



PRIME MINISTER

QUEEN'S SPEECH: ABOLITION OF THE PRICE COMMISSION

Keith Joseph and I have had a quick word about the future of the Price Commission. As you know, we all discussed this subject pretty fully before the election and agreed on a very early Bill which would be sufficiently short and simple to enable us to push it through the House without too much delay. During the election we only talked of a "review" of all institutions in the field and Sally Oppenheim stuck to this line throughout the campaign. Nevertheless, in my view, there is everything to be said for accomplishing the removal or emasculation of the Commission before the summer recess since if we wait until the autumn it may be the end of the year before it receives Royal Assent. Industry is in dire need of a boost in its confidence and I feel that we should act fast. (I am advised that we could produce the necessary short Bill in time).

I think we have two options:

- (1) To introduce a short Bill to abolish the Price Commission, but reserve, as a purely temporary measure, certain powers of the Secretary of State to refer sectors and specific companies for review to ad hoc Boards appointed for this purpose. I suggest we may need some sanction to reverse prices retrospectively but I would envisage that this power would only be used in the most exceptional cases of a strictly emergency nature. The Secretary of State's powers would be available until such time as we would be able to place prices firmly in the field of competition policy following the review of this field promised in the manifesto.
- (2) To introduce a short Bill to abolish the Commission's power to freeze prices during an enquiry and to replace this with a power to roll back prices following an enquiry, subject to minimum safeguards. The present Chairman of the Commission would be replaced.

Despite the risks involved, my own preference would be for the first of these options, although Sally Oppenheim prefers the second option as she feels there would be less political risks involved. A quick abolition Bill may seem extremely hasty and drastic to the trade unions but I think it will have less adverse impact on the mood of the autumn pay round if we act now and clear the decks completely. In my view there does not seem a lot of purpose in keeping the full organisation in being when we have effectively drawn its teeth. I want to keep the temporary reserve Ministerial powers purely as a gesture to trade union sentiment. A decision on this issue will clearly need to be reflected in the Queen's Speech, and you may wish to include this in our discussions at Cabinet.

CONFIDENTIAL



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

Department of Trade
1 Victoria Street

7 May 1979

JW .

JN