

PRIME MINISTER

STATEMENTS IN THE HOUSE: MONDAY 2 JULY

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This afternoon Mr. Howell answered a Private Notice Question about petrol prices and distribution and Sir Keith Joseph made a Statement about the postal situation.

Dr. Owen attacked Mr. Howell for allowing petrol prices to rise, despite the 2-5 weeks it takes for oil to reach us from exporting countries. He said that Mr. Howell should take powers under the Energy Act to hold all petrol prices down or use his powers under the Price Commission Act to take an overall look at pricing policy of all petroleum products. He said that Mr. du Cann had written to Mr. Howell asking for a State of Emergency, and had been refused.

Mr. Howell said that oil prices had been rising very rapidly in recent months. The OPEC meeting in Geneva had merely consolidated and confirmed rises that had already happened. He said that he had never disguised that there would be more cost increases and that if we went back to price controls we would simply recreate the shortages the Government had found when they took office.

He said that examples of individual profiteering, if they existed, could be referred to the Secretary of State for Trade. In his view, the best answer to local shortages was to get more supplies into the difficult areas, which was already being done successfully by the oil industry in consultation with his Department.

The main point he stressed was that our market prices had to reach world levels if we were to ensure an equilibrium between supply and demand.

Mr. Enoch Powell said that the Tokyo Agreement to limit imports would, by the same argument, simply increase scarcity and therefore prices. Mr. Howell said that the House should await your report on Tokyo, but the Agreement would provide a smoother transition to a new equilibrium between supply and demand.

Mr. Benn asked whether the Secretary of State insisted that the oil companies consulted him before putting their prices up. He asked how anyone could shop around when there was no petrol at all in an area.

Mr. Howell said that his Department was working with the Petroleum Industry Association to see that more supplies went to the worst affected areas. He claimed that this process had worked on a selective and effective basis, and was greatly preferable to a system of general priorities or rationing.

In answer to other questions, Mr. Howell said that no emergency services were being allowed to be at risk; that all oil users had to find economies as we move into a permanent era of high cost energy; that the price and supply arrangements the Government had inherited had been totally unsatisfactory and that - in a phrase which may be quoted back at you - as the Government had allowed the price to go back to world levels the oil companies had been able to rejig their contracts to suit British consumers better; and that he rejected accusations of complacency which were being made simply because he had not adopted some of the wilder and more hysterical suggestions from the Opposition.

On supplies to South Africa, Mr. Howell said that oil had been going to South Africa under the aegis of BP under the Labour Government. The BP/Conoco deal was not a significant change. He appealed to Labour Members not to exaggerate what was going on, for fear that it would affect our trading interests across Africa as a whole.

On the whole, Mr. Howell carried the day rather more successfully than he has done in the past. The Opposition were not convinced, but he was more relaxed and more in command of the House than sometimes he has been. I am in no doubt that this theme will be raised again tomorrow.

NJS

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/ Postal Service