



Prime Minister

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*This brief is the only addition to the papers which you saw over the weekend.*

P.01502

PRIME MINISTER

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25/2*

Deregulation

BACKGROUND

Your meeting follows up Mr Turnbull's letter of 14 February to the Private Secretary to the Minister without Portfolio. The meeting will have before it Lord Young's minute of 22 February to yourself, the central report of the scrutiny of burdens on business arising from administrative and legislative requirements of Government, and also a version of the report in a form which might be published. Those attending the meeting will be the senior Ministers responsible for the Departments affected by the scrutiny: Inland Revenue, Customs and Excise, Department of Health and Social Security, Department of the Environment, Home Office, Department of Trade and Industry and Department of Employment. Mr Trippier (PUSS, Department of Trade and Industry) will be attending in order to make a presentation of the results of the scrutiny.

2. This scrutiny, which draws together the main elements of detailed scrutinies carried out in each of the Departments involved, differs from previous scrutinies, in that it is concerned with the costs imposed by Government on business, rather than with reducing the costs of the Government's own activities. Thus some of the recommendations offering the prospect of a reduction in business costs could actually involve increases in costs incurred by Government Departments (examples are a monthly payment option for VAT and a possible change in the definition of self-employment).





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3. The proposed Action Programme arising out of the scrutiny is summarised at the beginning of the Report. The survey work undertaken as background to the scrutiny indicated that, for the most part, small businesses are more worried about the problems of finance and marketing and about the compliance costs imposed on them by central and local government. The scrutiny concluded nevertheless that the cumulative burdens arising from all Government requirements were a substantial imposition, and that significant benefits could be achieved if those burdens could be reduced.

#### MAIN ISSUES

4. The main issues before the meeting are:

(i) Should the central scrutiny report be published, when, and in what form? →

(ii) On which areas should Lord Young's new MISC Group concentrate its attention? How should that work be organised?

(iii) What continuing machinery should be established to prevent or discourage the imposition of new legislative and administrative burdens on industry? What new legislation will be required?

#### Publication of the Scrutiny

5. Lord Young and Sir Robin Ibbs have both recommended early publication of a suitable version of the central scrutiny report. Two main arguments are offered:

(i) the fact that the scrutiny has been undertaken is widely known, and in view of the Government's commitment to encouraging the growth of enterprise, failure to publish would be disappointing to business opinion and to the Government's supporters;





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(ii) early publication, with the Government making clear that decisions had yet to be taken on the recommendations, would enable the report to serve as a consultative document, and thus contribute further to the formulation of policy.

Lord Young accepts, however, that the inclusion in the report of proposals affecting VAT and income tax/National Insurance contributions mean that publication will have to be delayed until after the Budget; and he also accepts that what is said about employment protection will need to be adjusted to take account of last month's discussion in E(A) and of other action by the Government associated with the promotion of employment.

6. Publication of the Scrutiny Team's recommendations soon after the Budget would however have the following disadvantages:

i. There is a danger of arousing expectations that the Government will be able to do much more in the way of deregulation than will eventually, after closer examination, prove possible. When the Government comes out with its proposals in the summer, the public comment might concentrate much more on the recommendations the Government has rejected than on those it has accepted.

ii. There is similarly a danger of arousing alarm that the Government is contemplating much more radical reductions in protection for the public, for example in the areas of planning, fire and safety at work, than is likely to be





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the case. Between publication date and the summer the lobbies opposing change would have time to build up support on the basis of scare tactics without the Government being able to counter them with well thought out and defensible proposals.

The meeting will need to consider carefully whether the arguments in paragraph 5 outweigh these considerations. If not, the right course would be to publish the Government's actual proposals rather than the Scrutiny Team's recommendations in the summer, after E(A) has considered a report from Lord Young's Group.

Priorities for action

7. The Ministers concerned will wish to express their own views about the scope for change in the areas for which they are responsible. They will also have views on how far work already underway in particular areas - notably concern with taxation and employment protection - can be brought within the ambit of Lord Young's MISC Group. It may be that the most promising areas for early detailed study will be those affecting the physical environment in which businesses operate (planning, building, fire, health and safety at work). It is surely sensible that, as Lord Young proposes, there should be a good deal of preliminary ground-

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clearing at official level, involving the responsible Departments together with the Efficiency, Enterprise and Policy Units; thereafter some preliminary collective Ministerial discussion is likely to be indicated in Lord Young's Group, in order to prepare issues for decision by E(A). Depending on the progress of the work, it may be possible to draw together a number of elements to make a package of measures designed to make the various levels of Government more 'friendly' to business enterprise, which could be announced in the Summer, perhaps alongside the results of the work of Lord Young's MISC 108 Group on Small Businesses.

Continuing machinery and legislation

8. Lord Young contemplates the need for continuing machinery, and new legislation, to maintain the momentum of efforts to reduce the burden of Government regulation. It would seem too soon to reach decisions on either point in advance of detailed consideration of the recommendations affecting each of the Departments concerned. It may in the end prove that the essential requirement is not so much for changes in the formal requirements Government imposes on business, or in the underlying legislation, but in the 'cultural climate' in which the Government approaches its task of regulation; all the officials concerned must understand that their duty is to help businesses to comply with the requirements of Government in ways which minimise the costs and burdens of compliance.

HANDLING

9. Mr Trippier is to make a presentation of the results of the scrutiny, which may prompt some questions for elucidation. Thereafter Lord Young will wish to make the case for early publication of the Report, and set out his programme for further work. The other Ministers will then wish to give their views on these points.





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CONCLUSIONS

10. You will wish to reach conclusions on the following issues.

(i) Whether the central Scrutiny Report should be published -

(a) shortly after the Budget; or

(b) at a later stage.

(ii) If the Report is to be published shortly, whether it requires further amendment before publication, beyond those amendments already suggested in the text prepared for the meeting;

(iii) the areas on which work within the ambit of Lord Young's MISC Group should concentrate, and the timetable for the work;

(iv) whether there should be any immediate commitment to continuing machinery or new primary legislation.

*PLG*

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