



Treasury Chambers, Parliament Street, SW1P 3AG
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¹
20 May, 1979

Dr Pat

Thank you for your letter of 16th May proposing an increase of 1½p per pint in the retail price of milk from 3rd June.

I recognise that the wage increases in the distributive industry make some increase necessary and I support your view that the change should be made quickly so that it can be firmly linked with the wage increase itself. This will forestall unfair allegations that it arises from our policies or from the abolition of the Price Commission and should bring home to the distributive industry itself the consequence of its wage decisions.

Naturally, however, I would not want us to sanction a bigger increase than is strictly necessary, particularly if, as you imply, you may wish to add further to food price increases by devaluing the green pound shortly. On the figures you have presented I see a case for an increase of 1-1½p. I should be prepared to accept the higher figure on the understanding that it will help us to avoid a further increase in the autumn. In particular this means that I regard the 1½p as covering the potential cost of a 2% co-responsibility levy and taking no account of the gains to milk producers if we and the Council agree to a further green pound devaluation. If, in the event, there is no levy or there is a devaluation the effects can be taken into account in the autumn review.

I hope too, that Humphrey Atkins will agree that the 1½p increase will assist Northern Irish milk producers, although possibly not to the same degree as milk producers in GB, that it should help him to contain the cost on the NI milk producer subsidy and that it is, therefore, of some indirect help to him in finding the resources needed to assist the meat plants in Northern Ireland.



I am copying this letter to the Prime Minister,
John Nott, George Younger, Nicholas Edwards,
Humphrey Atkins and Sir John Hunt.

A handwritten signature in black ink, appearing to read "Geoffrey Howe".

(GEOFFREY HOWE)

The Rt. Hon. Peter Walker, MBE,