

PRIME MINISTER

DEREGULATION

The purpose of this minute, circulated for discussion at your meeting on 26 February, is to highlight some of the main issues which we need to consider and to suggest a timetable for the work of the new ministerial group on deregulation.

The Background

2 This is probably the last major opportunity we will have to remove the great raft of regulations which impede our economic recovery. Many of our supporters, in Parliament, in business, and elsewhere, feel that we should have done more by now. I hope that at your meeting on Tuesday we will all agree that we must do more than tinker around with the fringes of the problem; that a fundamental review of regulation is required; and that we must look for long term solutions.

3 One problem seems to be that although collectively we are in favour of deregulation individual departments are understandably protective of their own particular interests. If we are to make significant progress we will all need to adopt a broad view and look at each regulatory item afresh, to balance it against the wider need to remove burdens and thereby promote enterprise. If we do not approach our task in this frame of mind then I fear the exercise will not produce the desired results.

Should we publish the central report?

4 We will shortly be sent a draft version of the central report of the scrutiny - "Burdens on Business : report of a scrutiny of administrative and legislative requirements" - in a form intended for publication. While we obviously want to avoid

raising false hopes of early action in complex areas (and, equally, raising unnecessary fears) I recommend that as full a version of the central report as possible should be published. I see two main arguments for this.

5 One relates to the difficulties of not publishing. Parts of the Scrutiny have already leaked; the outside world knows that this major review has been completed; we do not want to be accused of hiding things; nor do we want to give scare-mongers a field day. The other is more positive. By publishing at this stage, before we get down to considering the issues in our new ministerial group, we give an opportunity for public debate in parallel with our own deliberations. All the opponents of change can let off steam, supporters of deregulation can also have their say, and we can then put forward a clear programme for action without spending further time on a consultative period.

6 I recognise, however, that there may be real difficulties for the Chancellor in publishing even a modified version of the report before the Budget, because of the understandable emphasis given to burdens arising from VAT and PAYE. I gather that the Secretary of State for Employment may also want to announce decisions about Wages Councils and employment protection legislation in the days following the Budget. All this points to our delaying publication of the report until immediately after the Budget. We would need to give further thought to the press handling, but I think we should aim to complement publication of the report (with an appropriate foreword explaining that no decisions have been taken on the issues discussed) with an indication of how we are going to carry out the follow-up.

Timetable

7 Whatever we decide on the timing of publication, I would expect the first meeting of the new group to take place soon

after my return from China on 13 March. I propose that the group should report to E(A) in June. A White paper on deregulation could then be issued in July, or at least before the summer recess. If appropriate, this would allow us to introduce legislation in November. This is a tight timetable but urgent action is required.

Work programme for the new group

8 One of the principal messages of the scrutiny is that while individual requirements may not be too onerous in themselves, the cumulative effect of many requirements can constitute a heavy burden for small firms in particular. It is therefore essential that in concentrating on the major issues, we do not allow seemingly minor options for change to be neglected. We must find a way of giving enough attention to the detailed items without swamping the new group. We also need to take account of other evidence on regulatory burdens as they affect large companies, which sometimes provide a different perspective from that given in the scrutiny.

9 I suggest that most of the detailed consideration of the scrutiny recommendations and other identified burdens should be undertaken at official level. In effect these would be official level "bilaterals" with all the Departments concerned - including some who were not covered by the scrutiny - discussing detailed issues with a team led by the Enterprise Unit and including the DTI (as the coordinating Department for the Scrutinies), the Policy Unit and the Efficiency Unit.

10 The official "bilaterals" should reach a view and report to me and to the Departmental Ministers on which of the detailed recommendations - especially those in the Departmental scrutiny reports - should be implemented by Departments and which should be discarded. If there are still unresolved differences, I think

I should hold bilateral discussions with the Ministers concerned and then report to the new group. The aim would be for the group to give its endorsement to Departmental "action documents" as part of a coordinated approach to deregulation.

11 In addition, the group itself will need to consider carefully the central scrutiny recommendations relating to major burdens. As well as the cumulative effect of various different burdens, it is clear that certain requirements can of themselves be particularly onerous for companies. I would identify, for example, VAT, planning, and the general area of PAYE and NIC. I would welcome any further suggestions colleagues may have for priority items for our work.

Wider Issues

12 I found the central report's chapter 7 on "A Strategy on Compliance Costs" very helpful. The new group will also have to address these issues. I believe it will be particularly important for the group to discuss the establishment of arrangements to ensure that the momentum to deregulate is not lost, and to extend the deregulation initiative more widely.

13 My own view is that to make a real and permanent impact on regulations - rather than just cosmetic changes - we will also need new legislation. The US experience can teach us a lot.

14 I am sending copies of this minute to Nigel Lawson, Norman Tebbit, Leon Brittan, Patrick Jenkin, Norman Fowler, Tom King, Grey Gowrie, David Trippier, Sir Robert Armstrong and Sir Robin Ibbs.



D.Y.