

REGULATION REFORM TO EASE RECESSION

Can slashing red tape and dramatically reducing regulation help save the British economy? This is the hope of the Cameron-Clegg Government as administrations around the world fight to stave off a double-dip recession.

In Britain, the second quarter growth figures showed a stagnating economy that is barely generating any economic or employment growth.

The government has made the elimination of the structural budget deficit by the end of its first term one of its main policy goals. It is proud that it is starting to 'balance the British books' and is rejecting calls to slow down its deficit reduction program.

So fiscal policy can't be used to stimulate the economy. And with interest rates close to zero, monetary policy can't be used to stimulate the economy.

There is one exception in the possibility of the Bank of England engaging in a second round of 'Quantitative Easing' (quaintly referred to as QE2), which is effectively a sophisticated name for printing money.

This leaves the government with very few levers to stimulate the economy.

It is looking to alternatives to the traditional tools. One of the main weapons in the armoury is its aim to massively reduce regulation.

At the Conservative Party Conference in April, Prime Minister David Cameron commented on the "bureaucrats in government departments who concoct those ridiculous rules and regulations that make life impossible".

"What drives us mad is the bureaucracy, the forms, the nonsense getting in our way. So I can announce today that we are taking on the enemies of enterprise."

These "enemies" are the bureaucrats in charge of regulation. A lot of this agenda is being pursued through the government's Red Tape Challenge. Under this process, a spotlight is put on different areas of regulation in turn. For each spotlight theme there is a five-week window during which people can submit their ideas on reforming regulation.

British PM David Cameron is taking a chainsaw to ridiculous rules and regulations in an effort to stimulate the economy. Terry A'Hearn reports on the environmental reforms.

Environmental regulation in view

The spotlight has just fallen on environmental regulation. This will constitute the biggest ever review of environmental regulation in UK history.

Much of the debate is being characterised as a 'pro-business versus pro-environment' or 'big government versus deregulation' battle.

For example, Friends of the Earth's Craig Bennett said, "this initiative sends completely the wrong signals about the government's commitment to being the greenest ever and undermines those businesses that want to operate to high green standards".

On the other hand, Robert Hunt, an executive with Veolia Environmental Services, argued there are opportunities to simplify regulations without creating environmental harm. In particular, he noted the need for a "more joined up" approach to the myriad of environmental regulations.

Interestingly, the government is appointing Sector Champions for each spotlight theme to help harness business input to generating regulatory reform ideas. Hunt is the sector champion for the environment theme.

Having sat on a panel discussion with him, I was impressed with his pragmatic approach to regulatory reform. His emphasis was completely on streamlining process, not lowering standards.

Despite such positive signs, the challenge is how much genuine reform the government's processes can unlock. Many critics argue what has been achieved in regulatory reform since the government came to power is 'window dressing'.

For example, fun has been poked at



Terry A'Hearn: "Once-in-a-generation opportunity to generate some genuinely creative ideas for regulatory reform."

the abolition of the *Grey Squirrels Order 1937*, which made it a criminal offence for a landowner not to report sightings of grey squirrels. However, grey squirrels are now quite common in the UK and the order was effectively dormant anyway, so abolishing it hardly seems to meet the Prime Minister's stirring rhetoric about getting regulation out of the way of British enterprise.

Despite this, I suspect the success of the Red Tape Challenge lies in the ability to break through the stereotypical business versus environment dichotomy.

This is a once-in-a-generation opportunity to generate some genuinely creative ideas for regulatory reform in Britain. If the government is able to use its processes to generate inspiring reforms that actually promote sustainable development, then there will be valuable policy lessons for Australia and many other nations.

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