

C O R R I G E N D U M

#40

Ministry Paper No. 40 dated 8th October, 1975

captioned Price Control

Page 9 - 11th line

delete "C"

and substitute -

"the All other Commodities".

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MINISTRY PAPER NO: 40PRICE CONTROL

The central problem facing countries all over the world today is the allocation of scarce resources on the basis of priority needs of the population. It is said that the price mechanism performs an important function in balancing supply and demand since prices tend to rise or fall with changes in the supply and demand for goods and services. But the balance may not be struck in the best possible way because of the existence of imperfections such as ignorance, prejudice and monopolistic control. Market prices may, therefore, diverge from those ideal prices which would accurately reflect our needs and the cost of meeting them.

What is certain is that uncontrolled prices ration a limited supply of goods amongst consumers. In this situation goods fall to those who are prepared to pay the highest prices. Since high prices mean less to a rich man than a poor one, those who buy certain goods are not necessarily those for whom the goods have the greatest utility or value. One of the main aims of price control, therefore, is to facilitate a better distribution of goods within the society thus enabling the achievement of better living standards for the greatest possible number of people who look to a Government for social justice.

The necessity for price control becomes even more pressing in an inflationary situation. The first and main feature of inflation is that it is a process of

rising/

rising prices. It is initiated by some change which makes it impossible to satisfy the total demand at existing prices and it is propagated by the reactions of those people who are in a position to take defensive action. Those on fixed incomes and those in weak bargaining positions must suffer a fall in their standard of living in such a situation and social justice, again, demands the intervention of Government.

Having regard to the size of the problem in Jamaica today, the system of price control is in need of some revision and the list of items subject to effective control is in need of extension. The present system is largely governed by two sets of Price Orders. The most effective set is contained in Orders which fix prices of certain goods on a specific basis, i.e. actual maximum prices are quoted at various levels of the distribution chain and these may not be varied except by an Amendment Order signed by the responsible Minister. A list of items covered at the time of the Prime Minister's Statement to Parliament on 28th August, 1975, dealing with the Anti-Inflation measures to be taken, is given in Appendix I.

It will be observed that this list contains only 45 items or groups of items, and it is considered that the range is currently inadequate to give the desired protection to the poorer sections of the community. It is therefore proposed to extend this list to include a further 55 items or groups of items in order to achieve a target of 100 items subject to specific price control. This list will be known as the "A" List and the additional items so far identified are set out in Appendix II. Indeed,

some/

some of these items have already been brought under the Law. These are -

Bread
Flour, baking
Flour, household
Oats
Butter
Coffee
Cocoa Powder in tins
Malted Milk
Milo
Ovaltine
Carbonated Beverages
Detergents, Powder
Detergents, Liquid
Toothpaste
Table Salt

The Minister of Marketing and Commerce will publish another set of Orders this week to encompass the following items:

Cheese, locally processed
Cheese, imported in bulk for retail sale
Tea
Polish, Floor
Polish, Shoe
Beef, Salted
Tyres and Tubes for motor vehicles

Another set of Orders will be published by the end of next week to include the following:

Biscuits, Unsweetened
Infant Foods, Milk based
Margarine (Blue Band, Delite and Chiffon brands)
Television Sets

The remaining items will be added as quickly as possible.

It should be remembered that the prices of the items on the 'A' list cannot be varied except by an Order made by the responsible Minister. The Prices Commission will take account of the "Guidelines" indicated below in its assessment of, deliberations on, and recommendations to the Minister for requested variations in these prices.

The second set of Price Orders referred to earlier relates to items the prices of which are not specifically quoted but governed either by percentage mark-ups or by cash sums to traders and manufacturers determined by certain principles outlined in the Merchandise Control (Miscellaneous Prices) Order, 1972, dated 26th July, 1972, and subsequent amendments, otherwise called the General Price Freeze Order.

Examples of the items governed by percentage mark-ups to traders are motor vehicles and their spare parts, imported tyres for motor vehicles ; certain drugs and certain items of hardware. Other items the prices of which are not covered by these "Percentage Orders" are subject to the General Price Freeze Order mentioned above, except where specifically exempted as in the case of locally-produced agricultural products. It is, however, recognised that this Order has a number of defects. In the first place, it is cumbersome and somewhat difficult to interpret. In the second place, it is far too wide as it seeks to encompass a very large range of goods some of which are no longer on the market. On the other hand, and thirdly, it excludes some current items, the prices of which ought to be under some form of control today. Fourthly, it was designed to

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meet a transitional situation in the early months of the "floating" of the Jamaican Dollar and subsequent devaluation in 1972 and early 1973 and, therefore, it is of little significance today. It is, therefore proposed to rescind these Orders and replace them by more effective ones.

One such replacement Order to be introduced shortly will list a number of items, the prices of which cannot be increased without prior notification to the Prices Commission eight weeks before the operative date of the proposed increases. Such notification must be accompanied by appropriate documents to justify the price increases. However, justification will be measured against the "Guidelines" indicated below. Therefore, importers and manufacturers are specifically requested to observe those points in order not to clog the machinery and create problems which can only lead to inconvenience and hardship on themselves and the public. If at the expiration of the period mentioned above no objection is lodged by the Prices Commission, the proposed increase will become effective on the appropriate date. In the case of an objection, however, the proposed increase cannot be implemented without the prior approval of the Ministry of Marketing and Commerce.

--- The proposed items, the prices of which will receive the treatment of 'prior notification' described above will include the items listed in Appendix III. This list will be known as the 'B' List to which additions will be made as the necessity arises.

Importers and manufacturers of all items on the 'B' list will be required to submit to the Prices Commission within two months of the date of the relevant Order information about the prices of the items in question. These data will be used as a base for examining applications for price changes. Failure to submit the information will expose such importers and manufacturers to the risk that no approval will be given to their applications for, or notifications of, price increases.

GUIDELINES

The procedural arrangements for dealing with items on Lists 'A' and 'B' have been dealt with in the foregoing. It is, however, necessary to state at this point that where items have been listed for treatment under either arrangement, the present prices should not be increased above those existing on the date of this Ministry Paper without going through the respective procedure set out above, that is in respect of items on the 'A' List applications must be sent to the Prices Commission and in respect of items on the 'B' List prior notification must be given to the Prices Commission. Failure to observe the respective procedure will, at the least, result in an Order fixing the prices at the levels which obtained on the 8th of October, 1975.

In respect of all other items, that is, the unlisted items from time to time, they should not be regarded as free from control. Importers and manufacturers are required to follow the undermentioned guidelines in varying prices:

(i) Prices may be increased only in one or more of the following circumstances:

(a) If output per employee cannot be increased sufficiently to allow wages and salaries to increase at a rate consistent with the criteria for incomes (stated elsewhere)
without/

without some increase in prices, and no offsetting reductions can be made in non-labour costs per unit of output or in the return sought on investment.

- (b) If there are unavoidable increases in non-labour costs such as materials, fuel, services or marketing costs per unit of output which cannot be offset by reduction in non-capital costs per unit of output or in the return sought on investment.
 - (c) If there are unavoidable increases in capital costs per unit of output or in the return sought on investment.
 - (d) If, after every effort has been made to reduce costs, the enterprise is unable to secure the capital required to meet home and overseas demand.
- (ii) Price reductions are expected in the following circumstances:
- (a) If, having regard to expansion in output, output per employee is increasing faster than the rate of increase in wages and salaries which is consistent with the criteria for incomes (stated elsewhere) and there are no off-setting and unavoidable increases in non-labour costs per unit of output.

(b)/

- (b) If the costs of materials, fuel or services per unit of output are falling and there are no offsetting and unavoidable increases in labour or capital costs per unit of output.
- (c) If capital costs per unit of output are falling and there are no offsetting and unavoidable increases in non-capital costs per unit of output.
- (d) If profits are based on excessive market power.

Failure to observe these "Guidelines" will result in the items being placed either under the "A" List or the "B" List as may be found necessary. An Order giving effect to the above will shortly be made by the Minister of Marketing and Commerce.

To sum up, all prices are frozen as of today and may only be varied upwards in accordance with the procedures detailed above and summarised below. For the purpose of price control, commodities will be divided into three main categories: The "A" list, the "B" list and the "All Other Commodities" list. The prices of the commodities on the "A" list cannot be varied except by an Order signed by the responsible Minister. The prices of the commodities on the "B" list cannot be increased without prior notification of at least 8 weeks of the intention to do so. Prices on either list will be policed intensively by the Prices Commission and action with a view to imposing appropriate penalties for breaches

will/

will be instituted.

Price movements of all commodities should be within the "Guidelines" set. The Prices Commission will apply them to the prices of items on List 'A' and it will use them to determine the justification for changes on List 'B'. Importers and manufacturers are expected to observe them in varying the prices of items on the All Other Commodities List. Importers and manufacturers will be requested to submit price information on List 'B' items.

Appropriate Price Orders will shortly be issued to give legal effect to situations affecting the 'B' and 'C' Lists as well as the extension of the 'A' List. In addition, an amendment will shortly be made to the Trade Act increasing the penalties for breaches of the Act and tightening up the Section dealing with the hoarding of commodities.

The Prices Commission is being substantially strengthened by regular staff in order to deal with price applications as well as more intensive policing of the system. In addition, the Commission will shortly be able to draw on voluntary personnel to assist it in carrying out its functions.

It is, however, recognised that the fullest possible co-operation of all sectors of the community is required if the country is to combat inflation and reduce social injustices.

Ministry of Marketing and Commerce
8th October, 1975

"A" LIST

ITEMS CURRENTLY SUBJECT TO
SPECIFIC PRICE CONTROL

1. Animal Feeds (Pig, Poultry and Cattle)
2. Beef (Corned, in tins)
3. Butterine Substitutes
4. Cereals (Baby Foods)
5. Cement
6. Chicken, Whole
7. Chicken, Necks and Backs
8. Cigarettes
9. Cocoa Powder (Excluding Powder in tins)
10. Coconut Oil (Refined and Unrefined)
11. Coconut Meal
12. Contraceptives
13. Cooking Gas
14. Corn Meal
15. Fat Back Pork
16. Fish (Dried, Salted, Unsmoked)
17. Flour, Counter
18. Gas Oil
19. Gasolene
20. Herrings (Canned)
21. Industrial Gas
22. Kerosene Oil
23. Lard Substitutes
24. **Mackerels** (Canned)
25. Mackerel (Pickled)
26. Matches
27. Milk (Fresh, Cow's)
28. Milk, Canned (Sweetened, Condensed, Unsweetened, Evaporated)
29. Phonograph Records
30. Piece Goods

31. Pigeon Peas
32. Pimento
33. Pork Tails (Pickled)
34. Red Kidney Beans (Imported)
35. Rice, Packaged
36. Rice, Bulk
37. Rum
38. Sardines (Canned)
39. Skimmed Milk
40. Sisal Rope
41. Soap, Laundry
42. Soap, Toilet
43. Soap, Speciality
44. Steel Bars
45. Sugar (Granulated, Packaged, Gold, Crystal and Dark).

LIST "A"

ADDITIONAL ITEMS FOR SPECIFIC PRICE CONTROL

1. Biscuits, unsweetened
2. Bread
3. Flour
 - (a) Baking
 - (b) Household
4. Oats
5. Butter
6. Cheese
 - (a) Locally Processed
 - (b) Imported in Bulk for retail sale
7. Margarine (Blue Band, Delite and Chiffon brands)
8. Goat's Flesh (imported)
9. Coffee
10. Cocoa Powder in Tins
11. Infant Foods - milk based
12. Milo
13. Malted milk (including Horlicks)
14. Ovaltine
15. Tea
16. Beer
17. Carbonated Beverages
18. Salted Beef
19. Table Salt
20. Deodorants
21. Napkins, Sanitary
22. Toilet Tissue
23. Toilet Paper
24. Toothpaste
25. Batteries for motor vehicles
26. Lubricating Oils (engine and gear box) for motor vehicles
27. Tyres and Tubes for motor vehicles
28. Sewing Machines

29. Radio Sets
30. Television Sets
31. Refrigerators
32. Stoves (Gas and Kerosene)
33. Electric Irons
34. Detergents, liquid and powder
35. Floor Polish
36. Shoe Polish
37. Scouring Powder
38. Disinfectants
- *39. Non-ethical or non-prescriptive drugs and pharmaceuticals

*NOTE: This item will receive special treatment designed to prevent any disruption or dislocation in supply or availability to the public and institutions.

LIST 'B'

ITEMS THE PRICES OF WHICH CANNOT BE INCREASED
WITHOUT PRIOR NOTIFICATION

1. Baking Powder
2. Processed Foods
3. Footwear
4. Finished Textile Fabrics
5. Carpeting and Rugs
6. Mattresses
7. Furniture of metal, wood and moulded plastic
8. Cosmetics and Toilet Preparations
- *9. Ethical or prescriptive drugs and Pharmaceuticals
10. Glassware
11. Mirrors
12. Dry Cell Batteries
13. Stationery
14. Printers Ink
15. Paints, Pigments, Varnishes and Putty
16. Packaging materials of glass, metal, paper and plastic
17. Plastic Products
18. Aluminium Extrusions
19. Hardware
20. Leather
21. Lumber
22. Lighting Equipment
23. Plumbing Fittings of metal
24. Fertilizers
25. Industrial Chemicals
26. Motor vehicles
27. Spare parts for motor vehicles

28. Ball and Roller bearings

*N.B. This item will receive special treatment designed to prevent any disruption or dislocation in supply or availability to the public or institutions.

