



DAILY INFORMATION BULLETIN

Wednesday, March 27, 1974

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CONSUMER COUNCIL TO BE SET UP

Financial Secretary Emphasises Need For Direct Consumers Representation

The government is taking the initiative to help set up a Consumer Council as quickly as possible in an attempt to prevent profiteering.

Winding up the budget debate, the Financial Secretary, the Hon. Philip Haddon-Cave, announced that Executive Council's advice would be sought within the next week as to how such a council might be established, what its role should be, how it should operate, and what form government assistance should take.

Mr. Haddon-Cave noted that Hong Kong now clearly felt the need for a Consumer Council and he was sure that private individuals would have little difficulty in obtaining the support they would need. For its part, the government was ready to help such a body get off the ground "with the speed the public mood demands."

The Financial Secretary's personal and preliminary views were that the Governor should appoint a nucleus of a chairman and a few other members (all unofficials) whose initial task would be to advise on further membership. It should include persons with the necessary expertise as well as others able to represent directly the views of consumers.

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"At the same time, these founder members might wish to advise on whether any government officers should be appointed on a personal basis, having regard to their official duties and experience," he said.

The full council having been formed, would then settle down to develop an information service on prices and evolve techniques for identifying and exposing profiteering."

To this end, the government would be prepared to make available, on a regular basis, all information on supplies and prices of various commodities collected by the Census and Statistics Department, the Commerce and Industry Department, the Urban Services Department and the Agriculture and Fisheries Department for their own purposes.

Mr. Haddon-Cave added: "The government would also be prepared to seek vote provision for an annual subvention to the council and, if the council so desired, to second government officers to enable it to get to work quickly.

"The council could act on its conclusions by publicity or by persuasion or by recommending action to the government.

"The government would also be happy to hear any views the council may develop as to how relations between the public and those distributors of essential commodities who are in a semi-monopolistic position (for example, the oil companies) could be improved."

Mr. Haddon-Cave was confident that with vigour and determination something could be done.

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However, he ruled out any general price controls and bulk buying arrangements for the efficiency of such measures. "We have seen the effect of such measures elsewhere - the end result is always confusion and distortion in the market and, furthermore, at a huge cost to public fund."

Profiteering

Mr. Haddon-Cave spoke at length on inflation and profiteering and concluded that profiteering was not as widespread as some would imagine. Neither did he believe that its total elimination would make "any very great difference to the rate at which prices are rising," but the fact that 'profiteering' does exist at all "is a cause for considerable anger and frustration."

People tended to be more aware of 'profiteering' in a situation of rapidly rising prices, he said, but profiteering was difficult to define.

His own interpretation was that 'profiteering' could unambiguously occur in situations where either there is a degree of monopoly power, or consumers are unable to effectively exercise their combined influence on prices as a result of some failure in the market information process.

"In the first situation, the government has a clear obligation to redress the balance, as it were, in favour of the consumer if the government itself has been instrumental in providing any body of persons with the potential power to manipulate prices or supplies to their own advantage."

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Where there would seem to be scope for what would generally be described as 'profiteering,' he went on, would be where consumers lack full market information.

He gave several examples -- panic buying, with consumers putting themselves at the mercy of retailers; unreasonable rounding up of prices by wholesalers and/or retailers following upon increases in landed costs or excise duties; consumers limiting their daily shopping to a few retail outlets only; and the general tendency among consumers to assume that they would regularly have to pay more with the result that merchants take advantage by confirming this expectation and ensuring its continuance.

Referring to suggestions for regulation of essential and non-perishable commodities such as cooking oil and flour, the Financial Secretary said that in the absence of controls on supplies in areas other than rice, "the question of government action does not arise in quite the same way."

He reiterated that there were no shortages of foodstuffs in Hong Kong, in the sense that consumers were unable to obtain them at the going price.

Inflation

Mr. Haddon-Cave insisted that most inflation affecting Hong Kong stemmed from outside sources, but he conceded that there was a degree of internally generated inflation which, he added, was now largely under control.

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He denied that internally generated inflation was at the root of the present phenomenon of rising prices and said that "even the most authoritarian measures to obliterate such internal inflation as does exist would only have a modest impact on the rate at which consumer prices are rising."

In assessing the situation, he said, attention must be mainly focussed on foodstuffs since the increase in the prices of foodstuffs accounted for 77 per cent of the total increase in the General Consumer Price Index.

But it was in import prices that the increases had been dramatic.

In the twelve months up to February this year, seasonally adjusted food prices at the retail level increased by 28 per cent, while the increase for the calendar year 1973 was about 24 per cent.

At the import level, however, the increase in 1973 was 32 per cent. In the case of rice, the increase at import level was 120 per cent, for wheat and flour it was over 50 per cent, for vegetables over 30 per cent, and in the case of pond fish (and fish preparations) and meat and meat preparations it was about 25 per cent.

"These increases are almost unbelievable, but truth is often stranger than fiction," Mr. Haddon-Cave remarked.

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He noted that the exceptionally bad weather in the third quarter of 1973 had also played a significant role in pushing up prices of marine fish and fresh vegetables, but this was followed by a sharp decline in prices in the next quarter.

The Financial Secretary did not deny the possibility of internal inflation playing a role in the latter months of 1972 and early 1973, but he did not believe that internally generated inflation was now significantly aggravating the situation.

Mr. Haddon-Cave disputed suggestions by unofficial members that some of his budget revenue proposals were inflationary.

He stressed that Hong Kong's tax system is non-inflationary and that his 1972 and 1973 revenue proposals were designed to relieve the cost-price system of tax levies which could be reckoned to be inflationary.

"It should also be remembered at this point that our budgetary policy eschews deficit financing through government bond issues which are taken up by banks and accepted as eligible liquid assets."

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TRANSPORT TAX PROPOSALS MODIFIED

Revised Fees Effective Retrospectively From Feb. 27

Some relief for motorists was announced by the Financial Secretary today when he presented a modified version of his original budget proposals for higher taxes on road users.

The effect of the revised increases will reduce by \$9.5 million the yield from the original revenue proposals, and lead to a smaller estimated surplus of only \$12 million instead of the \$21 million surplus forecast for the coming financial year.

In the case of vehicle licences, Mr. Philip Haddon-Cave, introduced a new standard of fees for cars of all classifications by increasing the present six rates for private cars by 176 per cent.

Rounding off to the nearest \$50 and maintaining a reasonable progression, the rates will be:

\$ 350 for cars of up to 1000 c.c.

\$ 500 for cars of up to 1500 c.c.

\$ 750 for cars of up to 2500 c.c.

\$1,000 for cars of up to 3500 c.c.

\$1,250 for cars of up to 4500 c.c.

\$1,500 for cars over 4500 c.c.

These new rates are expected to bring in an extra \$49 million in revenue -- \$3 million less than the increase from the Financial Secretary's original proposals.

/The new rates

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The new rates are effective retrospectively from 2.30 p.m. on February 27. An order to this effect was signed by the Governor this morning to replace the previous order in relation to the Financial Secretary's original proposals.

Mr. Haddon-Cave explained that those who had renewed their vehicle licences since February 27 at higher fees than the new revised rates, would be entitled to a refund. "Those lucky enough to have renewed at lower fees will not be required to pay anymore on this occasion," he said.

In presenting his new budget proposals in the Legislative Council, Mr. Haddon-Cave flatly denied accusations by his unofficial colleagues that he was pre-empting the debate on transport policy by introducing the higher fees before publication of the Transport Green Paper.

This, he said, was never his intention. "I am only concerned to raise extra revenue in a way which makes fiscal sense and which is neutral in economic terms."

Additional revenue was required in 1974/75, he explained, and "in order to raise what was required painlessly in terms of the economy, I had to look to road users for at least two-fifths of the extra \$206 million required and a miscellany of other direct and indirect taxpayers and users of services for the other three-fifths."

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He said that "to defer the raising of additional revenue until after the debate on transport policy would be too dangerous and quite illogical too for my road taxation proposals have nothing to do with transport policy and the Green Paper."

As regards public light buses, the Financial Secretary reduced his original proposed increase of \$3,000 to \$2,000 to set the licence fee for this category of vehicles at \$5,000. The reduced increase will mean a loss of \$4 million additional revenue.

Public cars will continue to pay on the same basis as private cars, plus \$30 for each seat for a passenger.

The licence fees for taxis remains at \$320 as originally proposed. This figure is achieved by doubling the fee for the driver and for each seat for a passenger to \$20 and \$60 respectively.

In the case of motorcycles, the Financial Secretary maintained that the pre-budget fee of \$70 was unrealistically low and he considered that his original proposal to raise it to \$200 was fair.

However, he proposed to reduce it to \$175 which he considered "very reasonable, particularly as motorcyclists have the advantage of being able to park free of charge." The lower fee will mean that the additional revenue from this class of vehicle will be about \$500,000 less than under the original proposal.

/As regards

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As regards goods vehicles, Mr. Haddon-Cave adhered to his original proposal to simplify the system by introducing three platforms.

In respect of endorsements of driving licences, the Financial Secretary adjusted his original proposal to \$50 for the original licence and \$10 for each subsequent endorsement up to five. Thereafter endorsements would be free.

In effect, the maximum a driver would pay for a licence and its endorsements would be \$100 a year. The revised proposal will yield an estimated \$2 million, compared with \$4 million under the Financial Secretary's original proposal to apply the licence fee to each endorsement.

The Financial Secretary noted that there was some opposition to the Transport Advisory Council's recommendations that monthly car park tickets should be abolished. In the circumstances, he accepted a suggestion by his unofficial colleagues that monthly passes be continued at a higher rate of \$500 a month.

He also disclosed that the possibility was being considered for some form of relief for handicapped people who could not use public transport.

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INTERIM REPORTS ON THE ECONOMY

Economic Review Committee To Be Set Up

The Government intends to publish interim reviews on the state of the economy during each year -- probably in April, July and October, the Financial Secretary, Mr. Philip Haddon-Cave announced today.

Speaking in the resumed Budget debate in the Legislative Council, he also proposed the formal establishment of an Economic Review Committee whose membership would include Unofficials and Officials.

He said that the first issue of the interim economic reviews for this year "is in hand" and would appear next month.

The Government, Mr. Haddon-Cave said, had been for some time keeping under constant review the economic problems of the day with the re-establishment of a central statistical department in 1968 and the formation of an Economic Analysis Unit of the Economic Branch in 1972.

The end products of the activities of the staff concerned are the Monthly Digest of Statistics, the annual estimates of the gross domestic product and the annual publication known as the Economic Background to the Budget.

The Economic Background, Mr. Haddon-Cave said, "is designed to review the developments in the economy over the past year and to set the stage, so to speak, for the forecast of our economic prospects for the coming year so that the Budget can be constructed on a rational basis."

/He said

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He said the annual review and the interim reviews are drafted by the Economic Analysis Unit with the help of the departments concerned, particularly the Census and Statistics Department.

They are then vetted by a caucus of senior officers concerned with economic policy under the chairmanship of the Financial Secretary.

Mr. Haddon-Cave welcomed the association of Unofficial Members with the production of these reviews through the proposed Economic Review Committee.

The Committee, he said, would have as members four Unofficials and three Officials, including himself. Other Officials could be in attendance as required.

Mr. Haddon-Cave suggested that before any other form of consultative machinery was established, we should wait and see whether, in practice, the Committee "does not go a long way to meeting the wish of honourable Members to be associated at an earlier stage, and in a more intimate way, with our studies of the economy and the evolution of economic policies".

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SELF-DISCIPLINE BY FINANCE COMPANIES SUGGESTED

The Financial Secretary said today that any action on the question of control over the activities of finance companies "must involve a large element of voluntary association and self-policing by the companies themselves."

Speaking in the resumed budget debate in the Legislative Council this afternoon, Mr. Haddon-Cave said this would be in contrast to the "complications involved in statutory control."

In any case, he said, we must first concentrate on the amendments to the Banking Ordinance and the Protection of Depositors Bill.

Nevertheless, he admitted that his mind was "not closed on this question" and that he was "most anxious" to seek all available advice on the whole issue, including that of the Banking Advisory Committee.

Turning to the question of withholding tax on interest payments, the Financial Secretary said there would undoubtedly be "a significant loss of revenue" if the interest tax was abolished completely.

He doubted that the loss of revenue would be made up from other sources, mainly profits tax.

For this to happen, he said, net profits of the order of \$440 million would need to be generated and, given the relatively small margins made on off shore borrowing and lending transactions, a market equivalent to perhaps \$100,000 million would have to be built up.

"I doubt whether even the most optimistic would expect a market of this order of size to develop very quickly," he added.

/Referring to

Referring to suggestions as an alternative that interest paid by licensed banks should not be subject to withholding tax, the Financial Secretary said that in practice this would amount to the same thing.

The reason was that "more than three quarters of our revenue from interest tax is generated from deposits with licensed banks, and, if such a concession were to be made, this proportion would naturally tend to increase."

He added that to remove withholding tax from foreign currency deposits with the licensed banks but not from Hong Kong dollar deposits, would "surely increase the risk of erosion of the Hong Kong dollar deposit base."

Commenting on the argument that deposits in foreign currencies placed outside Hong Kong could tend to erode the Hong Kong dollar deposit base, Mr. Haddon-Cave believed that "the remedy lies in the bank's own hands."

If they paid competitive interest rates and reduced their margins, money could be attracted back to Hong Kong dollar deposits, even with the withholding tax, he said.

If competitive rates were paid and withholding tax were not applied, this would open up the possibility of "large external flows exercising a destabilising influence on our foreign exchange market and external trade," he added.

On the limited moratorium on banking licences, Mr. Haddon-Cave said he was glad to see that his "tentative thoughts on greater freedom" had generally been welcomed by Members of the Council.

This, he said, would be subject, in the case of a foreign applicant, to the question of reciprocity which was, and would remain, a part of government policy.

He explained that having established a case for accepting an application for a licence, it would only be actually granted if the applicant's country of origin would grant a licence to a Hong Kong incorporated bank satisfying similar criteria.

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DOMESTIC RENTS LIKELY TO DROP

Over 10,000 Domestic Units Vacant

Domestic rents are likely to go down further over the year, the Financial Secretary, the Hon. Philip Haddon-Cave, forecast today.

Reviewing the property market, he said that towards the end of last year there were clear indications of a downward trend in rents for new domestic premises, particularly in the case of the more expensive type of accommodation.

"Sale prices, too, are reportedly down by as much as 15 to 20 per cent over the year," he added.

The Financial Secretary attributed the decline in rents to improved supply and the tighter money situation. However, supply of domestic accommodation in 1973 fell below expectation.

Vacancies in the private sector in urban areas, he went on, amounted to just over 10,000 units -- the highest since 1968 having steadily risen from a low of 2,400 at the end of 1969 to 7,000 at the end of 1972.

He pointed out, however, that the measures taken to impose full rates on vacant domestic premises from January 1 this year "should now be beginning to bite," and he was fairly hopeful that "we shall see some further downward movement in domestic rents over the year."

In the case of retail trading premises, he went on, the position was similar for, although rents had continued on an upward course over 1973, vacancies at the beginning of this year accounted for some 1.28 million square feet of space -- that is a 63 per cent increase over the year -- and this figure was very nearly equal to the total space completed during the year.

/Most of

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Most of the vacant shops were located in the peripheral areas, thus tending to force down rents in these areas, but there were also reports of rents being reduced in the more central shopping areas.

"There is likely to be an ample supply of new accommodation both this year and next," he added.

Office space in the central areas, however, was still hard to find and the supply this year was not expected to meet demand, the Financial Secretary said.

"Thus, for the time being, rents seem likely to continue on an upward course.

"However, 1975 and 1976 look to be record years with the prospect of some seven million square feet becoming available.

"Landlords who press too hard for large rent increases now may, therefore, well find the position reversed in a year's time, particularly as much of the space now being built will be in the low-rental areas which, if rents in the central districts of the urban area continue to increase, will begin to look more and more attractive," he said.

Turning to flatted factories, Mr. Haddon-Cave said that, while space vacant in flatted factories, at 2.24 million square feet, was rather less than last year, "there seems to be more than sufficient available to meet demand and there are clear indications that rents in the less popular industrial areas are coming down."

/Estimates of

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Estimates of supply this year and in 1975 and 1976 indicate that sufficient is planned to meet the probable demand although, of course, in this sector, demand is dependent very much on the state of the economy generally, he added.

Referring to suggestions by unofficial members for rent controls in the business sector, Mr. Haddon-Cave said: "My reading of the situation does not lead me to conclude that there is a need for such controls at this time.

"Market forces seem likely to have the effect generally of containing inflationary trends and, in certain areas, rentals may well take a downward turn."

He added that the government had long set itself against restricting rents below market levels "and to provide for statutory security of tenure without rent control would be a waste of time."

The Financial Secretary was also against setting up a Fair Rents Tribunal which he argued would only be one facet of the administrative machinery necessary if measures were taken to control rents of non-residential premises.

Although the word 'fair' was used in the title, Mr. Haddon-Cave was certain that advocates of such controls were after a restriction of rents below market levels.

"Determining market rents for non-residential premises would be difficult enough without trying to decide on fair rents and the legion of valuers and other experts likely to be needed to administer any such measures would be quite beyond our resources at the present time, even if the idea was sound, which it is not," he said.

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EARNING POWER OF FISCAL RESERVES NOT TO BE OVERLOOKED

The Financial Secretary said today that Hong Kong's fiscal reserves were "an end in themselves to some extent" and called on Unofficials "not to overlook the earning power of our reserves."

Replying to points raised by Unofficials in the Budget debate, Mr. Haddon-Cave told the Legislative Council that the reserves now only represented 53 per cent of Hong Kong's much larger expenditure budget.

Moreover, he said that "we live in a world of unforeseen contingencies."

On the earning power of our reserves, the Financial Secretary said in 1974-75 they would bring Hong Kong \$360 million.

This represented "the equivalent of the yield from more than four extra percentage points on the standard rate of profits tax."

Mr. Haddon-Cave also reminded Unofficials that one of the considerations in his tax relief measures in 1972 and 1973 concerned "the way in which the present generation of taxpayers has contributed in recent years to the financial resources available for spending in the future."

He noted that these tax relief measures amounted in all to \$163 million a year.

In his Budget speech last month, the Financial Secretary estimated that Hong Kong's available fiscal reserves at the end of the current financial year would amount to \$3,066 million.

This represents only 53 per cent of estimated expenditure in 1974-75 or 56 per cent of the unspent balance of the approved Public Works Non-Recurrent projects at April 1 this year.

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HONG KONG'S STERLING RESERVES

Statement On Renewal Of Agreement To Be Made By Government

The government is not in a position to make a statement at this time on the renewal of the agreement covering Hong Kong's sterling reserves, the Financial Secretary said today.

He said the reason was that the technical documents relating to the proposed extension of the present arrangement to the end of this year, announced by Her Majesty Treasury on March 15 last, had not yet arrived in Hong Kong.

Mr. Philip Haddon-Cave was replying to a question by the Hon. P.C. Woo who asked for a government statement on the renewal of the agreement covering Hong Kong's sterling reserves.

The Financial Secretary said: "Clearly, these documents must be studied carefully and Executive Council consulted before the government can come to a view."

However, he assured Mr. Woo that he would make a statement to the Legislative Council as soon as he was in a position to do so.

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NO DIFFICULTY OVER OBTAINING RICE SUPPLIES

Market Forecasts Good For 1974

The Director of Commerce and Industry, Mr. David Jordan, assured the Legislative Council today that he did not foresee any difficulty in obtaining adequate supplies of rice to meet Hong Kong's needs.

Imports are coming in at a satisfactory rate, he said, and market forecasts for 1974 "were good and they remain good."

Mr. Jordan stressed that the prime function of the rice control scheme, which had worked remarkably well during the 19 years it has been in operation, was to ensure an adequate supply of rice.

"Despite fluctuating harvests in Asia and famine from time to time in many areas during this period, Hong Kong has never had to resort to rice rationing nor has there been, to my knowledge, any time at which our stockholding was materially below the basic reserve figure," he said.

Mr. Jordan pointed out that the rice control scheme was not devised to control prices, but only to provide a cushion against violent fluctuations.

"The rice control scheme cannot insulate the consumer from the world -- retail prices of rice must reflect the price movement in the international market for rice," Mr. Jordan said.

"At the same time, the public is understandably concerned about the possibility of deliberate manipulation of stocks, supplies and prices by importers, wholesalers or retailers within the rice trade, using the Rice Control Scheme in order to squeeze unreasonably high profits from the consumer.

/"They have

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"They have a right to be concerned and I have a responsibility to make sure that this does not happen or that if it does -- if some malpractice arises -- that it is quickly stopped."

Mr. Jordan said that in the past it had not been necessary to try to establish maximum prices.

The present problem with prices however, was much more serious than earlier ones. Rice prices across the world have increased during the past year continuously and massively.

Despite good harvests and the prospect of very good crops again this year, prices were likely to continue to rise. Exporting countries face massively increased bills for imported oils and oil-based products and must try to earn more from their exports to balance their accounts. World-wide inflation has its effect on every commodity.

Mr. Jordan continued: "I cannot see any early end, therefore, to the upward movement of rice prices and we must plan on the basis that the trend will continue for some time. The opportunity for speculation is, of course, greater in a rising market.

"I should be failing in my duty to the public if I did not recognise this fact and accept that a Government-administered rice control scheme must protect the public from malpractices of any kind.

"To increase the supply to the market is not enough in these unusual circumstances: I must also be able to influence prices to the consumer. That means an internal system by which I can control the maximum mark-up taken by the importer, wholesaler and retailer.

/"It also

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"It also means that I must have the most comprehensive advice from the trade and from the public about supplies and prices. Finally it means that I must be able to monitor the results of any controls I impose and ensure that people who break the rules are penalised. It goes without saying that any such controls should be dismantled as soon as possible."

Mr. Jordan said that he had come to the conclusion that his authority to influence supplies on the way to the consumer must be extended to wholesalers if he was to prevent this section of the trade from hoarding and anticipating price increases.

He proposed therefore to seek some amendment to the Reserved Commodities Regulations.

"As far as the retailers are concerned, I hope that we can maintain a sufficiently strong influence on their prices by ensuring adequate supplies to them on the one hand and through the direct retail scheme on the other," he said.

Mr. Jordan said that in recent months, and despite a fully adequate supply of rice to the market, he had been aware of temporary shortages occurring from time to time at the consumer end of the trade.

These shortages were caused by the expectation within the trade of retail price increases, as one supplier or another announced increases in prices.

The shortages were artificial and some of them were undoubtedly contrived in order that people holding stocks of rice at all levels of the trade could profit from higher prices. Until recently, however, this sort of thing had only a slight effect on trade and prices.

/Towards the

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Towards the end of February, however, the situation deteriorated sharply.

Mr. Jordan continued: "Everyone in the trade was aware that prices must soon be increased again and many were trying to take advantage of this situation, while blaming the artificial shortage they created on the fact that I had reduced the import quota for the first quarter of the year.

"It was, of course, well known to the trade that I had done this to reduce our stockpile from the unnecessarily high level it had reached at the end of 1973."

Mr. Jordan said that a number of measures were taken with the object of providing an effective damper on speculation and price manipulation.

"In taking these measures I have been less concerned with proving who is the guilty party than with establishing a system which will ensure that the malpractices do not recur," he said.

To this end, a Rice Advisory Committee had been established with representatives of all sectors of the trade and officials from the Commerce and Industry Department. Mr. Jordan said that he expected the committee to be able to pinpoint the problems, suggest solutions and secure the support and understanding of each sector of the trade.

"In order to ensure that the public shall have access to rice of specified qualities and weights and at reasonable prices -- by which I mean prices that are reasonable in relation to import costs -- we have extended and re-organised a scheme under which major retail outlets, particularly those willing to sell packaged rice, can register with the Commerce and Industry Department to buy rice directly from importers," he said.

/The intention

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The intention was to expand this scheme as far as is necessary to establish a fair price outlet in every district.

Another scheme which has been revived relates to the supply of rice direct from importers to large businesses. This has been in existence on a small scale for many years.

"We are now working out the ground rules for a permanent system and this scheme too has considerable potential for ensuring supplies to consumer at fair prices," added Mr. Jordan.

He said that there were other measures open to him within the provisions of the legal framework for the present scheme and he would not hesitate to use these powers as and when necessary.

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STEADY EXPANSION OF COMMERCE & INDUSTRY DEPARTMENT

The Director of Commerce and Industry, Mr. David Jordan, today replied in the Legislative Council to issues raised by Unofficial Members on the staff resources and organisation of the department.

Pointing out that the department has expanded steadily over the years, he said that during the past year it had established a new Industrial Promotion Branch and set up a new Trade Division, whose responsibilities take in certification and licensing and the Trade Investigation Bureau.

Mr. Jordan agreed, however, that the department's responsibilities were tending to increase rather faster than its establishment, particularly at senior management levels. "I had," he said, "already submitted my proposals for a fairly radical re-organisation and strengthening of the department."

Mr. Jordan said that Mr. James Wu also had suggested that the Commerce and Industry Department should be up-graded and enlarged and additionally staffed with people possessing industrial experience and technological expertise to help promote industrial development.

He said he would like to discuss this with Mr. Wu, but he would be wary of getting very far into the direct promotion of industrial development.

"The government's responsibility is, I think, rather to create and foster an environment in which industrial development can proceed rather than directly to promote that development itself," he continued.

/"Our industrial

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"Our industrial land policy, for instance, must be designed to facilitate that development. Our establishment of the Polytechnic and technical institutes are another example."

"But wherever possible I believe we should continue to work with or through the private sector and the other institutions. We have a very wide network of relationships that enables us to so."

Mr. Jordan also commented on Mr. Q.W. Lee's proposal that the Trade Development Council should, among other things, devote more attention to securing better and cheaper sources of raw materials, machinery and so on for our steadily expanding industries.

He said that the Council was "on to this already," and a series of buying missions was included in its programme announced at the beginning of this year.

In addition, the network of T.D.C. offices around the world, and the experience of the T.D.C. officers concerned, have already proved valuable in finding additional sources of raw materials and in assessing supply conditions and possibilities.

"I have no doubt that this aspect of the T.D.C.'s work will increase as the circumstances require," he added.

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OIL SPILLAGE REPORT PUBLISHED

Recommendations Made To Prevent Re-occurrence

The Commission of Inquiry into the Apleichau Oil Spill has recommended measures to ensure against a repetition of the leakage that occurred on November 8 last year.

In its report, the Commission concludes that the immediate cause of the spill was a rupture in the plating of a tank in the Shell storage depot. This took place when the tank was being filled with heavy diesel fuel from a tanker berthed at the nearby jetty.

The Commission found that the rupture resulted from failure of the foundation, due to excessive settlement of the ground surface immediately underlying the bottom plating of the tank.

At the time of the incident, a sluice gate in the bund surrounding the area, controlling a rainwater drainage outlet to the sea, was left open despite instructions that it should normally remain closed.

Although the gate was lowered to close this outlet before the oil reached it, the design was such that the operator was not aware - until too late - that it had jammed in descent.

Before action could be taken to prevent further loss through this outlet, by blocking it with a canvas sheet and bags of cement, an estimated 1,000 to 2,000 tons of oil escaped via a separator unit to the sea.

In addition, some 3,000 tons of oil sank through the floor of the enclosed tank area into the subsoil. From there an amount impossible to estimate subsequently seeped into the sea.

/The Commission

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The Commission found fault with the design of the sluice gate, with the decision to leave it open despite instructions to the contrary, and with the conditions of the ground, which should not have allowed seepage into the subsoil.

Among its recommendations is a requirement for adequate investigation of the underlying soil strata before construction of any major oil storage installation.

The report also recommends the adoption of suitable materials and construction methods to ensure that storage grounds are impervious to the flow of liquids they are designed to contain, pointing out that regular inspections should be conducted for this purpose.

Regular settlement records should be taken around the periphery of each storage tank so that remedial action is taken as soon as defects are detected.

In respect of the sluice gate, the report calls for adequately designed gate valves, normally kept in the fully closed position, to control rainwater drainage through the bund wall, and urges regular inspections to maintain them in good working order.

The report recommends no changes in the existing legislation governing oil storage. It states that as licensing authority, the Director of Fire Services already exercises sufficient control with regard to fire risks.

It also finds that the necessary expertise to construct oil storage facilities to internationally prescribed standards is mainly available within international oil companies, which are usually sufficiently responsible organisations equipped to install and operate such facilities.

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CODE OF PRACTICE FOR OIL COMPANIES

.To Be Drawn-Up By Consultants

The Government plans to appoint consultants to draw up a code of practice for oil companies operating in Hong Kong.

This was announced in the Legislative Council today by the Secretary for Environment, Mr. James Robson, when he tabled the report of the Commission of Inquiry into the Apleichau Oil Spill.

Mr. Robson said that approval of funds for this purpose would be sought from the Finance Committee of the Legislative Council.

He added that a decision would be taken in the light of the consultants' recommendations as to whether oil storage installations should be brought under closer government scrutiny and, if so, how the control should be exercised.

Although the Commission had recommended no changes in the existing legislation and system of control, the government felt it should introduce some degree of control in view of the risks involved and the seriousness of a further oil spill.

Commenting on the "prompt and efficient manner" in which government departments reacted to the Apleichau incident on November 8, 1973, Mr. Robson said this had indicated that the existing machinery was adequate to deal with any major oil spill in Hong Kong waters.

Nevertheless, in the light of experience gained from the exercise, the machinery would be modified and strengthened.

/Orders had

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Orders had already been placed for the purchase of additional equipment and resources recommended by SCOOP (the code name of the Special Sub-Committee of the Port Executive Committee on Oil Pollution). The cost of these additional facilities would be about \$850,000.

The contingency plan under which this machinery operated had been considered in detail by all concerned and a new plan had been issued.

Mr. Robson said that the clean-up operation which followed the Apleichau spill was the largest ever undertaken in Hong Kong waters. Conducted by the Marine Department, with substantial assistance from the Shell Company, it dealt with a spillage estimated at between 2,000 to 4,000 tons of oil.

By far the greater part of the spill was cleaned up within 10 days, and thanks to favourable weather conditions, major pollution of the main beaches on the south side of Hong Kong Island did not occur.

A bill amounting to \$1.15 million, to cover the expenses incurred by the government in this operation, had been sent to the Shell Company for settlement.

Under the auspices of the New Territories Administration and the Home Affairs Department, agreement had been reached between the Shell Company and the fish farmers of Picnic Bay and Aberdeen Harbour, involving payment of some \$6 million for the losses suffered by the fish farmers.

/In conclusion,

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In conclusion, Mr. Robson said that the Apleichau oil spill had been "a timely lesson for us all", especially in the light of proposals for more oil storage farms and the possibility of potentially polluting industries, such as refinery and petrochemical plants.

"We escaped heavy pollution on this occasion by a combination of favourable weather conditions and the very efficient way in which all the government departments involved, ably assisted by the Shell Company, tackled their various jobs," he commented.

"I take this opportunity of thanking them publicly for their efforts, confident that with the experience they have in dealing with oil spills, and the additional equipment they need, they will be ready to deal with any incident in the future."

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INTERIM REPORT ON DAMAGE TO MARINE LIFE BY OIL SPILL

Submitted By Consultant

Dr. Hiroshi Tokuda, the Japanese consultant commissioned to examine the damage to marine life resulting from the spill, has submitted his interim report.

On Dr. Tokuda's recommendation, further research is being conducted by the Agriculture and Fisheries Department into the long-term effects of the spill on marine life in surrounding waters.

Commenting on Dr. Tokuda's report, a Government spokesman said today: "As summer approaches, oceanographic conditions will change and it may be anticipated that more subtle and longer term effects may make their appearance."

Dr. Tokuda noted a rapid disappearance of oil from the sea surface in the weeks following the spillage last November. This was probably due to the sinking action of the emulsifiers used in the clean-up operation, facilitated by the seasonal change in water conditions which dispersed the thermal layer formations.

"What is significant is that the superficial disappearance of the oil could well be more apparent than real," remarked the spokesman. "Until there has been an adequate exchange with oceanic waters there could still be inherent - although not dramatic - local effects."

/It was

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It was found that the type of oil involved in the spill was particularly toxic to marine life. The common cause of fish death in such spills, resulting from adherence of oil to the gill filaments, was rarely the fatal factor associated with the Apleichau spill. This would indicate that the fish were actually poisoned, either by ingestion or contact with dissolved toxants.

"Dr. Tokuda's study produced considerable evidence of the damaging effects of the oil on numerous marine species in the area," said the spokesman. "This was sufficient to indicate a serious upset in the ecological system. The plankton community was drastically affected, particularly in the early period. The absence of fish eggs and larva in the samples he obtained must also be attributed to pollutants.

"There are therefore valid reasons to assume that propogation of some species, including important groups of commercial fish normally utilising this area for breeding and nursery grounds, will be reduced as a result of the spill."

The spokesman said that follow-up surveys were still continuing in the aftermath of the oil spill. These included weekly hydrographical investigations in East Lamma Channel and Picnic Bay, to monitor the declining levels of pollution and obtain plankton samples.

Weekly trawling operations were also being conducted at either end of East Lamma Channel, to asses possible effects of pollution on the distribution and behaviour of natural fish stock.

In addition, daily sample checks were taken of the cultured fish stock to determine the degree of tainting and the speed of recovery, together with weekly checks of the invertebrate fauna to establish the time required for recolonisation of selected habitats.

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LEGAL TERMINATION OF PREGNANCY FOR THERAPEUTIC REASONS

Trial Period To Be Extended For Two Years

The Hon. Garth Thornton, Acting Attorney General, today proposed in the Legislative Council that the trial period of that portion of the Offences Against the Person Ordinance relating to the legal termination of pregnancy for therapeutic reasons, ending at the end of this month, be extended for a further two years from that date.

He explained that the Hon. Director of Medical and Health Services had supported a longer trial period for further analysis of information on such matters as age, social-economic status, the family size of the women concerned, the duration of pregnancy prior to termination, the medical conditions leading to the doctors' decision to operate, and the numbers of women subsequently opting for sterilisation.

If the proposed two-year extension of the legislation were accepted, the issue would be reviewed early in 1976 "in the light of fuller information extending over a more meaningful period."

This was a reference to the regulations passed by the Legislative Council for a trial period two years ago authorising termination of pregnancy for therapeutic reasons, subject to the Director of Medical and Health Services keeping "a close watch on its operation."

Mr. Thornton said that to enable the Director of Medical and Health Services to undertake such a watch, legislation was enacted requiring medical practitioners to provide him with certified information regarding all cases in which pregnancies had been terminated for therapeutic reasons.

/The Acting

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The Acting Attorney General continued: "It appears from the certificates sent to the Director in 1973 that the total of pregnancies terminated in that year was 184."

He felt it was too early to draw conclusions from such a figure, taken from one 12-month period only, but "clearly it is not large, and does not suggest that there has been abuse of the legislation."

Mr. Thornton told the Council that because the figure was small, and the certificates had been coming in for a little more than a year, the Government considered that a longer trial period was desirable -- because it would enable firmer conclusions to be drawn about the way the law was operating, and its value and effectiveness.

The Acting Attorney General emphasised that legislation enacted two years ago had not been intended to legalise abortion in any general way. The purpose had been, and remained, a limited one -- to do no more than define the terms under which doctors could undertake a therapeutic termination of pregnancy in certain specified circumstances, and in government, or approved, hospitals or clinics.

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REVIEW OF CIVIL SERVICE SALARIES

Back-Dating Difficult To Avoid

The Colonial Secretary, the Hon. Denys Roberts, today replied to comments on the public service made by his unofficial colleagues during the resumed Budget debate a fortnight ago.

On a suggestion that no back-pay should be given when civil service salaries are reviewed, he explained that an important factor, which must be taken into account in any review of civil service salaries, is the need to ensure that they do not lead the private sector.

"Therefore, the usual practice is to collect information on the salaries payable in private businesses at a particular date," Mr. Roberts said.

"It therefore seems fair that this date should be the effective one for changes made in public service salaries."

The Colonial Secretary added that although he agrees that the payment of arrears for long periods is undesirable, some "back-dating is unavoidable."

Mr. Roberts referred to another suggestion that the government consider pre-engagement courses for various grades in the civil service, in order to find out if applicants are of the right material.

He pointed out that at present there are several student grades in the public service which serve the functions his unofficial colleague has in mind.

But he added that the government will investigate the possibility of establishing further grades of this nature when the opportunity arises.

/On the

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On the question of promotion, the Colonial Secretary said:

"There is a constant danger, in any large organisation, that a practice will grow up of promoting the next most senior person, though it must be admitted that this method is popular with many employees, who see merit in certainty of advancement.

"We must seek to strike a proper balance between promotion which gives too much weight to seniority and the risk of advancing officers to positions of responsibility before they have the experience and judgement to occupy them successfully."

Mr. Roberts agreed with his unofficial colleague that the government should build and own its own accommodation, in preference to leasing.

But he added that the government is likely to have to meet a part of its requirements by leasing, sometimes because a need arises for accommodation in a new location, and sometimes because there is a considerable lag between established demand and the completion of the buildings required to meet it.

Touching on the suggestion that the Colonial Secretary should require a report to be submitted to him on any meeting which lasts over 1¼ hours, in the hope that this practice will expose some slow moving and inefficient areas of the government, Mr. Roberts said this idea has attractions.

But he pointed out that each of the two previous Council meetings lasted more than two hours.

"Perhaps this illustrates the fact that quantity does not necessarily involve a sacrifice of quality," he added.

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PREPARATORY WORK ON EDUCATION WHITE PAPER

A good deal of preparatory work has been done for the proposed White Paper on Education, Mr. John Canning, Director of Education, said today.

Speaking in the resumed debate on the Budget in the Legislative Council, Mr. Canning said that when the advice of the Board of Education has been received "the finalisation of the draft White Paper should not be long delayed."

The next stage is that the draft White Paper will be considered by the Governor in Council followed by the tabling of the final version in the Legislative Council where it will be debated.

"I hope this process will not be too long and that the resultant policy will indicate clearly the direction in which secondary education should move during the next decade," Mr. Canning said.

It was the Director's firm belief that the procedure adopted to arrive at future expansion policies "has been perfectly sensible, perfectly proper and suited to the needs, aspirations and wishes of the people of Hong Kong.

The invitation to the community to become involved in the decision making process has proved successful and although the process is somewhat lengthy it has proved very well worthwhile."

/He then

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He then referred to Mr. Wilson Wang's request that urgent attention be given to alleviating the anxiety facing parents of children in Primary 6 over the future prospects of their children's education after this summer; and Mr. Wang's argument for maximising the usage of present facilities so as to achieve the highest enrolment possible within existing facilities.

In reply, Mr. Canning said: "I do not wish to comment too closely on this suggestion or indeed other suggestions that have been made on the Green Paper on education.

"It would not be proper to do so, as I may be accused of pre-empting the discussions on the paper I shall shortly be presenting to the Board of Education."

As far as this year is concerned, the Director said, "there are difficulties in the way of formulating new policies regarding entry to secondary schools to be implemented from September."

But he emphasised that plans for the expansion of secondary education up to 1976 in accordance with existing policy will, in any event, take place.

Pointing out that secondary expansion is at the cross-roads, Mr. Canning said that it would be imprudent to turn in any one particular direction without a careful examination of the long-term effects on our children's future.

"This examination is being carried out as fast as possible but many factors, not the least where the qualified teachers or where the money to finance the massive expansion would come from, have to be taken into account."

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REVISED PLAN FOR DEVELOPING MURRAY HOUSE SITE

A revised plan for the development of a large car park, government offices and the new Supreme Court on the present site of Murray House, is expected to be submitted shortly to the Public Works Sub-Committee.

The Secretary for the Environment, the Hon. James Robson today told Legislative Council that for the development of the complex, Murray House must "either be incorporated in the design of the proposed complex, dismantled and re-erected elsewhere, or demolished."

He was replying to a question from the Hon. Woo Pak-chuen on whether government has any plans for the future of Murray House.

Mr. Robson explained that due to the attractive form and details of the building, considerable thought had been given to its preservation.

"If the building is to be preserved", he said, "the sensible course of action would be to dismantle and re-establish it with suitable reinforcement on another site."

But the cost involved in the rebuilding process would amount to some \$6.5 million, and any reasonable central site capable of accommodating Murray House would have a value of at least \$40 to \$50 million.

With regard to an open space site, the Secretary for the Environment said "the Urban Council has advised Government that it should not support such a proposal as it would mean alienating open space already in short supply in the urban area."

/In addition,

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In addition, apart from expensive maintenance, the Director of Public Works had advised that there is a danger of structural failure of the building, particularly in typhoons or while engineering works are proceeding in the area.

Mr. Robson said Government had come to the reluctant conclusion that "unless any private benefactor comes forward with a suitable scheme and site for its reconstruction, Murray House will have to be demolished as soon as practicable in order not to impede the development of the New Supreme Court Building."

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INDUSTRIAL EMPLOYMENT FOR LAST QUARTER OF 1973

Highest On Record

The Secretary for Social Services, the Hon. Li Fook-kow, told the Legislative Council today there was little evidence to support a contention that, since the oil crisis, there had been an increasing level of unemployment and under-employment in Hong Kong.

He was commenting on the concern over the employment situation expressed by the Hon. Hilton Cheong-Leen during the resumed Budget debate two weeks ago.

Although there was no system for actually registering those who were under-employed or unemployed, Mr. Li said, there were a number of reasonably reliable indicators of the situation.

He said: "One of these is the number of persons actually in employment in industrial undertakings, and the returns for the quarter ending December 1973 showed industrial employment at the highest level ever recorded.

"Another guideline is the Public Assistance statistics; these show that the number of new Public Assistance cases has tended to decline slightly in recent months."

Mr. Li said families of unemployed people might be helped under the scheme while the individual was automatically referred to the Employment Service of the Labour Department. However, there had been no increase in the numbers referred from this or other sources such as the City District Officers.

/He emphasised,

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He emphasised, however, that the employment situation could change and it could change quickly.

Mr. Li agreed with Mr. Cheong-Leen that the Government should keep a close watch on the situation and he assured his Unofficial colleagues that steps were being taken where necessary to improve co-ordination between departments in publicising the Employment Services of the Labour Department.

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ACTION AGAINST TRIAD ACTIVITIES INTENSIFIED

At the Legislative Council today, the Secretary for Security, the Hon. L.M. Davies, outlined both short term and long term measures in dealing with triad activities.

He was answering a question from the Hon. Hilton Cheong-Leon who asked: "What new steps are being taken to combat the growing triad menace over which the public are now so widely concerned?"

The Commissioner of Police, Mr. Davies said, had impressed upon him the fact that there was no immediate, short term full or new solution to the problem.

However, he said the level of counter action against such criminal elements was being increased.

"In addition," Mr. Davies said, "the Commissioner is conducting an examination of the structure of CID with the object of improving crime prevention methods.

"Such changes which will be implemented shortly are aimed at improving the floor of criminal intelligence, with particular emphasis on triad type of activity, the strengthening of the Triad Society Bureau and increased disruptive effort against unlawful gangs based on more intimate knowledge of their activities."

He pointed out that the effect of counter gang action by the police was illustrated by the numbers of people prosecuted for unlawful society offences.

/The prosecution

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The prosecution figure for 1972 was 836 and it rose to 1,146 last year. By the end of February this year, another 284 had been prosecuted.

In the long term, he said the Education, Home Affairs and the Social Welfare Departments, amongst others, would play an important role in the guidance of youth to try to ensure that they would not become involved with the criminal elements of society.

Mr. Davies stressed that increased public participation with the police in combating the activities of triads would have a most beneficial effect.

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APPROPRIATION BILL 1974 PASSED

The Appropriation Bill 1974 completed its committee stage and third reading and was passed into law at this afternoon's sitting of the Legislative Council.

Five other bills also had their third readings and passed the committee stage to become law.

They are the Inland Revenue (Amendment) Bill 1974, the Quarantine and Prevention of Disease (Amendment) Bill 1974; the Landlord and Tenant (Consolidation) (Amendment) Bill 1974, the Employment (Amendment) Bill 1974 and the Workmen's Compensation (Amendment) Bill 1974.

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HONG KONG POLYTECHNIC FIRST ANNUAL REPORT TABLED

Staffing is one of the most critical factors in the development of the Polytechnic, Dr. the Hon. Chung Sze-yuen said today.

In tabling the First Annual Report of the Polytechnic for the academic year 1972/73 in the Legislative Council, he said: "In order to ensure that the Polytechnic will have the necessary qualified teaching manpower in time to carry out its academic development, two major recruitment drives were mounted, on a worldwide scale, in late 1972 and early 1973."

By the end of the year under review, Dr. Chung said, the number of teaching staff in post had risen from 137 to 180 and offers of appointment had been made to a further 49.

He said that during the year under review two major planning exercises were carried out, the first being the preparation of the Academic and Administrative Development Plan for the three immediate years — 1973 to 1976.

The second was the Building Development Plan for the temporary accommodation up to 1976/77 and for a permanent campus to cater for 8,000 full-time day students and 20,000 part-time evening students.

Dr. Chung also acknowledged a grant of £500,000 sterling from H.M. Government to the institute for the provision of library books and equipment of the Learning Resources Centre and for equipping the engineering workshops and laboratories.

He expressed the hope that other governments and large international companies will follow this "good example" and make contributions either in money or in kind to the Polytechnic which will be one of the most important institutions for fostering industrial, commercial and economic development in the future of Hong Kong.

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CONSUMER ADVISORY SERVICE

Daily Guide To Wholesale Market Prices And Supplies

The following prices were realised today (Wednesday) at sales under the Rice Control Scheme and at the Vegetable Marketing Organisation Wholesale Market and the Fish Marketing Organisation Wholesale Market at Cheung Sha Wan, Kowloon:

Supplies and Wholesale Prices of Rice

<u>Grade</u>	<u>Availability of Supply</u>	<u>Wholesale Price (\$/catty)</u>
<u>China Rice</u>		<u>Average</u>
See Mow - old crop	Good	-
- new crop		2.00
S.C.Jion - old crop	Good	-
new crop		1.94
Po Ngai	-	-
Chu Cho	-	-
<u>Thai Rice</u>	Good	1.91
100% Whole		
10-15% Broken	Good	1.89
A1 Super Extra	-	-
A1 Super	Good	1.52
Whole Glutinous	Good	2.00
<u>U.S. Rice</u>	Good	1.82
<u>Australian Rice</u>	Good	1.80
<u>Pakistan Rice</u>	-	-
<u>Taiwan Rice</u>	-	-

/Supplies and *****

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Supplies and Wholesale Prices of Marine Fish

<u>Species</u>	<u>Availability of Supply</u>	<u>Wholesale Price (\$/catty)</u>		
		<u>High</u>	<u>Low</u>	<u>Average</u>
Golden Thread	Good	3.7	2.5	3.0
Big-Eyes	Good	2.8	0.8	1.8
Squid	Normal	5.5	3.2	4.5
Hair-Tails	Good	2.3	1.0	1.6
Lizard Fishes	Normal	3.4	1.3	2.4
Croakers	Normal	1.5	0.8	1.4
Conger-Pike-Eels	Normal	2.4	1.8	2.2
Melon Coat	-	-	-	-
Breams	Normal	3.5	2.5	3.2
Yellow Belly	Good	1.5	0.7	1.0
Mackerels	Good	3.5	2.8	3.2
Red Goat Fish	Good	1.6	0.6	1.0
Fork-Tail	Normal	1.8	1.0	1.4
Horse-Head	Good	5.5	3.5	4.0
Melon Seed	Limited	3.5	1.7	2.8
Pomfrets	Scarce	11.0	8.5	10.0
Groupers	Normal	7.2	5.5	6.5
Yellow Croaker	-	-	-	-

/Supplies and

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Supplies and Wholesale Prices of

Locally Produced Vegetables

<u>Type</u>	<u>Availability of Supply</u>	<u>Wholesale Price (\$/catty)</u>		
		<u>High</u>	<u>Low</u>	<u>Average</u>
Flowering cabbage	Limited	1.6	0.8	1.2
White cabbage	Normal	1.0	0.3	0.8
Chinese Lettuce	Normal	0.8	0.3	0.6
Chinese Kale	Limited	1.0	0.5	0.8
Spring onion	Good	0.8	0.2	0.5
Spinach	Limited	1.5	0.6	1.2
Water cress	Normal	1.0	0.2	0.7
Leaf mustard cabbage	Normal	0.7	0.2	0.5
Tomato	Normal	1.6	0.6	1.2
Chinese Spinach	Scarce	2.0	1.0	1.6

Supplies and Wholesale Prices of Pork (Live weight)

	<u>Availability of Supply</u>	<u>Wholesale Price</u>
		<u>(\$/ picul)</u>
		(Average)
Pork	Good	300

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