

**OFFICIAL REPORT OF PROCEEDINGS****Wednesday, 5th February 1975****The Council met at half past two o'clock****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)  
SIR CRAWFORD MURRAY MACLEHOSE, KCMG, MBE  
THE HONOURABLE THE COLONIAL SECRETARY  
MR DENYS TUDOR EMIL ROBERTS, CBE, QC, JP  
THE HONOURABLE THE FINANCIAL SECRETARY  
MR CHARLES PHILIP HADDON-CAVE, CMG, JP  
THE HONOURABLE THE ATTORNEY GENERAL  
MR JOHN WILLIAM DIXON HOBLEY, QC, JP  
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS  
MR DENIS CAMPBELL BRAY, JP  
THE HONOURABLE JAMES JEAVONS ROBSON, CBE, JP  
SECRETARY FOR THE ENVIRONMENT  
DR THE HONOURABLE GERALD HUGH CHOA, CBE, JP  
DIRECTOR OF MEDICAL AND HEALTH SERVICES  
THE HONOURABLE IAN MACDONALD LIGHTBODY, CMG, JP  
SECRETARY FOR HOUSING  
THE HONOURABLE DAVID HAROLD JORDAN, MBE, JP  
DIRECTOR OF COMMERCE AND INDUSTRY  
THE HONOURABLE LI FOOK-KOW, CMG, JP  
SECRETARY FOR SOCIAL SERVICES  
THE HONOURABLE DAVID AKERS-JONES, JP  
SECRETARY FOR THE NEW TERRITORIES  
THE HONOURABLE LEWIS MERVYN DAVIES, CMG, OBE, JP  
SECRETARY FOR SECURITY  
THE HONOURABLE DAVID WYLIE MCDONALD, JP  
DIRECTOR OF PUBLIC WORKS  
THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, JP  
DIRECTOR OF EDUCATION  
THE HONOURABLE IAN ROBERT PRICE, TD, JP  
COMMISSIONER FOR LABOUR  
DR THE HONOURABLE CHUNG SZE-YUEN, CBE, JP  
THE HONOURABLE WILSON WANG TZE-SAM, OBE, JP  
THE HONOURABLE LEE QUO-WEI, OBE, JP  
THE HONOURABLE OSWALD VICTOR CHEUNG, OBE, QC, JP  
THE HONOURABLE ROGERIO HYNDMAN LOBO, OBE, JP  
THE HONOURABLE MRS CATHERINE JOYCE SYMONS, OBE, JP  
THE HONOURABLE PETER GORDON WILLIAMS, OBE, JP  
THE HONOURABLE JAMES WU MAN-HON, OBE, JP  
THE HONOURABLE LI FOOK-WO, OBE, JP  
THE HONOURABLE JOHN HENRY BREMRIDGE, JP  
DR THE HONOURABLE HARRY FANG SIN-YANG, OBE, JP  
THE HONOURABLE MRS KWAN KO SIU-WAH, MBE, JP

THE HONOURABLE LO TAK-SHING, JP  
 THE HONOURABLE FRANCIS YUAN-HAO TIEN, OBE, JP  
 THE HONOURABLE ALEX WU SHU-CHIH, OBE, JP

### IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL  
 MR KENNETH HARRY WHEELER

---

### Papers

The following papers were laid pursuant to Standing Order 14(2): —

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation:	
Public Revenue Protection Ordinance.	
Public Revenue Protection Order 1975 .....	19
Summary Offences Ordinance.	
Summary Offences Ordinance (Exemption from section 13) (No 2) Order 1975 .....	20
Summary Offences Ordinance.	
Summary Offences Ordinance (Exemption from section 13) (No 3) Order 1975 .....	21
Nurses Registration Ordinance.	
Enrolled Nurses (Enrolment and Disciplinary Procedure) (Amendment) Regulations 1975 .....	22
Merchant Shipping Ordinance.	
Merchant Shipping (Typhoon Shelters) (Amendment) Regulations 1975 .....	23
Merchant Shipping (Safety Convention) Act 1949.	
Exemption of Passenger Carrying Hydrofoil Ships .....	29
Emergency (Requisition) Regulations.	
Appointment of Competent Authority .....	30
Matrimonial Causes Ordinance.	
The Matrimonial Causes (Amendment) Rules 1975 .....	31

<i>Subject</i>	<i>LN No</i>
Marriage Reform Ordinance.	
Designation of Public Officers Notice 1975.....	32
Public Health and Urban Services Ordinance.	
Abattoirs (Amendment) By-laws 1975 ... ..	33
Public Health and Urban Services Ordinance.	
Undertakers of Burials By-laws 1974—Corrigendum.....	34
Rating (Amendment) Ordinance 1975.	
Rating (Amendment) Ordinance 1975 (Commencement)	
Notice 1975.....	35
Sessional Papers 1974-75:	
No 29—Schedule of Supplementary Provisions approved by the Urban Council during the third quarter of 1974-75 (published on 5.2.75).	
No 30—Supplementary Provisions for the quarter ended 30th September 1974 (published on 5.2.75).	
No 31—Statement of Accounts of the Grantham Scholarships Fund for the year ended 31st August 1974 (published on 5.2.75).	
No 32—Hong Kong Polytechnic Annual Report 1973-74 (published on 5.2.75).	
No 33—Balance Sheet and Income and Expenditure Account of the Hong Kong Polytechnic for the year ended 31st July 1974 (published on 5.2.75).	

### **Oral answers to questions**

#### **Commission of Inquiry on Certificated Masters**

1. MR. F. W. LI asked: —

Sir, when will Government publish the report of the Special Commission of Inquiry which was appointed in 1973 on the Certificated Masters' dispute?

### Oral answers

THE COLONIAL SECRETARY: —No decision has yet been taken as to whether or not this report should be published.

MR F. W. LI: —Sir, as the Commission's report has been submitted to Government for some considerable time, will my honourable Friend inform this Council why Government has not taken a decision and why it has taken so long?

THE COLONIAL SECRETARY: —This is, of course, a report which deals with a number of very difficult problems. During the great majority of last year our energies were concentrated upon the preparation of the White Paper on Education. I think we also have to bear in mind the fact that there was a change of Director last year, and it was reasonable that the new incumbent should have an opportunity to familiarize himself with all aspects of educational policy and problems before we ask him to turn his attention to this very difficult problem.

### Telephone Company

2. MR LO asked: —

In view of the financial uncertainties surrounding the Telephone Company disclosed by the Company's application last August for increased charges will the Government please inform Council what, if any, the considerations were for not suspending the shares from being traded to prevent any possibility of those more knowledgeable in its affairs gaining an unfair advantage over those more ignorant?

THE FINANCIAL SECRETARY: —Sir, I am not entirely sure that I understand precisely what my honourable Friend is driving at in this question, but certainly the fact that a public utility company has made an application for increased charges provides no reason, in itself, for suspending trading in its shares.

After the Telephone Company's application was received towards the end of August it was passed to the Advisory Committee on Telephone Services for their consideration and advice and this was, furthermore, a matter of public knowledge. At the same time, a detailed analysis of the Company's financial position was started within

the Government. This entailed asking a great many detailed questions of the Company and examining with them such factors as forward projections of demand, estimates of elasticity of demand at various levels of charges, the state of contracts with the Company's equipment suppliers and so on, so forth. This information was then analysed and passed on to the Advisory Committee and its Finance Sub-Committee.

All this, I should add, Sir, is part of the normal process of vetting by the Government and any associated advisory body of any application for an increase in public utility charges and it in no way justified any suspension of trading in the shares of the Company.

Indeed, and in fact, during this period and up to the present time, there was no sign of any improper trading in Telephone Company shares. These shares are very widely held; but, in any case, nothing had happened until very recently to make any insider trading worthwhile by those more knowledgeable in the Company's affairs. And again, in fact, until very recently, the Company was still planning to make dividend payments totalling some \$48 million in 1975.

It was only when the Government decided, as part of the package of interim measures I announced in this Council a fortnight ago, to ask the Company's Board to recommend to shareholders that no dividend payments should be made in 1975 that the question of a possible effect on the share price arose. But, this information was only put to the Chairman of the Company, as a matter of courtesy, late on the morning the announcement was made in this Council. Effectively, therefore, the general body of shareholders were aware of the position at virtually the same time as the Company when I made my announcement. Subsequently the next day the share price fell, as might well have been expected; and there has again been no indication of any improper trading in these shares.

I should add perhaps, Sir, that the suspension of dealings in the shares of any company puts the shareholders at a serious disadvantage because they are locked in and cannot realize their money. For these reasons, suspension of trading is a serious matter which should only be invoked in very particular circumstances and as a last resort.

DR CHUNG: —Sir, may I ask my honourable Friend to confirm that all members of the Advisory Committee on Telephone Services and their spouses are not permitted to own any shares of the Hong Kong Telephone Company?

**Oral answers**

THE FINANCIAL SECRETARY: —I can hardly agree, Sir, that that question arises out of the main question, but the answer is "yes".

**Cooked food bazaars in industrial estates**

3. MR ALEX WU asked: —

Sir, in order to assist the workers and in the interests of hygiene would Government state whether it is the intention to provide proper cooked food bazaars in the new industrial estates?

SECRETARY FOR THE ENVIRONMENT: —Sir, it is recognized that the new industrial estates will have to include amenity areas, including places for the workers to get cheap hot meals such as cooked food bazaars. The planning and costings of the projects have therefore taken into account the provision of such amenity areas but their detailed planning has not been carried to the point where I could say just what type of catering will, in fact, be provided in them.

**Government assistance to industry**

4. MR JAMES WU asked: —

Sir, what measures are Government taking to assist industry and to avoid bankruptcies due to cash flow problems?

THE FINANCIAL SECRETARY: —Sir, the help which the Government gives to industry is mainly the provision of a proper working environment, with a low standard rate of direct taxation applicable solely to income derived within Hong Kong itself, freedom from controls and interference, and freedom from import or export duties. Assistance and encouragement is also provided in certain specific areas through the Commerce and Industry Department and various statutory agencies and subvented bodies.

Cash flow problems elsewhere have arisen largely as a result of inflation, and of tax systems which bear heavily on profits reflecting stock appreciation as well as from price controls. In Hong Kong we have been free from internally generated inflation; and although we have to live with imported inflation, the prices of raw materials from

abroad, other than oil, have fallen sharply over the last six months or so. As regards stock appreciation, our low standard rate of profits tax will have made the problem less acute than elsewhere and our move to a current year basis for calculating assessable profits will help manufacturers who are now running off stocks bought at high prices, in that relief will be available sooner than previously if there is a down-turn of profits in excess of 10%.

I know, Sir, that the number of bankruptcies has increased. I am not sure that this is because of cash flow problems. I think other problems have been equally important, such as profitability and the length of order books. Our main export markets are in recession, and there is nothing I can do to put that right.

I do not think that we should have a policy of keeping unprofitable companies afloat, and I believe that any measures of a more general kind to assist industry could well be damaging to our competitive position in the longer term. In any case, assistance involving actual expenditure would, I fear, have budgetary implications which could not be accepted at present. And if, as would inevitably be the case, we found ourselves locked in to a policy of assistance, there would be consequential implications for fiscal policy.

MR TIEN: —Sir, is it a possible measure to get banks lower lending rates for the industry?

THE FINANCIAL SECRETARY: —All I can say, Sir, is that the Government is in close touch with the General Committee of the Exchange Banks Association and through the General Committee, with the Interest Rate Agreement Subcommittee which seeks to regulate interest rates in this market.

### **Government action to stimulate trade**

5. MR JAMES WU asked: —

Sir, what measures are Government taking to seek new markets and stimulate trade?

MR JORDAN: —Sir, the Government is not directly involved in the search for new overseas markets nor in the promotion of Hong Kong's overseas trade. That is the job of the Trade Development Council.

[MR JORDAN] **Oral answers**

As a member of the Council I know that it is keenly aware of the need to seek new markets for our products. This is particularly so when demand in our major markets in North America and Western Europe has slackened and the days of easy export growth are over, at least for the time being. With this in mind, the Council has decided to increase its activities in the coming year in the Middle East, Africa and Eastern Europe.

In 1975-76, just over 30% of the Council's overseas trade promotion budget of \$8.6 million will be spent in these areas, which took only seven and a half *per cent* of Hong Kong's exports in 1974.

The Council will of course also continue its activities in our established markets, operating from its 15 offices in North America, Western Europe, Japan and Australia, and will continue to participate in major trade fairs in these markets and organize business missions to them.

**Working Party on Unregistrable Doctors**

6. DR FANG asked: —

Sir, when will the report of the Working Party on Unregistrable Doctors be published?

SECRETARY FOR SOCIAL SERVICES: —Sir, I have been advised by the Chairman of the Working Party that he hopes to submit a report to you, Sir, in about two months' time. Subject to your Excellency's direction, the report will be published in both English and Chinese as soon as practicable after the report has been received.

**Statement**

**Hong Kong Polytechnic Annual Report 1973-74**

DR CHUNG: —Your Excellency, among the various papers laid on the table of this Council today is the Second Annual Report of the Hong Kong Polytechnic covering the academic year from 1st August 1973 to 31st July 1974.

During the year under review, the Polytechnic has made significant progress in many areas. First, the teaching departments, previously eight in number, were re-structured and expanded into thirteen, thus



facilitating greater specialism in such areas as business studies, civil and structural engineering, electronic engineering, languages, and production and industrial engineering.

Secondly, 13 new full-time courses were introduced as from the academic year 1973-74. Of these, 5 are at professional level leading to Associateship of the Polytechnic which is degree equivalent. These are all engineering courses specializing in electrical, electronic, mechanical, production and structural engineering. The other 8 new courses cover a wide range of disciplines such as computing and statistics, business studies, building and architecture, chemical technology, press tool technology, executive secretarial studies, *etc.*

Thirdly, the student numbers showed a substantial increase in the academic year 1973-74. The full-time day students for diploma courses were 2,141 as compared to 1,583 in 1972-73 (a 35% increase); whereas the full-time day students for short courses showed even greater expansion reaching the figure of 1,810 as compared to 385 in the previous academic year (a 370% increase). For part-time courses, there were 1,217 day-release students and 11,217 evening students against 1,030 and 10,500 respectively a year ago.

The first Director, Mr C. L. OLD, left the Polytechnic in June 1974 on completion of his 3-year contract. A world-wide recruitment exercise was commenced towards the end of the year under review and honourable Members may wish to note that as a result, Dr Keith LEGG, who is the Director of Lanchester Polytechnic in England, has been appointed as the next Director of the Hong Kong Polytechnic. Dr Legg will take up his post in May this year.

### **Government business**

#### **Motions**

#### **TELEPHONE ORDINANCE**

THE FINANCIAL SECRETARY moved the following motion: —

That the Telephone Ordinance be amended with effect from the 1st March 1975 by deleting the Schedule and substituting the following—

**Motions**

## "SCHEDULE

[s. 26.]

## PART I

## EXCHANGE LINE CHARGES

<u>Item</u>	<u>Particulars of Charge</u>	<u>Amount of Charge</u>
1.	For an exchange line used for business purposes—	
	(a) exclusive service	\$528 per annum.
	(b) two party service.	\$396 per annum.
2.	For an exchange line in a <i>bona fide</i> place of residence—	
	(a) exclusive service	\$360 per annum.
	(b) two party service.	\$276 per annum.
3.	Associated charges for items 1 and 2—	
	(a) installation	\$400.
	(b) removal within the same building	\$100.
	(c) removal to a different building.	\$350.
4.	For an exchange line by radiotelephone service to a fixed location—	
	(a) rental	\$5,520 per annum.
	(b) installation and removal.	A charge calculated according to the work necessary as may be agreed between the subscriber and the Company.
5.	For a temporary exchange line to a ship—	
	(1) by landline	
	(a) installation	\$100.
	(b) rental for the period between installation and recovery	\$50 per day but not exceeding \$500 per month.

Item	Particulars of Charge	Amount of Charge
	(2) by harbourphone radio service	
	(a) each visit to a vessel or a mooring buoy	\$30.
	(b) installation	\$40.
	(c) rental for the period between installation and recovery.	\$100 per day but not exceeding \$1,000 per month.

*Note:* An exchange line is a direct line from a subscriber to one of the Company's exchanges.

## PART II

### EXTENSION, LEASED CIRCUIT AND SUBSIDIARY APPARATUS CHARGES

Item	Particulars of Charge	Amount of Charge
1.	For an internal extension or leased circuit within the same curtilage as the main installation—	
	(a) rental	\$108 per annum.
	(b) installation or removal.	\$100.
2.	For an external extension or leased circuit routed between a building and a telephone exchange—	
	(a) rental, per 2 wire circuit presentation	\$408 per annum.
	(b) installation or removal to a different building	\$125.
	(c) removal within the same building.	\$100.
3.	For an external extension or leased circuit between route and exchanges,* per 2 wire circuit presentation—	
	(a) not exceeding one radial mile	\$408 per annum.

\* amended to read "route-end exchanges" by resolution on 26.2.75—see page 462.

**Motions**

Item	Particulars of Charge	Amount of Charge
	(b) for each additional 220 radial yards or part thereof	\$48 per annum.
	(c) for a submarine cable pair.	\$1,008 per annum.
4.	For an external extension or leased circuit by radio link, per 2 wire circuit presentation (subject to prior agreement with the Company).	\$1,008 per annum.
5.	For an external extension or leased circuit automatic relay set in an exchange—	
	(a) rental	\$108 per annum.
	(b) installation.	\$50.
6.	For a switching instrument—	
	(a) with battery eliminator	\$72 per annum.
	(b) with battery.	\$144 per annum.
7.	For an extension bell—	
	(a) small size	\$48 per annum.
	(b) large size	\$60 per annum.
	(c) installation or removal.	\$100.
8.	For a non-standard instrument—	
	(a) coloured	\$24 per annum.
	(b) push button	\$144 per annum
	(c) weatherproof	\$108 per annum
	(d) coin box payphone.	\$408 per annum
9.	For miscellaneous apparatus—	
	(a) bell cut-off switch	\$12 per annum.
	(b) plug and socket	\$12 per annum.
	(c) watch receiver	\$24 per annum.
	(d) lamp signalling handset	\$36 per annum.
	(e) amplifying handset	\$36 per annum.
	(f) long connecting cord.	\$5 per yard.
10.	For a telephone pole, when provided for services other than a permanent exchange line service.	\$250 per pole.

*Note:* In items 6, 8 and 9 an installation fee of \$50 will be charged if no other installation fee is charged for associated work carried out at the same time.

## PART III

## EXCHANGE CONNECTED INTERCOMMUNICATION SYSTEM (E.C.I.S.) CHARGES

Item	Particulars of Charge	Amount of Charge	
		Annual rent	Installation or Removal
1.	For 2 + 5 Keymaster System—		
	(a) Relay set	\$180.	\$100.
	(b) Telephone instrument	\$120.	\$110.
	(c) Long connecting cord.	Nil.	\$30 for 2 yards plus \$5 per extra yard. (See Note.)
2.	For 4 + 10 OKI System—		
	(a) Relay set	\$780.	\$200.
	(b) Telephone instrument	\$144.	\$120.
	(c) Long connecting cord.	Nil.	\$30 for 2 yards plus \$5 per extra yard. (See Note.)
3.	For 4 + 10 NTK System—		
	(a) Relay set	\$600.	\$200.
	(b) Telephone instrument	\$144.	\$120.
	(c) Long connecting cord	Nil.	\$30 for 2 yards plus \$5 per extra yard. (See Note.)
	(d) Exchange line module	\$60.	Nil.
	(e) Public address module	\$60.	Nil. (See Note.)
	(f) Public address loudspeaker.	\$36.	\$50.
4.	For 10 + 30 NTK System—		
	(a) Relay set	\$1,200.	\$250.
	(b) Telephone instrument	\$180.	\$130.
	(c) Long connecting cord	Nil.	\$50 for 2 yards plus \$15 per extra yard. (See Note.)
	(d) Exchange line module	\$60.	Nil.
	(e) Public address module	\$120.	Nil. (See Note.)
	(f) Public address loudspeaker	\$36.	\$50.
	(g) Conference module.	\$36.	Nil. (See Note.)

*Note:* For items 1(c), 2(c), 3(c) and (e) and 4(c), (e) and (g), an installation fee of \$50 will be charged if no other installation fee is charged for associated work carried out at the same time.

**Motions****PART IV**

## PRIVATE BRANCH EXCHANGE AND ASSOCIATED EQUIPMENT CHARGES

Item	Particulars of Charge	Amount of Charge
1.	For a Private Manual Branch Exchange (5 + 20) Switchboard—	
	(a) rental	\$1,200 per annum.
	(b) installation or removal to a different building	\$750.
	(c) removal within the same building of switchboard only	\$250.
	(d) removal within the same building of associated apparatus.	\$300.
2.	For a Private Manual Branch Exchange (10 + 30) Switchboard—	
	(a) rental	\$1,920 per annum.
	(b) installation or removal to a different building	\$1,000.
	(c) removal within the same building of switchboard only	\$300.
	(d) removal within the same building of associated apparatus.	\$400.
3.	For a Private Manual Branch Exchange (10 + 50) Switchboard—	
	(a) rental	\$2,880 per annum.
	(b) installation or removal to a different building	\$1,200.
	(c) removal within the same building of switchboard only	\$350.
	(d) removal within the same building of associated apparatus.	\$450.
4.	For a Private Manual Branch Exchange (any other capacity)	
	Switchboard—	
	(a) rental for capacity of 12 indicators or less	\$600 per annum.
	(b) rental for each additional indicator	\$400* per annum.
	(c) installation or removal to a different building	(See Note.)
	(d) removal within the same building.	(See Note.)

---

\* amended to 848 by resolution on 26.2.75—see page 462.

Item	Particulars of Charge	Amount of Charge
5.	For a Power Supply circuit—	
	(a) using eliminator	\$60 per annum.
	(b) from public exchange (subject to prior agreement with the Company)	\$504 per annum.
	(c) standby equipment.	A charge calculated according to the work necessary as may be agreed between the subscriber and the Company.
6.	For a Ringing Supply circuit—	
	(a) using eliminator	\$60 per annum.
	(b) from public exchange (subject to prior agreement with the Company).	\$504 per annum.
7.	For each additional operator's handset or headset.	\$36 per annum.
8.	For a Private Automatic Branch Exchange owned by a subscriber—	
	(a) installation and removals	A charge calculated according to the work necessary as may be agreed between the subscriber and the Company.
	(b) maintenance per installed internal extension	\$96 per annum.
	(c) maintenance per installed external extension.	\$120 per annum.

\**Note:* In items 4(c) and (d) a charge will be calculated according to the amount of work necessary as may be agreed between the subscriber and the Company and shall not be less than \$500 per annum in item 4(c) or \$200 per annum in item 4(d).

\* *wording of this note amended by resolution on 26.2.75—see page 462.*

## PART V

### MISCELLANEOUS CHARGES

Item	Particulars of Charge	Amount of Charge
1.	For changing a telephone instrument at request of subscriber	\$50.

## Motions

Item	Particulars of Charge	Amount of Charge
2.	For changing a telephone number at request of subscriber	\$150.
3.	For changed number interception service (first month free of charge), subject to prior agreement with the Company	\$100 per month.
4.	For registration of change of name for an existing subscriber or user	\$60 per line.
5.	For registration of a different subscriber for an existing installation	\$200 per line.
6.	For reconnecting a service disconnected for non-payment of charges	\$60 per line.
7.	Administration charge for work undertaken but subsequently cancelled at request of subscriber	\$50 per request.
8.	For a typhoon warning service (minimum period of 12 months)	\$120 per annum.
9.	For a thunderstorm and heavy rain warning service (minimum period of 12 months)	\$120 per annum.
10.	For an ex-directory unlisted telephone number (minimum period of 12 months)	\$60 per annum.
11.	For each additional entry in small type in either the English or Chinese section of the Telephone Directory	\$100 per entry.
12.	For each additional copy of the Telephone Directory in excess of free allowance	\$15 per volume.
13.	For connexion or disconnexion of privately owned apparatus	\$30 per item.
14.	For connexion device for privately owned apparatus	\$12 per annum.
15.	For maintenance of a concentrator manufactured by the Company, per circuit indicator	\$12 per annum.
16.	For a service at a subscriber's request which is not otherwise provided for in this Schedule	A charge calculated according to the amount of work necessary, as may be agreed between the subscriber and the Company.



## PART VI

## TELEPHONE CALL CHARGES

Item	Particulars of Charge	Amount of Charge
1.	Local call from a public Pay Station	50 cents.
2.	International telephone call	Such charges as are contained in the terms referred to in section 25 of the Ordinance."

He said: —Sir, the first resolution standing in my name on the Order Paper proposes, under section 26(2) of the Telephone Ordinance, increased rentals from 1st March 1975 of 29% for business lines and 28½% for residential lines, together with similar increases for party lines and varying increases to certain other charges (although some decreases are also proposed, largely to establish a more rational system of charges).

In other words, Sir, this resolution seeks to implement one of the necessary interim measures required to maintain telephone services while a Commission of Inquiry examines the affairs of the Telephone Company. As honourable Members are aware, the other three interim measures proposed by the Government are as follows:

first, that the Board of the Company should recommend to shareholders that no dividend payments should be made in 1975 in respect of 1974 and by way of an interim dividend for 1975;

secondly, that the Company should consent to the appointment of a Government director to the Board of the Company;

thirdly, that this Council should waive royalty payable by the Company under section 5 of the Telephone Ordinance in respect of the years 1974 and 1975 amounting in all to about \$12 million.

As honourable Members will be aware, the Board of the Company has announced that it has accepted this package of measures and steps are now being taken to put it into effect. Later this afternoon, for example, I shall be introducing a bill to provide for the waiver of royalty and for the appointment of a Government director to the Board of the Company.

[THE FINANCIAL SECRETARY] **Motions**

As to the Commission of Inquiry, all I can say is that an announcement will be made shortly regarding its membership and its terms of reference.

The four interim measures together form a package which must be considered as a whole. Whatever their cause the Company's difficulties are real and, I think, are generally recognized to exist. It is for this reason that a number of alternative measures have been proposed publicly. But all involve some form of interim or provisional contribution by subscribers to the Company's cash flow. It has also been suggested that any increased contribution, however defined, should be deferred until the Commission of Inquiry has reported. But, Sir, this is just not possible. Even with the increases in rentals and in other charges now proposed on an interim basis, together with the foregoing of dividends and the waiver of royalty, the Company is expected to face a cash shortfall in 1975 of almost \$90 million, which will have to be met by the Company's bankers; and the Company's debt liabilities are already very substantial indeed. Simply to require shareholders to forego dividend payments and for this Council to waive royalty payments for two years, would only reduce the cash shortfall in 1975 to \$190 million which, given the debt burden already assumed by the Company, would be beyond the limits of banking prudence to finance, particularly having regard to the Company's overall debt liabilities. So an increase in charges now, albeit of an interim nature, is unavoidable.

In saying this, Sir, I must stress that there are a number of interested parties involved in this whole affair all of whom have to make some contribution to the interim measures necessary to keep the telephone service operating in Hong Kong until a definitive, longer term, solution has been devised by the Commission of Inquiry. I refer to the Company, to the shareholders, to the Company's bankers, to the Advisory Committee on Telephone Services, to the Government and the Company's subscribers, both existing and new. And I should perhaps add to this list, the public as a whole, as distinct from the subscribers. I say this, Sir, because I really do think the public must try to understand that, in an admittedly unpalatable situation, the Government is doing its best to ensure the continuance of an essential public service for the community and, in doing so, to be fair to all concerned.

DR CHUNG: —Your Excellency, this issue of increasing telephone charges probably is one of the most controversial topics in recent years

and has attracted the attention of all walks of people in Hong Kong. There are a number of reasons for this. First, almost 25% of the population are telephone subscribers and practically everyone is a telephone user. Secondly, the Company was given an increase of nearly 20% in telephone rentals only a year ago. Thirdly, Hong Kong is at present in a period of economic difficulties and the increases may cause hardship to some people. Fourthly and probably most important, the increase originally requested by the Company was as much as 70%, which would mean a doubling of telephone rentals within a period of 12 months.

Sir, people do recognize that the whole free world has in 1973 and early 1974 been suffering from rapid inflation but they cannot accept that the consequential effect on telephone rental would be as high as 100%. The rate of inflation in Hong Kong, as reflected by the General Consumer Price Index, was about 18% in 1973 and about 14% in 1974, or a total of approximately 35% over the two-year period. With regard to the cost of telephone equipment, a person engaged in telephone communication business in his public lecture last week gave an inflation rate of 10% per annum although in actual fact the inflation rate in the last two years has been much more than this. On the other hand, many people in Hong Kong are facing the increasing economic difficulty of reduction in wages, under-employment and unemployment. Under these circumstances, it is really not surprising to see the general public raising strong objection against such huge increases or even any increase at all in telephone rentals.

One of my friends did some research on the published annual reports and accounts of the Hong Kong Telephone Company for the past ten years and showed me his very interesting results which are reproduced on a paper laid before honourable Members.

Year	Net profit after tax & royalty	Shareholders Funds at year end	Return on av. Shareholders Funds	Borrowings at year end	Interest paid	Capital Employed at year end	Return plus interest paid on av. capital employed
	(\$ Million)	(\$ Million)	(%)	(\$ Million)	(\$ Million)	(\$ Million)	(%)
1964	16.9	162.7	10.6	25.6	1.5	240.1	8.8
1965	20.5	204.7	11.1	30.9	2.7	249.9	9.5
1966	25.1	214.0	12.0	102.4	1.3	330.4	9.1
1967	25.3	223.5	11.6	182.1	4.7	419.8	8.0
1968	29.2	236.1	12.7	198.5	7.8	465.9	8.4
1969	41.6	302.3	15.5	144.7	5.5	484.8	9.9
1970	53.0	329.2	16.8	190.5	5.2	556.6	11.2
1971	67.4	463.0	17.0	145.7	2.1	655.6	11.5
1972	71.0	498.3	14.8	256.9	2.6	803.0	10.1
1973	69.5	528.4	13.5	432.1	12.1	1021.7	8.9

**[DR CHUNG] Motions**

My friend pointed out to me that the Company has been doing well through the past ten years during which the Company made an annual return on shareholders' funds of an average of about 13.6%. For a public utility, one must admit that this average rate of return is good. He, therefore, queried that since the Company was in such a profitable situation in 1973 and had a 17-19% increase in telephone rentals as from February 1974, how could the Company declare publicly in August 1974 (which was only six months after the increase) that the Company would not be financially viable unless a further 70% increase in telephone rentals is granted. This is what a layman would look at in considering the Company's request for rental increases and he would argue that the Company has no case at all. I therefore have much sympathy with the resentful feeling towards the Company on the part of the public at large in general and the telephone subscribers in particular.

What then are the true reasons for Government proposing a 30% rise on telephone rentals? My honourable Friend, the Financial Secretary, has already given the answer in a nut shell in his speech in this Council two weeks ago and I quote "the Company is facing a chronic cash shortfall due to the large capital expansion programme it has embarked upon in recent years and much increased interest costs on past borrowings, together with a considerable slowing down in 1974 in the demand for new telephones", unquote. Among these three reasons, the most important one in my opinion is "the much increased interest costs on past borrowings", which I would like to elaborate on for the benefit of the general public.

If honourable Members refer to the published annual reports and accounts of the Company as well as the paper on the table, it will be seen that between 1969 and 1972 interest costs on borrowings around \$150 to \$250 million were fluctuating between \$2 to \$5 million per year. Suddenly, in the year 1973, the interest costs incurred by the Company rose to \$12 million and borrowings as at the end of 1973 increased to nearly \$450 million. With interest rates rising rapidly during 1974 to 10% to 12% per annum, these past borrowings alone cost the Company a cash drain of about \$45 to \$55 million and this substantially reduced the Company's profit. As a result, it will create difficulties of cash flow and in turn the Company will require more borrowings which again will further aggravate both the profitability and cash-flow situation. This has a spiral effect and unless some interest free or very low interest funds are made available to the Company,

it will soon become insolvent, that is to say unable to meet its debts as they become due. If this is allowed to happen the Company would be liable to winding-up; and I trust that honourable Members will agree that this grim result must be avoided.

Now, Sir, what are the possible sources of such interest free or very low interest funds? Naturally, under normal conditions, this extra financing would be the responsibility of the shareholders. Let us make no mistake about it. However, in the light of the present position of the Company and of the stock market, it simply cannot attract new capital investment from shareholders. We were informed that unless the Company's revenues were bolstered from some other sources the banks would not regard the Company as being creditworthy and so would not provide more loans to the Company even at current market rates of interest, let alone interest free loans. Of course, some people might say that the Government should subsidize or even nationalize the Company. Nevertheless, one can hardly see the logic of using public funds to subsidize public utilities of this nature. On the aspect of nationalization, it does not, with respect, necessarily mean a more efficient and economical operation. In many instances, the result is the reverse. One might also ask why couldn't the Government give an interest free loan to the Company? I am sure honourable Members will agree with me that in our present tight financial situation, we would not wish to see further cut backs in our social services, such as education, housing, medical service and social welfare. If such a loan were provided out of our reserves we would lose the interest which that amount is now earning and we cannot afford to lose such revenue in these times.

If an efficient telephone service is to be maintained in Hong Kong, Sir, it is patent that there is no alternative but that the subscribers in their own interests should help solve this urgent and serious issue. There are many possible ways in which the subscribers can assist the Company and in turn keep the telephone services going. Some say the subscribers' assistance should be in the form of a loan; others suggest in the form of a deposit; and some others talk about the possibility of issuing preferred stocks or redeemable shares to subscribers. These are very good suggestions and I recommend that they should be given the most careful and thorough consideration by the Commission of Inquiry. On the other hand, the whole operation of the Company is a very complicated one, and the Advisory Committee on Telephone Services even with the expertise at its disposal in telephone communication technology, in cost accounting, in financing, in management, and even after three months' inquiry, study and deliberation could not get all

**[DR CHUNG] Motions**

the answers it wanted to its questions despite the co-operation of the Telephone Company.

Unofficial Members have had very little time to consider this matter. In my capacity as a member of the Advisory Committee on Telephone Services I have had the advantage of closely studying the financial position of the Company for the past month, and though I admit that my knowledge of its affairs is still incomplete, I can assure honourable Members and the public that some positive action must be taken as soon as possible as the Company is very short of cash and its financing costs are mounting. At the same time such action as is taken should be of an interim and provisional nature and subject to review in the light of the findings of the Commission of Inquiry whose task it will be to make recommendations for a substantive solution which will be fair to all parties concerned. I would add that the positive action must take the form of providing the Company in the interim with more cash. As mentioned by the honourable Financial Secretary, the Company in order to overcome its cash shortfall in 1975 will need an additional sum of about \$100 million apart from the waiving of royalty payment for that year of \$6 million, the foregoing of dividend payment of \$48 million, and the new loan from the Company's bankers amounting to \$90 million. It is on this ground that all the Unofficial Members who will vote on this motion agree to accept the package proposal made by the honourable Financial Secretary as a fire brigade operation but with two important qualifications.

First, pending the findings and recommendations of the Commission of Inquiry and the final decision of this Council, the 30% increase in rental charges should not be regarded as general revenue of the Company but should be treated as a separate identifiable account. Should there eventually be no need to increase rentals by as high as 30%, or should it be decided that part of the rental increases should be treated as a loan to the Company or as a deposit with the Company, any excessive charge already paid to the Company would be refunded to the subscribers.

Secondly, no dividend payments should be made by the Company until the Commission of Inquiry has reported.

Sir, Unofficial Members require this resolution to be qualified in the two respects that I have just mentioned, in order to safeguard the interests of telephone subscribers. This is because, first, through no fault of their own and secondly, without receiving any clear and

adequate financial information on the Company, telephone subscribers are now asked to shoulder a large proportion of the financial burden particularly in these difficult times.

If these two conditions are acceptable to the Company and to Government, Sir, all the Unofficial Members who will vote on this motion will support it.

Thank you.

MR CHEUNG: —Sir, the Government and the Advisory Committee on Telephone Services have probed the Company's accounts. I am assured by two impeccable sources, my honourable Friend the Financial Secretary and my honourable Friend Dr S. Y. CHUNG who is a member of that Committee, who both have examined the accounts, that the Company will be short of cash, it is estimated, to the tune of \$250 million this year if four things are not done:

That the Company makes no dividend payout this year;

that the Government waives royalty amounting to \$12 million;

that the Company's bankers lend it more money; and

that there be in the interim, on a provisional and temporary basis, an increase in charges.

I have not, Sir, examined or analysed the Company's accounts in any detail. But when the Financial Secretary and the Senior Unofficial Member assure me, as they do, from their own knowledge, that the Company needs \$250 million cash this year, I am prepared to act and to decide on it. I will put in a safeguard in case they may be a little out, wrong here or there, for with estimates one can never be quite sure until the last dollar is counted; but meanwhile, I decide on the basis that by and large they are right.

As my Friend the Financial Secretary has said, of the four things that must be done, the Directors have agreed to recommend no dividends be paid during 1975. That saves the Company \$48 million. \$12 million royalty will be waived, leaving \$190 million still to be obtained.

As to borrowing, the Company is mortgaged up to the hilt; it owes one particular bank, already, \$240 million, and, on top of that, \$162 million to a Swiss bank. The bank in Hong Kong is prepared to lend it another \$90 million, which will increase the Company's indebtedness to it to \$330 million: a staggering risk taken by one bank on the

[MR CHEUNG] **Motions**

solvency and viability of one customer. I am assured, and I accept without question, that that bank cannot prudently lend more.

With this new loan of \$90 million the Company will still be \$100 million short.

It still can't pay its bills for goods it has contracted to buy. If it can't pay its bills as they fall due it is insolvent. It would be liable to be wound up. A winding up, to say the least of it, will disrupt the telephone service and impair its efficiency. Hong Kong, a trading and manufacturing community, cannot let that happen. Upon that, I trust all men of goodwill will agree. We are in something of a recession, and what we must maintain is an efficient telephone service which is essential to the life and the economy of Hong Kong.

All men of goodwill would agree on another proposal, which is that the Commission of Inquiry should go into what has gone wrong in the past, and what ought to be done in the future. All are agreed that this inquiry should be thorough; all are agreed that the Commission should hear and consider all representations and views as to what should be done in the longer term; all are agreed that this process will take time, time of the order of four or five months, not two or three weeks as has been suggested, if the job is to be properly done. That much is beyond controversy.

Ought, therefore, the Company be put in a position meantime to be able to pay its bills? The Government says this should be done. In my judgment, that is absolutely right. Even a clever housewife cannot cook a meal without rice. When a man is out of work ought his wife be given money to buy rice for herself and her children? We don't inquiry why her husband is out of work; we meet her dire necessity out of public assistance funds. And the Telephone Company, from all the facts that have been put to me, is in like dire necessity. The funds must be made available, and available whilst the Commission enquires; but with this one difference that my Friend Dr CHUNG has already mentioned, that perchance if the Government's assessment is wrong, the Company be liable to pay back all or part of the increases.

The shareholders are bearing part of the burden. The Company's bankers in Hong Kong are bearing another part of the burden, a larger part than the shareholders. The Government proposes that the subscribers to the telephone service should contribute to the balance, on a temporary and provisional basis. By distributing the outstanding



\$100 million needed among a large number of persons, it dilutes the burden among many. Many hands make light work. A lot of clay makes a large statue of Buddha.

What is the increase? It is temporarily to raise the rental on residential lines by \$80 a year. That is \$6.67 a month, 22 cents a day.

The rental on business lines is temporarily to go up by \$10 a month, that is to say 33 cents a day.

I have asked myself, as my colleagues have asked themselves, are those wholly unreasonable increases, on a temporary and provisional basis, to keep an essential service going? Can I compare it with other rises in costs? I can. I can compare the price of rice in 1964 with what the price of rice is now. Rice costs almost three times as much now as it used to cost in 1964. I can also compare the proposed increase with the increase in the cost of living since 1964; it has very nearly doubled. How do telephone rentals, with the proposed increases compare with rentals in 1964? When you have added the 22 cents and the 33 cents a day they will have gone up by only one and a half times about what they were in 1964.

Sir, over the past 10 or 15 days we in Umelco have had innumerable discussions with representatives of many organizations whose members use the telephone. We have been given the most sincere and well-intentioned advice. Truly I can say I have learnt something new from any three persons who came along. I will mention some. It is proposed that every subscriber be made to deposit \$200 with the Telephone Company. Something of this sort was at one time done; I don't know why it was discontinued. It is one way to provide the Company with liquidity. It is one that ought certainly to be suggested and considered by the Commission of Inquiry. But I venture to suggest that \$200 in one sum done now is a very much heavier burden than \$20 a quarter or \$30 a quarter, as the case may be.

It has also been proposed that the shareholders subscribe more capital. Sir, I have two observations to make on that. Over the past 25 years this Company has distributed to its shareholders a total of \$319 million by way of dividend. What did the shareholders as a body do? Out of the \$319 million they received as dividend, they re-invested \$300 million in the Company by subscribing for new shares in it. They have ploughed their dividends back to pay for some of the rapid expansion and gain in efficiency that have taken place in the Company's services. Next, to persuade shareholders to invest further—and it must be remembered, they are free men, with a free choice as to what they

**[MR CHEUNG] Motions**

do with their money, and some of them, it must further be remembered, are in quite modest circumstances—the Telephone Company has to compete for money with other institutions who pay interest for the use of money. How can this Company compete when it has agreed to pay out no dividend at all this year? It may be that the Company will one day pay dividends again; I hope for the sake of all its small shareholders it will be able to do so. But I do not think it is practical politics to implement that now, to persuade them to subscribe more capital at this juncture. I hope I will not be thought discourteous if I say that you don't go and climb up a tree to look for fish.

Thirdly, it is said Government should give a loan to the Company carrying no interest, or at a low rate of interest, and forego the high rate of interest that the funds are currently earning. I have already agreed, or indicated I will agree, to the proposal to forego \$12 million of revenue by way of royalty. If we forego more revenue it will mean further curtailment of other essential public services. To give just one example, it would stop the expansion of University and Polytechnic places, and I cannot in good conscience agree to that.

Fourthly, many sincere men, professional men and ordinary folk alike, have said: don't make any increases until the Commission of Inquiry has reported and we know all the options that are open to us. They have represented, most strongly, that these are hard times. They have said a telephone is not a luxury, but a service essential to them. I ask them to believe that we have taken those representations into our earnest consideration, and debated at length among ourselves. But I have emerged from that debate convinced that we cannot wait: and we have reluctantly come to the conclusion that it is best, that it is most equitable, that the \$100 million should be contributed in small sums from those who directly benefit from this essential service. I have already explained at length my reasons why we cannot wait and I will not repeat myself.

But from all that has been said in the past two weeks, in the past month, it emerges very plainly that the area of common ground amongst all classes is very large; the points on which there is difference of opinion, legitimate difference of opinion I will add, is very small. It is, ought subscribers pay 22 cents or 33 cents a day more, as the case may be, on a temporary and provisional basis? In an era of prosperity it would be a non-issue. I venture to think that even in these hard times it is not an issue on which men of goodwill ought to divide. We have been very fortunate in the past few months over our water supplies.

The price of rice thankfully has fallen back, thanks to bountiful harvests in China and Thailand. Let us not press our good fortune too far. We ought rather, I would respectfully suggest, direct our energies towards restoring trade, full employment and prosperity; and, to achieve those objects, it is very necessary to maintain public tranquility and preserve the Queen's peace. Why? There will be no new investment, no new jobs, no re-employment, if the public tranquility is disturbed, and disturbed over 20 or 30 cents a day. I have asked myself how ought I to vote on the resolution before us. How ought all men of goodwill decide?

We have tried to discharge our duties in this Council, over the several years past, in consultation with the people. The public, for example, exasperated by the rise in crime, exasperated by corruption, have come to us; have we not acted? They came to us over Crown rents; we acted. They have come to us this time and freely and frankly discussed the options open to this community on this occasion. We have responded, by insisting that the Company be liable to repay the money it will now receive if the temporary increases are too much; we have also insisted that no dividends be paid out till the Commission of Inquiry has reported. We have had a very difficult decision to make; we would rather not have had to make it, but the burden has fallen upon us.

I have decided after much anxious thought that, in this matter, the wisest and the safest course for me to adopt is to effect as much practical good as I can, and not, by pronouncing panegyrics upon general principles which might obtain temporary popularity and praise, delay a partial remedy for evils the existence of which we all acknowledge.

MR JAMES WU: —Sir, I rise to speak in support of the senior Member the honourable Dr CHUNG, who has given us some concise facts and figures relating to the operation of the Hong Kong Telephone Company Limited in recent years, and a modified interim arrangement to sustain its operation.

As the media reported, commercial, industrial, civic and other organizations have made representations to Government and the UMELCO Office. One resident association chairman, one elected Urban Councillor, plus several others proposed a loan of \$200 per telephone installed to help the Company tide over the difficult time. All however objected to any straight increase of rates before a thorough investigation of the Company's affairs by the proposed Commission of Inquiry.

[MR JAMES WU] **Motions**

Given the imperatives of this technology, money and manpower intensive essential service (such imperatives being the time for planning, organization, purchasing and delivery of equipment and facilities, their huge cost, and the training of specialized manpower required), the public is not without a certain degree of sympathy and understanding when the Company is found in financial straits in its judgment on consumer demands, money supply and in particular, interest rates in these turbulent times. This, I am sure, would not have been the case had the Company not been able to provide this essential service adequately and at an acceptable standard.

Individual Members of the Legislative Council including the senior Member have had consultations with leaders of commerce, industry and civic organizations. We are grateful for their advice, esteem and trust upon us. It is our belief now that the modified proposal as clearly explained by Dr CHUNG would be generally acceptable.

Sir, in a compact community like ours and at a time of economic uncertainty, I would like to call on management of all businesses, large or small, to demonstrate a sense of social conscience and responsibilities in the conduct of business. One of the world's foremost teachers in management had this to say in his latest work: I quote—

"Another reason for the widespread belief in growing inequality is inflation. Inflation is a corrosive social poison precisely because it makes people look for a villain. The economists' explanation that no one benefits by inflation, that is, that no one gets the purchasing power that inflation takes away from the income recipients, simply makes no sense to ordinary experience. Somebody must have benefitted, somebody 'must have stolen what is rightfully mine'. Every inflation in history has therefore created class hatred, mutual distrust, and beliefs that, somehow, 'the other fellow' gains illicitly at 'my' expense. It is always the middle class which becomes paranoid in an inflationary period and turns against the 'system'. The inflations of the sixties in the developed countries were no exceptions."—unquote. How much worse the situation could become in a less developed community requires no imagination.

Sir, I believe the quotation is relevant and aptly described the present predicament. Under the circumstances, Legco Members would have failed in their duties in not advocating for the most searching investigation by a Commission of Inquiry, open to public submissions

and audience, and subsequently a further decision made by this Council, as to whether or not or how much of the 30% should be regarded as general revenue of the Company from the proposed separate identifiable account.

Sir, I support the motion.

MR LO: —Sir, the issue of the increase of telephone charges has been turned into a major controversy largely because of the way in which it has been handled and considerable public resentment has been caused by lack of faith in the Government, in the Board of Directors and in the Advisory Committee. But I shall deal with this aspect later.

Dealing first with the resolution before Council I have to say that if the proposed package of increased charges had been based purely on the cash flow difficulties of the Company caused by having to cater to new subscribers, however chronic these difficulties might have been, I would have been against the increase on principle. Like many members of the public I would have suggested all kinds of possible ways to deal with the problems other than by way of increasing the charges. I simply do not agree that existing subscribers should bear the bulk of the Company's burden to expand its service. I know that the traditional argument that they should is based on the concept that an existing subscriber benefits from being connected to one more person each time there is a new subscriber. Well, personally I should like to meet the man who now wants to be benefited in this way. It is obviously an unrealistic argument when every subscriber is already connected to over 800,000 telephones.

However, quite apart from its cash flow problems it is sad but absolutely clear that the Company is entitled to a revision of charges under section 28 of the Telephone Ordinance. Under this section the Company may at any time apply to revise its charges and if this is disallowed by the Government the Company may refer the matter to arbitration. If the arbitrators come to the conclusion that the revenue of the Company is insufficient to make provision for the maintenance of an efficient service and for the payment of a dividend of 8% *per annum* on the paid up capital of the Company the Government is obliged to propose a revision of charges accordingly to this Council.

I should now like to lay on the table certain simple figures showing main items of expenditure and income of the Company for 1969-1972 on a *per annum* average basis for 1973, 1974, and so on, with projections until 1978.

**Motions**

	<i>Average Per Annum 1969-1972</i>	1973	1974	1975	1976	1977	1978
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Operating Expenses Salaries, Wages, New Year Bonus, Rates Rent Stores etc.) ... ..	57.3	101.8	145.3	194.3	218.5	256.9	285.4
General Financial and other expenses ..... ..	45.9	73.9	92.6	117.3	142.8	148.2	159.4
Interest .....	3.8	12.1	40.7	82.1	104.9	126.1	149.4
<b>TOTAL .....</b>	<b>107.0</b>	<b>187.8</b>	<b>278.6</b>	<b>393.7</b>	<b>456.2</b>	<b>531.2</b>	<b>594.2</b>
Total Income (Existing Charges) ...	176.0	257.9	326.3	336.5	363.8	395.9	431.5
<b>APPROX. NET</b>							
<b>PROFIT/LOSS</b>	<b>69</b>	<b>70.1</b>	<b>47.7</b>	<b>-57.2</b>	<b>-92.4</b>	<b>-135.3</b>	<b>-162.7</b>

From these figures it is clear that whilst the Company made an annual profit averaging \$69 million for the 4 years from 1969-1972, a profit of \$70 million in 1973 and a profit of \$47 million in 1974 it will make a loss of \$57 million in 1975, \$90 million in 1976, \$135 million in 1977 and a loss of \$162 million in 1978. Certainly these figures show that the Company cannot possibly reach an 8% dividend return on paid up capital. Consequently, in my view the Company is legally entitled to apply for an increase. However, I must point out that some of these figures are only forecasts and the forecasts were made in late 1974 on certain assumptions as to overheads, interest rates, inflationary trends and expected demands. If interest rates dropped drastically, if inflation slows down appreciably, if demands for the service increase unexpectedly or if by improving its efficiency the Company reduces expenditure significantly the figures will look very different. Moreover, I suspect that a substantial portion of the 1975 loss is attributable to a large increase in the Company's bill for wages and salaries which may not be justified. It is these and other uncertainties which have convinced the Unofficials that the increase must be provisional and must be conditional upon the qualification that the Company keeps a separate account of the extra funds collected through this increase and if after the Commission has reported it appears that we are wrong and that the increase is excessive in any way the excess amounts will have to be repaid. I therefore also agree to the other qualification mentioned by my honourable Friend Dr S. Y. CHUNG on the dividend moratorium

subject to the comments in the last part of what I am going to say today.

Although from what we know today the increases are necessary and indeed inevitable it is nonetheless both natural and proper for members of the public to ask whether the expenditure could be or could have been reduced if the Company was or is more efficiently run. This is a good question but I am afraid not one to which I can supply a good answer. Certainly it is unarguably true to say that if its forecasts for future demands had been more accurate the Company might have saved a lot of interest on unneeded equipment. To get a comprehensive or definitive answer, however, as to how the Company might have been more efficiently run in the past or how it might improve in future one would have to wait for the Commission's report. I for one am not able to supply an answer within three weeks for it was really only three weeks ago that the documents connected with the application first reached us. After all, even the Government is unable to come up with a comprehensive answer despite their having had the papers for six months.

It is a complicated problem and its solution needs time and expertise. Time, however, is something that we do not have today. The cash flow problems of the Company are very serious and have to be dealt with. I am awed that it has to pay over \$1½ million per week in interest in 1975. In the long term the solution lies in paying back a substantial portion of the outstanding loans and paying for a substantial portion of future capital requirement by funds raised otherwise than by way of increasing the annual charges of telephone subscribers, for example, by commercial paper duly secured or by direct Government loans at a rate of interest lower than what the Company is paying its bankers but higher than what the Government is getting for the money. Further, it may be fairly argued that a new subscriber should be required to contribute to the solution of the problem by making an interest free loan or deposit. I understand that in Japan for instance, a new applicant has to pay approximately HK\$2,100, partly by way of loan and partly as a deposit. All of these points will have to be carefully considered by the Commission to be appointed.

Now, I should like to turn to some of the matters which not unreasonably have caused considerable resentment in the community.

First and foremost the Government has not clearly stated what responsibility it considers that it owes to the public in respect of

**[Mr Lo] Motions**

utilities in general and this utility in particular. Its posture appears to be that of an innocent bystander. I note that the Government intends to appoint a director who will have access to all necessary information. This is fine. However, I should have thought the Postmaster General already has all of these powers partly because of section 31 of the Telephone Ordinance and partly because he is a member of the Advisory Committee. Did he make any reports to the Government of the Company's deficiencies in management accounts? Did he or anyone else comment on the 1973 application? Throughout all these profitable years of the Company on whom did the Government rely to monitor or supervise the business methods of the Company. The Advisory Committee was set up to supervise the Company's service to the public but surely its terms of reference do not imply that the Government relies on it to supervise financial management as well?

Secondly, why was the public kept in the dark on the figures which formed the basis of the Advisory Committee's Report and those which formed the basis of Government's decision in Executive Council? This non-disclosure, this shrouding of the whole issue in mystery, has in my view greatly aggravated public reaction. On an issue which really affects every family in Hong Kong I should have thought that it would have been possible for the Government to have taken our normally tolerant community into its confidence and relied on its good sense. I trust that full disclosure will be made of the Commission's report.

Thirdly, the Telephone Ordinance is expiring in five months' time. The legislation itself is archaic. If the Government wishes to show that it does feel a definite responsibility towards this utility I trust that work will soon start on it to revise it and bring it up to date. For example, I understand that the Government has, by an exchange of letters with the Company which I have not seen, agreed with the Company to allow them a return on utilized capital of 12%. Whilst I don't want to enter into an argument today as to whether this figure is too high or too low I do feel that the proper way to have reached this agreement was by proposing an amendment to the ordinance. Moreover, Unofficial Members have for years advocated statutorily controlling the dividends payable to utility shareholders, the establishment of a development fund, the appointment of Government directors whose statutory duty is clearly defined and who are required to protect not the shareholders but the subscribers. Work to rewrite the ordinance on these lines should be started soon and I sincerely hope that things will not be left to the last moment as has happened before.



As my honourable colleagues well know whether or not this Council was sometimes expected in the past to rubber stamp legislation placed before it, they cannot expect that of this Council today.

Finally, I am not entirely happy with the effect on the Company for it to declare no dividends. If ultimately it means that it will have to be taken off the list of Authorized Trustee Investments under the Trustee Ordinance will this not have an undesirable effect on the Company's prospects in raising future capital by issuing shares? Moreover I think it is a little unfair on the shareholders to pick them out as people who have to bear a large measure of the responsibility for the misjudgments of the past management. So far as I am aware many of the beneficial owners of shares in the Company are small people and pension funds, not financial giants. They are people who are relying on the steady income provided by the Company for their everyday needs. They are people who have avoided the more glamorous stocks. They are not speculators. I wonder how many of our more vociferous students today have families who are in this situation and who are depending on the Company's dividends for their pensions.

To conclude, Sir, in the long term a lot of work is in store for all of us to improve the statutory framework of this utility. But the immediate problem is that the Company is genuinely and urgently in need of money and I am convinced that the Company is legally entitled to it. On the other hand I am equally convinced that it will be taking an unnecessary risk to approve the motion before Council without imposing the conditions that my honourable Friend Dr CHUNG has expressed on our behalf. I trust that the Government has persuaded the Company and its bankers to accept these conditions.

THE FINANCIAL SECRETARY: —Sir, there is no doubt from the speeches we have just heard that honourable Members have put a great deal of anxious thought into this difficult problem and that the Government and I am sure the public at large is appreciative of this.

It would not be appropriate for me to reply to the various points made though I must state, for the record, that some points just made can be disputed. But, needless to say, the Hansard record of this debate will be drawn to the attention of the Commission of Inquiry whose responsibility it will be, among other things, to determine the facts of the situation as it has developed and to recommend a settlement of the many and complicated questions concerning the relationship between the Company and its shareholders, subscribers and creditors and between the Company and the Government. The fact that some

**[THE FINANCIAL SECRETARY] Motions**

immediate steps are necessary, absolutely necessary, does not mean that the long term solution is being in any way prejudged.

The Government, Sir, welcomes Unofficial Members' support of this motion. As they were good enough to give me prior warning of the two qualifications proposed on their behalf by my honourable Friend Dr CHUNG, I was able to consult the Company about them yesterday evening and I am glad to say that the Company readily and willingly accepted them. I believe these qualifications will help to make it doubly clear that these increased charges are provisional. In other words, the increased payments subscribers will be called upon to make until the Commission of Inquiry's recommendations have been considered will be, in effect, in the nature of provisional deposits.

One last point, Sir: as I think I mentioned in my speech moving this resolution, during the last few days a number of suggestions have been made publicly of ways and means whereby the Company's financial difficulties can be tackled and my honourable Friend Mr CHEUNG indeed analysed several of these suggestions in his speech. I hope the authors of these suggestions will go to the trouble of presenting them to the Commission of Inquiry for their due consideration.

*(At this point Mr WILLIAMS stated that he wished to declare an interest as a Director of the Hong Kong Telephone Company and would therefore abstain from voting on this motion.)*

*Question put and agreed to.*

**HOTEL ACCOMMODATION TAX ORDINANCE**

THE FINANCIAL SECRETARY moved the following motion: —

That—

- (a) from 1st April 1975 to 31st March 1976 the rate of tax imposed under section 3(1) of the Hotel Accommodation Tax Ordinance be 3 *per cent*; and
- (b) from 1st April 1976 the rate of tax imposed under section 3(1) of the Hotel Accommodation Tax Ordinance be 4 *per cent*.

He said: —Sir, the Hong Kong Tourist Association is a statutory body which was established in 1957 with the general objective of

promoting tourism in Hong Kong. Apart from a relatively small annual income of about \$0.5 million, mainly from membership fees and the sale of publications, the Association is dependent on an annual subvention from the Government. Under the present formula the Association receives the total proceeds from the hotel accommodation tax together with an equivalent amount from General Revenue plus a \$3 million fixed grant, also from General Revenue.

Although the Association's total income has increased from \$10.7 million to \$16.7 million in the past three years, this has been during a time when costs have been rising at an exceptional rate, especially in those overseas centres where the main tourist promotion effort has to be concentrated and when competition for tourists from other destinations in the region has required greater efforts by the Association. Indeed, the Government has helped the Association to maintain an effective level of operation over the past three years by providing additional, with the permission of this Council, additional grants on an *ad hoc* basis, over and above the annual subvention, and these additional grants have been between \$1.2 million and \$1.5 million each year.

The main reason for the growing imbalance between income and expenditure, under the present formula, is a lack of buoyancy in the yield from hotel accommodation tax. This, in turn, has been caused by a growth in the proportion of visitors, currently about 45%, who come on group tours and enjoy discounted room rates (and some of whom sleep three to a double room and two to a single room). (*Laughter*).

The significance of tourism to our economy is highlighted by the fact that the industry produces a net foreign exchange earning of the equivalent of about HK\$1,800 million a year. In my view, it is important that the Association is well-placed to meet the challenge posed by the current uncertain economic climate and increased competition from other tourist destinations, but this cannot be done without an increase in income. With the concurrence of the Hong Kong Hotels Association, it is proposed to achieve this by increasing the present rate of hotel accommodation tax from 2% to 3% on 1st April 1975 and from 3% to 4% on 1st April 1976. The other elements of the subvention chargeable to General Revenue will remain unchanged, that is to say the equivalent of a 2% tax plus a fixed sum of \$3 million.

In moving this resolution to increase the hotel accommodation tax, I would add that even at 4%, the tax will be lower than that imposed elsewhere particularly within this region and is not expected

[THE FINANCIAL SECRETARY] **Motions**

to deter would be visitors. And, of course, the objective of the Association's more aggressive marketing policy is to increase the number and the length of stay of visitors.

MR BREMRIDGE: —Sir, I welcome this resolution. The fact that I am Chairman of the Hong Kong Tourist Association is naturally coincidental, (*laughter*) but I believe that all Members of this Chamber, of the Tourist Industry, and the public at large acknowledge the task that the Tourist Association is performing to the best of its abilities in difficult economic circumstances on behalf of the community. In a microcosm the problems facing the Association are the same as those that face my honourable Friend the Financial Secretary. Income is tending to flatten out, and expenses are rising due to inflation, however harshly management attempts to cut them back. But the contribution that visitors make to Hong Kong's economy—a net income of over HK\$1,800 million a year—underlines the important function of the Tourist Association in selling Hong Kong's attractions, however many tourists there are to a bedroom. The difficulty with their income is that it fundamentally is based on receipts from hotel accommodation tax paid by tourists themselves. But this tax in itself is presently diminished by the current growing tendency of visitors to enjoy cheap group hotel rates, plus the fact that hotel rates themselves, due to competition, have not risen as fast as prices generally. In fact in Hong Kong tour prices now are one of the best bargains available. It is also well known that tourism itself cannot realistically be expected to increase in this coming year anyway. Thus the need for an increase in the tax.

I would here like to acknowledge the public debt that Hong Kong owes to the hotel industry in general. This is a debt which is not often acknowledged. Nor is the fact that this is a major export industry. That the Hotel Association have been able to agree to the tax being increased to 3% from 1st April 1975, an increase the major proportion of which will have to be absorbed internally, in a year of great financial stress then to 4% from 1st April 1976, in my opinion reflects both a very responsible approach and at the same time a token of their appreciation of what the Tourist Association is attempting to do for them.

Naturally I would welcome a higher subvention from Government for the HKTA, and one not based on contributions paid by visitors themselves, but in all the circumstances as they exist today I believe

that what is proposed is fair and balanced. It is now up to the Tourist Association to regulate its budgets accordingly. They will do so.

*Question put and agreed to.*

### **CRIMINAL PROCEDURE ORDINANCE**

THE ATTORNEY GENERAL moved the following motion: —

Pursuant to section 81C(3) of the Criminal Procedure Ordinance, that the duration of sections 81A, 81D and 81C of that Ordinance be extended for the term of three years until the 30th April 1978.

He said: —Sir, the provisions of the Criminal Procedure Ordinance which this resolution seeks to extend for a further 3 years are those which enable the Attorney General to seek a review of the sentence imposed by a court on a convicted person. They have been in operation for 3 years now and have served well the purpose for which they were intended. Sir, I am happy to say that the Judiciary supports the proposed extension.

*Question put and agreed to.*

### **Motion (in Committee)**

#### **Supplementary provisions for the quarter ended 30th September 1974**

Council went into Committee, pursuant to Standing Order 58(2), to consider the motion standing in the name of the FINANCIAL SECRETARY.

THE FINANCIAL SECRETARY moved the following motion: —

That this Council approves the proposals set out in Paper No 30.

He said: —Sir, the schedule of supplementary provision for the second quarter of the financial year 1974-75 totals \$243.6 million. This is an increase compared with \$184.8 million for the previous quarter but a reduction compared with \$313.4 million for the corresponding period in the previous financial year 1973-74.

[THE FINANCIAL SECRETARY] **Motion (in Committee)**

Of the supplementary provision approved in the second quarter, Public Works Non-Recurrent accounts for \$87.9 million: \$51 million was required because provision in the 1974-75 Estimates has in some cases proved inadequate for contracts already let; \$15.7 million required because of accelerated progress on existing projects; \$14.4 million is required because of unforeseen compensation and arbitration fees; and \$6.8 million is required for projects upgraded to Category A of the Public Works Programme and for such new Public Works Non-Recurrent requirements outside the Public Works Programme as unforeseen surrenders of lots for street widening. The major works requiring supplementary provision included extension of Airport parking aprons and taxiways, housing estates at Castle Peak, Kwai Shing and Clear Water Bay Road, Sha Tin New Town and also the improvements to the Argyle Street/Waterloo Road/Princess Margaret Road intersection.

Items other than Public Works Non-Recurrent, account for \$156 million and include grants of \$78 million for the Universities and Polytechnic largely as a result of decisions by the Governor in Council on their building programmes; another \$35 million is required for payment of rates for the Housing Authority's Group B estates and for general improvement of facilities in existing licensed areas for temporary accommodation for the homeless and for development of new licensed areas; a further \$6.3 million towards the operating cost of the desalter; and \$5.3 million extra is required to meet the growing expenses of the expanding Independent Commission Against Corruption.

The Finance Committee, Sir, has approved all the items in the schedule and the purpose of this motion is to seek the covering authority of this Council.

In tabling the schedule of supplementary provision for the first quarter of the current financial year I said that, having regard to the supplementary provisions in the final stage of processing as at the end of June 1974 and requests for further supplementary provisions known to be in the pipeline, a deficit of about \$300 million for the year as a whole was taking shape. However, as at the end of the second quarter—that is to say as a whole at the end of September—the deficit for the year looked like being of the order of about \$400 million. This increase of \$100 million is mainly due to additional subventions required by the universities and the Polytechnic and to work proceeding faster than expected on the Public Works Programme because of the dry summer.

The actual accumulative deficit at the end of September was \$816 million.

*Question put and agreed to.*

*Council then resumed.*

THE FINANCIAL SECRETARY reported that the motion had been agreed to in committee without amendment.

*Question agreed by the whole Council pursuant to Standing Order 58(4).*

### **First reading of bills**

**POST OFFICE BILL 1975**

**TELEPHONE (AMENDMENT) BILL 1975**

**EVIDENCE (AMENDMENT) BILL 1975**

**MERCHANT SHIPPING (RECRUITING OF SEAMEN) (AMENDMENT) BILL 1975**

**PUBLIC TRANSPORT SERVICES (EXTENSION OF GRANTS) BILL 1975**

**POLICE FORCE (AMENDMENT) BILL 1975**

*Bills read the first time and ordered to be set down for second reading pursuant to Standing Order 41(3).*

### **Second reading of bills**

#### **POST OFFICE BILL 1975**

THE COLONIAL SECRETARY moved the second reading of: —"A bill to repeal and replace the Post Office Ordinance."

He said: —Sir, the present Post Office Ordinance (Chapter 98), which is based on the United Kingdom Post Office Act of 1908, has been in force since 1926. Although it has been amended from time to time, many of its provisions are no longer adequate for modern conditions. It is therefore proposed to repeal it and to introduce new legislation on the lines of the current Post Office legislation in force in the United Kingdom, which is to be found mainly in the Post Office Act 1953.

**Post Office Bill—second reading**

Much of the bill reproduces in substance equivalent provisions in the existing ordinance, though in many cases the wording, rather than the effect or substance of a section, has been altered. I shall therefore confine my comments on the bill mainly to some of the major changes which it proposes.

Clause 6 attempts to explain more explicitly the exclusive privilege of the Postmaster General with regard to the receipt, collection, despatch and delivery of all letter mail within Hong Kong, subject to the exceptions which are mentioned in the clause. It is to be noted that this clause is based on an equivalent provision in the Post Office Act, with appropriate modifications. In particular, it makes it clear that the operation of private courier services continues to be an offence, because it infringes the Postmaster General's monopoly.

Clause 7 empowers the Postmaster General to charge such postage rates as he may fix under clause 66. Although the latter clause provides that the Postmaster General may fix the rates of postage, these can at any time be revised by the Governor in Council.

Clause 9 enlarges the powers of the Postmaster General to deal with unpaid and under-paid postal packets. These provisions are in accordance with those to be found in the British postal administration, and also many other postal administrations.

Clause 11 provides for a cash on delivery service, the kind which has been in operation in many countries for many years. It enables the sender of a parcel to arrange for the Post Office to collect the postage due as a condition of delivery. The service will be available both for local postal packets and also for those sent to, or received from, an overseas country which has made an arrangement with the Postmaster General for such a service to operate between Hong Kong and that country.

Clause 12 empowers the Postmaster General to make arrangements with postal authorities in another country about the despatch and receipt of mail between the two countries. This gives statutory backing to action which the Postmaster General has been carrying out administratively for a long time.

Clause 13 is a new provision enabling the Postmaster General to give effect to such agreements of the Universal Postal Union as have been ratified by or on behalf of Hong Kong. These agreements regulate



the manner in which the international carriage of mail is effected and provide for the necessary financial arrangements between different postal administrations.

Clause 15 will enable the Postmaster General to refuse to accept articles which by their nature, content, form or for any other reason, do not accord with rules made by him or with departmental practice followed by the Post Office. For example, this clause would be used when envelopes or covers of an unacceptable colour, type, shape or size are presented for posting. Similarly receipt could be refused for items which are inadequately addressed or bear writing or printing which might distract the sorter from the easy reading of the address. The power would also enable him to refuse envelopes with openings which are large enough to form traps for smaller items (*laughter*).

Part VI contains such powers as are necessary for detaining, opening and disposing of postal packets and mail bags. Generally, this part reproduces existing provisions. But, clause 23 (2), which enables the Postmaster General to dispose of undeliverable items, is new. At present, except for unpaid or underpaid packets, he is obliged to accept all postal packets even if he knows that they cannot be delivered or returned to the sender and he then has no power to dispose of them.

Clause 24, is also new. It is clearly necessary for a postal administration to be able to open any mail bag at any time, but specific power to do so is surprisingly enough not contained in the present ordinance.

Part VII provides for a Money Order Service. This service already exists, but money and postal orders are at present dealt with by regulations made under the Post Office Ordinance, not in the ordinance itself.

Part VIII deals with offences and revises a number of penalties. Some maximum sentences of imprisonment are raised, in particular those provided by clauses 32, 36 and 42, in which the two year maximum is raised to five, and clauses 41, 52 and 56, in which the six month maximum is increased to one year. A number of fines are also increased.

I commend this bill to honourable Members as a useful piece of tidying up and modernization which will be of assistance to the Post Office, a department which has served the public well.

*Motion made. That the debate on the second reading of the bill be adjourned*—THE COLONIAL SECRETARY.

*Question put and agreed to.*

**TELEPHONE (AMENDMENT) BILL 1975**

THE FINANCIAL SECRETARY moved the second reading of:—"A bill to amend the Telephone Ordinance."

He said:—Sir, this bill provides for the waiver of royalty payments by the Telephone Company to the Government for the years 1974 and 1975 and for the appointment of a Government director to the Board of the Company. These two measures, together with the increases in charges on which I moved a resolution earlier this afternoon and the Board's intended recommendation to shareholders that no dividend payments should be made in 1975 in respect of 1974 and by way of an interim dividend for 1975, these two measures and those two measures represent a package of four measures which, as I have said, has been accepted by the Company.

I would stress that the primary responsibility of the Government director will be to watch over the public interest, to play a part in fostering the efficient employment of resources and to monitor the implementation of those recommendations of the Commission of Inquiry which may be accepted by the Government. By such direct participation in the Company's affairs the director will be able to bring the Government's influence to bear on the policy and the management of the Company and, I hope, with his fellow directors, to foster the expansion and good health of the Company to the benefit of the Company and community alike.

*(At this point Mr WILLIAMS stated that he wished to declare an interest as a Director of the Hong Kong Telephone Company and would therefore not vote at any stage on this bill.)*

*Question put and agreed to.*

Bill read the second time.

*Bill committed to a committee of the whole Council pursuant to Standing Order 43(1).*

**EVIDENCE (AMENDMENT) BILL 1975**

THE ATTORNEY GENERAL moved the second reading of:—"A bill to amend the Evidence Ordinance."

He said:—Sir, the Evidence (Amendment) Bill is I think adequately explained in the explanatory memorandum. I move that it be read a second time and that the debate on the motion be adjourned.

*Motion made. That the debate on the second reading of the bill be adjourned*—THE ATTORNEY GENERAL.

*Question put and agreed to.*

**MERCHANT SHIPPING (RECRUITING OF SEAMEN)  
(AMENDMENT) BILL 1975**

THE ATTORNEY GENERAL moved the second reading of:—"A bill to amend the Merchant Shipping (Recruiting of Seamen) Ordinance."

He said:—Sir, I move the second reading of the Merchant Shipping (Recruiting of Seamen) (Amendment) Bill 1975 which has two objects.

Firstly, it will impose on seamen whose names appear in the active Part I of the register of seamen a statutory duty to hold a service record book and will enable the Governor in Council to make regulations for the issue of such books and for related matters. In practice, seamen already have record books—they are known as discharge books—and in substance the proposed statutory provision does no more than formalize the position.

Secondly, Sir, the bill will make the entries in ships' log books, and certified copies of such entries, *prima facie* evidence of the matters stated therein, instead of merely admissible evidence as at present. This bill also enlarges the classes of person who may certify copies of such entries.

*Motion made. That the debate on the second reading of the bill be adjourned*—THE ATTORNEY GENERAL.

*Question put and agreed to.*

**PUBLIC TRANSPORT SERVICES (EXTENSION OF GRANTS)  
BILL 1975**

THE ATTORNEY GENERAL moved the second reading of:—"A bill to extend the grants conferred under the Public Transport Services (Hong Kong Island) Ordinance and the Public Transport Services (Kowloon and New Territories) Ordinance."

He said:—Sir, this bill extends the existing franchises of the China Motor Bus Company Limited, and the Kowloon Motor Bus Company Limited for a short period in order to provide further and more adequate

[THE ATTORNEY GENERAL]     **Public Transport Services (Extension of Grants) Bill—second reading**

time for full consideration in this Council of the Public Omnibus Services Bill, a measure, Sir, of great importance.

MR LO: —Sir, the Public Omnibus Services Bill was introduced into this Council on the 18th December 1974, and Unofficial Members lost no time in considering its provisions. The *ad hoc* group which I convened discussed the bill with Government officials at a meeting held on the 6th January 1975. The Unofficials suggested certain amendments to the bill but I shall not propose to go into these in detail. In general terms they relate in the main to ensuring that the terms of franchises are made public and may be amended by this Council and also to a system of statutory control of profits not envisaged in the bill.

The Officials at the meeting felt that more time would be required by them to consider Unofficial Members' proposals and thus it was agreed to extend the present franchises for a few months.

In this connection, I should mention that although the official release said "It had been hoped to implement provisions of the new Public Transport Services (Extension of Grants) Bill 1975 before this date, but Members of Legislative Council have asked for more time to consider the bill," the Unofficials, at any rate, did not ask for more time to consider the bill. They merely agreed to give Officials more time to consider their proposals (*laughter*). I support the motion.

*Question put and agreed to.*

Bill read the second time.

*Bill committed to a committee of the whole Council pursuant to Standing Order 43(1).*

**POLICE FORCE (AMENDMENT) BILL 1975**

SECRETARY FOR SECURITY moved the second reading of: —"A bill to amend the Police Force Ordinance."

He said: —Sir, this very short bill amends the provision covering the circumstances in which a gazetted police officer may resign.

Whereas sections 23 and 25 of the principal ordinance stipulate that members of the Police Force Rank and File and Inspectorate may resign by paying one month's salary in lieu of notice only with the prior consent of the Commissioner of Police, gazetted police officers are not, at present, subject to this requirement.

The Commissioner of Police has advised that gazetted police officers who intend to resign should be treated in the same way as their non-gazetted counterparts, so that his prior approval is obtained. This bill provides accordingly.

*Motion made. That the debate on the second reading of the bill be adjourned*—SECRETARY FOR SECURITY.

*Question put and agreed to.*

### **EMPLOYMENT (AMENDMENT) BILL 1975**

#### **Resumption of debate on second reading (22nd January 1975)**

*Question proposed.*

*Question put and agreed to.*

Bill read the second time.

*Bill committed to a committee of the whole Council pursuant to Standing Order 43(1).*

#### **Committee stage of bills**

Council went into Committee.

### **TELEPHONE (AMENDMENT) BILL 1975**

Clauses 1 to 3 were agreed to.

### **PUBLIC TRANSPORT SERVICES (EXTENSION OF GRANTS) BILL 1975**

Clauses 1 and 2 were agreed to.

**CHILD CARE CENTRES BILL 1974**

## Clause 1

SECRETARY FOR SOCIAL SERVICES: —Sir, I move that clause 1 be amended as set out in the paper before honourable Members.

*Proposed amendment**Clause*

- 1 That clause 1 be amended by deleting "1974" and substituting the following—

“1975”.

The amendment was agreed to.

Clause 1, as amended, was agreed to.

## Clause 2

SECRETARY FOR SOCIAL SERVICES: —Sir, I move that clause 2 be amended as set out in the paper before honourable Members.

These amendments are designed to make certain that the bill will not apply in respect of casual gatherings of children meeting for some innocent purposes. Nor will it apply where the only children in the premises are members of families ordinarily residing there.

*Proposed amendment**Clause*

- 2 That clause 2 be amended by deleting the definition of "child care centre" and substituting the following—

"child care centre" means any premises at which more than 5 children who are under the age of 6 years are habitually received for the purposes of care and supervision during part of the day or for longer periods;"

The amendment was agreed to.

Clause 2, as amended, was agreed to.

## Clause 3

SECRETARY FOR SOCIAL SERVICES: —Sir, I move that clause 3 be amended as set out in the paper before honourable Members.

The reason for the new sub-clause is identical with that for the amendments which I have just moved to clause 2.

*Proposed amendments*

*Clause*

3 That clause 3 be amended by—

(a) being renumbered as subclause (1) thereof; and

(b) inserting the following new subclause—

"(2) For the avoidance of doubt, this Ordinance does not apply where the only children in premises are members of families ordinarily residing in the premises."

The amendments were agreed to.

Clause 3, as amended, was agreed to.

Clauses 4 to 18 were agreed to.

**EMPLOYMENT (AMENDMENT) BILL 1975**

Clauses 1 to 3 were agreed to.

Council then resumed.

**Third reading of bills**

THE ATTORNEY GENERAL reported that the

Telephone (Amendment) Bill the

Public Transport Services (Extension of Grants) Bill and the

Employment (Amendment) Bill

had passed through Committee without amendment and that the

Child Care Centres Bill

had passed through Committee with amendment and moved the third reading of each of the bills.

*Question put on each bill and agreed to.*

Bills read the third time and passed.

**Unofficial Member's bill**

**First reading of bill**

**MARYKNOLL SISTERS OF ST DOMINIC INCORPORATION  
(AMENDMENT) BILL 1975**

*Bill read the first time and ordered to be set down for second reading pursuant to Standing Order 41(3).*

**Second reading of bill**

**MARYKNOLL SISTERS OF ST DOMINIC INCORPORATION  
(AMENDMENT) BILL 1975**

MR LO moved the second reading of:—"A bill to amend the Maryknoll Sisters of St Dominic Incorporation Ordinance."

He said:—I cannot explain the bill more fully than set out in the objects and reasons and accordingly, Sir, I move that the debate on this motion be adjourned.

*Motion made. That the debate on the second reading of the bill be adjourned—MR LO.*

*Question put and agreed to.*

**Adjournment and next sitting**

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday the 26th of February.

*Adjourned accordingly at twenty minutes past four o'clock.*