

# Easy listening

Why the Government needs a new playlist featuring more than the CBI's old favourites

A research summary



Friends of the Earth

## **Easy listening**

**Why the Government needs a new playlist  
featuring more than the CBI's old favourites**

### **A research summary**

**Written by: Simon McRae, Craig Bennett and  
Helen Burley on behalf of Friends of the Earth**  
**Edited by: Adam Bradbury**  
**Designed by: Ranch**

The full research report *Hidden voices: Corporate lobbying  
and sustainability in the UK* on which this summary is based  
is available at:

[www.foe.co.uk/resource/reports/hidden\\_voices.pdf](http://www.foe.co.uk/resource/reports/hidden_voices.pdf), or by  
writing to or calling Friends of the Earth at the address below:

Friends of the Earth  
26–28 Underwood Street  
London N1 7JQ  
Tel: 020 7490 1555  
Fax: 020 7490 0881  
Email: [info@foe.co.uk](mailto:info@foe.co.uk)  
Website: [www.foe.co.uk](http://www.foe.co.uk)

Friends of the Earth is the world's most extensive grassroots  
network working for environmental justice – that means  
ensuring a fair share for everyone now and in future while  
looking after the planet.

**Friends of the Earth Limited** inspires individuals and  
communities around the world to **take action** for  
a healthier, safer and more sustainable future for all.

# Easy listening

**When it comes to business, society and the environment, the UK Government is stuck in easy listening mode. For years it has been humming along to the old favourites trotted out by the Confederation of British Industry (CBI): regulation is bad for business; labour standards are bad for competitiveness; environmental regulation will drive business elsewhere. The Government has rarely questioned the CBI refrain.**

The CBI calls itself “the voice of business”. In reality there are many different voices of business both within and outside the CBI. But these other voices, in particular those calling for regulation, do not get heard.

The social and environmental challenges that we all face, in particular climate change, cannot be addressed by the free market alone. Sensible and progressive regulatory frameworks are needed to counter market failure by rewarding good and penalising bad business behaviour – by making it easier and cheaper for business to do the right thing socially and environmentally.

This is old news for progressive companies and sectors, which are growing increasingly frustrated with the CBI’s anti-regulatory mantra and the disproportionate airtime it gets with Government.

The CBI works for vested business interests rather than people and the environment. Its sweeping anti-regulatory claims are often misleading and rarely backed up by hard evidence.

**This is a summary of research by Friends of the Earth into the influence of corporate lobbying on UK Government policy. The full report can be downloaded at: [www.foe.co.uk/resource/reports/hidden\\_voices.pdf](http://www.foe.co.uk/resource/reports/hidden_voices.pdf)**

Friends of the Earth’s research raises serious concerns about how the Confederation of British Industry (CBI):

- exaggerates the “costs” of regulation
- ignores the benefits of regulation
- presents its anti-regulatory position as if it has consensus support within the CBI and across the business community as a whole.

This summary highlights some of the evidence against the CBI’s case, including powerful comment from prominent figures in the business and political community.

It suggests strongly that it is time for the Government and media to listen with a critical ear and to seek out new, more progressive sounds.

## Friends of the Earth wants the Government to:

- **rigorously challenge** CBI claims on the impacts of public policy and regulation on business, in particular with regard to environmental and social issues
- **demand that the CBI provide** accurate, relevant and objective evidence to substantiate its claims that UK companies' competitiveness suffers from regulation to protect the environment
- **assess the wider costs and benefits** of regulation, not just the short-term costs to one section of the economy
- **fully implement** the recommendations of the Environmental Audit Committee pre-budget report on tax and the environment of April 2005<sup>1</sup>
- **seek out a range of views** from progressive and innovative companies that will gain from comprehensive policy and legislation designed to address environmental and social challenges
- **champion the wider public interests** of sensible and progressive regulatory frameworks, in terms of health, safety, environment and well-being, innovation and investment
- **immediately release information** on request about company meetings with Ministers and senior officials, as a matter of public trust

## Friends of the Earth wants companies to:

- **consider whether the CBI can adequately represent their position**, especially on social and environmental issues, where the impact of regulation differs from one sector to the next
- **consider whether individual sector trade associations would represent them more effectively** than a cross-industry body
- **be prepared to break from the pack and speak out** when their position differs significantly from that of the CBI or other trade associations
- **disclose their lobbying position** on key public policy issues that affect their business (for example, climate change or human rights) in their annual sustainability report

# The CBI: the voice of business?

## The CBI calls itself “the voice of business” but it isn’t.

The CBI can claim to be the biggest business lobby group in the UK. It has 1,800 individual company members employing around 4 million people and a further 6 million people employed by companies whose trade associations are members of the CBI. The companies represented within the CBI make up three quarters of the FTSE100 and cover nearly 40 per cent of the workforce.

A closer look at the CBI membership, however, reveals patchy and incomplete representation of the UK corporate sector. For example, although the CBI has a lot of members

in financial services and manufacturing (lawyers and consultants make up two of the largest groups of members), in sectors such as retailing and distribution it has a low representation. It does not represent at least a quarter of the FTSE100 and nearly three quarters of the UK top 100 private companies.

But how much is the CBI the voice of even this skewed membership? How fairly does it represent the views of individual company members both within and outside the many trade associations? How accurately does it communicate the diversity of views found among its members – and across the business community as a whole?

## The CBI: big claims, little evidence

**“It’s bollocks. Digby Jones is the classic example of ‘Let’s find something to moan about.’”**

Sir Alan Sugar, Chairman of Amstrad, on the CBI’s campaign on red tape

### The sweeping anti-regulatory claims that the CBI makes so frequently are often misleading, or not backed up by hard evidence — or both.

The CBI report on environmental regulation, for example *UK environmental regulations: The UK a place to do business, 2004* slammed the Environment Agency for undertaking more site visits than “equivalent” regulators in other countries. But although it counted all of the Environment Agency’s visits, it only counted those carried out at federal (national) level in France, the United States and Italy, where most of the inspections are in fact done at state (regional) level. The report also failed to acknowledge that the breadth of the Environment Agency’s remit could have been matched only by including several regulators in some countries, where only one was considered.<sup>2</sup>

The report also referred to research carried out in 2003 which supposedly found that “Many businesses believe it (regulation) is damaging the UK’s attraction as a place to do business”. But, the survey had used leading questions and reported expectations rather than experience. The CBI drew conclusions that were not justified by the research:

- When pressed on what caused the most difficulty in the area of health, safety and environment, only one in five cited increased regulations (ie one fifth of 68 people for whom this area was one of top three concerns – just 15 directors). The same number cited increased environmental regulation as positive for their business competitiveness
- Only four directors specifically mentioned the Climate Change Levy.

Nevertheless, the survey was used to justify the CBI’s subsequent attack on regulation in general, the Climate Change Levy and the Environment Agency in particular.

**“The Chemical Industries Association (CIA) today (5 July 2004) called for an end to yet more analysis of the effect of regulation on UK industry and urged that Government, regulators and industry need to continue to work together to resolve the problems that are already well recognised.”**

**“Responding to the publication of the CBI report, UK environmental regulation, the CIA played down the significance of some of the comparisons with other countries and highlighted examples of where the Environment Agency and industry are already working together to address some of these issues.”**

Chemical Industries Association press statement, Time for action not more analysis on regulatory impact, 5 July 2004

# The CBI: exaggerating the costs of regulation

**Evidence from our case studies (see [Laying into the Climate Change Levy](#), page 10) indicates that the CBI exaggerates the costs of social and environmental regulations.**

For example, the CBI argued that “Even a low minimum wage would reduce job opportunities and create major problems for wages structures in a wide range of companies”.<sup>3</sup> It warned that even a low minimum would result in “rising prices, business closures and unemployment” as workers were “priced out of jobs”. It suggested that a minimum of £3 an hour could lead to job losses.<sup>4</sup>

The rate for the [minimum wage](#) was subsequently set at £3.60 an hour. In a detailed review of the impact of the minimum wage for its third report, the Low Pay Commission concluded: “All the evidence suggests that the introduction of the minimum wage has helped low-paid workers, businesses have coped and there has been no discernible adverse effect on employment.”<sup>5</sup>

Similarly, the CBI complained about the “tax burden” on UK business of the [Climate Change Levy](#). This was in spite of the fact that the Government planned to make the levy tax neutral for business as a whole by reducing companies’ National Insurance contributions. The actual increase of the total business tax bill in the UK as a result of the introduction of the Climate Change Levy is just 0.3 per cent.

An independent report<sup>6</sup> for the Treasury looking at reducing the cost of regulation was highly critical of studies that claim to estimate the costs of regulation. It concluded that none of the current estimates of the costs of regulation were reliable.

One way the CBI exaggerates the costs of regulation is to include policy costs (such as investment in new technology) with the administrative costs of compliance.

When calculating the cost of complying with [environmental regulations](#) in the UK, for example, the CBI included around £1.3 billion that was invested in new technology to meet higher environmental standards. This is really an investment by business in cleaner, more efficient technology which in turn generates new business opportunities for the environmental services sector – and helps the environment.

The CBI repeatedly warns that the cost of environmental regulations will cause UK based companies to relocate. The *CBI business agenda*, published to coincide with the 2005 General Election, called on the future Government to “Set emissions reduction targets ... that are sensitive to the need not to simply drive business overseas”.<sup>7</sup> And yet, when the House of Commons Environmental Audit Committee earlier in the year had asked CBI’s Director General Sir Digby Jones for an example of a company that had moved overseas as a result of environmental pressures, he said there were “nil”.<sup>8</sup>

Contrary to the CBI’s assertions, international studies indicate that the UK is actually seen by business internationally as a good place to do business. A World Bank report in 2004 looked at regulation across 130 countries and found the UK one of the 10 least regulated countries.<sup>9</sup>

The CBI’s own research of 250 business executives revealed that the number of executives who saw the UK as an attractive place to do business rose significantly from 54 per cent in 2002 to 78 per cent in 2003. So much for the CBI rhetoric.

## The CBI: missing the big picture

**The CBI argues that regulation will increase costs to business. It fails to recognise the benefits that regulation can bring. Too often the CBI reduces the debate to a narrow discussion about the costs of implementing policies rather than responding to the actual issue. There is little discussion about the significant environmental, health and safety benefits that can result from legislation to protect the environment and our health. Or of the fact that these benefits also make economic sense.**

First there are the [wider benefits to society](#) in terms of a better health and a cleaner environment. Health and safety legislation reduces accident rates and provides workers and consumers with greater peace of mind. Environmental regulation such as pollution controls has cut the release of toxic chemicals into the environment and done much to clean up our air and water.

A recent Government evaluation<sup>10</sup> of the national air quality strategy, for example, found there were an estimated 4,225 fewer deaths in the UK as a result of regulation. The Government estimates that the Climate Change Levy could save up to 5 megatonnes of carbon emissions by 2010.

Second there are [wider benefits to the economy](#). Policies to cut CO<sub>2</sub> emissions to prevent climate change may require big emitters to spend money to comply. But firms offering a wide range of low-carbon solutions, from renewable energy to energy efficiency, will benefit. Tackling environmental challenges can create new business opportunities.

The world market for environmental goods and services is estimated at US\$515 billion (around £270 billion) – comparable with the aerospace and pharmaceutical industries – and is forecast to grow to US\$688 billion by 2010 (around £360 billion). Will continued CBI lobbying against regulation threaten the UK’s possible share of this market?

# Regulation can drive innovation and investment

## The CBI ignores or plays down the potential benefits of regulation for business.

Well-designed regulation works. It is needed to address the failures of the free market, such as the negative impacts of business activity on people and the environment. But the CBI's agenda is simply one of "deregulation" (as summarised in its recent *Business agenda*), rather than "better regulation". This ignores the fact that regulation saves lives and drives necessary change.

The business opportunities that can result from regulation often get lost in a debate that focuses only on the costs of implementing policies:

- A World Wildlife Fund report on the effect of proposed EU chemicals regulations<sup>11</sup> found they were likely to promote innovation by encouraging the replacement of risky chemicals with safer alternatives.
- Evidence shows that some of the world's most competitive countries are those with high levels of social and environmental protection, including Finland, Sweden and Denmark.<sup>12</sup>
- In October 2004 the Environment Council of the European Union adopted conclusions on a Clean, Clever and Competitive economy and requested these be adopted as part of the EU Lisbon Strategy of building a competitive and dynamic economy.<sup>13</sup> The Environment Council agreed eco-efficient innovations make a positive contribution to competitiveness by lowering business costs through improved energy and resource use and contributing to employment growth.

Instead of scaremongering with figures that are often partial and exaggerated the CBI could call for better regulation, rather than "deregulation" and ensure that government policies are designed to effectively protect the environment and improve quality of life, while providing business opportunities through innovation and investment.

Barbara Young, chief executive of the Environment Agency said of the CBI's report on environmental regulation in the UK: "The report is based on perception with little sound underpinning data or relevant international comparisons... The assertion that regulation is making the UK a less attractive place to invest is simply not true."<sup>14</sup>

**The House of Commons Environment Audit Committee published a pre-budget report on tax and the environment in April 2005. The Committee, which listened to evidence from the CBI and the Environment Industries Commission as well as from non-governmental organisations including Friends of the Earth, concluded:**

**"We are sceptical about the extent to which environmental regulations damage competitiveness, and we reject the scaremongering approach which the Confederation of British Industry has adopted in this respect."<sup>15</sup>**

**The report recommended that Regulatory Impact Assessments be overhauled to fully take into account the social and environmental impacts when assessing policy options. Further, it recommended the establishment of a Sustainable Development Unit within the Cabinet Office.**

# The Government: in thrall to the CBI

**Despite the question marks over some of the CBI's most prominent assertions, the Government seems to accept many of them at face value. Following CBI pressure, the Government has taken a series of decisions that protect vested interests rather than the wider public interest:**

- The Prime Minister has described climate change as “a challenge so far-reaching in its impact and irreversible in its destructive power that it alters radically human existence”. Following lobbying from the CBI, the Government agreed that UK industry should be allowed to dump an extra 20 million tonnes of greenhouse gases into the atmosphere than previously agreed under the EU emissions trading directive. The European Commission has so far refused to accept the change.<sup>16</sup>
- The then Secretary of State for Trade and Industry Patricia Hewitt responded to CBI lobbying by watering down proposed anti-bribery and corruption measures for UK companies seeking export credit from the Government.<sup>17</sup> The companies, which were mainly involved in the defence industry selling arms and equipment, had argued along with the CBI that the proposed new rules were “endangering a number of valuable contracts”. The Minister subsequently agreed with the CBI and removed a particular demand for companies to disclose the middlemen involved in arms trade even if this could help deter corruption.<sup>18</sup>

**“If the CBI is to remain a credible voice it needs to listen to the more progressive companies within its membership to help find solutions to some of our biggest environmental and social problems.”**

**The Rt Hon. John Gummer MP, former Environment Minister (pers. comm. to Friends of the Earth)**

**“Far too much notice is taken of the CBI within Government compared with other legitimate voices such as NGOs, unions and environment industries supportive of good regulation. Good government is about considering the environmental and social issues facing people and not just about the needs of big business.”**

**The Rt Hon. Michael Meacher MP, former Environment Minister (pers. comm. to Friends of the Earth)**

- The DTI also caved in to CBI lobbying over the Operating and Financial Review (OFR), a new regulation requiring companies to disclose potential risks to shareholders (including social and environmental risks). Following pressure, the Government slashed the number of companies that would be required to produce an OFR. It also agreed to replace the requirement for company directors to make “due and careful inquiry” when considering what is relevant for the OFR with the less legally onerous “consistency with the company’s accounts”; and to delay implementation until May 2006 and enforcement until May 2007.<sup>19</sup>
- Despite the UK being named in international studies as one of the least regulated countries for business, the Government has consistently caved in to CBI lobbying by proposing a major “deregulation initiative” every year for the past 10 years. The most recent was in May 2005.

# The other voices of business

**The CBI presents its views as if they are the consensus of business. In fact there is often disagreement even among the membership, let alone across the wider business community.**

- The Director-General's hostility to the Climate Change Levy, which emerged after it was implemented, caused concern among CBI members – such as The Association for the Conservation of Energy, which sits on the Energy Committee that helps form the CBI position on the Levy.
- One of the CBI's biggest members, the Chemical Industry Association (CIA), was highly critical of the CBI report on environmental regulation and issued a press statement criticising the CBI.
- The CBI opposed mandatory social and environmental reporting for companies and lobbied for a weak Operating and Financial Review. But many investors wanted a stronger, more effective OFR. The Co-operative Financial Services, a CBI member, supported mandatory social and environmental reporting.
- The CBI opposed a United Nations initiative to promote human rights responsibilities for business (the UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights). Barclay's Bank, a CBI member, participated in a business leaders' initiative looking at working with the UN Norms.

Responsible and progressive corporations and business sectors are calling on the Government to use regulation to protect the environment and manage change in a predictable way.

The Environmental Industries Commission (EIC), for example, represents almost 280 companies that hope to gain from environmental regulation. It is not a CBI member. In January 2005 the organisation launched a campaign to counter the CBI deregulation lobby, which, it said overlooks the positive economic benefits of environmental regulation, including a healthy environment and improved health and air quality.

**“the scaremongering deregulation lobby from polluting industries, led by the CBI, has captured the policy debate in Downing Street to the huge detriment of British citizens and to the UK economy.”**

**Adrian Wilkes, Chairman of the Environmental Industries Commission, representing almost 280 companies working in the environment sector**

On 9 June 2005 the heads of 23 global companies released a statement in advance of the G8 summit expressing strong support for action to mitigate climate change. It called on governments to establish “clear, transparent, and consistent price signals” through creation of a long-term policy framework that includes all major emitters of greenhouse gases.<sup>20</sup>

## Case study: Laying into the Climate Change Levy

**The Climate Change Levy (CCL) was designed to reduce the UK's greenhouse gas emissions through the use of levy applied to carbon dioxide emissions from industry.**

Initially the CBI did not oppose the CCL although it was not an enthusiastic supporter. The Levy was introduced in April 2001 with a number of concessions to mitigate the impact on high energy users, including a discount of up to 80 per cent for sectors for agreed energy efficiency targets.

A year later, the CBI launched a broad assault on all green taxes claiming that business paid half of all environmental taxes in the UK and that this “burden” had risen by 15 per cent since 1997–98. It also claimed the UK paid a higher proportion of environmental taxes in terms of their overall tax burden than any other EU country. But the CBI figures included fuel duties and vehicle excise duties in the environmental category. While the annual fuel duty accelerator could have been described as environmentally driven, it was abandoned in 1999 following the fuel protests. The bulk of fuel duties, as well as vehicle excise duty, can hardly be described as “environmental taxes”, since they existed long before governments became concerned with the environmental impacts of transport.

In 2002 in conjunction with the Engineering Employers Federation (EEF) the CBI attempted a more thorough assessment of the Climate Change Levy's performance in its first 12 months.<sup>20</sup> Extrapolating figures from just over 500 companies, the CBI estimated the net cost to business at just over £100 million.

The CBI's estimate of the net cost of the Climate Change Levy across the private sector (£100 million) amounted to just 0.3 per cent of business's total corporation tax bill – or less than 2 per cent of the total costs for just one manufacturing company.

In fact, genuinely “green” taxes – the Climate Change Levy, landfill tax and air passenger duty – raised just £1.9 billion. The Climate Change Levy was recycled through lower National Insurance payments, so the actual green burden amounted to just £1.3 billion, or 0.4 per cent of net tax revenues to the Exchequer.<sup>21</sup> Compare these figures with total annual corporation tax payments of more than £30 billion.

Significantly nowhere in their attack on the levy did the CBI actually address the problem of how they would reduce greenhouse emissions to minimise the impacts of climate change – an issue the Prime Minister identified as the greatest threat facing humanity.

Despite the grave predictions from the Prime Minister the Government applied a freeze on the levy in the 2005/06 budget.

# Endnotes

- 1 The conclusions of the report *Pre-Budget 2004 and Budget 2005: tax, appraisal, and the environment* include:
  - Regulatory Impact Assessments must take full account of benefits of high environmental standards to health, tourism etc.
  - Regulatory Impact Assessments must recognise the economic benefits that the creation of a thriving UK environmental industry can bring.
  - A new Strategic Impact Assessment is needed to fully identify all economic, social and environmental impacts of new policy measures.
  - The Cabinet Office Regulatory Impact Unit, which conducts policy appraisals, should be supplemented with a “Sustainable Development Unit.”The full Environmental Audit Committee report can be found at:  
[www.parliament.uk/parliamentary\\_committees/environmental\\_audit\\_committee.cfm](http://www.parliament.uk/parliamentary_committees/environmental_audit_committee.cfm)  
Cited in Environment Industries Commission Press release 13 April 2005.
- 2 Pers Communication, Environment Agency
- 3 Bain, G. “The national minimum wage: Further reflections”, quoted in *Minimum wages and employment: The positive UK experience*, by Damian Kyloh in *Labour Education 2002/03*, Number 128 ILO
- 4 Quoted in House of Commons debate, Hansard Col 229, 16 December 1997; taken from [www.parliament.uk](http://www.parliament.uk)
- 5 Low Pay Commission, *The national minimum wage: making the difference Third Report*, Vol 1 March 2001
- 6 Phillip Hampton, *Reducing administrative burdens: effective inspection and enforcement*, report for HM Treasury, December 2003
- 7 CBI, *The CBI business agenda*, March 2005
- 8 Oral Evidence, House of Commons Environmental Audit Committee, 19 January 2005.
- 9 World Bank, *Doing business in 2004: Understanding regulation*, October 2003
- 10 AEA Technologies, *An evaluation of the Air Quality Strategy*, Final report to DEFRA, December 2004
- 11 Berkhout F, Lizuka M, Nightingale P and Voss G, *Innovations in the chemical sector and the new European Chemicals Regulation*, Science and Technology Policy Research, University of Sussex, September 2003
- 12 Corporate Responsibility Coalition, *From red tape to road signs*, 2004
- 13 Environment Council press release, 14 October 2004, Council meeting, Brussels, European Union
- 14 Environment Agency, *Your environment*, Issue 4, September 2004
- 15 House of Commons Environmental Audit Committee, *Pre-budget 2004 and budget 2005: Tax, appraisal, and the environment*, Seventh report of Session 2004-05, April 2005
- 16 James Reynolds, “Blair angers the green lobby by defying Brussels on emissions”, *The Scotsman*, 15 February 2005
- 17 Jean Eaglesham, “UK ministers back down on bribery controls”, *The Financial Times*, 17 October 2004
- 18 Rob Evans and David Leigh, “Minister how far have you come: Big business pressure lead Hewitt to emasculate anti bribery laws”, *The Guardian*, 25 January 2005
- 19 Sundeep Tucker, “Business hail reporting guidelines”, *The Financial Times*, 26 November 2004
- 20 “World Economic Forum business leaders support action on climate change”. WEF Press Release, 9 June 2005
- 21 CBI and EEF briefing, *The Climate Change Levy: First year assessment*, November 2002
- 22 HM Treasury, *Budget report*, 2003

**Friends of the Earth inspires solutions to environmental problems, which make life better for people.**

**Friends of the Earth is:**

- the UK's most influential national environmental campaigning organisation
- the most extensive environmental network in the world, with around 1 million supporters across five continents, and more than 70 national organisations worldwide
- a unique network of campaigning local groups, working in more than 200 communities throughout England, Wales and Northern Ireland
- dependent on individuals for over 90 per cent of its income



**Friends of  
the Earth**

**Friends of the Earth  
26–28 Underwood Street  
London N1 7JQ  
Tel: 020 7490 1555  
Fax: 020 7490 0881  
Email: [info@foe.co.uk](mailto:info@foe.co.uk)  
Website: [www.foe.co.uk](http://www.foe.co.uk)**

Friends of the Earth Limited  
company number 1012357  
Printed on paper made from  
100 per cent post-consumer waste