

## Four ways to make war on Brussels' red tape

Like others running businesses across the UK, I welcomed European Commission President Jose Barroso's recent promise to build a 'bonfire of regulations'. However, so far we seem to have seen a lot of smoke but little fire.

Admittedly the EU is not the only source of over-regulation in the UK - domestic legislation, and indeed Whitehall's gold plating of EU regulations (a peculiarly British disease), are also to blame.

However, this new study by Open Europe finds that the EU is the key driver of regulation. It finds that 77% of the major regulations passed in the UK since 1998 were wholly or partly driven by EU legislation.

According to the Government's own Regulatory Impact Assessments, these EU regulations have cost UK businesses £30 billion. And this is only the direct cost. The knock-on effects on productivity and growth are likely to be far higher.

Despite the good intentions of Commission President Barroso, Europe's production of new regulations is actually increasing at an alarming rate. Of the 22,000 pieces of legislation on the EU statute book, about 12,000 have been introduced in the eight years since 1997, compared to 10,000 during the forty years from 1957 to 1997.

Look closely at what the European Commission's 'war on red tape' really means and the sad answer is: not very much. In September the Commission announced that it had decided to withdraw 68 pending proposals for legislation. The announcement got good headlines. However, it turned out that most of the 68 bills concerned were already obsolete, or had been pending for years. 27 of them, for example, were over five years old, and 22 concerned the association agreements signed with the ten new member countries, which all became defunct when they joined the EU last year. *Le Figaro* wisely described the initiative as "largely cosmetic."

In October the Commission had another go. It announced that it would "repeal, codify, recast or modify" 220 pieces of legislation. Again, it sounded good, but it didn't stack up. Only 8 regulations will actually be repealed and not replaced. The rest are to be rewritten, as the Commission says, "without changing the substance of these provisions." Even the regulations which are to be ditched will have no economic impact: for example one is an obscure 1960's directive on measuring the size of knots in bits of wood.

None of this amounts to any meaningful reduction in the burden of regulation on the economy. The emphasis seems to have drifted towards redrafting laws rather than actually hacking back red tape. Given Europe's slow growth, high unemployment, and future demographic problems, this kind of tinkering around the edges is not a proportionate response to the scale of the challenges Europe faces.

We cannot afford to go on like this. As CBI Director General Sir Digby Jones has pointed out: India and China will eat Europe for lunch if we don't do something soon. I propose four ways to start making a real impact:

First, abandon the idea of “better” regulation and focus on less regulation. Codification of the existing law is all very well but will have no impact on business. Setting out its most recent deregulation drive the Commission stated that the handful of regulations it planned to repeal were “irrelevant or obsolete”. Any meaningful deregulation will be controversial and will mean axing the rules which actually do bind business.

Second, the EU should adopt the Dutch deregulation system. The Netherlands is steadily conducting a proper economic audit of the whole body of existing legislation, and has a target to reduce administrative costs by 25%. The EU could create a unit like the US Regulatory Oversight office to drive through such a programme.

Third, MPs at Westminster need far greater powers to raise the alarm about upcoming EU regulations at an early stage. The current EU scrutiny committee is seriously underpowered to deal with the flood of EU legislation. On top of this the Government makes a mockery of MPs' attempts to get a grip on what's going on in the EU, because even where MPs explicitly ask the Government not to sign up to a proposal until it has been discussed at Westminster (the so called “scrutiny reserve”), the Government frequently overrides this restriction, to avoid losing face in EU Council meetings. Westminster MPs could learn a lot from the Danish Parliament, where MPs sit down to grill ministers every Friday and go through the agenda for the following week's EU meetings.

Fourth, make it compulsory for the EU to carry out proper Regulatory Impact Assessments before legislating. According to a study by the British Chambers of Commerce this summer, less than 1% of EU legislation is currently given an impact assessment. As the distinguished American economics Professor Thomas Hopkins argued, when calling for a similar system in the US: “If we want to continue shooting ourselves in the feet, collectively, I think it only fair that we have a count of the bullet holes.”



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