

CONFIDENTIAL

PRIME MINISTER

20 July 1984

ADMINISTRATIVE AND LEGISLATIVE BURDENS ON SMALL FIRMS

- To make progress at the meeting you might first secure
- ① agreement on our philosophy towards regulation, and then
 - ② focus on specific targets. DoE is a likely candidate, on the basis of responses to date.

We want lighter burdens on industry in general. Given this, the objection to giving small firms blanket special treatment, by an Enabling Bill, for example, loses much of its force. If small firms are exempted, larger firms will also press for lighter burdens, and create a constituency for change. At present, larger firms are generally content to live with the burdens they carry, partly, one suspects, because regulation moderates competition and restricts entry from smaller, low-cost competitors.

Norman Tebbit's objective to this approach on bureaucracy grounds is difficult to understand. How can more resources be involved in exempting a million or so small firms from regulations than are currently involved in attempting to apply these regulations to them?

Planning

④ DoE's promised circular to encourage one-stop shopping is welcome but could we go further?

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i. Structure Plans: The structure plan system is fundamentally restrictive since plans specify in advance the volume of new activities which will be permitted. Plans have refused permission for industry where significant increases in employment are proposed (Hertfordshire, West Berkshire, West Sussex, Oxfordshire, Kent, Surrey). Should we consider legislating to abolish the structure plan system altogether and revert to a simpler system - zoning, with adequate land provisions?

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ii. Detailed Controls: Despite advice to the contrary in circular 22/80, councils intervene unnecessarily in the detail of design, layout, mix and even internal appearance of buildings. They still apply Parker-Morris standards to private housing for example.

iii. Local Authority Licences: DoE are trying to shuffle off onto DTI the task of pruning the list of activities requiring local authority licences, as requested in Andrew Turnbull's minute of 2 July 1984. DoE should consider whether these regulations are strictly necessary for health or amenity, and what legislative steps are required to remove them.

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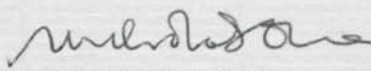
VAT Threshold

Treasury should be asked to take further legal advice on whether we are bound, under the EC Sixth VAT Directive to limit the threshold to £18,700. If so, should we not press for an amendment? Treasury could also consider whether traders could be given the option of less frequent (eg annual or six monthly) VAT returns. Small traders find this unpaid work for the Government a heavy burden (6 man-weeks a year).

Unfair Dismissal

Tom King judges that it would be untimely to either exempt small employers from employment protection legislation, or extend the qualifying period to two years. Tom King speaks lightly of the advantages these measures might bring to small firms, yet in opposition, Ministers spoke of employment protection legislation as a source of unemployment. What is the evidence of the need for this legislation. ACAS figures suggest that only a small minority of cases brought to industrial tribunals (less than 10% in 1981) were upheld against the employer. Tom King should be encouraged to keep this under close review.

We agree with Norman Tebbit that there is insufficient material for a statement before the Summer Recess. Let us aim for an announcement by the end of the year.


NICHOLAS OWEN

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Prime Minister

ADMINISTRATIVE AND LEGISLATIVE BURDENS ON SMALL FIRMS

As you know I am making a statement on the 1985/86 Rate Support Grant Settlement and Rate-capping on Tuesday afternoon. I think that it is essential that I should set aside plenty of time after that so that I can adequately present the Government's case at a press conference and on television and radio.

This means that I am unable to attend the meeting that you have called on administrative and legislative burdens on small firms at 5.00 that day. I have asked Neil Macfarlane to attend in my place.

As you know from my minute of 12 July I share your view about the need to make faster and more visible progress, and am willing to do what I can to help.

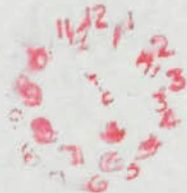
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23 July 1984



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PRIME MINISTER

Do you want to take up Sir Robin's offer to conduct a scrutiny of compliance costs? AT 24/7

ADMINISTRATIVE AND LEGISLATIVE BURDENS ON SMALL FIRMS

I have seen the correspondence on this subject. I am sorry I shall not be able to attend the meeting on 24 July.

As you know, my own view is that Norman Tebbit has identified a serious problem. The compliance costs which we impose on businesses hit small firms particularly hard. As the ministerial correspondence has made clear, one of the causes is the number of different departments who are involved in the regulation of employment and business matters. I do not think we will gain a solution to this difficulty by trying to deal with these issues piecemeal.

One possible way forward would be for there to be a scrutiny of compliance costs which looked at all the activities that the Government requires employers and business to undertake. This should pull together in a properly co-ordinated way the activities of all the departments involved and provide a basis on which decisions can be taken about the compliance costs which are necessary, and those which can be dispensed with.

We could get the scrutiny up and running in September, with a report by the end of the year. This would mean that you were in a position to take decisions on the basis of the report early in the new year.

I am copying this to the Lord Chancellor, Patrick Jenkin, Norman Fowler, Tom King, Grey Gowrie and Robert Armstrong.

Robin Ibbs
23 July 1984

