

Business and Trade Committee

Oral evidence: The role of regulators, HC 1219

Tuesday 15 July 2025

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Members present: Liam Byrne (Chair); John Cooper; Sarah Edwards; Alison Griffiths; Charlie Maynard; Gregor Poynton; Matt Western.

Questions 79-108

Witnesses

[III](#): Lord Willetts, Chair, Regulatory Innovation Office; Justin Madders MP, Minister for Employment Rights, Competition and Markets, Department for Business and Trade; Chris Carr, Director, Company Law and Governance, Department for Business and Trade.

Examination of witnesses

Witnesses: Lord Willetts, Justin Madders MP and Chris Carr.

Q79 **Chair:** Welcome to the third panel of today's session of the Business and Trade Committee. We are looking at the role of the regulators in either blocking or facilitating UK growth. Thank you very much indeed to Justin Madders, the Minister on point for this, and to Lord Willetts and Chris Carr for joining us.

Justin Madders, as a Minister a year into the role, what have you noticed about the way red tape is getting in the way of growth?

Justin Madders: Has it been only a year?

Chair: I am afraid so. You look as young as you did this time last year, if that is any consolation.

Justin Madders: Thank you. That is a consolation.

It is a good question, because that is a daily challenge that we face. There are two elements to it: there is the internal decision making in Government and the need to get write-rounds across Departments, the correct legal advice, the requirement for consultations and so on, and then there is the wider question of how the wider economy works, which is really where you are looking at this.

Clearly, there is recognition that there is a lot of work that we can be doing in this area. We are very keen to see what we can do to reduce regulatory burdens, which is going to be central to achieving our growth mission, and we have made a good start on that. There is a long way to go, but we have challenged officials on some of the assumptions that have been made, and there is a great opportunity here.

Q80 **Chair:** Did you feel shocked by what you saw coming into office, in terms of the way red tape ensnares growth? How did you feel about it? Was it broadly in the right place and did it just need a bit of tweaking here and there? How would you characterise your feelings towards the way that red tape does or does not get in the way of growth?

Justin Madders: Feelings are always a good way to look at things, because it is about the sum of your experiences, is it not? There has probably been a lack of pace in decision making. This is partly from conversations with stakeholders as well as my own reflections, but pace, duplication, overlap and competing priorities all play into it. These are all things that we have identified in the action plan as areas where we can make improvements.

I can see how we have got here, because with every piece of legislation there is a question about how you best deliver it. Regulation has often been part of the answer. It means that you build on and build on, and



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what we need to do is just look at the whole picture and see whether we have the correct balance.

- Q81 **Chair:** Lord Willetts, what were your observations on taking the helm at the Regulatory Innovation Office? Where do you think the UK had got to when it came to regulation?

Lord Willetts: Our focus at RIO is very much on where regulation is holding back new technologies and innovation. Sadly, that is a real problem. There is already a pattern in the three or four months that I have been doing this, which is often that the regulators say, "We would love to do more. We do not have the resource. We have other priorities. We do not have the expertise of people who understand the new technology."

There are certain classic issues that come up again and again, and we do try to help with that at RIO. We have everything from the Chancellor's backing in saying, "This is a priority," through to some modest resource that we can put into things like sandboxes or extra funding where there is a real shortage of expertise, such as in the Food Standards Agency on plant-based proteins. We try to help and to exert constructive pressure, but it is needed.

- Q82 **Chair:** So there was not necessarily an ideological or cultural problem, but more one of pace, resource and expertise.

Lord Willetts: Pace, resource and expertise are certainly all problems. There is also an underlying problem that regulators have often been set up with a specific responsibility and focus. Although they now have to take account of growth, their way of assessing risk does not bring growth and economic performance up centre stage. *[Interruption.]*

Chair: Order. There is a vote in the House, so the panel is now suspended.

Sitting suspended for a Division in the House.

On resuming—

Chair: Welcome to this resumed third panel of today's hearing of the Business and Trade Committee with Justin Madders and Lord Willetts, who is currently performing his semi-democratic duty in the House of Lords and will join us again shortly. We will now pass the ball to Sarah Edwards.

- Q83 **Sarah Edwards:** The Committee has heard a lot about the issues around business energy, and we have been pursuing this as one of our lines of inquiry. One thing I have uncovered is not just that there are problems between perhaps where Ofgem is sitting and how it is regulating suppliers at that level, but also that we have brokers that are completely unregulated. Ofgem does not have the powers to regulate them. This is something that was identified over 12 years ago and that the last Government did not move on. We had a review in 2023.



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We have heard that regulation is slowing business down, but in this case a lack of regulation is definitely slowing businesses down and costing them huge amounts. I wonder if you might comment on how Departments are coming together to identify some other areas where we might say that it is not always about regulation being onerous; it is regulation being absent.

Justin Madders: First of all, I would start from the proposition that “regulation” is not a dirty word. When we look at this, we sometimes take the position that because regulation sometimes gets in the way, it is a bad thing. In fact, it is really important for consumer confidence, for the wider economy and for businesses to operate on a level playing field that we have properly regulated systems. It is more about how we regulate and whether we are doing it effectively, rather than whether we regulate or not.

DESNZ will have a particular view on how the energy market works, but what we are looking to see is whether everything that we have in there is necessary. Is it still protecting consumers? Is it helping drive growth? We have manifesto commitments in this Department, which will increase regulation, but we are looking very carefully at how we do that. The key to this is really how rather than whether we do it.

Q84 **Chair:** In the past, Governments have had rules that help them think about deregulating or regulating differently. Over the years, we have had rules such as “one in, one out” or “one in, two out”, or cost targets for rule reduction. How do you think about the objectives that you have for regulating differently?

Justin Madders: When we first started talking about this, I raised those very examples of how it has been done in the past. Without wishing to traduce previous Governments, “one in, one out”, “two in, one out” or whatever number you call it were not really a great success story. It was too crude a measure. It gave a good headline, but the policy detail under it did not deliver the outcomes that we are trying to achieve. It is about the fundamental question: what is this regulation for?

You can do “one in, one out”, but if the one out was not being observed anyway because it was out of date and did not relate to the economy as it is, you are not gaining anything. It is about looking at regulations and asking, “Can we do this in a more effective way?” We have some quite big strides to make with digital, which is a really important point. It is also about asking, “Does that regulation conflict or take us in a different direction from another regulation? Is there enough clarity and certainty for those people who are in business to understand what is required of them?” Those wider questions are what we are looking at as part of this.

Q85 **Chair:** A couple of weeks ago, when the Committee met Stephen Miran, the chair of the Council of Economic Advisers for President Trump in the United States, he laid out a four-pillar approach that the President is pursuing in the United States. One of those pillars was a very clear



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deregulatory agenda. It does not sound as if you are telling the Committee today that you have an analysis, which is that the UK economy is smothered in red tape, which is holding back growth. I just want to check that interpretation of your analysis with you.

Justin Madders: Our view is that there is a need to reduce the regulatory burden. We have a target of 25%, but putting that into crude numbers of regulations does not necessarily achieve the outcome that we want. It is more the administrative burden overall that we are thinking of. Is that particular piece of form filling required? Is there a quicker and more efficient way it can be done? Are people having to submit lots of information to different agencies when it could all be done in a much more coherent way?

This 25% target is based on a similar exercise that the EU has done. Last time we were in government, there was a similar amount reduced in regulatory burden. I do not think we would want to be saying that it will mean that x or y number of regulations will be removed; it is about the overall impact on businesses.

Q86 **Chair:** Can I just check: 25% of what?

Justin Madders: That is the challenge. We have to get a baseline to start with.

Chair: What should I be thinking about? Should I be thinking about cost, GDP or pages of regulation? It is 25% of what?

Justin Madders: It is probably more on costs. Chris has done a lot on this, so he may be able to articulate it slightly better.

Chris Carr: The target is to reduce the administrative burden of regulation by 25% over the course of the Parliament.

Q87 **Chair:** What are we measuring, Chris?

Chris Carr: What we mean is administrative burdens as distinct from the policy costs of regulation. The policy costs of regulation are those that buy you the protections that the regulation is protecting. The administrative burdens are the other costs—the form filling and the inspections.

Chair: This is a time cost.

Chris Carr: Yes.

Chair: If my business spends 100 hours dealing with regulation today, the goal is to reduce it to 75 hours.

Chris Carr: That is correct, yes.

Chair: We are not stipulating the cost per hour, if you like. Are we looking at pound notes when we are thinking about this number, or are we just thinking about minutes in the day?



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Chris Carr: No, we are looking at pounds. As the Minister says, we have to agree and publish a baseline of the administrative burden and then strive to reduce it by 25%.

Q88 **Chair:** You are first going to publish a cost number for how much the administrative costs are today for the UK economy.

Chris Carr: Yes.

Chair: When do you expect to do that?

Justin Madders: We think that it is going to take about 18 months, which is akin to the timescale that it took under the last Labour Government's similar exercise.

Chair: That takes us to January 2027, ballpark.

Justin Madders: Yes, roughly. That is not to say that the work is not going on in the meantime.

Chair: No. It sounds like a pretty big task.

Justin Madders: There was a conversation around whether there was a way that we could get a figure for the release of the action plan, but we just concluded that it would not be robust enough to rely on. We want to do it properly.

Q89 **Chair:** The 25% target is for delivery over what time period?

Justin Madders: It is over the lifetime of this Parliament.

Chair: The number will be published in July 2027, but the cost reduction has to be delivered by the end of the Parliament.

Justin Madders: That is correct.

Chair: That is really helpful. Thank you.

Q90 **Charlie Maynard:** Good afternoon, everybody. Roughly 45% of our goods exports go to the EU. Those goods need to be compliant with EU regulation in order to be sold there. We now have a growing body of UK regulation as well. In this post-Brexit world, are we more regulated or less regulated for British business?

Justin Madders: We recognise that since we left the EU, there have been occasions where there have been two lots of paperwork. Chemicals are a good example of where very costly exercises have had to be undertaken. You will know from the recent EU reset that we are looking at ways in which we can avoid that duplication of cost. We will always be looking for ways to work with partners around the world where there are common systems that can help us.

Charlie Maynard: I am going to be a bit unfair on that. Does that mean that we have more regulations because we are outside and that businesses have to be compliant? Is that fair or unfair?



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Justin Madders: I am not sure that we have done the analysis on pre and post.

Charlie Maynard: Just following the logic of it, we now have European regulations and UK regulations. If you are a business owner, you had only one set before. You now have two. Does that mean that you have more regulations or fewer?

Justin Madders: In that particular circumstance, you would have more, but, of course, there have been a number of examples of where regulations have been removed from the statute book as a result of us leaving the EU.

Q91 **Charlie Maynard:** Can you give me some examples?

Justin Madders: There is the regular report that we have on the Retained EU Law Act, which was brought in under the previous Government. A lot of the legislation was repealed under that.

Charlie Maynard: Legislation such as what?

Justin Madders: I can think of an example to do with recording of hours under the working time regulations. That was something that the previous Administration removed.

Charlie Maynard: Here we are talking very earnestly about removing regulation. The reality is that we are now living in a much more regulated world. By the way, I give your Government credit for trying for the UK-EU reset and trying to reduce some of that. That is great; I just hope that you move a lot more quickly than you are moving currently, because our businesses are going to the wall. Lots of industrial manufacturing businesses are going belly-up because they have too much regulation and it is hard to sell to the EU, including the car industry and much else. Please move quickly on that.

Q92 **Gregor Poynton:** In your opening answer, the three areas that you outlined where you had a concern that regulation might be stifling growth were pace, duplication and contradiction. On the contradiction point, 55% of businesses that responded to a CBI survey said that they had two or three regulators, or potentially more. In the evidence that we have heard, and in a whole series of anecdotal conversations that we have with businesses, they say that day in, day out they are facing contradictory regulations and regulators, which is placing an undue burden on them. I am keen to understand what you are doing to resolve that.

Justin Madders: That is what we hear as well. The biggest initiative at the moment is going to be the single point of contact, for want of a better description, for large infrastructure projects. You will know that the record of UK plc in terms of delivering infrastructure projects on time and on budget is not a good one. The message that we have had that you have to comply with regulator x and regulator y is asking for something slightly different, which might contradict that.



We hope to have some pilots where, for some of the big infrastructure projects, you have one front door. I am not quite sure who will be in charge, but it will not be up to the business to decide where to go. It will all be done through this single point of contact. I am not quite sure how far down the road we are with announcements on that, Chris. Is there anything more that we can say on that?

Chris Carr: I do not think so. I do not think that it is ready for announcement yet.

Q93 **Gregor Poynton:** That is for infrastructure. Is there an intent to do that across the piece? For example, I speak to those in the food industry. They have regulations coming at very short notice that change the way in which they understand whether a product is healthy or not. That has an impact on them with reformulation, advertising and so on. Then they have DBT checking for them to grow, and health requirements are coming in on the other side at very short notice. Is that the kind of conflict that you think you can resolve?

Justin Madders: We are looking to examine—across the board, where different Departments and regulators are pulling in different directions—what more we can do. There is a question whether we need so many regulators, of course, and whether some regulators' functions could be folded into others. That might help somewhat, but any intelligence that you have on where we are sending out slightly conflicting messages about what the requirements are will be really helpful in steering us through this action plan.

Gregor Poynton: I will feed back on that. I have a list.

Q94 **Chair:** Louise Kingham from BP told us that, if you want “to get investment to flow” in the clean energy sector, you need to join up the national wealth fund, GB Energy, several Government Departments and a number of regulators. TheCityUK has said that it is in desperate need of “a real clarity” about “what Government is doing” cross-departmentally. Time and again, we hear businesses saying, “I have three or four regulators to submit to. I have to submit thousands of times to this regulator, while my European business might submit a dozen times. I then have to co-ordinate with two Departments that have conflicting regulation.” Generally, people say it is either DEFRA or DESNZ, by the way.

We have all been around a long time and seen this picture many times. The question in my mind is how we ensure that there is a clearing house where business can take conflicting regulations and ask for the conflict to be resolved while they are still in business. This was a recommendation that we made in the industrial strategy report that we published about a month ago. How do you think about delivering on this kind of problem?

Justin Madders: To some extent, it is the question of who watches the watchdog.



Q95 **Chair:** Who puts the watchdogs in a straight line?

Justin Madders: Our starting point would probably be that the strategic steers that will be issued will have a degree of cohesion about them. Clearly, that will be putting an emphasis on growth and securing investment, but also making sure that decisions are taken in a timely manner and that there is some consistency across the piece.

In terms of the question, are you thinking who the arbitrator is when you have two regulators?

Q96 **Chair:** Where is the clearing house? You may have missed the evidence from the CMA, the PRA and the FCA this afternoon, but, when asked how they resolve conflicting regulations, what they described is a process that essentially entails having a lot of meetings with each other, and then, as a final resort, writing to a Minister. How long that process takes, heaven knows, but what there is not, from the business point of view, is a clear, clean process for saying, "We have three Departments or regulators asking for different things here. Can someone just sort this out, please?"

Justin Madders: I did hear that comment and found it quite interesting. I have not had that sort of letter yet in my role.

Q97 **Chair:** I realise that it is only a year in, so it could be that this process takes many years to find its way to a Minister.

Justin Madders: Yes, and that is part of the problem, is it not? We are absolutely clear that there has to be independence for regulators, but it is about us trying to understand where the balance lies between delivering on our objectives to get speedier decision making and encourage that pipeline of investment, while retaining that operational independence. That is probably something that we will need to consider a bit further.

Q98 **Chair:** Lord Willetts, you must see these kinds of conflicts arising quite frequently in the areas that you are looking at.

Lord Willetts: Yes, and what we are doing is promoting the creation of networks of regulators. When you are talking about a general-purpose technology, there are often different regulators, depending on what the application is. There is a logic to that. You need a certain regulatory regime if a new treatment is going to go into a human, as opposed to being put on the soil or being incorporated into equipment. We have promoted the creation of the engineering biology regulators' network. There is already a digital regulatory forum. The first thing we try to get out of those is that we publicise the membership so that someone working in this area, in a start-up or whatever, can see the different regulators and an account of what each regulator does.

One of our minimum aims is that, if at all possible, decisions should be simultaneous, not sequential. The start-up companies say to us that they hate it when they finally get clearance from the CAA to fly drones, but then they need the Health and Safety Executive to clear the use of the



drones so that they can drop pellets on fields. If someone had explained to them at the beginning that they would need that regulatory clearance as well, if it does remain with a separate regulator, they could at least have put the whole thing in at the same time. We are trying to make things more simultaneous, as a minimum prize for getting the different regulators around the table.

Q99 **Chair:** Who governs these networks? Who is in charge?

Lord Willetts: There is not a super-regulator with any legal powers over them, but part of the way RIO can contribute is as a co-ordinator or an advocate. We can cajole; we can help bring these groups together and we can help explain to them how, between them, they can make the journey through regulation much easier for start-ups. We can be constructive.

Q100 **Chair:** You are a very persuasive chair, but do you find yourself having to knock heads together with some force to get the action that you are trying to ensure?

Lord Willetts: As I said earlier, very rarely do the regulators just say, "This is all a bad idea." They are much more likely to say, "We would love to help, but sadly we are too busy and we have other priorities." The backing of Ministers in DBT, the Ministers I report to in DSIT and the Chancellor helps to bring people together. We are trying to shorten the period for getting to market with full regulatory clearance. That is one of the big prizes.

Q101 **Chair:** This is quite an innovative bit of public service reform, it seems to us. Based on admittedly quite early experience, is this the kind of approach that could be widened across Government to other fields of regulation?

Lord Willetts: We have a particular role in RIO. Our job is where new technology and innovation is being held back by regulation. It is quite a good model.

It starts with the Regulatory Horizons Council, which was already established by the previous Government and which produced some very valuable reports. Although we have lots of problems, if I may cite an example of success from its work preceding RIO, it very persuasively argued in a report that nuclear fusion was nothing like nuclear fission and that it would be wrong for fusion to be regulated as if it were fission. One of the reasons why the UK is making good progress on fusion is that it has nothing to do with the nuclear regulatory organisation set up for nuclear fission, whereas there are countries where they think, "It's all nuclear—we'll stick it together." That was because of a piece of work by the Regulatory Horizons Council. That is where good persuasive evidence from outside experts can help.

We see the job of RIO, which has been created by this Government, partly as being the operational arm of the Regulatory Horizons Council.



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We want to do specific and granular stuff using the resources of DSIT, which is closer to new technologies and has technology teams tracking these technologies. That means that we have a flow of up-to-date information.

The third thing that is quite handy is that the Minister to whom I immediately report, Patrick Vallance—I then report up to Peter Kyle—was around through the covid crisis. He quite often observes the lessons from the covid crisis of how everything speeded up and how little of that required any legislative change to speed it up. It just all got faster. He regularly challenges me and in the meetings that we share with regulators: “If we could speed it up during the covid crisis, can we not maintain some of the pace now?”

Q102 **Chair:** If I were to substitute the word “growth” for “innovation” in your mission, could you not take the same approach to growth more generally?

Lord Willetts: I am serving the Government in the role that the Government have defined for RIO. My job is to get on with doing the task of RIO, as set out in the Government’s plans, which I am very happy about.

Q103 **Chair:** You have a distinguished track record as a public sector reformer. I am asking you to draw lessons from your earlier experience and speculate as to whether the same approach might work across a broader waterfront of Government.

Lord Willetts: You have an excellent Minister with the wider responsibility for it sitting beside me. Having something distinctive around technology and innovation makes a lot of sense. Some of the issues are different. There is often just an assumption in the regulations about how things are done that needs to be changed. Having a distinctive technology innovation role makes sense. When you look at the Government’s wider action plan this March, they are trying to apply some of the same pace to other areas of regulation where technology is not involved. That is led by DBT.

Q104 **Chair:** Minister Madders, he is early in the role, but it looks as if he is making a bit of progress. Is this the kind of approach that could be extended across the waterfront of regulation to help foster faster growth?

Justin Madders: There are going to be elements of it that we will want to take up. Clearly, bringing a new product to market is one part of it. Particularly some of the things that Lord Willetts talks about are very novel. The question is almost “Where do we even go to have the conversation to start with?” We are not just looking at new-to-market products and innovative solutions; it is about the whole system. It is about established businesses and processes and how we can streamline those. There will definitely be bits that we will be able to learn, but it will not be the entire answer.



Q105 **Chair:** It sounds as if you have taken some quite novel approaches in new technologies and infrastructure, which could generate some lessons that might be generalised in future.

Justin Madders: Yes, I would be surprised if there were none.

Q106 **John Cooper:** We are always told that the two certainties are death and taxes, but we can add to that the fact that every Government, of whatever stripe, will come in and promise to ignite a bonfire of the quangos and, yes, slash red tape. Government is a red-tape creation machine, is it not? If we could monetise that, we would all be on easy street. Where are you going to succeed where others have failed?

Lord Willetts: As I said, there are some relatively new tools. There is the regulatory sandbox, which was developed initially for the financial services industry, that we are rapidly applying in areas of new technology.

An example is plant-based protein and driving change in the Food Standards Agency. The FSA is an excellent body, but—going back to a previous line of questioning—it has been totally bogged down in the post-Brexit writing of UK domestic regulations for food in Brexit Britain. We have found that we can help by speeding up the process of then appraising innovation in plant-based protein, which it was not otherwise going to prioritise. We think we can help with that.

We can also help on clarity. I have noticed that the Committee, including in its report, talks about clarity. Clarity in regulation has a range of meanings, but one area where we can help is that in key areas of technology we use language too sloppily for innovators. AI is one of the areas that we work on. People are told, “If you are going to use data, it has to be pseudonymised and/or anonymised”. What exactly does that mean? How can you be confident that the way you have put your data into a pseudonymous or anonymous form will pass muster with the Information Commissioner’s Office or Ofcom? This is part of the advantage of sitting in the Department for Science, Innovation and Technology. That is an area where it may look as though you are being fussy, but providing that clarity means that an innovator who is trying to do better medical diagnostics using medical data can be confident that their company’s process passes muster. We do quite a bit of that.

When it comes to precision-engineered crops, you can release them. You can have contained use. Contained use has a special regime. What constitutes contained use? If you have fermented it in a container and you then carry the container to a different location, is that fully contained use or not? When you get close up, there are companies asking for clarity in these technology areas. They think that laypeople have written some broad regulations and nobody has defined satisfactorily exactly what the terms mean. Sometimes precision can help technology. That is where we might be able to add value.



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Q107 **John Cooper:** Minister, we have just heard about precision. You talked about crude numbers. You would not be so foolish as to put a figure on what you are going to achieve—oh, you have put a number on it. I am not sure how your 25% cut is any different from the crude stuff that went with those other regimes, but anyway, what is going to be different this time?

Justin Madders: That is a perfectly fair challenge. That is the challenge that I put back to officials during these discussions. You are right to be a little wary: we have been here before.

I have tested this. There are lots of ways we can make advances. First of all, there is a clear political direction from the top, from the Prime Minister and the Chancellor. It is important that that is maintained, because quite often—

Q108 **John Cooper:** I have heard the Prime Minister say this in the Chamber. He said he was going to cut red tape. One thing we have seen is the Employment Rights Bill. By your own estimate, that is going to add to business costs. There is a slight disconnect there, is there not?

Justin Madders: We have made a distinction around those areas where there will be additional legislation, but it is about how you do it. We need to take account of the fact that it is important to distinguish policy outcomes from regulatory burden. I know you cannot always do that, but that is part of the thinking.

There is a great deal of scope and merit in clearing up the strategic steers for the regulators, in making sure that they are cohesive and in putting the growth duty at the centre of them. There are a number of challenges in some of the sectors that have been identified in the industrial strategy for growth. It is also about thinking imaginatively about the use of digital. There is no doubt that at the moment it is lacking in up-to-date technology and how we record a lot of these things.

It is not one particular intervention that is going to make the difference. We want to have a clear political steer that is consistent throughout this Parliament. We have already discussed the fact that this will take some time. It is about creating a consistent model across all the regulators. That has to be something that is supported and adhered to by the Departments as well. It is then thinking about all the different measures we can do. I am much more confident about this than I was when we first talked about it, because there are a lot of areas where some real gains can be made.

Chair: Minister Madders, Lord Willetts and Mr Carr, thank you very much indeed for your evidence today. This has been an initial foray for the Committee into regulatory matters. We have definitely generated a number of questions that we are going to pursue. We look forward to submitting our advice and recommendations to you.