



Cut EU red tape

One year on

November 2014

Foreword

Reducing the cost of regulation for business is crucial for growth. Across Europe, governments and EU institutions are recognising that removing unnecessary EU burdens is vital to maintaining the competitiveness of businesses. We need a regulatory framework in Europe which fosters innovation, skilled jobs, and access to world markets.

That is why, last Summer, we were asked by Prime Minister David Cameron to develop a set of recommendations for reform, to tackle the day-to-day frustration, confusion and costs caused by poorly-designed EU rules. And we, in turn, asked British and EU businesses what they thought.

Drawing on their comments, we developed 30 priority recommendations to address barriers to overall competitiveness; to starting a company and employing staff; to expanding a business; to trading across borders; and to innovation. We also put together a set of overarching principles (the COMPETE principles), aimed at preventing unnecessarily burdensome EU legislation in the future – a first common-sense filter through which any new EU proposals should pass.

We presented our report – [‘Cut EU red tape’](#) – to Cabinet, and to EU leaders at the October 2013 European Council. The European Council agreed that further substantial efforts were needed to reduce the burden of EU regulation. We have taken the report across Europe, supported by Ministers and senior officials, building support for our recommendations and promoting the COMPETE principles. Delivering the report’s recommendations is now central to the Government’s EU better regulation agenda.

We are greatly encouraged by the progress that has been made over the past year. Ten of our specific recommendations have already been achieved, and there is good progress to report on many of the others. We are particularly struck by the degree of support for the COMPETE principles from a wide range of UK and EU business organisations, the European Parliament, and most recently from the European Commission’s own Better Regulation Advisory Group, the ‘Stoiber Group’. And at the June 2014 European Council, EU leaders identified tackling unnecessary regulatory burdens as a top EU strategic priority for the next five years.

We also strongly welcome the creation of the new post of First Vice-President in the new Commission, to steer and coordinate its work on better regulation.

So, one year on, we call on the new European Commission, the European Parliament and EU governments to take urgent, concrete steps to deliver these commitments. We remain convinced that tackling the outstanding recommendations in our report, and mainstreaming the COMPETE principles in EU decision-making is the key to delivering tangible change to free up businesses across the EU from unnecessary red tape.

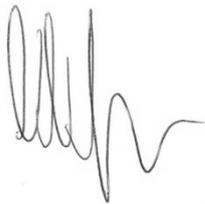
The recommendations in our report were based on what business told us they need to compete and thrive in the global race. While much has been accomplished over the past year, there remains much to be done. We encourage businesses across Europe to continue to press politicians, Commissioners and MEPs to deliver the change we urgently need to make European businesses even more competitive.



Marc Bolland
Marks & Spencer



Sir Ian Cheshire
Kingfisher



Glenn Cooper
ATG Access



Dame Louise Makin
BTG



Dale Murray, CBE
Entrepreneur and Angel Investor



Paul Walsh
Compass Group

Our original report, 'Cut EU red tape – Report from the Business Taskforce', is at:
www.gov.uk/government/publications/cut-eu-red-tape-report-from-the-business-taskforce

Progress one year on

Proposals for reform of EU legislation

Since the publication of the Taskforce report, 10 of the 30 recommendations to reform individual rules have now been delivered, and welcome progress has been achieved on a series of others.

A. Recommendations that have been delivered:

1. The Commission agreed a non-binding Recommendation on [Shale Gas](#), rather than binding legislation. This has given energy firms the ability to plan their business with confidence, encouraging investors without undermining important environmental protections. Shale Gas extraction could attract a peak annual investment of up to £3.3 billion, and support over 64,000 jobs in the UK alone. (Recommendation A.3)
2. The EU agreed a new framework for [Non-Financial Reporting](#), limited to large listed and large public interest companies, avoiding unnecessary new burdens on small businesses. (A.4)
3. The Council agreed a non-binding Recommendation, rather than binding legislation, on [Traineeships](#). This has given Member States the flexibility to decide how apprenticeships and work placements can be delivered, allowing employers in the UK to continue to run tailored schemes with minimal bureaucracy to help get young people into work. (B.2)
4. The agreement reached on the [Posting of Workers Enforcement Directive](#) limits the amount of paperwork that businesses are required to provide. Member States are also required to publish clear information about requirements when posting workers, providing more certainty and transparency for business. (B.4)
5. The EU's new rules for [Environmental Impact Assessments](#) (EIAs) should reduce the number and length of assessments carried out, particularly for smaller projects, reducing costs for developers and small businesses. (C.1)
6. The EU agreed practical and proportionate rules on [Country of Origin Labelling for Food](#). These give businesses the flexibility to communicate information to the consumer, without imposing significant and unnecessary costs. (C.5)
7. The Commission has proposed an amendment to the [Waste Framework Directive](#) to allow Member States to exempt SMEs from registering as waste carriers when transporting low volumes of non-hazardous waste. This could benefit up to 460,000 small businesses in the UK. (C.7)
8. The Commission has withdrawn its proposed [Access to Justice in Environmental Matters Directive](#), which contained unnecessary, disproportionate and inflexible rules that would have been detrimental to business. (C.8)

9. The Commission has withdrawn its proposed [Soil Framework Directive](#) which would have placed unnecessary burdens on business without any additional environmental benefits. The proposal could have cost the UK economy between £3.75 billion and £7.95 billion over 30 years. (C.9)

10. The EU agreed a new streamlined Regulation for [Clinical Trials](#). This will make it easier and quicker for business to apply and seek approval to undertake clinical trials. It is expected to save UK businesses some £60 million a year. (E.2)

The new Commission should abide by these commitments, and not reintroduce burdensome measures where proposals have been withdrawn, nor replace Recommendations with unnecessarily rigid legislation.

B. Recommendations where progress is being made:

1. The Commission's latest REFIT Communication recommends that the costly proposal to amend the [Pregnant Workers Directive](#) "should be considered for withdrawal". This would not affect existing rights, but would avoid potential costs to the UK of an estimated £2.5 billion a year. (B.3)

2. A revised [Public Procurement Directive](#) was adopted in March 2014, committing the Commission to seek higher thresholds in the next round of negotiations on the WTO Government Procurement Agreement (GPA). Higher GPA thresholds are a precursor for an increase in EU thresholds. The Government continues to press the Commission to update the EU code of practice on SME access to public procurement. (C.2)

3. The Commission signalled in its June 2014 REFIT Communication an intention to consider an evaluation of the Prospectus Directive, in order to improve [smaller companies' access to capital markets](#). The Government will press the Commission to undertake an ambitious evaluation at an early date, and will make the case for increasing SME exemptions. (C.3)

4. The Commission has brought forward a proposal on reporting requirements for greenhouse gas emissions from fuels supplied under the [Fuel Quality Directive](#). The Government has pressed the Commission to ensure that unnecessary and disproportionate burdens on business are avoided. Agreement by Member States is expected this Autumn. (C.4)

5. The new Commission President has announced his intention to prioritise the creation of a 'connected [Digital Single Market](#)', with the Commission expected to bring forward a Digital Single Market Act in early Spring 2015. The Government's new Digital Taskforce will press the Commission to prioritise e-commerce issues in its digital package. (D.1)

6. The European Parliament voted in support of the Commission's proposal to cap [Interchange Fees](#) in April. Agreement by Member States is expected this Autumn, meaning that caps for card fees could be in place by Summer 2015. The Regulation is expected to save UK businesses some £480 million each year. (D.2)

7. The EU has concluded negotiations on its [Free Trade Agreement](#) (FTA) with Canada, which the Commission estimates could bring benefits of up to €26 billion. The EU and Japan have signalled they want to conclude their FTA in 2015, and Japan is taking steps to liberalise trade in automotive, pharmaceutical and food sectors. The Government continues to push the Commission and EU partners to maintain high levels of ambition and make good progress on the Transatlantic Trade and Investment Partnership (TTIP). (D.3)

8. The Commission proposed improved rules and guidance on the sharing of data and costs under the [REACH](#) Chemicals Regulation in July. These should help ensure that registration fees paid by SMEs are transparent, with no unjustified costs. The European Chemicals Agency (ECHA) is also taking a range of steps to make its guidance more SME-friendly, as well as measures to make it easier for small firms to find partners as part of the REACH authorisation process. (E.1)

9. In March, the European Medicines Agency (EMA) launched a pilot on [‘adaptive licensing’](#), along with guidance on faster access to new medicines under the existing legal framework. The EMA intends to review the findings of the pilot by the end of the year. The Government will lobby the new Commission to ensure promotion and evaluation of flexibilities for efficient licensing of medicines remains a priority. (E.3)

10. The Commission is planning to review the [Plant Protection Products Regulation](#). The Government will press for the review to be picked up urgently by the new Commission, with clear terms of reference. (E.4)

C. Other medium and long term recommendations:

The Government will continue to take forward the outstanding recommendations which contain medium and long-term goals where delivery will be slower. For example, Government continues to build alliances with other Member States in order to resist burdensome Commission proposals on **Data Protection** (A.2); the **Information and Consultation Directives** (B.5); **Official Controls on Food, Plants and Animals** (C.6); **VAT rules** (D.4); and **Country of origin labelling for consumer goods** (D.5).

The Government also continues to press the Commission to take forward action on the **Services Directive** (A.1) and the **Health and Safety Framework Directive** (B.1), as well as on the **Working Time** (B.6); **Agency Workers** (B.7); and **Acquired Rights Directives** (B.8) when appropriate opportunities arise, balancing carefully the timing and pursuit of objectives to ensure the best results for UK interests.

Concrete action in specific problematic areas to withdraw and reform regulation should be a priority for the new Commission. Prioritising action on the outstanding recommendations in the ‘Cut EU red tape’ report would lead to more tangible reductions in burdens for business. For example, completing the Digital Single Market alone, by removing unnecessary regulatory requirements and simplifying others, could increase EU GDP by 4% by 2020.

The COMPETE Principles

There has been considerable support for the COMPETE principles from key UK and EU business organisations, the European Parliament, think tanks, and the Commission's own High Level Advisory Group on Administrative Burdens – the 'Stoiber Group'.

Notably, calls for regulatory offsetting – a form of EU One-In, One-Out – and the introduction of a target to reduce the overall EU regulatory burden are widely supported. There is also broad support for the systematic application of the SME Test as a way to identify opportunities for micro exemptions and lighter regimes for SMEs. And there are calls for a single independent Impact Assessment Board (IAB) to scrutinise all EU impact assessments.

Some indication of the breadth of support for the COMPETE principles is below:

Competitiveness test

The Commission should *“rigorously apply the competitiveness test to all proposals for legislation.”*

- [The Stoiber Group](#): The high level group of independent experts which advises the European Commission on reducing administrative burdens in the EU.

One-in, One-out

The Commission should *“put forward proposals implementing regulatory off-setting, which would require equivalent cost offsets to be identified in advance of new legislation that would introduce the imposition of costs.”*

- [The European Parliament](#)

Measure impacts

The Commission should *“publish annual statements of the total net cost or benefit of new legislative proposals.”*

- [The Stoiber Group](#)

The Commission should *“publish impact assessments during the consultation stage.”*

- [The European Round Table of Industrialists](#); a forum of 50 CEOs and Chairmen of major multinational companies, with a combined turnover exceeding €1,300 billion, sustaining 6.8 million jobs in Europe.

“A single independent Impact Assessment Board [should] scrutinise all EU Impact Assessments. Proposals which do not receive a positive opinion should not proceed.”

- [Council of European Employers of the Metal, Engineering and Technology-based Industries](#) (CEEMET); representing over 200,000 companies, employing approximately 35 million people.

Proportionate rules

“Regulation must be used only where necessary and the burden it imposes must be proportionate to its aim.”

- [EuroCommerce](#); representing 6 million retail, wholesale and other trading companies.

Exemptions and lighter regimes

“It is very important that the Commission... prepares future legislative proposals on the premise that in particular micro-entities should be excluded... unless the proportionality of them being covered can be demonstrated.”

- [BusinessEurope](#); representing businesses in 35 European countries, whose national business federations are their direct members.

Target for burden reduction

“The next Commission should establish a European objective of a 30% reduction in the costs to SMEs generated by administrative and regulatory burdens by 2020.”

- [The European Parliament](#)

Evaluate and Enforce

The Commission should *“make the evaluation of all EU legislation compulsory.”*

- [The Stoiber Group](#)

In the light of this considerable level of support, the new Commission should now take steps to implement the COMPETE principles. If rigorously applied to all new EU legislation, they could prevent unnecessary new burdens on business, and barriers to growth, competitiveness and innovation across Europe.

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