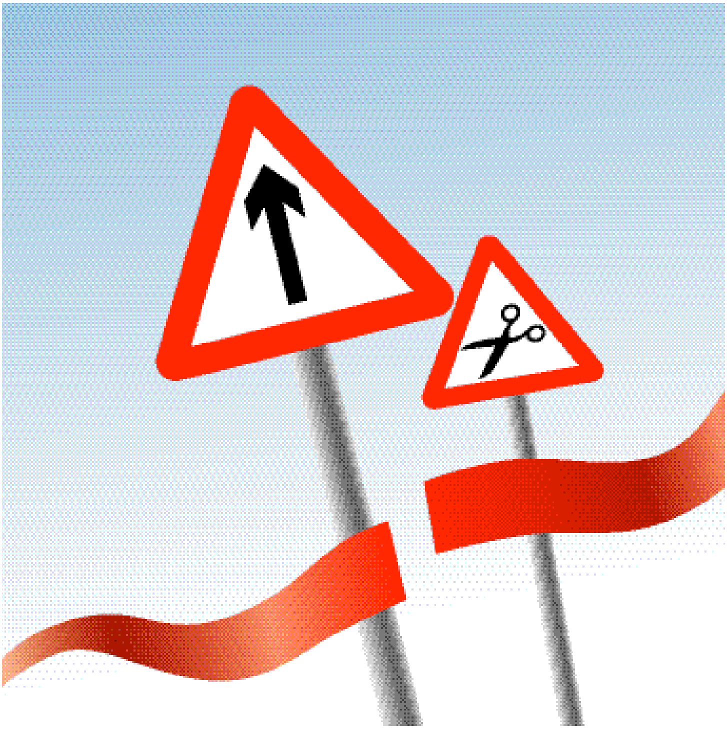
From Red Tape to Road Signs

Redefining regulation and its purpose



CORPORATE RESPONSIBILITY
the corporate responsibility coalition

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From Red Tape to Road Signs was written by Deborah Doane and edited by Julian Oram. The opinions presented in this paper are those of the author and do not necessarily represent the opinions of individual members of the CORE Coalition. The author would like to thank Jessica Bridges-Palmer, Simon McRae, Adrian Henriques, Kirsty Hamilton and Janet Williamson for their input and comments, as well as Brian Shadd and members of the CORE Steering Group for their ongoing support.

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Executive Summary

'Red tape' is the common phrase used by business to argue against any form of regulation. This paper challenges the assertions made by business and gives us a better understanding of what 'red tape' really is. It finds that:

- Business regularly over-estimates the cost of 'red tape', often by a significant factor
- That 'red tape' has actually helped to achieve tremendous progress in both social and environmental areas
- Countries with high levels of social and environmental protection are actually more competitive over time
- The costs of avoiding red-tape are high: and are borne by those least able to afford it, especially in developing countries

CORE has been proposing legitimate regulation that would see business more accountable for its wider impacts, from requiring business to report on social and environmental impacts alongside financial accounts, to placing a "duty of care" principle on Company Directors to consider the needs of wider stakeholders.

But these initiatives have been fought with anti-red tape rhetoric by many in the business community. Phrases such as "reduced productivity" or "anti-competitiveness" are typical of the responses from the business community to repel any possible regulation that might help the common good. But a closer look at the impacts of regulation shows a rather different picture.

As a counterweight to anti-red tape rhetoric, this paper argues that 'red tape' be looked at as an opportunity, and as one of the most effective tools to helping build sustainable development. The CORE coalition is proposing that business and regulators change their thinking about progressive regulation from '**red tape**' that obstructs business to '**road signs**' that provide companies with clear signposts towards ethical practices. The responsibility of different actors – including government, business and the media – is to weigh up the actual costs and benefits of proposed regulation for all, rather than deliver the usual knee-jerk reaction.

Introduction

Look up 'red tape' in the dictionary and you'll find a succinct definition: "obstructive official routine or behaviour; time-consuming bureaucracy".[1] However, an equally plausible definition might be "the phrase used by British Business whenever government proposes setting regulation". 'Red tape' has become the bogeyman of modern industry-speak; the ominous mantra repeated time and again within the media, in political debate and around boardroom tables across the UK. Like all fabled bogeymen, we may not know what it is or why its there, but we've all learned to despise it. If it has the dictum 'red tape' attached to it, then it must be bad.

A closer look at the evidence shows us that much of what is feared by business doesn't hold up to real-world scrutiny.

But, like most fables, a closer look at the evidence shows us that much of what is feared by business doesn't hold up to real-world scrutiny. Not only does business over-estimate the cost of regulation, it also neglects to consider the costs associated with irresponsible company practices that must ultimately be borne by workers, local communities, consumers and the environment. Nor does it recognise the benefits that accrue to society as a whole when regulation is put forward. While there can be administrative burdens that must be factored in, assumptions about what 'red tape' really means when presented in the headlines shouldn't be taken at face value.

This paper aims to challenge the assertions made by business and give us a better understanding of what 'red tape' really is. Rather than accept the phrase 'red tape' at face value, it's important for us to look at who uses the phrase, why they deplore it and what the cost of avoidance really means.

What is Red Tape?

The term 'red tape' stirs up a provocative set of emotions. It conjures images of pointless protocols and convoluted procedures; of paper-pushing bureaucrats whose sole purpose is to suffocate and stifle innovation, entrepreneurship and competitiveness.

The phrase, in fact, goes back to the lengths of the red ribbon once used to tie up legal documents. Because our history of common law requires us to have precedents, every judicial decision had to be preceded by a thorough search of the records before decisions were taken. So, according to Herbert Kaufman of the Brookings Institution, there were legions of clerks and lawyers who spent most of their time just tying and untying ribbon-bound folders. When people rail against 'red tape', he writes, they're basically saying that they are subjected by too many procedural constraints.[2]

But what happens when people, or indeed organisations, are left to act without constraints? Can we expect every decision made in one's self-interest, through market mechanisms, to result in the good for all? This is certainly the vision of free-market liberal-economists, such as Hayek or Friedman, right back to Adam Smith. But over the past few decades of relatively free-markets, we have seen that this market-based approach to governance would more likely result in a winner-takes-all outcome that serves to cause more harm than good. As Tory Politician, Michael Heseltine famously once said, "the market has no morality."

This is exactly why 'red tape' is important and helps keep a democracy working. "Red tape turns out to be at the core of our institutions rather than an excrescence on them," finds Kaufman.[3]

In fact, when we look beneath the sweeping arguments against 'red tape' what we really find is that 'red tape' is little more than a simple euphemism for regulation. And regulation is, or at least should be, a neutral phrase. Modern day regulation keeps in check different competing interests and serves to protect the common good. It steps in when markets fail, and protects the most vulnerable from the worst vagaries of unfettered human action.

Like road signs, regulation provides the common language by which companies can negotiate their way through the business world without working against the interests of society at large. 'Red tape' is also responsible for some of the greatest advances in social conditions in modern times.

If we balked whenever an employers' federation argued against 'red tape', we wouldn't have any protection for consumers, or employees; and what little progress we've made on things such as recycling or the right to earn a living wage, would never have happened. If we look back at the history of regulation, we can see quite a positive image emerging. According to a report by the UK's Environment Agency[4], 'red tape' has achieved:

- A vast improvement in air quality in the capital. The first Alkali Act was passed in 1863, and London's smogs were eventually beaten by regulation requiring smokeless fuel
- Reductions in industrial emissions of air pollutants. Since 1990, sulphur dioxide emissions to air have fallen by 75%, nitrogen oxides by 52%
- A 65% fall in levels of water pollution in the five years to 2001
- A 30% drop in the number of environmental incidents between 1997 and 2000

DE-BUNKING ANTI-RED TAPE PHRASES

When the CORE bill was first presented, a series of tried and tested euphemisms were spun by lobby groups such as the Institute of Directors and the Confederation of British Industry to warn against the dangers of "more red tape". But what do these terms really mean? And do they hold up to rational debate?

Box-ticking exercise. A phrase that refers to business or organisations going through the motions, such as: Environmental Impact Assessment; done that"; "appointed a health and safety officer, check". Box ticking implies that, when implemented, action aiming to fill regulatory requirements will be driven by compulsion to undertake a minimum set of procedural exercises, rather than a real intention to change core practices, so being rendered meaningless. In fact, "box-ticking" should provide a way for companies, industry bodies and government agencies to assess measurable outcomes; and report on changes to these over time.

Boiler-plating. Similar to "box-ticking", boiler-plating refers to the lifting of standard phrases or approaches, for a one-size-fits-all format, and is used as an argument against minimum standards. In corporate governance, or social and environmental reporting, minimum standards are needed to provide a baseline for comparison and to enable shareholders and stakeholders to critically evaluate companies' social and environmental commitments. Without this they cannot monitor, assess and benchmark corporate performance.

Productivity. Generally taken to mean GDP per capita, or GDP per employee or employee-hour, productivity measures take no account of other important outputs of an economy, such as public goods, life satisfaction, equity, or stability. Nor do they take into account negative indicators of welfare – such as the economic growth that may accrue through an increase in so-called 'defensive expenditures' on items such as burglar alarms, insurance, or prisons.

Competitiveness. An aggregate measure of what gives one country economic advantage over another. There are varying methodologies, but most include a combination of economic measures along with government indicators, such as health, education and judicial systems. Contrary to popular rhetoric, the more competitive countries tend to include those with high levels of social and environmental protection. The World Economic Forum's Global Competitiveness Report, sees Denmark, Sweden and Finland all in the top 5 in 2003.[5]

In other areas, such as employment, disability or human rights protection, we've achieved huge strides in the last century and the last few decades, from providing freedom of rights of association for workers, to the minimum wage.

In the past few years, however, we've lapsed into a quagmire of voluntary initiatives that have enabled British business to claim progress despite the lack of evidence of verifiable change across the board. While voluntarism has helped to raise awareness and kick-start innovation (think of the pioneers in renewable energy, or non-financial reporting), it can't be sustained over the long-run, as markets fail to respond.

History shows that regulation is needed to accompany voluntary approaches in order to move forward. It brings up the laggards, avoids free-riders and has a tendency to inspire even more innovation by business. If it wasn't for 'red tape', the misery of the industrial revolution would still be upon us, and the welfare of the majority would still depend on the charitable goodwill of the few.

But the possibility of future success is slowly being eroded by the rhetoric of the anti-red tape brigade. As the threats of climate change, poverty and global inequality are increasingly being felt at our doorstep, and are now presenting a threat to world economic output, the need for progressive regulation becomes ever more pressing.

The regulatory burden: rhetoric versus reality

The business community and their colleagues in the financial press have a bad habit of over-estimating the cost of regulation, sometimes by a significant factor. The numbers vary wildly, but they do make great headlines:

Red Tape Cost British Industry £6 Billion a Year[6]

Red Tape Cost Business £30 Billion[7]

CBI HITS OUT AT RED TAPE: environmental regulations cost employers billions of pounds[8]

According to a report from the British Chambers of Commerce (BCC), an extra £30 billion in costs were imposed on British business between 1997 and 2003. "The burden of regulation is the most significant avoidable constraint on business growth" stated David Frost, Director General of the BCC, upon the release of their annual Burdens Barometer.

Only the Guardian posted a general repost to the BCC's claims, which, argued the Cabinet Office, were extremely misleading. "What they count as red tape cost is largely actually the value of the policies themselves to recipients – eg. enhanced maternity rights for women, the minimum wage for 1.5 million workers and better working conditions – of which the government is rightly proud."[9] Business, says the Cabinet office, deliberately confuses the administration costs with the actual benefits paid.

The table below presents a comparison between the predicted cost and impacts of a sample of environmental and employment regulation measures, versus the actual outcome afterwards. The evidence is compelling: industry predictions of dire consequences rarely hold up to scrutiny. The reasons for this are varied. For one, business assumes a static view of the market and fails to factor in other opportunities that may emerge as a result. "Regulators and environmental economists generally overestimate costs because they underestimate the innovation potential within industry," notes a study by the International Chemical Secretariat.[10]

Others have pointed the finger at the policy process itself. In a review of the regulatory process, Peter Bailey sought to find out why previous studies showed that business regularly overestimated their forecasts about the cost of environmental regulation. They note that impact assessment for environmental regulation is often seen as causing a trade-off between environmental protection and economic growth. As a result, they find, business and regulators tend to focus solely on the cost of compliance. Furthermore, the incentives for business to inflate figures in order to weaken prospective legislation are high. The authors warn policy makers and others to be wary of any estimates made of the cost of regulation, especially during policy negotiations.[11]

RED TAPE REALITIES

REGULATION	PREDICTION	REALITY
National Minimum Wage	Would result in over one million job losses within two years	Unemployment fell by 200,000
EEC introduction of Catalytic Converters	The cost of the technology would be £400-£600 per vehicle, with a fuel consumption penalty on top	Real costs of around £30-£50 per convertor; technological innovation led to smaller cars
US Clean Air Act	Would cost the US $51 to $91 billion per year and result in anywhere from 20,000–4 million job losses	Yearly cost £22 billion to business, but employment in areas affected up by 22 percent; the benefits arising are between £120 to £193 billion
Montreal Protocol	Opposed by industry on economic cost grounds, but no projected figures	No impact; substitute technologies may have saved costs, according to follow-up studies

Source: TUC and International Chemicals Secretariat

THE *REACH* DIRECTIVE

The forthcoming REACH directive, the new chemical legislation proposed by the EU Commission, has been challenged by business for being too costly. In the study, Cry Wolf, by the International Chemical Secretariat, they review the predictions of a number of business groups and accountancy firms about the economic impact of implementing the Directive. In Germany, Accountancy Firm Arthur D. Little predicted at one point that job losses of up to 2.35 million people could be expected, along with a reduction of 6.4% GDP of the German economy. Mercer Management made a similar prediction for the French government, estimating that over a period of ten years there would be job losses of 670,000 people, with a 3.2% reduction in GDP per year.

Although the REACH directive has yet to be put in place, most estimates have found that the cost would be more like 0.05% of the chemical industry's turnover. But because of highly dubious predictions made by a strong and successful business lobby, the outcome of the final proposal is actually going to result in fewer obligations to restrict the industry, with less protection for human health and the environment.

Source: International Chemicals Secretariat

The problem is that business is only interested in the immediate impact on profits. They fail to factor in the public benefits that accrue from 'red tape', as the Cabinet office argued. And they don't recognise that these public benefits may actually provide long-term benefits for economic growth and the business community itself. Prior to the introduction of the minimum wage in 1999, business predicted a huge increase in unemployment would result. According to a paper by Patrick Minford, from Cardiff Business School, the measures should have produced 565,000 more unemployed within one year and 1,050, 000 within two, writes the TUC. But the results, in fact, were precisely the opposite: unemployment had fallen by around 200,000 and it fell by a total of over half a million since the spring of 1997 to 2003, notwithstanding the protection it gave to the lowest income earners in the country.[12]

The CBI and other groups have stated that the cost of implementing the Operating and Financial Review, a new regulation that will require business to report, to a limited extent, on their social and environmental impacts and opportunities, is far underestimated by the Department of Trade and Industry, at £29,000 per company, though they disclose no actual figures themselves of what they think it will cost.

But even the DTI's estimate doesn't recognise the financial benefits that have been shown to accrue from better transparency. A 2001 report by DEFRA and Environ found that while the actual costs of producing an environment report could be anywhere from £10,000 to £90,000, those companies that had a mature reporting regime realised significant financial benefits.

All of this says that we have to take 'red tape' polemics with a large pinch of salt. We know, for instance, that there is no direct correlation between a country that protects its workers and the environment, and lower productivity or competitiveness.

Various national competitiveness indices, including by the World Economic Forum and the World Competitiveness Yearbook find that competitiveness is a complex mixture of variables that can't possibly be solely linked to a regulated or unregulated state. In the case of the WEF forum's index, three countries with high levels of business-based regulation, including Denmark and Sweden, make it into the top five. Canada, with stronger maternity benefits, for example, than the UK, tops the World Competitiveness Yearbook for 2003.

Of course, business regularly points out that the US is the most competitive economy in the world and, as a model, most be followed. Much of what this assertion is based on, however, is a difference in measures of productivity. A report from the TUC finds that between 1992 and 2002 the US lost ground against most European economies in terms of GDP per hour – the best measure of productivity in the workplace. By 2002, eight of the fifteen EU economies (Luxembourg, Belgium, Italy, Netherlands, France, Ireland, Denmark, Germany) had higher workplace productivity (GDP per hour) than the US. The report notes that although these figures provided by Eurostat have not been adjusted for the effects of the economic cycle, some of which impacted the early 1990s, they still don't suggest the US has secured a decisive lead over Europe.[13]

No tape here: a sticking plaster will do

Because of the perceived cost of regulation, and the arguments made by business in favour of an unrestrained approach to corporate behaviour, self-regulation has become the preferred method by business and governments for dealing with social and environmental "externalities" caused by the market.

Business-led codes of conduct and industry guidelines now pepper the landscape and help business to evade so-called red tape. Initiatives such as the Global Compact, with no enforcement mechanism, or the OECD Guidelines on Multinational Enterprise, which relies on no more than one DTI staff member for implementation, have become the preferred approach for regulators and business alike.

But such initiatives are in no way a substitution for effective regulation. A recent report by OECDWatch, SOMO, and RAID, an international network of civil society organisations promoting corporate accountability, shows that application of the OECD guidelines has been patchy, at best, and that few interventions using the guidelines have led to an adequate resolution. Over the past four years, complaints against thirty-two companies have been filed by NGOs under the guidelines. Of the thirty-two complaints that have been brought forward, only twelve cases have concluded, with just two of these resulting in an agreed joint statement between the complainant and the Multinational. Others have been disallowed or remain unresolved, with several being drawn out for several years.[14]

Business, in part, has lobbied effectively to keep enforcement of the Guidelines weak. In a review of the role of the corporate sector in the conflict in the Democratic Republic of Congo, an expert UN panel initially listed eighty-five companies as having failed to comply with the OECD Guidelines. As a result of naming those companies, a report from the NGO RAID finds that several companies subsequently lobbied their own governments and the Security Council directly, to have their names removed from the report. The final report, with no formal sanctioning power, stated that most of the eighty-five cases had since been resolved, although there is no public record on how these resolutions were achieved.[15]

The UN Global Compact fares no better. American-based NGO Corporate Watch found several cases of "greenwash" by a plethora of companies, also noting how the corporate sector uses the UN to their public-relations advantage, referring to a photo opportunity between Nike boss Phil Knight and UN Secretary-General Kofi Annan on the signing of the Global Compact.[16]

But governments are doing little to discourage the proliferation of meaningless voluntary guidelines and standards. Rather, they are encouraging their adoption against a backdrop of weak international regulation.

A recent White Paper on Trade and Investment from the UK Department of Trade and Industry dismisses international regulation as a means for achieving sustainable development in favour of a voluntary approach to Corporate Social Responsibility. "The argument has been made that governments should work towards binding international laws governing the behaviour of multinational companies. However, given the breadth of the issues concerning such behaviour and the wide variety of circumstances – economic, legal and cultural – in which those companies operate, we are not convinced of the feasibility of an effective and enforceable universal regime."[17]

This is in spite of the fact that the UK government signed a declaration at the 2002 World Summit on Sustainable Development in Johannesburg, pledging to:

"…actively promote corporate responsibility and accountability, based on the Rio Principles, including through the full development and effective implementation of intergovernmental agreements and measures, international initiatives and public-private partnerships, and appropriate national regulations, and support continuous improvement in corporate practices in all countries."

Self-regulation, on its own, is unlikely to deliver the brave solutions necessary to tackle the immense challenge that sustainable development presents.

Prefaces to both the UN Global Compact and the OECD Guidelines state that they are not regulatory instruments. The Global Compact, for example, relies on the "enlightened self-interest of companies" to pursue action in support of the Compact's ten principles relating to human rights, labour standards and the environment. By promoting these instruments as substitutes for international governance institutions, the UN and OECD effectively undermine the ability of national governments to put forward a different approach. In a letter accompanying the OECD Guidelines, Peter Costello, Treasurer of the Commonwealth of Australia states: "It is true that the Guidelines are not legally binding. But they enjoy a number of important advantages over multilateral conventions: notably, the Guidelines were negotiated relatively quickly and they set a high standard, reflecting our values and aspirations".[18]

But how likely are multinational enterprises to translate lofty aspirations into improved business practices; and how closely do their values really correspond and overlap with the interests of the public good? Environmental group Green Alliance, finds in their report "The Private Life of Public Affairs" that the green image of many industries runs counter to their efforts to "water down or prevent crucial legislation."[19] They conclude that "indiscriminate lobbying against regulation perversely puts the short-term interests of the vocal under-performers before the long term economic and environmental interests of the enlightened companies, and of the country as a whole."

In an extensive academic review of how business has influenced climate change negotiations in the US, Canada, the EU and Japan, it was found that business effectively managed to ensure governments gave preference to market-based regulations, such as emissions trading. "There is an international business 'consensus' that these market-oriented approaches will deliver, if 'flexibility' is fully handed over to business," the authors argue.[20] In the EU, lobbying efforts by traditionally influential business associations such as the International Chambers of Commerce, remain focussed on securing such an approach in order to protect 'international competitiveness'. This is in spite of the fact that many businesses themselves project a green image.

But there is little evidence that voluntary self-regulation through the market will actually deliver. In the case of climate change, the authors of the extensive study on Kyoto and lobbying conclude: "The discrepancy between emissions profiles and emissions reduction goals suggests that this approach is not yet working, nor is it clear whether it will really foster longer term investment changes in preparation for much deeper cuts in emissions".[20]

It seems that without standard rules or enforcement mechanisms, the voluntary approach will continue to hold us captive to a system that favours business interests over the public interest. Self-regulation, on its own, is unlikely to deliver the brave solutions necessary to tackle the immense challenge that sustainable development presents.

Who pays? Winners and losers

"One person's red tape may be another's treasured safeguard."[21]

Often business can be quite like Janus, the two-faced god, when it comes to regulation. At one level, there are 'red tape' measures that help business when it is convenient, such as tax incentives on investment or funding for training schemes. Business will go to all lengths to avoid taxation through off-shore investment vehicles and clever accounting techniques. On the other hand, business frequently voices dire warnings about falling profits, lower shareholder dividends and the inevitability of staff retrenchments if "unfair" regulations are enacted. And they certainly don't consider their own burden that they place on consumers. As individuals, we assume the cost of everything from filling out extensive forms to apply for credit or a mortgage; to waiting at home for someone from a utility or telecoms company for hours on end, only for them not to arrive. We bear these burdens because, perhaps, they are a necessity. Why should business be any different?

The price to pay for a world without 'red tape' is high. And the price is paid by those least able to afford it. A study by Catherine Waddams Price of the Centre for Competition and Research at the University of East Anglia, on the deregulation of the energy sector in the UK, finds that there is little evidence that competition has brought greater benefits, even to consumers who have changed suppliers. "In general this research does not indicate that consumers in aggregate have benefited from the competitive process... measures of market power show no sign of becoming more favourable, and awareness of competitive opportunities seems to have fallen in the gas market." More importantly, she notes that amongst those who have switched, "there is little evidence that vulnerable groups [to whom the regulators have special regard] have gained more than others."[22]

After the recent increase in gas prices by British Gas, the regulator urged people to switch to other suppliers, rather than imposing price restrictions on providers. The outcome has been other suppliers, rather than remaining cost-competitive, simply raised their prices, too.

Another example lies in the obesity crisis. With findings that obesity and obesity-related diseases are at an all-time high, the UK government has threatened to impose regulation requiring the food industry to reduce the amount of salt and sugar that goes into its food. The industry, unsurprisingly, has backed a voluntary initiative over a regulatory one.

According to the National Heart Forum, over 30% of deaths from coronary heart disease are due to unhealthy diets. But while there is some individual responsibility for diet-related illnesses, the role of the food processing industry is integral. Approximately 75% of salt consumed is from processed foods, only 10-15% is added by consumers and 10-15% is naturally present in food, according to the Food Standards Agency.

The costs of a self-regulated industry are high: coronary heart disease costs the UK health care system about £1,600 million in 1996. In the UK, however, we at least have a system that, for the time being, can pay for such costs. In developing countries, health care budgets spent on treating diseases linked to obesity-related illness can cripple a country's budget. WHO studies show that the costs of treating the complications of diabetes in the Pacific Islands and Caribbean states, can reach 25% of total health budgets.[23]

The price to pay for a world without 'red tape' is high. And the price is paid by those least able to afford it.

The obesity crisis is reminiscent of what happened when knowledge of the impacts of tobacco-related illnesses emerged over twenty years ago. At the time, the industry took a defensive position, producing research that showed no conclusive evidence about the health impacts and arguing that consumption of their product was "an individual choice." Ultimately, it was only through aggressive regulation and taxation that consumption, and the commensurate impacts of tobacco have been reduced in the western world.

Nonetheless, in emerging markets, such as China, tobacco is only lightly regulated, and consumption is increasing rapidly. Through unregulated marketing, promotions, advertising or philanthropy, the tobacco industry is making great gains in the developing world. But the costs of this will ultimately be borne by the individuals and health care budgets of countries trying to come to grips with poverty and development. One study put the economic costs of health and productivity of diet-related non-communicable diseases in China as high as $15.1 billion in 1995. As China has been liberalised in the past ten years, one can confidently estimate that this cost has increased exponentially.[24]

Finally, let's take the case of climate change, argued recently by Prime Minister Tony Blair, to be "the world's greatest environmental challenge."[25] While the business community lobbies for market-based reform, rather than regulatory reform, the evidence continues to mount that the costs of the impacts of climate change, are rising. The Prime Minister's speech summed up the evidence:

- The number of people affected by floods worldwide has already risen from 7 million in the 1960s to 150 million today.
- In Europe alone, the severe floods in 2002 had an estimated cost of $16 billion. The 2004 European heat wave, which most scientists believe was influenced by global warming, resulted in 26,000 premature deaths and cost $13.5 billion.
- Insurance company Swiss Re has estimated that the economic costs of global warming could double to $150 billion each year in the next 10 years, hitting insurers with $30-40 billion in claims

Yet the industries which directly have an impact on this outcome continue to grow without adequate control by governments. Aviation, for example, is one of the fastest growing sources of carbon dioxide pollution and one of the main causes of climate change. Air travel emissions are already responsible for 3.5 per cent of man-made climate change and it is projected that this rate will go up to 15 percent by 2050, on current trends. Friends of the Earth report that in 2003 the Royal Commission on Environmental Pollution wrote to the Government and noted that "even with the most conservative figures for growth in air travel, by 2020 aviation will be contributing 10 per cent of the UK's carbon dioxide emissions."[26]

Many in the aviation business recognise this challenge, and have extensive policies regarding climate change. But the 'precautionary principle' is only heeded in words. British Airports Authority's (BAA) insistence on the need for airport expansion, for example, puts full faith in technological advances through market innovation alone. While market innovation, as discussed earlier, does have a role to play, it must be stimulated by regulation.

Meanwhile, despite the compelling evidence that more rather than less regulation is needed, the business community continues to offer anti-red tape arguments. The Prime Minister's speech notably sets ambitious targets for achieving carbon reduction, but urges business to invest in new technologies to meet them. Policy through restrictive regulation, it seems, is no longer an option in a competitive global economy.

Conclusion: from Red Tape to Road Signs

"Better Regulation does not always mean less regulation." World Bank.[27]

The CORE coalition is calling for changes in the law that would make business more accountable for their social and environmental impacts. These proposals comprise overarching principles, such as transparency and a duty of care principle that would legitimately require business to take a more active view of the impacts they have on society and the planet. Either through their production methods, pricing or lobbying on government policy, business should see regulation as an opportunity rather than a threat.

Many businesses find that, in a competitive economy, they are unable t o drive forward social and environmental innovation with ease. Investments that require a longer-term turnaround are not often welcome by shareholders, and so are usually scrapped in favour of short-term gain. At the same time, unpredictable threats by NGOs or the media, when a business causes harm, can do damage to both the reputation of a company and ultimately, to the bottom line. Regulation, by contrast, can help to stabilise the operating environment by clarifying expectations, whilst simultaneously stimulating new business opportunities at the same time.

For developing countries, the need for such regulation to be put in place at both the domestic and trans-national levels is even more critical to enable them to build stable economies while protecting the most vulnerable members of their societies. This requirement has even been recognised by the UK government's Department for International Development, which noted that: "Effective governments are needed to build the legal, institutional and regulatory framework without which market reforms can go badly wrong at great cost – particularly to the poor.… effective regulation remains essential – for instance, to promote financial sector stability, to protect consumers, to safeguard the environment, and to promote and protect human rights, including core labour standards." [28]

'Red tape' should be redefined, and looked at as an opportunity to contribute to better communities and a healthy, sustainable environment. Instead of competition based on a race-to-the bottom approach, countries should look to build a common framework for both domestic and cross-border business interaction, which provide companies with greater clarity and transparency about the rules of business, and prevents bottom-feeders and free-riders from looking to make an extra buck at the expense of society.

The CORE coalition is proposing that business and regulators change their thinking about progressive regulation from '**red tape**' that obstructs business to '**road signs**' that provide companies with clear signposts towards ethical practices that will deliver sustainable development objectives. The responsibility of different actors – including government, business and the media – is to weigh up the actual costs and benefits of proposed regulation for all.

'Red tape' is not the enemy; an unregulated society, on the other hand, is.

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About CORE

Basic human rights and the environment are being put at risk by the impacts of some companies. The Corporate Responsibility Coalition (CORE) is pressing for binding rules in order to address this and protect the interests of vulnerable communities and the environment.

The CORE Coalition believes the following must be enshrined into law:

- **Mandatory Reporting:** Companies shall report against a comprehensive set of key social, environmental and economic performance indicators with which they can benchmark (and ultimately better manage) their operations and performance – here in the UK and abroad.
- **Directors' Duties:** Expanding current directors' duties to include a specific duty of care for both society and the environment, in addition to their current financial duty to shareholders.
- **Foreign Direct Liability:** To enable affected communities abroad to seek damages in the UK for human rights and environmental abuses committed by UK companies or their overseas subsidiaries.

The CORE Coalition's steering group is made up of Action Aid, Amnesty International, Christian Aid, Friends of the Earth, New Economics Foundation, Traidcraft and WWF. The Coalition itself includes over 100 unions, faith-based groups, charities and academic institutions.

For further details on how to support CORE's work, contact Brian Shaad, CORE Coordinator, CORE Coalition, 26-28 Underwood Street, London N1 7JQ, United Kingdom Telephone +44(0) 207 566 1665.
www.corporate-responsibility.org

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