

Need to ease the 'burden of regulation'

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Business regulation continues to be one of the concerns of Inner City 100 entrepreneurs in spite of many government initiatives to help ease difficulties.

While the small and medium-sized businesses in deprived areas that make up the index see the value of regulations, they are often frustrated with the way they are implemented; indeed, they would like to see further simplification.

Some progress has been made since the chief executives of the IC100 companies put cutting official red tape at the top of their list of reforms necessary for supporting enterprise in the inner city last year at a business conference.

They have presented them to the Treasury and the Department of Trade and Industry.

The government is targeting about 650 areas of regulation through its action plan.

Since last December it has tackled more than one-third, introducing more simplification and transparency wherever possible. However, in spite of these attempts, much remains to be done.

Since 1998, all government departments have been required to complete regulatory impact assessments.

These evaluate the risks, costs and benefits of any new UK or European Union legislation that could affect companies.

However, research carried out by the British Chambers of Commerce (BCC) in April showed the cost of new regulation on business had soared, in part, because the government was breaking its own rules aimed at controlling the amount of red tape.

Although ministers must certify that the benefits of a measure justify the costs when signing an assessment, the BCC research calculated that the net costs to business and governments from the assessments being analysed outweighed the benefits to consumers.

David Frost, director-general of the chambers, said in the BCC report: "The burden of regulation is the most significant avoidable constraint on business growth."

Tim Ambler, one of the authors of the research also criticised the government for not paying enough attention to sunset clauses, which ensure that regulation can be removed at an appropriate time.

Regulatory reform is high on the political agenda. Last month, Tony Blair outlined a number of initiatives to rein-in regulation that has left business struggling to cope with the proliferation of red tape. He told business leaders that he would consider amending the Regulatory Reform Act to make it easier to get rid of redundant regulation.

The prime minister also said that regulatory reform would be a centrepiece of the UK presidency of the European Union in the second half of next year.

However, many business leaders are cynical of promises made over the decades to ease the red tape burden. In the case of the IC100 companies, experiences are mixed.

Tony Caldeira, managing director of Caldeira, a soft furnishings supplier in St. Helens, Merseyside, is not impressed by the government's claim that things are getting better.

"It's got to a stage where our human resources and accounts [departments] had to be expanded by another person to cope with red tape. That's an expense that does not get any return."

However, a number of other entrepreneurs working in urban regeneration areas felt that there had been a positive shift on regulation.

The introduction of common commencement dates in areas was seen as a positive step by the IC100 leaders. Indeed, it was one of the requests made in their manifesto last year.

The government's decision to set aside two days of the year for the introduction of new employment laws is now likely to be expanded to include all new business legislation, following a positive reaction from employers' groups.

First proposed by the Better Regulation Task Force, a government agency, the two annual dates have been supported by the CBI and the Federation of Small Businesses.

Dai Powell, chief executive at Hackney Community Transport, a London transport services provider, does not find red tape issues a big problem for his company.

He believes restricting the introduction of new regulation to two days a year is an improvement on existing arrangements.

Tim Timmerman, managing director of Mellors Catering Services in Southport,

acknowledges that the government has done some "little things to help small business" [over the burden of red tape], but says "the moment you become a medium-sized business, you get hit".

He adds that until the government does something to organise its own departments, the problem will persist.

Red tape issues are no longer the highest priority for the companies of many of the IC100 leaders. They feel that some real progress has been made in tackling the burden but point out that a need to keep focus on legislating only where necessary, doing so with a light touch and deregulating when possible still remains a real goal for the government.

However, this will not be an easy task in the face of volumes of new regulation being generated by Whitehall and Brussels.