



CABINET OFFICE

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Qz.04338

1 April 1985

Leigh Lewis Esq
Office of the Minister without
Portfolio
Cabinet Office
Whitehall
London SW1

Dear Lewis,

DEREGULATION

The Prime Minister's initiative on deregulation and jobs has made real progress in the European Council on 29-30 March. I attach:-

- (i) the speaking note which the Prime Minister used. This was the basis of the subsequent press publicity;
- (ii) an extract from the conclusions of the European Council on these points. We intend to follow up this initiative in the immediate future in two ways. First, Sir Michael Butler is already in touch with the European Commission in order to press them to identify specific action which can now be taken. Secondly, I intend to write shortly to all interested Departments in order to ask them to identify specific areas where the current burden of Community regulation on business ought to be reduced.

I am sending copies to Charles Powell (10 Downing Street), Colin Budd (FCO), Rachel Lomax (Treasury), Callum McCarthy (DTI), Steven Godber (DHSS), David Normington (Department of Employment) and to Sir Robert Armstrong.

Yours sincerely,

David Williamson

D F WILLIAMSON

In 1984 - 89 Directives were adopted.

Did community consider whether they would be a burden or make firms.

EUROPEAN COUNCIL 29/30 MARCH: UK INITIATIVE ON DEREGULATION AND JOBS

SPEAKING NOTE FOR THE PRIME MINISTER

~~I want this~~ ^{should like to see this} ~~European Council to respond to my~~ ^{later on} initiative to mobilise all our efforts to create more wealth and more jobs. The Treaty of Rome is a charter for economic liberty. We must not allow ourselves to change it into a charter for tens of thousands of minor regulations. Over-regulation strangles initiative and destroys jobs.

We have to recognise that it is private enterprise, not government, that creates jobs. We must give them the freedom to do so. We must also make sure that it pays to take a job rather than to live on state benefits.

This means tough decisions, which some of us have taken, in order to reduce the run away growth of spending on social security and subsidies. It will be easier for us to convince our people of this need if we can show that we are acting together.

We are all agreed on the vital need to master inflation, which saps at confidence and economic growth. But there are two more things we can do and which this Council can decide. First, we must cut the burden of bureaucracy on business. Secondly, we must make sure that our labour markets work flexibly, so as to create and not to destroy jobs.

By the first action I mean that we must reduce the number of minor rules and regulations which weigh on business and enterprise. I am told that some Community legislation has been amended up to 40 times and it is easy to imagine the task of the small trader in trying to understand, let alone comply with, such legislation. We must make it possible for those who create jobs, particularly in small and medium size businesses, to do so without diverting too much of their time and energy to non-productive work. There are at least 8 new Directives on employment protection alone. I have in my hands piles of Community legislation dealing with value added tax and company law - just 3 of many fields in which the Community tries to regulate business. Value added tax can lead to very great burdens on smaller businessmen. An example is setting the VAT small trader exemption limit too low so that thousands of people fill in forms for a negligible return. Let us not forget that in the last few years small businesses have created up to 7 million jobs in the United States.

Employment Protection



By the second action I mean that we ought to remove or amend legislation which unnecessarily holds back the creation of more employment. We can and should extend and improve the training given to young people. We are all encouraging moderation in the growth of wages and labour costs. We must take steps to ensure that social measures for the unemployed are not a disincentive to their seeking work.

I have two specific proposals. First, this Council should recognise the concern about the existing burden of conforming to too many Community and national rules. We should invite the Commission to consider and report to our next meeting on the burden which this imposes on businesses and specifically ask them to propose how to reduce it. That must be the objective: not just a standstill but a reduction in the current load of regulation on our citizens. Let us set ourselves an ambitious target for reducing rules and regulations. Why not a cut of one third in those existing in the Community?



Secondly, for the future we should urge the Commission and the Council to consider the impact of any proposed legislation on the creation of wealth and jobs. The impact on business costs of any new proposal should be identified and understood. The Community should not impose additional tasks on business or make the labour markets more rigid unless it could be clearly shown that there was an overriding need to do so.

I believe that we all support these objectives and that we should have a clear mandate for the action I have outlined to be included in our conclusions.

Free for humanity.

a) India,



b) unemployment

	<u>Govt</u>	<u>P.E.</u>
Acas p. - <u>unemp.</u>		7 million - 60 years
Public exp. <u>Unemployment</u>		15 million 20 years
Contribution in <u>unemployment</u>		9 out of 10 - 100%
<u>Ref</u> <u>Small Business</u>		
		<u>Have</u> on <u>structural problems</u>

In 1974 59 directives were
adopted excluding agriculture which

EUROPEAN COUNCIL 29/30 MARCH: UK INITIATIVE ON DEREGULATION AND JOBS

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10 DOWNING STREET

From the Private Secretary

59 New Regulations in 1964

1. Draft Directive on Sewage Sludge in Agriculture
2. Draft Regulation on Trade in Mince.
3. Draft Regulation Amending the Main Regulation on the Common ^{market in} Organization of the Market in Goatmeat. Goatmeat
4. Draft directive on the Approximation of Laws of Member States Relating to Boat Fittings.

They'll try to Harmonize Nursery Rhymes next!



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Prime Minister

CDP
21/3

Qz.04300

MR POWELL

EUROPEAN COUNCIL: UNITED KINGDOM INITIATIVE ON DEREGULATION
AND JOBS

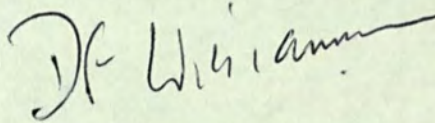
Mr Barclay's letter of 27 February to Mr Lewis in the Office of the Minister without Portfolio, and your letter of 4 March to Mr Budd in the Foreign and Commonwealth Secretary's office, recorded the Prime Minister's wish for a United Kingdom initiative at next week's European Council on deregulation and on tackling unemployment. The Cabinet Office were invited to take matters further, in consultation with other Departments. We have done this and have also taken informally some careful soundings of the Council Secretariat (so as to make a place for these matters in the European Council's conclusions), and of some like-minded member states. The reactions have been positive. I now attach a text which, if the Prime Minister approves, we should seek to get into the conclusions of the Council. It is intended to provide the leverage for continuing action. We shall also, of course, submit in the briefing the arguments which the Prime Minister might advance in the European Council itself, so that we can rightly claim that it is a United Kingdom initiative leading to agreed conclusions.

2. We have kept in mind the need to strike a balance between what we would like to see the European Council adopt in its conclusions and what we can realistically expect to gain next week. In the Steering Committee on European Questions it was suggested, in particular, that the last indent in point b might be more negotiable if amended. The Cabinet Office and the Treasury, however, recommend that we should keep the present text, which seemed to us to be in line with the Prime Minister's views.

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3. If the Prime Minister approves the attached text, I recommend that we should send instructions to Sir Michael Butler on Monday, so that the ground can be prepared more thoroughly in advance of the European Council.

4. I am sending copies to Colin Budd (FCO), Rachel Lomax (Treasury), Callum McCarthy (DTI), Steven Godber (DHSS), David Normington (Department of Employment), Leigh Lewis (Office of the Minister without Portfolio) and to Sir Robert Armstrong.



D F WILLIAMSON

21 March 1985

EUROPEAN COUNCIL CONCLUSIONS: BRUSSELS 29/30 MARCH 1985

The creation of wealth and employment in the Community

1. The European Council agreed that the Community must mobilise its efforts to create more wealth and more jobs. It agreed that the Community and individual member states needed to pursue policies that reinforced each other if they were to create the conditions necessary for sustained non-inflationary growth and tackle the problem of unemployment. In accordance with the economic policy guidelines endorsed by the European Council at Dublin in December 1984, this would require action to create the right macro-economic climate, by maintaining firm fiscal and monetary policies, and to promote a liberal and competitive internal market as envisaged in the Treaty of Rome. It would also require supportive measures in specific areas, in particular through the following:

- a. measures to stimulate enterprise and competition
 - by reducing the administrative and legislative burdens on businesses;
 - by establishing conditions conducive to the creation and expansion of small and medium-sized enterprises;
 - by increasing competition, particularly in the service sector and in the professions;
 - by increasing the opportunities for private businesses to supply goods and services to the public sector;
 - by firm control of, and wherever possible reduction in, state aids, and by focussing them on the promotion of competitiveness.

- b. measures to create jobs
 - by removing obstacles to the mobility of labour;
 - by removing or amending legislation which unnecessarily holds back job creation;

- by extending and improving the training given to young people and adults;
- by encouraging moderation in the growth of wages and other labour costs;
- by taking steps to ensure that the social protection available to the unemployed does not act as a disincentive to their seeking work.

2. In this context the European Council expressed concern about the existing burden on businesses in terms of direct cost and management time of conforming to national and Community regulation, especially for small and medium-sized enterprises. In order that complementary action might be taken at both national and Community level to reduce the burden, the European Council invited the Commission to consider and report to the next European Council on the burden imposed on businesses by existing Community legislation, and ways to reduce it.

3. The European Council also urged the Commission and the Council to consider proposed Community legislation in the light of its impact on the creation of wealth and productive employment. The impact on business costs, including management time, of new proposals should be identified. The Council should avoid imposing additional burdens on business or increasing rigidities in the labour market except where the expected benefit would clearly outweigh the cost to employment and efficiency - and only after studying alternative measures to the same end.

Cabinet Office

21 March 1985

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x A/ Such measures can be implemented more successfully if endorsed by the social partners.

a. measures to stimulate enterprise and competition

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- by increasing competition, particularly in the service sector and in the professions;
- by increasing the opportunities for private businesses to supply goods and services to the public sector;
- by firm control of, and wherever possible reduction in, state aids, and by focussing them on the promotion of competitiveness.

b. measures to create jobs

- by removing obstacles to the mobility of labour;
- by removing or amending legislation which unnecessarily holds back job creation;

- by extending and improving the training given to young people and adults;
- by raising the demand for labour through moderation of labour costs; in particular in the field of / social premiums and taxation
- by taking steps to ensure that the social protection available to the unemployed does not act as a disincentive to their seeking work.
- by promoting the redistribution of labour in ways compatible with economic growth.

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Cabinet Office

21 March 1985



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 7256

Qz.04267

7 March 1985

R Q Braithwaite Esq CMG
Foreign and Commonwealth Office
London SW1

Dear Rodne,

EUROPEAN COUNCIL, 29-30 MARCH: UNITED KINGDOM INITIATIVES
ON DEREGULATION AND ON TACKLING UNEMPLOYMENT

You will have seen the letters of 27 February from Mr Barclay (10 Downing Street) to Mr Leigh Lewis (Office of the Minister without Portfolio) about deregulation and of 4 March from Mr Powell (10 Downing Street) to Mr Budd (FCO) about tackling unemployment. I am writing to let you know how we propose that the preparation of inter-departmental consideration of the two United Kingdom initiatives for the European Council of 29-30 March should be handled.

It seems to us that our two objectives should be:

- to ensure that the substance of our initiatives will be endorsed and included in the conclusions of the European Council
- to make clear that these are United Kingdom initiatives which are being taken up by the European Council and the Community institutions.

It is quite possible that we shall need to demand that further work is carried out in the Community between the March and June European Councils in order to flesh out the initiatives. But we must have the basis established in the European Council this month.

First drafts of possible conclusions for the European Council will be available for the Butler meeting which I am chairing tomorrow. Our intention is that, after discussion there, revised texts should be circulated to EQS for inter-departmental consideration before they are submitted to the Prime Minister. We shall also need to discuss tomorrow

/how

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how far it would be useful to try to carry other member states along in the preparatory phase. I see some risks myself that, if our initiatives become known too soon, we shall have to repel boarders who wish to take over our ship.

Yours sincerely,

David Williamson

D F WILLIAMSON

cc: Mr Powell)
Mr Barclay) 10 Downing Street

Sir Robin Ibbs

Mr Budd (FCO)

Mr Leigh Lewis, Office of the Minister without Portfolio

Mr Unwin (Treasury)

Mr R Williams (DTI)

Mr R J Dawe (Dept of Employment)

Sir Michael Butler (UKREP, Brussels)

Sir Robert Armstrong

Mr Gregson