

SECRET

Industry and Employment seminar
file

Prime Minister

To note. (I will ~~not~~ discuss with John what work is needed for the next Industry and Employment seminar)

This is very generalised
= =
- Some of its proposals
17 April 1984
can be followed up.
not

PRIME MINISTER

AT 18/4

DEREGULATION AND SIMPLER GOVERNMENT

Discussed with J.R.
Action as below
↓

The Policy Unit has been reviewing in outline the policies, administration and future thrust of the principal Departments of State. Our first conclusions are that government is still tied up in too many areas it should not be in. It is regulating too many things; administering too complex a system of taxes and benefits; overlapping with local authority activities; and retaining some functions which could pass easily to the private sector.

Regulation

Department of Transport, MAFF, Energy and DTI have substantial regulatory departments. Within these labour-intensive functions there are some kinds of regulation which sit uneasily with the Government's general approach to economic activity and which could be abolished without undue political difficulty. Some examples of these are:

1. Public transport route licensing. Nicholas Ridley is currently examining the scope for deregulating the bus industry and may come up with radical proposals. There is every reason to do so to create a more efficient and responsive industry. Up to 2,000 jobs could be saved if the reform was whole-hearted, and a more flexible and responsive bus industry was created.
2. Vehicle licensing. Driver licensing has already been simplified by going over to the lifetime licence. Vehicles could be issued index numbers and a licence document, which was also a title deed and moved with changes of owner. The annual, or 4-monthly road licence could be abolished, and the additional revenue collected through VAT on petrol. Some 5,400 people are currently employed by Swansea DVLC, and many of these jobs could be saved.
3. Regulating companies and administering insolvency. Some 4,000 people are employed at DTI. The forthcoming reform of Insolvency Law and amendments to Companies Law should be reconsidered - they are already running into substantial trouble, as they are too dirigiste and will damage enterprise - in such a way that reduces the regulatory burden on central government. The main burden of regulating companies should fall on the common law system, and on the audit profession.

Coming to E(A)

Treasury and D'Top are reconsidering

AT to speak to DTI, seeking a report on outcome of consultations and DTI view.

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Policy must be
react to outcome
of current
licencing round

- 4. North Sea licences. The Department of Energy persists in regulation. All it need do is hold an auction for every licence block allocated, thereby receiving money and cutting down the burden of regulatory intervention in the oil market.
- 5. Agriculture. Market regulation employs some 750 people at MAFF. As the price mechanism is brought to bear, there will be scope for reducing this regulatory burden.

To be fact with
MISC 100

Administrative Complexities

The bulk of the administrators in Government are employed either in collecting taxes (100,000 people) or in distributing benefits at the DHSS (the bulk of 94,000 people). The drive towards tax simplification and the raising of tax thresholds should reduce the requirement for Inland Revenue staff. The Norman Fowler reviews should also be used as an opportunity to simplify the benefit structure to economise on the administration of the mish-mash of welfare benefits. For example, 28,265 people are involved in distributing unemployment benefit through Unemployment Benefit Offices. Another 64,000 people are involved in the payment of Supplementary Benefit through the separate DHSS offices. All benefits should be paid through DHSS offices.

PL to spell out
further for PM

There has been
looked at before.
The building work
would be considerable

The £1.5 billion overhead at the DHSS seems excessive by any standards, and is the result of undue complexity. Computerisation is a challenge which should run in parallel with policy changes to simplify benefits.

Overlap between Local Authorities and Central Government

At both the DES and the DoE, there is a certain amount of overlap between what local government does and what central government does.

Take the case of the construction of a new school. The local authority decides on the desirability of a new school, locates the site, and has an architects' department that draws up the design. This then has to be checked and counter-checked by architects, financiers and others at the DES. It would be quite possible to leave the task to the local authority, confining central government control to a general financial control, and leaving the local authority free to decide on the detail of the schemes it wishes to purchase. It would also be possible to leave school closure entirely to local decision. Keith at the moment has to endorse unpopular decisions on appeal, or else prevent local authorities from carrying out his own policy. This would also have the added attraction of providing a counter

To be dropped

No

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- 3 -

example to the run of cases in government policy recently, where local authority autonomy has been restricted.

Other Policies

Considerable numbers of people in government are involved in "sponsorship" of a range of industrial activities. As these industrial activities are returned to the private sector, the requirement for sponsorship should cease, and the people could be redeployed elsewhere. Similarly, an accelerated programme of council house sales would bring in its wake considerable benefits in the form of administrative savings. A suitable case for privatisation would be MAFF's research and advisory services. These currently employ 6,600 people at the public expense, and their services often duplicate those provided by the fertiliser manufacturers and private consultancies.

To be fed into
MISC 100

Conclusion

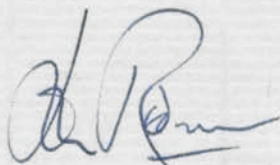
It would not be difficult to make a popular case for ^{some} many of the points in this note. Dealing with the local/central government overlap by increasing local autonomy would win us back some friends. Getting rid of targeted regulations of the type described above would be welcomed by many, both amongst the ranks of the customers and the producers. Simplification of tax and benefits is already a commitment and is vital to the central task of reducing the complexities of modern government.

The question of deregulation in the Department of Transport, Ministry of Agriculture, DTI and Department of Energy could be taken at the next seminar on Jobs and the economy. Andrew could organise some paperwork from the departments on their plans.

The central/local government overlap could be dealt with in correspondence from Andrew to the DES and the DoE seeking their views on how to proceed.

Tax and benefit simplification is under review already.

The Research Advisory Services in Agriculture should be discussed when the current review on agriculture sees the light of day.



JOHN REDWOOD

MINAAZ

SECRET

Police - believe bond high

Meeting - Nov prepared to agree to a
heath

para 4 - if - discuss modality

Advice Joe Ambrosio -

Dec. in principle

high - 7 days -

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~~Amendments~~ =