



KEN EMERSON

ACCENT ON MANAGEMENT

UNSCRAMBLING PHASE 4

With the stated objectives of moderating inflation, continuing the expansion of the economy, strengthening the position of the dollar and building confidence in business and industry, Phase 4 of the Freeze Regulations became effective on July 19.

Preceded by a preliminary release of objectives and a presidential executive order, the regulation established a 60-day timetable of implementation as follows:

July 18: Stage A of feed regulations; ceiling of beef to be continued; dollar-for-dollar pass-through of other raw food product costs, and freeze on industrial prices continued.

July 19: Proposed non-food regulations issued for comment.

July 31: Deadline for comment on proposed regulations.

August 12: Non-food regulations become effective; freeze on dues lifted; charges for other club services may be increased on a dollar-for-dollar pass-through of costs, and clubs with 60 or fewer employees exempt from freeze.

September 12: Stage B of food regulations; beef ceiling ended and all food prices subject to cost-pass-through regulations (including increased wage costs).

GENERAL PRICING RULES

Section 140.93 of the regulations sets out the methods for applying cost increases in three basic situations. Most important to clubs is that part which permits the seller to pass through his costs on a dollar-for-dollar basis when such increases are supported by proper certification.

According to the regulation this certificate must include 1) a statement that the price increase is due to an allowable increase and 2) a statement that any increase has been passed through only on a dollar-

for-dollar basis.

Although these regulations will not apply to beef until after September 11, they will control the prices charged by clubs for pork, lamb, poultry and fish.

As Category 3 firms (grossing less than \$50 million), clubs will have to file annual reports with the Cost of Living Council. These reports must provide information on prices, costs and profile. A club that fails to file a required report may not implement further increases until it complies with the regulation. Records must be kept for four years.

FOOD

The new Special Price Rules for sales of food allow clubs a dollar-for-dollar pass-through of increases of the cost of raw products, provided they are supported by invoice certification, but also require a dollar-for-dollar pass-through of decreases in the costs. Producers and wholesalers must certify their increases on invoices before clubs can pass them on to members by means of the formula specified in the regulation. In addition, a club for which the cost of a food item exceeded its freeze price during the just-ended freeze may reach back to January 10, 1973, to find increases in raw product costs and, to the extent to which they are not already reflected in the freeze price, use them to justify price increases even without certification. Beef prices, however, must remain frozen until September 11, at which time the new pass-through rules will apply.

Not included under the general definition of "food" are alcohol, tobacco or drugs.

PROPOSED PHASE 4 REGULATIONS

The Cost of Living Council also issued on July 19 proposed amendments to Title 6, Code of Federal Regulations, The Economic Stabi-

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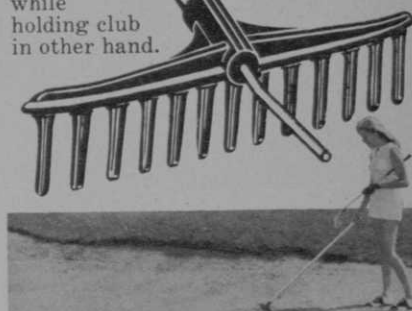
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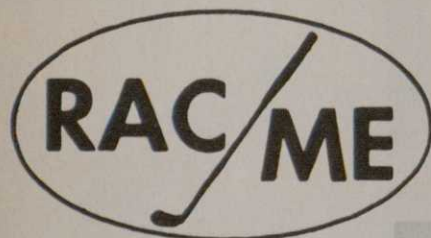
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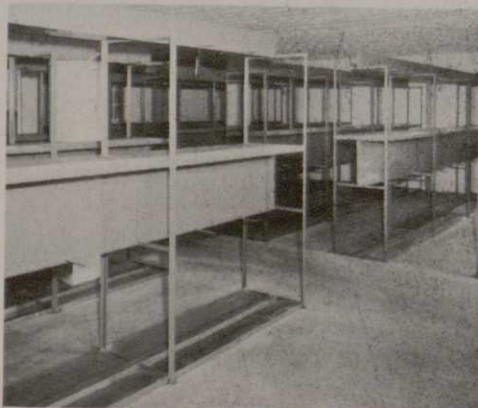
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lization Act of 1970. These regulations would, in part, permit:

1. Exemption from the freeze of dues of all non-profit organizations;
2. Exemption for all organizations with 60 or fewer employees;
3. Increases for charges for club services—other than those covering dues—on a dollar-for-dollar pass-through of increases in costs, including wage increases.

DUES

It is clear from Subpart D, 150.55 (b) of the proposed regulations that dues of non-profit clubs will be exempt from the freeze after August 12. Non-exempt clubs with fewer than 60 employees also will be able to increase dues under the general provisions of 150.60.

Whether non-exempt clubs—those with more than 60 employees—will be able to raise dues will depend on the result of the comments requesting such an exemption, which the National Club Assn. is filing with the Cost of Living Council.

OTHER CLUB CHARGES

Full exemption from the freeze for charges other than dues are not permitted under the proposed regulations. Rather, a dollar-for-dollar pass-through of cost increases will be required and the profit margin regulation of Phase 3 will be enforced.

Because the NCA feels that private clubs have little impact on the national economy and because many are in a condition of financial crisis bordering on gross hardship, the association also will file comments with the Cost of Living Council asking for special consideration of these factors. □

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