STATUTORY INSTRUMENTS

1966 No. 1021

PRICES AND INCOMES

The Prices and Incomes (General Considerations) Order 1966

Made - - -	12*th August* 1966
Laid before Parliament	12*th August* 1966
Coming into Operation	12*th August* 1966

The Secretary of State, in exercise of the powers conferred on him by section 4 of the Prices and Incomes Act 1966(a), hereby makes the following Order:—

1. This Order, which may be cited as the Prices and Incomes (General Considerations) Order 1966, shall come into operation on 12th August 1966.

2. The considerations set out in the Schedule to this Order (which reproduces a memorandum entitled "Prices and Incomes Standstill" (b) which was presented to Parliament by the Secretary of State by Command of Her Majesty in July 1966) shall be substituted for the considerations set out in Schedule 2 to the Prices and Incomes Act 1966.

Given under the Hand of the First Secretary of State and Secretary of State for Economic Affairs on 12th August 1966.

Michael Stewart,

First Secretary of State and Secretary of State for Economic Affairs.

(a) 1966 c. 33. (b) Cmnd. 3073

SCHEDULE

PRICES AND INCOMES STANDSTILL

I. Introduction

In a statement in the House of Commons on 20th July 1966, the Prime Minister drew attention to the fact that money incomes have been increasing at a rate far faster than could be justified by increasing production, and called for a standstill on prices and incomes. Details of the way in which it is proposed that the standstill should be applied are set out in the paragraphs below.

2. The country needs a breathing space of twelve months in which productivity can catch up with the excessive increases in incomes which have been taking place. The broad intention is to secure in the first six months (which can be regarded, for convenience, as the period to the end of December 1966) a standstill in which increases in prices or in incomes will so far as possible be avoided altogether. The first half of 1967 will be regarded as a period of severe restraint in which some increases may be justified where there are particularly compelling reasons for them, but exceptional restraint will be needed by all who are concerned with determining prices and incomes.

II. Prices

3. The introduction of a general standstill on prices and charges until the end of 1966, to be followed by a six-month period of severe restraint, is intended to apply to prices of all goods and services, whether provided by private or public enterprise. All enterprises will be expected to make every effort to absorb increases in costs, whatever the circumstances in which these arise.

4. This standstill period will apply except to the limited extent that increases in prices or charges may be necessary because of marked increases which cannot be absorbed, in costs of imported materials, or which arise from changes in supply for seasonal or other reasons, or which are due to action by the Government such as increased taxation.

5. In some instances an enterprise may feel compelled to propose an increase in price where it finds it impracticable to absorb increased costs over which it cannot exercise full control (e.g. manufacturers whose products include a high proportion of bought-in components). Any such cases will be subject to the most rigorous scrutiny in the light of national economic needs, including the requirements of export trade.

6. The criteria for price increases appropriate throughout the whole period are thus much more stringent than those set out in the White Paper on Prices and Incomes Policy (Cmnd. 2639, Part I, paragraph 9). The criteria for price reductions set out in that White Paper (ibid. paragraph 10) will still apply.

Type of Price Covered

7. Although the paragraphs above relate primarily to manufacturers' prices for the home market, wholesalers and retailers have a duty no less to do everything possible, e.g. by not increasing cash margins, to avoid any increases in prices.

"Early Warning" Arrangements for the Periods of Standstill and Severe Restraint

8. The "early warning" arrangements at present in force* are to continue. But the Government consider it essential that they should be extended to cover a wider field of items, and they will be consulting the Confederation of British Industry and other interested organisations about this.

9. In the meantime, however, the standstill applies equally to goods and services within and outside the present "early warning" system. Any manufacturing enterprise, other than those to which the exceptions in paragraph 10 below apply, which considers that it is justified in proposing a price increase on the grounds set out in paragraphs 4 and 5 above should notify the appropriate Government Department. It will be expected to make no increase in price without receiving written confirmation from the Government that no further standstill on the increase is required.

10. Prior notification is not required—

(*a*) in respect of increases in prices of the food items listed in Part B of the Appendix to Cmnd. 2808, which will continue to be kept under constant watch by the Ministry of Agriculture, Fisheries and Food in accordance with the terms of paragraph 5 of Cmnd. 2808;

(*b*) from enterprises which are not included in the "early warning" arrangements and which employ fewer than 100 workers.

Rents

11. The level of rents charged by landlords for virtually the whole of the private housing sector is already determined within the statutory framework of the Rent Acts, but the Government will keep under the closest scrutiny the movement of rents of private housing.

12. Local authority rents are already on a non-profit making and subsidised basis. If increased costs are not met from rents they must be recouped from rates, which are also a charge on tenants, local authority tenants paying the two—rent and rates—in a single payment. In the period of the prices standstill until the end of 1966 the Government expect local authorities to take such practical steps as are possible to prevent or postpone rent increases, including those already announced. Where, in consultation with the Minister of Housing and Local Government or the Secretary of State for Scotland, increases are deemed to be unavoidable, the Government hope that local authorities will make provision for the protection of tenants of limited means through rent rebate schemes. Similar considerations apply to rents of houses provided by other public authorities, e.g. New Towns.

Rents of Business Premises and of Land

13. In calling for a standstill on the prices of goods and services, the Government recognise that increases in the rents of business premises and of land have an effect on prices of goods and services. The principles of the standstill are expected to apply to all such rents no less than to the prices of goods and services, and landlords should take them fully into account.

Rates

14. Local rates are a form of taxation, although they also enter into the cost of living, and are necessary to finance the whole range of services to the residents

* White Paper on Prices and Incomes Policy: An "Early Warning" System (Cmnd. 2808).

of the area provided by the local authority. Local authorities have been urged to ensure all proper economies in expenditure.

III. Incomes

15. As explained in paragraph 2, it is the Government's intention that there should be a standstill on all forms of incomes up to the end of 1966, followed by a six-month period of severe restraint.

Employment incomes

16. The standstill to the end of 1966 is intended to apply to increases in pay and to reductions in working hours. It is not proposed that it should be regarded as applying to other conditions of service, except in so far as these are likely to add significantly to labour costs.

17. The term "increases in pay" includes, in addition to basic pay, rates of allowances which are in the nature of pay, rates of pay for overtime and week-end working, piece rates, etc.

18. It is not intended that the standstill should be regarded as applying to—

(i) increases in payments made in specific compensation for expenditure incurred, e.g. travel and subsistence allowances;

(ii) increases in pay resulting directly from increased output, e.g. piece-work earnings, commissions on sales, any necessary increases in overtime worked, profit-sharing schemes, etc.;

(iii) increases in pay genuinely resulting from promotion to work at a higher level, whether with the same or a different employer. (On the other hand, the intention of the standstill would be defeated if employers were to regrade posts as a concealed method of increasing rates of pay);

(iv) it is not intended that the standstill should interfere with the normal arrangements for increasing pay either with age, as with apprentices or juveniles, or by means of regular increments of specified amounts within a predetermined range or scale. Such arrangements are equivalent to promotion according to age or experience. They can thus be distinguished from a commitment to increase pay for a group of employees as a whole, which is affected by the standstill.

Existing commitments

19. At the time of the Prime Minister's statement, at least six million workers —over one worker in four—were expecting an increase in pay or a reduction in hours (or both) during the next twelve months as the result of a long-term agreement or other type of settlement made at some time in the past. It would clearly have been inequitable to introduce a standstill on incomes while allowing these existing commitments to go ahead unchecked. Apart from the unfairness to other workers for whom no such future commitment at presents exists, it would in practice have been bound to jeopardise the effectiveness of the standstill from the outset.

20. Although the Government are deeply conscious of the need to restrict to the minimum compatible with the wider economic interests of the country any interference with obligations freely entered into by employers and workers or their representatives, they think it right in the present difficult circumstances to call upon all concerned to accept some deferment. Commitments entered

into on or before 20th July 1966 but not yet implemented take a number of different forms:—

(*a*) agreements to increase pay or shorten hours, whether from an operative date before, on or after 20th July 1966;

(*b*) pay increases which may be due under cost-of-living sliding scale arrangements between 20th July 1966 and 30th June 1967;

(*c*) commitments to review pay or hours from a date already agreed on or before 20th July 1966, or standing commitments for periodic review;

(*d*) Wages Council proposals made on or before 20th July 1966 but not yet submitted to the Minister of Labour, or submitted to the Minister but not yet embodied in a statutory order.

21. In all these cases the operative date should be deferred by six months from the original operative date. In those cases in which the original operative date was before 20th July 1966, deferment should be to an operative date six months later, but payment of the increase should not be made before the end of 1966.

22. An existing commitment may be defined as any agreement to increase pay or shorten hours, or any offer to do so, which has been firmly accepted by or on behalf of the workers concerned on or before 20th July 1966.

23. It would clearly defeat the intention of the standstill if the parties concerned were to seek to make good in subsequent negotiations any increases foregone as a result of the standstill. Similarly the deferment of existing commitments necessarily involves the deferment of retrospective dates where these apply.

New Agreements

24. It is not the intention that negotiations should be barred during the standstill period to the end of 1966. But no new agreements entered into after 20th July 1966 should take effect before 1st January 1967 at the earliest, and they should not take effect in the following six months unless they can be justified as falling within the revised criteria referred to in paragraph 25 below.

25. During the six-month period of severe restraint (i.e. the first six months of 1967) the criteria for consideration of new proposals for improvements in pay and hours will be much more stringent than those set out in Part I of the White Paper on Prices and Incomes Policy (Cmnd. 2639), and for the time being the incomes norm must be regarded as zero. The guiding principle must be that of national economic and social priorities. It follows that even in cases which satisfy these more stringent criteria, only limited improvements are likely to be justified during the period of severe restraint. The Government will be consulting the Confederation of British Industry, the Trades Union Congress and other interested parties on the form which these new and stringent criteria should take in order to secure the restraint which the national interest demands.

26. In order that those groups which have an expectation of improvement under commitments already existing should not be treated more severely than those which have not, it will be open to the parties to existing commitments to renegotiate, subject to the standstill, their agreements to take effect during the following six-month period of severe restraint in accordance with the new criteria.

Arbitration

27. Arbitration awards, like settlements negotiated voluntarily, will be subject to the requirements of the periods of standstill and severe restraint.

Other forms of employment income

28. Many individual salaries and other forms of remuneration, including that of company directors and executives, are fixed outside the normal process of collective bargaining; but it is intended that the same principles of standstill and restraint should apply to these as to other forms of income. It is intended to incorporate in a Companies Bill for introduction in the current session of Parliament the statutory requirements relating to disclosure by companies of emoluments of directors and senior executives to which the Prime Minister referred in his statement on 20th July.

29. The scales of charges and fees for self-employed persons, including all forms of professional fees, are expected to be under similar restraint for the twelve months. The Government will have power under the Prices and Incomes Bill to impose a standstill on charges made for professional services.

Other money incomes

30. The Government have already pledged themselves to use their fiscal powers or other means to prevent any excessive growth in aggregate profits.

31. As a result of the Government's fiscal measures, it is not expected that there will be any general increase in dividends during the next twelve months. Nevertheless all company distributions, including dividends paid by companies, are subject to the standstill and should not be increased during the twelve-month period, with the exception of distributions made to meet the requirements of the special tax rates for closely-controlled companies. If there are any cases which, in a company's view, make exemption from the standstill imperative, the company will be expected to inform the Government of the circumstances, in order that the justification may be examined. In important cases the Government will refer the matter to the National Board for Prices and Incomes for examination.

IV. Public Sector

Prices, Charges and Fees of Government Departments

32. The Government intend to apply the principles of the standstill to all prices, charges and fees of Government Departments.

Pay in the public sector

33. Employers and workers in the public services and publicly-owned undertakings will be regarded as under the same obligations to act in accordance with these principles as the rest of the community.

Nationalised Industries

34. The nationalised industries will be subject to the same restraints as the private sector in relation to prices and incomes. They will be subject also to the general provisions of the Prices and Incomes Bill. The Chairmen of the nationalised industries have assured the Government of their full support in implementing the standstill. The Air Transport Licensing Board, which has before it applications from a number of airlines for increases in fares on domestic

air routes, has assured the Government that it will take the Prime Minister's statement of 20th July into account before reaching decisions.

Statutory Price-Fixing Bodies

35. Statutorily established price-fixing bodies, such as the Transport Tribunal or the Traffic Commissioners, are expected to have regard to the principles of the standstill.

V. National Board for Prices and Incomes

36. The Government, the Confederation of British Industry and the Trades Union Congress attach great importance to the continuation of the work of the National Board for Prices and Incomes, both in the longer term and in the special circumstances of the standstill.

37. The fullest use will be made of the Board during the twelve months by referring to it proposals for prices and incomes increases for examination and report. The Board's enquiries will be carried out as rapidly as possible and its organisation will be adapted and strengthened as necessary for this purpose. The parties concerned should defer any increases until the Board has reported and act in the light of the Board's recommendations.

38. The Board will continue during the twelve months to examine references made to it from time to time by the Government on matters of longer term significance in the field of productivity, prices and incomes. This will be of particular importance in preparing for the period following the standstill and period of severe restraint, when it will be essential to ensure that the growth of incomes is resumed in a manner consistent with the growth of national output.

VI. Proposed Statutory Powers

39. In his statement on 20th July the Prime Minister said—

> "Within the main field of collective bargaining we shall rely in the first instance on voluntary action. Nevertheless, in order to ensure that the selfish do not benefit at the expense of those who co-operate, it is our intention to strengthen the provisions of the Prices and Incomes Bill . . . Meanwhile the Government will not hesitate to act within the powers they enjoy, or may further seek, to deal with any actions involving increases outside and beyond this policy."

40. For this purpose the Government propose to move the addition to the Bill of a new Part containing purely temporary provisions which would be brought into operation by an Order in Council subject to confirmation by both Houses of Parliament within 28 days. Unless previously revoked by Order in Council these powers will lapse automatically 12 months after the Bill receives Royal Assent and cannot be renewed.

41. This new Part will give the Government power to make orders (subject to negative resolution by either House of Parliament) directing that specified prices or charges, or specified rates of remuneration, shall not be increased from the date of the order without Ministerial consent. A temporary standstill could therefore be imposed where necessary on both prices and charges and on levels of remuneration (allowing for the effect of changes in normal working hours).

42. It will also give power to reverse where necessary unjustified price or pay increases implemented since 20th July 1966. The appropriate Minister could direct that any specified price or charge should be reduced to a level not lower than that prevailing on or before that date. Any such price or charge could not subsequently be raised without Ministerial consent. Before making such a direction, the Minister must give 14 days' advance notice to the person affected by the direction, and must consider any representations made within that time. The direction could not be retrospective. In the case of pay, an order (subject to negative resolution by either House of Parliament) could provide that remuneration of a kind described in the order should be no higher than that paid by the employer for the same kind of work before 20th July 1966, without permission. 14 days' advance notice of the order must be given, and account must be taken of any representations by those concerned.

43. This Part of the Bill will also empower the Ministers concerned to defer the effective dates of wages regulation orders made under the Wages Councils Act and the Agricultural Wages Acts. It will also protect from any legal proceedings employers who, in response to the Government's request for a standstill, voluntarily withhold pay increases to which an employee may be entitled under his contract of employment.

44. As explained above, these powers are temporary. The Prime Minister made it clear in his statement that it was not proposed to introduce elaborate statutory controls over prices and incomes and that the policy must continue to rely on voluntary co-operation. Even though these new powers will be used very selectively, they need to be potentially wide-ranging if they are effectively to deter the selfish minority who are not prepared to co-operate and, no less important, to reassure those who are observing the policy laid down above that they will not be penalised for doing so.

EXPLANATORY NOTE

(This Note is not part of the Order.)

This Order substitutes for the considerations set out in Schedule 2 to the Prices and Incomes Act 1966 those set out in the memorandum entitled "Prices and Incomes Standstill" (Cmnd. 3073) which was presented to Parliament by the Secretary of State by Command of Her Majesty in July 1966 as the considerations to which the National Board for Prices and Incomes is required to have regard in examining questions relating to prices, incomes and other matters referred to them under section 2 of the Act and in complying with instructions to keep such questions under continuous review under section 3. This Order comes into operation on 12th August 1966.