



Agriculture

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

13 June, 1979

R 1576

De Peter

Thank you for your letter of 4th June.

I recognise that producers hold the MMBs in high regard and the degree to which we are politically committed to supporting them. Whilst I do not accept that this commitment prevents us from reconsidering their detailed operations from time to time, my immediate concern is not the Boards or their monopoly selling powers but the arrangements which we have inherited from the previous administration under which we are committed to determining maximum wholesale and retail prices so as to guarantee a rate of return to the milk distributive industry. This is a situation in which the industry itself is free to incur costs, e.g. in wage negotiations, and the Government bears the responsibility for deciding how they are to be recouped. On the face of it this seems an unsatisfactory arrangement and it does not accord with our general approach to private industry. Even if, in present circumstances, it is a necessary arrangement to preserve the daily milk delivery system - and this is a proposition which itself seems to me to merit inquiry - it is surely questionable whether it can or should be continued when liquid milk imports begin. I recognise that such imports are not imminent but I understand that they could begin within a year if a case currently before the European Court goes against our current import restrictions.

/Therefore it seems

The Rt. Hon. Peter Walker, M.P.





Therefore it seems clear to me that we need to take a wider look at the current arrangements and not simply obtain an accountants' report on costings, although I would not, of course, object to costings figures being obtained as part of the review. This is why I continue to support John Nott's proposal. I hope that, on reflection, you will see merit in proceeding with it. As a first step perhaps officials of the Departments concerned and the CPRS should be asked to meet to prepare draft terms of reference which we could then consider.

I am sending copies of this letter to the recipients of yours.

Handwritten initials "L -" and a signature that appears to be "John" with a horizontal line underneath.

(GEOFFREY HOWE)