



PRIME MINISTER

PAY IN THE NATIONALISED INDUSTRIES

I am afraid that I shall be unable to attend the Economic Strategy Committee tomorrow. May I however express my broad agreement with the Chancellor's paper on pay. I think the conclusions recommend a sensible and cautious step-by-step approach.

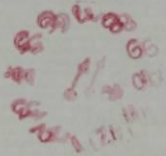
I particularly welcome the Chancellor's conclusion in 13.2 that a detailed study should be set up to consider how to handle pay/price questions in the nationalised industries particularly those which have a monopoly power. Paragraph 5(e) may slightly exaggerate what can be achieved through our new competition policy. As you know we intend to reform the Monopolies Commission but its impact on these pay/price questions is likely to be limited. Whilst it may be possible for it to be used to examine efficiency in the nationalised industries, it will need to build up experience in this field. We foresee that in the early days it will primarily be concerned with examining specific anti-competitive practices which are brought to its attention. It is not intended, of course, that it should involve itself in the wider questions of financial objectives and cash limits.

I am copying this minute to members of E Committee and to Sir John Hunt.

JN.

J. N.

Department of Trade
31 May 1979



6261 AM 11 MAY 1979

Faint, illegible text covering the majority of the page, likely bleed-through from the reverse side.