



CONFIDENTIAL

PRIME MINISTERDeregulationMinute dated 26 June from the Minister without Portfolio and the draft
of the Deregulation White Paper

BACKGROUND

1. You chaired a meeting on 26 February to consider the follow-up to the Central Report of the Scrutiny of Burdens on Business. That meeting concluded that the Scrutiny Report should be published (which was done on 29 March) and that a Group chaired by Lord Young (MISC 114) should consider what follow-up action should be taken and more generally how the burden of regulation on the economy could be kept to a minimum.

2. MISC 114 has now met seven times and has surveyed each of the main areas identified in the Scrutiny Report as priorities for action: Value Added Tax (VAT); the Pay As You Earn/National Insurance systems; statutory sick pay; planning control; building regulations; fire prevention requirements; health and safety at work; terms and conditions of employment; company law; and consumer law; as well as a number of more minor areas. The Group has also considered possible permanent arrangements for scrutinising proposed regulations.

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... 3. Lord Young's minute reports the Group's main recommendations, and sets out, in paragraph 8, four areas on which Lord Young suggests it might be possible to go further than has so far been agreed. The draft White Paper, which has been largely cleared bilaterally with departments, has been circulated as a background document.

MAIN ISSUES

4. The main issues are:

- (a) has there been sufficient progress to make an attractive deregulation package suitable for publication in a White Paper?



(b) Are any of the proposals such, in terms of substance or presentation, that Parliament or the public will consider deregulation has been taken too far?

(c) Should a central unit be established to monitor regulations in future? and

(d) how should the remaining issues be resolved?

The draft White Paper was circulated only today (Friday): Ministers will therefore need to be given a chance to consider it in detail following the meeting.

The Deregulation Package

5. The scrutiny concluded that regulatory burdens must be tackled across the board, and that much of the problem derives from the cumulative impact of requirements which in isolation might seem reasonable and modest in the burden they impose. MISC 114 therefore looked at many detailed issues, some of which might in isolation appear insignificant. The draft White Paper contains few measures which could be claimed as a major advances in isolation. Four of the eight key proposals listed in paragraph 4 of Lord Young's minute are in the Town and Country planning field (and one other - on building regulations - is a Department of Environment responsibility too). MISC 114 was unable to identify any very major proposals to simplify any of the other eight main areas of regulation, other than the possibility of raising the VAT threshold and of eliminating the statutory audit requirements on small companies. (Proposal (g) - allowing employers to opt out of the Statutory Sick Pay scheme has not been agreed: the Social Services Secretary has, however, agreed to consult on the possibility). Chapter 2 of the draft White Paper summarises all the proposals.

6. In some areas it became clear that the burden imposed by regulation was more imaginary than real, although some regulations may be so daunting that potential entrepreneurs never start (or remain in the black economy). The White Paper attempts to put the problem in perspective,



and to some extent risks attempting to justify the status quo. In other areas it has not been possible to reach final decisions in the period since March because outside consultations are necessary. Here the White Paper indicates that the Government is prepared to consider changes, but again this promise of hope for tomorrow weakens slightly the immediate impact. In yet other areas the White Paper canvasses possibilities for deregulation which Departmental Ministers have not thought worth pursuing on the grounds that the regulations impose no burden; this will effectively invite businesses to challenge departments' judgement.

7. In summary, although it cannot be claimed that the White Paper represents a major sweeping away of Government regulations, it does contain a worthwhile number of proposals which will be very helpful to small businesses, and it holds out the hope of new attitudes for the future.

Presentation

8. There have been fears in Parliament and more widely that deregulation could result in an unacceptable reduction in standards of public protection or a weakening of control over undesirable development (for example, in the Green Belt). The White Paper aims to create a climate favourable to greater deregulation by stressing that the price of regulation is jobs. It recognises that there must be a balance between liberty and licence, and that the Government's aim is not to create scope for abuse, and indeed in a few areas (for example the Keith Committee recommendations on VAT collection and enforcement) it endorses the need for more stringent enforcement. Lord Young's view is that by presenting a package of deregulation as an essential component of the Government's economic policies it will be easier to secure support, or at least minimise opposition, to proposals which in isolation might be controversial.

9. The most sensitive issues are likely to be those related to Town and Country Planning, (including Simplified Planning Zones,) changes to the General Development Order, (and the new Circular on 'Planning and Enterprise'.) Earlier proposals which were interpreted (wrongly) as a relaxation of the protection of the Green Belt engendered substantial opposition from the Government's supporters.



Possible Permanent Arrangements

10. The scrutiny recommended that there should be a structured analysis of any proposed new regulation, including a systematic assessment of its impact on business enterprise, and that there should be a small task force in central Government to oversee both regulations in the pipeline and the scope for eliminating or simplifying existing requirements. When this was discussed in MISC 114, there was a fear from some departments that a central unit would increase bureaucracy and would remove the primary responsibility from departments to exercise firm internal control over new regulations. A majority of the Group, however, believed that on past evidence, both in the United Kingdom and abroad, no significant impact could be made on the burden of regulation without a mechanism for external challenge.

11. Lord Young is therefore proposing that while Departments should maintain primary responsibility for assessing the impact of their own regulations he should have within his Enterprise Unit a small unit to act as a central team. It is proposed that this team should work in co-operation with Departments, and that its authority should derive from the fact that it reports to a Cabinet Minister rather than through a formal power of veto. Since the UK has urged the European Community to establish a similar mechanism itself, it can hardly be seen to be doing less domestically. This does, however, raise questions of machinery of Government, on which the Cabinet Secretary has offered advice (Minute A85/1760, dated 27 June). See Robin Ibbot comments as also enclosed

The European Dimension

12. You raised deregulation at both the March and June meetings of the European Council. There are encouraging signs that the Commission will take this seriously, including setting up a central scrutiny unit, although it remains to be seen whether they will abandon some of the more burdensome directives in the pipeline. If the UK's views are to carry weight in Europe it is important that the Government should be seen to be tackling the burden of domestic regulation vigorously.



Outstanding Issues

13. Paragraph 8 of Lord Young's note lists four items on which it might be possible to go further than has so far been agreed. You will wish to hear the advantages and disadvantages of each of these. The following points are relevant:

(a) Wages Councils. Lord Young is not seeking a substantive decision from the present meeting, but would like agreement that such a decision should be reached within the next fortnight. If E(A) on 10 July (or Cabinet the following day) reached a decision it could be announced in parallel with the White Paper, thus increasing the impact. The question whether the Government should announce its conclusions now or after the recess is primarily political.

Mr King is coming to see you at 10.00am to discuss this.

(b) Health and Safety at Work. The Health and Safety Commission (HSC) had a programme of reviewing and consolidating the various acts and statutory instruments enforce before the Health and Safety at Work Act 1974 was implemented. This programme has effectively been put into abeyance, because the Commission's resources have been cut and a number of urgent problems (for example asbestos) have claimed higher priority. To reinstate it would require a switch or increase in resources.

(c) Consumer Credit. The final provisions of the Consumer Credit Act 1974 have only just come into operation. Department of Trade and Industry Ministers have promised to consider and act upon any particular problems which are drawn to their attention, and also to undertake a full review after a period to allow business to become use to the new regime. Lord Young, however, would like to hold out the promise of a much sooner general review of the Act's provisions.

(d) Late Night Refreshment Houses. Although the restrictions on shop hours generally will be lifted following legislation next session, the particular restrictions over late night refreshment houses will remain. The regulations are for the benefit of public order.



(particularly where alcoholic drinks are involved) and to prevent nuisance to residents). The Home Office, who are responsible, are not aware of any particular problem, but the Ministry of Agriculture, Fisheries and Food, who sponsor the food industry, have drawn attention to the difficulties the regulations cause for operators. While it is accepted that it would be inappropriate to allow unrestricted operation in residential areas, there is a case for deregulation in town centres and areas used for shopping or entertainment.

HANDLING

14. You will wish to invite Lord Young to report on the outcome of MISC 114 and to introduce his minute. The Secretary of State for Trade and Industry, who has formal responsibility for small firms policy, will wish to speak on the package in general, and the Lord Privy Seal and Chief Whip will wish to address the presentational issues. The Secretary of State for the Environment (in respect of planning and building regulations), the Chancellor of the Exchequer (in respect of income tax and VAT), the Secretary of State for Employment (in respect of employment protection), the Secretary of State for Social Services (in respect of statutory sick pay), and the Home Secretary (fire regulations) may wish to comment on particular proposals. On the particular areas identified in paragraph 8, Lord Young will in each case wish to introduce the issue, and the Secretary of State for Employment, (on the Wages Council and Health and Safety at Work points), the Secretary of State for Trade and Industry (on consumer credit) and the Home Secretary (on late night refreshment houses) will wish to respond. - His views (angry) at Flag E

Foreign
Secretary's
views on
Flag D

CONCLUSIONS

15. You will wish to reach decisions on whether:

- (i) the proposed package represents an adequate response to the burdens on business scrutiny;
- (ii) there are any proposals contained within it which will give rise to parliamentary or public concern;



- (iii) there should be a central unit to continue the deregulation drive, and if so its location and terms of reference;
- (iv) any of the specific points on which Lord Young has suggested it might be possible to go further should be pursued;
- (v) to invite Departmental Ministers to make specific comments to Lord Young on the detailed text within the next few days;
- (vi) to agree to publication of the White Paper in mid-July subject to agreement of a final draft in correspondence, or, if this cannot be agreed, to remit a final decision to E(A) on 10 July when a final draft will be available.

A handwritten signature in black ink, appearing to be 'JUN' or similar, written in a cursive style.

J B UNWIN
Cabinet Office
28 June 1985