
STATUTORY INSTRUMENTS

1975 No. 1293

COUNTER-INFLATION

**The Counter-Inflation (Price Code) (Amendment) (No. 2)
Order 1975***Made - - - 4th August 1975**Laid before Parliament 5th August 1975**Coming into Operation 8th August 1975*

The Secretary of State in exercise of the powers conferred by section 2 of the Counter-Inflation Act 1973(a) as amended(b), and by section 3 of the Remuneration, Charges and Grants Act 1975(c) and of all other powers enabling her in that behalf, and having consulted the Price Commission 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 makes the following Order:—

1.—(1) This Order may be cited as the Counter-Inflation (Price Code) (Amendment) (No. 2) Order 1975 and shall come into operation on 8th August 1975.

(2) The Interpretation Act 1889(d) shall apply for the interpretation of the Order as it applies for the interpretation of an Act of Parliament,

2. The Schedule to the Counter-Inflation (Price Code) Order 1974(e) as amended(f) shall have effect subject to the amendments specified in the Schedule to this Order.

Shirley Williams,
Secretary of State
for Prices and Consumer Protection.

4th August 1975.

(a) 1973 c. 9.

(b) See S.I. 1974/1218 (1974 II, p. 4631).

(c) 1975 c. 57.

(d) 1889 c. 63.

(e) S.I. 1974/2113 (1974 III, p. 8253).

(f) S.I. 1974/2158, 1975/864 (1974 III, p. 8441; 1975 II, p. 3072).

SCHEDULE

(Article 2)

Amendments to the Schedule to the Counter-Inflation (Price Code) Order 1974

1. In paragraph 123 (professional and other services), the words from “except” to the end of the paragraph shall be omitted.

2. After paragraph 130 there shall be inserted the following paragraphs—

“Sanction against payment of remuneration in excess of pay limits

131. For the purpose of providing a sanction against the payment of remuneration in excess of the limits mentioned in section 1 of the Remuneration, Charges and Grants Act 1975, the foregoing provisions of the Code shall have effect subject to paragraphs 132 to 136.

Disallowance of excessive remuneration

132.—(1) An enterprise shall not under any provision of the Code reflect in prices any part of an increase in remuneration arising after 11th July 1975 where that increased remuneration is in excess of the limits mentioned in section 1 of the Remuneration, Charges and Grants Act 1975.

(2) Where the share of labour costs expressed as a percentage of total costs is less than 15 per cent, the amount disallowed under sub-paragraph (1) above shall be increased by the proportion which 15 per cent bears to that share.

(3) Before taking steps to ensure that, in the computation of any price charged or proposed to be charged by an enterprise, there shall be excluded any costs represented by an increase in remuneration arising after 11th July 1975 where the increased remuneration is in excess of the limits mentioned in section 1 of the Remuneration, Charges and Grants Act 1975, the Commission shall refer the question whether such increased remuneration exceeds those limits to the Secretary of State for Employment and shall accept his determination as certified to them.

*Provisions supplemental to paragraph 132**Modification of safeguard provisions*

133.—(1) In determining—

- (a) total costs per unit for the purposes of paragraph 37 (safeguard against low profits on products), paragraph 38 (safeguard to limit reduction of profit margins) and paragraph 39 (safeguard against erosion of profit margins on products);
- (b) the net profit margin for the purposes of paragraph 38, paragraph 60 (safeguard against erosion of profit margins on contracts) and paragraph 88 (safeguard for distributors' net profit margins); and
- (c) total costs for the purpose of paragraph 93 (safeguard for distributors making low profits);

no account shall be taken of any increase in remuneration to the extent that it is disallowed under paragraph 132.

(2) Notwithstanding the provisions of paragraph 77, in determining the net profit margin for the purposes of that paragraph and of paragraph 78 (which relate to relief for low profits), no account shall be taken of any increase in remuneration to the extent that it is disallowed under paragraph 132.

Escalation and variation of price clauses and prime cost and cost reimbursement contracts

134.—(1) In calculating an increase in price under an escalation or variation of price clause in accordance with paragraph 56 (which makes special provision for such clauses) and any element in a claim for payment under a prime cost or cost reimbursement arrangement in accordance with paragraph 58 (which makes special provisions for such arrangements), no account shall be taken of any increase in remuneration to the extent that it is disallowed under paragraph 132.

(2) Where any price, or part thereof, falls, under an agreement between the seller and the purchaser, to be varied in accordance with a formula incorporating any index or comparison (however calculated) relating to any remuneration, no account shall be taken of any amount resulting under the formula from any change in the index or comparison to the extent that the index or comparison reflects any increase in remuneration arising after 11th July 1975 where the increased remuneration is in excess of the limits mentioned in section 1 of the Remuneration, Charges and Grants Act 1975.

Recovery of costs previously incurred

135. In calculating a permitted price increase in accordance with paragraph 23 (which relates to recovery of costs previously incurred), no account shall be taken of any increase in remuneration to the extent that it is disallowed under paragraph 132.

Nationalised Industries

136. Paragraph 132 applies to the nationalised industries listed in paragraph 97 as it applies to other enterprises; and accordingly, in determining increases in prices with a view to providing revenue sufficient to ensure the surplus on turnover or the return on net assets referred to in paragraph 98(2)(c), no account shall be taken of any increase in remuneration to the extent that it is disallowed under paragraph 132.”

EXPLANATORY NOTE

(This Note is not part of the Order.)

This Order further amends the Price Code contained in the Schedule to the Counter-Inflation (Price Code) Order 1974 by providing a sanction against the payment of any remuneration in excess of the limits imposed by the policy set out in the White Paper *The Attack on Inflation* (Cmnd 6151). Before enforcing this sanction the Price Commission are to refer to the Secretary of State for Employment the question whether a relevant pay settlement complies with that policy and are to accept his decision.

In addition, by an amendment to paragraph 123 of the Code, the Order restores to control fees and charges of providers of professional and other services whose expenses do not exceed 10 per cent of profits.

SI 1975/1293
ISBN 0-11-051293-6

