has shown little increase in recent years has done well, although this is always difficult to judge because of export drawbacks.

The main increase in duties has been in hydrocarbon oils, which are now estimated to be 12% over 1968-69, reflecting partly growth of demand for electricity, and partly an increase in road transport, particularly in the private sector. It also reflects stronger action against the diversion of lightly taxed industrial diesel oil to automotive purposes.

The rather extraordinary growth of private motoring (10,000 new cars on the roads, an increase of 14%) has affected not only petrol duty but several other heads, notably First Registration Tax, Commonwealth Preference Tax and vehicle and driving licences. In the transport field there has also been an unbudgeted increase in revenue from the licensing of Public Light Buses; although this must be set against the 5% reduction in the Kowloon Motor Bus royalty from 20% to 15% of gross receipts, at a cost of nearly \$8 million to revenue.

Post Office revenues have been very buoyant, too, as have been the revenues of other publicly owned utilities, in particular Waterworks

and Kai Tak Airport. The increase in water revenue from an actual figure of \$76½ million to a revised estimate this year of \$87 million should help to reduce the operating loss below the \$23 million shown for 1968-69 in Appendix XII of this year's estimates but not very far below; and the high rate of increase in consumption brings nearer, of course, the day when we must embark on a massive and expensive new scheme. Present charges for water are fixed only until the end of 1970 (I said 1971 in error last year); we shall clearly have to review them soon.

The total revised revenue estimate for 1969-70 is \$2,381 million which is \$300 million or 14½% higher than the actual figure for 1968-69; this is in spite of a cut in taxes which was calculated to cost \$14 million or about ¾%. In recurrent terms the increase is 13%, not taking into account the effect of changes in taxation. This is a rate of growth, in percentage terms, which we have not experienced since the exceptional years of the half of the 1960's. Of course, in absolute terms the growth is very much higher and for that reason a more remarkable achievement.

The net effect of these revised estimates of expenditure and revenue for the current year is to show a surplus of \$292 million, equivalent to 12.4% of total revenue. This is to be compared with 10% last year—and a deficit in 1965-66 equivalent to 8½% of total revenue. This revised surplus is \$239 million greater than the originally estimated surplus of \$53 million. Of this difference \$209 million is due to an under-estimate of revenue and \$30 million is due to an over-estimate of expenditure. But these are still estimates and I have reason to believe that the final out-turn is likely to be nearer \$350 million than \$300 million.

Last year's surplus of \$208 million was reduced, temporarily, by substantial depreciation on investments amounting to \$46½ million. This year there should be a small appreciation.

The surplus on the Exchange Fund for the year 1969 was \$43½ million after providing for depreciation and the 5% excess cover statutorily required for the note issue. The total available surplus in the fund is now \$135 million. The fund now has some additional income from the scheme introduced last year to provide commercial banks with an exchange guarantee on sterling reserves; but there is, of course, a corresponding extra risk.

Let me now turn to the Estimates for the year 1970-71. These have been in the hands of honourable Members since last Wednesday. We have encountered unusual difficulty in preparing them this year, largely due to the particularly inconvenient incidence of Chinese New Year. Much credit is due to the staff both of the Finance Branch of

[THE FINANCIAL SECRETARY] **Appropriation Bill—second reading**

the Colonial Secretariat and of the Government Printing Department for having them ready in time.

An additional difficulty this year has been that we have attempted to honour a pledge I gave two or three years ago to try to produce fuller and more informative Memorandum Notes on the Estimates, so that they could be read with greater understanding of the developments and achievements behind them. For easier reference, these Notes have been printed opposite the heads of the estimates to which they refer. I trust that honourable Members, and the general public, will find them useful. They are by no means yet what we would like to make them but they are, I think, a decided improvement. They are the work of the Finance Branch, not, as in the past, of the departments themselves. I must apologize to heads of departments for any errors or misrepresentations; in the short time available this year we did not have time to refer them all for departmental scrutiny before printing.

With the concurrence of the Establishment Sub-Committee of Finance Committee we have incorporated in these Notes much of the material on staffing changes previously printed in the Report of that Sub-Committee. For more detail on the Public Works Non-Recurrent Head, it remains necessary to refer to the voluminous Report of the Public Works Sub-Committee which has also been laid on the table today.

There has also been a substantial revision of the analytical appendices. I would refer particularly to Appendices IV to IX which provide analyses of Revenue by Source, and of Expenditure by Function, from 1966-67 onwards. These take the place of, and supplement, the previous separate analyses of expenditure on Education, Medical Services, Social Welfare and Defence. They make very interesting study.

The total estimate expenditure in 1970-71 is \$2,393 million, an increase of \$305 million or nearly 14.6% over the revised estimate for 1969-70, a formidable addition.

There is little, I am afraid, particularly novel in the estimates themselves. I have always stressed the need for continuity in expenditure, rather than great leaps; and I have tried to explain the role of the budget as an annual stocktaking of where and how fast our existing policies are taking us rather than as an occasion for the introduction of new policies. This remains roughly true of this year's estimates.

Staff costs are up from a revised figure of \$868 million this year to \$955 million next year, both of which figures include the recent

salary award which was retrospective to the beginning of this fiscal year. This is an increase of 10%, in spite of the fact that the increase in staff numbers is only 4½%, including supernumerary posts. Although this latter is itself an unusually high figure, the discrepancy demonstrates the very large concealed source of increased expenditure in our incremental salary system is a young and growing service, and in the introduction by stages of equal pay for women. There is a further concealed, but long-term, source of increased expenditure in future pensions for which no current provision is made.

I should like once again to take the opportunity here of paying a tribute to the work of the Establishment Sub-Committee of Finance Committee. Their task in considering new staff proposals is an onerous one and they give invaluable assistance in the framing of the Estimates.

Other recurrent expenditure is increased from a revised figure of \$819 million this year to \$908 million next year. This reflects in general a steady development of the public services, perhaps affected a little more this year by increasing costs than we have been accustomed to.

Capital expenditure is estimated to increase from its very low revised figure of \$401 million this year to \$530 million next year. I have already mentioned the unusually large amount of revotes for equipment carried over from last year; but the main cause is an increased estimate of spending on Public Works Non-Recurrent from \$286 million to \$351 million.

Public Works expenditure has shown a continuous decline since 1965-66 as can be seen from the figures in the Memorandum Note on page 278 of the Estimates. This decline has been caused by a number of factors, including the completion of some big-spending waterworks and development projects, but also by the reduction in contract prices from the earlier high levels. I would myself guess that my honourable Friend the Director of Public Works' predecessor was too modest in not attributing more of the decline in spending to this latter factor.

While a part of next year's increased spending on Public Works is accounted for by an expectation of increased production, it is clear the increased contract prices are likely in the near future to increase that rate of spending. Tender prices are very volatile at present; some are not significantly higher than in recent years, others are as much as 30% higher. I think this phenomenon may be partly due to the contraction of the building industry in the period from 1965-68 which has left it with inadequate capacity to meet the present demand of both Government and the revitalized private sector. Contractors can pick

[THE FINANCIAL SECRETARY] **Appropriation Bill—second reading**

and choose their jobs again. No doubt they are trying to expand their capacity as rapidly as possible but, having lost much of their labour to industry in the intervening years, they are not finding it easy and must, of course, offer higher rewards.

Another factor is the shortage, and high price, of cement and steel, an international phenomenon. It is ironic to think that little more than a year ago our steel and cement industries were calling for Government assistance but now cannot meet the demand.

I believe myself that building costs will settle down soon at levels which will certainly be higher than those of recent years, but not as high as some of the higher prices tendered recently.

I do not propose to say very much about individual heads or subheads of expenditure, particularly in view of the greater elaboration of the Memorandum Notes. I would, however, draw particular attention to Appendices V and VII which analyse expenditure by function.

It will be noted from these that the largest single increase in any field is in education, where the increase over the revised estimate for the current year is \$69 million. This shows how expensive is the continuation of our existing policies of educational expansion in a young and growing community; and yet we are conscious that, having largely achieved our existing immediate aims, the time has come to set ourselves new targets; and these are now, I understand, under consideration.

The increase in estimated expenditure devoted directly to the Social Services is \$113 million or about 37% of the total increase in expenditure. It will be observed from Appendix V that, of total expenditure next year (including the Development Loan Fund and Lotteries Fund expenditure), just under 40% is to be spent on the Social Services. This does not include any supplementary sums which may become necessary for an expanded scheme of public assistance. I should like to stress this figure of 40%. Our expenditure on the Social Services as a proportion of total public expenditure has been adversely commented on in certain circles as very much below that of a neighbour to the south. The fallacy of that criticism is that it compares our figure of under 2% devoted to the single field of *Social Welfare* with the figure of 30% said to be spent on *all* Social Services. That 30% should be compared with our 40%, not with our 2%. My honourable Friend the Director of Social Welfare made this point quite recently in another forum; I mention it again as I believe the press ignored it on that occasion.

On the other hand we should perhaps not take too much credit for our higher proportion spent on social services, as it must be confessed that it reflects to some extent the comparatively low level of our expenditure on defence.

There are three specific Public Works projects which I should like to take the opportunity of mentioning, although they are not likely to be particularly important in terms of actual expenditure during the next financial year.

The first is the extension of the runway at Kai Tak. Although we have not yet had a formal reply to our request of three years ago to Her Majesty's Government in London for a financial contribution to this project, we have now decided to proceed with its construction as soon as the tender documents are ready, which should, I understand, be some time in April.

There are some points I would like to make about this. Firstly, if I may repeat what has been said frequently before but has been consistently ignored, the project has *not* been held up by the absence of a reply to our request for a financial contribution. Secondly, our decision to go ahead with construction does not mean that we shall not continue to press our moral case in London for a financial contribution towards the expansion of facilities, the use of which Her Majesty's Government restricts in the interests of British aviation, and against our interest, which is maximum utilization.

I should add that our chances of a contribution can hardly have been helped by the various lobbies interested in civil aviation nor by our own publicists who have swallowed the lobbies' line. Although the earlier myth that the new generation of aircraft would not be able to use the present runway has, I trust, been exploded by the imminent arrival of the first Boeing 747 in April, it has continued to be strongly urged that failure to extend the runway would have serious consequences for our own direct economic interests, both in terms of the tourist trade and of our exports, with particular reference to the effect of load penalties. This is mostly nonsense, and certainly of only marginal importance. I have tried in vain to get details of load penalties suffered or likely to be suffered and of their implications for airline economics but virtually no concrete evidence is available. It is clear that they apply in rather exceptional circumstances only, for very long stages and on infrequent occasions; particularly when one considers that present average seat utilization is under 50% and the limitations on the *volume*, as opposed to weight, of freight aircraft can carry. If indeed we were to allocate the cost of the extension over the additional passengers and freight which the extension actually made it possible for each particular flight to carry, rather than spread it over the whole field of operations—and clearly this would be a reasonable

[THE FINANCIAL SECRETARY] **Appropriation Bill—second reading**

thing to do in economic terms, i.e. to allocate marginal costs against marginal benefits—then the additional charges would be so astronomically high that we would hear no more about load penalties. As it is, the extension is virtually certain to result in higher charges, although how the total should be allocated between different classes of users remains an open question.

The truth is that the only really substantial interest Hong Kong itself has in an extended runway is the increase in the safety margin, particularly for the population of Kowloon. But, if we were looking at the safety margin only, I am not sure we would need as long an extension as is proposed.

I may add that the cost of the planned extension of 2,530 feet to the promontory, giving an extra 2,780 feet of runway, is now estimated at \$115 million.

The second Public Works project I should like to mention is the proposed Container Port at Kwai Chung. We are already completing the legal requirements for the necessary reclamation; and engineering design is proceeding. We intend to go to tender in April with an offer to lease land for the container berths in a manner which keeps all our options open, whether we are to lease the bare sea-bed and leave the rest to the successful tenderers; or whether we are to construct the reclamation and seawall ourselves and lease these basic facilities for completion by the successful tenderers; or whether we are to proceed ourselves, or in conjunction with Hong Kong cargo-handling interests, to construct and operate a complete installation. Our main concern is to have adequate facilities available as soon as possible, particularly for non-self-sustaining ships, but in such a way that no interests or groups of interests can monopolize what will inevitably be scarce facilities. It is impossible to say at this stage what the outlay of public funds is likely to be but total investment of public and private funds may amount to as much as \$250 million.

The third Public Works matter I should like to refer to is our programme for the construction and improvement of roads and highways. Over the years numerous piecemeal projects have been introduced into the Public Works Programme. Recently my honourable Friend the Director of Public Works has reviewed these in the light of the priorities suggested by the Long Term Road Study and has produced a consolidated 5-year programme of road construction, for completion at a substantially accelerated rate. In order to achieve this accelerated completion he has proposed a further build-up of his own engineering staff as well as increased recourse to Consulting Engineers. The programme, the financial implication of which has

been accepted in principle by Finance Committee, involves spending \$486 million over the five years ending 1973-74. This is to be compared with \$146 million spent over the previous five years.

I think I have said enough now about the expenditure estimates and would now like to turn to the revenue prospects for next year. Expenditure estimates are in the nature of a blueprint and can be set down fairly accurately in the absence of any major upheaval; but revenue estimates are a matter of forecasting and I am never very sanguine about the possibility of accurate economic or financial forecasting, particularly in our dynamic economy.

The yield from Earnings and Profits Tax will be based, of course, on this year's results; but not a great deal of evidence is available to us about them at this stage. Most of the company accounts published so far refer to utilities of semi-utilities, whose experience is not necessarily shared by less sheltered enterprises. I think there is some evidence to suggest that profits rise fast at the beginning of a boom period, but costs then start to catch up and the rate of growth of profits slows down, but this theoretical view may well be belied by the facts. The estimate we have made for next year is \$669 million which is 8% higher than this year's revised estimate, which is itself 15% over last year's yield.

The rest of the revenue estimates depend largely on one's view of our economic prospects next year rather than on this year's results, although there is a carry-over effect in terms of consumption at least. I do not, as I have said, have much confidence in economic forecasting and I am always very conscious of the susceptibility of our economy to outside influences, of which the main one next year seems likely to be the course of the American economy. There is also the problem of the extent, with our resources already stretched, to which we can expand production in the short-term; here we are helped, I think by the continuing scope for greater sophistication of product and for increased prices, both of which help us to improve our terms of trade. Indeed, I believe that improved terms of trade, rather than increased volume of production and exports, has been the major source of our recent economic growth. We are also clearly not only recovering, but are also extending, our position as a regional commercial centre, and developing new activities as a rapidly growing financial centre.

Leaving out of account Earnings and Profits Tax, we look for an increase of 5½% in revenue from other sources next year, from a revised estimate of \$1,764 million this year to \$1,861 million next year.

Again I do not propose to go through the heads of revenue item by item. But I might refer to two specific items.

[THE FINANCIAL SECRETARY] **Appropriation Bill—second reading**

The first is Interest. The extent of our reserves, including recent accretions, and the very high level of interest rates now ruling, has made interest a very substantial item in our public revenues. The revised estimate this year is \$110 million; the estimate for next year is \$115 million and this could be an underestimate if present interest rates are maintained. I refer to this revenue item because of the implications of the fact that, if and when we run down our fiscal reserves, our recurrent revenues will fall concurrently, except to the extent that the spending from reserves may have created revenue-producing assets.

The second point is a more particular one. The estimated yield from the Kowloon Motor Bus royalty is set in the printed Estimates at \$17¼ million, but I believe that this is an over-estimate even at the present rate of royalty and that it should be nearer \$15 million; while it appears inevitable that there should be a further reduction soon in the rate of royalty. It seems to me that the time has now come to adopt the course that my honourable Friend, Mr Y. K. KAN, advocated a few years ago, of charging the public bus companies full fuel duty and licence fees instead of their present concessionary rates, offset by a corresponding reduction in the rate of royalty; and in the knowledge that this will probably lead to eventual abolition of the royalty in the light of future developments. The increased duties and fees resulting from a withdrawal of concessionary rates would amount to about \$7 million or about half the present royalty; and that the necessary additional reduction in royalty now required to maintain a reasonable level of profitability for the company would probably eliminate most of, if not all, the rest. The position of the China Motor Bus Company is a little more complicated but is basically similar.

To sum up, the total estimated revenue for next year is \$2,530 million, that is, \$259 million or 11% higher than the original estimate for this year and \$149 million or 6% higher than the revised estimate. In absolute terms, it represents an increase equal to 50% of this year's increase.

The net estimated surplus for 1970-71 is, therefore, \$137 million.

I should add that in view of the improvement in the London gilt-edged market the Exchange Fund should provide a substantially larger surplus next year; it is difficult to forecast but might be of the order of \$120 million. But I do not propose that any of this or of the 1969 surplus, which should be transferred to general revenue at the present time, although, it is, of course, available for that purpose.

I broke precedent last year by forecasting a surplus, even if I grossly underestimated its level. This year the Estimates suggest a surplus about 2½ times greater than did last year's Estimates. One preliminary point I should like to make about this is that, while the amount seems large, it is not large in relation to total expenditure (about 6% only); and it is quite small in relation to the present annual rate of increase in our expenditure, less than half of it indeed. These are not wide margins.

The second point I should like to make is that there are, it seems to me, good policy grounds for underspending in the good years with a view to overspending in the not so good. Our normal course tends to the reverse order, with the danger that public sector activities exaggerate both depression and boom. I have always maintained that we had little scope for Keynesian economics but, although we cannot create money to spend our way out of depression, we can at least set aside surpluses in good years for spending to some little of the same effect in bad.

Here I should perhaps confess to something I have done this year which I have not done for some years and which, while I have not done it for counter-cyclical purposes, does perhaps have a small effect in that direction. I have remitted some \$272 million of this year's surplus into sterling funds in London. My reason for doing this has been that interest rates have been substantially higher in London than here, while the high level of bank deposits in relation to lending has resulted in the banks maintaining unusually large liquid balances abroad. The effect, therefore, of our depositing surplus revenue in the banks in Hong Kong would merely have been to provide them with a substantial net revenue from the interest differential between Hong Kong and London at a substantial cost to the public revenues. I have not taken this too far, however; in fact, I wonder if I have taken it far enough. We still have a little over \$1,000 million on deposit in Hong Kong banks, although this will fall by perhaps \$50 million in March. It is noteworthy that during 1969 banks increased their loans and advances by \$1,800 million or the very high proportion of 30%.

It is noticeable that a new constant but, I assure Council, not a deliberately devised constant, is apparent in our recent public finances. Our expenditure in one year has tended in the last year or two to be about the level of our revenues in the year before. This may seem an excessively cautious relationship. Although we have not aimed at it in any way deliberately, I think it has some merits in a time of unusual economic advance.

Faced with our large surpluses of the last three years, people tend to react in one of two opposite ways. One group complain that

[THE FINANCIAL SECRETARY] **Appropriation Bill—second reading**

we have not increased expenditure to keep pace with revenues. I have explained on a number of occasions that it is quite impossible to achieve a sudden generation of effective and justifiable expenditure, as opposed to spending just because the money seems to be there, and just in order to keep pace with the erratic pace of the economy. This is, incidentally, just as true of the private sector as of the public. During the last two years, in which we have accumulated surplus revenues of about \$500 million, the community as a whole, as represented largely by the commercial banks and by Government, have increased their sterling assets by the equivalent of about \$1,500 million. Expenditure evidently cannot be generated as fast as income accrues even in the private sector, in the kind of economic growth we have been experiencing. In any case, I have long maintained that what is important in the public field is a steady and maintained development at as high a constant speed as possible, rather than a staccato one with a tempo dictated by the necessarily uneven growth of the economy.

The reaction of the other group is that the accumulation of such surpluses, even in the short-term, calls for a reduction in taxation. This would, of course, be possible, but again I continue to maintain that the important thing for sustained economic growth is not only a low but also a steady tax structure. It is clear that one day we shall have to increase taxation to provide the public services we aspire to but the longer we maintain our present rates of tax, which demonstrably have no ill effect on economic growth, the longer it will be before we have to push taxation higher to levels where the effects on growth and prosperity are less predictable.

The conclusion I myself draw, and I hope my honourable Friends will agree with me, is that our present experience and future prospects dictate neither a wasteful surge of expenditure nor a temporary cut in taxation, even if we are likely to achieve the third substantial surplus running. The results of the Five-Year Forecast of Revenue and Expenditure, which reached Member's hands recently, tend to support this view, in my opinion.

I have, nevertheless, considered whether I should propose any change in taxation, for any reason not directly connected with the present estimates. I must confess that the most desirable change in my opinion would be the imposition of further taxation on road transport, and that for two reasons. In the first place, the extraordinary increase in vehicles, particularly private cars, during 1969 has made it clear that the day when traffic becomes intolerably congested, and public transport (on which the great majority will clearly have to continue to depend) becomes intolerably inefficient as a consequence, is coming faster than we had previously supposed. The

rise in personal incomes brought about by our present prosperity has greatly increased the proportion of our population who can afford private transport, at present levels of cost. I need not remind honourable Members that the Long Term Road Study reached the conclusion that, even with the maximum possible development of roads and highways, our geographical situation was such that it would become necessary eventually to take measures to damp down private car ownership, either by statutory or by fiscal means.

I have tended myself to take the view that it was not desirable to use taxation specifically for this purpose but to believe rather that taxation should be related to the demand on the community's resources, by way of recurrent and capital costs, occasioned by road transport, and particularly by the private motorist who uses road space so wastefully. I believe that the cost of keeping traffic moving will very soon reach a level which, if it is met, as it should be, by road users, will price private motoring out of the reach of even our rising incomes.

I have already mentioned our revised and accelerated programme of road construction. This would, along with other developments in traffic control, itself justify some further increase in car taxation. But in the light of our fiscal surpluses, and of the level of additional taxation likely to be required to have an appreciable effect on private car ownership, I think it would be more politic to await the not distant day when our progress in road development, and its obvious cost, have become more evident to the public eye. It would, however, be desirable not to wait too long, as it would be obviously unfair to tempt people into car ownership at a level of costs which is unrealistically low and then price them off the roads.

I have again, like last year, considered whether there are any taxes which, for reasons of equity or public policy, should be reduced or abolished. I shall make a total of six proposals in three separate fields.

There has recently been much speculation about, and special pleading for, an increase in personal allowances under the Inland Revenue Ordinance. This derives, at least partly, from our expressed intention of *reviewing* (I stress the word "reviewing") these allowances in connexion with the implementation of the second part of the Report of the Inland Revenue Ordinance Review Committee about which I shall say a little later.

I recall that some four years ago, when I was answering a point made by my honourable Friend, Mr WONG, about the apparently small number of taxpayers, I said that this was partly the effect of "our extraordinarily high level of personal allowances". They are indeed

[THE FINANCIAL SECRETARY] **Appropriation Bill—second reading**

extraordinarily high. The principle by which such allowances are fixed in most countries is that they should represent the basic income required to support a family in its particular family circumstances. This basic income is generally well below the average level of wages and approximates to the level of public assistance where such schemes are in force. It is generally considered that income up to that minimum level should be exempt from tax and that tax rates should rise in more or less steep progression from that point. In Britain, for example, in West Germany and in Sweden the allowance for a man and wife is about HK\$5,000—\$5,500 compared with \$14,000 in Hong Kong; yet wages are much higher and cost of living substantially higher in these places. Even in the USA the allowance is only HK\$7,250, although there are certain additional allowances which raise this to some extent.

In Britain a family with two children receives about HK\$9,000 in total allowances against \$18,000 in Hong Kong. The comparable figure in Japan is \$4,800; in Malaysia it is just under \$9,000. There is also earned income relief in Britain and Malaysia but this is applicable at all levels of income except the highest and is more in the nature of a concessionary rate of tax on such income than a personal allowance; although it does raise the level at which there is total exemption for a family with two children to \$11,650 in Britain and to \$9,446 in Malaysia. Earned income relief, however, is strictly appropriate only to a full income tax system.

It seems to me that the discrepancies between allowances in Hong Kong and elsewhere verge on the fantastic—the more so when one takes into account the comparatively low rate of progression of the tax we levy on income *after* allowances and the very low standard rate of 15%—although one does hear it argued, most illogically, that low rates should be accompanied by high allowances.

By all standards our allowances should be reduced, not increased. The truth is, I am afraid, that, when our allowances were set in 1947 (since when there have been certain increases), they were set on the basis of principles which may or may not have been appropriate to our community in 1947 but seem to me entirely inappropriate today. Quite frankly, they were set then not by reference to the basic needs of a resident of Hong Kong; nor even by reference to the average family; but by reference to the standard of living of the expatriate and, by extension, that of the whole upper and middle income groups; it being a firmly held tenet of that day that, since these were the only really permanent elements in our society, they should not be taxed by direct taxation on any substantial sale to provide benefits or

services for the general population which, up to that time, had no real attachment to Hong Kong but moved in and out freely across the border. Consequently, it was held that personal allowances should relate to standards of living of this stable element in the population, not to those of the average wage-earner, far less to basic living costs.

Let me quote at length, as evidence of this, a passage from Sir GEOFFREY FOLLOWS' speech introducing the Inland Revenue Bill into this Council in 1947. It has a very old-fashioned flavour.

I quote: —

“In considering the question of personal allowances, the Committee (*ie* a Committee on the Inland Revenue Bill) gave special consideration both to the representations from the Chinese community and to the fact that a very large section of the European population is compelled, owing to lack of alternative accommodation, to reside in hotels. The absolute minimum living costs of this very considerable section of the community are very high and it seemed only reasonable therefore that this factor should be taken into account in determining personal allowances. In these circumstances the Committee recommended that the personal allowance should be increased to \$7,000, while that for a wife should be increased to \$5,000. In recommending these increases the Committee felt that they were also meeting to a large extent the representations which had been received from the Chinese community in regard to the inclusion of a dependants' allowance. This presents peculiar difficulties in view of the obligation imposed by Chinese law and tradition for the maintenance of dependants in addition to children, but it was felt that as the standard rate of tax is very moderate and as the personal allowance has been fixed on an artificially high level, dictated by local housing conditions, no real hardship would result if no specific relief were given in respect of dependants other than children.”

I should explain that he spoke of allowances being *increased* to \$7,000 and \$5,000 because the original draft bill proposed that these should be \$5,000 and \$3,000, respectively. The Committee also raised childrens' allowances from a maximum of \$6,000 to a maximum of \$7,000.

The words “artificially high level” in the passage I have quoted are particularly worthy of notice in relation to pleas made today for increased allowances. The justification usually advanced today for an increase (for it is hardly possible to speak of hardship in relation to our levels of tax) is the undoubted fact that the value of money has fallen substantially since 1947 and that the incidence of the tax is, therefore, rather severer (perhaps I should say less light) and more

[THE FINANCIAL SECRETARY] **Appropriation Bill—second reading**

extensive that it was. Occasionally the general increase in wages is also advanced as an argument, but with less superficial plausibility, as wages have risen faster than prices; there is no reason why wage-earners should not graduate into the class of payers of direct taxation, if their wages rise far enough. But I do agree that the incidence of tax is in fact greater than it originally was because of the effect of depreciation of money on personal allowances, both in terms of the total exemption limit and of the effect of the progression of rates on tax chargeable at each level. I would defend this development, however, by arguing that it has only helped to bring us a little nearer to the proper principle on which personal allowances should be based, although we are, in fact, still a fair way from it.

There is a politico-social side to this argument. Some hold that it is a desirable social development that more people become payers of direct taxation as a token of their citizenship. I am not sure that I agree, at least in this simple form of the belief, but I am sure (particularly if we must maintain for economic reasons, and I believe we must, a low standard rate of tax) that it is important in our community, as it stands today, to broaden the basis of personal taxation if we are to provide the broad-based social services we all want now for our stable and developing community. One reason for this is simply that the increasing wealth of the last twenty years which makes possible social advance in these directions has been accompanied by a substantial redistribution of income; and the main reservoir of taxation is no longer in the hands of a few rich. It can no longer be a question of a modest tax on these latter to provide the funds for a minimal public service. I am constantly surprised, although perhaps my surprise is naïve, to find the same persons who are loudest in their advocacy of expanded social services are also the most prominent advocates of a substantial increase in personal allowances for income tax and so narrowing the tax base. It is, I suppose, very convenient to be able to promise vastly increased social benefits to the people at large while offering the middle and upper income groups relief from taxation; and keeping quiet about the burden of indirect taxation on those who are unable to earn enough to qualify as income tax payers. I cannot afford that political luxury.

I should like to give one brief illustration of the relationship between social services and income tax. At present rates of salaries tax and personal allowances, a family with two children, one at an aided secondary school and one at an aided primary school, do not pay enough in salaries tax to cover the educational subsidy they receive from tax funds, if their income does not come very close to \$4,000 a month. Of course, there are still many among us who

seriously believe that a salary of \$1,500 a month (which is the total exemption limit of an average family) is well under the poverty line, although I estimate that it is, in fact, well within the top 5% of all incomes. I am afraid that a tax system cannot provide differentially for the differing standards of living expected or enjoyed by different classes in the community.

There is a further facet of the situation which is worthy of comment. On top of our very generous exemptions we have a very easy progression of rates from the very low level of 2¾% on the first \$5,000 of net chargeable income to 30% on net chargeable income over \$45,000 (representing \$5,250 a month gross for the average family). Any increase in personal allowances benefits the better off much more in absolute terms than the taxpayer in the lower bracket. For example, a family with two children on an income of \$2,000 a month at present pays \$192.50 in tax *a year* or 0.8% of gross income; an increase of \$5,000 in allowances would reduce this to \$27.50 a year, a relief worth \$165 a year. A family of the same size with an income of \$5,000 per month pays \$5,595 a year in tax at present or 9% of gross income; an increase of \$5,000 in allowances would reduce this to \$4,385 a year of about 7% of gross income, a relief worth \$1,210 a year.

The usual answer to this argument is that the effect is a natural and unexceptionable one, in that it results from the heavier burden at present imposed on the higher brackets. The argument fails in Hong Kong, I think, in the light of our highest bracket of 30%. I do not think it can be seriously argued that the present tax represents any hardship either at the lower or at the upper end; but I cannot resist the suspicion that many advocates of increased allowances are thinking more of the latter group of taxpayers than of the former.

I should like also to explode the popular myth that there have been no changes in personal allowances since 1947 (the air has, I hope, been loud with exploding myths today). Quite apart from the increase in the allowance for a wife from \$5,000 to \$7,000 in 1956 (recommended by the 1954 Review Committee on the grounds that marriage had the effect, as things were then, of reducing the allowance of a salary-earning woman) and an increase in total allowances for children from \$7,000 originally to \$9,500 in 1965, there were substantial concessions through adjustments of the progressive schedule of tax rates on the two occasions when the standard rate was increased. Both in 1951, when the standard rate was increased from 10% to 12½%, and in 1966, when the standard rate was further increased to 15%, salaries and personal tax payers, particularly in the lower brackets, were sheltered from the full impact of these increases. The standard rate has gone up by 50% since 1947, but for the first four segments of chargeable income (*ie* the first \$20,000 of income after

[THE FINANCIAL SECRETARY] **Appropriation Bill—second reading**

allowances) the rates have gone up by only 10%. On the higher segments this differential gradually reduces until it disappears when the standard rate applies. This has been a very substantial concession to salaries and personal tax payers.

I fear that, in the light of all these factors my considered view is that, unless we were to suffer from a very rapid rate of inflation that severely eroded the real value of the present allowances, it is going to be essential before long that we introduce a substantial reduction in allowances to meet the realities of our new social and economic situation; we can no longer live as if we were still in 1947; nor can we argue that our necessarily low standard rate of tax brings with it, as a corollary, high levels of exemption and slow rates of progression up to that standard rate—rather the reverse. I do not, however, intend to promote this radical reform of the tax structure at the present time, because it would raise at present unnecessary additional taxation from the higher tax brackets; a radical reform should, I think, await the next occasion, should there be one, where a need arises to increase the standard rate. I regret now that I did not use the 1966 increase to more effect in this direction.

All this does not mean that I do not intend to make certain proposals for changes in personal allowances, to take effect, I hope, in the year 1970-71. I am proposing three changes, the first two of which are considered in the Report of the Review Committee.

The first relates to allowances for dependent relatives. I propose that allowances be introduced for the widowed mother of either the taxpayer or his wife or for the father of either who is dependent on them for reasons of age or incapacity. I would propose that this be fixed at \$2,000. Only dependents resident in Hong Kong would qualify and the dependent's income would have to be below \$2,000 a year. This will take some careful drafting and could be open to abuse; I know that the Commissioner is by no means happy with it. But I think that the case for the allowance is strong enough to take a degree of risk, although I must warn that if our experience is bad, we may have to reconsider the concession.

The second proposal relates to the earnings of a married woman. The case for an additional allowance for a working wife rests mainly on the extra cost of maintaining the home when a wife is not able to give her full attention to it because of her employment. This extra cost has clearly risen in Hong Kong in recent years and the case is stronger than it was. Such an allowance also modifies to some extent the effect of aggregating the salaries of man and wife for tax purposes. I would propose an allowance of \$3,000 or actual income, whichever is the less. I should warn, however, that my proposal relates to the

emoluments of a genuine office or employment of profit. The Commissioner will, I am sure, look very carefully at any claim by a wife that she is “employed” at a salary in the family business, the more particularly if the “employment” is a recent phenomenon.

My third proposal is of a different kind, related not so much to equitable treatment as to the burden, and cost, of assessment and collection of tax. The problem arises partly from the very low initial rate of tax, which is 2¾% on the first segment compared with a minimum in most countries of at least 5% (it was actually 6% in Hong Kong in 1941 and is 20% in Britain today); partly from the very rapid growth of the number of taxpayers in the lowest bracket. In practice, the Commissioner ignores already any tax liability below \$15 but even so there were last year over 30,000 taxpayers in the lowest bracket who paid a total of under \$3 million in tax. Assessment and collection of this is not a very effective or economic use of scarce manpower.

My proposal is, therefore, that there should be granted a further allowance of the amount by which chargeable income, after other allowances, falls short of \$3,600. This would have the effect in practice of exempting from tax any person whose tax would otherwise be \$100 or less. It would relieve perhaps 30,000 persons wholly from tax next year out of about 80,000 who may be liable to it; and, by reason of marginal reliefs, would give some benefit on a reducing scale to persons earning between \$3,600 and perhaps \$10,000 in net chargeable income. This would benefit about another 10,000 taxpayers. It would relieve the department, in due course, of a substantial amount of rather unrewarding work, but, unlike a general increase in personal allowances, it would leave those taxpayers who are in the higher brackets wholly unaffected. This is, in my view, its merit.

The proposal, perhaps, goes against the common belief in the social desirability of widening the incidence of the tax (and will possibly be opposed on these grounds by my honourable Friend, Mr WONG) but it provides a degree of administrative relief; while the tax relief it affords goes to the benefit of the least well-to-do taxpayers.

I cannot say exactly how much these three proposals would cost in revenue but it is probably of the order of \$7 - \$8 million out of the \$120 - \$130 million at present produced by Salaries Tax and Personal Assessment.

It is perhaps surprising that, after arguing that personal allowances are too high already, I have proceeded to propose these concessions. In a sense, however, I am merely setting the stage for the more radical reforms I see necessary in the future. It should be noted that the introduction of dependent relatives' allowances would largely remove the original 1947 case for personal allowances at “artificially high

[THE FINANCIAL SECRETARY] **Appropriation Bill—second reading**

levels”, so far as that depended on Chinese family tradition; while the introduction of a married woman’s earnings allowance would meet more directly the argument on the strength of which the allowance for a wife was raised in 1956 from \$5,000 to \$7,000, irrespective of whether she was earning or not. The special low income relief is an administrative measure which would cease to be justified if the rate of tax in the minimum bracket were closer to the normal level elsewhere. All this, therefore, should be seen as a preliminary to a more radical future reform. I am, in a sense, sorry I cannot complete the process now but I am, of course, glad that I cannot in the sense that it is because there is no need at present for an increase in the standard rate such as would make it practicable to undertake reform without too much upheaval.

A draft bill amending the Inland Revenue Ordinance is in the course of preparation, to give effect to recommendations made in Part II of the Report of the Inland Revenue Ordinance Review Committee. I have hoped that this would have been published by now but we have been held up by prolonged consideration of one of its major proposals, that is, a proposal to change the basis of assessment from the present system which levies tax on income in the year of assessment, on an artificial basis related to income in a previous period (approximately the previous year). This system leads to very considerable complications, connected mostly with commencements and cessations of income from different sources, and to occasional inequities. The Committee proposed that we should change to an actual current year basis, with an original provisional assessment (with provision for limited self-assessment and a subsequent final adjustment. It has advantages of simplicity and equity, and we are prepared to accept a substantial loss of revenue by way of transitional reliefs in the process of changing to the proposed new basis. But the proposal does not commend itself to the General Chamber of Commerce or to the Association of Chartered Accountants. Although they agree about the defects of the present system, they do not like the provisional assessment feature of a current year basis, and have proposed instead that tax should be paid each year in arrears on the actual income of the preceding year. We, for our part, believe that this opens the door to extensive evasion, unless, as in other countries where this basis is used, periodical payments of profits tax on account are made from the beginning of the tax year and Pay As You Earn for salaries tax is introduced. But not only is this unduly complicated but it also necessitates a provisional tax system, the feature of our own proposal which these bodies particularly dislike. We have decided, in the light of this radical disagreement, not to proceed and to continue with our present unsatisfactory system for the time being. But I regard this

as a deferment, not an abandonment, of the proposal, and I hope that we shall eventually be able to bring its opponents round to our view of the best solution to the problem. It seems unlikely that, even with the deferment of this proposal, it will be possible to complete the remainder of the proposed legislation to take effect before the year of assessment 1971-72.

We do have, however, a short bill in draft to provide for the deduction from chargeable income of certain charitable donations, which it should be possible to bring before this Council in the near future.

My second or perhaps the fourth proposal is concerned with Entertainments Tax. Last year I put forward a suggestion that the yield of this tax from live sport should be set aside in a special fund for the promotion of sport and recreation. I am afraid that the idea has proved difficult to implement and no progress has been made with it. I have, therefore, reconsidered my earlier proposal and would now propose instead the abolition of Entertainments Tax on all live entertainment, either in the open or indoors, with the single exception of race meetings where a pari-mutuel is being operated. Many hold the view that sport should not be taxed, even professional sport; while in the case of some sources of tax (such as night club entertainment) assessment and collection are difficult and time-consuming; and, again, we have constant difficulty in deciding whether particular entertainments qualify for the concessionary cultural rate or not. The total reduction in revenue would be about \$3 million.

A tax closely related to Entertainments Tax is the Public Dance Halls Tax. This tax was introduced in 1947 on the advice of the Taxation Committee. At that time we were anxiously seeking new sources of revenue and there was a general desire to find it by way of indirect taxation. I have never thought it an appropriate tax, justified perhaps only by its relationship with Entertainments Tax. I propose, therefore, that it be abolished. The loss of revenue would be a little over \$2 million.

I would suggest that, both these proposals, if agreed, should take effect from 1st April this year.

My third proposal involves Estate Duty. I said some years ago that I thought that the maximum rate of Estate Duty should be the same as the standard rate of Earnings and Profits Tax. I have also stated on occasion my view that the maximum standard rate of Earnings and Profits Tax we could at any time impose without danger to the economy is 20%; although I would hope that that rate is still some considerable time away. In the meantime I see little point in bringing the maximum rate of Estate Duty down below that level.

[THE FINANCIAL SECRETARY] **Appropriation Bill—second reading**

I therefore now propose that the maximum rate be reduced in respect of deaths after 31st March 1970, from 25% to 20%, *ie* to the rate at present charged on estates between \$2 million and \$3 million. This would in effect reduce the rate of tax on estates between \$3 million and \$4 million by 3% and on estates over \$4 million by 5%. The cost in revenue is difficult to estimate. In both 1967-68 and 1968-69 the cost would have been \$3 million but in this year it would only have been about \$¼ million.

These proposals for reduced taxation, six in all, if approved, might be estimated to cost altogether about \$14 million a year in revenue. This may seem very small, leaving the estimated surplus, as it does, at \$123 million. But I have already explained the desirability of leaving taxation, so far as fiscal and economic reasons apply, approximately where it is. I think our present tax structure is generally appropriate to our present economic situation and fiscal needs. The analysis of revenue by source in Appendices IV and VI is interesting in this connexion, although one could criticize the allocation of taxation under the various titles—it is often a matter of opinion. Direct taxation has grown slightly as a proportion of total revenue in recent years, from 20% in 1961-62 to 26½% in next year's estimates. But what is particularly interesting is the high proportion of our revenue that is not strictly classifiable as taxation at all—some 37% of it. Some, of course, derives from the provision of services which involve a greater or lesser degree of offsetting recurrent expenditure but I have remarked before on the great strength which our public finances have derived from the investment of substantial proportions of our past revenues in directly revenue-producing assets, free of the burden of debt. It seems likely that we shall be able to strengthen our position in this respect even more during the next two or three years.

Question proposed.

Debate adjourned *pursuant to Standing Order No 54(2)*.

HIS EXCELLENCY THE PRESIDENT: — Members may welcome a short suspension at this stage. I therefore suspend the Council for 15 minutes.

3.37 p.m.

HIS EXCELLENCY THE PRESIDENT: — Council will resume.

3.55 p.m.

PERPETUITIES AND ACCUMULATIONS BILL 1970

THE ATTORNEY GENERAL (MR D. T. E. ROBERTS) moved the second reading of: —“A bill to modify the law relating to the avoidance of future interests in property on grounds of remoteness and governing accumulations of income from property.”

He said: —Sir, the Hong Kong Law Reform Committee, in its Third Report in 1959, deferred reaching a conclusion as to what action should be taken with regard to the law on the subject of perpetuities until the enactment in England of legislation which was based on a report of the United Kingdom Law Reform Committee. This legislation, the Perpetuities and Accumulations Act 1964, revises and consolidates the law relating to perpetuities, inalienability and accumulations.

Before 1964, our law in Hong Kong on the subject was substantially the same as that in England, partly because much of it was based on common law and partly because the Accumulations Act 1800 was in force here. The adoption of the bill before Council, which reproduces the 1964 Act, will restore that situation.

The main object of this branch of the law is to control the extent to which property owners can dictate to posterity the way in which their property may devolve in the future, so fettering the future right of beneficiaries to dispose of their properties. The rules, which apply to all contingent interests in property, whether created by will, or deed, or contract or otherwise, prevent property from being made inalienable for unreasonably long periods.

I hope that honourable Members will excuse me, on this occasion, from a detailed examination of the clauses of the bill, which are, I think, commented upon, in the Explanatory Memorandum attached to the bill, in adequate detail for such an esoteric subject.

Neither the Law Society nor the Bar Association, both of which bodies were consulted, had any comments to offer on the bill. It is not, of course, one which will be of wide application, since the sort of disposition which it controls will usually occur only in dealings with fairly substantial estates. It is, however, of some benefit to those who advise wealthy clients on the distribution of their property.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 43(1).

Perpetuities and Accumulations Bill—second reading*Explanatory Memorandum*

This Bill brings the law of Hong Kong governing perpetuities and accumulations into line with that in force in England as was the position until the Perpetuities and Accumulations Act 1964.

The English law relating to perpetuities and accumulations may conveniently be summarized under three main heads—

- (1) The rule against remoteness of vesting. This invalidates any trust or limitation which might possibly fail to become vested in interest (if it vests at all) within the permitted period of a life or lives in being and twenty-one years thereafter.
- (2) The rule against restrictions on alienation. This invalidates trusts or limitations whereby property is rendered inalienable for longer than the permitted period.
- (3) The rules against excessive accumulations, which restrain the accumulation of income for longer than specified periods.

The first two rules are the creations of common law and equity, varied to a limited extent by statute. The rules relating to accumulations were contained in the Accumulations Act 1800, which was subsequently replaced by provisions in the Law of Property Act 1925. The rules of common law and equity and the Accumulations Act 1800 apply in Hong Kong by virtue of the Application of English Law Ordinance, Cap. 88.

All three rules have been amended in England by the Perpetuities and Accumulations Act 1964. The Bill adopts the provisions of this Act, so far as they are appropriate to the circumstances of Hong Kong, and incorporates some allied provisions from the Law of Property Act 1925.

Clause 4 abolishes the technical rule known as the "rule against double possibilities".

Clause 5 sets out various dispositions which are not subject to the perpetuity rule.

Clause 6 enables a disposition to be made so as to vest property at some time during a period not exceeding eighty years, as specified in the instrument creating the disposition. The perpetuity period is not otherwise altered.

Clause 7 lists presumptions to be followed in considering when children can be born. It abrogates the former rule (attributed

to Moulton J., who was a eunuch) that no woman was ever past child bearing.

Clause 8. The cardinal feature of the common law rule, that everything depended upon possibilities and not probabilities or actual events, has been altered. In future the principle of "wait and see" will apply, and a gift will fail only if and when it becomes established that the vesting must occur, if at all, after the end of the perpetuity period.

Clause 9 permits potential members of a class of beneficiaries to be ignored, if this is necessary to save a disposition from being void for remoteness.

Clause 10 substitutes the perpetuity period for a limitation by reference to the death of the survivor (and any spouse) of a life in being, which would otherwise be void for remoteness.

Clause 11 ensures that each distinct gift stands or falls by itself and applies the perpetuity rule to each in isolation.

Clause 12 clarifies the law governing the distinction between general and special powers of appointment.

Clause 13 exempts a trustee's administrative powers from the perpetuity rule.

Clause 14 exempts options for the purchase of leasehold reversions from the perpetuity rule. The perpetuity period for other options will be 21 years.

Clause 15. A contract or other disposition *inter vivos*, which creates an interest in property capable of binding third parties, is void, even between the original contracting parties, if it would have been void for remoteness as against a third party.

Clause 16. Interests in personalty by way of resulting trusts are rendered subject to the rule against perpetuities.

Clause 17 sets out the periods during which accumulations of income are permitted.

Clause 18 excludes accumulations made during a minority in calculating the periods prescribed by clause 17.

Clause 19. Where accumulations are directed solely for purchase of land, they may only occur during the period specified in clause 17(1)(d).

Clause 20 enables the presumptions as to childbirth, contained in clause 7, to be applied so as to determine whether a beneficiary can in certain circumstances end an accumulation.

FATAL ACCIDENTS (AMENDMENT) BILL 1970

THE ATTORNEY GENERAL (MR ROBERTS) moved the second reading of:—"A bill to amend further the Fatal Accidents Ordinance and to make amendments to related Ordinances."

He said:—Sir, the law in Hong Kong on the subject of claims by dependants for damages for loss suffered by them as the result of the death of a relative caused by the tortious act of another has generally been the same as in the United Kingdom. This bill introduces the changes which were effected by the English Fatal Accidents Act, 1959.

Our Fatal Accidents Ordinance, which reproduces in the main the Fatal Accidents Act of 1846, introduced a new cause of action, whereby the dependants of a deceased person could secure damages for their loss of his support, if his death was caused by the wrongful act of another.

Under the present Ordinance, the only dependant relatives who could benefit are husband, wife, parent and child, grandparents, grandchildren, step-parents and step-children.

The 1959 Fatal Accidents Act has widened the class of dependants to include brothers, sisters, uncles, aunts, nephews, nieces and first cousins of the deceased. Since a number of alterations in wording are involved, clause 2 of the bill replaces section 2 of the Fatal Accidents Ordinance, which defines the various relationships which are referred to in the Ordinance.

Clause 3 confers a right of action on the new wider class of dependants. I should make it clear that before any dependant can obtain damages, he must, of course, show that he relied on the deceased, wholly or partly, for his support.

Clause 4 of the bill provides that insurance money, and benefits payable by a friendly society or trade union, should be left out of account when damages are assessed, so that dependants will receive the full amount of damages as if there had been no such payments. This means that a man's beneficiaries will benefit from his prudence in ensuring his life.

The changes which are proposed by this bill will effect only those persons who die after the date of commencement.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 43(1).

Explanatory Memorandum

This Bill adopts the provisions of the English Fatal Accidents Act 1959.

2. Clause 2 sets out the definitions of terms used in the Bill; these definitions follow the Fatal Accidents Acts 1846 to 1959, with the addition of the definition of “wife” which is taken verbatim from the existing Ordinance. By virtue of this clause the class of dependants who can claim is widened to include a brother, sister, uncle, aunt or cousin, whether the relationship is by blood or by marriage. Also, an illegitimate child is treated as the legitimate child of his mother and reputed father.

3. Clause 4 adds a new section dealing with the assessment of damages. It is based on section 2 of the 1959 Act, and ensures that insurance moneys and other benefits accruing on the death of a person will not operate to as to reduce the amount of damages awarded in an action under the Ordinance.

4. Clause 5 and 6 make consequential amendments to the Tortfeasors Ordinance (Cap. 28) and the Law Reform (Miscellaneous Provisions) Ordinance (Cap. 271).

5. By clause 7, the Ordinance will apply only to actions in respect of deaths occurring after its commencement.

ESTATE DUTY (AMENDMENT) BILL 1970**Resumption of debate on second reading (11th February 1970)**

Question again proposed.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 43(1).

FIXED PENALTY (TRAFFIC CONTRAVENTIONS)**BILL 1970****Resumption of debate on second reading (11th February 1970)**

Question again proposed.

Fixed Penalty (Traffic Contraventions) Bill—resumption of debate on second reading (11.2.70)

MR SZETO WAI: —Sir, this bill will be welcomed by the public, motorists and non-motorists alike, because its main object is to treat a minor traffic contravention not as a criminal offence but as an act of civil trespass liable only to a debt due to Government. To motorists it is welcome because minor traffic infringements, which do not in themselves offend the moral law, will be removed from the ambit of the criminal law quite apart from the fact that the simplified procedures will save considerable time and inconvenience for both motorists and the law enforcing authorities. What motorists want is the speedy handling of such cases, with inconvenience reduced to the minimum. The general public will also benefit from the simplified procedures which will result in the saving of public money. When the Chief Justice's Working Party to advise on the matter was appointed early in 1965, the number of summonses issued in connexion with these minor traffic contraventions was about 7,000 a month, 25% of which related to parking meters. This number has increased to a monthly average of 12,500 last year with 73% attributed to parking offences. The aggregate number of parking and obstruction offences last year was over 150,000. The size of the problem will continue to grow with the rapid increase of vehicles on our roads.

The Working Party's Report was introduced to the public over two years ago and appeared to have been favourably received. There had been, of course, unfavourable comments on the uniform penalty recommended which was in excess of the fines of \$15.00 - \$25.00 generally imposed by the Courts on such contraventions.

The system had been given the support of the Transport Advisory Committee which had considered in detail the Working Party's recommendations. The principal objection to the system was the fixing of a uniform penalty regardless of the gravity of the contravention and of the frequency of contraventions by a particular vehicle. This point was thoroughly discussed by the TAC, which in spite of the various proposals including one of sliding scale of penalties according to the frequency of the contraventions and another providing for forenoon and afternoon offences, supported the scheme for reasons of simplicity and practicability. The Committee also supported the higher penalty recommended as a deterrent since experience had shown that the authorities have been unable to secure the motorists' cooperation with the fines now meted out by the Courts.

However, in supporting the system, the TAC wished to bring to the attention of Government the hardship of the large number of motorists who are finding it increasingly difficult to secure a legal parking space and who are often forced to become little criminals

through no fault of their own. The number of private cars in Hong Kong has now grown to beyond 82,000 and this number is increasing annually at the rate of 16% compound while the total number of parking spaces available, both private and public, falls well short of this number. With the increasing affluence of the people and their inevitable desire for private mobility, parking will become more acute especially in the crowded urban areas of residential and commercial mixed development. The TAC therefore felt that Government should adopt a more positive policy in respect of the provision of off-street parking facilities along side with the enactment of the scheme of fixed penalty since repressive measures taken alone would not solve the parking problem.

Sir, with these remarks. I support the motion.

MR K. A. WATSON: —Sir, I support my honourable colleague in his general remarks on this bill and, in addition, there are two clauses which cause me some disquiet.

The first is comparatively minor. Clause 10 insists on coins being inserted where one parks even if there is time unexpired on the meter. Many of the meters we use in Hong Kong are non-cumulative so that even if you put in your 10 cents for 12 minutes, and 15 minutes already remain unexpired on the meter, there is no evidence whatever that you have paid. Now it is going to take a person of very high moral principles, who only wants to park for a short time, to put in a coin where the meter already shows 15 minutes still to run. At the same time it is going to be tremendously difficult for anyone to prove that no coin was actually put in the meter. To do so, I think, would require hoards of policemen with binoculars trying to see whether there is a coin in one's hand when one pretends to insert it in the meter.

This part of the law is, and obviously will continue to be, widely ignored and a law which is generally flouted is an unsatisfactory one.

I would like to ask that consideration be given to a change in the law which would allow parkers to make use of any tag-ends of unexpired time remaining on the meters. The loss to the Treasury would be insignificant because people don't pay now.

The other clause is clause 24 which reads "Where a registered owner has paid a sum adjudged to be paid, such sum shall be a debt due to the registered owner from the person who was driving or in charge of the motor vehicle at the time the contravention was committed".

In the interpretation clause 2 the "sum adjudged to be paid means any sum ordered by a magistrate to be paid in any proceedings and any

[MR WATSON] **Fixed Penalty (Traffic Contraventions) Bill—resumption of debate on second reading (11.2.70)**

costs awarded against the defendant under section 22". I take this to mean that this does not therefore indicate the \$30 paid on demand, when no court proceedings are involved.

If the owner of the car pays the \$30 and then tries to claim it from the person in charge of the car when the contravention was committed and the latter refuses to pay, the innocent owner cannot claim this as a debt due under clause 24 and his claim is lost. Even if the owner refuses to pay the \$30 and goes to court, he may be faced with another court appearance when he tries to recover the debt.

May I suggest that either clause 24 be altered to allow the owner who has paid the \$30 to collect it as a debt due from the actual driver or that, if there is a dispute, the owner can when appearing before a magistrate bring the actual driver to court, and have the whole thing sorted out in one go, so that the court can then direct the actual driver to pay the sum specified by the magistrate and any costs awarded under clause 22.

THE ATTORNEY GENERAL: —I am grateful to honourable Members for their general support of this bill. Clause 10 of the bill, might perhaps be described as being based on the theory, which I am tempted to call the principle, of equal misery for all. That is to say that, if anyone has to pay for a metered parking space, every one ought to be obliged to pay and that a citizen should not be able to get a free meter space merely because the man who just moved his car out of it has left a certain amount of unexpired time. I could also foresee that, if the new comer was not obliged to put another coin into the meter, a new brokerage system will before long be established in Hong Kong.

With regard to clause 24, the honourable Member has, I think, pointed out a genuine weakness in it if the registered owner does pay the penalty before ordered to do so by a court, the terms of clause 24 at the moment are such that he will not be able to recover it from the person who has improperly used the vehicle, and, if the honourable Member were disposed to move an amendment to put that right at the committee stage, I would be pleased to support it.

There is also the wider question of the way in which the registered owner should recover a penalty and costs from the person who was really responsible for these having to be paid. At the moment under the bill he would have to have recourse to ordinary proceedings in a

District Court, that is to say, separate proceedings which might of course be quite expensive. Between now and the committee stage, we will see whether some form of third party procedure can be devised so that the registered owner could insist on the person responsible being joined with him in the proceedings and on the order being made against that person as well as the registered owner. But this may not be easy to do because clearly we do not want to make the procedure too complicated. However we will certainly examine the possibility of making a such provision.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 43(1).

SEDITON (AMENDMENT) BILL 1970

Resumption of debate on second reading (11th February 1970)

Question again proposed.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 43(1).

PUBLIC ORDER (AMENDMENT) BILL 1970

Resumption of debate on second reading (11th February 1970)

Question again proposed.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order No 43(1).

Committee stage**THEFT BILL 1970**

HIS EXCELLENCY THE PRESIDENT: —With the concurrence of honourable Members, we will take the clauses in blocks of not more than ten. The question is that the following clauses stand part of the bill.

Clauses 1 to 4 were agreed to.

Clause 5.

THE ATTORNEY GENERAL (MR ROBERTS): —Sir, I move that the definition of tenancy in subclause (3) of clause 5 be amended by deleting the words “the Landlord and Tenant Ordinance, the Tenancy (Prolonged Duration) Ordinance or the Tenancy (Notice of Termination) Ordinance” and substituting the words “any Ordinance”. This amendment follows from the enactment last month of the Security of Tenure (Domestic Premises) Ordinance 1970. At present clause 5(3) refers by name to three other Ordinances which enable a tenant to remain in possession after the end of his tenancy. In order to avoid referring to a fourth Ordinance, that is to say the recent one, and in view of the possibility of further legislation on the subject, the proposed amendment seeks to delete the existing references to individual Ordinances and to substitute a general reference to any Ordinance.

*Proposed Amendment**Clause*

5 That the definition of "tenancy" in subclause (3) be amended by deleting "the Landlord and Tenant Ordinance, the Tenancy (Prolonged Donating) Ordinance or the Tenancy (Notice of Termination) Ordinance" and substituting the following—

"any Ordinance".

The amendment was agreed to.

Clause 5, as amended, was agreed to.

Clauses 6 to 20 were agreed to.

Clause 21.

THE ATTORNEY GENERAL (MR ROBERTS): —Sir, I move that clause 21 be amended in subclause (1) by inserting after the word "affairs" the words ", or with intent to induce persons to become members or creditors thereof by deceiving them about its affairs". Clause 21

penalizes false statements by company directors it replaces section 37 of the Larceny Ordinance. It is narrower than that section in that it deals only at present with statements which are intended to deceive existing members or creditors and not with statements which are intended to deceive prospective members or creditors. The present clause 21 follows the wording of section 19 of the English Theft Act 1968. When this clause was debated in the House of Lords, it was argued that the point was covered by clause 17, which deals with obtaining property by deception. However, some speakers expressed the opinion during that debate that the new section left a serious gap. This did not much matter in England, because a false statement to induce other persons to subscribe for shares is also an offence under the Prevention of Fraud Investments Act 1958, but in Hong Kong there is at present no similar offence. It is therefore felt that it would be wise to make sure that there would be no such gap in our law and the amendment which I have proposed in clause 21 will widen the scope of that cause so as to cover false statements or accounts which are issued by officers of companies with intent to induce persons to become members or creditors.

Proposed Amendment

Clause

21 That subclause (1) be amended by inserting after "affairs" the following—

", or with intent to induce persons to become members or creditors thereof by deceiving them about its affairs".

The amendment was agreed to.

Clause 21, as amended, was agreed to.

Clauses 22 to 36 and the First and Second Schedules were agreed to.

**IMPORTATION AND EXPORTATION (AMENDMENT)
BILL 1970**

Clause 1 was agreed to.

Clause 2.

MR T. D. SORBY: —Sir, I move that clause 2 be amended as set forth in the paper before honourable Members. The amendment is suggested to make clear that the Director may not only waive payments of penalty but refund payments that may have been made.

Importation and Exportation (Amendment) Bill—committee stage*Proposed Amendment**Clause*

- 2 That the new paragraph (g) contained in sub-paragraph (iii) of paragraph (a) be amended by inserting, after the words "under paragraph (f)", the following—

"and to refund any such pecuniary penalty which has been paid".

The amendment was agreed to.

Clause 2, as amended, was agreed to.

EMPLOYMENT (AMENDMENT) (NO 2) BILL 1970

Clause 1 was agreed to.

Clause 2.

MR R. M. HETHERINGTON: —Sir, I move that clause 2 be amended as set forth in the paper before honourable Members.

Although this bill in draft form has been under consideration and examination by various persons and organizations over the past five months, I have received, since the last sitting of this Council, urgent and last-minute representations that the definition of "rest day" in respect of shift workers would cause serious operational difficulties in some undertakings, particularly in the transport industry.

The purpose of a rest day, as I see it, is to give an employee a complete break from normal work and an opportunity for relaxation and recuperation. For those who work in offices, shops, restaurants, and similar places, a day's holiday normally extends from the evening of one day to the morning of the next-but-one day and may amount to as much as 40 hours rather than a bare minimum of 24 hours. A similar situation exists for many factory workers who do not work on shifts. On the other hand, a scheme for rotating shifts can be operated in such a way as to retain a shift a day for a considerable period with only breaks of 24 hours at intervals. For this reason it was considered desirable, for those employees engaged in such a system of shift working, to provide for 30 hours as the minimum duration of a break for the purpose of constituting a reasonable rest day.

Cases have been brought to my notice of schemes in which shift workers are normally given rest days varying between 27 hours and 30 minutes and 29 hours and 44 minutes. I was not previously aware that it would be difficult to change these schemes in order to comply strictly with the provisions of the bill. I personally consider that the provisions of this bill should be as simple and clear as possible so that they are easily understandable and effectively enforceable. Consequently, I now recommend that, in the situation which has now been revealed, the definition of a rest day should be amended as proposed.

I have some doubts about whether or not breaks of less than 30 hours can be considered adequate as rest days for the purpose of relaxation and recuperation. I hope that managements will eventually arrange shift systems so that no breaks for rest are less than 30 hours for shift workers. I further hope that no managements will rely on the amended definition to retain breaks of a bare 24 hours' duration because these are really only prolonged intervals between daily shifts and not proper rest days. I shall keep such cases under review. It may be eventually necessary, in the light of experience in administering the provisions of the bill, to re-consider the definition of a rest day.

Proposed Amendment

Clause

- 2 That the definition of "rest day" be deleted and the following new definition substituted therefor—

“ “rest day" means a continuous period of not less than twenty-four hours during which an employee is entitled to abstain from working for his employer;”.

The amendment was agreed to.

Clause 2, as amended, was agreed to.

Clause 3.

MR HETHERINGTON: —Sir, I move that clause 3 be amended as set forth in the paper before honourable Members.

The effect of the amendment of subsection (5) of new section 11F would be to permit an employer and an employee mutually to agree on the substitution of another rest day for an appointed rest day at any time during the same calendar month. In addition, the right, previously allowed, to substitute, by mutual consent, another rest day within a period of thirty days next following the appointed rest day

[MR HETHERINGTON] **Employment (Amendment) (No 2) Bill—committee stage**

is retained. The amendment goes as far as it is practicable to meet the suggestion by my honourable Friend, Dr CHUNG, that the bill should permit the advancement as well as the deferment of an appointed rest day if both employer and employee are agreeable and fulfills the undertaking which I gave to propose an amendment to this effect during the debate on the second reading.

Proposed Amendment

Clause

- 3 That subsection (5) of new section 11F be deleted and the following new subsection substituted therefor—

"(5) An employer may, with the consent of his employee, substitute for any rest day appointed under this section some other rest day—

- (a) within the same month and before the rest day so appointed; or
- (b) within the period of thirty days next following the rest day so appointed."

The amendment was agreed to.

Clause 3, as amended, was agreed to.

Clause 4 was agreed to.

COMPANIES (AMENDMENT) BILL 1970

Clauses 1 to 3 were agreed to.

LANDLORD AND TENANT (AMENDMENT) BILL 1970

Clauses 1 to 4 were agreed to.

Council then resumed.

Third reading

THE ATTORNEY GENERAL (MR ROBERTS) reported that the Theft Bill 1970 had passed through committee with certain amendments and moved the third reading of the bill.

Question put and agreed to.

Bill read the third time and passed.

MR SORBY reported that the Importation and Exportation (Amendment) Bill 1970 had passed through committee with one amendment and moved the third reading of the bill.

Question put and agreed to.

Bill read the third time and passed.

MR HETHERINGTON reported that the Employment (Amendment) (No 2) Bill 1970 had passed through committee with two amendments and moved the third reading of the bill.

Question put and agreed to.

Bill read the third time and passed.

THE FINANCIAL SECRETARY (SIR JOHN COWPERTHWAIT) reported that the Companies (Amendment) Bill 1970 had passed through committee without amendment and moved the third reading of the bill.

Question put and agreed to.

Bill read the third time and passed.

THE ATTORNEY GENERAL (MR ROBERTS) reported that the Landlord and Tenant (Amendment) Bill 1970 had passed through committee without amendment and moved the third reading of the bill.

Question put and agreed to.

Bill read the third time and passed.

ADJOURNMENT

Council adjourned *pursuant to Standing Order No 8(5)*.

4.21 p.m.

NEXT SITTING

HIS EXCELLENCY THE PRESIDENT: —Council will accordingly adjourn. The next sitting will be held on 11th March 1970.

Adjourned accordingly at twenty-two minutes past Four o'clock.