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Oliver Letwin sets out “outcome” philosophy

*This note is an update for
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friends and contacts*

Which kind of regulation?

Graham Mather, President, European Policy Forum

Rt Hon Oliver Letwin MP, Chairman of the Conservative Research Department and the Conservative Policy Review joined EPF’s Regulatory Best Practice Group on 18 June 2009 to explore his Party’s developing regulatory approach.

Oliver Letwin developed the theme that there is a clear distinction between type A, rule-based or process-based regulation and type B, judgement-based regulation focused on outcomes.

Emphasising that this approach did not change the Party’s approach to competition policy, he set out the way in which it would apply to price, quality and economic regulation.

Oliver Letwin explained that the Party rethink was being fleshed-out in detail in work in a number of areas including a forthcoming green paper prepared by John Penrose MP in the Shadow Business Team, who will be joining EPF’s next Regulatory Best Practice Group meeting on 14 July 2009.

Regulators from water, rail, financial services, charities and other sectors teased out with Oliver Letwin some of the consequences of a move to an approach which he described as much closer to the use of the “governor’s eyebrows”, the market sector participants explored the residual role of process regulation and the dividing line in practice between the two.

The discussion also looked at the position where there was continuing monopoly or externalities, and the relative desirability of contestability in these circumstances.

Participants also looked at the interaction between processes and discretion, the relevance of litigation, and the different penalty approaches implied by the two regulatory approaches.

The discussion also explored the techniques used in the regulation of nuclear installations and whether or not regulation was sui-generis in its various subdivisions.

Academic participants considered the role of regulatory capture and regulatory cycles which regulators found themselves addressing yesterday’s problems.

A focus on institutional change was marked by the suggestion from Oliver Letwin that an incoming government would not engage in institutional redesign for the sake of it and would be sparing in its structural changes, especially in the area of competition policy, to which it attached high priority.

Graham Mather