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10 DOWNING STREET

From the Private Secretary

27 February 1985

Dear Leigh,

DEREGULATION

The Prime Minister held a meeting on 26 February to consider the follow-up to the central report of the scrutiny of burdens on business. The papers before the meeting, in addition to the report itself, were Lord Young's minute of 22 February, and the letter of 22 February from the office of the Secretary of State for Trade and Industry to this office, to which was attached an edited version of the first part of the report. Those present at the meeting, in addition to Lord Young, were the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Trade and Industry, Employment, the Environment, and Social Services, the Chancellor of the Duchy, Mr. David Trippier, Sir Robin Ibbes and Mr. Peter Gregson.

Mr. Trippier gave a brief presentation of the scrutiny's main findings. He drew examples from the fields of planning control, VAT enforcement, and employment protection. The central theme of the report was that, although most small businesses could cope (indeed, had to cope) with Government regulations, the cost of compliance was significant and the burden on management time considerable. Moreover, there was a problem of perception: would-be entrepreneurs could be put off by the assumed complexity of Government requirements.

Mr. Trippier stressed that deregulation meant jobs. Some 8 million jobs depended on firms employing less than fifty people and it was on small companies of this sort that the burden of regulation fell most heavily. The Government should aim to improve the climate for enterprise by cutting the cost of complying with regulations across the board; by following up the general lessons of the scrutiny, for example on enforcement; and by continuing to control rigorously the number and complexity of proposals for new regulations, not least those emanating from Brussels. If

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this initiative was to succeed, Ministers would have to accept responsibility for the problem, and be prepared to act collectively.

In discussion, there was firm support for the objective of reducing Government burdens on business, particularly as they affected small companies. On employment protection, the Government had already taken decisions which would be helpful (e.g. on wages councils). But the recommendation on maternity leave would be vigorously opposed and should not be pursued. On fire regulations, the Home Secretary said that he would consider seriously the recommendation for imposing a general statutory duty to maintain proper standards. But few of those consulted had expressed concern about fire safety until prompted, and he would not regard action in this area as a priority. Moreover, the AMA might exploit any change in order to attack the Government's abolition policy.

The Secretary of State for the Environment said that he had already done much to speed up planning decisions. He was in addition proposing legislation to establish simplified planning zones; and his Department would be issuing guidance to planning authorities on working at home. In discussion it was argued that there was inevitably a conflict between economic activity and environmental amenity: a more laissez-faire planning policy would be good for the economy, but unpopular with the public. On home working there was a case for limiting the application of planning controls to activities which caused a genuine nuisance to other people.

The Secretary of State for Trade and Industry said that he would be looking critically at existing regulations governing unit pricing and prescribed quantities. His proposal for a general statutory duty to supply safe goods, which would replace a mass of more detailed provisions, should be generally helpful to business. He was not, however, persuaded that the scrutiny's recommendations on consumer credit controls made sense - he believed that the industry was ready for proper regulation, which was highly desirable in the interests of the customer.

As regards VAT, the Chancellor said that the biggest obstacle to the creation of new business was the present level of the threshold. The EC would be pressing the Government to lower it still further. He intended to resist this pressure - indeed, he would favour raising the threshold if only other EC countries would agree. There was, however, some truth in their contention that they raised a much larger proportion of revenue from small companies than we did in the United Kingdom.

Concern was expressed more generally about the extent to which Community regulations were adding to the burdens on business. Individual Ministers should resist vigorously proposals in their field which were not demonstrably essential. In doing so, they might find a sympathetic reception from their EC colleagues, who nowadays attached very great importance to job creation.

Summing up the discussion, the Prime Minister said that the scrutiny team were to be congratulated on an excellent report. Ministers from each Department affected should consider the suitability of the text for publication, and after taking account of any necessary changes the report should be published as soon as practicable after the Budget. The proposed Ministerial group under the chairmanship of the Minister without Portfolio should proceed as quickly as possible with their work, setting themselves a clear timetable for reporting their conclusions to E(A). Until the group had reported, decisions on the need for continuing official machinery, and on the need for legislation, would be premature.

The Prime Minister concluded that consideration should also be given to a UK initiative at the next European Council designed to stem the flow of legislation from Brussels. She would invite the Foreign and Commonwealth Secretary to prepare proposals in consultation with other Departments.

I am sending copies of this letter to the Private Secretaries to those Ministers present, to Colin Budd (Foreign and Commonwealth Office), to Sir Robin Ibbs and to Mr. Gregson (Cabinet Office).

*Yours ever,
David*

(DAVID BARCLAY)

Leigh Lewis, Esq.,
Office of the Minister without Portfolio.