



CLUBS STILL UNDER MANDATORY WAGE-PRICE CONTROLS

Although the new Phase III Wage and Price Controls puts most businesses on voluntary compliance procedures, it retains mandatory controls over most golf clubs.

Present regulations place most of the country under a new system that is primarily self-administered. Voluntary behavior, consistent with the standards and goals of the Economic Stabilization Act, will be expected, and procedures established to permit the Government to determine whether conduct is reasonably consistent with these standards.

The food, health and construction industries, however, remain under the present mandatory wage and price standards. Clubs are essentially service organizations, even though many have retailing operations as well. Insofar as their service or retailing involves food, they are subject to the special Phase III mandatory rules. The exceptions are those clubs exempt under the Phase III Small Business Exemption.

Under this modified exemption, clubs with 60 or fewer employees are exempt from both the price and wage guidelines; however, these clubs would do well to keep appropriate records. Clubs with more than 60 employees and with less than \$50 million in gross income are exempt from the price regulations, but are still under the wage guidelines.

The current Phase III guidelines are as follows:

Price reporting: Retailers and service organizations with annual sales and revenues of \$250,000,000 or more must report quarterly to the Cost of Living Council. Other

retailers and service organizations—this includes all clubs—must maintain quarterly records of information regarding price increases, cost markups and profit margins.

Price rules: Essentially, club food service and retailing remains subject to the regulations in effect on January 10, 1973 (Phase II).

Pay rules: Pay adjustments remain subject to the classification and requirements in effect on January 10, 1973.

It is evident that, particularly in restaurant and food activities, clubs must keep records of costs, prices, markups and profit margins with respect to increases in food prices. In the case of price adjustments in retailing and other areas, clubs must follow the general Phase III guidelines discussed later.

Wage adjustments in the restaurant and food areas of the clubs continue to be subject to all the requirements and regulations of Phase II. Wage adjustments in other areas are subject to the general guidelines of Phase III.

PHASE III PRICE AND WAGE GUIDELINES

As a general rule, prices may be increased to reflect increases in costs, as long as the profit margin does not increase over that which prevailed during the base period. Alternatively, a club may increase prices to reflect increased costs, without regard to its profit margin, by a weighted average of 1.5 per cent a year. The definitions and measurements of cost, prices and profits can be guided by regulations in effect on January 10, 1973, unless and until modifying regulations are promulgated.

The existing general standards of

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the Pay Board remain in effect for wage increases. The general wage and salary standard is a 5.5 per cent increase per annum. The policies and principals, including the computations methods, contained in the Pay Board's regulations in effect on January 10, 1973, continue as guidelines for wage and salary increases unless and until they are modified.

EXCEPTION REQUESTS

There are no longer any provisions for granting exception requests. A planned price and wage increase that would be in excess of cost justification or the general wage standard must be instituted at a club's own discretion. If a club feels that a legitimate ground for exemption would have existed under Phase II rules and that the increase is therefore not inconsistent with the goals of the Economic Stabilization Program, it may institute such an increase at its own discretion. Clubs should take steps to properly document the rationale of such increases.

TOTAL EFFECT ON CLUBS

Thus, in their restaurant and food activities, clubs must, in general, keep records of costs, prices, mark-ups and profit margins with respect to increases in food prices and retail merchandise. Price adjustments in other areas must follow the general Phase III guidelines discussed previously. Wage adjustments in the restaurant and food retailing areas continue to be subject to the classification, pre-notification and reporting requirement regulations of Phase II. Wage adjustments in other areas are subject to the general guidelines of Phase III.

In summary, information published so far makes it quite clear that controls are not off, just modified. Compliance efforts may not be totally abandoned. Records and reports will be required. The frequency and significance of policy decisions will probably continue unabated and a familiarity with these decisions is imperative because *mandatory controls may be reimposed on a particular industry where deemed necessary.* □