

PRIME MINISTER

c.c. Mr. Wolfson
Mr. Ridley
Mr. Ryder

Future of the Price Commission

Mr. Nott's note (Flag A) considers two options - whether to abolish the Price Commission altogether while reserving certain powers to the Secretary of State to enable him to reverse prices in exceptional circumstances; or to continue with the Commission, but to substantially weaken its powers. Mr. Nott favours the first; Mrs Oppenheim the second.

At Flag B is a further note from the Department of Trade which proposes that the issue should be considered at an early meeting of the relevant Ministers, and argues that this meeting should be given the authority to take a decision. The intention would then be to announce the decision in the course of the Debate on the Address.

David Wolfson has pointed out that immediate abolition of the Commission would be inconsistent with the Manifesto which said "We will review the working of the ... Price Commission". He is concerned that, if we go for immediate abolition, some people may question whether we are going to stick to other elements in the Manifesto. Adam Ridley, in his note at Flag C, argues that there could well be a good political case for adopting the course favoured by Mrs Oppenheim.

I understand that you told Ken Stowe that you did not wish a decision on this to be rushed. It is clearly an important one, and we think you should be in the chair at any meeting to discuss it. However, if Mr. Nott can prepare a paper in time, covering the points which you mentioned (including looking at current investigations, seeing whether any should be stopped and whether we have powers to stop them) we might be able to fix a meeting of the Committee on Economic Strategy for later this week. If not, early next week. Do you agree that we should proceed on this basis?

① If we are to stick to our rule that Ministers must have read their papers 48 hours before the meeting, - there is not time to hold it this week.

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② Other interested departments or Ministers must have

time to comment in writing.

③ It follows that the earliest we could hold a meeting would be Monday. I am happy for this to be accepted.

④ I must tell you at the outset that I favour metamorphosis rather than extension. The two main purposes of our strategy are

- (i) to restore investment by direct investment and consequently to tolerate investment incentives and
- (ii) to establish credibility - authoritatively by the necessary amendments to T.U. law.

It would be unwise to jeopardise these objectives.

⑤ Finally decisions reached in haste are decided repeated later.



From the Secretary of State

Tim Lankester Esq
10 Downing Street
LONDON SW1

8 May 1979

Dear Tim,

FUTURE OF THE PRICE COMMISSION

In his minute to the Prime Minister of 7 May, the Secretary of State raised the need for an urgent decision on the future of the Price Commission. He has now discussed the options mentioned in his minute further with his Ministerial colleagues and with officials. He is confirmed in his conviction that an early decision is required. There will be widespread calls for the Government to have a view available not later than the debate on the Queen's Speech. Moreover, the CBI intend to publish a report on the Price Commission on 17 May which will advocate its abolition, thus provoking a public argument with the TUC. He believes it would be politically desirable for an announcement of the Government's policy to precede and not follow such a report.

On the other hand, my Secretary of State recognises that the issues involved are complicated and may require more detailed discussion among the Ministers mainly concerned than would be possible in Cabinet. He would therefore be grateful if an urgent meeting of the relevant Ministers could be arranged this week at which he would put forward a paper outlining in more detail the options which are open to the Government; and if this committee could be given the authority to take a decision.

As the text of the Queen's Speech will have to be finalised on Thursday, he suggests that the reference in the Speech should be limited to

"My Government will publish proposals for more effective competition and fair pricing policies".

The Government's decision on the future of the Price Commission could then be announced in the course of the debate on the Address, preferably in the course of the Prime Minister's own speech.



From the Secretary of State

I am copying this letter to the private secretaries of recipients of the Secretary of State's minute of 7 May.

Yours Sincerely,

Tom Harris

T G HARRIS
Private Secretary



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
MR LANKESTER

ABOLITION OF THE PRICE COMMISSION

You asked for my comments on the Secretary of State for Trade's minute to the Prime Minister of 7 May. From an economic point of view, there is no argument for keeping the Price Commission going unnecessarily long, as the Secretary of State says. However, there are two other issues of a political kind which may argue in favour of the slower option which Sally Oppenheim recommends.

First, it is conceivable that, if there is to be a significant increase in prices attributable to rising VAT and other charges, it would be useful to have the Price Commission operating on some kind of basis in order to help defuse anxieties. Second, it can be argued that, if there is any case for any other tidying up legislation in the field of competition policy, it would be sensible to deal with this in the same bill rather than to return to the fray at a later stage.

The biggest issue of all is, however, the extent to which an early initiative on this front could aggravate relations with the union movement. My own instinct, for what it is worth, is that it would not in itself make a great difference, though it might do so in the context of other policies such as action on picketing or the closed shop. But is this not a question on which the Secretary of State for Employment ought to be consulted?



ADAM RIDLEY

8 May 1979

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