



PRIME MINISTER

*cc the Wilson
the Pugh*

C. Price Minister

John Nott did discuss the gist of his minute of 7 May with me but now that I have seen his minute I would like to restate my preference for immediate abolition - John's option (i) - but I would resist the idea of our reserving powers for ad hoc Boards to review individual prices or for individual price increases to be reversed retrospectively. There are many objections to the Price Commission but among the most important are that it involves interference by Government in the pricing decisions of individual firms and that it creates uncertainty among firms about the possibility of Price Commission interference. The possibility of ad hoc Boards of investigation would not remove that uncertainty but would in fact create new and unknown uncertainties, and would cancel out any boost to business confidence which John believes, as I do, to be necessary.

I appreciate the risk that outright abolition of the Commission might have political repercussions and an adverse impact on the autumn pay round. But we should be careful not to exaggerate the impact of the Price Commission on union sentiment; the abolition of the profit safeguards last winter did nothing to moderate union wage demands and most people already understand that the Price Commission has had no effective impact on price increases. If we want to offer a sop to trade union sentiment we can draw attention to the fact that we already possess powers to control many prices under the Fair Trading Act. Provided a monopoly situation which operates against the public interest can be found to exist, a Monopolies Commission investigation can empower us to order more extensive price reductions than are

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possible following a Price Commission investigation. I suggest that, when announcing the abolition of the Price Commission, we should also refer to our ability, should it be needed, to use the Monopolies Commission machinery for price investigations. (I understand that we can instruct the Monopolies Commission to limit their investigation only to pricing practices of monopolists and to report within a relatively short time scale).

No doubt it will be necessary to consider what interim arrangements should be made for the period between the announcement of the intention to abolish the Price Commission, if that is the decision, and the enactment of the legislation, in order to curtail the Commission's activities during that time.

I am copying this minute to Cabinet colleagues and Sir John Hunt.

KJ

K J

10 May 1979



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