

CONFIDENTIAL



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21 May 1986

David Norgrove Esq
Private Secretary to the Prime Minister
10 Downing Street
London SW1

Dear David

WHITE PAPER ON DEREGULATION - "BUILDING BUSINESSES ...NOT
BARRIERS"

My Secretary of State has asked me to circulate advance copies of
this Whitepaper together with the accompanying leaflet.

Copies go to Private Secretaries of Cabinet Ministers and members
of MISC 121.

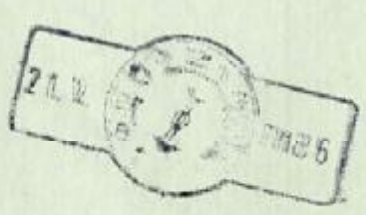
*Yours sincerely
Stephen Ratcliffe*

Stephen Ratcliffe
Private Secretary

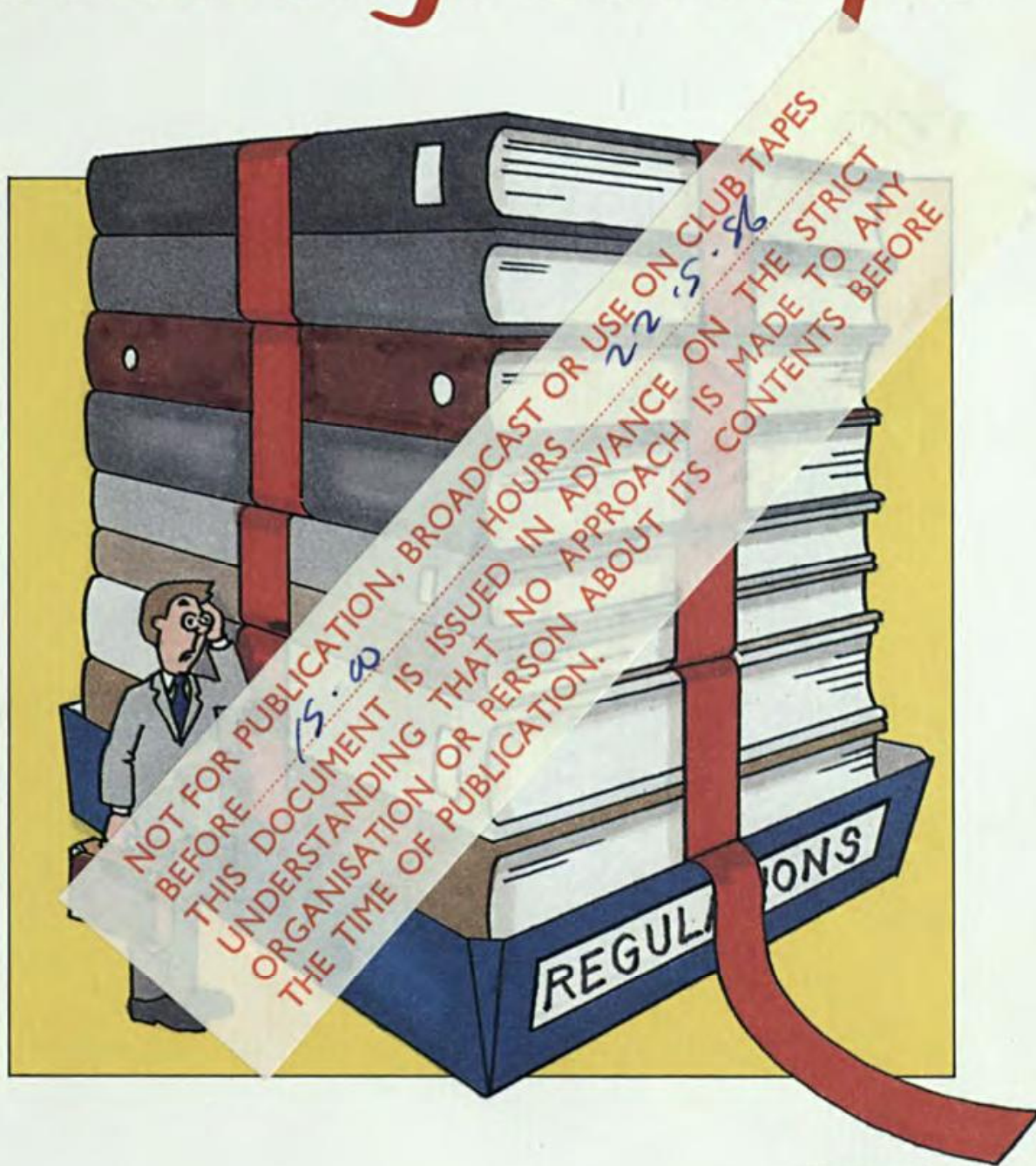
THE ... REPORT OF THE ...



COMMISSION



Cutting red tape



**Government action to free
business and enterprise from
regulations and red tape.**



Cutting red tape

During the last decade Europe has seen the steady growth of unemployment as two million jobs have been lost and more people have entered the labour market. Yet some industrialised nations, the United States in particular, have seen a considerable growth in jobs with a substantial reduction in unemployment.

There can be few more urgent tasks for Europe than to create the climate for the growth of employment.

The secret of the American experience undoubtedly lies in a more entrepreneurial society. Individuals are far less restricted if they wish to work for themselves, to start a new business or to employ people. They enjoy a freedom from regulations unknown to most Europeans.

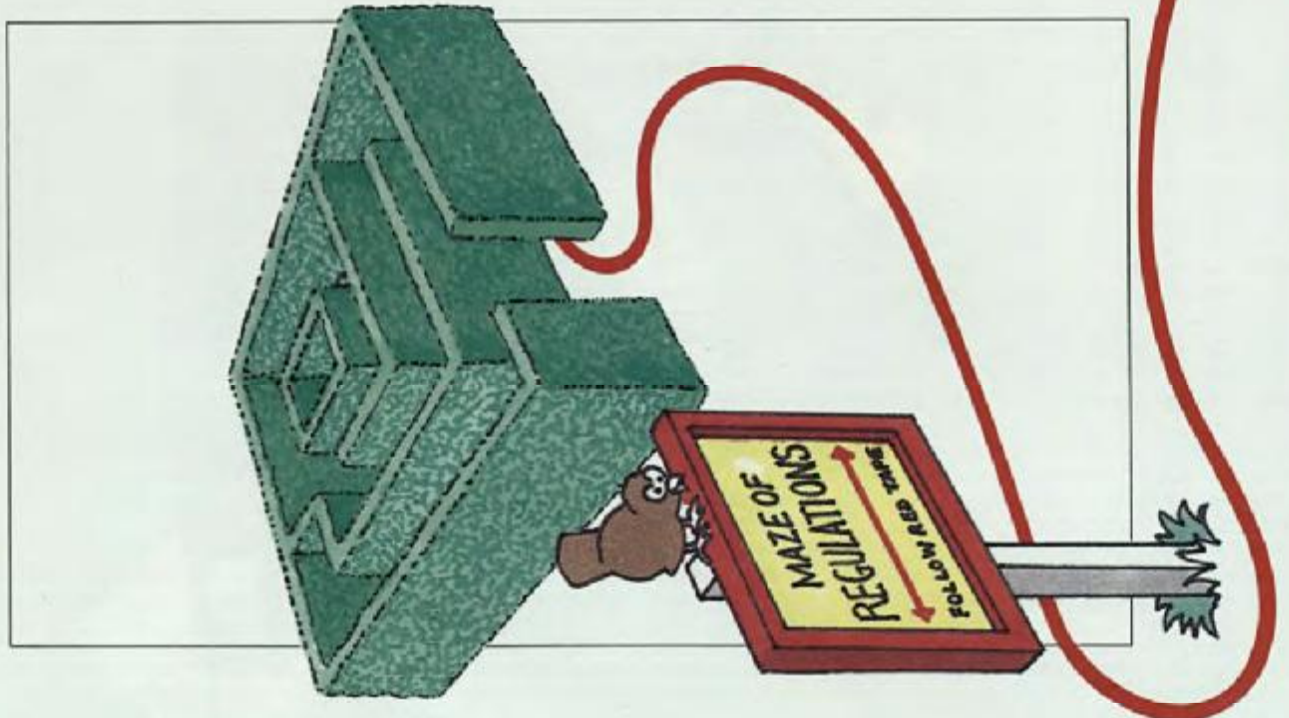
Every industrialised society needs regulations, covering many aspects of social and economic activity - designed to ensure safety, protect the environment and the consumer, bring in government revenue and so on. No one wants an entirely unregulated society. It is inevitable that business will be affected by regulations.

But the fewer unnecessary regulations the better. Building a successful business is a full-time job.

The Government believe that

- the energies of people in business have been diverted by rules and regulations which have become complicated, or obsolete - or both;
- the more people can concentrate their energies on running their enterprises efficiently, the better for jobs;
- the fewer the administrative burdens and complexities involved in employing people, the more will be employed.

The Government are tackling the problem of red tape which creates barriers to business. This leaflet outlines the Government's plan of action and summarises new proposals in the White Paper which has just been published. You can find full details in the White Paper itself* or by contacting the Enterprise and Deregulation Unit (EDU) - the address is on page 9.



* Building Businesses...Not Barriers (Cmnd 9794) Published by HMSO

SINCE 1979

Reducing burdens on business has been a theme of Government action since 1979. Unnecessary controls and regulations have been removed...

- the abolition of the National Insurance Surcharge
- the abolition of controls on foreign exchange
- the abolition of controls on hire purchase.

The number of government forms and statistical enquiries sent to businesses has been reduced...

- over 2,000 different forms abolished
- statistical enquiries reduced by over a million

Action taken to help business covers all Departments and affects many policies. Progress is often the result of fairly small changes over a wide range of issues.

ACTION TAKEN

ACTION TAKEN



PREMISES

Businesses wanting to construct or alter buildings face complexities and delays in getting approval. The Government have:

- reduced planning controls - allowing larger extensions to be made to factory and warehouse premises without the need for planning permission;
- set new targets for speeding up planning appeals - which will almost halve the average time taken to decide most written cases;
- simplified the building regulations - reducing statutory requirements and giving practical guidance;
- encouraged a wider range of uses for redundant agricultural buildings to help the rural economy with new opportunities for employment and enterprise.

Further action will now:

- modernise the Use Classes Order to allow a wider range of changes of use of buildings or land to take place without planning permission;
- allow businesses to be given planning permission for two or more alternative uses, so they can change between these uses without the need for further planning applications;
- propose the removal of the power of local highway authorities in England and Wales to block applications for certain roadside developments.

ACTION TAKEN

TAX

Taxation poses particular problems for businesses. The rules are often complex and hard to understand - especially for new, small businesses. And people in business frequently have to provide a lot of information so that their tax liabilities can be assessed. Of course rules are needed to collect taxes fairly and in the most efficient way. But ways can be found to ease the problems.

VAT

People in business see the VAT system as a major problem. The Government have:

- improved the relief given for VAT payments on bad debts;
- reduced the amount of information which has to be kept on motoring costs;
- negotiated within the European Community to raise the VAT threshold.

The Government will now:

- set up a major review on VAT and small businesses considering such issues as - accounting for VAT on a cash basis rather than using invoices and considering an instalment system for VAT payments;
- monitor and review the new system of automatic VAT penalties.

ACTION TAKEN

Inland Revenue

Other taxes are being simplified in a number of ways.

- Employers have expressed concern about the procedures for reporting benefits in kind and expenses payments provided to their employees. Inland Revenue have given publicity to 'dispensations' which reduce the paperwork on benefits and expenses. The form P11D has been considerably shortened. The associated form P11DA has been abolished cutting out nearly a million forms sent to companies. Efforts to find further simplification will continue.
- Visits from government inspectors are time-consuming. We have sought to reduce duplication of such visits. PAYE and National Insurance inspectors now co-ordinate their visits. A pilot scheme will show if visits to businesses can be reduced even more - by co-ordinating visits by Inland Revenue and Customs and Excise officials.
- Businesses, particularly new businesses, need clear help and guidance on tax. Much effort has been put into simplifying forms and improving the guidance and advice, given to businesses.

EMPLOYEES

Too much employment legislation stops people being employed. If barriers to employment can be removed without downgrading necessary standards of health and safety and security this will benefit jobs. The Government have:

- introduced legislation to remove outdated restrictions on women's hours of work;
- introduced legislation to remove young people from the scope of Wages Councils;
- increased the length of time for which employees must have worked before they can claim unfair dismissal at an industrial tribunal.

ACTION TAKEN

The Government will now:

- restrict time off for industrial relations duties to those issues which the employer discusses with the union;
- raise the thresholds for part-time workers above which they will qualify for the main employment rights;
- consider whether ill-founded claims of unfair dismissal might be deterred by requiring a small fee (refundable if the claim is successful or if it is withdrawn before the date of the tribunal hearing is fixed) to be paid before tribunals hear cases.



BUREAUCRACY

It is just as important for government to communicate well as it is to improve the procedures which businesses have to follow. Departments have already:

- produced a new 'Starter Pack' on PAYE and National Insurance;
- produced a 'Step by Step Guide' for small businesses on the planning system;
- increased business awareness in training of enforcement officers;
- made it easier to get access to Departments' information and advice;
- produced a guide on employment legislation for small business advisers.

But the need to tackle this issue is a continuing one.

The Government will now:

- carry out sample trials of a model employment form and notice board kit for small businesses, highlighting the main employment regulations and improving communications;
- establish further business liaison points in Government Departments;
- ensure a more personal approach by civil servants so that responsibility for particular areas of work will be linked directly to individual named officials;
- increase direct consultation with business and ensure that new guidance material which is intended to help business is properly tested.

ACTION TAKEN

Red tape reviewed

The 80 or so proposals in the new White Paper 'Building Businesses... Not Barriers' are the result of reviews of existing regulations carried out by Government Departments. The Government have also set up new arrangements to examine regulations and legislation which Departments are proposing to introduce.

A small central task force, the Enterprise and Deregulation Unit, has been set up in the Department of Employment. It reports direct to the Secretary of State. This Unit has a small staff which is drawn from the private sector as well as a wide range of Government Departments.

It vets each new proposal and assesses the impact on business.

ACTION TAKEN

- Each proposal is subject to a rigorous test based on 17 questions which are designed to establish a clear need for the proposed regulation – balancing the costs which might be imposed on business with the potential benefits to society.
- If this assessment gives rise to concern about the costs to business, the Department responsible will be asked to undertake a full-scale analysis of the costs and benefits of the proposed regulation.
- If necessary, the regulations are altered or amended to minimise the demands that they make on business.

EURO-TAPE

The burden of regulation is not a uniquely British problem. The European Community makes its fair share of regulations; in a Community of 12 countries, some regulation is essential. We could not enjoy the benefits of free trade and fair competition without them. But, following an initiative by the Prime Minister at the European Council last year, the implications for business of EC regulations will from now on be rigorously assessed.

- A task force has been set up within the European Commission, broadly similar to our own.
- Each new proposal put forward will now contain a full analysis of its costs to business so that these are minimised as far as possible.



Our aim

The Government remain committed to better regulation:

- the changes already achieved in a wide range of regulations show this commitment is being met;
- the changes proposed show that the Government's concern for better regulation remains undimmed;
- the arrangements to assess new regulations for their costs on business are in place and are now working.

Better regulation will continue to protect our society, help businesses to grow and produce more jobs.



**BUILDING BUSINESSES...
NOT BARRIERS**

SNAP!

Is your voice being heard?

If you have particular problems or suggestions about regulations, you can make your views heard.

You can contact your nearest Small Firms Centre to talk about a particular problem which affects your business. If you want to express a more general concern about regulations, write to the Enterprise and Deregulation Unit, Department of Employment, Caxton House, London SW1H 9NF.



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BUILDING BUSINESSES...NOT BARRIERS