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Will EU red tape really be cut? [1]

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On 16th October, the Government published the report commissioned from six UK business leaders on reducing EU business regulation. This impressive document makes 31 recommendations under five headings: Reducing barriers on Competitiveness, Starting a company and employing people, Expanding a business, Trading across EU borders and, finally, Innovation.

Overall this is a step forward and the authors should be congratulated on a major contribution. In particular, the authors are right to call for small and young businesses to be taken out of regulation altogether. Unfortunately, the report also has three serious failings.

First, it is not well informed on methods to curb further regulation. Their main recommendation is a set of motherhood criteria for testing proposed regulations, i.e. the ?COMPETE Principles?. ?COMPETE? is an acronym of the seven criteria. The last government tried several variations of this approach but none of them worked. Bureaucrats are good at paying lip service to these things. The second COMPETE Principle is ?One-in-one-out?. The current government has a one-in-two-out policy whose effectiveness is not reported by the Regulatory Policy Committee (RPC) in its annual report, nor, to my knowledge, elsewhere. The demise of regulations have not caused dancing in the streets. The only curb with some effect on the quality, if not the number, of regulations is the establishment of the RPC itself which can, and does, reject proposed new regulations which do not appear to be good for the country. Although the COMPETE Principles are somewhat tougher than we have seen before, the moral is that people can block new regulation; motherhood criteria cannot.

The EU has, in theory, the equivalent of the RPC but it has gone native. An independent team assessing proposed regulation needs to be given teeth and to report to a Commissioner determined to curb new, and remove redundant, regulation. Audited and published impact assessments need clearly to show that (a) the regulatory goals are essential, (b) there is no less burdensome means of achieving those goals and (c) that social and environmental benefits clearly outweigh the costs to business,

Second, the authors pay no attention to those social and environmental reasons used by the EU to justify much of its business and economic regulation. Business people may think that too much weight is given to these wider issues. After all, who pays for all this? But to win regulatory arguments in Brussels one has to show that the damage to business outweighs any social or environmental benefits. One cannot win a case on financial costs alone when the judge and jury are as much, if not more, concerned with wider issues.

Third, the authors fail to understand the consequences of the single market they demand. A single market is defined by a single set of regulations. Therefore we must have EU business regulation but we do not need UK business regulation on top of that. In 2012, Whitehall approved 533 new UK business regulations, far far more than Brussels. And this was by a government committed, supposedly, to reducing the flow. Even the Blair government did not produce so many. Business should consider EU and UK regulation together as it is the combination that creates much of the problem.

Praiseworthy as it is, I fear this report will just gather dust in Brussels and Whitehall.

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