



**REPORT OF THE
BUSINESS REGULATION FORUM**

**Business
Regulation
Forum**

**An Fóram
um Rialáil
Ghnó**

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Chairman's Preface

About 60 percent of firms report that the costs of regulation have increased in the last two years. Almost twice as many firms rate regulation as the most important challenge to their business than those who say the most important challenge is inadequate infrastructure. The burden of regulation bears most heavily on small and micro businesses.

Other countries are taking steps to reduce the burden of regulation. The European Council in March 2007 set a target to reduce the administrative burdens arising from EU legislation by 25 percent by 2012 and invited Member States to set their own national targets of comparable ambition by 2008.

It is important that Ireland adopt a similar programme as we recommend in this report. There is significant scope to reduce the burden of regulation on business and improve public sector productivity by making the regulatory system more efficient. Such a programme is an important element in the agenda to improve the competitiveness of the economy.

On behalf of the members I would like to express my gratitude to Wim Jansen from the Ministry of Finance in the Netherlands and to Karen Hill and Matt Barnes from the Cabinet Office in the UK for taking the trouble to travel to Ireland to present to the Forum. I would also like to thank Wim Jansen (Netherlands) and Susanne Lauritsen (Denmark) for organising our visits to their countries.

I would like to thank all the members of the Business Regulation Forum for their valuable contributions to this report. I would also like to thank Forfás for providing research support. I am particularly grateful to our Secretary Don O'Connor and Shane Quinlan for providing first class secretariat support.

Donal de Buitléir

Chairman

Business Regulation Forum

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Executive Summary

Context

Regulation causes a significant burden for businesses in Ireland. This burden falls disproportionately on Small and Medium sized Enterprises (SMEs). Any burden reduction programme therefore has an especially beneficial effect on smaller firms. Additionally, by reducing duplication and making information flows simpler and more efficient, administrative burden reduction has the potential to improve public sector efficiency significantly.

Findings

The evidence assembled by the Business Regulation Forum (BRF) indicates that most of the regulatory burdens on business arise in the following areas: tax; health & safety; environment; requests for statistical information; and employment & company law.

The Standard Cost Model

The Forum investigated a burden reduction methodology called the Standard Cost Model (SCM). Developed in Holland, this is a method used for measuring and reducing the administrative burden of regulations. The administrative burden of a regulation is the cost (in time and money) of supplying the information to Government or third parties required by the regulation.

The administrative burden of regulations has been estimated at between 2 and 3 percent of GDP in a range of European countries. Reducing administrative burdens by 25 percent – the target in Holland, the UK, Denmark, Germany and other countries – has the potential over four to five years to benefit the economy by almost 2 percent of GDP.

Recommendation

The Forum recommends that an administrative burden reduction programme should be initiated in Ireland without delay.

Recognising the relatively small size of the Irish economy as well as the substantial work that has already been done in other countries, the Forum recommends that this should be of a prioritised nature focussing on those areas of regulation where it is known, from both national and international evidence, that the majority of burdens arise.

The Forum recommends that this burden reduction programme should have the following characteristics.

- 1 It should focus on the five areas where regulation has been identified as most burdensome in Ireland: tax, health & safety, environmental regulation, requests for statistical information, and employment & company law.
- 2 The Standard Cost Model should be used to measure the benefits achieved.
- 3 There should be a target, calculated as a percentage of GNP or expressed as an absolute amount, based on what has been achievable in other countries.
- 4 There should also be a clear time-frame.
- 5 A strong political commitment will be necessary to ensure the process is successful.
- 6 A central co-ordinating unit and oversight mechanism are required to manage and support the work, set up for the duration of the project.
- 7 A small number of people should be assigned to the project in each relevant Government Department or agency to carry out the day-to-day simplification work.

1 Introduction

Background

The Business Regulation Forum (BRF) was set up to advise the Minister for Enterprise, Trade and Employment on regulatory matters impacting on business.

Since its establishment, the BRF has primarily been concerned with gathering as much evidence as possible on the impact of regulation on business in Ireland.

During 2006, the Forum:

- invited submissions from individual consumers, companies, organisations and interest groups on their views of the regulatory environment in Ireland and how it could be improved for business;
- commissioned a number of case studies of companies of different sizes across a range of sectors with the intention of mapping the current regulatory landscape for enterprise in Ireland;
- assessed the potential for Ireland adopting a methodology for measuring and reducing the administrative burden of regulation on business;
- through a series of monthly meetings, engaged in dialogue with key Government Departments, agencies, regulators, business representatives, as well as national and international regulatory experts.

The results of this work are outlined in the following chapters.

Why is Regulation Important for Business?

Regulation is essential to the proper functioning of a society. Whether through primary or delegated legislation, or more informal arrangements, rules create order and the basis for stability and progress. They shape incentives and influence how people behave and interact. They also help societies deal with otherwise intractable economic, social and environmental problems.¹

The function of some regulators is primarily an economic one, to ensure harmonious use of a shared resource and to guard against anti-competitive collusion in particularly vulnerable sectors. Other regulators have the principal function of imposing standards of quality in cases of informational asymmetry. Regulation is impacted upon by the whole range of Government policy: economic, social and organisational.

While regulation is often necessary to help achieve the country's social, environmental and economic objectives, it also imposes costs on business, consumers, Government and the wider community. It may be that the way certain regulations have evolved has led to a situation where they are now unnecessarily complex and costly to comply with, and that the same benefit could be achieved more simply and cheaply.

The administrative burden of regulation can be significant, especially for small business. As well as imposing the cost of dealing with 'red tape', regulation may cause businesses to adjust their production processes in ways that add to costs. Inappropriately designed regulation can also have an adverse effect on innovation and entrepreneurship, and can reduce productivity and competition.

The 2006 report of the *Small Business Forum*² recognised that regulation is necessary and beneficial to society in general, to consumers, to the environment and to businesses themselves. While regulation is necessary and desirable, it is not costless. With rising levels of regulation internationally, it is increasingly important to be aware of the costs incurred by business, citizens and the public sector in ensuring compliance with regulation.

It is important to emphasise that reducing burdens is not about deregulation or making regulations less stringent. Examples of good practice already put in place in Ireland will illustrate this. The introduction of motor tax on-line and the Revenue On-line Service both illustrate the benefits that can be achieved by reducing burdens without altering the substance of the regulations themselves.

Chapter 2 of this report presents evidence of the regulatory burdens faced by businesses in Ireland. Chapter 3 describes a methodology being used by a number of European countries for reducing administrative burdens. Chapter 4 draws conclusions and makes recommendations.

¹ Banks, G 'Regulation Reform Management and Scrutiny of Legislation', Productivity Commission (Australia), 10 July 2001.

² <http://www.smallbusinessforum.ie/>

2 The Current Regulatory Burden in Ireland

This chapter is divided into two sections. The first section outlines the evidence gathered on the impact of regulation in Ireland by both the BRF and other national sources. The second section examines how Ireland's regulatory environment compares internationally.

During 2006, the BRF devoted considerable time to collecting evidence relating to the burden of regulation on business. Several national and international regulatory experts made presentations to the Forum in the course of 2006. Over 40 detailed submissions with specific recommendations were also received from individual consumers, companies, organisations and interest groups³ and a number of case studies of companies' experience in dealing with regulation were undertaken.

Submissions to the BRF

Six broad areas for reform emerged from the analysis of the submissions received. Below we summarise these areas and provide some examples of the recommendations made.

1 Structure/Process

In terms of the current structure/process of the Irish regulatory system, a number of themes emerged including:

- calls for the expansion of the current Regulatory Impact Analysis (RIA) process to cover more legislation, to be more transparent and to include more detailed cost/benefit analysis;
- the need for greater levels of consultation between regulators and business; and
- the need for more harmonisation of regulations and regulators' requirements.

We provide three examples of these issues below.

Examples of recommendations...

A Harmonisation of standards across inspection bodies, regions and inspectors is required.
Irish Tourist Industry Confederation

*Government Departments should consolidate **(and share)** information through the use of information technology.*

Small Firms Association

Greater consultation should be carried out prior to the enactment of new laws.
Association of Chartered Certified Accountants

2 Tax

Changes to the current regulatory system related to taxation emerged in a large proportion of the submissions including:

- suggestions about changes to VAT thresholds and other aspects of VAT regulation;
- simplification of the administration procedures created by the Revenue Commissioners such as accessibility to appropriate experts and more clarity about Revenue requirements; and
- withholding tax on professional fees.

Examples of recommendations...

Withholding tax on professional fees should be removed.

Association of Consulting Engineers of Ireland and Fitzpatrick Associates

The process of handling requests for tax registration and VAT numbers should be improved.

Consultative Committee of Accountancy Bodies (Ireland)

Revenue visits at business start-up should be reintroduced.

ISME

3 Banking/Finance

A number of submissions outlined the need for changes to regulations associated with the banking/finance sector including:

- more clarity on the definitions and terms used by the Financial Regulator;
- RIA and cost/benefit analysis of new legislation and regulations need more transparency and more robustness in the process;
- more consultation between regulators and businesses; consultation to date is not regarded as effective enough; and
- unregulated financial entities should be included under the same system of rules that govern banks.

³ A list of submitters is included in Appendix II. The submissions are available on the BRF website www.businessregulation.ie

Examples of recommendations...

Definitions need to be clarified in a number of areas, for example: Compound Annual Rate, Annual Percentage Rate, "mortgage intermediary", "tied insurance agent", etc.

Ulster Bank

Section 149 of the Consumer Credit Act should be reviewed.⁴

The Competition Authority, Ulster Bank and the Irish Bankers Federation

The three layers of legislation under which insurance brokers operate should be simplified to one.

Professional Insurance Brokers Association

4 Waste Management

A number of the submissions highlighted the need for reform in the area of waste management regulation, specifically changing the current situation whereby local authorities act both as regulator and competitor in the market. It was felt that the Environmental Protection Agency (EPA) or some other agency should be given the responsibility and resources to regulate the whole market. Competition between local authorities and private sector operators was seen to be unfair and not to operate on a level playing field. The streamlining of administration, especially in the area of licensing, was seen as important, as was the creation of an All-Island Waste Market.

Examples of recommendations...

All enforcement functions in waste management should be transferred to the EPA (along with appropriate resources to fulfil this requirement) and away from local authorities.

Greenstar

Local authorities should not be both market players and regulators. This situation should be resolved.

Irish Waste Management Association

The Waste Management (Collection Permit) Regulations, 2001, should be revised to reflect the national nature of waste collection.

Small Firms Association

5 Employment Law/Health & Safety

Administration requirements related to employment law are seen to be unnecessarily onerous in some circumstances. More clarity and advice about the legislation in this area would be of great value to the business community. The issue of work permits for asylum seekers was also raised.

Most of the recommendations made relating to health & safety regulation implied that a more risk-based approach to enforcement is necessary: businesses feel rules should be less onerous in situations of low risk and for smaller companies (for example, HACCP⁵ rules should be simplified for small companies).

Examples of recommendations...

Employment and Health & Safety legislation should be consolidated into one Act. Currently there are 25 Acts and 8 bodies.

Chambers Ireland

EU fire certificates for fabrics, seating and bedding should be acceptable in Ireland; UK certificates are currently insisted upon.

Irish Tourist Industry Confederation

The requirement for a company to carry a safety statement that refers to each individual job the company is doing should be modified where the process is similar in each case.

ISME

6 Company Law

The need for consolidation, simplification and clarity in the area of company law was expressed in a number of the submissions.

Examples of recommendations...

For cost reasons, it is desirable that particular remedies under the Companies Acts, which at present can be granted only by the High Court, should – in appropriate cases – be capable of being dealt with also at District and/or Circuit Court level.

Office of the Director of Corporate Enforcement

Legislation should be drafted in clear and simple language. A review process should be initiated to rewrite key areas of legislation so that end-users can more easily understand their rights, obligations and entitlements.

Office of the Ombudsman

The remit of the Company Law Review Group should be extended to all law, with a view to simplification or removal, where appropriate.

ACCA

⁴ Section 149 of the Consumer Credit Act deals with the notification of fee/charge changes by financial institutes to the Regulator.

⁵ Hazard Analysis and Critical Control Points (HACCP) is a systematic preventative approach to food safety that addresses physical, chemical and biological hazards as a means of prevention rather than finished product inspection. HACCP is used in the food industry to identify potential food safety hazards, so that key actions, known as Critical Control Points (CCPs) can be taken to reduce or eliminate the risk of the hazards being realised. The system is used at all stages of food production and preparation processes. <http://en.wikipedia.org/wiki/HACCP>.

Case Studies

The BRF also undertook a number of case studies at the individual enterprise level. Six companies were interviewed in detail to understand the difficulties they faced with regulation on a day-to-day basis as well as to elicit some responses as to possible avenues for improvement. Four main problem areas emerged (1-4 below) and two suggested mechanisms for improvement (5-6).

1 Tax

All of the companies referred to the burden of compliance with the requirements of the Revenue Commissioners. Most companies raised specific issues, ranging from the importance of synchronising reporting dates for different taxes to better planning for the introduction of budgetary changes, given that such changes may increase the administrative burden for businesses. Many companies commented favourably on the Revenue On-line Service (ROS), which has been introduced in recent years by the Revenue Commissioners⁶.

2 Data Requests

Most companies raised concerns about the provision of information to the Central Statistics Office (CSO). The burden ranges from having to respond to many on-going CSO requests, to having to adapt to the requirements of new CSO requests, to having to handle situations where there is duplication in the information being requested. Many of the companies also have to provide responses to questionnaires and surveys submitted by other national and international agencies, including universities and research bodies. The information needed is not always readily available in the format sought.

3 Health & Safety

Two companies referred specifically to health and safety and raised the matter of the investment required, in terms of time and resources, to ensure that health and safety standards are met in their work places. However, they did point out that they would still voluntarily have robust health and safety programmes, designed to ensure safe work places, even if there was no official requirement to implement such programmes.

4 Labour Legislation

Many companies raised concerns about how labour legislation has been increasing over recent years. Understanding the regulatory requirements is not always easy; sometimes regulations are too vague or too complex. The suggestion was made that it would help if the ground-rules for making decisions on applications were to be published.

5 Risk-based Regulation

It was argued that, when implementing regulations, Government Departments and agencies should adopt more of a risk-based approach. This would mean regulations are drawn up in a manner that allowed the focus to be on businesses that pose the greatest risk of non-compliance. The burden of enforcement should fall most on highest-risk businesses and least on businesses identified as having the best records of compliance.

6 Consultation

More consultation was brought up as a key element of the regulatory process and should be given greater emphasis. Indeed it was suggested that “...a more transparent consultation process would not only address some of the cross compliance and basic need issues ... but equally importantly would provide a greater awareness of regulatory provision and streamlining of implementation”.⁷

The Report of the Small Business Forum

The Report of the Small Business Forum (SBF) ‘*Small Business is Big Business*’, released in May 2006, made the following statement:

“Despite the positive efforts of Government, both survey research commissioned by the SBF and submissions received indicate that the compliance costs (of regulation) are increasing for small business. Seventy one percent of respondents to the survey of small businesses believe administrative burdens have increased and 23 percent believe that the increase has been significant. A number of regulations are considered to be either a ‘significant burden’ or a ‘very significant burden’ by a large percentage of respondents.”

⁶ The Revenue On-line Service (ROS) is the Revenue Commissioners interactive facility offering business a quick, secure and cost effective method to manage their tax affairs online. ROS enables businesses to view their current position with Revenue for various taxes and levies, file tax returns and forms, and make payments for these taxes online in a variety of methods.

⁷ The Department of the Taoiseach released a set of consultation guidelines for public sector bodies in July 2005, available here: <http://www.betterregulation.ie>

Research carried out by Indecon Economic Consultants as part of the work of the Small Business Forum in 2006 provided a high-level view of the general areas of regulation that businesses find most burdensome in Ireland. These areas include:

- health and safety;
- VAT administration;
- employment law;
- income tax administration; and
- environmental regulations.

In each case, between 44 percent and 47 percent of respondents viewed these areas of regulation as posing either a very significant or significant burden. Asked to rate a selection of possible barriers to business growth, respondents ranked administrative regulations second only to finance and ahead of difficulties associated with lack of skilled labour, implementing new technology or infrastructure.

Survey of Business Attitudes to Regulation

As part of a Landsdowne Market Research survey of business attitudes to the public sector in 2003 (on behalf of the Department of the Taoiseach), a number of questions were posed in relation to Government regulation. At the time, 54 percent of the respondents agreed or strongly agreed that regulations were a significant burden on their business. Taxation and health & safety were cited as the most burdensome areas of regulation, while employment law and health & safety were regarded as the most difficult areas to comply with.

In 2006, a more in-depth survey of business attitudes to regulation was carried out by the Economic and Social Research Institute (ESRI) on behalf of the Department of the Taoiseach. This survey covered over 800 small, medium and large businesses across a range of different sectors. Some of the findings relating to the burden of regulations include the following:

- Of the key challenges facing businesses in Ireland today, regulation holds a middle ranking, less important than labour costs or increased competition but more important than infrastructure or staffing issues.
- The areas of regulation perceived as causing the biggest burden on business were VAT, income and corporation tax, environmental, health & safety and statistical requirements (mainly through the CSO).

- Larger companies were much more likely to use on-line forms and would utilise them more if more services were made available on-line. Most companies believed there was considerable scope for improving the provision of e-Government and thus a reduction in the administrative burden on firms.
- Sixty percent of firms said that the cost of dealing with regulations had increased in the past two years, primarily due to the introduction of new regulations in their view.
- In regard to contact with regulators, over half of respondents to the survey have been in contact with the Revenue Commissioners, less than one fifth with health & safety officials. Just over half of the respondents have been inspected or audited in the last three years, with one in five more than twice. Most of these inspections were by the Revenue Commissioners, followed by health & safety.

International Evidence

In general, evidence of Ireland's international position with regard to regulation is positive.

- The 2006 National Competitiveness Council (NCC) Annual Competitiveness Report found the regulatory system in Ireland to be relatively favourable and to contribute positively to Ireland's competitiveness. Ireland compared well on the overall level of regulation (based on World Economic Forum (WEF) 2006 figures), on the cost of and number of procedures involved in starting a business (World Bank 2006), on product market regulation (OECD 2006) and on the efficiency of competition legislation (IMD 2006).
- Ireland was ranked 10th (out of 175 economies) in the World Bank's Doing Business in 2006 (8th of the OECD countries). Ireland's strong performance was attributed to a number of indicators including the number of procedures required to start a business, the cost of starting a business and the number of procedures required in dealing with licences.
- The WEF's Global Competitiveness Report 2006/07 showed that Ireland compared favourably on a number of regulatory indicators including the burden of Government compliance and the strength of auditing and accounting standards.
- The IMD World Competitiveness Scoreboard 2006 also showed that Ireland compared favourably on a number of regulatory indicators including ease of doing business.

However, Ireland does compare unfavourably on some aspects of regulation.

- The 2006 NCC Annual Competitiveness Report highlighted the lack of competition in the regulated industries of energy and telecoms. It also found that labour market regulations are increasingly impacting on business activities in Ireland.
- The WEF's Global Competitiveness Report 2006/07 highlighted a number of regulatory indicators which presented Ireland with a competitive disadvantage. These include the intensity of local competition and the inflexibility of wage determination.
- The World Bank's Doing Business in 2006 report considered that Ireland performed less well in relation to the enforcement of contracts and registering of property.

While Ireland's relative performance appears favourable on aggregate, three things are worth noting. Firstly, the work currently being initiated in many European countries to reduce administrative burdens as part of the Lisbon strategy for growth and jobs has the potential to improve their relative performance significantly over the next four to five years. Countries such as the UK, which rank ahead of Ireland in terms of regulation, are embarking on ambitious programmes to significantly reduce the burden of regulation. Secondly, good aggregate performance does not guarantee that there are not specific areas that need addressing. Finally, in comparison to issues like infrastructure, regulation is not that expensive to improve.

Conclusion

Regulation imposes a significant burden on businesses in Ireland. Businesses have reported that regulation has now become a greater obstacle to their productivity performance and competitiveness than either infrastructure or staffing issues.

The above discussion has been about regulatory burdens in general. In the next chapter we present details of a methodology used internationally to measure and reduce the administrative burdens of regulation. While this does not solve all the problems that businesses may face with regulation, it has been found to be a good place to start as it allows for administrative burdens to be quantified, the most significant burdens identified and targets to be set for burden reduction.

3 Reducing the Administrative Burdens of Regulation

Introduction

International evidence shows that the overall administrative burden of regulation on businesses can be very substantial. In 2003, the *Dutch Bureau of Economic Policy Analysis* estimated that the administration of regulations was costing businesses in the Netherlands €16.4 billion on an annual basis, corresponding to 3.6 percent of Dutch GDP. In Denmark, the total administrative costs on business are estimated at €4.3 billion annually, equivalent to 2.2 percent of Danish GDP. In the UK, a recent inventory showed the total administrative burdens on business, the voluntary sector (charities, etc.) and the public sector were £18.8 billion (€28 billion) annually, 1.5 percent of GDP.⁸

Many countries are recognising that the development of a high quality regulatory environment is a relatively low cost way of promoting their competitiveness. In 2003, the Dutch Government estimated that a 25 percent reduction in administrative burdens will cost €35 million, but had the potential to stimulate an increase in GDP of €6.7 billion, without compromising the policy goals of the regulations concerned. In relation to attracting investment, the *World Investment Report 2005* noted that 102 countries introduced changes to their regulatory regimes for foreign investment in 2004, of which the vast majority (87 percent) were more favourable to overseas investment in their economies.

The Standard Cost Model

Various national governments have placed the reduction of administrative burdens on business as a high priority and have set reduction targets. Denmark, the Netherlands, Austria and the UK have all set a reduction target of 25 percent of the overall administrative burdens. Germany and Norway have set about a full base-line measurement in preparation for setting a target. The European Council in March 2007 set a target to reduce the administrative burdens arising from EU legislation by 25 percent by 2012 and invited Member States to set their own national targets of comparable ambition by 2008.

⁸ Note: the UK expresses its target in terms of administrative burdens, whereas both the Netherlands and Denmark are talking about costs. The difference between these is what are known as "Business As Usual" costs. Businesses will carry out these activities, despite their cost, because they provide some benefit to the business. As more countries implement the Standard Cost Model, measurement has become focussed on the burdens of regulation, the reduction of which would really benefit businesses. It has been found that reducing the total costs of regulation can be less effective if businesses continue to carry out the same activities despite no longer being required to do so.

The Standard Cost Model (SCM), first pioneered in the Netherlands, is a methodology that has been developed internationally for determining the source of administrative burdens imposed by regulation. The model, which has become the most widely applied methodology for measuring administrative burdens internationally, is a quantitative methodology that can be applied in all countries and at different levels. The method can be used to measure the burden of a single law, selected areas of legislation or all legislation within a country. Furthermore, the SCM is suitable for measuring simplification proposals as well as the administrative consequences of a new legislative proposal.

A key strength of the SCM is that it uses a high degree of detail in the measurement of the administrative burdens, in particular drilling down to the level of individual activities. The costs are primarily determined through business interviews, where it is possible to specify in detail the time companies use to fulfil government obligations.

The model aims to be indicative rather than statistically robust. While it is a quantitative technique, the intended output is not statistics but rather priorities for simplification. A relatively small number of companies are canvassed for their opinions on the burdens associated with each regulation (or, more strictly speaking, each information obligation). This is done intentionally to reduce the overall cost of the exercise. In the UK, for example, more than 20,000 information obligations were measured, at a cost of nearly €27 million in consultancy fees.

It is believed, however, that while some of the individual results of measurement may at times be questioned by Government Departments, the overall output provides the information required; namely the identification of the most burdensome regulations which will become the highest priorities for simplification. It is possible to reduce cost further by filtering the potentially most burdensome candidates in advance of full measurement. Denmark, for example, spent only €2 million on consultants for their baseline measurement.

The European Commission sees better regulation as a key tool in achieving the Lisbon objectives of more growth and jobs and believes reducing administrative burdens can result in substantial benefits. Working on evidence from a number of countries that have set about reducing the administrative burdens of regulation, the Commission have stated that a 25 percent reduction in administrative burden in the member states would lead to an increase of real GDP by 1 to 1.4 percent.⁹

Reducing administrative burdens means finding the least costly ways of getting the benefits that regulations were designed to achieve. This may be, for example, by reducing duplication, inconsistency or overlap between regulations, by involving more IT and web-based solutions or by getting rid of information obligations that are out of date or no longer used. Such simplification efforts are the responsibility of Government departments and agencies. The contribution of the SCM to this process is two-fold: it allows for the identification of the specific information obligations within regulations that are costing businesses the most, and it allows for quantification of costs so that real progress can be measured over time. A more detailed description of how the model is used is available in Appendix III.

International Experience¹⁰

The first countries to apply the SCM across all Government legislation and put reduction targets in place are the Netherlands and Denmark. Members of the BRF and Secretariat visited both countries in August 2006 to learn more about their respective programmes for reducing administrative burdens.

In the Netherlands, the Government set a target to reduce the administrative burdens on business by 25 percent by 2007. An exercise to measure administrative burdens on business was carried out in 2003 and the Government is on schedule to meet the reduction target in 2007. As of March 2007, a further 25 percent reduction target has been agreed.

The Danish Government started a full scale SCM measurement exercise in August 2004 and has committed to reducing administrative burdens on business by 25 percent by 2010. This measurement was completed in March 2006 and regulations within 15 Ministries which had an impact on business were measured. The BRF have also been liaising closely with the Better Regulation Executive (BRE) in the UK which completed a full SCM inventory in July 2006.

To date, four European countries have completed a full SCM baseline measurement: the Netherlands, Denmark, the UK and the Czech Republic. Four others are in preparation: Germany, Austria, Poland and Norway. Four more countries, Sweden, France, Italy and Belgium, are using the SCM on a more prioritised basis, initially focusing on areas they feel merit immediate attention. A number of other countries are piloting the model on particular areas of regulation (including Finland, Estonia, Hungary and New Zealand).

The European Commission is also giving better regulation a high priority and has announced that it will begin a substantial project on burden reduction in spring 2007, earmarking a budget of €20 million over two years. In October 2005, the Commission launched a three-year rolling simplification programme with around 100 initiatives affecting over 1400 legal acts. A further 43 have recently been added to the programme for 2007. These cover the full range of policy sectors, including agriculture, company law and statistics, which are major irritants to stakeholders.

⁹ http://ec.europa.eu/growthandjobs/areas/fiche03_en.htm

¹⁰ A detailed review of the international experience using the SCM can be found in Appendix IV.

Pilot Application of the Standard Cost Model in Ireland

In August 2006, Forfás, on behalf of the BRF, commissioned PricewaterhouseCoopers (PwC) to undertake a pilot measurement of the administrative costs and burdens associated with two regulations in Ireland using the international SCM. The objectives of this pilot exercise were twofold:

- 1 to conduct a systematic measurement (as specified by the SCM) of the administrative costs and burdens imposed on businesses in Ireland by two areas of regulation:
 - i The Annual Return for Companies (Form B1);
 - ii The European Communities (Requirement to Indicate Product Price) Regulation 2002;
- 2 to provide an evaluation of the pilot measurements in terms of identifying aspects of the SCM that may not be compatible with Ireland's regulatory approach, also identifying any other potential issues with the application of the SCM in Ireland.

Telephone interviews and expert panels were used to estimate the time involved in meeting the information requirements of both regulations. In some cases the estimates gained from these two sources differ. This is found to be the case internationally and is accepted as a consequence of the trade-off between statistical robustness and overall cost.¹¹ In the case of this pilot the differences averaged out in the case of the B1 form, but remained substantial in the case of the product pricing regulations.

The SCM is a pragmatic approach to effective burden measurement with a limited budget. Differences can emerge between the results that derive from telephone interviews and expert panels due to the relatively small number of businesses canvassed. In the present case, the results gained from the expert panels are considered to be more reliable than those from telephone interviews. While upwards of ten people participated in the expert panels, only four or five companies were interviewed by telephone.

The results of the pilots indicated there were substantial annual costs to businesses in complying with the information requirements imposed by the regulations examined.

- The estimated total annual administrative cost to the 144,907 businesses in Ireland expected to file an Annual Return, measured by an expert panel, was €35.82 million. The measure of administrative cost captured by application of the SCM includes an element of "business as usual" costs. These are costs that would still be incurred by a business even if the regulation did not exist. The majority of the administrative costs estimated for the annual return were regarded as an administrative burden by the companies interviewed (i.e. businesses would not have completed the Form B1 as part of their usual business activities).

- The estimated total annual administrative cost to the 36,364 retail outlets in Ireland of complying with the product pricing regulations measured by expert panel was €387.2 million. In contrast to the Annual Return measurement, only a small proportion of the total administrative costs for the pricing regulation were regarded as an administrative burden by companies (as most companies would feel obliged to display pricing information even in the absence of the regulation).

The expert panels and the telephone interviews sought qualitative comments from businesses in relation to options for simplification for both regulations.

The following simplification suggestions were made for the Annual Return regulation:

- pre-population of the B1 form with the previous year's data either in hard or softcopy;
- development of functionality which would allow a soft copy to be saved and edited online, with scope to use the previous year's entry where appropriate;
- removal of the need to acquire expensive software in order to be able to submit the form electronically;
- provision of a better explanation of the 'return made up to' box to avoid confusion and forms being returned;
- removal of the need to submit a hard copy of the form with two signatures when submitted electronically;
- reduction in the number of signatures required to one;
- reduction in the frequency that a full list of shareholders is required to every three years (given that Form B1 provides only a snap-shot at a point in time);
- no need to have a compulsory Form B1 for small companies; and
- the submission date for the B1 should be same as the deadline for tax returns.

¹¹ The SCM can be described as a simple, pragmatic framework for measuring costs; the results are indicative, not statistically representative; the aim is reductions in burdens, not statistics.

Two simplifications options were suggested in relation to the pricing regulation:

- removal of the requirement for retailers to display pricing and unit pricing on promotional/ advertising material and instead to confine it to the shelf edge label only; and
- development of a standard interpretation of the regulation across the EU (e.g. minimum weight in Ireland requiring unit pricing is 50g versus 100g in UK, unit cost is per litre in Ireland versus per 100ml in UK).

As follow up to the measurement of administrative costs, the BRF Secretariat held discussions with the policy officials responsible for both regulations in relation to the simplification options that were proposed during the pilot study. The Companies Registrations Office (CRO) welcomed the suggestions for improvements on the Annual Return, stating that many of the simplification procedures identified were already underway. The CRO will introduce electronic filing for the B1 form in 2007, including pre-population of previous year's data. This will allow a soft copy to be saved and edited online and will also remove the need to acquire expensive software for submitting the form electronically. The CRO believe this initiative will substantially reduce the administrative burden identified by PwC and agreed to give due consideration to the remaining simplification measures suggested in the SCM pilots.

Conclusions and Options for Ireland

A number of key messages emerged during the review of the international experience of measuring and reducing administrative burdens:

- 1 There can be significant potential for reducing administrative burdens without compromising the integrity of regulation;**
- 2 Benefits accrue to business from a reduction in administrative burdens and to the public sector from increased process efficiency;**
- 3 For results to be achieved, sustained political commitment is essential; and**
- 4 The setting of a numerical target for a reduction in burdens over a clearly defined timeframe has been essential for the implementation of these complex programmes.**

In relation to the potential application of the SCM to reduce administrative burdens in Ireland, the BRF has identified a number of options. Below these options are dealt with in turn, outlining the advantages and disadvantages associated with each, based on the international evidence collected by the Forum.

Option 1 Adoption of SCM with full baseline measurement and targets

Follow the example of the Netherlands, Denmark, the Czech Republic, the UK, Germany and Austria and undertake a full scale baseline measurement of the administrative burdens of Government regulation on business.

Advantages

- European Commission estimates suggest a possible benefit to Ireland's GDP of between €1.5 billion and €2.1 billion based on the assumption of adopting a 25 percent reduction target;¹³
- Measurement provides clarity as to the real costs/burdens and allows Government Departments to allocate resources efficiently in targeting reduction efforts;
- The output from a baseline measurement is seen internationally as an efficient management tool for Government Departments; resulting in improved public sector efficiency;
- Measurement provides clear insights into the costs of regulation; makes policymakers more efficient at producing legislation with lower costs to business;
- Full scale measurement allows for clear targets to be set across all Government Departments and avoids time wasted arguing over priorities; and
- SCM Measurement is now a key component of the RIA process in the Netherlands and Denmark and provides greater clarity and rigour to cost estimates in impact assessments of new regulations.

Disadvantages

- The costs associated with undertaking a full baseline measurement across all areas of legislation can be substantial. In the UK, consultancy costs alone reached €27 million for measuring 20,000 information obligations. The costs of public sector involvement are also likely to be substantial. In Germany, 110 officials from the Federal Statistics Office have been allocated to work full-time on their baseline measurement;
- Based on international evidence, a full baseline measurement may take between 12-18 months to complete before any simplification plans for burden reduction can be drawn up; the baseline measurement is the means of identifying the most burdensome regulations;
- Public servants will have to be dedicated to this work, both for central co-ordination and in each substantive Government Department;
- Not all costs of regulation are measured by the SCM (financial and compliance costs are not considered); and
- The introduction of a new regulatory measurement tool in Ireland may conflict with the development of the RIA system across Government Departments.

¹³ *Measuring administrative costs and reducing administrative burdens in the European Union*, European Commission, November 2006.

Option 2 Adoption of a prioritised approach using SCM selectively

Follow the example of Sweden and Italy and apply the methodology to selected areas of legislation (e.g. tax, health and safety, environmental, company law, etc.) or particular sectors of the economy (e.g. construction, road freight, food industry).

Advantages

- This approach would involve fewer resources in terms of public sector involvement and consultancy fees;
- This approach presents the opportunity for Ireland to focus measurement and simplification on areas of regulation identified by national surveys and in other countries as the most burdensome (85 percent of the burdens in the UK were found in 6 Departments/Agencies); and
- Simplification plans could be developed in a shorter timescale (potentially less than 6 months).

Disadvantages

- Feedback from SCM experts in the Netherlands, Denmark and the UK suggests that they had little success reducing overall burdens without full scale quantification and target setting;
- This approach has the potential to miss out on some of the most burdensome regulations for business; results of the UK, Dutch and Danish measurements identified regulations that had significant burdens for business that were not apparent prior to measurement; and
- Time could be lost negotiating about which Government Departments and/or areas of regulation should be included in the prioritised approach.

Option 3 Administrative simplification without SCM measurement

This approach chooses not to measure the administrative burden of regulation using the SCM and focuses on pure simplification based on other sources of information. Simplification measures taken in other countries could possibly be applied to Ireland and another mechanism could possibly be developed for measuring reduction (e.g. reducing overall number of forms).

Advantages

- This approach avoids the cost, resource and time implications of SCM measurement; and
- Government resources are not diverted from other policy areas into measurement of administrative burdens.

Disadvantages

- This approach makes it difficult to set measurable reduction targets and ensure responsibility across Government Departments for burden reduction.
- International evidence suggests that countries have achieved little reduction in regulatory burdens in the absence of measurement and quantitative targets. Prior to introducing the SCM, Denmark experienced a 5.1 percent reduction in administrative burden between 2001 and 2005 from focusing on simplification. The Netherlands have managed to reduce administrative burdens using the SCM by almost 25 percent within the same timeframe (2003-2007).
- There is no guarantee that the administrative burdens and simplification measures identified in other countries would be applicable to Ireland.

Having considered the evidence set out in Chapter 2 and the discussion on the Standard Cost Model above, the Forum has concluded that a prioritised approach to administrative burden reduction is appropriate for Ireland. This will enable us to learn from the experience of other countries by targeting the most fruitful areas for burden reduction. A proposed approach is set out in Chapter 4.

4 BRF Conclusions

Regulation imposes a significant burden on business in Ireland. Other countries are taking steps to reduce the administrative burden of regulation and it is important for Ireland to participate in this process if we are to maintain our international competitiveness and improve productivity. The Forum recommends the following approach.

Proposed Approach for Reducing Administrative Burdens in Ireland

The potential benefits of a successful administrative burden reduction programme appear significant since the results of existing research in the Netherlands, Denmark and the UK suggest that administrative costs (and, probably, burdens) are a significant proportion of GNP. This means that a successful programme to reduce administrative burdens could make a notable contribution to improving productivity and economic performance. Moreover, a burden reduction programme is potentially a 'win-win' in the sense that all parts of the economy stand to benefit to some extent from the programme provided that the simplification options do not undermine the purpose of the regulation and costs are not shifted to the public sector. The growing active international interest in the agenda is further evidence of its significance.

Given the resource implications associated with undertaking a full baseline measurement exercise¹³, the BRF believes that a prioritised and selective approach is the most realistic way forward for Ireland. The evidence collected by the Forum during 2006 can be used to identify priority areas for reform. Ireland can also benefit from the experience of other countries without incurring the full costs and time delays experienced in undertaking a full baseline measurement of all Government regulations. Given the similarity of the legal and regulatory systems between Ireland and the UK, the results of the extensive measurement exercise recently completed in the UK should logically point to Government Departments and areas of regulation which offer the greatest potential for reducing administrative burdens. In this prioritised approach, a SCM-type methodology can be used primarily to measure reductions achieved rather than identifying the most burdensome areas.

The BRF believes that tackling the administrative burden of Government regulation in Ireland involves the following steps:

Identifying the Burdens

This can be achieved by utilising the following:

- In 2006, the BRF invited views, comments or submissions from individual consumers, companies, organisations and interest groups on how the regulatory regime in Ireland could be improved for business. Comments and evidence on the extent of regulation, the burden it imposes and the effects of that burden were sought, as well as views on what areas of regulation are currently imposing the largest avoidable and unnecessary burden on business. Forty submissions containing 316 recommendations were received and have been analysed and segmented by thematic areas of regulation (taxation, environment, etc.).
- Also in 2006, the Department of the Taoiseach commissioned the ESRI to undertake a survey to assess business attitudes to regulation in Ireland. This survey of over 800 small, medium and large businesses across a range of sectors, will help identify particular areas of business regulation that need to be examined in more detail.
- Independent Consultant Tom Ferris was commissioned to undertake a number of case studies on behalf of the BRF. These involved face to face interviews with companies of different sizes in a number of sectors with the intention of mapping the current regulatory landscape companies are currently facing in Ireland. Each of the case studies threw up a number of issues relating to regulatory burden.
- In 2006, The European Commission undertook a pilot study that included a review of the baseline measurements carried out in the Netherlands, Denmark, the UK and the Czech Republic. From this review, the Commission identified common areas of burden emerging from both European and national legislation across the four countries.
- The UK Administrative Burden Measurement Exercise (ABME) has recently been completed and 6 Departments/agencies have been identified as imposing 85 percent of the total administrative burden. Within each of these Departments/agencies, a small number of regulations (5-10) have been identified as causing the majority (70-80 percent) of the burden. Given the similarity of the legal and regulatory systems between Ireland and the UK, the results of this exercise potentially offer an indication of the Government Departments and areas of regulation to target as part of a burden reduction exercise in Ireland.

¹³ Consultancy fees range from 2 million euro (Denmark) to 27 million euro (The UK). In Germany, 110 officials have been dispatched on a full-time basis to implement the full-scale measurement.

Focus on Priority Areas

Based on the evidence gathered during 2006, the BRF recommends that the following 5 areas of regulation are selected for burden reduction:

- Taxation;
- Health & Safety;
- Statistical Requirements on Business;
- Environmental Legislation; and
- Employment & Company Law.

The following Departments/Agencies should be asked to participate in the burden reduction exercise:

- The Revenue Commissioners;
- The Department of Enterprise, Trade & Employment (including the Health & Safety Authority);
- Environmental Agencies; and
- The Central Statistics Office.

Resource Requirements

Burden reduction requires the participation of businesses on expert panels, particularly those people involved in filling out forms and making various returns. As a small country, it is essential to ensure that the most efficient use possible is made of the limited number of businesses available and willing to participate. A high degree of co-ordination and pre-planning of the regulations to be measured will be required so as to avoid asking businesses to participate more than once.

It will be necessary to allocate a small number of people full-time, both centrally and in the participating Government Departments and agencies, for the duration of the burden reduction programme, to co-ordinate measurement and simplification in each of the areas of regulation identified. These people will organise expert panels, liaise and co-ordinate with Government Departments/agencies and (possibly) work with consultants to carry out measurement of burden reduction. Legal experts may also be needed to work with officials in the Government Departments/agencies to draw out the information obligations/data requirements of each regulation being measured.

The individuals who are already involved in better regulation in the Government Departments should be tasked with this project. And in order to provide the necessary sense of priority, administrative burden reduction should be included in the Key Result Areas of the participating Government Departments and agencies. The principle of reducing the burden of regulation on business should be a central concern of these Government Departments.

An oversight mechanism will also be needed to ensure that progress is made during the course of the burden reduction programme.

It is important to understand the time commitment that such a process would require from business. The BRF believes that, while it can identify the main areas in which simplification will be most fruitful, it is only through detailed discussion and dialogue at Departmental level that ideas for successful simplification can arise. It is essential that real progress be made at this level and that the time and effort invested in the process by private sector participants is rewarded with speedy change and improvements.

The key difference to the process outlined above compared to that used in other countries is its prioritised nature and the exclusive use of expert panels to assess cost, rather than more expensive telephone interviews or surveys.

Target

The BRF considers that the adoption of a numerical target is essential to ensure progress in terms of burden reduction. Once cost estimates are derived following the expert panels, a target for reduction should then be set. This target should be distributed among those Government Departments/agencies selected for burden reduction. International experience suggests that a 25 percent reduction of administrative burdens is achievable. International experience also suggests that unless there is high level political commitment to the burden reduction programme, it will fail.

The adoption by Government of a numerical target is important in sustaining the degree of political commitment required. The UK recently completed a full scale measurement exercise using the SCM and has estimated the total administrative burden at £13.7 billion on an annual basis for all Departments apart from HMRC (Revenue and Customs); the HMRC figure is £5.1 billion, taking the overall total to £18.8 billion annually, or just over 1.5 percent of GDP (£1,225 billion in 2005). From this figure, the UK plans to reduce the administrative burden on business by 25 percent annually by 2010.

Across Europe, the accepted target figure that most countries who are adopting a target are aiming for is 25 percent. The European Commission has also set this as a target for reducing the burden of European regulation and is recommending that member states adopt comparable targets by late 2008.

If Ireland were to adopt **a competitive administrative burden reduction target of 25 percent**, it would work out at approximately **€500 million** annually (25 percent of 1.5 percent of €136 billion GNP), estimating the administrative burden of regulation to be similar to that calculated in the UK (1.5 percent of GDP). This is a measure of the potential benefit to business. It is important to note that the UK is ranked ahead of Ireland by the World Bank for Ease of Doing Business.

In line with international timelines, this reduction should be achieved by 2012.

The administrative costs arising from the introduction of new regulations should also be taken into account. The incremental cost of new regulations should be captured in the RIA process using the SCM methodology, and the RIA Guidelines should be amended to reflect this. Every Government Department producing new or revised legislation should be required to seek the lowest administrative cost option and set out its calculations in the RIA document demonstrating how it has arrived at this result.

It is important to recognise that some Departments/agencies have already taken significant steps to cutting administrative burdens in recent years. In light of this, the European Commission has recommended *“that the target be set with respect to the level of administrative burdens prevailing during 2004 – thereby ensuring that the Community and Member States are credited for action that has already been taken.”*¹⁴

Summary

Steps to Administrative Burden Reduction in Ireland

- 1 Based on the evidence collected during 2006, the BRF believe that a burden reduction programme in Ireland should focus on the following 5 areas of regulation:
 - Taxation;
 - Health & Safety;
 - Statistical Requirements on Business;
 - Environmental Legislation; and
 - Employment & Company Law.
- 2 Expert panels should be established by the relevant Government Departments and agencies to identify the most burdensome regulations impacting on business in their area. The burden involved in dealing with the information obligations of each regulation should be measured using the Standard Cost Model (SCM) and solutions for simplification should be identified.
- 3 A target for administrative burden reduction should be set. Simplification and measurement should proceed iteratively with further shortlists of regulations, identified by business, until the national target has been met.
- 4 In line with recommendations from the European Commission, simplification that has been achieved since 2004 should be captured as part of the overall national target. This progress should also be measured using expert panels.

¹⁴ Action Programme for Reducing Administrative Burdens in the European Union, European Commission 2006.

Appendix I BRF Members

- Dr. Donal de Buitléir, Chairman
- Dr. Diarmuid Bradley, Institute of Bankers in Ireland
- Mr. Andy Cullen, Department of Transport
- Ms. Marie Daly, IBEC
- Mr. Pat Delaney, IBEC
- Mr. Gearóid Doyle, Kinsale Capital
- Professor Irene Lynch Fannon, Department of Law, UCC
- Mr. Pat Farrell, Irish Bankers' Federation
- Mr. Mark Fielding, ISME
- Mr. Eugene Forde, Department of Enterprise, Trade and Employment
- Dr. Eoin Gahan, Forfás
- Mr. Maurice Healy, Healy Group and President of IBEC
- Mr. Trevor Holmes, Intel Ireland Ltd.
- Mr. Declan Hughes, Forfás
- Mr. Liam Irwin, Revenue Commissioners
- Mr. Dermot Jewell, Consumers' Association of Ireland
- Mr. Philip Kelly, Department of the Taoiseach
- Mr. Eamonn Molloy, Department of Communications, Marine and Natural Resources
- Ms. Breda Power, Department of Enterprise, Trade and Employment
- Senator Feargal Quinn, Seanad Éireann
- Ms. Imelda Reynolds, Beauchamp Solicitors
- Ms. Miriam Ryan, Dublin Airport Authority
- Dr. John Thompson, Department of Finance

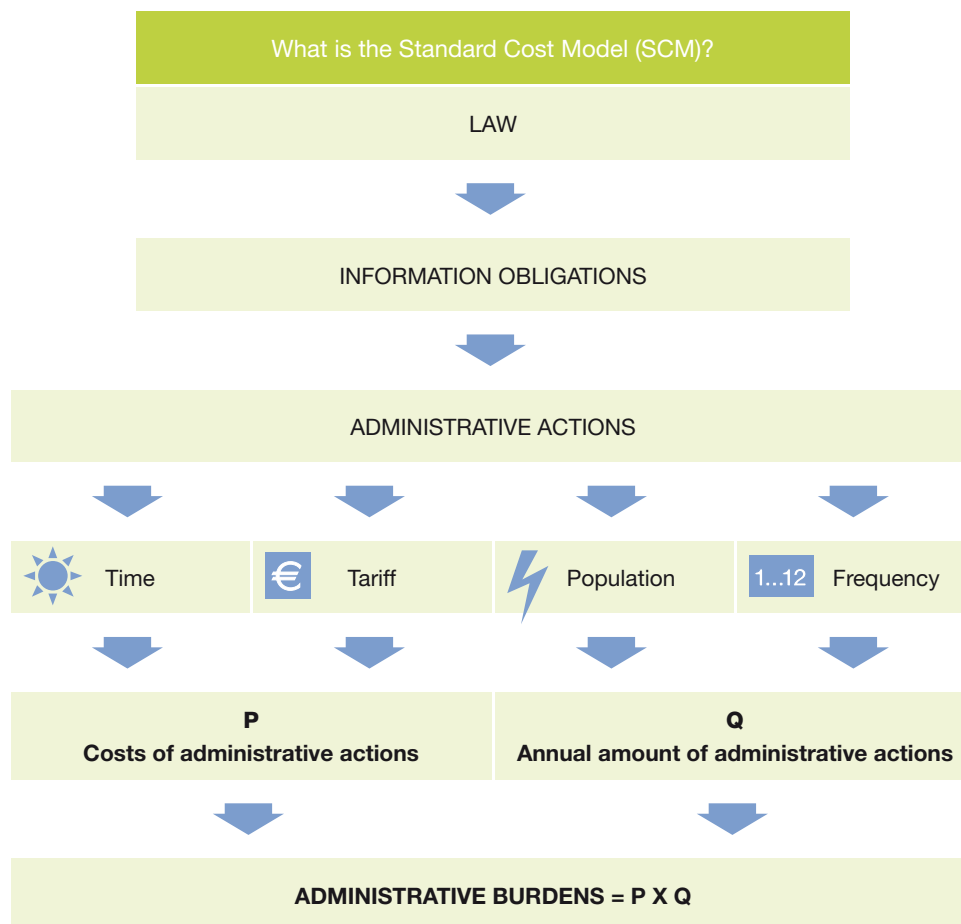
Note: three of the original members of the Forum were replaced during 2006: Ronald Long of the Department of Enterprise, Trade and Employment was replaced by Breda Power; Pat Nolan of the Department of Enterprise, Trade and Employment was replaced by Eugene Forde; and Andrew McDowell of Forfás was replaced by Declan Hughes.

Appendix II Submissions to the BRF

- Association of Chartered Certified Accountants
- Association of Consulting Engineers of Ireland
- Chambers Ireland
- Commission for Energy Regulation
- Construction Industry Regulation
- Darina Allen, Ballymaloe Cookery School
- Department of Economics, UCC
- Dublin Airport Authority
- Ed Hick
- Environmental Protection Agency
- Fáilte Ireland
- Financial Regulator
- Fitzpatrick Associates
- Greenstar
- IBEC
- Institute of Certified Public Accountants in Ireland
- Irish Auctioneers and Valuers Institute
- Irish Bankers Federation
- Irish Charities Postal Users Forum
- Irish Medical Devices Association
- Irish Small and Medium Enterprises Association Ltd
- Irish Software Association
- Irish Tourist Industry Confederation
- Irish Waste Management Association
- Matt Moran, IBEC
- National Consumer Agency
- ODCE

- Office of the Ombudsman
- PJ Corry
- Professional Insurance Brokers Association
- Revenue Commissioners
- RGDATA
- Roscommon County Enterprise Board
- RTÉ Network Ltd
- Small Firms Association
- The Competition Authority
- The Institute of Chartered Accountants in Ireland
- The Taste Council of Ireland
- Tom Ferris
- Tony Daly
- Ulster Bank

Appendix III The Standard Cost Model (SCM) Process



The Standard Cost Model takes a particular piece of legislation and identifies all the associated **Information Obligations** (IOs). These are the obligations arising from regulation to provide information and data to the public sector or third parties. An IO does not necessarily mean that information has to be transferred to the public authority or private persons, but may include a duty to have information available for inspection or supply on request. A regulation may contain many information obligations. To comply with each IO, a number of specific **administrative actions** must be undertaken. The SCM estimates the cost of completing each of these actions using the following cost parameters:

- Price: consisting of a tariff, wage costs plus overhead for administrative activities done internally or hourly costs for external services;
- Time: the amount of time required to complete the administrative activity; and
- Quantity: comprising the size of the population of businesses affected by the regulation and the frequency that the activity must be carried out each year.

Combining all these elements gives the basic SCM formula:

Cost per administrative activity = Price (time x tariff) x Quantity (population x frequency)

Example

An administrative action (e.g. business filling out an annual return) takes 3 hours to complete (time) and the hourly costs of the member of staff in the business completing it is €10 (tariff). The price is therefore $3 \times 10 = €30$. If this requirement applies to 100,000 businesses (population) who each have to comply 2 times a year (frequency), the Quantity would be 200,000. Hence the total administrative cost on business of complying with the regulation would be $200,000 \times 30 = €6,000,000$.

Appendix IV International Experience with the SCM

The Netherlands

In the Netherlands, the reduction of regulatory costs represents one of the Government's top three priorities to improve the national economic structure. In 2003, the Netherlands pioneered the application of the SCM to carry out a full baseline measurement of the administrative costs on business from Government regulation. This exercise, which calculated the total costs on business as being €16.4 billion (3.6 percent of the Dutch GDP), formed the starting point for the operation of the Dutch Cabinet to reduce the total administrative costs on businesses by 25 percent between 2003-2007.

Measuring and setting the reduction target were two of the three essential aspects of the Dutch approach to reducing regulatory cost. Neither of these would have worked without an organisational structure to incentivise achievement of the target. The Dutch approach requires political commitment at the highest level in order to drive delivery of the target. Additionally, the Government set up an organisational structure to oversee the process.

The Dutch Minister of Finance takes responsibility for achieving the administrative cost reduction target and delivers a progress report to Parliament every six months. He monitors the reduction programme progress via the annual budgetary cycle and censors the performances of other ministers. The Ministry of Finance co-ordinates the reduction programme with a cross departmental team – the Inter-Ministerial Project Unit for Administrative Burdens (IPAL) – in co-operation with the Ministry of Economic Affairs.

Small satellite units of civil servants dedicated to the reduction programme were set up in each Ministry. Joint commissions of senior civil servants and business representatives were also established to scrutinise administrative reduction proposals.

The Government also set up ACTAL (Dutch Advisory Board on Regulatory Burden), whose main task is to propose initiatives for administrative simplification of regulation. Government departments are obliged to send ACTAL details of all new legislative proposals, including a calculation of its administrative cost. ACTAL reviews the administrative cost calculation before the proposed legislation is sent to the Dutch Cabinet and Parliament. ACTAL also evaluates the administrative cost reduction programmes that all departments are obliged to present annually to Parliament and makes its evaluation public. The Dutch Cabinet considers ACTAL's comments when deciding whether to endorse a new piece of legislation. If they approve the new legislation, ACTAL comments are made available to the Dutch Parliament when it debates the bill.

Since 2003, the Dutch Government have managed to reduce the administrative costs of regulation on business by 19 percent and are on course to meet their 25 percent reduction during 2007.

In March 2007, the Dutch committed to a further 25 percent target for administrative cost reduction, to be achieved by 2012.

Denmark

Regulatory reform has been on the agenda in Denmark for decades, but in 1993 the reform programme was re-launched. Since then much has been achieved and today Denmark is among the leading countries within the OECD in important areas of reform. The Danish regulatory reforms are closely linked to a broad array of efforts to improve the efficiency and effectiveness of the public sector. Denmark's regulatory programme has important political and institutional backing. A major part of the regulatory quality improvement programme has been devoted to areas of legislative simplification and particularly the reduction of administrative costs.

In August 2004, following a number of pilots using the SCM, Denmark initiated a full scale SCM measurement. This exercise, which was completed by March 2006, estimated the total administrative costs of regulation on businesses as being €4.33 billion, equivalent to 2.2 percent of GDP.

Calculations across each Ministry typically showed that 90 percent of the costs were found in 10 particular pieces of regulation. The consultancy costs of undertaking the full scale measurement was €2 million with three consultancy firms each employing five to six people on a full-time basis.

A central co-ordinating unit of eight project managers drawn from the Ministries for Finance and Economic & Business Affairs was established to work with one co-ordinator and a number of legislative experts in each participating Ministry. The Danish Government has set a cost reduction target of 25 percent by 2010 and simplification programmes are currently being prepared across Ministries. These simplification programmes are expected to focus on the 10 most costly regulations within the 7 Ministries responsible for the majority of business regulations.

Without the full baseline measurement, the Danish Government would have been unable to identify these priorities. A *Regulation Committee* made up of 4 Permanent Secretaries has been established to oversee the simplification process and screen new regulation proposals.

The UK

The UK Government has recently embarked on a programme to reduce administrative burdens and simplify regulations for businesses, charities, voluntary organisations, and public sector frontline staff. This process was initiated at Budget 2005 when the Chancellor of the Exchequer, Gordon Brown, announced a radical reform package to reduce the burden of regulation. Key to the reform is an exercise to measure the administrative burden imposed on stakeholders, and the development of departmental simplification plans to reduce that burden and simplify regulations.

The UK is the biggest EU country so far to call on Government Departments to measure their administrative burdens and develop simplification programmes at the same time within very tight timescales. The exercise was initiated in September 2005 and completed in July 2006. The results of the Administrative Burdens Measurement Exercise (ABME) were released in December and the Prime Minister unveiled a Government-wide action plan that identified 500+ measures for significantly reducing red tape on businesses, the voluntary sector and the public sector.

The measurement exercise concluded that the annual administrative burden at May 2005 (the baseline for the exercise) was £13.7 billion. This does not include the administrative burdens associated with taxation, as these were measured separately by the Financial Services Authority and HM Revenue and Customs earlier in 2006.

Following burden measurement and burden identification using the SCM, 19 UK Government Departments and Agencies have released a first phase of detailed simplifications plans aimed at cutting the administrative burdens of regulation by 25 percent by 2010, saving businesses and the voluntary sector over £2 billion on an annual basis. The plans also contain regulatory burden savings for the public sector worth £1.6 billion annually by 2010. Subsequent plans will raise the overall benefit to businesses and the voluntary sector to almost £4 billion by 2010.

Other International SCM Developments

In autumn 2003 a number of European countries formed the International SCM Network, committed to using the same methodological approach when measuring and tackling administrative burdens. The network originally consisted of Denmark, the Netherlands, Norway, Sweden and the UK. The aim of this network is to work together and develop the SCM further. This led to the publication of the manual *"The Standard Cost Model; A framework for defining and quantifying administrative burdens for businesses"*. The publication of this manual led to a sharp increase in the number of countries becoming interested in the SCM.

Following significant developments in minimising administrative costs in the Netherlands, the topic of reducing business red tape has emerged on the political agenda of many countries. Since the establishment of the network Denmark, the UK, and the Czech Republic have chosen to adopt the SCM on a full scale level and have developed similar reduction targets.

The Czech Republic carried out a full scale SCM measurement between March 2005 and September 2005. The results of this exercise were published in February 2006 and a reduction target of 20 percent is expected to be achieved by 2010. Parliamentary elections in June 2006 delayed the preparation of detailed simplification plans; however the Government is expected to focus their reduction efforts on the 5 Ministries which are causing 81 percent of the burden.

Germany launched their *Programme for the Reduction of Bureaucracy and Better Regulation* in April 2006 and has committed to undertake a full SCM measurement during 2007. Also in April 2006, the Austrian Government committed to a full SCM measurement by June 2007 and has set a 25 percent reduction target by 2010.

Having initially pursued prioritised simplification, Norway has now announced a new project entitled "Measuring & Simplification 2006-2009".

Sweden and Italy have taken a more prioritised approach and are applying the SCM to particular policy areas and/or particular pieces of legislation. Finland, Estonia, Poland, Hungary and France have initiated a number of pilot SCM measurements in areas such as VAT, business permits and transport.

Belgium (Flanders) have focused their efforts on direct simplification of existing regulation and use the SCM to measure the administrative burden of all new regulation. They introduced the 'Compensation Rule' in 2005 which stipulates that any new administrative burdens introduced as a result of a Government decision must be counterbalanced by at least an equal reduction of existing administrative burdens.

The International SCM network is continuing to expand and the BRF secretariat has participated in the forum since May 2006.

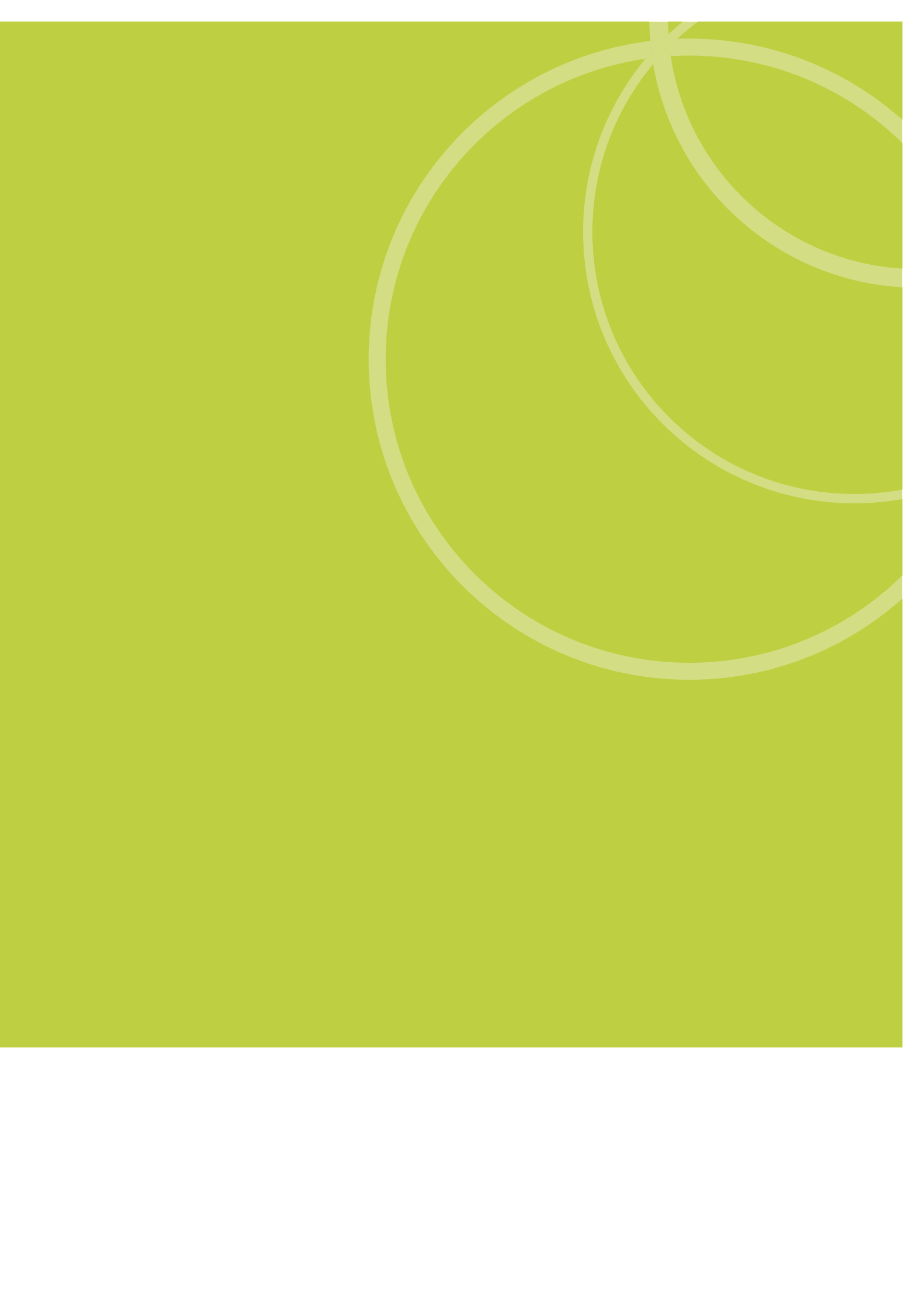
A major part of the administrative burdens that EU member states experience originates in Brussels. This implies that minimising administrative burdens should take place both at the national and EU level. The European Commission has committed to minimising the overall administrative costs imposed on business and citizens by EU legislation. In its March 2005 *Communication on Better Regulation for Growth and Jobs*, the Commission announced its intention to explore the possibility of developing a common approach for assessing administrative burdens associated with existing and proposed community legislation.

In October 2005, the Commission launched a three-year rolling simplification programme with around 100 initiatives affecting over 1400 legal acts. A further 43 have recently been added to the programme for 2007. These cover the full range of policy sectors, including agriculture, company law and statistics, which are major irritants to stakeholders. In November 2006, the Commission called upon the Council to support a target to reduce administrative burdens in the EU by 25 percent by 2012 and this proposal was endorsed at the Spring European Council in March 2007. The Commission is encouraging member states to participate as fully as possible by working on domestic burdens in parallel.

The OECD is also analysing administrative burden measurement and has approached the issue from a comparative angle through the Red Tape Scoreboard project (RTS). They have taken a sectoral approach and are using the SCM to measure the administrative burdens in the road freight sector. 13 OECD countries have signed up to this project and are assisting in measuring the information obligations in order to form the basis for cross-country comparisons and further analysis.









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