

SECRET



10. DOWNING STREET

From the Private Secretary

25 February 1982

Dear Julian,

GAS PRICES

The Prime Minister had several discussions with the Chancellor and your Secretary of State yesterday about gas price increases.

The Prime Minister was at first inclined to the view that the domestic gas price increase planned for October should not go ahead. On political grounds, she was conscious of the difficulty which the Government would face in Parliament in proceeding with the two planned increases this year; and on economic grounds she was unconvinced that British Gas needed the October price increase, which seemed to her to be of the nature of a tax. In discussion, your Secretary of State produced the attached table, which indicated that, without the October increase, British Gas would scarcely break even on domestic sales in 1982/83 before taking account of the levy. It was also argued that, notwithstanding the substantial pre-levy profits which British Gas would earn on present price increase plans, both domestic and industrial prices were clearly below their desirable economic level, given that consumers had switched into gas on such a scale that British Gas was unable to meet the demand and had been obliged to use a rationing system. Your Secretary of State also revealed that British Gas had already despatched press notices announcing both domestic price increases. In the light of these points - and also on wider budgetary grounds - the Prime Minister agreed that it was desirable that both domestic price increases should go ahead.

Discussion then turned to the best way of winning political support for this course of action. Your Secretary of State proposed that a freeze on industrial gas prices should be imposed after the planned increase in March 1982. He would then be able to argue to the Government's supporters that it was only because of the domestic price increases that he had been able to afford to offer this assistance to industry's energy costs. The Chancellor said that he was prepared to accept this proposal. The presentation of the argument would need careful attention, since the industrial price freeze could not be disclosed before the Budget Statement on 9 March.

/ The Prime Minister

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SUBJECT

file 15

Mr. Duguid.  
Mr. Ingham

noted

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- 2 -

The Prime Minister said that it was agreed that the Chancellor should include in his Budget Statement an announcement of a freeze on industrial gas prices after the 1 March 1982 increase and running to the end of calendar 1982. Your Secretary of State should make what use he could of this before the Budget in putting the case to the Government's supporters for upholding planned increases in domestic gas prices this year.

I am sending copies of this letter and enclosure to John Kerr (H M Treasury), Jonathan Spencer (Department of Industry) and David Wright (Cabinet Office).

*Yours sincerely,*

*Michael Scholar*

Julian West, Esq.,  
Department of Energy.

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GAS TRADING PROFITABILITY

<u>DOMESTIC</u>	1981/82 £m (p/th)	1982/83 (10% real) £m (p/th)	1982/83 (Inflation only) £m p/th)
Revenue	2693 (30.4)	3452 (37.8)	3193 (34.9)
Trading costs	2708 (30.6)	3191 (34.9)	3191 (34.9)
Profit/Loss (pre levy)	-15 (-0.2)	261 (2.9)	2 (-)
Levy	177 (2.0)	366 (4.0)	366 (4.0)
Profit/Loss (post levy)	-192 (-2.2)	-105 (-1.1)	-364 (-4.0)

<u>INDUSTRIAL</u>		Freeze	No Freeze
Revenue	1889 (23.5)	2119 (25.6)	2219 (26.8)
Trading costs	1418 (17.6)	1741 (21.0)	1741 (21.0)
Profit/Loss (pre levy)	481 (5.9)	378 (4.6)	478 (5.8)
Levy	177 (2.0)	334 (4.0)	334 (4.0)
Profit/Loss (post levy)	304 (3.9)	44 (0.6)	144 (1.8)

TOTAL GAS TRADING

Profit/Loss (pre levy)	466	639	480
(post levy)	112	-61	-220
% Return on Assets (pre levy)	4.3	5.3	4.0
(post levy)	1.0	-0.5	-1.8



British Gas Finance  
 paper

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PRIME MINISTER

Industrial Gas Prices

You raised several times earlier this week the point which had been made to you during your visit to Ruston Gas Turbines about British Gas industrial pricing policy.

I have discussed this with the Department of Energy. As I see it, Rustons have a good point; but it is not a point about the general level of industrial gas prices, but rather about the rigidity of British Gas's pricing in relation to Combined Heat and Power (CHP) schemes.

I am told that half of British Gas's sales to industry are made at fuel-oil related prices. The other half are made at gas-oil related prices. In both cases the price level is well below the equivalent oil price level. The Department of Energy argue that, at these price levels, demand is so strong that British Gas are unable to meet it; customers are switching from other forms of fuel because of the price advantage in doing so. So British Gas are in fact operating a rationing system. In a free market situation this scarce resource would be rationed by price. This is the Department of Energy's argument for a higher price for industrial gas.

The Rustons point is about the criterion which British Gas uses in deciding at what level to price gas to individual industrial users. They do so in relation to the alternative fuel in each case. For most CHP schemes this is fuel oil, and BGC would normally supply interruptible gas at a fuel oil related price. A few CHP schemes however are based on gas turbines. Because the alternative fuel in these cases is gas oil BGC are reluctant to supply interruptible gas here at a fuel oil price. This rigid policy tends to make gas turbine CHP schemes unattractive. Rustons, naturally, have objected strenuously to this policy, and the Department of Energy have taken up their point with British Gas,

/ so far



so far with no success. They are keeping up the pressure but have no powers to direct British Gas on this matter. They say that the basic answer is to make the gas market more competitive, and that the Government is doing this with the Oil and Gas (Enterprise) Bill.

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26 February 1982



## Orders of the Day

### SUPPLY

[14TH ALLOTTED DAY]—*considered*

### Gas Price Increases

3.39 pm

**Mr. Merlyn Rees** (Leeds, South): I beg to move,

That this House regrets the decision of Her Majesty's Government to increase domestic gas prices by 22 per cent. in 1982 and demands that this policy be not implemented.

**Mr. Speaker:** I have selected the amendment in the name of the Prime Minister.

**Mr. Rees:** I shall try to be brief, as I believe that two Front Bench spokesmen would be inappropriate in a three-hour debate.

Rarely has more concern been expressed than on this act of Government policy. The Government have decided to increase gas prices by 22 per cent.—12 per cent. for inflation and 10 per cent. on a regular basis. The average increases in 1980 were 17 per cent. and 10 per cent., and in 1981, 15 per cent. and 10 per cent. This follows the decision of the Government—not the British Gas Corporation—in 1980 to increase gas prices by 10 per cent. more than inflation as a general act of policy. As a result of Government policy, gas prices have increased by about 100 per cent. since 1979.

All of this has occurred not because of a decision by the Gas Corporation but as a result of a firm decision by the Cabinet—and this from a Government led by a Prime Minister who has the nerve to go round the country complaining that it is the nationalised industries which put up prices. The Government have put up gas prices. It is not market forces or Gas Corporation decisions, but Government policy. The Government constantly denigrate the nationalised industries and the Gas Corporation. This is a richly successful, integrated industry and a world leader in research looking to the future. The job that it has carried out in the past 20 years with high-speed gas and North Sea gas and the pipe system throughout the country has been truly remarkable.

In exactly the same way, it was the Government who imposed a levy on the Gas Corporation, thus milking it of £1.25 billion over three years. The Government see the Gas Corporation not just as a convenient Aunt Sally in political speeches but as a means of raising taxation outwith the corporation's statutory responsibility to supply gas. A Conservative Central Office handout of 27 February had the nerve to say:

"Domestic consumers benefited at the expense of industrial consumers".

I shall return to that.

"They were benefiting also at the expense of the taxpayer". It is the taxpayer, in the form of the British Gas Corporation, who has to pay a levy of £1.25 billion to the Exchequer. It is Government policy to put up gas prices, even without these instructions on domestic gas prices. The result of the provisions relating to gas in the Oil and Gas (Enterprise) Bill now in Standing Committee will be to raise prices. We heard this morning in that Committee that Sir Ernest Woodroffe, who had been a part-time member of the British Gas Corporation for nine years, had written:

"As a staunch Conservative, having voted solidly for the Party all my life and having rejoiced at the success at the last election . . . I see nothing in this Bill which will reduce the price of gas to the consumer and since British Gas will have to compete for supplies at higher costs to the Corporation, I see the effect of the Bill as likely to make the price of gas to the consumer higher than it would have otherwise been."

That is the view of the Gas Corporation. It is clearly the Government's intention to increase prices in the gas industry. Whether it be through raising domestic gas prices through the effects of the new Bill, it is Government policy to increase the price of gas.

In the amendment, the Government seek to put a gloss on their policy for which gas does not bear examination, and to link the level of industrial prices to the policy of hiking up domestic gas prices. The sequence was in fact quite different.

Soon after the Government came to office in 1979, they reduced the external financing limit for the Gas Corporation by £190 million and insisted to the corporation that all the increases fell upon the non-domestic consumer. The increase in the fall of 1979 consisted of a 21 per cent. increase for the non-domestic consumer and an 0 per cent. increase for the domestic consumer. The policy in January 1980 for 10 per cent. more than inflation for three years was to sort out the imbalance which the Government had largely caused through their own action in the first nine months of the Conservative Administration. There was no mention of helping industrial users during those months. The change followed pressure from NEDC and large industrial gas users. As a result, industrial contract renewal prices were frozen until yesterday.

**Mr. Tim Eggar** (Enfield, North) *rose*—

**Mr. Rees:** Perhaps I may finish this point. Then, of course, I shall give in. [HON. MEMBERS: "Oh".] I always give into the hon. Gentleman.

The NEDC report states:

"The change since our last report has been due to: (i) the BGC measures which set a ceiling to renewal prices in Britain, so freezing prices which were already at the ceiling and restraining rates of increases for others; (ii) exchange rate movement during the year; and (iii) price increases on the continent reflecting movement in fuel oil prices and the higher prices now being charged for exports of Dutch gas."

I shall return to the third point in a moment.

**Mr. Eggar:** Does the right hon. Gentleman agree that up to that point the Government and the British Gas Corporation were following exactly the policy on pricing promulgated by the right hon. Member for Bristol, South-East (Mr. Benn) when he was Secretary of State for Energy?

**Mr. Rees:** That is a fair question. I shall return to that, as I investigated the subject carefully, and I shall spell out the policy of the Labour Government at that time.

The Government's sudden enthusiasm for industrial gas consumers is not matched by an enthusiasm to help industrial bulk electricity users, for whom arguments have been made for some time but very little has been done.

Despite the reference in the Government amendment to "helping the needy", the bald fact is that whatever the amount of money provided fewer people will be helped than in the last year of the Labour Government, whose scheme helped those on rent and rate rebate schemes as well as those on supplementary benefit. The Conservatives were driven to help some of those on low incomes by the



[Mr. Rees]

bad winter, not as an offset to the policy of annual gas hikes about which we are complaining today. If it was an offset, they certainly took a long time about it, as that policy was implemented in January 1980. The Government were driven to act. They should listen to the consumer on energy pricing policy. A document that I received recently from the North-Eastern gas consumers' F council in Eastgate, Leeds states that at a recent meeting of the council it repeated its view that

"all the increases should be vigorously opposed"

and that

"price increases should be based only on the financial needs of the Industry. Whilst being well aware of the Government's policy imposed on British Gas that prices should rise 10 per cent. above the rate of inflation over three years . . . they felt that the British Gas Corporation had not told them any reason why they needed the extra money."

Of course, the British Gas Corporation does not need the extra money. It is a Government decision and a method of taxation. The Government are using the British Gas Corporation to collect a poll tax, or at least to levy a tax on the basis of the amount of energy used by the British people. The Government's energy policy is incoherent. They have drifted in the wind of their own belief in free market forces, always slow to respond to the arguments of the NEDC or the large industrial users. They are motivated by a positive dislike of nationalised industry. The gas industry is successful in anybody's language. In addition the Government policy on depletion is not clean.

The fall in the price of oil—which might well drop by another \$5 a barrel—is welcome because of its effect throughout the economy. We shall see whether it is welcome to the Chancellor. Surely, as a result, the price of industrial gas will fall because normally there is a straight link between the price of oil and the price of industrial gas. No one could possibly know the precise figure, but that change will surely force the Government to look again at overall prices.

The Secretary of State for Energy has far more responsibility than a shadow spokesman. However, I have been at it slightly longer than him. It strikes me as remarkable that, despite the country having all the coal, gas and oil that it needs, we make a hash of it. In contrast Canada uses its prolific supplies of energy for the benefit of its domestic and industrial consumers. We should do exactly the same.

**Mr. Peter Rost** (Derbyshire, South-East): The right hon. Gentleman talks about protecting the consumer. Does he not accept that industrial and commercial consumers have been penalised, particularly by the Labour Government's pricing policy, which held down the domestic price at the expense of the industrial consumer? Will the right hon. Gentleman tell us how many jobs are being lost in Britain as a result of high gas prices to the industrial sector?

**Mr. Rees:** The hon. Gentleman said that in Committee this morning. He is wrong. According to the NEDC report we are not at a disadvantage as far as gas prices are concerned.

**Mr. John Hannam** (Exeter): Not now.

**Mr. Rees:** Of course we are not now. That is what I read out. The Government experienced pressure last year, but the assertion of the hon. Member for Derbyshire, South-East (Mr. Rost) is wrong.

It is always pleasant to look at what a party said at the last election. In 1979, on the basis of the Labour Government's policy, the Labour Party said:

"As well as being available in large supplies, gas is also competitively priced. Some have argued that it has an unfair advantage as a source of domestic heating over electricity, and that its price should be raised to bring it more into line with that of electricity. However, gas is only relatively cheap because it has been possible to develop the gas in the southern basin of the North Sea cheaply, and because the industry has cut its workforce by over 20 per cent. in ten years. We believe that relatively cheap gas encourages its use in the premium markets—domestic and commercial—for which it is best suited. To increase its price, so that domestic consumers would want to switch to electricity, would, not be in the interests of the industry, and would in any case, cause unnecessary hardship to many gas consumers who rely on it as an inexpensive form of heating and cooking. This would be contrary to Labour's objective"—

carried out in Government—

"of providing adequate heat and light at a price that people can afford."

The Labour Government's policy was right and so was the policy that we put forward at the election. The Government's policy is to increase gas prices not because the British Gas Corporation wants that but because the Prime Minister and the Government want them to increase. The Government's policy is for gas prices to increase every year by the amount of inflation plus 10 per cent. That is their policy. I hope that Conservative Members will not say that everything is the fault of the British Gas Corporation, because that is not true. The British Gas Corporation is highly successful. We are debating Government policy and I ask my right hon. and hon. Friends to vote for the motion tonight.

3.54 pm

**The Secretary of State for Energy (Mr. Nigel Lawson):** I beg to move, to leave out from "That" to the end of the Question, and to add instead thereof:

"this House having endorsed on 29th January 1980 the Government's decision to tackle, over a three-year period, the serious under-pricing of domestic gas at industry's expense, recognises the need to complete that process this year, welcomes the relief which has been possible in consequence through lower real industrial gas prices; and supports the Government in making available more resources than ever before for helping the needy with their fuel bills."

The right hon. Member for Leeds, South (Mr. Rees) has—as is his custom—worked himself up into something of a lather of indignation about gas prices. However, his response was hardly shared by other Labour Members. At the beginning of his speech a full five Opposition Back Benchers supported him, but by the end of his speech he had managed to increase the number to 10. That is the sum total of his achievement. I congratulate him on doubling the number of his supporters, but perhaps it shows that the motion can be described only as being by opportunism out of hypocrisy.

The right hon. Gentleman suggested that the fall in the price of oil might have an impact on industrial gas prices. He is right to say that the fall in the price of oil—we do not know for how long it will continue—is of net benefit to the world and to this country. My right hon. and learned Friend the Chancellor of the Exchequer must grapple with certain budgetary problems. However, their magnitude depends not merely on the dollar price of oil, but on the



exchange rate and the sterling price of oil. The huge increase in oil prices in 1979 inflicted immense damage on the world economy and on Britain's economy and contributed greatly to inflation and particularly to the recession. The softening of prices—assuming that it will continue—can only be of benefit to the world economy, from which we can draw some comfort and hope.

I readily grant the right hon. Member for Leeds, South the fact that gas prices have caused considerable concern throughout the country, but it is important to be clear about the reason for that concern. The problem is not caused by the absolute level of the price of gas. On the contrary, gas is still the cheapest fuel available, and will continue to be even after this year's price increases. To heat a home by oil-fired central heating costs almost half as much again as heating it by gas-fired central heating. Similarly even after the recent March increase in the price of industrial gas, firm gas costs 30½p per therm, compared with gas oil—even at today's oil prices—of 46p per therm. Therefore, the fall in oil prices must go much further before it has any impact on the competitive edge enjoyed by gas. It costs twice as much to cook by electricity—another competitive fuel—as by gas.

That has not always been so. During the past 10 to 15 years, while the price of all other fuels has risen very considerably in real terms, the real price of gas has fallen. I take 1968 as an example, because that was the year in which North Sea gas first took the place of the old town gas. In 1968 typical elderly couple used between six and seven therms of gas a week to cook with and to heat their home, and that cost them 10 per cent. of their old-age pension. Even after the gas price increases of the past two years, today it costs only 4 per cent. of a married couple's pension to pay for the same amount of gas.

The price of gas today to the British home is among the lowest in the world. In France and Germany, for example the householder has to pay from half to twice as much for his gas. Thus, it is not the absolute level of gas prices that is the problem, whether compared with other fuels, or with a decade ago, or with prices overseas. The problem is the sharp increase in the gas price that is due this year. That is what is at issue. It is right, therefore, that the House should understand why so large an increase is necessary, and, in particular, where the true responsibility for it lies—with the Labour Party.

**Mr. Leslie Spriggs (St. Helens):** Before the last increase in gas prices the Gas Corporation made a profit of £200 million, at a time when the Prime Minister said that too much gas was being used by domestic consumers. What does the right hon. Gentleman propose to do about that?

**Mr. Lawson:** I shall come to that a little later, but let me tell the hon. Gentleman now that that profit was coming entirely from industry, from the sale of gas to industry at a much higher price. No profit came from the domestic consumer.

Let us return to Labour Members and the time when they were in Government. The right hon. Member for Leeds, South said that he was happy to have his Government's record examined. They were in no doubt about the principles on which gas prices should be based. In their White Paper of 1978, produced under the aegis of a previous Secretary of State for Energy, the right hon. Member for Bristol, South-East (Mr. Benn)—I do not

know where he is, but he is again absent, no doubt engaged in some extra-parliamentary activity—I believe that is the correct expression—they said:

"The Government considers that gas and electricity prices should be at economic levels which reflect the cost of supply, encouraging the best use of national energy resources and avoiding subsidies from public expenditure".

Fine words, but what happened in practice?

No sooner was the ink dry on that White Paper than they decided, in a futile attempt—and, my goodness, it was futile—to court electoral popularity, to freeze the price of gas to the home for the remainder of their ill-fated term of office. As a result, by the time the present Government took office in 1979, far from there being any question of prices reflecting costs, the Gas Corporation was actually losing money, as I mentioned to the hon. Member for St. Helens (Mr. Spriggs) a moment ago, on an increasing scale on the supply of gas to the home, and all its profits were being made from its sales to industry. The price of gas to industry, far from being held down in line with domestic gas prices, rose to the point where it was costing 25 per cent. more than the price of gas to the home, despite the fact that the cost of supplying gas to industry was significantly less than that of supplying it in smaller quantities to the home.

The Labour Government's Price Commission, which was scarcely in the habit of recommending that prices should go up, reported in June 1979 that domestic gas was so seriously underpriced that its price should be increased by at least 30 per cent. Incidentally, that analysis was not challenged by the Gas Corporation.

**Mr. Merlyn Rees:** If it is so sensible a policy—and this was the report in June 1979—why, in September 1979, did the Government of which the right hon. Gentleman was a member freeze domestic gas prices?

**Mr. Lawson:** The policy that we are debating is that which has been in existence since January 1980. If the right hon. Gentleman wishes to defend his Government's policy, he will have to do a great deal better than that.

What happened when the right hon. Gentleman's party was in office is clear. The under-pricing of domestic gas had led, inevitably, to a massive surge in the demand for gas for the home far in excess of the corporation's ready ability to supply it, particularly during periods of peak winter demand. As a direct result, industry was once again being penalised, this time by having to suffer the deliberate rationing of gas and being denied the supplies that it so badly needed.

That was the cockeyed position that the Government inherited from their predecessors. My predecessor, my right hon. Friend the present Secretary of State for Transport (Mr. Howell) set out to put it right.

**Mr. Alex Eadie (Midlothian):** The right hon. Gentleman is introducing a very important argument. He is really arguing that not only do workers receive a wage for working, but that they receive an energy wage from industry as well. Is the right hon. Gentleman aware that when the Labour Government came into office we had about £1,000 million worth of electricity price freeze debts to pay and that, for the first time in history, the Conservative Administration had managed to make the electricity industry go into deficit?

**Mr. Lawson:** I do not think I would be in order if I were to allow myself to be led along the highways and



[Mr. Lawson]

byways of electricity policy in 1974, which is what I think the hon. Gentleman was referring to. However, I am surprised that he did not understand the importance that I was attaching to the point that I made about the cost of energy generally, and gas in particular, to industry and the implications that this can have for industry's competitiveness and for jobs. I should have thought that he at least would have understood that.

My predecessor announced in January 1980 that the massive under-pricing of domestic gas would be corrected, not all at once, of course, but by a 10 per cent. increase in the real price of gas to the home in each of the three years 1980, 1981 and 1982. That was one of the most courageous decisions ever taken by a Minister. It was debated and approved by the House on 29 January 1980. What we are discussing today is the third and final instalment of that three-year correction of the follies of our predecessors.

**Mr. Robert C. Brown** (Newcastle upon Tyne, West): I am intervening to save the right hon. Gentleman from himself, because he said that his predecessor decided to increase the price of gas by 10 per cent. for three years. I do not want him to be accused of misleading the House. He should have added "by ten per cent. above the current rate of inflation".

**Mr. Lawson:** What I said was 10 per cent. in real terms, as the hon. Gentleman will find when he reads *Hansard* tomorrow morning. I am sorry that he did not understand. It is confusing sometimes. I hope that he understands now.

I understand the concern about and, in some cases, the difficulty that can be caused by sharp price increases in what for many is an essential commodity. That is why the Government have introduced the most generous scheme ever to help those in need with their fuel bills. Altogether about £250 million is being spent this year to help those in low income groups—such as the elderly, the disabled, and families with young children—with special heating needs, and about 2¼ million people are benefiting from this, of whom 1½ million are pensioners. Of course, the 7½ million pensioners who do not fall into this category of special need still have their pensions fully protected against all price increases, including the price of gas.

A lot of concern has been expressed in the House about standing charges. These reflect the fixed overhead costs of making a supply of gas available to the home, and are set by the Gas Corporation without any intervention by the Government whatever, except of course the constant Government pressure on the corporation to reduce its costs. Needless to say, the standing charge is fully taken into account in assessing eligibility for the special scheme for assistance with fuel bills.

**Mr. Merlyn Rees:** I wonder whether I might ask the right hon. Gentleman about the standing charge. I did not mention it and I wondered what he would say about it. If the Government insist that they can put up prices by 10 per cent. over the rate of inflation, there is no way in which an instruction can be given to the Gas Corporation to look at the standing charge, about which, I personally receive many letters.

**Mr. Lawson:** As I made clear, the standing charge reflects the Gas Corporation's costs. It is a matter for the

corporation. It is not the Government who set the charge. What we are trying to do is to get the industry to look critically at its costs and reduce them. We recently announced a further intensification of the drive to make the nationalised industries more efficient and to cut their costs, by the introduction of a bigger role for the Monopolies and Mergers Commission in this area, and by other means.

**Mr. Kenneth Lewis** (Rutland and Stamford): Does my right hon. Friend agree that if the Government give an open invitation to this nationalised industry or any other to maximise its charges, there is little chance that it will then cut its costs?

**Mr. Lawson:** I have great respect for my hon. Friend, who now shares the same county as I do and the same local newspaper, which I am sure will faithfully reflect what he says, but I assure him that we are in no way encouraging the industry to put up its costs generally. The question that I shall come to is the balance between the domestic consumer and industry. That is crucial.

**Mr. Arthur Lewis** (Newham, North-West) *rose*—

**Mr. Lawson:** I have given way several times. If the hon. Gentleman will allow me a little more time, I shall give way to him. I know that he is concerned about standing charges.

Whether any further assistance specifically related to standing charges is needed is, as the House has already been informed, a matter for my right hon. Friend the Secretary of State for Social Services. My hon. Friend the Under-Secretary of State for Health and Social Security is conducting a review of that matter at present.

**Mr. Arthur Lewis:** This is not a political point. The Minister said that he had no power to instruct the Gas Corporation on the question of standing charges, because that does not come within his purview. That may well be, but he and the Department urge everyone to conserve energy. The right hon. Gentleman is running a campaign to conserve energy, but there are old people who do not receive the extra, because they are not on the supplementary benefit level, who conserve energy, and who then find that they pay more for the standing charge than they do for the gas. Ministers should not shake their heads. I have such constituents. They buy paraffin and paraffin oil lamps, conserve their gas and then find that the standing charge is more than the rest of the gas bill. Will the Minister investigate this matter?

I know of no organisation, private or public, that can, and does, draw money for nothing. Old people can go away to their relatives—

**Mr. Deputy Speaker (Mr. Bryant Godman Irvine):** Order. The hon. Gentleman is making an intervention, not a speech.

**Mr. Lewis:** The Secretary of State has given way, Mr. Deputy Speaker. I was making the point that old people go away on holiday or to see their relatives and when they return after four or five weeks find that although they have used no gas they still have to pay the standing charge.

**Mr. Lawson:** The standing charge is related to the costs—and there are costs. That must be accepted, and it was accepted by the previous Government. Incidentally, it is also accepted by the gas consumers council. There is a cost in connecting a house to the gas supply, in maintaining the connection and in all the safety work



related to that. The consumers eventually receive bills, even if they are small bills. As I have said, my hon. Friend the Under-Secretary of State for Health and Social Security is conducting a review.

**Mr. Spriggs:** This is a very important matter. When the gas supply is connected the recipient pays in full, and after that he pays the quarterly standing charge. Why should people—especially pensioners and others on low incomes—continue to pay the quarterly standing charge?

**Mr. Lawson:** Perhaps I should not have given way, because many hon. Members wish to take part in this brief debate and I have already covered that point. There are many costs—billing, the maintenance of the connection, the safety force that the corporation must maintain, and so on. Everything except the cost of the gas itself is covered by the standing charge. Those costs exist. It is not simply a matter of a once-and-for-all connection cost.

The right hon. Gentleman alleged that we were putting up gas prices in order to cream off the resulting profits by means of the gas levy. There is no truth in that. When the levy was introduced a year ago, the corporation's financial target was reduced—to its present level of a 3½ per cent. return on current cost assets—specifically to take account of the levy.

The reason for the levy is simple. It has long been accepted by Governments of both parties that North Sea oil and gas are a legitimate tax base. The main instrument used—one that was devised and brought into being by the Labour Government—is petroleum revenue tax, which applies to oil and gas equally. No gas subject to PRT is also subject to the levy.

A large, albeit diminishing, proportion of the corporation's supplies comes from North Sea contracts signed before PRT came into being. It is this gas, and this gas alone, that is subject to the levy. In other words, the justification for the levy is precisely the same as the justification for PRT: the transfer of windfall or God-given profits to the nation as a whole. I repeat that none of this has had any bearing whatever on the level of gas prices, as can be readily seen, because my predecessor's policy was announced and was approved by the House in January 1980, long before the levy existed, and has remained unaltered by its coming into force a year ago.

If tax is a red herring, as it is, should we not subsidise domestic gas prices, as the Labour Government did? That is the proposition that has been put to us. If this is to come out of general taxation—and all subsidies must be paid for somehow—it is hard to imagine anything less fair.

There can be few of us, certainly on the Government Benches, who do not have in our constituencies villages where the people cannot obtain gas, even if they want to and many of them want to very much, since it is still cheaper than other fuels—simply because the village is not on the gas grid. Roughly a quarter of all the homes in the land are in precisely that position, and the proportion is much higher in the rural areas.

What possible justice can there be in charging those who can obtain gas less than the amount that those who cannot obtain it would be only too happy to pay, and then adding insult to injury by requiring the unlucky minority to pay out of their taxes the cost of the subsidies to the lucky majority? That is what the proposition amounts to. There is no running away from it.

That is clearly out of the question, so the real issue is as follows. I have mentioned the modest rate of return that

the industry is required to earn. How is that to be secured as between the domestic consumer and the industrial consumer? We see that that is the question when we get to the bottom of it.

Under Labour, for reasons of short-term political expediency, the supply of gas to the home was running at a loss. The entire return had to be extracted from industry, which was paying ever-higher prices to subsidise the domestic consumer. That was a fact. Had we not stepped in decisively, that imbalance would have become even worse and the burden for industry would be still greater. As it is, the increases in domestic gas prices over the past two years' have only brought the corporation to the point where it just about breaks even on this side of its business.

What those increases in domestic prices have done is to enable the corporation, with some help from my right hon. and learned Friend the Chancellor in his last Budget, to freeze industrial gas prices throughout 1981 and into the first quarter of this year. It is essential, on industrial and employment grounds alike, that we do whatever we can to help keep industry's energy costs competitive. The freeze on industry's gas contract renewal terms has been of crucial importance in this context, as the November NEDC task force report acknowledged.

That freeze, however, is now coming to an end. An increase of 3 per cent. in industrial gas prices is now due as a prelude to further increases later in the year. I am sure that hon. Members would prefer that modest rise to be followed by price stability. The Chancellor and I will look closely at this possibility, and it is clear that our freedom of manoeuvre, and indeed that of the BGC, will crucially be conditioned by whether the corporation is able to earn, pre-levy, a modest return from its domestic gas business—or whether, as before, industry is obliged to bear the entire burden on its own shoulders.

My answer to the point made by the right hon. Member for Leeds, South about bulk electricity prices is that that is also a matter that my right hon. and learned Friend and I are considering.

I do not think that I should say anything further about those two matters—industry's gas prices and bulk electricity prices—in advance of the Budget. That, at the end of the day, is what is at issue in this debate. The increase in domestic gas prices announced for this year will, for the first time, enable the Gas Corporation to earn, pre-levy, a modest but positive return on this side of the business.

**Mr. Rowlands (Merthyr Tydfil):** Pre-levy?

**Mr. Lawson:** I am talking about pre-levy. Post-levy will still be a loss. Pre-levy it will now be a modest return.

From April, the domestic running tariff will be about the same as the price of firm gas to industry. From October industry has, at long last, the prospect of paying slightly less for gas than the domestic consumer, as its competitors do abroad, and as it should do, since the cost of supplying industry is markedly less.

All that will be achieved with a domestic gas price which, as I have said, will still leave gas cheaper than alternative fuels. Of course, in the long run, the gas requirements of industry will be satisfied, both as to price and as to adequacy of supply, by the Oil and Gas (Enterprise) Bill, which the Opposition so dislike, since it



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will end the Gas Corporation's monopoly in this field and introduce genuine competition into the business of supplying industry with the gas that it so badly needs.

In the short run it was essential that we restored a proper balance between domestic and industrial gas prices if the competitiveness of British industry was to be secured and the most economic use made of this vital natural resource. That is what is now within our grasp. By October of this year the long and painful process of adjustment in domestic gas prices will be over and a real prize will have been achieved: a source of highly competitive fuel for our industry, soon to be enlarged by the fruits of competition, at the same time as the user in the home will still be paying less for gas than for other fuels.

That is the prize that the Opposition, with their foolish motion, seek to snatch from the people of this country and from British industry. I ask the House to reject that motion and to secure that prize.

4.22 pm

**Mr. Robert C. Brown** (Newcastle upon Tyne, West): The Government suffer from an obsession about the British Gas Corporation which, if translated into individual terms, would be classed as severely paranoid.

All last year we on this side of the House, together with most thinking people outside the House, had to beat off the attacks, based solely on doctrinaire obsessions, that the Government were making on the corporation. The House will recall the response from Conservative Members whenever the name of Dennis Rooke or the British Gas Corporation was raised. What caused that response? The British Gas Corporation destroys all the most precious tenets of the Government. Its industry is successful and the Government cannot bear success, particularly in a nationalised industry.

Thus we have seen attacks on gas showrooms, on the very structure of the corporation itself through the Oil and Gas (Enterprise) Bill, which we are considering in Committee. Now we see yet another attack through the price mechanism.

It is not good enough for the Secretary of State to say, on the one hand, that gas prices will become cheaper through the Government's privatisation measures—what I should prefer to call "piratisation"—of the British taxpayer in which the Secretary of State is engaged in Committee Room 8, when on the other hand, he is busy implementing a policy which effectively sees the domestic consumer as a milch cow to be drained to finance the public sector borrowing requirement. Thus, whatever good intentions the Secretary of State may have—I give him credit for occasionally having good intentions—in respect of gas prices, the combination of his measures will mean that the price of gas to the domestic consumer will continue to rise well beyond the planned price rises for the year.

Why are gas prices rising? It is true, and it would be foolish to deny, that it costs more for the British Gas Corporation to supply gas to the domestic consumer than it does to industry. But one of the joys of an integrated system and operation for gas is that costs can be averaged to the benefit of all. By putting up the cost to the domestic consumer, the Government are ensuring that those least able to pay will bear the heaviest cost.

Prices are rising not because the corporation needs the money—its massive profit of £350 million last year shows that clearly enough—but because the Government, having pledged themselves to cut taxes, have found it necessary to raise money in other ways. Hence the gas levy. During the Government's term of office prices in general have risen by 38 per cent. That is not a proud record for a Government who came to office with an absolutely firm commitment to fight inflation. Prices generally are 38 per cent. higher than they were two and a half years ago and inflation is still 2 per cent. higher than when the Government came into office. The price of gas for the same period has increased by a staggering 100 per cent. By that mechanism the Government have deliberately added 3 per cent. to the rate of inflation—a rise which could and should have been avoided.

Who suffers from those price rises? The gas industry and its workers certainly suffer because the public believes that they are responsible for this added imposition on an already stretched domestic budget. The consumer suffers, particularly those groups most at risk—the sick, the old, the very young and the unemployed.

It is no consolation to be told that during 1981 the rate of disconnection was the lowest for some years. That simply reflects the fact that people are choosing between heating and eating. That is clearly what has happened during the past few months. There is something obscene about a Government who put 3 million people on the dole, cut local authority expenditure so that facilities cannot be used to provide occupations and then freeze them out of their homes. There is something even more obscene when a Government cut old age pensions allegedly to claw back a small miscalculation and then force up gas prices so that the old people suffer twice for no crime at all.

The rise in gas prices is a regressive tax which hits the poorest people considerably. Those in the lowest income brackets spend 15 per cent. of their average income on gas. For those earning £250 per week or more it is only 6 per cent. There is not much equity in that. It is an impossible form of energy conservation which uses a direct and regressive tax as a substitute for a proper programme.

This is a price rise which nobody in the gas industry wants or needs and which will clearly satisfy the wild men on the Government Back Benches by creating even more unpopularity for what is, by any stretch of the imagination, a most successful industry.

4.30 pm

**Mr. Anthony Nelson** (Chichester): I have for some time felt a deep concern about increases in gas prices. I am sure that I represent the concern of many of my right hon. and hon. Friends over the impact that the rise in gas prices will have on the personal budgets of our individual constituents. There is no doubt that a rise substantially in excess of the rate of inflation this year will have an effect on their personal budgets, which will be to the detriment of money that they would have spent on other items in the household budget. The average rate of inflation is now about 12 per cent. and the private sector component is about 6 per cent.

It is clear that price rises in the public sector have had a direct and damaging impact on people's propensity to spend and on their net disposable incomes. That is bad for the private sector and bad for the Government's image.



The Government are rightly committed to restoring efficiency in the public sector and to reducing its size and the demands that it makes upon our constituents.

My right hon. and hon. Friends on the Front Bench will understand and share these sentiments. They, like their Back Bench colleagues, are Members of Parliament with constituencies that inevitably have within them many who are in receipt of the lowest incomes and whose personal standard of living will be hard hit. In many instances they will find themselves hard pressed by increased gas prices. It is right that we should express our concern on their behalf on this occasion.

**Mr. Robert C. Brown:** In the Division tonight, I hope.

**Mr. Nelson:** I shall make what I hope will be taken as a constructive comment in describing the direction in which I should like the British Gas Corporation to move, with the Government's influence, to correct the burden of the cost that it is placing on the consumer, who is in turn our constituent. It would be wrong for us to reinstitute price controls to hold down prices for gas or for other energy supplies. To do so is to build up a much greater problem for the future. The arguments for holding back price increases apply equally to incomes policies. They are short-term measures that are designed as political expedients, and with the benefit of experience we should not lend our weight to them. I do not support the arguments for having subsidies or restrained prices.

I accept the general thrust of the policy that the price level for gas and other energy supplies must reflect long-term production costs. I must also accept that some of the disparity that has arisen between industrial and domestic gas prices has to be reduced if we are to have an efficient pattern of demand. Judging by the way in which demand for gas was outstripping that for other energy sources a few years ago, the movement in prices has had some effect in stifling the increased demand.

Should we have a target rate of return? I believe that we should. It would be easy for me and for others who would like to see lower gas prices to say "Let us have a lower rate of return, perhaps even a negative rate of return, with the Government writing off a loss for the corporation." I understand that the former proposed rate of return of 9 per cent. was replaced after the gas levy and accounting changes with one of 3.4 per cent. That seems to be a realistic rate of return for a major corporation. It is not by any means a high rate of return. However, it is a real rate of return as it is post inflation. It is thoroughly right in the long term and we should seek a degree of bipartisanship in our *modus vivendi*. The industry should be well capable of achieving this target.

My second option, which is to lower the target rate of return, is one that I rule out. If we were to reduce it, it would result in the taxpayer having to write off increasing losses. It would almost certainly result in the corporation not having sufficient cash flow and reinvestment funds to fund the more costly extractive facilities of new gas fields.

There is a further option that I do not think has been mentioned enough. It is that the corporation should put its house in order. There is a great deal more to be said about the case for efficiency, economies and greater productivity within this great nationalised industry. I share with the right hon. Member for Leeds, South (Mr. Rees), who spoke on behalf of the Opposition, some degree of admiration for the improvements that the corporation has

made in recent years, but I believe that it has a long way to go. What is more, many other nationalised industries have a long way to go in satisfying their customers that they are giving good value for money.

If we are to ask customers and taxpayers to shoulder the burden of much higher prices—prices that are rising by much more than the rate of inflation—they are much more likely to accept the reasoning for those higher prices if we can assure them that the corporation and other nationalised industries are putting their houses in order and making much needed economies in the same way as the private sector, which has certainly had to do so in recent years.

It is all very well to talk in general about efficiency and economy but what does one mean specifically? I shall suggest one area in which there is an opportunity for greater efficiency and economies to be achieved. A cause of great offence to many of my constituents is the many maintenance vans that circulate our districts. This applies not only to the gas industry. Probably the greatest criticism in this respect could be made of British Telecom. The criticism almost certainly applies to the other nationalised industries.

There is a great public conception—it is up to the Minister to argue that it is a great public misconception—that the productivity of maintenance workers generally is not especially high. This is something about which many of my constituents feel strongly. Many of them have written to me with allegations that maintenance vans have been parked for long periods in laybys. I have received letters suggesting that maintenance engineers from the nationalised industries call back much more frequently on a day-to-day basis than those from private sector companies that have to operate a similar service.

**Mr. Eggar:** Would my hon. Friend rule out the possibility of allowing the private sector to do all the maintenance work that is currently carried out by British Gas?

**Mr. Nelson:** I would not. My hon. Friend takes the very words from my mouth. That is an option that we should consider seriously, and it is one that the corporation should consider. If it is too traumatic to consider doing it in bulk, there is a case for proceeding on an experimental or partial basis in some of the regions.

I understand from the corporation's annual report that it employs over 120,000 people of whom over 31,000 are involved in customer service and conversion work. The wages bill is understandably enormous. If we were to achieve really tight control over the distribution of service, either by privatising it in part or in whole, or by carefully examining productivity and the way in which customer service and conversion employees operate, there would be a substantial saving. As a Member of Parliament I am not able to consider these matters in great detail. However, I suggest from the House to those in the corporation who consider these matters that a great deal of improvement could be achieved.

Last year about 15 million customer jobs were fulfilled by the customer service division of the corporation. That is a considerable number of jobs and a considerable amount of work was involved. I understand that there were about 500,000 visits to check on gas fire safety. Undoubtedly that checking is important but it appears that it could be done quite easily by the private sector. There



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is an argument for suggesting that the private sector should be allowed to tender for some of that work to ascertain whether corporation customers would get a better deal by proceeding in that way.

My criticisms should not mask the fact that there have been some improvements in targets and efficiency of the customer services carried out by the British Gas Corporation. I pay tribute to those regions that have been awarded the "golden flame" and "silver flame", for maintaining high standards of customer services. I am also aware that there is a target standard of service for domestic customers, which has recently been revised. It is certainly no part of my remit to argue that the standard of service to customers should be substantially reduced. However, some pruning of costs could be conducted to the benefit of customers generally.

Finally, I eagerly look forward to the Budget Statement next week in the hope that we can give industry at least the prospect of certainty and restraint for future prices. It will be difficult for hon. Members to explain to their constituents why it will be necessary of the BGC—with its substantial liquid funds—to impose the sort of increases announced for this year. However, while I regret those increases, I support the need to move gas prices into line with others. Nevertheless, I reiterate, and cannot urge too strongly, that it would be far easier for people to accept these substantial increases if we gave them real evidence that this nationalised industry was being as active as the private sector has had to be in cutting back its own costs.

4.42 pm

**Mr. David Stoddart** (Swindon): In contrast with the Secretary of State's remarks, the hon. Member for Chichester (Mr. Nelson) seems to have some understanding of the problems faced by his constituents and other hon. Members' constituents throughout the country. However, I fear that he does not appreciate how small his suggested savings would be. They would be very small when compared with the 10 per cent. increase, at the Government's behest, in gas prices this year.

On privatisation, my local authority in Swindon only recently changed from using the British Gas Corporation to a private enterprise firm. Since that firm took over the maintenance contracts, there has been a huge flood of complaints, not only to me but also to members of the council. I would, therefore, beware of that route to so-called "efficiency".

The Secretary of State had a real chance to redeem himself this afternoon. He was the chappy who ratted on the Rooker-Wise-Lawson amendment on the indexation of tax allowances; he cheated taxpayers out of much money by not indexing the allowances in the previous Budget. He might somewhat have redeemed himself, as the Secretary of State for Energy, by cancelling the 10 per cent. surcharge tax on gas prices. However, he did not, and, far from doing so, showed a complete lack of sympathy for those who have to bear the increases. For the Secretary of State and his right hon. Friend the Prime Minister to tell people who are paying huge gas bills that their gas is being sold to them at too cheap a rate shows a complete lack of understanding, sympathy and compassion for those least able to bear those increases.

The Secretary of State also described the Government's decision to impose the 10 per cent. tax on gas prices, over

and above inflation, as an act of courage. It was not an act of courage; it was an act of abdication of the responsibilities for proper conservation measures. It was the easy way out and they took it. The Opposition's suggestions are not the easy way out, but they are rational and decent. The Government took the easy way out by simply increasing prices over and above the necessary increases.

**Mr. John H. Osborn** (Sheffield, Hallam): Price is perhaps the biggest incentive to take note of on the need for conservation. If I am lucky enough to be called to speak, I shall try to explain to the hon. Gentleman how that has occurred.

**Mr. Stoddart**: Price, while apparently being the only method of conservation known to the Government, causes hardship to a great many. If there are to be conservation measures, they ought to act directly on the flow of fuels. That is precisely what the Government failed to carry out. They had opportunities to ensure that there would be real savings of heat while maintaining comfort and reasonable conditions. That objective was swept aside by their sole aim of increasing prices.

On visiting constituents and organisations in my area during the spell of very bad weather in January, I discovered many cases of hardship; people were often afraid to turn their gas or other appliances on for fear of the subsequent bills. People suffered hardship and cold—particularly the old—because they were afraid that they would be unable to meet those bills.

The Social Services Department held special meetings to try to reassure people that the Government would not be so hard and that they would implement special measures. Indeed, I contacted the Department to obtain some reassurance. However, many people were very cold because they were frightened of the subsequent bills.

Some bills have now materialised and mine is some 50 per cent. above last year's level. Although I can afford to pay it, many poor people are devastated by receiving a bill 50 per cent. above their expectations. It is unfortunate that the Government have shown such an unsympathetic attitude towards them.

I was horrified when I heard that the gas price was to be increased in a year by 22 per cent.; 10 per cent. plus 12 per cent., which really means 23.2 per cent. over the year. Therefore, I put down early-day motion No. 239 which was signed by 169 hon. Members. Seven others signed sympathetic motions. That shows the great feeling existing that the Government ought to alter their policy on the 10 per cent. surcharge.

An amendment was proposed by the hon. Member for Bedford (Mr. Skeet) and he was the only signatory. His amendment is sympathetic to the Government's policy, but nobody else saw fit to sign it, which shows that the anti-Government feeling on this issue is far more widespread than we might think by this afternoon's attendance. The failure of hon. Members to sign the amendment proposed by the hon. Member for Bedford shows a silent and surly protest over a Government policy that hon. Members know will affect their constituencies. I hope that they will follow that silent and surly protest by failing to vote for the Government amendment tonight. Perhaps that is too much to hope for, because Conservative members are usually loyal to their Front Bench in most circumstances.



**Mr. T. H. H. Skeet** (Bedford): I hope that the hon. gentleman will soon finish his speech and that I can catch your eye, Mr. Deputy Speaker, so that I can deal with some of the allegations that have been made.

**Mr. Stoddart:** I was not making any allegations. I was merely dealing with the facts as I see them on the Order Paper. I was making my own assumptions and comments.

The Secretary of State also talked about the long-term policy of the Government on conservation and prices. We are dealing at the moment with a specific circumstance and with matters as they now are. The Secretary of State also told us that industry is subsidising the domestic consumer and that the domestic consumer has had it easy while industry has had to pay much more. That argument needs closer examination. I understand the position of industry and the cost that it has had to bear compared with its competitors abroad. We have considered those matters in the Select Committee on Energy. I understand the argument and I sympathise with industry, but there is another side to the coin. The domestic consumer, although appearing to pay rather less than industry, pays a good part of the infrastructure costs of the industry, which would be much greater if the flow of the commodity were smaller. That argument is being put forward by the Government, but it needs more careful examination than it is being given. Even so, it is not good enough to say to the domestic consumer that under present circumstances he must be forced to pay the 10 per cent. surcharge, which neither the domestic consumer nor the gas corporation wish to have. Consumers look askance at a Government, at a time when they are suffering hardship with unemployment and other matters, who raise the price of an essential commodity to generate a tax take of about £750 million. Those consumers will not appreciate that.

This is the time for the Government to reconsider their long-range strategy, which is now in a bad way, to see how it affects people. Over 3 million people are unemployed. The Government are trying to insist to their employees that they must either take a low increase in salary or none. They say to most people that they should have an increase in salary of only 4 per cent., yet at the same time they are increasing gas prices by direct intervention by 10 per cent. over and above what the corporation feels is necessary to balance its books. The Government should now cancel that increase, which is what I sought in my early-day motion.

There have already been exchanges about the standing charge, which has caused much comment and a great spate of letters to every hon. Member. Perhaps it is not realised that, in the past two years, the standing charge has increased by more than 300 per cent. That is an enormous, unfair and inordinate increase. In equity, the Government should at least discuss the matter with the British Gas Corporation, because people—especially old people and those who use little gas—feel a great resentment that they are often paying much more in standing charge than for the commodity used. I urge the Government to take up that matter with the British Gas Corporation.

The Government, by their attitude so far, have shown an entirely unsympathetic view to the consumers. With circumstances as they are, I would expect them, if not to support the Opposition motion—it calls for a cancellation of the increase—to the hilt, at least to cancel the instruction to the corporation that it should increase prices by 10 per cent. above the rate of inflation. Nothing else will do.

**Mr. Michael Morris** (Northampton, South): On a point of order, Mr. Deputy Speaker. At a meeting of the Committee on the Oil and Gas (Enterprise) Bill this morning, the Chairman accepted a sittings motion following representations from Opposition Members that they wished to take part in the debate, but there is only one Member here.

**Mr. Deputy Speaker:** Whatever happens in a Standing Committee is not a matter for me.

4.55 pm

**Mr. Michael Latham** (Melton): The hon. Member for Swindon (Mr. Stoddart) put his points with his usual fluency and determination. It is a matter of regret that there are hardly any Labour Members present to listen to them, as indeed there were hardly any Labour Members here to listen to the Opposition spokesman, the right hon. Member for Leeds, South (Mr. Rees), when he opened the debate on this censure motion.

It is a matter of considerable regret to me that I take part in the debate at all. Only once before have I been unable to support the Government, and that was about the nationality of the people of Gibraltar. I am especially sorry that I cannot support my right hon. Friend and Leicestershire colleague, the Secretary of State. He has been lumbered with a policy that he did not devise. Perhaps he supports it now—whether out of duty or conviction or both. However, I am sure that his political antennae, which are considerable, would never have allowed him to devise it in the first place. This policy is born of academic unwordliness mated with producer self-interest. It does nothing for the consumer. It undermines the Government's wider economic strategy and hits hardest at some of the thriftiest members of the community. It is not even needed by the gas industry.

Of course, I understand the intellectual justifications for the policy that new gas fields will cost more, that domestic gas barely breaks even, that demand greatly exceeds supply and that higher prices may induce conservation. All those reasons are familiar. As Eliza Doolittle said in "My Fair Lady":

"There isn't one I haven't heard".

However, I strongly blame myself for the fact that I allowed myself to be persuaded two years ago, against my better judgment, to support the Government. After all, there is a different academic argument about gas, which energy Ministers prefer not to deploy because it upsets other producers. That argument could be that gas is, in essence, a cheap and popular product. The customers wish to use it extensively. Competition would encourage other energy producers, especially those involved with domestic or industrial heating and cooking, to hold down their costs and prices.

But instead we have a Conservative Government imposing a deliberate price surcharge on this popular product and then countering with an excess profits tax to cream off the results of that levy. That is producer-dominated economics in any language. The only justification for it is along the lines of the experts who favour the artificial restriction of energy sources in the alleged interests of guaranteeing supplies for future generations.

What hogwash those predictions have turned out to be. If every producer-dominated forecasting organisation had its computers thrown down an oil well and its slide rules



[Mr. Michael Latham]

turned into the sails of a windmill, not a bird would fall from the trees. My right hon. Friend, with his fine sceptical mind, should find out what the energy experts want and do the opposite. In a literal sense, as far as energy is concerned, sufficient unto the day is the evil thereof.

Of course, this not just an arcane academic issue, as the great Bishop Latimer once called it, "for school-doctors and such fooleries".

It is directly contrary to the Government's counter-inflation policy. Nothing is more important to the success of the Chancellor's wider economic aims than sensible wage settlements in the current pay round. Ministers continually tell the public, quite rightly, that job prospects depend vitally on keeping down unit costs in our factories. No one doubts that. Hundreds of thousands of jobs have been lost because we failed to stay competitive. There were some suicidal settlements from 1979 to 1980 and we are all paying for them now.

It is unreasonable to expect negotiators to ignore externally imposed costs. From September 1980 to September 1981 the level of inflation in the public sector—the nationalised industries—was double that of the retail prices index. It was around 22 per cent. against 11 per cent. In many parts of the retail trade prices actually fell and the rate of inflation was negative. This high level of public sector prices cannot be reasonable or sensible. For this wage round, it is little short of suicidal.

Private sector wage settlements continue to be modest and sensible, public sector ones less so. We all know that nothing would make for an easier and quieter pay round than if there were a price standstill for 12 months in public sector charges. For some of them, such as steel or the railways this is patently impossible without massive Government subsidies, as happened in 1972 and 1973. None of us would welcome such subsidies, which were introduced by a Conservative Government and abolished by a Labour one. But the profit-making nationalised industries, such as gas and telecommunications, do not need sharp price increases this year. Their prices could be held steady without financial harm to those nationalised industries as a whole. There need not be a penny of Government subsidies and the help to wage negotiators would be enormous.

The effect on the public would be considerable. My right hon. Friends would be well advised to appreciate the strength of public feeling on this matter. Although the April gas price increase will be the fifth in a series of six announced two years ago, it comes at a time of extreme public exasperation at rising public charges. It will need to be paid at the same time as sharply increased rate and rent bills and rising telephone bills.

Most people are seeing their standard of living fall as wage increases fail to reach the level of inflation. That is inevitable and, unfortunately, necessary, if economic stability is to be achieved, but there is no need to add to the problem unnecessarily.

People could understand gas price increases if gas were making a loss. They might even accept an increase in line with inflation, if they were persuaded that it was necessary in the interest of conservation of supply. But to persuade them that a product that is in such substantial profit that it merits an excess profits levy should be raised in price by 10 per cent. more than the rate of inflation at a time when standards of living are falling, requires a

combination of the reasoning of Socrates and the oratory of Demosthenes. Even my right hon. Friend the Secretary of State might find that a hard act to follow.

**Mr. Skeet:** I am concerned about my hon. Friend's approach to the levy. The British Gas Corporation never paid petroleum revenue tax on its earlier gas, and unfortunately it did not pay the producers a large sum. Therefore the corporation bought cheaply and sold expensively, and it is on that and that alone that the levy is imposed.

**Mr. Latham:** My hon. Friend can go over the technicalities as much as he wishes. I am trying to think of the consumer on this occasion.

I accept at once that there is a new generous heating allowance, helping 2½ million people. I welcome this innovation by Ministers, but it is of no help to the modestly paid and it is particularly galling to the recently retired with some modest savings and occupational pensions. These are the people who most resent the gas price increases—elderly people who do not qualify for supplementary benefit or other means-tested assistance, and who pride themselves on their thrift and personal independence. I am sure that Ministers recognise immediately the type of people to whom I am referring. They are a vital bulwark of the Conservative Party and we ignore their annoyance and dissatisfaction at our peril. They have no unions to fight for them. They have only this House. We should listen to their voice.

Ministers argue, as did my hon. Friend the Under-Secretary of State in two answers to me on 23 February, that it is essential that the three-year programme to correct "imbalances in the gas market" be completed and that this is the last year of the programme. As for 1983, no decisions have yet been taken. If Ministers want my support tonight they will have to go further.

I accept that the April increase will have to go ahead; it is probably too late to stop it now. That alone could raise prices by nearly 13 per cent. in 1982, above the current rate of inflation. We do not need the further 10 per cent. increase in October. That should be cancelled forthwith. As for 1983, my right hon. Friend should say tonight that the wider interests of counter-inflation policy lead him to believe that the correct gas increase for next year is nil, or, at the very most, 3 per cent. below the rate of inflation. If the Government listen to their supporters in the country, they will take action along those lines.

I did not want to have to make this speech, but I make an appeal to my right hon. Friend, whose intellect and shrewdness I greatly respect, which I hope will register with him. He should ask himself whether artificially high gas price increases, accompanied by excess profit levies, are a natural policy for the Conservative Party. Do they meet any basic Conservative criteria? Do they help consumers? Do they reduce inflation? Do they minimise public sector burdens? Do they, in any way, feel right from a Conservative point of view? The answer to those questions is "No". We still have time to get things right, but we should start tonight.

5.7 pm

**Mr. David Penhaligon (Truro):** In the debate on the original legislation, I expressed little sympathy for what was being proposed. I feel that past increases make the argument for cancellation of the future increases even



stronger, as the hon. Member for Melton (Mr. Latham) has just said. Gas is the cheapest fuel, and some areas do not have access to it. That means that there is a considerable disparity between those areas that have gas and those that do not. I am as aware of this, in my part of the country, as any hon. Member. I should be surprised to learn that even half of my constituents have access to gas, although I have never investigated the matter.

Therefore, I repeat the argument that I presented the last time we discussed this. The Government could have proposed this legislation originally on the basis that gas is the cheapest fuel and that that it is unfair to some consumers, and that the enormous sums being raised by this tax on gas will be used to promote a massive conservation programme throughout the United Kingdom, or as some form of help for those obliged to use other forms of fuel. Had that been done, I could have seen the object of the proposals.

The Government propose to do neither. People in some of the more remote parts of the country have yet to enjoy the delights of electricity, let alone the delights of gas. Their fuel bills are a tremendous embarrassment to them. Therefore, I support the Opposition motion. I do it for once with the real conviction that they are promoting something that is right and proper, and good for the general interest.

If the Government tonight said that the Budget will announce that the massive sum being raised is to be used to help people with other fuels or to encourage conservation, insulation or draught proofing I would see the logic of the Government's stance. However, it is clear that their only interest is the amount of money produced for the PSBR. As one who believes that the PSBR is not one tenth as important as the Government tell us that it is, I can see little good reason why anybody on the Liberal Bench should support the Government tonight. I hope that Conservative Members, who have said things tonight that I rather admire, will go into the Division Lobby to show Government that there is not universal support on their side for this motion. Certainly, from reading comments in the local press it seems that there is not universal support. Government Members seem to interpret all these price increases as sheer incompetence on the part of British Gas—which, clearly, is not true.

I hope, therefore, that Conservative Back Benchers will push the Government in this respect. The power to persuade the Government to change their minds is totally in their hands. I suspect that the Opposition will be united against the Government proposals. I would settle for a clear statement from the Government that the money will be used to help people with their fuel bills because that is the logic of the argument that they have adduced. Until we get an assurance on that, I see no reason why I should persuade my colleagues to support the Government.

5.10 pm

**Mr. John H. Osborn** (Sheffield, Hallam): My hon. Friend the Member for Melton (Mr. Latham) lucidly expressed the concern of many Government supporters, and I have immense sympathy with what he said. Nevertheless, this debate is about the price that the housewife, pensioner, the aged and the infirm have to pay for their hot water, house heating, and cooking. I cannot accept the "opportunism out of hypocrisy"—to use the

words of my right hon. Friend the Secretary of State in his accurate description of the speech of the right hon. Member for Leeds, South (Mr. Rees).

The Opposition motion says

"That this House regrets the decision of Her Majesty's Government to increase domestic gas prices by 22 per cent." In fact, this matter should not be the concern of Governments. That is why the Government are in a mess. The tragedy today is that even a Conservative Government, because of the inheritance of three periods of Socialist Government, cannot escape some responsibility for the gas industry and British Gas. As I have said before, and I do not hesitate to reiterate now, after every Socialist Government, Conservative Ministers find themselves presiding over the legacy of their predecessors. That is what is happening to my right hon. Friend today. One of the direct causes of the muddle over gas prices is that for too many decades in energy production and distribution, true market forces and pressures have been absent. Perhaps this is the catastrophe of nationalisation. It is one more instance in which it is difficult for Members of Parliament to do other than describe the ills as opposed to finding the solutions.

What can we do about the problem? There are political and technological aspects to it. Many of us, including myself, both in European Committees and in the energy studies committee and other committees, are concerned and hope that Governments can pick their way out of the mess and find a solution.

First, I shall deal with some of the political aspects of the situation. In Sheffield, where I live, let alone other cities and towns, three generations of people have been nurtured on the Welfare State. Those people believe, as of right, that they should have cheap and subsidised housing, bus fares—this is typical of South Yorkshire—and education. To all intents and purposes, in an economic sense they live in a type of Communist society parallel to that which prevails in the Soviet Union and Warsaw Pact countries. This approach extends to energy—the heating of the home, heating for cooking, and lighting.

This debate is about gas prices and gas policy. Therefore I shall seek to confine my observations to gas. However, the production and the marketing of gas cannot be isolated from the production and marketing of oil. Gas and oil tend to be found together, and gas is often the by-product of oil extraction. Oil is a market-oriented product. It is more readily transportable. Regrettably, it has a world price, which is normally set by OPEC countries. However, in the long term—in spite of short term distortions—the price of gas, given free market forces, cannot be isolated or unconnected from the price of oil, which is now so expensive that we as consumers are learning to do without it. Indeed, that is why the price of petrol has come down. Today, if oil, because of political manipulation of its prices for political reasons by OPEC, is to too great an extent subject to obscure market forces, the long-term situation of rising scarcity cannot be avoided. Thus real pressures face gas, electricity and coal, and I shall deal with three aspects of the problem.

First, 22 years ago, I made my maiden speech on gas. As an industrialist, I was aware that the cost of heating in the factory that I was about to build, let alone that in my home, would depend on adequate standards of insulation and adequate heat conservation. Unfortunately, what were high standards 22 years ago are inadequate today. It is even



[Mr. John H. Osborn]

more unfortunate that we have a large stock of housing which is damp and is subject to uneconomic heating because of the poor insulation. Perhaps it would be right to have a grant, subsidy or some form of tax assistance for more heat conservation measures, in spite of what the hon. Member for Swindon (Mr. Stoddart) said.

In the last 10 years, the price of gas has fallen, while the price of oil has more than doubled. I had to decide how to heat my house. In 1960 I thought that electricity would be the answer. In a country that has hydro-electric power—Norway is still such a country, in spite of its gas—electric heating makes sense. I chose oil, but oil is now expensive, and when I was forced to bring in a new form of heating when replacing my existing system, I chose to be dual-fired. Eventually, gas and oil prices per therm must balance, and to depend on one is false economy. I come back to the point that heat conservation is all important and that we should take steps in this direction, including double glazing, insulation, and better building standards.

Second, since the Yom-Kippur war in 1973, Members of Parliament have been aware of the growing scarcity, but there are many people in the country who do not want to know about it. My right hon. Friend talked about the Price Commission report in June 1979 and the need to increase gas prices by 30 per cent. in equal increments, the last of which is the 22 per cent. that faces us now. Industrial consumers feel that they are subsidising domestic consumers. The balance between industrial and domestic prices should be explained, not only in this country but throughout the Community. In Germany and France, the domestic consumer pays half as much again for his gas as his counterpart in this country. I hope that my right hon. Friend will take care when he answers my questions next Monday. We hope that something can be done. The Oil and Gas (Enterprise) Bill is a move in the right direction, but could the announcement about this latest tranche of price increases already agreed to not have been made more tactfully, and could not the situation have been explained by my right hon. Friend? I suspect that the chairman of the Gas Board has not been very helpful. I hope that my right hon. Friends will explain the situation.

My third point is a political one. I have Conservative supporters in my constituency who cannot accept these increases. It is not only political opponents who cannot accept them. Yet when I say to industrialists that energy is scarce and that the price is bound to increase in one form or another, they still expect the Government to do something about it. That is the difficulty in which my right hon. Friend finds himself.

I shall conclude my speech by making one or two technical observations. Some hon. Members were with one of the oil companies today. I am concerned about the production companies who are members of the United Kingdom Offshore Oil Association. They are concerned that the petroleum revenue tax and other taxes are taking 85 to 95 per cent. of the balance between the cost of production and extraction and the sale price. Unless the market prices are high enough for the gas that they produce, it will not be worth while extracting the gas in the marginal fields. In fact, it is hardly worth while building the pipeline.

That has been my right hon. Friend's trouble with the gas-gathering pipeline. At the end of the day, there is a

monopoly buyer for gas. Even the Oil and Gas (Enterprise) Bill leaves a monopoly with regard to the domestic market, which probably accounts for 75 per cent. of total sales of gas. Therefore, my right hon. Friend has nibbled in the right direction, but I doubt whether he has gone far enough.

The problem of the price of energy, whether to the domestic user or the industrialist, is still great in Sheffield. Recently my right hon. Friend enabled some of us to have a presentation of a tariff structure from the Electricity Council. It is reassuring to note that in the steel industry in Sheffield it is beginning to make sense for electricity, but the renegotiation of gas tariffs is agony for the members of the British Independent Steel Producers Association and the steel industry of Sheffield.

As a Conservative Member of Parliament, over the past 12 months I have had to account for Government decisions in this area which I fully support. I should have liked to see the National Coal Board, the British Gas Corporation and the Central Electricity Generating Board explain to their users and to their customers, as I have had to do, as do salesmen of other products in a free enterprise world, more of what their problems are and more of what their policies are. But because they are State monopolies they can turn to Governments and Members of Parliament supporting the Government to do it for them.

I turn briefly to a long-term strategy. There is oil in the North Sea, and the British and the Norwegians have it. There is also gas in the North Sea. In a different sense altogether, the Germans and French find that because of a lack of entrepreneurial flair in Britain they are not able to get the gas. If they can obtain gas more cheaply, let the British have access to that gas. If they cannot, let us have the opportunity of selling it. I hope that Britain, Norway and other EEC countries will join together on gas as they are beginning to do with electricity, so that European countries can tackle the problems together. The consumer wants to be treated fairly, and because of the circumstances of the past 30 years, he rightly bears a grudge and the Government must face that.

5.22 pm

**Mr. Arthur Lewis** (Newham, North-West): I congratulate the hon. Member for Melton (Mr. Latham) on a courageous and honest speech. I have been in the House of Commons for a long time—too long, no doubt. I have been in the House for 37 years and I can tell the hon. Member to stand up for his convictions and for what he believes and to vote for what he believes because—

**Mr. Russell Kerr** (Feltham and Heston): My hon. Friend has voted against the Government and the Whips.

**Mr. Lewis:** I have done that many times. The hon. Member will find that in time, when he is proved right, he will be pleased. He will also find that some, if not the greatest, parliamentarians were in the same position as he is in today. The hon. Gentleman should take no notice of Ministers who try to talk him out of standing up for his convictions. They all do that. I was one of the original Heinz 57 varieties. I am proud of that.

Other Conservative Members should understand that this is not a political issue, but a humanitarian issue that affects every one of our constituents. There is not an hon. Member here, irrespective of whether his views are Right, Left or Centre, who can find anything to complain about or contradict in the motion, which states:



"That this House regrets the decision of Her Majesty's Government to increase domestic gas prices by 22 per cent. in 1982".

Will anyone tell me that he does not regret that decision? If so, let him tell his constituents and the House, or let him get in the local press. The motion also states: "and demands that this policy be not implemented."

It might have been better if the word "requests" had been used. The only wrong word that any hon. Member can find in the motion is "demands" instead of "requests".

Every hon. Member is concerned with the matter. I am not concerned whether he is rich or poor or whether he represents an industrial or a rural constituency. In our constituencies old age pensioners, the sick, the disabled, the blind, the infirm and so on cannot meet their bills. We receive letters from those people telling us that they cannot meet their bills.

Many people receive pensions today who have saved a little money and have been thrifty. They have gone without holidays or colour television so that they can put by a little money. However, they find that someone else who has not been so thrifty, who has a colour television and has been on holiday in Majorca can receive help with his gas bills. Therefore, the people who have saved money feel hurt. They ask: "Why am I told that my gas bill will go up again by 22 per cent? What have I done to deserve this?"

Those people might have an old black and white television and turn it on only to see that a Government Department says that we should save energy. Those people have cut down, however, and might not have used any gas in one quarter, but they still must pay the standing charge, which has also risen.

The Minister says that he cannot interfere. Of course he can. The late, great Aneurin Bevan once said in the House that the House could do anything except give a man a baby. If the Minister wanted to act, he could do so tomorrow. He could see that the gas prices are reduced and that the standing charge is stopped. A special regulation or Bill might be required, but I am sure that if the Minister came to the House and said that both sides of the House were asking him to stop standing charges, so he would have to introduce a Bill, he would get it through on the nod.

**Mr. Dennis Skinner** (Bolsover): If the Tory Government are concerned about where they would get the money, I can tell them that there are plenty of areas where they are spending money unnecessarily. Billions of pounds are being spent on useless defence. In the last few days shares at Amersham International have been bought, amounting to a loss to the taxpayer of £25 million. Why should not that money be used for the standing charge?

**Mr. Lewis:** If my hon. Friend had heard my opening remarks he would know that I have no intention of being political. He is stirring up the political aspect, but I am serious. I do not want to do that. This matter is above politics.

I have heard the Prime Minister say that she feels sorry for the nurses. I believe her. I think that she does. She says that she cannot interfere, but she is increasing the price of gas, and nurses use gas. The hon. Member for Macclesfield (Mr. Winterton) is fighting like billy-o for the textile workers. Many textile workers are unemployed, but they also have gas bills.

The Government have told the nurses that they cannot have more than a 4 per cent. pay rise. The textile workers

dare not ask for anything because of unemployment. However, the Government are increasing the price of gas by 10 per cent. above the rate of inflation. How can the Government say to people such as Mr. Arthur Scargill, "Your miners must not ask for much in the way of wage increases, but we are going to increase gas prices by 22 per cent."? I know what Mr. Scargill will say.

The Government are deliberately causing inflation. They are deliberately exacerbating the industrial problems that confront the trade unions and employers. Their actions are making things difficult for the poorer paid sections of the community. The Government's amendment states that they will tackle the under-pricing "over a three-year period".

The Government do not say what will happen at the end of three years. Is the process to cease, or will there be an annual revision?

**Mr. Geoffrey Lofthouse** (Pontefract and Castleford): Will my hon. Friend agree that Mr. Arthur Scargill will be very upset with his members if he catches them burning gas?

**Mr. Lewis:** The point I seek to make is that if the trade union leaders—coal miners or anyone else—see the Government deliberately increasing the weekly expenditure of their members, they will naturally use that as support for further wage claims.

The nurses, the civil servants, public service workers and local government officers have all been told that they cannot have more than 4 per cent. I do not argue whether the Government are right or wrong—they may be right—but the Government are setting this limit of 4 per cent. and at the same time deliberately increasing gas prices by 12 per cent., whether those workers like it or not. Even the gas boards do not want the higher prices.

That is a ludicrous approach. The Government are deliberately causing inflation and harming the poorer sections of our population. They are deliberately causing difficulties for industrial peace. How can anyone support the Government in that?

Some Conservative Members might feel that they should not support the Government. They should not worry about threats of the Government falling. This situation used to happen regularly. In 1945 it was argued that the Government would fall over a proposal to increase the cheese ration by 2 oz. Never in your life.

The Government will have to accept the will of the House and find some way of meeting it. They will not call a general election merely because some of their supporters did not support them on a 22 per cent. increase in gas prices. They will find some way of putting it right. Conservative Members who supported that approach would gather the glory in their constituencies. They would be able to claim that they had achieved something good for their constituents and for the Tory party. It would be the Tory party that gained the credit.

Standing charges are a crying shame and disgrace. I know of no other industries, private or public, which charge people for something that they do not have or do not use, and that may not even exist. Those who leave their homes for some good reason, probably to look after an aged and sick father or mother, or even a girl friend, may not use a single therm of gas for the whole 13 weeks of the quarter. Yet, when the bill arrives, it still contains the standing charge. Those who are away from home for six months will face the two sets of standing charges.



[Mr. Lewis]

I am not presented with a standing charge when I take my car to be serviced or my suit to be repaired. I am charged for the work. It is a farce to say that the standing charge is for road openings and such matters. It is simply an easy way to tax the poor, the sick, the disabled and the infirm who cannot escape the charge.

**Mr. Nicholas Winterton** (Macclesfield): Will the hon. Gentleman not agree that the same facilities were previously provided without the standing charge and that the monopolies operated at a profit? Why is there the need to tax us through these standing charges which most people, as the hon. Gentleman says, find unacceptable? I agree with the hon. Gentleman. I am one of those hon. Members who intends to exercise his right as a Back Bencher. I shall not support the Government. I shall not support the Opposition motion. I shall, however, abstain to show my objection to my Government's energy policy.

**Mr. Lewis:** The hon. Gentleman has a good record. I accept that he cannot support the Opposition. He has, however declared himself. It is ludicrous, when a profit is being made, that there should be such a charge. It applies to only three undertakings, electricity, British Telecom and gas. There is no standing charge for water. [HON. MEMBERS: "Yes, there is."] I stand corrected. That makes things worse. There is nothing to stop the Government announcing tonight that they will find ways of ending this situation. I do not want to hear what the civil servants and advisers say. They rule the country. I have watched Front Benchers arguing and fighting between themselves. I have been here long enough to know that the speech read out by Ministers of one Government is the same as that read out by Ministers when the other side assumes power and that it is prepared by the same people.

The civil servants have to be told to find some means of ending this situation. The Government can say tonight that, although they have not yet found a way, they are pledged to end these pernicious standing charges.

5.38 pm

**Mr. Kenneth Lewis** (Rutland and Stamford): The debate so far has ranged over the economic, political and social aspects of the subject under discussion. The Opposition have placed great emphasis on the social aspects. That aspect cannot be disregarded. It is to the credit of the Government that they are spending, as the Minister stated, a very large sum, amounting, I think, to £250 million on the social aspect. I commend them for that.

I take the opposite view to the Minister on this matter because I do not want to see an escalation of the money that must be paid out on the social side. I would prefer that the price was not increased so much, so that more people could afford to pay. I agree strongly with what my hon. Friend the Member for Melton (Mr. Latham) said. He suggested that many people who do not claim social security are hard hit by price rises of this type.

Energy is an important commodity in Britain. We have long, bad winters. People have been encouraged to install central heating appliances and many have chosen gas. The Minister must know that there has been an increase in gas customers in recent years. By my book, when the number

of customers rises, the price of the product should fall. We are therefore going contrary to the normal market situation and the Government are encouraging it.

For two years I have lived with the doubling of prices. I accept that the Government were right to do that. The Opposition had held back increases for political reasons. The figures are there to see. The Labour Government held back prices partly for political and partly for social reasons. They felt that there was some advantage to be gained from doing that. The present Government have had to catch up. We have lived with that process for two years.

When the Minister announced the plan for price increases two years ago, I said that I would not commit myself three years ahead. I believe it is not justifiable to double prices three years on the trot. I have no intention of voting for the Government amendment today unless the Minister will compromise. As my hon. Friend the Member for Melton said, the Minister can compromise easily by making do with one increase of 11 per cent. I do not understand the reasoning behind the assertion that this would actually entail an increase of more than 11 per cent., but if the Minister increases that figure by a further 2 per cent. or 3 per cent., I could live with that and I think that my constituents could live with it. I will not accept that it is justifiable to have a double increase again this year.

I am sick and tired of nationalised industries imposing inflationary price rises. This one, like some of the others, has been encouraged by the Government. We hear from Treasury Ministers—the Minister has just come hot-foot from the Treasury—that we must beat inflation. We have heard that for a number of years from Treasury Ministers and from the Prime Minister, who is First Lord of the Treasury. I do not disagree with that, but we have spent more than two and a half years trying to beat inflation. So far as the nationalised industries are concerned, with inflation the Government are tackling a moving target. They cannot achieve the reduction that they want because those industries increase prices and so inflation as fast as the Government try to bring it down. Nationalised industries are the Government's industries. They are not run by the Government, but the Government control them. It is the Executive, not the House of Commons, which controls them.

Every price increase stemming from the nationalised industries is an increase in the cost of living index. There is a price increase more than once a year. Tonight it is gas, but the same applies to electricity, telephones, postage, and the rest. If the industry is owned by the Government, people must pay higher price increases than for commodities produced by the private sector.

My right hon. Friend made the fair point that the Government were imposing a double increase in gas prices for the third year running because they wanted to equalise prices, as industrial users had been paying more and domestic consumers had been paying less. I have looked at the figures, and I reckon that they have already caught up. Certainly, by the time that the 11 per cent. increase has been imposed in April, the domestic users will have completely caught up. Industrial users will be better off than they were when the Government came to office, and they will be no worse off if the Government decide not to impose the extra second increase on the domestic tariff.

The aim of the Oil and Gas (Enterprise) Bill now in Standing Committee is to put the production of North Sea gas on a competitive basis. Presumably, gas will become cheaper. Otherwise, it would be pointless for a



Conservative Government to put the Bill through. We obviously believe that competition makes things cheaper. If it makes gas cheaper, as I believe that it will, there will be no need for the extra price increase in October.

I am sure that my right hon. Friend has noticed that the price of oil has been falling steadily. We know that it will not go right down, but it will fall a little further and it will stay down. That was predictable. The Government will lose a little tax, but they gain a great deal of tax from North Sea oil in any case. Gas prices must be related to the production cost of oil. So the likely effect of the Bill now in Committee and the prospective reduction in oil prices justifies the Minister saying today that the Government have been convinced by the arguments of Back Benchers, especially those of his hon. Friend the Member for Rutland and Stamford, and that the Government will therefore make a concession.

The Government are trying to keep increases in public sector wages and salaries down to about 4 per cent. I have not noticed the Gas Corporation keeping pay increases down to the Government's norm. If workers employed by the corporation see that the Government are imposing further price increases on the consumer and see the revenue of their corporation being topped up, will they not regard that as justification for seeking higher wage awards? The Government would do better to tell the corporation and those employed in it that they wish to give the consumer a fair deal and that the employee should support that fair deal by not demanding large wage and salary increases.

My right hon. Friend has said that this is the third and last year of the big increases—[HON. MEMBERS: "There is a General Election soon."]—and then there will be a concession and medals for us all. [HON. MEMBERS: "And votes."] My right hon. Friend might be promoted next year. One Minister never binds his successor. Whether or not that is so, I do not like large increases one year and small increases the next year. I thought that we were complaining about the Labour Party doing just that. I should prefer a reasonable increase in 1982 and another reasonable increase in 1983. The consumer is fed up with the swings and the roundabouts and wants a little bit of "steady as you go" on pricing, particularly with pricing where the Government are involved.

In the private sector, prices are steady across the board. Many of them are falling. In the next few years the Government cannot afford to allow high price rises to continue in the public sector. We have had enough of that. It is the duty of Ministers—in the interests of the country—to ensure that this escalation stops.

5.51 pm

**Mr. Geoffrey Lofthouse** (Pontefract and Castleford): This debate is similar to that on pensioners a fortnight ago. Several hon. Members have been shedding crocodile tears. I do not mean any disrespect to the hon. Member for Melton (Mr. Latham), who made a very good speech. I hope that he and those who have expressed their concern about the increase in gas prices, will show the British people who will have to pay them that they mean what they say. If they do not do so, the debate will have been futile.

The debate has continued along the same lines as most debates in this Chamber. I do not say that other Governments have been better than this Government, but they seem to think that the main defence in such debates is to prove that the right hon. Member for Timbuktu said

something a little different when he was in Government. That does not alter the problems created for our gas consumers by the vicious decision to increase gas prices by 22 per cent.

It cannot be refuted that this is purely and simply a back-door method of taxation to ensure that lower paid workers pay the same standard tax as higher paid workers and those on vast incomes. There was a similar policy behind the overall 15 per cent. increase in VAT. That is what this is all about. If it is not, the Minister should tell us what it is about, because people have a right to know.

My hon. Friend the Member for Newham, North-West (Mr. Lewis) said that politics should not be brought into such a debate. I do not know how you can divorce politics from this issue, but I appreciate the point.

In the last year's annual report of the British Gas Corporation, Sir Denis Rooke said:

"After such a year the management of most businesses would expect the owners to want them to continue in the same vein and perhaps to ask them if extra support might add to the achievement in future years."

That is common sense. A successful business could well be expected to carry on in the same vein.

As recently as 25 February, the North Eastern Gas Consumers' Council issued a press release which is highly relevant. It states:

"At a recent Meeting of the North Eastern Gas Consumers' Council, Members . . . repeated their views expressed on a number of occasions, that price increases should be based only on the financial needs of the Industry. Whilst being well aware of the Government's policy imposed on British Gas that prices should rise 10 per cent. above the rate of inflation over three years . . . they felt that British Gas Corporation had not told them any reason why they needed the extra money."

Why does the British Gas Corporation need the extra money? Does it need it, or will the money go to help the public sector borrowing requirement? If that is so, the increase is purely and simply back-door taxation. Perhaps there is something more sinister in the Government's mind. Perhaps they have a deliberate policy to inflate gas charges with a view to selling the British Gas Corporation.

Hon. Members will agree that in the past two or three years the gas industry has made colossal profits. Perhaps the profits will increase and the industry will then be privatised, just as another industry has recently been privatised. Perhaps the gas industry will be sold and will become loot for the boys. Some newspapers have suggested—I put it no higher than that—that some of those who voted for the privatisation of Amersham International were beneficiaries of loot for the boys. At the same time, through this increase the Government are taxing those who can ill afford, or cannot pay, the bills and who would prefer to freeze than to face large gas bills. If the Government are increasing prices for that reason it is criminal and unforgivable. Only time will tell, but if that is so the British public will know.

The motion states that it "regrets the decision" that has been made. There have been some encouraging signs from Conservative Members that they regret the decision. Some of them said that although they would not vote with the Conservative Party tonight they would not vote for the motion. What hypocrisy. Is there one hon. Member in the Chamber who does not regret the increase in gas prices? If there is, will he put his hand up? If you do regret it, you should vote for the motion tonight. If you regret the decision but do not vote for the motion, you are displaying nothing but hypocrisy.



I do not want to call you "hypocrites", because that would be unparliamentary. People are sick and tired of all the speeches that try to prove that the increases are necessary. It is impossible to prove to those who will have to meet the colossal charges that there is a need for an increase when the corporation makes vast profits and when the chairman of the corporation makes statements such as those that I have cited.

If democracy means anything, if it is not a game of "kid 'em", a game of fooling the public, then I hope that you believe what you say tonight and support this motion.

**Mr. Speaker:** Order. I hope that in future hon. Members will not keep saying "you" because that involves me in a way that will get me into trouble.

6.1 pm

**Mr. Tim Eggar** (Enfield, North): I hope that the hon. Gentleman who has just spoken will forgive me if I do not follow his remarks directly.

Our gas pricing policy has developed in a most curious way. We must be the only country consciously to have set out to sell gas to domestic consumers considerably more cheaply than to industry. That has happened because Governments of both parties have, for political reasons, deliberately urged the British Gas Corporation to keep down the domestic price of gas. It is a fine tribute to this Government and to the decision of my right hon. Friend who is now the Secretary of State for Transport that he was prepared to break that cycle and take the considerable political rap that that involved.

What has been the result of this curious pricing policy over the last 10 years? First, the cost of gas to the domestic consumer has fallen both in real terms and as a percentage of wages. It is the only energy source to which that has happened. In addition, the disparity between gas and other fuel prices had become considerably greater before my right hon. Friend's decision.

I agree with my right hon. Friend the Secretary of State that it is unfair, when 40 per cent. of households have no gas, that the 60 per cent. that have it should be subsidised—because that is what it amounts to—by the rest.

**Mr. Allen McKay** (Penistone) *rose*—

**Mr. Eggar:** I am sorry, I will not give way. I am conscious of the pressure of time.

I would not make this as a constituency point, in any case, because I represent a constituency where every household can have gas if it wishes. From a national point of view, however, underpriced gas makes no sense.

We come now to industrial prices. Like all other hon. Members, I have been under considerable pressure from industry about the level of gas prices. Why have gas prices been so high here until now when compared with those on the Continent and in the United States? It is because the British Gas Corporation has been forced by Government policy—the policy of both parties—and by its own predilection, one might add, to make all its profits out of industry. At a time when both sides agree that our major priority must be the reduction of industry's costs, we must be prepared—and I totally support the Government in this—to make a sacrifice in terms of political popularity in order to reduce industry's costs. In the long run, the country will applaud rather than criticise us for it.

I have, however, one point to make, and that is the criticism I made of the Secretary of State's decision at the

time that the 10 per cent. per annum real increase was announced, namely, that it did nothing to put pressure on the British Gas Corporation to reduce its costs and increase its efficiency. I know he would argue that he is doing this through the cash limits system and the targeted rate of return. Nevertheless, I hope that when he comes to consider the pricing policy for the next and subsequent years he will put a slightly higher priority on ensuring that the real increases in gas prices are to some extent absorbed, by insisting that the BGC increases its efficiency. I fully support my hon. Friend the Member for Chichester (Mr. Nelson) on this.

One aspect of the corporation's charging policy that has been of considerable concern to me is that of standing charges. I agree with both the British Gas Corporation and the consumer councils that there must be some kind of charge built in to cover meters, fixtures, fittings and so on. That is reasonable. It is also reasonable that the charge should be collected on the basis of the true economic cost of supplying that service.

However, I understand the concern, of pensioners in my constituency when, especially in the summer months, they use small amounts of gas and find that the cost of this low consumption is dwarfed by the higher standing charge. I hope that the Minister, with my right hon. Friend the Secretary of State for Social Services will investigate the possibility of offering consumers a choice between a standing charge and lower unit cost or a higher unit cost and no standing charge because, after all, the connection charges have to be paid for in any case.

That has been done, quite rightly, with water charges. One can now have a water meter installed if one wishes and pay for one's consumption. There is a choice between paying straight water rates and paying meter costs. I can see no difficulty in providing the same option for gas consumers. That is something the Government should support.

I recognise the considerable courage shown by my right hon. Friend the Secretary of State in supporting the policy put forward by his predecessor of a 10 per cent. real increase this year. It is the only way in which we can afford to keep industry's energy costs down to a reasonable level. I hope that, in recognition of this, my right hon. and learned Friend the Chancellor of the Exchequer (Sir Geoffrey Howe) will make it clear on 9 March that gas price increases for industry will be kept within a very low limit this year.

6.7 pm

**Mr. K. J. Woolmer** (Batley and Morley): The gas bill increases have had a bigger impact on my constituents than anything I can remember since I came to the House two or three years ago. I can think of no other occasion when, as happened in my surgery last weekend, I saw two elderly people in tears because they did not know how they were going to pay their gas bill. The effect of the electricity and gas bills that have been coming through the letter boxes in the last week or two has been absolutely devastating on hard-working, hard-pressed and thrifty people. I hope that this House will be able to respond to the feelings and the problems of these people and to the current situation.

There is widespread concern about the problem of standing charges. I do not intend to go over an already well trodden path in this debate but it is something that causes considerable resentment amongst people who have been hit by these bills. My own hope is that the Government will



consider whether it is advisable or necessary to press these increases at this time. For the longer term, I regard it as equally important that some Government take the whole question of energy saving and insulation much more seriously than it has been taken so far. We managed to achieve a house-by-house conversion programme to North Sea gas; it seems quite reasonable that the country should be able to have a home insulation programme on a similar basis. We must try not only to cut people's bills but genuinely to save energy and avoid having to build more power stations, which can result only in higher bills.

People do not understand some of the basic facts and figures. I should like to put before the House their reasons for that lack of understanding as they put them to me. In five years of the previous Labour Government gas prices rose by only 33 per cent. In 2½ years of Conservative Government so far they have risen by 66 per cent., and the increase this year will in effect mean, because of compound interest, an increase of 100 per cent. in three years of Conservative Government. Under the Conservatives electricity has gone up by 73 per cent. in less than three years and home coal prices have gone up by 74 per cent. The general effect of that enormous increase in fuel prices, deliberately foisted on people by the Government as a matter of policy, is hitting people very hard.

People are baffled because our wealth of energy supplies seems to be turning out to be a curse instead of a blessing. If world oil prices rise, we are told that gas and electricity prices must go up as well. We are told that we must all suffer, and we have no benefit. Yet when oil prices are falling are gas prices cut? All that we have heard from the Government so far is that as a result of world oil prices falling there is a threat that they will not be able to cut taxes or that they will lose some revenue. Therefore, while the average householder suffers rising gas prices world oil prices can go up or down with apparently no benefit to our hard-pressed people.

The other matter that people put to me is that there appears to be no real reason why the increases must be foisted on them. The Government are deliberately taxing gas in the current financial year to the extent of £420 million, and I understand that they expect to take from the Gas Corporation £750 million in tax next year. Therefore, it is clear that the corporation does not have to increase prices if the Government do not insist on putting an extra £750 million of taxes on to gas consumers.

The hon. Member for Enfield, North (Mr. Eggar) had the temerity to suggest that gas supplies were being subsidised, when his own Government put a £750 million tax on the gas consumer. He will have a great deal of explaining to do to the ordinary householder who receives the bills.

**Mr. Sydney Bidwell** (Ealing, Southall): It will probably cost the national Exchequer that amount of money in supplementary benefits to those who will qualify for them as a result of the increase in the cost of living resulting from this tax. That is astounding when the main plank of the Government's policy is supposed to be anti-inflation measures.

**Mr. Woolmer:** I entirely agree. When the Government say that they are putting all their energies into getting inflation down and are trying to convince people to take

lower pay rises, to put gas prices up by 22 per cent. in one year—which means an increase of 100 per cent. in three years—is an odd way of fighting inflation.

I was making the point that in the course of the next financial year the Gas Corporation is likely to pay to the Exchequer, through the gas levy and corporation tax, petroleum revenue tax and so on, little short of £1,000 million in taxes. The Government have a choice. It is a policy decision by them whether this gas price increase is necessary. Let it not be said that the price must go up because gas is the product of a loss-making nationalised industry. We hear so often from the Conservative Benches that the nationalised industries are making huge losses, that they are making a mess of their businesses and must put up their prices to return to profit. Here is a business in effect making a profit not far short of £1½ billion. Do the Government let them use it to reduce prices? Not at all.

**Mr. Eggar:** Is the hon. Gentleman really saying that the Government should not be taxing an undertaking that uses natural resources in the southern basin of the North Sea belonging to the nation? If he is, is he therefore in favour of the abolition of petroleum revenue tax and other taxes on oil companies?

**Mr. Woolmer:** What I am saying is that in the middle of a recession people's living standards are being hit very hard. We have a Government who are willing to tolerate 3 million unemployed to try to bring inflation under control. One of the most crucial factors affecting the cost of living—the price of gas—is capable of being held down, and indeed reduced. The hon. Gentleman and his Government have a duty in those circumstances to ask whether it is right that the Government should take £1,000 million in tax from the Gas Corporation, instead of allowing it to use that money to hold gas prices down.

The corporation is being forced to put up gas prices. In effect, one family's tax cut will be financed by another family's gas bill increase. It is no accident that these enormous increases in taxes on gas are being imposed well before an election. The truth is that what gas consumers are paying for in the gas bills coming through the letter boxes today is the tax cuts that will lead up to the election next year. I have no doubt that the £1,000 million-worth of unnecessary taxes that gas consumers are having to pay will be used to finance the election bribes at the next general election.

I have never seen people so desperately upset and worried as I have seen them to be in the past two or three weeks. Honest, hard-working people have literally been in tears because of their worry and desperation over meeting the bills. Our duty is to listen to them. To say that the Government and the Gas Corporation have no option, when profits in effect are over £1 billion, is hypocrisy. Our duty is to listen to our people and to use the option to hold down the increase. I ask the Government not to proceed with it this year. At the end of the day those householders affected will not forget, and they will not forget the Government.

6.17 pm

**Mr. John Hannam** (Exeter): The hon. Member for Batley and Morley (Mr. Woolmer) pursued arguments which, because of the short time available, I shall refrain from taking up. He omitted one important factor—the



[Mr. John Hannam]

equation which my right hon. Friend the Secretary of State presented to the House of trying to assist in the creation of jobs through producing the right price structure for industry, as against an abnormally low, historically low level for the domestic consumer, resulting from the policies of the previous Government. I shall take up that matter later in my brief speech.

The hon. Gentleman was right to say that the third tranche of the January 1980 announcement of gas price increases of 10 per cent. above inflation per year is causing a great deal of concern among our constituents. It would be easy for any Government to adopt an easy electoral posture on such decisions and satisfy the consumer and ignore the long-term national interest by allowing gas prices to remain historically low.

Even with the present increase, the consumer will still be obtaining gas at a lower price in real terms than in 1970, whereas, following the increase and the reapportionment of costs in gas pricing, the industrial consumer at last faces the possibility of obtaining his gas at prices competitive with those charged to his overseas competitors. The Labour Party constantly argues the case for helping industry, thus creating more jobs. Here are the Government carrying out exactly that policy, and yet Labour hon. Members are cavilling.

Illusions are easy to peddle these days, especially in political terms. I found it saddening that the right hon. Member for Leeds, South (Mr. Rees) the Opposition energy spokesman, for whom I have great respect, took advantage of short-term political considerations involved in the implementation of this third and final 10 per cent. increase in prices.

We are debating the announcement made in January 1980, which was then debated. It would be easy and electorally rewarding in the short term to try to satisfy the consumer at all times. That is exactly what the Opposition did during their period of office. As the hon. Member for Batley and Morley carefully announced, they held down gas prices to the domestic consumer, despite increasing losses on domestic gas supply, which resulted in the high cost of gas and the breakdown of a guaranteed supply to the industrial consumer.

**Mr. Skinner:** It is correct that the Labour Government intervened in the economy and held down gas prices. That was because, by and large—not all the time—they had a philosophy based on Government intervention in the economy. The hon. Gentleman has to answer this point, as he was elected on the basis of the operation of market forces and each week his right hon. Friend the Prime Minister stands at the Dispatch Box and says that the Government cannot intervene and the market must decide. Why are the Government intervening in the market to push up gas prices 100 per cent? I am talking about the hon. Gentleman's Government, and he will presumably back them once again.

**Mr. Hannam:** It is easy to answer that question. That is exactly what the Government are doing. They are restoring market forces to an artificially distorted situation.

In 1979 the Price Commission advised the Government to increase domestic gas prices by 30 per cent. The Government could easily have done that in one fell swoop, but they chose to stagger the increases over three years. The point that the hon. Member for Bolsover (Mr.

Skinner) makes, that the Government are intervening in an artificially created price structure, is valid. They are restoring market forces, as far as they can be restored, to a monopoly gas industry.

I return to the point I was making about the effect of the Labour Government's policies on the supply of industrial gas. Despite warnings in 1978 and 1979 that their policies would result in dangerous cut-offs of supply to British industry, and despite the Gas Corporation's failure to create new gas supplies for new industries, the Government continued to create a surge in demand by domestic gas users. They were taking advantage of an obviously attractive fall in gas prices when all other fuel prices were rising sharply and dramatically.

Despite a call by the Price Commission for a 30 per cent. rise in gas prices, the Labour Party decided to try to gain some electoral advantage—*forlornly* as it turned out, and *forlornly* as it is proving by continuing their policy now—so the Conservative Government had the rather unpleasant duty of trying to bring in a proper price level for domestic gas. That was done to ensure not only the long-term security of gas supply but to correct the imbalance between domestic and industrial prices.

The Government decided not to impose an immediate 30 per cent. increase but to spread it over three years, 1980, 1981 and 1982. We are debating the final instalment of those three increases. The main difference between now and January 1980 is that we can begin to see the results of the change of policy by the Government in 1980. Whereas in 1979 domestic gas prices had dropped to 70 per cent. of their real value cost in 1970, compared with a real price increase in electricity of 118 per cent., of oil, 162 per cent. and of coal, 117 per cent., by the end of the third quarter of last year gas was still only 81 per cent. of the 1970 price, whereas electricity was 144 per cent., oil 198 per cent. and coal 132 per cent.

The price per therm has dropped from 10.61p in 1970 to 7.3p in 1980. In October 1981 it crept up to 8.38p, well below the 1970 level. Let the Opposition not accuse the Government of clobbering the domestic gas consumer with the increases. After the final 10 per cent. increase above inflation, gas prices to the domestic consumer will still be less than they were in 1970, and gas will be by far the cheapest of all domestic fuels.

**Mr. Kenneth Lewis:** I have worked the figures out and had them checked by the Library, I assure my hon. Friend if one takes the figures for 1975, one sees that price increases for gas exceed those for other fuels. That includes the first increase this year.

**Mr. Hannam:** I have listened to those figures. I refute that point, because I am certain that, following the holding down of gas prices, they dropped alarmingly below the prices of other fuels. I have among my papers the figures for 1970 to 1981. In 1975 the price per therm was 8.17p and at the end of 1980 it was 7.43p. It will now rise to just above the 1975 level.

In January 1980, when the crucial decision was made by the Government we were close to major cut-offs of gas supplies to industry. One of the leading members of the Shadow Cabinet, who then became the Shadow energy spokesman—he has now become a member of the the SDP—the right hon. Member for Plymouth, Devonport (Dr. Owen), when attending an energy seminar in Plymouth during the previous October, at which I was present, said:



"A proper pricing policy for energy is essential and inevitable and a special scheme of help for poorer families will be needed." That is precisely what the Government did a few months later.

At the same conference the deputy chairman of south-west gas said:

"The demand for domestic gas has been intensified by artificially low prices and a substantial increase in gas prices is overdue. There should be more parity between domestic and industrial prices."

Sir Dennis Rooke was reported as being so concerned about the instability of gas supplies that he considered cutting off supplies to the House of Commons if the statutory requirement to connect householders living within 25 yards of gas mains was not removed. He recognised the danger of the instability of gas supplies because of the surge of demand by the domestic consumer. I imagine that he would probably like to cut off gas supplies to the House of Commons now because of the Bill that is in Committee.

This morning I received reports from my constituency of a large housing estate in the Exwick area of Exeter that is unable to have a complete gas main supply because of a general rule being applied by South-West Gas that no extensions to existing distribution networks can be made owing to instability of supply. In other words, there is still over-demand in the domestic sector and insecurity of supply to the industrial sector. We import 20 per cent. of our gas from Norway and have not developed a new major gas field for seven years.

Because of the Government's decision in 1980, our industrial gas consumers now have a price advantage over their Continental rivals. That competitive position would not last if the final increase did not take place.

**Mr. Edwin Wainwright** (Dearne Valley): does the hon. Gentleman realise that we would have had an ample supply of gas if the gas-gathering pipe line scheme submitted by the BGC on behalf of Norway had been backed by the Government? They refused to back it.

**Mr. Speaker:** Order. Before the hon. Member for Exeter (Mr. Hannam) answers, may I say that he knows that I have no authority to ask anybody to stop speaking once he starts, but we had hoped that the winding-up speeches would start at 6.30.

**Mr. Hannam:** I accept your admonishment, Mr. Speaker, and confess that I have given way rather too enthusiastically. If British Gas had paid the right price for gas we would have had a gas-gathering pipeline by now.

After the increase, domestic gas will still be the cheapest of all fuels and will still be hardly profitable to British Gas. The fact that much less of the weekly budget of the pensioner or worker is now going on gas shows that we are not being unfair to those lucky enough to be within reach of gas supplies.

I challenge Labour Members to dispute my contention that my right hon. Friend is pursuing a responsible energy policy that is designed to help British industry and thereby provide jobs without unjustly penalising domestic consumers. Being in Government must mean taking responsibility for unpopular decisions that are essential in the national interest. I give my full support to my right hon. Friend.

6.30 pm

**Mr. Merlyn Rees:** We have heard that about half a dozen Conservative Members will not support the Government when the Division takes place. That proves that we were right to table the motion.

**Mrs. Elaine Kellett-Bowman** (Lancaster): What about the leave of the House?

**Mr. Rees:** If I require the leave of the House, Mr. Speaker, I shall ask. It seems that our visitor from Europe, the hon. Member for Lancaster (Mrs. Kellett-Bowman), mixes up the procedures in both places.

As I was saying, it seems that we were right to table the motion. If a group of Conservative Members intend not to support the Government on this occasion, it means that they are receiving many letters from their constituents. I know that I am receiving many letters on this issue from my constituents. However, the number of letters that we receive on any one issue does not necessarily mean that our constituents are right. Nevertheless, there is great concern about gas prices, especially in the type of area that I represent.

Notwithstanding the argument of the hon. Member for Rutland and Stamford (Mr. Lewis), it is said when prices increase that the responsibility lies only with nationalised industries. During the debate, when I should have had other things on my mind, I recalled a recent visit with some of my hon. Friends to a Yorkshire coalmine. As I was travelling to the pit in my car I heard the Prime Minister say on the radio that we should run nationalised industries in the same way as Marks and Spencer is run.

As I crawled along a 250 yard face in a modern pit I remembered two things: first, it struck me that my mother was right to ensure that I did not follow my father into the pit; secondly, it struck me that it was a damned silly remark—[HON. MEMBERS: "Order".] I know, Mr. Speaker, that if that is what I thought the House would want me to tell it so. In any event, it struck me that it was a silly remark to make. How can a pit be run as if it were part of the retail trade? The heavy and fixed costs of most of our nationalised industries are such that it is difficult to prevent them coming forward.

It has emerged from the debate that the 100 per cent. increase in gas prices since the Government took office has not taken place to meet the wishes of the corporation. The increase has taken place at the wish of the Government. Whoever the complaints can be directed to, they cannot be directed to the chairman of the corporation, Sir Denis Rooke.

We have heard a great deal about the Price Commission's report of June 1979, which stated that domestic prices should be increased. That is held against the previous Labour Government. However, within a month of that report the Government froze domestic gas prices. There is an argument about energy prices overall and it is no good putting the blame on one Government. I do not agree with the implications that have been drawn from the speech of the right hon. Member for Plymouth, Devonport (Dr. Owen) at the Plymouth seminar.

In January 1980 we heard that the Government were planning for three years. Does that mean that nothing will happen in a year's time? Some of my hon. Friends have been uncharitable enough to say that as next year is the run-up to a general election it will be surprising, whatever the objectivity of the Government's policy, if the Treasury



[Mr. Rees]

do not say "It does not matter very much this year. Let it ride this year. It is the run-up to the election. Let people forget what we have done in the previous year or two."

I shall take up some of the remarks of the hon. Member for Exeter (Mr. Hannam). I understand from the tape that the dollar price of oil has fallen today by \$4. The spot price is lower than the dollar price. That means that it will not be long before the dollar price of oil falls.

**Mr. Lawson:** No.

**Mr. Rees:** The Secretary of State says "No". He is a brave man.

**Mr. Lawson:** It does not follow.

**Mr. Rees:** That is a different matter. It does not follow automatically but it may well happen. The fact remains that a fall in price of \$4 is considerable. I do not want to anticipate the effect that this will have on budgetary policy but it will have an effect on energy pricing policy. The industrial price of gas might well fall if the pricing link continues. There will be an effect on the coal industry. However, as my hon. Friend the Member for Midlothian (Mr. Eadie) has said, coal will still have a considerable cost advantage even when the price of oil falls by \$4 a barrel.

It is important that we have the right overall policy, and in this respect the Government have made a profound mistake. I am not saying that gas prices should not have increased at all in the past three years. It would be foolish to say that. Our motion does not advance that argument. However, to increase gas prices by 100 per cent. at a time of inflation and depression is an act of folly.

My hon. Friend the Member for Swindon (Mr. Stoddart) knows, as does my hon. Friend the Member for Batley and Morley (Mr. Woolmer)—I am closer to my hon. Friend the Member for Batley and Morley because our constituencies abut, but the problems are the same—of the distress that the price increases have caused in the country. I represent a low-wage area, and on Saturday, when I visit my constituency, many of my people will tell me about the problems that they face in meeting their gas and electricity bills. There is great concern about the standing charge. It is easy enough for those of us who read our bills and pay them with a bit of a curse, but there are many who read them and shed tears. I have in mind widows, for example. I know that there is a joke in this place at Budget time about the one-eyed and one-legged widows that hon. Members design to show who suffers most, but there is a problem with energy pricing and the Government's scheme is deficient. I am glad that it helps those in receipt of supplementary benefit but those who suffer are pensioners who are not in receipt of supplementary benefit, those in low income groups and one-parent families.

Something must be done about the standing charge. The hon. Member for Enfield, North (Mr. Eggar) produced some novel ideas. Most of my constituents would prefer to pay the costs that properly fall on the standing charge weekly throughout the year, or quarterly. They do not want to be faced with a lump sum at the beginning of the year. The old person who stays with a son or daughter finds it difficult, when he or she returns to his or her home,

to understand a bill that contains a standing charge that is greater than the cost of the gas or electricity that has been consumed.

The hon. Member for Chichester (Mr. Nelson) made a constructive and interesting speech. He reported allegations that have been made about the use of resources by the gas board in his area. He was generous enough to say that in general the corporation is highly efficient. However, he reported that his constituents have alleged that numerous corporation vans have been flying around his constituency. They allege that there are too many of them and that they seem to sit in laybys while corporation employees have a whiff and a puff, as it were.

I hope that these serious charges are examined. They are made against members of the General and Municipal Workers Union, a union to which I belong. By all means make the allegations, but the allegations had better stand up when they are investigated. The allegations were made to the hon. Member for Chichester and he was right to raise them in the House. However, an investigation must take place to ensure that they are not part of the sweeping allegations that are made, for example, about employees sleeping in factories, along with all the usual stories that we hear. It is important that those aspects are considered.

I turn now to the privatisation of customer services. I invariably call the chap round the corner to repair electrical faults. The last thing I should ever do would be to call a relatively untrained man to carry out gas maintenance. Gas fittings require high safety standards. The Government understand that because they are about to establish a safety code. That is the result of their policy of shutting the showrooms. Gas is different from electricity in that respect. The Department of Trade did not understand that when it advanced this scheme.

**Mr. Stoddart:** Speaking as a member of the electricians' trade union, I suggest to my right hon. Friend that electricity is as dangerous as gas and that he should always employ a qualified electrician.

**Mr. Rees:** I always call qualified electricians and trained people from the Gas Corporation. That is the difference. Gas involves safety factors of a more general nature:

The Secretary of State's speech was almost predictable. We both serve on the Oil and Gas (Enterprise) Bill in Committee and are becoming fed up to the back teeth listening to each other. There is no Government subsidy to the Gas Corporation. There may be a subsidy within the Gas Corporation's accounts, with costs applied one way or the other, but the idea that the corporation is subsidised by anybody is false. Yet that was the impression that was given.

We have heard little about depletion policy. The hon. Member for Melton gave his view of the economy. To reinforce his argument, he mentioned Bishop Latimer, for whom I have much regard and whose painting hangs in the Central Lobby.

**Mr. Latham:** He was burned as a heretic.

**Mr. Rees:** If he was burned as a heretic, that was hard luck. That just proves that if one has a good point, one should use it at the beginning, not the end. The hon. Member for Melton made a good speech, whether heretical or not. There are many heretics on the Opposition Benches. Let us have more and defeat the Government tonight.



6.42 pm

**The Under-Secretary of State for Energy (Mr. John Moore):** I am delighted to begin on that excellent last note. I have not left the Chamber throughout the debate. As so often in many debates over the past few years, I was struck by how often, whichever party has been in office, the nation has suffered by the inability of many of us to face reality.

Much of the debate which has flown back and forth across the Chamber has failed to face many of the harsh truths to which Britain must reconcile itself. I shall attempt to be factual, because it might help the tenor and nature of the debate.

The truth has not changed. It was well expressed in 1978 in the classic Green Paper on energy policy. The right hon. Member for Bristol, South-East (Mr. Benn), in that Green Paper, said:

"Natural gas is a high quality finite resource and its price must reflect this fact. If it is sold too cheaply, consumers will have no incentive to use it efficiently. In these circumstances the industry's prices need to be related to the expected cost of future supplies, rather than its historic cost".

Those were wise words at that time and, as I said, the truth has not changed.

The right hon. Member for Leeds, South (Mr. Rees) asked: what happened? It was the Labour Government's failure to act on their own theoretical beliefs that produced the neglect and mess that the Government inherited and had to try to sort out.

I respect the speech of my hon. Friend the Member for Melton (Mr. Latham) and his views and his company. We cannot refuse to face, handle and sort out problems caused by a previous Government's neglect. We cannot leave the matter as it is. We must tackle it.

However, the Opposition's neglect, when in Government, was compounded by the sense of hypocrisy that has surrounded much of the debate. They ignore their own past beliefs and statements expressed in Government. In such a sensitive area as this—all hon. Members' constituents are conscious of the enormous burdens and problems—the worst thing we can do is to pander falsely to hopes and feed on the fears of those who suffer more than hon. Members.

**Mr. Stoddart rose—**

**Mr. Moore:** I shall give way in a moment. I wish to place some facts on the record.

What are the realities that the Government had the courage to face and tackle? The first reality ought to be put clearly and concisely on the record. The domestic side was not and still is not meeting the cost of supplies.

**Mr. Stoddart rose—**

**Mr. Moore:** I shall give way later. First, I want to tackle the key point of the cost of supplies on the domestic side, let alone the increasing cost of future supplies to the industrial and commercial side.

The right hon. Member for Leeds, South was right in suggesting that there was no subsidy to the industry. The subsidy was within the industry. Industrial and commercial users were subsidising domestic consumers.

My hon. Friend the Member for Rutland and Stamford (Mr. Lewis), in a courageous speech, asked whether price increases at this stage were justified. The facts about costs ought to be made clear. Two essential costs are interconnected: the cost of transmission, supply and

handling—I am referring solely to the domestic side of the industry, because that is what the Opposition's motion is about—and the cost of the product.

The Price Commission—I am not referring to statistics issued by the Government or the British Gas Corporation—analysed the figures thoroughly in 1979. Its figures, updated to today, produced 17p per therm for bringing domestic gas into the houses privileged to have it. One must add to that figure the average cost, for example, of Norwegian supplies, and 23 per cent. or more is coming across that median line. We are not self-sufficient in this area. That amounts to 37p per therm on the basic marginal cost from that area of supply. I remember the words of the right hon. Member for Bristol, South-East when he referred to future costs and supplies. I have here my gas bill I am sure that all hon. Members have considered their bills. The therm cost on my present bill is 27.2p. As we know, that is to increase in April and October. That relates to 37p per therm.

**Mr. Stoddart rose—**

**Mr. Moore:** I shall finish this point before giving way. Beyond the Norwegian costs, we must consider the area from the Northern Basin. The beach costs under negotiated contracts today are about 16p per therm. Added to the 17p, we are talking about 33p a therm. These are the realities with which the British Gas Corporation and everybody else must be concerned.

**Mr. Stoddart:** I am obliged to the Minister for giving way. Irrespective of who made the statement about current cost accounting and long run marginal costs—I do not know whether the Government are becoming Bennites—if all private industry used the same criteria, would not the Government's inflationary policy be split asunder and prices race ahead? How on earth does the Minister expect industry, which is based on a simple profit motive and usually historic cost accounting as well as the domestic consumer to pay for long run marginal costing in the public industries? That is not possible.

**Mr. Moore:** I was unwise to give way to the hon. Gentleman. I was talking not about long-run marginal costing but about the real cost of supplies and the specific statements of the right hon. Member for Bristol, South-East.

I mentioned the costs of supply. It was clear to the Government when they came to office that there was an exploding demand, quite understandably, for a product selling below the market price. I do not blame the corporation, which had a statutory obligation to increase supplies to that loss-making sector of the market. That meant unsatisfied industrial demand and a crucial change that those who know the problems of development in the North Sea will recognise. It was a crucial change in the mix of supplies that were coming on to the domestic and industrial markets.

In 1975, 98 per cent. of our gas came from the Southern Basin. Estimates for this year show that only 58 per cent. will come from the Southern Basin, 19 per cent. will come from the Northern Basin and 23 per cent. from across the median line. It was clear that action was needed. However, if I may suggest it to my hon. Friend the Member for Melton, the need was not for action to open up a completely free market place, but for quite the



[Mr. Moore]

reverse, because that would have led to a massive increase in prices, far beyond those that the Government have tried to introduce.

The previous Administration would have agreed theoretically, but we had to act. The only question was how. The right hon. Member for Leeds, South and others have suggested that we acted in an electioneering spirit. The hon. Member for Bolsover (Mr. Skinner) said from a sedentary position "Is that the kind of thing that gains votes?" I assume that the sedentary interruptions are designed to suggest electioneering now, but hon. Members on both sides of the House will know that the policy was introduced and approved by the House in January 1980, which is a considerable time in advance of any prospect of a general election. A three-year policy was introduced in January 1980.

Essentially, the Government had to act. They tried to introduce the policy over three years, as opposed to one year, which may have been more courageous or more foolish.

**Mr. Robert C. Brown:** The Minister said at least six times that the position facing the Government when they came to office was obvious. If it was so obvious, why did they freeze gas prices in 1979, when they took office, instead of increasing them?

**Mr. Moore:** Upon taking office, it is necessary to examine the books to try to understand what has happened. I have noticed the sort of support that we get from Opposition Members for our three-year policy. What might they have done?

The second reality, beyond the reality of the cost of gas to the domestic consumer, is that gas today is cheaper in real terms than in 1970. The hon. Member for Batley and Morley (Mr. Woolmer) legitimately said that we should give our constituents the facts. I suggest that the facts make an impact on individuals. I am aware that my hon. Friends and Opposition Members have received difficult letters from their constituents. The impact on individuals and families is valid and relevant. However, we must separate the facts from the sort of hysteria that, in part, we have heard in the debate.

The first relevant fact is that the average family with central heating has had its expenditure on gas as a proportion of its income reduced from 8 per cent. to 5 per cent. from 1968 until now. The second fact concerns the pensioner couple, with whom we are all legitimately concerned. Of course I shall deal with the point made by the hon. Member for Newham, North-West (Mr. Lewis) about standing charges. He raised that point in his usual way—constructively—to try to help the long-term needs of pensioners. The married pensioner couple living only on their pension, with a cooker and a gas fire, were spending 10 per cent. of their income on their gas supply in 1968. Happily, whatever the difficulties of facing the truth, today that percentage has more than halved. They now pay 4 per cent. of their income. However difficult it may be, it is good that we all recognise that that has been reduced. We should all welcome it, however difficult it is for them to pay.

The third fact is that gas today is 17 per cent. cheaper in real terms than in 1970—the era of cheap energy. That is in marked contrast to other fuels which people must take because they cannot be supplied with gas. It is gratifying

to find out, in the face of the courageous decisions that the Government have had to take during the past two years that disconnections have decreased radically. They are down 30 per cent. in the nine months of last year to 31 December. Despite the harsh weather in January, in that month they decreased by 23 per cent. Clearly, that has something to do with the way in which the Government have tried to introduce reality during a three-year period and to add a benefit package of over £250 million in real terms. That is the relevance of real care in trying to help those in need.

Excellent contributions were also made by my hon. Friends the Members for Chichester (Mr. Nelson), Enfield, North (Mr. Eggar) and Exeter (Mr. Hannam), who all raised the problem of containing and controlling the efficiency of the nationalised industries. I remind them that the Government made provision for the Monopolies and Mergers Commission regularly to investigate the efficiency of nationalised industries. The CEBG has recently been examined under those powers. I also remind my hon. Friends about the Government's financial targets and cash limits. They are designed to reflect the need to maintain pressure for increasing efficiency and to impose the proper commercial disciplines for effective cost control. In the case of the gas industry, we have agreed that the corporation should aim to reduce its unit costs, excluding the cost of gas purchase, by 5 per cent. in real terms by 1982-83. I know that my hon. Friends will welcome that demanding aim in such difficult times.

For those hon. Members who were not privileged to hear the full debate, I can report that my hon. Friend the Member for Exeter made an excellent speech. It was the most devastating analysis in the debate about the realities of the way in which we are trying to ensure, through our policies, that employment is made available in industry and commerce through the rational pricing of gas. My hon. Friend the Member for Sheffield, Hallam (Mr. Osborn), again in an excellent speech, asked about the method of advising on the proposed increases. I must remind him that the industries are obliged by statute to inform the national consumer council about tariff proposals, so that it, in turn, may make representations about them to the Secretary of State.

My hon. Friend the Member for Rutland and Stamford made many excellent points in his speech, although I did not agree with all of his conclusions. He wondered about the reduction in industrial gas prices. The 1 April increase will bring to an end the ridiculous position whereby the running rate on the domestic credit tariff has been below the typical price for a firm contract industrial supply, although it costs more to supply the domestic consumer than the industrial consumer. The two charges will then be almost identical. The 1 October increase will complete the process of establishing a sensible relationship between the two markets as domestic prices move slightly ahead of industrial prices for the first time in some years.

Even with the current soft oil prices I must draw the attention of Labour Members and that of some of my hon. Friends to the fact that because we were successful in ensuring a freeze in industrial gas prices there was a great deal of head room between the industrial gas price and the equivalent gasoil price. Even today, firm gases are at 30p plus per therm and gasoil is at 35.7p per therm.

The gas levy was mentioned, with a great deal of confusion and muddle by so many hon. Members. This was nothing other than a way of ensuring that the windfall

profits of gas are given to the nation, not to those privileged to have a gas supply, and, more specifically, that 35 per cent. of the nation that is privileged to have gas central heating.

The hon. Member for Newham, North-West and many other hon. Members raised the difficult problem of standing charges. The sum of £500 million is roughly the revenue cost incurred by standing charges. I am conscious of many of the difficulties raised, but I point out to hon. Members on both sides of the House that while the Government are in the process of looking at this problem, standing charges reflect the overhead costs of making a supply available. These are the real costs incurred by the industry, regardless of customers' consumption.

The Government and the National Gas Consumers Council have, like the previous Labour Government, endorsed the principle of standing charges. All previous studies, including "Energy Tariffs and the Poor" which was produced when the right hon. Member for Bristol, South-East was Secretary of State for Energy, concluded that tariff restructuring, including measures on standing charges, is not a sensible way of using resources to help the poor. There are genuine and real problems, and I acknowledge the suggestions by my hon. Friend the Member for Enfield, North and will examine them with sympathy, care and understanding.

In conclusion, I can do no better than quote again, for the benefit of those who were not here earlier, the wise views of the right hon. Member for Bristol, South-East, when he had the responsibility for our nation's energy policies. He said:

"Natural gas is a high quality finite resource and its price must reflect this fact. If it is sold too cheaply consumers will have no incentive to use it efficiently." Wise truths can be repeated more than once—those were wise words.

Unlike the Opposition, the Government have had the courage to match their words with deeds and the courage to face reality, however painful. As we come to the end of this period of adjustment, we begin to see, in industry and commerce, the first competitive gas price advantages flowing from our determination to face that reality. I urge my hon. Friends and all other hon. Members to support the Government amendment and reject this contemptible Opposition motion.

*Question put.* That the original words stand part of the Question:—

*The House divided:* Ayes 245, Noes 301.

Division No. 80]

[7.03 pm

AYES

Abse, Leo  
Adams, Allen  
Allaun, Frank  
Anderson, Donald  
Archer, Rt Hon Peter  
Ashley, Rt Hon Jack  
Ashton, Joe  
Atkinson, N. (H'gey.)  
Bagier, Gordon A.T.  
Barnett, Guy (Greenwich)  
Barnett, Rt Hon Joel (H'wd)  
Beith, A. J.  
Benn, Rt Hon Tony  
Bennett, Andrew (St'kp'tN)  
Bidwell, Sydney  
Booth, Rt Hon Albert  
Boothroyd, Miss Betty  
Bottomley, Rt Hon A. (M'b'ro)  
Bradley, Tom  
Bray, Dr Jeremy  
Brown, Hugh D. (Provan)  
Brown, R. C. (N'castle W)  
Brown, Ronald W. (H'ckn'y S)  
Brown, Ron (E'burgh, Leith)  
Buchan, Norman  
Callaghan, Jim (Midd't'n & P)  
Campbell, Ian  
Campbell-Savours, Dale  
Cant, R. B.  
Carmichael, Neil  
Carter-Jones, Lewis  
Cartwright, John  
Clark, Dr David (S Shields)  
Cocks, Rt Hon M. (B'stol S)  
Cohen, Stanley  
Coleman, Donald  
Concannon, Rt Hon J. D.  
Conlan, Bernard  
Cook, Robin F.  
Cowans, Harry

Cox, T. (W'dsw'th, Toot'g)  
Craigen, J. M. (G'gow, M'hill)  
Cranborne, Viscount  
Crowther, Stan  
Cryer, Bob  
Cunningham, Dr J. (W'h'n)  
Dalyell, Tam  
Davidson, Arthur  
Davies, Rt Hon Denzil (L'III)  
Davies, Ifor (Gower)  
Davis, Clinton (Hackney C)  
Davis, Terry (B'ham, Stechf'd)  
Dean, Joseph (Leeds West)  
Dewar, Donald  
Dixon, Donald  
Dobson, Frank  
Dormand, Jack  
Douglas, Dick  
Douglas-Mann, Bruce  
Dubs, Alfred  
Duffy, A. E. P.  
Dunn, James A.  
Dunnett, Jack  
Dunwoody, Hon Mrs G.  
Eadie, Alex  
Eastham, Ken  
Edwards, R. (W'hamp't'n S E)  
Ellis, R. (NE D'bysh're)  
Ellis, Tom (Wrexham)  
English, Michael  
Evans, Ioan (Aberdare)  
Evans, John (Newton)  
Ewing, Harry  
Faulds, Andrew  
Field, Frank  
Fitch, Alan  
Fitt, Gerard  
Flannery, Martin  
Fletcher, L. R. (Ilkeston)  
Fletcher, Ted (Darlington)  
Foot, Rt Hon Michael  
Ford, Ben  
Forrester, John  
Foster, Derek  
Fraser, J. (Lamb'th, N'w'd)  
Freeson, Rt Hon Reginald  
Freud, Clement  
Garrett, John (Norwich S)  
George, Bruce  
Gilbert, Rt Hon Dr John  
Graham, Ted  
Grant, George (Morpeth)  
Grant, John (Islington C)  
Grimond, Rt Hon J.  
Hamilton, W. W. (C'tral Fife)  
Harrison, Rt Hon Walter  
Hart, Rt Hon Dame Judith  
Hattersley, Rt Hon Roy  
Haynes, Frank  
Healey, Rt Hon Denis  
Heffer, Eric S.  
Hogg, N. (EDunb't'nshire)  
Holland, S. (L'b'th, Vauxh'II)  
Home Robertson, John  
Homewood, William  
Horam, John  
Howells, Geraint  
Hoyle, Douglas  
Huckfield, Les  
Hughes, Mark (Durham)  
Hughes, Robert (Aberdeen N)  
Hughes, Roy (Newport)  
Janner, Hon Greville  
Jay, Rt Hon Douglas  
Johnson, James (Hull West)  
Johnson, Walter (Derby S)  
Johnston, Russell (Inverness)  
Jones, Rt Hon Alec (Rh'dda)  
Jones, Barry (East Flint)  
Jones, Dan (Burnley)  
Kaufman, Rt Hon Gerald  
Kerr, Russell  
Kilfedder, James A.  
Kilroy-Silk, Robert  
Kinnock, Neil  
Lambie, David  
Lamborn, Harry  
Lamond, James  
Leadbitter, Ted  
Leighton, Ronald  
Lewis, Arthur (N'ham NW)  
Lewis, Ron (Carlisle)  
Litherland, Robert  
Lofthouse, Geoffrey  
Lyon, Alexander (York)  
Mabon, Rt Hon Dr J. Dickson  
McCartney, Hugh  
McDonald, Dr Oonagh  
McGuire, Michael (Ince)  
McKay, Allen (Penistone)  
McKelvey, William  
MacKenzie, Rt Hon Gregor  
McMahon, Andrew  
McNally, Thomas  
McNamara, Kevin  
McTaggart, Robert  
McWilliam, John  
Marks, Kenneth  
Marshall, D. (G'gow S'ton)  
Marshall, Dr Edmund (Goole)  
Marshall, Jim (Leicester S)  
Martin, M. (G'gow S'burn)  
Mason, Rt Hon Roy  
Maxton, John  
Maynard, Miss Joan  
Meacher, Michael  
Mellish, Rt Hon Robert  
Mikardo, Ian  
Millan, Rt Hon Bruce  
Miller, Dr M. S. (E Kilbride)  
Mitchell, Austin (Grimsby)  
Mitchell, R. C. (Soton Itchen)  
Morris, Rt Hon A. (W'shawe)  
Morris, Rt Hon C. (O'shaw)  
Morton, George  
Moyle, Rt Hon Roland  
Mulley, Rt Hon Frederick  
Newens, Stanley  
Oakes, Rt Hon Gordon  
Ogden, Eric  
O'Halloran, Michael  
O'Neill, Martin  
Orme, Rt Hon Stanley  
Owen, Rt Hon Dr David  
Palmer, Arthur  
Park, George  
Parker, John  
Parry, Robert  
Pavitt, Laurie  
Penhaligon, David  
Pitt, William Henry  
Powell, Raymond (Ogmore)  
Price, C. (Lewisham W)  
Race, Reg  
Radice, Giles  
Rees, Rt Hon M. (Leeds S)  
Richardson, Jo  
Roberts, Albert (Normanton)  
Roberts, Allan (Bootle)  
Roberts, Ernest (Hackney N)  
Roberts, Gwilym (Cannock)  
Robertson, George  
Robinson, G. (Coventry NW)  
Rodgers, Rt Hon William  
Rooker, J. W.  
Roper, John  
Ross, Ernest (Dundee West)  
Rowlands, Ted  
Ryman, John  
Sever, John



Sheerman, Barry  
Sheldon, Rt Hon R.  
Shore, Rt Hon Peter  
Short, Mrs Renée  
Silverman, Julius  
Skinner, Dennis  
Smith, Cyril (*Rochdale*)  
Smith, Rt Hon J. (*N Lanark*)  
Snape, Peter  
Soley, Clive  
Spriggs, Leslie  
Stallard, A. W.  
Steel, Rt Hon David  
Stewart, Rt Hon D. (*W Isles*)  
Stoddart, David  
Stott, Roger  
Strang, Gavin  
Straw, Jack  
Summerskill, Hon Dr Shirley  
Thomas, Dafydd (*Merioneth*)  
Thomas, Jeffrey (*Abertillery*)  
Thomas, Dr R. (*Carmarthen*)  
Thorne, Stan (*Preston South*)  
Tilley, John  
Tinn, James

Torney, Tom  
Varley, Rt Hon Eric G.  
Wainwright, E. (*Dearne V*)  
Walker, Rt Hon H. (*D'caster*)  
Watkins, David  
Weetch, Ken  
Wellbeloved, James  
Welsh, Michael  
White, J. (*G'gow Pollok*)  
Whitehead, Phillip  
Whitlock, William  
Wigley, Dafydd  
Williams, Rt Hon A. (*S'sea W*)  
Wilson, Rt Hon Sir H. (*H'ton*)  
Winnick, David  
Woodall, Alec  
Woolmer, Kenneth  
Wrigglesworth, Ian  
Wright, Sheila  
Young, David (*Bolton E*)

## Tellers for the Ayes:

Mr. James Hamilton and  
Mr. Lawrence Cunliffe.

## NOES

Adley, Robert  
Aitken, Jonathan  
Alexander, Richard  
Alison, Rt Hon Michael  
Amery, Rt Hon Julian  
Ancram, Michael  
Arnold, Tom  
Aspinwall, Jack  
Atkins, Rt Hon H. (*S'thorne*)  
Atkins, Robert (*Preston N*)  
Atkinson, David (*B'm'th, E*)  
Baker, Kenneth (*St. M'bone*)  
Baker, Nicholas (*N Dorset*)  
Banks, Robert  
Beaumont-Dark, Anthony  
Bennett, Sir Frederic (*T'bay*)  
Benyon, Thomas (*A'don*)  
Benyon, W. (*Buckingham*)  
Best, Keith  
Bevan, David Gilroy  
Biffen, Rt Hon John  
Biggs-Davison, Sir John  
Blackburn, John  
Blaker, Peter  
Body, Richard  
Bonsor, Sir Nicholas  
Boscawen, Hon Robert  
Bottomley, Peter (*W'wich W*)  
Boyson, Dr Rhodes  
Braine, Sir Bernard  
Bright, Graham  
Brinton, Tim  
Brittan, Rt. Hon. Leon  
Brooke, Hon Peter  
Brotherton, Michael  
Brown, Michael (*Brigg & Sc'n*)  
Bruce-Gardyne, John  
Bryan, Sir Paul  
Buchanan-Smith, Rt. Hon. A.  
Buck, Antony  
Budgen, Nick  
Bulmer, Esmond  
Burden, Sir Frederick  
Butcher, John  
Butler, Hon Adam  
Cadbury, Jocelyn  
Carlisle, John (*Luton West*)  
Carlisle, Kenneth (*Lincoln*)  
Carlisle, Rt Hon M. (*R'c'n*)  
Chalker, Mrs. Lynda  
Channon, Rt. Hon. Paul  
Chapman, Sydney  
Churchill, W. S.

Clark, Hon A. (*Plym'th, S'n*)  
Clark, Sir W. (*Croydon S*)  
Clarke, Kenneth (*Rushcliffe*)  
Clegg, Sir Walter  
Cockeram, Eric  
Cope, John  
Cormack, Patrick  
Corrie, John  
Costain, Sir Albert  
Cranborne, Viscount  
Critchley, Julian  
Crouch, David  
Dean, Paul (*North Somerset*)  
Dorrell, Stephen  
Douglas-Hamilton, Lord J.  
Dover, Denshore  
du Cann, Rt Hon Edward  
Dunn, Robert (*Dartford*)  
Durant, Tony  
Eden, Rt Hon Sir John  
Edwards, Rt Hon N. (*P'broke*)  
Eggar, Tim  
Elliott, Sir William  
Emery, Sir Peter  
Eyre, Reginald  
Fairbairn, Nicholas  
Fairgrieve, Sir Russell  
Faith, Mrs Sheila  
Farr, John  
Fell, Sir Anthony  
Fenner, Mrs Peggy  
Finsberg, Geoffrey  
Fisher, Sir Nigel  
Fletcher, A. (*Ed'nb'gh N*)  
Fletcher-Cooke, Sir Charles  
Fookes, Miss Janet  
Forman, Nigel  
Fowler, Rt Hon Norman  
Fox, Marcus  
Fraser, Rt Hon Sir Hugh  
Fraser, Peter (*South Angus*)  
Fry, Peter  
Gardiner, George (*Reigate*)  
Gardner, Edward (*S Fyde*)  
Garel-Jones, Tristan  
Gilmour, Rt Hon Sir Ian  
Glyn, Dr Alan  
Goodhart, Sir Philip  
Goodhew, Sir Victor  
Goodlad, Alastair  
Gow, Ian  
Grant, Anthony (*Harrow C*)  
Greenway, Harry

Griffiths, Peter (*Portsm'th N*)  
Grist, Ian  
Grylls, Michael  
Gummer, John Selwyn  
Hamilton, Hon A.  
Hamilton, Michael (*Salisbury*)  
Hampson, Dr Keith  
Hannam, John  
Haselhurst, Alan  
Hastings, Stephen  
Havers, Rt Hon Sir Michael  
Hawksley, Warren  
Hayhoe, Barney  
Heddle, John  
Henderson, Barry  
Heseltine, Rt Hon Michael  
Hicks, Robert  
Higgins, Rt Hon Terence L.  
Hill, James  
Hogg, Hon Douglas (*Gr'th'm*)  
Hooson, Tom  
Hordern, Peter  
Howe, Rt Hon Sir Geoffrey  
Howell, Rt Hon D. (*G'ldf'd*)  
Howell, Ralph (*NNorfolk*)  
Hunt, David (*Wirral*)  
Hunt, John (*Ravensbourne*)  
Hurd, Rt Hon Douglas  
Irving, Charles (*Cheltenham*)  
Jenkin, Rt Hon Patrick  
Jessel, Toby  
Johnson-Smith, Geoffrey  
Jopling, Rt Hon Michael  
Joseph, Rt Hon Sir Keith  
Kaberry, Sir Donald  
Kellell-Bowman, Mrs Elaine  
Kimball, Sir Marcus  
King, Rt Hon Tom  
Kington, Sir Timothy  
Knight, Mrs Jill  
Knox, David  
Lang, Ian  
Langford-Holt, Sir John  
Lawrence, Ivan  
Lawson, Rt Hon Nigel  
Lee, John  
LeMarchant, Spencer  
Lennox-Boyd, Hon Mark  
Lloyd, Ian (*Havant & W'loo*)  
Lloyd, Peter (*Fareham*)  
Loveridge, John  
Luce, Richard  
Lyll, Nicholas  
McCrindle, Robert  
Macfarlane, Neil  
MacGregor, John  
MacKay, John (*Argyll*)  
Macmillan, Rt Hon M.  
McNair-Wilson, M. (*N'bury*)  
McNair-Wilson, P. (*New F'st*)  
Madel, David  
Major, John  
Marlow, Antony  
Marshall, Michael (*Arundel*)  
Marten, Rt Hon Neil  
Mates, Michael  
Maude, Rt Hon Sir Angus  
Mawby, Ray  
Mawhinney, Dr Brian  
Maxwell-Hyslop, Robin  
Mayhew, Patrick  
Mellor, David  
Meyer, Sir Anthony  
Miller, Hal (*B'grove*)  
Mills, Iain (*Meriden*)  
Miscampbell, Norman  
Mitchell, David (*Basingstoke*)  
Moate, Roger  
Monro, Sir Hector  
Montgomery, Fergus

Moore, John  
Morris, M. (*N'hampton S*)  
Morrison, Hon C. (*Devises*)  
Morrison, Hon P. (*Chester*)  
Mudd, David  
Murphy, Christopher  
Myles, David  
Neale, Gerrard  
Needham, Richard  
Nelson, Anthony  
Neubert, Michael  
Newton, Tony  
Normanton, Tom  
Nott, Rt Hon John  
Onslow, Cranley  
Oppenheim, Rt Hon Mrs S.  
Osborn, John  
Page, John (*Harrow, West*)  
Page, Richard (*SW Herts*)  
Parkinson, Rt Hon Cecil  
Parris, Matthew  
Patten, Christopher (*Bath*)  
Patten, John (*Oxford*)  
Pattie, Geoffrey  
Pawsey, James  
Percival, Sir Ian  
Peyton, Rt Hon John  
Pollock, Alexander  
Porter, Barry  
Prentice, Rt Hon Reg  
Price, Sir David (*Eastleigh*)  
Proctor, K. Harvey  
Pym, Rt Hon Francis  
Raison, Rt Hon Timothy  
Rathbone, Tim  
Rees, Peter (*Dover and Deal*)  
Rees-Davies, W. R.  
Renton, Tim  
Rhodes James, Robert  
Rhys Williams, Sir Brandon  
Ridley, Hon Nicholas  
Ridsdale, Sir Julian  
Rifkind, Malcolm  
Roberts, M. (*Cardiff NW*)  
Roberts, Wyn (*Conway*)  
Rossi, Hugh  
Rost, Peter  
Royle, Sir Anthony  
Sainsbury, Hon Timothy  
St. John-Stevas, Rt Hon N.  
Scott, Nicholas  
Shaw, Giles (*Pudsey*)  
Shaw, Michael (*Scarborough*)  
Shelton, William (*Streatham*)  
Shepherd, Colin (*Hereford*)  
Shepherd, Richard  
Shersby, Michael  
Silvester, Fred  
Sims, Roger  
Skeet, T. H. H.  
Smith, Dudley  
Speed, Keith  
Speller, Tony  
Spence, John  
Spicer, Jim (*West Dorset*)  
Spicer, Michael (*S Worcs*)  
Sproat, Iain  
Squire, Robin  
Stanbrook, Ivor  
Stanley, John  
Steen, Anthony  
Stevens, Martin  
Stewart, A. (*ERenfrewshire*)  
Stewart, Ian (*Hitchin*)  
Stokes, John  
Stradling Thomas, J.  
Tapsell, Peter  
Taylor, Teddy (*S'end E*)  
Tebbit, Rt Hon Norman  
Temple-Morris, Peter



Thomas, Rt Hon Peter  
 Thompson, Donald  
 Thorne, Neil (*Ilford South*)  
 Thornton, Malcolm  
 Townend, John (*Bridlington*)  
 Townsend, Cyril D. (*B'heath*)  
 Trippier, David  
 Trotter, Neville  
 van Straubenzee, Sir W.  
 Vaughan, Dr Gerard  
 Viggers, Peter  
 Waddington, David  
 Wakeham, John  
 Waldegrave, Hon William  
 Walker, Rt Hon P. (*W'cester*)  
 Walker, B. (*Perth*)  
 Walker-Smith, Rt Hon Sir D.  
 Wall, Sir Patrick  
 Waller, Gary

Walters, Dennis  
 Ward, John  
 Warren, Kenneth  
 Watson, John  
 Wells, John (*Maidstone*)  
 Wheeler, John  
 Whitelaw, Rt Hon William  
 Whitney, Raymond  
 Wickenden, Keith  
 Wiggin, Jerry  
 Wilkinson, John  
 Williams, D. (*Montgomery*)  
 Wolfson, Mark  
 Young, Sir George (*Acton*)  
 Younger, Rt Hon George

Tellers for the Noes:  
 Mr. Anthony Berry and  
 Mr. Carol Mather.

*Question accordingly negatived.*

*Question, That the proposed words be there added, put forthwith pursuant to Standing Order No. 32 (Questions on amendments), and agreed to.*

**Mr. Speaker** forthwith declared the main Question as amended, to be agreed to.

*Resolved,*

'That this House having endorsed on 29th January 1980 the Government's decision to tackle, over a three-year period, the serious under-pricing of domestic gas at industry's expense, recognises the need to complete that process this year; welcomes the relief which has been possible in consequence through lower real industrial gas prices; and supports the Government in making available more resources than ever before helping the needy with their fuel bills.'

## Central America

7.15 pm

**Mr. Denis Healey** (Leeds, East): I beg to move,

That this House expresses its concern about the deteriorating situation in Central America, deplores the decision of Her Majesty's Government, contrary to the views of Canada and the countries of Western Europe, to send observers to the elections to be held in El Salvador on 28th March, and calls on Her Majesty's Government to support the proposal of the Government of Mexico for a negotiated settlement of the civil war in El Salvador.

We do not often debate the affairs of the Caribbean basin these days, but it is worth recalling that 20 years ago, the Cuban missile crisis brought the world to the brink of nuclear war. What is happening now in Central America may present less urgent dangers, but in some circumstances it could prove almost as disturbing in its long term consequences.

The House knows that Central America suffers from grinding poverty as a result of centuries of colonial exploitation and misgovernment by a parasitic ruling class which handed the economy over to foreign companies which condemned the area to dependence on a few crops, whose price was highly vulnerable to events in the outside world. Last week, President Reagan pointed out that to buy the same barrel of oil, they have to sell five times more coffee today than they did five years ago.

In recent years, besides these long-standing economic problems and partly as a result of them, there has been a tidal wave of revolutionary feeling against the military dictatorships which rule most of the countries in the area. The revolution was successful in Cuba and Nicaragua, but so far it has been suppressed with appalling brutality in Guatemala and El Salvador. A country such as Costa Rica, which has just had a peaceful transfer of power in a free election, is, I fear, an exception to the rule.

I do not need to describe the appalling atrocities which have taken place in these countries in recent years. We have sipped full of horrors on British television. In addition to the official forces of Government, death squads operate on a large scale in Guatemala and El Salvador. I am sorry to say that the exiled supporters of the ex-dictators are allowed to train their private armies publicly on American soil in Florida and Texas.

In El Salvador, over 30,000 people have died in the past two years as a result of the fighting—that is, about 400,000 for a country the size of Britain. Many of them were tortured and mutilated before being shot or hacked to death by the death squads. The Catholic Archbishop of El Salvador was shot while celebrating mass in March 1980, and those who went to a service in his honour were mown down by rifle fire in front of the cathedral.

The Reagan Administration recognises that there is an economic factor behind these appalling events although the programme that the President announced last week does little more than make good cuts in lending by the Inter-American Bank and the World Bank which are due to a reduction in America's contribution to them. Moreover, many of the proposals that the President made last week depend on Congressional decisions, which cannot be taken for granted. The President appears to see the political revolution in the area simply as the product of a conspiracy by the Soviet Union and Cuba, and forgets that the revolution in El Salvador is at least 50 years old.

Both the President and Secretary Haig see the possible victory of the guerrillas as a threat to their vital strategic