

THE NEW REGULATORY REFORM AGENDA CONFERENCE 2008

Melanie Leech, FDF Director General

- I am delighted to be here today and to be sharing a platform with Deirdre. My job is to talk about industry's view of regulation – how it feels to be regulated and what businesses are looking for from the system.
- But first let me give you a little background on the Food and Drink Federation.

Simply put, FDF's mission is to be the voice of the food and drink manufacturing industry here in the UK. Our members are companies of all sizes, representing all types of ownership structure, manufacturing everything from chocolate to organic muesli, own label products to big brands, retail lines to those for catering sector.

We also represent other trade associations and sector groups, ensuring that FDF is the key trade association for this vast and incredibly diverse industry.

- I think it's also important to remind you of a few facts and figures about our industry, which is the UK's largest manufacturing sector. We account for something like fourteen per cent of all manufacturing output, directly employ about 470,000 people, and estimate that 1.2 million people in ancillary services depend on our industry for their jobs. We are also an important partner for British farmers: buying about two-thirds of all the UK's agricultural produce. And all this vital economic activity is carried out by 6,500 food and drink manufacturing enterprises across the country. Of these, the overwhelming majority are small, medium or micro businesses – and you could argue that these SMEs have generated much of the recent innovation seen in our sector.
- Let's not forget that our industry is responsible for making some of the country's best known, and best loved, brands, the success of which are based solely on the strong relationships they have forged with consumers, usually over many decades.

- I tell you all this to remind you that food and drink manufacturing is a great British success story. And that's really important: because we need to be successful if we are to continue investing in the innovations, product developments and new processes that are necessary to meet changing consumer demands in the years ahead.
- And if the FSA, MHS, Environment Agency, OFCOM, EHOs' TSOs, port health authorities are to continue to have food businesses in the UK to regulate and inspect!
- I also want to stress that consumer demand is a powerful force for change in our industry; arguably it's the most powerful. Industry's desire to respond to society's concerns about the health of the nation, or to protect the environment in which we all live, has created one of the most important competitive drivers for our members.
- And means that amongst responsible businesses in the sector there is a healthy pressure to self-regulate effectively.
- All of which presents many challenges – particularly for regulators and policy makers.
- So what are we looking for? Policy-making and regulation go hand-in-hand. So the first element is that government and regulation should be joined up. That means all the way from the Cabinet to the local EHO. Or – given that the large majority of our regulation is European – from Brussels to Barnstaple.
- Regulation should be based on evidence-based objective policy-making and subject to democratic accountability and Parliamentary scrutiny. Critically it must include a full impact assessment – one that has the confidence of the sector that it accurately reflects the burden which the proposed action will represent on the ground.

- We fully support the key principles the Government has adopted for regulation. They're worth re-stating. IF regulation is necessary it should be:
 - transparent
 - accountable
 - proportionate
 - consistent
 - targeted – only at cases where action is needed

- Let me pick out a few of the Hampton principles in a bit more detail. First – risk assessment. We absolutely agree that regulators, and the regulatory system as a whole, should use comprehensive risk assessment to concentrate resources on the areas that need them most.

- Of course that means that low-risk businesses should receive less attention – and be left to get on creating wealth and high quality products meeting the needs of consumers.

- And that those operating multi-sites should be able to have confidence that their relationship with enforcement officers will be properly managed and co-ordinated.

- Whilst I have no reason to doubt the commitment to implement the vision of a risk-based, compliance-led, targeted system of enforcement, I think we do need to recognise that this will require a change in culture among some local authorities and the new LBRO will have a critical role to play in leading that change.

- My second Hampton principle is that regulators should be accountable for the efficiency and effectiveness of their activities, while remaining independent in the decisions they take. It's easy to agree with that one too. And to its great credit the FSA works very hard to be accountable through its openness and approach to consultation.

- Indeed many of us may feel we are suffering from consultation overload at present – not by any means solely through the

Agency's efforts but a symptom of the current government's preferred way of doing business.

- Whilst you will never hear me argue that I don't want to have a say in the policy and regulatory framework that will impact on all the businesses I represent, it does seem sometimes that consultation is an empty process for form's sake, rather than a meaningful dialogue between trusted partners working to achieve the same objectives. So let's only consult when the results will be listened to and genuinely help improve matters.
- One consultation in particular I am planning to respond to is the current document from DBERR proposing the introduction of regulatory budgets – which may among other things reduce the number of consultations in future: a consultation on cutting consultation !
- Deirdre, I know that you are fiercely protective of the Agency's independence. Our industry wholeheartedly supports you in that. Without consumer confidence in the food we all eat, arguably there would be no food industry – or at least not one in which the levels of innovation and competition consistently give the UK consumer such a good deal.
- The FSA's reputation as a strong science-based independent regulator, and its consistently high levels of trust among consumers, are a critical factor in maintaining confidence in our food – despite the plethora of conflicting messages out there particularly around healthy eating.
- Another factor that is critical in maintaining confidence is a belief that swift appropriate action will be taken by regulators through enforcement when necessary. So whilst no inspection should take place without a reason, all responsible businesses will stand four square behind another Hampton principle – that the few businesses that persistently break regulations should be identified quickly and face proportionate and meaningful sanctions. No-one – in any sector - wants rogue businesses to tarnish the hard-won reputation of the thousands of responsible businesses but in the

food sector – where public health and safety is a key concern and each of us has such an intrinsic relationship with what we eat – it is paramount that unacceptable practices are rooted out and stopped.

- This of course does present particular challenges for enforcement – in the plethora of small and micro-businesses operating in the food service sector in particular.
- Of course we are in favour of reducing the regulatory burden, and cutting bureaucracy. But only when it is appropriate to so. Some people may have been surprised for example to find industry lobbying hard to retain regulation where the European authorities wished to remove it – in the application of HACCP principles to very small businesses. Yes a burden – but in our view an essential one to protect consumers.
- My fourth Hampton challenge has been clearly identified by the FSA in its push towards better regulation. That is for those at the top of the regulatory pyramid really to understand the industries they seek to regulate. And – dare I say – also that they understand those on the ground policing the regulatory framework on their behalf.
- FDF has been delighted to offer new FSA Board members the opportunity for briefings on the industry – which have I think been well received. And we have been a consistent advocate of interchange – getting people out from behind their desks to see what it is really like to run a food business. I am confident FSA also understands the benefits of this – and I was delighted to hear Tim Smith at the Board meeting yesterday refer to the fact that secondments are starting to happen. I urge him to keep up the momentum. I understand the time pressures – but if you don't understand business processes and the issues facing them every day how can you regulate intelligently?
- Enforcement officers on the ground do of course in general have a better feel for the real life issues facing businesses. The challenge for them I think – and for 'the system' - is slightly different. That is,

how do we balance the prize of a consistent approach to regulation with an understandable desire on the ground for a more creative and flexible approach – built on the back of a strong relationship of trust - that can respond to genuine unforeseen circumstances and deficiencies of understanding in the original concept of how regulation would impact.

- The best response to this, I think, is for a virtuous circle of information flowing through the regulatory system from the ground up to those who set the framework for regulation and back down again so that the practice of regulation and enforcement can be subject to continuous improvement. Too slow, I know, if you find yourself frustrated by poor regulation or practice, but inevitable to maintain consistency and ‘fairness’.
- The last of Phillip Hampton’s principles I’d like to pick out – and which I hope we might debate further in a moment - is that regulators should recognize that a key element of their activity will be to allow, or even encourage, economic progress and only to intervene when there is a clear case for protection. To that I’d add – of particular relevance in our sector – that regulatory action should always have the overall effect of enhancing rather than diminishing consumer confidence.
- That’s quite a thought, isn’t it. I’d guess – and I have worked in a regulatory body – that it is a lot easier to understand what your role is in terms of market failure, stopping bad things happening within your sector, or protecting the public and improving standards for their benefit – than it is as a body with a responsibility to help the sector thrive economically and be successful.
- So, a second cultural change is probably required to interpret this challenge – and I look forward to seeing how the FSA will respond as it continues its drive towards the aspiration of being an exemplary world-class regulator. And to the views of this audience....thank you.