STATUTORY INSTRUMENTS

1974 No. 785

COUNTER-INFLATION

The Counter-Inflation (Price and Pay Code) (Amendment) (No. 2) Order 1974

Made - - -	*2nd May* 1974
Laid before Parliament	*2nd May* 1974
Coming into Operation	*6th May* 1974

The Treasury, in exercise of the powers conferred on them by section 2 of the Counter-Inflation Act 1973(a) and of all other powers enabling them in that behalf, and having consulted the Price Commission and the Pay Board and representatives of consumers, persons experienced in the supply of goods or services, employers and employees and other persons in accordance with subsection (4) of the said section 2, hereby make the following Order:—

1.—(1) This Order may be cited as the Counter-Inflation (Price and Pay Code) (Amendment) (No. 2) Order 1974 and shall come into operation on 6th May 1974.

(2) The Interpretation Act 1889(b) shall apply for the interpretation of this Order as it applies for the interpretation of an Act of Parliament.

2. The Schedule to the Counter-Inflation (Price and Pay Code) (No. 2) Order 1973(c), as amended by the Counter-Inflation (Price and Pay Code) (Amendment) Order 1974(d), shall have effect subject to the amendments specified in the Schedule to this Order.

JAMES HAMILTON
DONALD R. COLEMAN
Two of the Lords Commissioners of Her Majesty's Treasury.

2nd May 1974.

(a) 1973 c. 9.
(b) 1889 c. 63.
(c) S.I. 1973/1785 (1973 III, p. 5445).
(d) S.I. 1974/661 (1974 I, p. 2632).

SCHEDULE

(Article 2)

1. Insert, next after paragraph 26A, the following paragraphs—

"*Frequency of price increases*

26B. A price to which the provisions on allowable cost increases apply may not be increased within 3 months of its last increase, or of the date on which the price of any related product was increased under paragraph 42 or 43, unless:

(i) the price increase permitted by the Code is at least 10 per cent; or

(ii) the costs of raw materials, fuel and power in the product account for at least 75 per cent of total costs at the time of the price increase; or

(iii) the price increase permitted by the Code is at least 5 per cent and the costs of raw materials, fuel and power account for at least 50 per cent of total costs at the time of the price increase; or

(iv) the price increase is permitted under paragraph 34 (profit margin safeguard), the second sentence of paragraph 53 (special offers), paragraphs 56, 68 or 69 (losses and low profits) or paragraphs 70 or 71 (investment) apply.

26C. In applying paragraph 26B price increases under paragraph 26A attributable solely to increases in indirect taxes should be disregarded.".

2. Insert, next after paragraph 49, the following paragraph—

"49A. Price increases under an escalation or variation of price clause should be taken into account in applying paragraph 26B only if they are pre-notifiable to the Commission under an order under section 5 of the Counter-Inflation Act 1973.".

3. Delete paragraph 74 and substitute therefor the following paragraph—

"74. (i) In the determination of prices for sales within the United Kingdom, wholesalers, retailers and other enterprises engaged in distribution should ensure that their gross percentage margins do not exceed the proportion specified in sub-paragraph (ii) of the level of the gross percentage margin in either

(*a*) the last complete account year of the enterprise ending on or before 30 April 1973; or

(*b*) a 12-month period ending between 30 October 1972 and 30 April 1973 for which separate accounts are or can be made available

less in either case an appropriate reduction for the abolition of SET. Where an enterprise has not traded long enough to establish a gross percentage margin under (*a*) or (*b*), the margin for a complete quarter's trading before 30 April 1973 will apply.

(ii) The proportion of the gross percentage margin referred to in sub-paragraph (i) will be

(*a*) 100 per cent for any period before 6 May 1974;

(*b*) 90 per cent for any period on or after 6 May 1974.

(iii) A figure of 100 per cent and not 90 per cent will however apply from 6 May 1974 to

(*a*) distributors engaged mainly in retailing with total annual sales of less than £250,000;

(*b*) other distributors with total annual sales of less than £500,000;

(*c*) all sales of goods exempted from restrictions on resale price maintenance by an order under section 5 of the Resale Prices Act 1964.".

4. Insert, next after paragraph 74A, the following paragraph:—

"*Safeguard for net profit margins*

74B. Where the application of the figure of 90 per cent in paragraph 74 (ii) (*b*) would reduce the net profit margin of the enterprise as defined in paragraphs 60 and 61 to a level more than one-quarter below the reference level, the figure may be increased (though not above 100 per cent) to the extent necessary to limit that reduction to one-quarter.".

5. Insert, next after paragraph 77, the following paragraph—

"*Repricing*

77A. (i) Retailers should not increase the prices of goods that are or have been displayed for sale by reference to increases in replacement costs, even if such price increases would otherwise be permitted by the Code.

(ii) This paragraph does not apply:

(*a*) to goods on which the average rate of annual stockturn is less than 10; or

(*b*) to price increases directly resulting from the withdrawal of special offers; or

(*c*) to goods exempted from restrictions on resale price maintenance by an order under section 5 of the Resale Prices Act 1964; or

(*d*) where the Commission are satisfied, after consulting representative bodies, that the effect on prices of applying the paragraph would be contrary to consumers' interests.".

6. Delete paragraph 80 and substitute therefor the following paragraph:—

"*Variation of gross percentage margins*

80. (i) Where in the judgment of the Commission the conditions in sub-paragraph (iii) are met, they shall:

(*a*) consult any body or person whom they regard as representative of enterprises affected and take into account all relevant information supplied by them;

(*b*) consider whether the proportion of the gross percentage margin specified in paragraph 74 (ii) (*b*) should be varied accordingly whether by way of reduction or increase;

(*c*) after consultation with the bodies or persons referred to in sub-paragraph (*a*) inform them of any variation in gross percentage margins which they consider appropriate in the light of the conditions in sub-paragraph (iii) and notify this to any enterprise.

(ii) Where a variation in gross percentage margins is notified under this paragraph, paragraph 74 (ii) (*b*) shall be modified accordingly in its application to that enterprise.

(iii) The conditions referred to in sub-paragraph (i) are that as a result of changes in value of turnover or operating costs for any enterprise or group of enterprises, the gross percentage margin control in paragraph 74 affects net profit margins in a way that is substantially different from the general position in distribution, or which leads to wide-spread application of the safeguard in paragraph 74B.".

EXPLANATORY NOTE

(*This Note is not part of the Order.*)

This Order further amends the Counter-Inflation (Price and Pay Code) (No. 2) Order 1973 by inserting in the Schedule to that Order new provisions relating to prices and charges.

SI 1974/785
ISBN 0-11-040785-7

