

Jim Murphy, Parliamentary Secretary, Cabinet Office

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Thank you for the kind words of welcome.... Let me first of all say how delighted I am to be here. This is my first bilateral visit to another Member State since I was appointed to the Cabinet Office after the election in May, and I think it's a tribute to the energy of our embassy here and to the depth of our shared interests that this seminar has been arranged. It's a very timely opportunity to build co-operation at the national and EU level. I am sorry to have had to miss the opening of the seminar, but fortunately I shall be meeting Mr Anzinger later this afternoon, and I hope to be able to catch up on recent German developments then.

Britain and Germany have actually been working together on better regulation for quite some time, dating back to our co-operation together in the Group that produced the Mandelkern report in 2001 - which was the key Member State contribution to the setting up of the EU better regulation strategy.

Today, I would like to speak about two things. Firstly, I'll outline the UK Government's strategy on better regulation in the UK. And secondly, I'd like to say what we, at the threshold of our Presidency of the EU, see as the priorities for European better regulation and how we see the agenda developing during our Presidency.

I think it's well known that the UK has a long history of regulatory reform. The Labour Government, when it came to power in 1997, strengthened and broadened the previous compliance cost system, and we have focused it firmly on **better regulation, rather than just deregulation**. And I think it's important to emphasise that point now, when there are people in Europe who hint that we in Britain are somehow trying to dismantle social and environmental protection. On the contrary, we are proud that, for example, regulation in the UK has helped to secure - amongst other things - an excellent health and safety record, the minimum wage, more employment rights for parents, clearer health warnings on food and tobacco and a cleaner environment. Improved vehicle and road safety legislation, for example, has contributed to a halving in road deaths from over 7,000 in 1973, to only three and a half thousand now (and this in spite of a huge increase in the volume of traffic).

But when we regulate, we aim to do so in a proportionate way, on the basis of evidence and only where the benefits from regulating clearly justify the cost. We appointed the Better Regulation Task Force as an independent body to advise us, and the five principles of good regulation that they devised have been a basis on which we have worked since then. Regulation must be:

- Proportionate,
- Accountable,
- Consistent,
- Transparent,
- and Targeted.

The UK regulatory reform effort has not only focussed on improving new legislation but on simplifying existing legislation too. In the latest phase, a Regulatory Reform Action Plan was introduced in February 2002, with over 260 proposals for regulatory simplification. This Plan has been regularly updated since then, with over 650 proposals to date, of which over 400 have already been implemented. Many of these reforms are quite small, of course, such as combining inspections under different livestock support schemes. But others have been quite significant, such as raising the audit threshold for small businesses, or simplifying procedural requirements for business tenancies. And licensing reforms, for example, including increased flexibility over opening hours, will save business over £190 million a year.

Just how big are the potential gains from better regulation? Our Better Regulation Task Force, on the basis of Dutch and US evidence, believe that a programme aimed at reducing administrative costs could in the long-term increase national income by more than 1%. If that performance were extended across the EU, there would be an annual gain of at least Euros 106 billion, – roughly equivalent to the annual EU budget. And that should be only a start.

For some there appears to be false debate between achieving either economic efficiency or social justice. There is no future in Europe seeking one at the expense of the other. Europe has to be the most dynamic, modern economy with investment in science, technology and skills. Europe must also ensure it has better regulation which protects its citizens and consumers. The UK Government's vision is that we must have both economic change and balanced regulation.

Better regulation is fundamental to achieving the Lisbon goal of becoming the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. Only when we ensure that regulation supports European competitiveness will we be able to meet the challenges, both from established economies like the United States and Japan and from the rising economies of China, India and other Asian countries. Only if we succeed in achieving economic dynamism in the EU with better regulation, will we be able to create more jobs and improve social protection. These two aspects can and should go together. In the UK, we introduced a national minimum wage and, since then have got 2 million more people in work. We have improved maternity and paternity protection and now have more parents in work.

Even though we believe there is much more to be done, the benefits of regulatory reform so far in the UK are borne out by international surveys which consistently show the UK as near the top of countries for regulatory quality and ease of doing business:

For example, the **OECD's** Product market regulation study (**Feb 2005**) found that the UK is one of 7 "relatively liberal countries" ranking second out of 30 countries, just behind Australia but ahead of the US, Canada, and all the European countries [if asked: Germany ranked 18th, almost exactly at the EU average].

We know we still have a long way to go. British business and the public sector regularly remind us of that in case we ever forget. And that's why we've recently initiated a number of measures to strengthen our regulatory performance:

- We're aiming to improve the quality of our impact assessments. We now have a Cabinet Committee, chaired by the Prime Minister, which clears all regulatory proposals, and requires them to have an adequate impact assessment.
- We have extended Regulatory Impact Assessment disciplines to measures that affect the public sector – so that proposals that change the requirements on the public sector front line, such as hospital and schools, have to go through the same process of scrutiny. This is of crucial importance. The UK has annual real term public spending increases. Improvements must come from this. Better regulation is an important part of that.
- The Government has accepted a recommendation from the Better Regulation Task Force, that we should measure the administrative costs to business of the existing stock of regulations and set targets for their reduction (similar to what the Dutch government is doing).
- Finally, the Government has also accepted the recommendation of a review to rationalise the structure of the independent regulatory bodies, to make them more efficient and to spread best practice such as risk-based inspection, in order to lighten the burdens for business without reducing compliance. We will reduce the number of regulators that interact with business from 35 to 9.

I want to turn now to better regulation at the EU level and our plans during the UK Presidency of the EU. We will be guided by out 5 principles for better regulation.

Let me first of all say how important I think better regulation is for the EU - both for improving competitiveness and for improving governance, to bring the EU closer to stakeholders. We have had some good institutional changes over the last few years: we now need to push on and make sure that the improved processes will start to deliver visible improvements in regulatory performance.

Our programme for the Presidency is based on the Six-Presidency statement of 7 December 2004, in which the immediately preceding and following Presidencies set out a programme for advancing regulatory reform in Europe, recognising that this is a long-term process that needs continuity. And we were very pleased that the German government issued a statement on 17 December 2004 on impact assessment of EU legislation, in which it supported the 6-Presidency initiatives on impact assessment, particularly the need for the Council to make use of impact assessments.

So, we are hoping to make progress in four main areas. And I think I can be fairly concise in how I describe these, because I'm sure Heinz Zourek has covered most of them from a Commission perspective, and most of what we aim to do as Presidency will be supportive of and complementary to these Commission better regulation initiatives:

On **impact assessment**, we welcome the new Commission guidelines, published this month, which have a lot more on competitiveness-testing, on examining options for using non-regulatory alternatives or for taking no action at all. They also, helpfully, ask for the analysis to include and anticipate likely amendments. Our aim during the Presidency will be to help the Commission live up to its promise to produce impact assessments to these standards. We will also ensure that Commission Impact Assessments are debated in all

Council working groups and we will start putting into practice the Council decision to produce impact assessments of significant Council amendments. We also hope that the European Parliament will activate its procedures for producing impact assessments on EP amendments. Taken together, we think this will be a very significant advance in improving the evidence base on which policy is made.

On **simplification**, the Commission has announced that it will bring forward proposals for simplification in October of this year, and asked Member States for suggestions to input into this. We strongly support this initiative by the Commission and are looking for significant proposals that will deliver real improvements to competitiveness. Throughout this exercise, we will do our best to maintain Council interest and support. The EU has fallen badly behind its timetable on codification, where President Prodi had announced a target of reducing the number of pages in the *acquis* by 25%, partly because of translation delays, and we will certainly aim to speed this up and to make time and resources available from the Council side to do so.

On **consultation**, we recognise the progress that has been made since the new Commission consultation guidelines were introduced in 2002. As part of our contribution, the Cabinet Office will be hosting a major conference on better European regulation in Edinburgh on 22/23 September, with the theme of *Competitiveness and Consultation*, aimed primarily at European business. The aim is that senior invited European business people and government Ministers will be able to have a dialogue, to see what business wants in the way of a regulatory improvement to competitiveness, and how they can best and most effectively be consulted. The UK's Better Regulation Task Force is taking an independent look at how the EU engages with its stakeholders. We look forward to the publication of its report at the Edinburgh conference. We welcome the Commission announcement in March that they intend to set up an advisory group of experts and practitioners: we hope this will include a good business representation, since they are the immediate recipients of a lot of regulation, and we expect to see it convened before the Edinburgh conference.

Finally, we also hope to make progress on strengthening the regulatory framework. We welcome and will be supporting the Commission's work to develop a methodology to measure **administrative costs**, which chime in with our own domestic agenda, but also those of at least eleven other Member States who have plans to measure and target reductions in administrative costs.

I'm afraid this has had to be a very quick tour around what we are doing in the UK and what we hope to see happening in Europe over the next six months. Better Regulation is a huge agenda, reaching into most aspects of government activity. Which is why we need to get it right. I look forward to getting a report of your discussion today, and for suggestions as to best practices we can share at a national level and initiatives we can support jointly at the EU level.